



MINISTRY OF FINANCE

**Public
Accounts
of
ONTARIO**

2009–2010

FINANCIAL STATEMENTS OF
GOVERNMENT ORGANIZATIONS

Volume **2a**



MINISTRY OF FINANCE

**Public
Accounts
of
ONTARIO**

2009–2010

FINANCIAL STATEMENTS OF
GOVERNMENT ORGANIZATIONS

Volume **2a**

TABLE OF CONTENTS

	Page
General	
Guide to Public Accounts	v
 FINANCIAL STATEMENTS	
 Volume 2a	
 Section 1 – Government Organizations	
AgriCorp	March 31, 2010 1-1
Agricultural Research Institute of Ontario	March 31, 2010 1-19
Cancer Care Ontario	March 31, 2010 1-29
Education Quality and Accountability Office	March 31, 2010 1-45
eHealth Ontario	March 31, 2010 1-57
Independent Electricity System Operator	December 31, 2009 1-69
Legal Aid Ontario	March 31, 2010 1-89
Local Health Integration Network – Central	March 31, 2010 1-109
Local Health Integration Network – Central East	March 31, 2010 1-125
Local Health Integration Network – Central West	March 31, 2010 1-139
Local Health Integration Network – Champlain	March 31, 2010 1-155
Local Health Integration Network – Erie St. Clair	March 31, 2010 1-171
Local Health Integration Network – Hamilton Niagara Haldimand Brant	March 31, 2010 1-185
Local Health Integration Network – Mississauga Halton	March 31, 2010 1-201
Local Health Integration Network – North East	March 31, 2010 1-215
Local Health Integration Network – North Simcoe Muskoka	March 31, 2010 1-229
Local Health Integration Network – North West	March 31, 2010 1-247
Local Health Integration Network – South East	March 31, 2010 1-263
Local Health Integration Network – South West	March 31, 2010 1-279
Local Health Integration Network – Toronto Central	March 31, 2010 1-293
Local Health Integration Network – Waterloo Wellington	March 31, 2010 1-313
Metrolinx*	March 31, 2010 1-329
Metropolitan Toronto Convention Centre Corporation	March 31, 2010 1-349
Northern Ontario Heritage Fund Corporation	March 31, 2010 1-365
Ontario Agency for Health Protection & Promotion	March 31, 2010 1-377
Ontario Capital Growth Corporation	March 31, 2010 1-393
Ontario Educational Communications Authority (TVO)	March 31, 2010 1-407
Ontario Electricity Financial Corporation	March 31, 2010 1-425
Ontario Energy Board	March 31, 2010 1-441
Ontario Financing Authority	March 31, 2010 1-453
Ontario French-language Educational Communications Authority	March 31, 2010 1-465
Ontario Immigrant Investor Corporation	March 31, 2010 1-485
Ontario Infrastructure Projects Corporation	March 31, 2010 1-493
Ontario Mortgage and Housing Corporation	March 31, 2010 1-509

Government Organizations continued in Volume 2b

* Effective May 14, 2009 the Greater Toronto Transit Authority was dissolved and all of its assets, liabilities, rights and obligations have been transferred to Metrolinx.

**RESPONSIBLE MINISTRY FOR GOVERNMENT BUSINESS ENTERPRISES,
ORGANIZATIONS, TRUSTS & MISCELLANEOUS FINANCIAL STATEMENTS**

Ministry of Agriculture, Food and Rural Affairs
AgriCorp
Agricultural Research Institute of Ontario

Ministry of Attorney General
Legal Aid Ontario
The Public Guardian and Trustee for the Province of Ontario

Ministry of Culture
Ontario Science Centre
Ontario Trillium Foundation
Royal Ontario Museum

Ministry of International Trade and Investment
Ontario Immigrant Investor Corporation

Ministry of Education
Education Quality and Accountability Office
Ontario Educational Communications Authority (TVO)
Ontario French-language Educational Communications Authority

Ministry of Energy and Infrastructure
Hydro One Inc.
Independent Electricity System Operator
Ontario Energy Board
Ontario Infrastructure Projects Corporation
Ontario Power Authority
Ontario Power Generation Inc.
Ontario Racing Commission
Ontario Realty Corporation
Toronto Waterfront Revitalization Corporation

Ministry of Environment
Ontario Clean Water Agency

Ministry of Finance
Deposit Insurance Corporation of Ontario
Liquor Control Board of Ontario
Losses deleted from the accounts
Motor Vehicle Accident Claims Fund
Ontario Electricity Financial Corporation
Ontario Financing Authority
Ontario Lottery and Gaming Corporation
Ontario Securities Commission
Pension Benefits Guarantee Fund
Provincial Judges Pension Fund
Revenue remissions

Ministry of Government Services
Ontario Pension Board

**RESPONSIBLE MINISTRY FOR GOVERNMENT BUSINESS ENTERPRISES,
ORGANIZATIONS, TRUSTS & MISCELLANEOUS FINANCIAL STATEMENTS**

Ministry of Health and Long-Term Care

- Cancer Care Ontario
- eHealth Ontario
- Local Health Integration Network – Central
- Local Health Integration Network – Central East
- Local Health Integration Network – Central West
- Local Health Integration Network – Champlain
- Local Health Integration Network – Erie St. Clair
- Local Health Integration Network – Hamilton Niagara Haldimand Brant
- Local Health Integration Network – Mississauga Halton
- Local Health Integration Network – North East
- Local Health Integration Network – North Simcoe Muskoka
- Local Health Integration Network – North West
- Local Health Integration Network – South East
- Local Health Integration Network – South West
- Local Health Integration Network – Toronto Central
- Local Health Integration Network – Waterloo Wellington
- Ontario Agency for Health Protection & Promotion
- Ornge

Ministry of Labour

- Workplace Safety and Insurance Board

Ministry of Municipal Affairs and Housing

- Ontario Mortgage and Housing Corporation

Ministry of Natural Resources

- Algonquin Forestry Authority

Ministry of Northern Development and Mines

- Northern Ontario Heritage Fund Corporation
- Ontario Northland Transportation Commission

Ministry of Research and Innovation

- Ontario Capital Growth Corporation

Ministry of Tourism

- Metropolitan Toronto Convention Centre Corporation
- Niagara Parks Commission
- Ontario Place Corporation
- Ontario Tourism Marketing Partnership Corporation

Ministry of Transportation

- Metrolinx
- Toronto Area Transit Operating Authority

A GUIDE TO PUBLIC ACCOUNTS

1. SCOPE OF THE PUBLIC ACCOUNTS

The 2009-2010 Public Accounts of the Province of Ontario comprise the **Annual Report and Consolidated Financial Statements** and three volumes:

Volume 1 contains ministry statements and detailed schedules of debt and other items. The ministry statements reflect the financial activities of the government's ministries on the accrual basis of accounting, providing a comparison of appropriations with actual spending. Ministry expenses include all expenses that are subject to appropriation approved by the Legislative Assembly, but exclude adjustments arising from consolidation of government organizations whose expenses are not appropriated.

Volume 2 contains the financial statements of Government Organizations and Business Enterprises that are part of the government's reporting entity and other miscellaneous financial statements.

Volume 3 contains detailed schedules of payments made by ministries to vendors and transfer payment recipients.

2. A GUIDE TO VOLUME 2 OF THE PUBLIC ACCOUNTS

The financial statements of the selected crown corporations, boards and commissions are for fiscal periods ending within the Province's own fiscal period April 1, 2009 to March 31, 2010. They are presented in the same detail as the approved, audited financial statements and as nearly as possible in the same form. The statements have been presented in the order shown in the Table of Contents. In addition, a listing is provided which groups the crown corporations, boards and commissions by ministerial responsibility.

GOVERNMENT ORGANIZATIONS

AGRICORP

Management's Responsibility for Financial Reporting

The accompanying financial statements and the financial information in the annual report have been prepared by management. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Management is responsible for the accuracy, integrity, and objectivity of the information contained in the financial statements. Financial information contained elsewhere in the annual report is consistent with that contained in the financial statements.

The financial statements include some amounts, such as provision for claims, that are necessarily based on management's best estimates and have been made using careful judgement.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and proper records are maintained. The systems include formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The Board of Directors is responsible for ensuring management fulfills its responsibilities for financial reporting and internal control. The Board meets regularly to oversee the financial activities of the Agency and annually reviews the financial statements.

The financial statements have been examined independently by the office of the Auditor General on behalf of the Legislature and the Board of Directors. The Auditor's Report outlines the scope of their examination and expresses their opinion on the financial statements of the company.



Randy Jackiw
Chief Executive Officer



Erich Beifuss
Chief Financial Officer



Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Auditor's Report

To AgriCorp
and to the Minister of Agriculture, Food and Rural Affairs

I have audited the balance sheet of AgriCorp as at March 31, 2010 and the statements of operations and fund balances, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Box 105, 15th Floor
20 Dundas Street West
Toronto, Ontario
M5G 2G2
416-327-2381
fax 416-326-3812

B.P. 105, 15^e étage
20, rue Dundas ouest
Toronto (Ontario)
M5G 2G2
416-327-2381
télécopieur 416-326-3812
www.auditor.on.ca

Toronto, Ontario
May 28, 2010

Gary R. Peall, CA
Deputy Auditor General
Licensed Public Accountant

AGRICORP**Balance Sheet****As at March 31, 2010**

(\$ thousands)

	<u>General Fund</u>	<u>Production Insurance</u>	<u>2010</u>	<u>2009</u>
Assets				
Cash	1,778	769	2,547	2,058
Investments (note 6)	2,472	519,640	522,112	456,516
Accounts receivable (note 5)	8,184	2,641	10,825	19,356
Funds under administration (note 4)	38,459	-	38,459	48,458
Prepaid expenses	4,316	-	4,316	849
Capital assets (note 7)	<u>1,667</u>	<u>-</u>	<u>1,667</u>	<u>2,057</u>
Total Assets	<u>56,876</u>	<u>523,050</u>	<u>579,926</u>	<u>529,294</u>
Liabilities & Fund Balance				
Accounts payable and accrued liabilities	5,554	770	6,324	9,156
Unearned premiums and revenue (note 10)	5,170	15,832	21,002	30,221
Provision for claims	-	14,963	14,963	11,860
Funds under administration (note 4)	<u>38,459</u>	<u>-</u>	<u>38,459</u>	<u>48,458</u>
Total Liabilities	49,183	31,565	80,748	99,695
Fund Balances	<u>7,693</u>	<u>491,485</u>	<u>499,178</u>	<u>429,599</u>
Total Liabilities & Fund Balances	<u>56,876</u>	<u>523,050</u>	<u>579,926</u>	<u>529,294</u>
Commitments and contingencies (note 13)				

Approved on Behalf of the Board


Larry Skinner, Chair



Randy Jackiw, Chief Executive Officer

See accompanying notes to financial statements

AGRICORP

Statement of Operations and Fund Balances

For the Year Ended March 31, 2010

(\$ thousands)

	<u>General Fund</u>	<u>Production Insurance</u>	<u>2010</u>	<u>2009</u>
Revenue				
Operating funding - Ontario and Canada (note 9)	38,618	-	38,618	39,571
Premiums from producers	-	58,875	58,875	56,137
Funding - Ontario and Canada	-	89,312	89,312	85,454
Sales, consulting and other services	7,396	-	7,396	7,837
Investment income (loss)	(14)	14,260	14,246	15,139
Total Revenue	<u>46,000</u>	<u>162,447</u>	<u>208,447</u>	<u>204,138</u>
Expenses				
Claims	-	68,199	68,199	53,052
Reinsurance (note 11)	-	19,514	19,514	19,260
Administration	46,065	-	46,065	47,579
Bad debts	-	13	13	473
Total Expenses	<u>46,065</u>	<u>87,726</u>	<u>133,791</u>	<u>120,364</u>
Excess (deficiency) of revenue over expenses	(65)	74,721	74,656	83,774
Change in fair value of assets classified as available for sale	-	(5,077)	(5,077)	12,824
Fund balance, beginning of year	<u>7,758</u>	<u>421,841</u>	<u>429,599</u>	<u>333,001</u>
Fund Balance, end of year	<u>7,693</u>	<u>491,485</u>	<u>499,178</u>	<u>429,599</u>

See accompanying notes to financial statements

AGRICORP**Statement of Cash Flows****For the Year Ended March 31, 2010**

(\$ thousands)

	<u>General Fund</u>	<u>Production Insurance</u>	<u>2010</u>	<u>2009</u>
Cash provided by operating activities:				
Excess (deficiency) of revenue over expenses	(65)	74,721	74,656	83,774
Item not requiring an outlay of cash:				
Amortization of capital assets	<u>1,376</u>	<u> </u>	<u>1,376</u>	<u>2,206</u>
	1,311	74,721	76,032	85,980
Changes in non-cash working capital:				
Net change in accounts receivable	7,066	1,465	8,531	288
Net change in prepaid expenses	(3,467)	-	(3,467)	(682)
Net change in accounts payable and accrued liabilities	(628)	(2,204)	(2,832)	175
Net change in unearned premiums and revenue	(2,200)	(7,019)	(9,219)	1,164
Net change in provision for claims	<u>-</u>	<u>3,103</u>	<u>3,103</u>	<u>6,098</u>
	<u>771</u>	<u>(4,655)</u>	<u>(3,884)</u>	<u>7,043</u>
Net cash provided by operating activities	2,082	70,066	72,148	93,023
Cash flows from financing activities				
Increase in investments	(972)	(69,701)	(70,673)	(91,385)
Cash flows used in investing activities				
Purchase of capital assets	<u>(986)</u>	<u>-</u>	<u>(986)</u>	<u>(468)</u>
Net increase in cash	124	365	489	1,170
Net cash, beginning of year	<u>1,654</u>	<u>404</u>	<u>2,058</u>	<u>888</u>
Net cash, end of year	<u><u>1,778</u></u>	<u><u>769</u></u>	<u><u>2,547</u></u>	<u><u>2,058</u></u>

See accompanying notes to financial statements

AGRICORP

Notes to the Financial Statements

March 31, 2010

1. NATURE OF OPERATIONS

The AgriCorp Act, 1996 established AgriCorp ("the Corporation") as a corporation without share capital. It was established as an Ontario Crown agency on January 1, 1997. Its mandate is to deliver agricultural safety net plans and services to the farm, food, and rural sectors of Ontario. These initiatives can be segregated into two: a Non-entitlement Program - Production Insurance ("PI"), and Entitlement Programs which are administered by the Corporation on behalf of the Ontario Ministry of Agriculture, Food and Rural Affairs ("OMAFRA").

Non-entitlement Program

PI was established in 1966 and currently operates pursuant to the Crop Insurance Act (Ontario), 1996. For all major crops grown in Ontario, PI provides insured growers with financial protection against yield reduction caused by natural perils.

Entitlement Programs

AgriStability, Ontario Risk Management Program ("RMP") and Orchards and Vineyards Transition Program ("OVTP") are current examples of Entitlement Programs. These programs, as detailed under note 4, are administered by the Corporation on behalf of OMAFRA, the Federal Government, or other organizations. The rules regarding payments to clients are determined by the programs and in formal agreements with the Corporation. The funds paid out under these programs flow from either Ontario or Canada or both through the Corporation to qualified applicants.

Other

The Corporation is responsible for the delivery of the Farm Business Registration Program ("FBR") established under the Farm Registration and Farm Organizations Funding Act, 1993 ("FRFA"). Under an agreement with OMAFRA, the Corporation administers FBR with the primary obligations of registering farm businesses, collecting registration fees, and forwarding the fees net of an administration charge to Ontario's accredited General Farm Organizations ("GFO").

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements of the Corporation have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP"). These financial statements are, in management's opinion, properly prepared within reasonable limits of materiality, statutory requirements and the framework outlined below.

The Corporation uses fund accounting whereby the activities in each program are accounted for in separate funds. The General Fund is used to account for all administrative costs and revenues, as well as for all un-segregated activities.

(b) Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization is provided using the straight-line method over the estimated useful life of assets as follows:

Furniture and fixtures	4 years
Computer hardware	3 years
Computer software	2 years
Leasehold improvements	5 years

AGRICORP

Notes to the Financial Statements

March 31, 2010

(c) Pension Plan

The Corporation sponsors a contributory defined benefit registered pension plan for all full-time employees. The Corporation contributes to the plan based on employee contributions and a factor determined by the plan's independent actuary. The cost of pension benefits for the defined benefit plan is determined by an independent actuary using the projected benefit method prorated on service and management's best estimates of expected plan investment performance, salary escalation, and retirement ages of employees. Pension plan assets are valued using current fair values and any actuarial adjustments are amortized on a straight-line basis over the average remaining service life of the employee group.

(d) Financial Instruments

The Corporation's financial instruments consist of cash, short-term investments, long-term investments, accounts receivable, accounts payable and accrued liabilities, and a provision for claims. Under GAAP, financial instruments are classified into one of five categories: available-for-sale, held-for-trading, held-to-maturity, loans and receivables, and other financial instruments. The Corporation classifies its financial assets and liabilities as follows:

- The Corporation has classified cash and short-term investments as held-for-trading which are measured at fair value. Held-for-trading financial instruments are carried at fair value with changes in the fair value reported in earnings.
- Long-term investments in bonds and debentures are classified either as available-for-sale or held-for-trading and their fair value is determined using quoted market bid prices. Held-for-trading bonds and debentures are recorded at fair value with realized gains and losses on sale and changes in the fair value of these bonds recorded in net investment income in the statement of operations. Available-for-sale bonds and debentures are recorded at fair value with changes in the fair value of these bonds recorded in unrealized gains and losses booked as a charge to net assets. Realized gains and losses on sale are reclassified from net assets and recorded in net investment income in the statement of operations.
- Accounts receivable are classified as loans and receivables, which are measured at amortized cost.
- Accounts payable and accrued liabilities, and provision for claims are classified as other financial liabilities, which are measured at amortized cost.
- The Corporation has elected to use trade date accounting for regular-way purchases and sales of financial assets.

(e) Revenue Recognition

Premium revenues are recognized in the year in which the related crops are harvested.

AGRICORP

Notes to the Financial Statements

March 31, 2010

(f) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include the carrying amount of accounts receivable, capital assets, accounts payable and accrued liabilities, unearned premiums and revenue, provision for claims and the employee future benefit asset. Actual results could differ from those estimates.

3. CHANGE IN ACCOUNTING POLICY

Effective April 1, 2009, the Corporation adopted the following Canadian Institute of Chartered Accountants' ("CICA") presentation and disclosure standards:

(a) Amendments to accounting standards that apply only to not-for-profit organizations:

Effective April 1, 2009, the Corporation adopted the CICA amendments to the 4400 Sections of the Handbook. These amendments eliminate the requirement to show net assets invested in capital assets as a separate component of net assets, clarify the requirement for revenue and expenses to be presented on a gross basis when the not-for-profit organization is acting as principal and require a statement of cash flow. Adoption of these recommendations had no significant impact on the financial statements for the year ended March 31, 2010.

(b) Amendments to CICA Handbook Section 1000 Financial Statement Concepts:

These amendments clarified the criteria for recognition of an asset or liability, removing the ability to recognize assets or liabilities solely on the basis of matching revenue and expense items. Adoption of these recommendations had no effect on the financial statements for the year ended March 31, 2010.

4. FUNDS UNDER ADMINISTRATION

The Corporation provides administration services on a cost recovery basis to process files and disburses payments to producers for agricultural programs. These programs are generally administered on behalf of OMAFRA for producers in Ontario, and cover joint Federal/Provincial programs, Federal only programs, and Ontario only programs. Individual program delivery agreements are in place for each program. Program payments are calculated according to the formal program requirements and the delivery agreements. Funding is provided by the Federal and Provincial governments and all funds are segregated in accounts under administration until such time as payments are processed for the producers. Funds for these programs are held in accounts with Canadian banks, bankers' acceptances or bank discount notes and all are highly liquid. The Corporation does not recognize program revenue or expenses or receivables or payables for these programs.

AGRICORP**Notes to the Financial Statements****March 31, 2010****(a) AgriStability**

AgriStability was established under the Growing Forward Framework Agreement as a continuation of the Canadian Agricultural Income Stabilization ("CAIS") program. AgriStability is in effect for 2007 and subsequent years. This program provides agricultural producers with some financial protection against declines in farm margin. For AgriStability and CAIS, participants must enroll in the program and pay administration and enrolment fees based on the selected level of coverage and a reference margin based on the individual participant's production margin for specified prior years. A program benefit is paid to the participant based on the participant's selected level of coverage and when the participant's current production margin falls below the set reference margin. AgriStability provides coverage for margin declines greater than 15%. The AgriInvest program, which is administered by the Federal Government, provides assistance to farmers for the first 15% of margin declines. The Federal and Ontario governments share the program costs on the basis of 60% and 40% respectively.

(b) Ontario Risk Management Program ("RMP")

The RMP program came into effect August 16, 2007 and expires on March 31, 2011. The program provides Ontario grain and oilseed producers commodity specific price support based on cost of production for the 2007, 2008 and 2009 crop years. The program is fully funded by Ontario and is an advance against Ontario's share of AgriStability program costs and reduces its share of AgriStability payments.

(c) Ontario Cost Recognition Top-up Program ("OCRT")

The OCRT program came into effect June 7, 2007 and expires on March 31, 2011. This program provides producers with a payment in recognition of increased agricultural production costs over the years 2000 to 2004. The Ontario payment is calculated as 66.67% of the Federal Cost of Production Payment Program ("COP"). Ontario funding for the Program is limited to \$55 million.

(d) Self-Directed Risk Management Program ("SDRM")

Under the terms of the program, a producer deposits into the program account a percentage of his eligible net sales and a matching contribution is also made into the account by the Federal and/or Ontario governments. Claims are paid out of the program account to participants, but the total payment amount for a program year shall not exceed the total available funds in the account. The current SDRM program delivery agreement between the Corporation and OMAFRA came into effect April 1, 2007 and expires on March 31, 2011.

(e) Orchards and Vineyards Transition Program ("OVTP")

OVTP was established in 2008 under Agreement between OMAFRA and the Corporation to provide compensation to qualifying grape, apple, and tender fruit producers for part of the costs of removing and disposing of fruit trees and/or grapevines. This voluntary program was designed to assist producers to adapt to industry pressures and changing markets. This program is in effect for the 2008, 2009 and 2010 years. The program delivery agreement expires March 31, 2011.

(f) Ontario Cattle, Hog and Horticultural Payment Program ("OCHHP")

OCHHP came into effect December 13, 2007 and expires March 31, 2011. Under the terms of the agreement, producers may be eligible to receive a one-time payment if they received a federal COP or OCRT payment, and have at least 50% of their allowable net sales in specified commodities (cattle, hogs and horticulture). The payment is based on a specified formula. This program is funded by Ontario to a maximum of \$140 million.

AGRICORP

Notes to the Financial Statements

March 31, 2010

(g) General Top-Up Program (“GTUP”)

GTUP was established under the Canada-Ontario Implementation Agreement. Under the terms of the agreement, producers that participate in CAIS and received a payment under the program are eligible for a top-up payment based on a fixed percentage of their 2003 and 2004 CAIS government benefits. The Canada-Ontario shared funding for the program will not exceed \$88 million.

(h) Plum Pox Program (“PPV”)

PPV was established pursuant to the Canada-Ontario Agreement on Responding to the Presence of the Plum Pox Virus in Ontario and came into effect on June 29, 2001. The program is a multi-year plan to carry out plum pox detection surveys and other activities to help contain or eradicate the plum pox virus in Ontario. In addition, the program assists commercial tender fruit growers with the asset loss incurred when trees are removed as part of the plum pox control measures. Canada and Ontario have agreed to share overall program costs based on funds available for agricultural assistance at each level of government. The current program delivery agreement between OMAFRA and the Corporation came into effect April 1, 2008 and expires on March 31, 2011.

(i) CAIS Inventory Transition Initiative (“CITI”)

CITI came into effect May 18, 2006 and expired on March 31, 2010. The Federal government was responsible for 100% of the \$91 million paid to Ontario producers for the 2003, 2004 and 2005 program years. Although the agreement for CITI has expired, negotiations are underway to extend the program.

(j) Ontario Inventory Transition Program (“OITP”)

OITP came into effect September 14, 2006 and was extended to March 31, 2011. The total cost for the program is estimated at \$65 million for the 2003, 2004 and 2005 program years.

(k) Farm Business Registration (“FBR”)

In accordance with FRFA, every farmer in Ontario who grosses more than \$7,000 in farm income is required to register his farm business. In return for the registration fee, farmers pay a reduced property tax rate on agricultural land (25% versus 100%), and are granted membership in GFO of their choice. The Corporation collects the fee from the producer and remits it, less an administration charge, to the GFO of the producer's choice.

AGRICORP**Notes to the Financial Statements****March 31, 2010**

The following summarizes the transactions related to the funds under administration for the year ended March 31, 2010 and the remaining estimate of program payments expected to be paid to producers for programs that the Corporation administers. The remaining estimate is not included in the Corporation's balance sheet.

(\$ thousands)	Opening Balance 2009	Federal Funding	Provincial Funding	Other	Payments	Closing Balance 2010	Remaining 2010	Estimate 2009
AgriStability	31,287	111,702	77,584	7,696	(205,047)	23,222	265,158	298,017
RMP	7,269	-	7,250	(166)	(7,416)	6,937	4,938	5,595
OCRT	747	-	-	(63)	(119)	565	1,326	1,445
SDRM	2,141	-	1,192	261	(1,051)	2,543	3,068	4,519
OVTP	1,064	-	5,500	2	(6,045)	521	9,041	6,686
OCHHP	2,362	-	-	(263)	(538)	1,561	481	1,020
GTUP	2,823	-	-	175	(795)	2,203	2,897	2,793
PPV	257	957	912	661	(2,438)	349	3,573	1,648
CITI	26	-	-	138	(141)	23	6,998	6,739
OITP	265	-	-	(20)	(100)	145	5,069	4,469
Other	217	509	362	172	(870)	390	293	184
Total	<u>48,458</u>	<u>113,168</u>	<u>92,800</u>	<u>8,593</u>	<u>(224,560)</u>	<u>38,459</u>	<u>302,842</u>	<u>333,115</u>

5. ACCOUNTS RECEIVABLE

Accounts receivable are comprised primarily of amounts due from the Federal and Ontario governments and amounts due from producers.

(\$ thousands)	<u>2010</u>	<u>2009</u>
Government funding - Canada	7,013	11,688
Government funding - Ontario	3,459	6,069
Other	<u>353</u>	<u>1,599</u>
Total	<u>10,825</u>	<u>19,356</u>

6. INVESTMENTS

Legislation restricts the Corporation's investments to highly liquid, high-grade instruments such as Federal and Provincial bonds, deposit notes issued by domestic financial institutions and other securities approved by the Minister of Finance.

AGRICORP**Notes to the Financial Statements****March 31, 2010****(a) Portfolio profile**

Investments are as follows:

(\$ thousands)	Carrying Amount 2010	and Fair Value 2009
Short-term	<u>123,846</u>	<u>125,511</u>
Long-term		
Government of Canada	63,424	29,676
Province of Ontario	114,025	117,204
Other provincial governments	113,925	50,198
Provincial utilities	24,521	4,831
Financial institutions	<u>82,371</u>	<u>129,096</u>
Total long-term	<u>398,266</u>	<u>331,005</u>
Total Investments	<u><u>522,112</u></u>	<u><u>456,516</u></u>

(b) Maturity Profile of the Investment Portfolio

(\$ thousands)	2010	2009
<1 Year	123,846	125,511
1-3 Years	137,087	107,207
4-5 Years	146,694	171,306
>5 Years	<u>114,485</u>	<u>52,492</u>
Total	<u><u>522,112</u></u>	<u><u>456,516</u></u>

7. CAPITAL ASSETS

(\$ thousands)	Cost	Amortization	Net Book Value 2010	Net Book Value 2009
Furniture and fixtures	1,060	842	218	448
Computer hardware	6,382	5,786	596	637
Computer software	6,689	6,233	456	237
Leasehold improvements	<u>1,866</u>	<u>1,469</u>	<u>397</u>	<u>735</u>
Total	<u><u>15,997</u></u>	<u><u>14,330</u></u>	<u><u>1,667</u></u>	<u><u>2,057</u></u>

AGRICORP

Notes to the Financial Statements

March 31, 2010

8. FINANCIAL INSTRUMENTS

Fair value

For certain of the Corporation's financial instruments, cash, short-term investments, accounts receivable, accounts payables and accrued liabilities, the carrying amounts approximate fair value due to their short-term maturity.

The fair value of investments is based on quoted market values.

Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Corporation's cash flows, financial position and income.

Fluctuations in interest rates have a direct impact on the market valuation of the Corporation's fixed income securities portfolio. The coupon rates from the long-term bond portfolio range from 3.55% to 6.50% with a weighted average yield of 4.96%. Fluctuations in interest rates could have a significant impact on the fair value of the bond portfolio. Although bonds are generally held to maturity, realized gains or losses could result if actual PI claim levels differ significantly from expected claims, and liquidation of long-term investments is required to meet obligations.

Credit risk

Credit risk is the risk that other parties fail to perform as contracted. The Corporation is exposed to credit risk principally through balances receivable from the Federal and Provincial governments and producers as well as through its investment securities. Credit risk arises from the Corporation's positions in term deposits, corporate debt securities, government bonds and from the possibility that the entities to which the Corporation advances funds may experience difficulty and be unable to fulfill their obligations. Legislation restricts the types of investments the Corporation may hold to high grade Canadian debt instruments and investments approved by the Ministry of Finance which significantly reduces credit risk.

9. OPERATING FUNDING - ONTARIO AND CANADA

The governments of Canada and Ontario have agreed to share the costs of administering PI, AgriStability, GTUP and PPV (asset loss) at the rate of 60% and 40% respectively. The costs to administer the RMP, OCRT, OCHHP, OITP, SDRM and OVTP programs are funded by the Ontario government. The costs to administer the PPV (detection surveys) and CITI programs are funded by the Federal government.

10. UNEARNED PREMIUMS AND REVENUE

Unearned premiums represent premiums (\$15.8 million) paid in advance to PI for crops that have yet to be harvested. These crops are not harvested until after the balance sheet date, giving rise to the deferral of the related premium revenue. Unearned revenue includes operating funding related primarily to the unamortized value of capital assets and prepaid expenses (\$5.2 million).

AGRICORP

Notes to the Financial Statements

March 31, 2010

11. REINSURANCE AGREEMENT

The Corporation has an ongoing program of reinsurance with a number of insurance carriers. This program provides for the reinsuring companies to assume PI losses based on negotiated thresholds. The Corporation purchased reinsurance for 2009 PI claims in excess of \$259 million to a maximum of \$410 million. As actual claims for the 2009 crop year were less than the minimum threshold, no reinsurance payments were received by the Corporation.

12. PENSION PLAN

The Corporation has a mandatory contributory defined benefit plan for its full-time employees. The changes for the defined benefit plan of the Corporation during the year are as follows:

(\$ thousands)

2010

2009

Accrued benefit obligation

Balance at beginning of year	10,856	13,175
Current service cost	637	1,130
Interest cost	1,075	842
Employee contributions	1,303	1,161
Benefits paid	(304)	(333)
Actuarial (gain)loss	<u>4,751</u>	<u>(5,119)</u>
Balance at end of year	<u>18,318</u>	<u>10,856</u>

Plan assets

2010

2009

Fair value at beginning of year	10,547	10,308
Actual return (loss) on plan assets	2,473	(2,251)
Employer contributions	4,071	1,662
Employee contributions	1,303	1,161
Benefits paid	<u>(304)</u>	<u>(333)</u>
Fair value at end of year	<u>18,090</u>	<u>10,547</u>

Funded status

Plan deficit	(228)	(309)
Unamortized actuarial loss	3,603	409
Unamortized transitional obligation	<u>(78)</u>	<u>(91)</u>

Accrued benefit asset

<u>3,297</u>	<u>9</u>

AGRICORP**Notes to the Financial Statements****March 31, 2010**

The accrued benefit asset for the pension plan is included in prepaid expenses. The significant actuarial assumptions adopted in measuring the accrued benefit asset of the Corporation are as follows:

	<u>2010</u>	<u>2009</u>
	%	%
Discount rate to determine accrued benefit obligation	6.5	8.5
Discount rate to determine benefit cost	8.5	5.5
Expected long-term rate of return on plan assets	7.0	7.0
Rate of compensation increase	4.0	4.0

The net benefit plan expense is as follows:

(\$ thousands)

Current services cost	637	1,130
Interest cost	1,075	842
Expected return on plan assets	(917)	(809)
Amortization of transitional obligation	(13)	(13)
Amortization of unrecognized loss	<u>-</u>	<u>79</u>
Net benefit plan expense	<u><u>782</u></u>	<u><u>1,229</u></u>

The percentage of total fair value of plan assets by category at March 31, 2010 is as follows:

Security type	% of plan
Canadian Equities	34.9%
US Equities	15.6%
International Equities	10.9%
Bonds	36.8%
Cash & Equivalents	1.8%
<u>Total Fund</u>	<u>100.0%</u>

An external investment advisor manages the investments held by the pension plan.

The most recent pension plan actuarial valuation was as of January 1, 2010. As of January 1, 2010, the plan was under funded by approximately \$2.2 million on a going concern basis but had a solvency and wind-up surplus of \$2.3 million. The next actuarial valuation is expected to be completed as of January 1, 2013.

AGRICORP**Notes to the Financial Statements****March 31, 2010****13. COMMITMENTS AND CONTINGENCIES****Lease commitments**

The Corporation leases its office premises. The minimum aggregate rentals for the unexpired terms of these leases and other lease commitments are:

	(\$ thousands)	
2011		2,686
2012		707
2013		595
2014		<u>322</u>
		<u>4,310</u>

Contingencies

During the normal course of business, certain claims or program payments may be denied by the Corporation. As a result, various claims or proceedings have been or may be initiated against the Corporation. The disposition of the matters that are pending or asserted is not expected by management to have a material effect on the financial position of the Corporation or on its results of operations.

14. RELATED PARTY TRANSACTIONS

The Corporation has entered into several agreements to acquire services from OMAFRA. The cost for administrative, legal and audit services amounted to \$574 thousand (2009 - \$616 thousand). In addition, the Corporation rents its head office location from the Ontario Realty Corporation for a total cost for the year of \$1.5 million (2009 - \$1.3 million). The Corporation earned revenue of \$53.9 million (2009 - \$52.9 million) from OMAFRA as its share of PI premium and operating funding.

15. CAPITAL MANAGEMENT

The main objective of the Corporation when managing its capital is to safeguard its ability to continue as a going concern, so that it can continue to deliver agricultural safety net plans and services to the farm, food and rural sectors of Ontario.

The Corporation is limited to administering the PI, business risk management programs (Entitlement Programs), and such other programs as are approved. AgriCorp ensures that it has sufficient capital and working capital through appropriate delivery agreements with its funding partners.

AGRICORP**Notes to the Financial Statements****March 31, 2010****16. BOARD REMUNERATION AND SALARY DISCLOSURE**

Total remuneration to members of the Board of Directors was \$40,111 during calendar 2009 (2008 - \$20,939).

The Public Sector Salary Disclosure Act, 1996, requires the Corporation to disclose employees paid an annual salary in excess of \$100,000. For the 2009 calendar year, the amounts paid to such employees are:

Name	Position	Salary	Taxable benefits
Beifuss, Erich	Chief Financial Officer	\$ 157,379	\$ 549
Bhimji, Zeenat	Information Architect	108,832	391
Brown, Greg	Director, Risk Management	115,070	2,667
Cote-Kennedy, Annie	Director, Communications	122,313	435
Ensafi, Masoud	Manager, Development Services	110,055	404
Fung, Patrick	Controller	119,496	428
Gallagher, Jocelyn	Senior Director, Human Resource & Organizational Development	136,434	488
Ip, Stephen	Director, Information Technology Application & Computing & Network Services	134,672	493
Jackiw, Randy	Chief Executive Officer	174,811	12,061
Langermann, Olesia	Manager, Total Compensation	118,650	-
LaRose, Doug	Chief Information Officer	169,684	626
Lennox, Lee Ann	Director, Strategic Management & Communications	105,586	377
Li, Joyce	Senior Manager, Corporate Project Management Office	102,792	378
Meneray, Debra	Senior Director, Program Delivery	137,933	493
Vlcek, Michael	Senior Director, Program Development	131,696	470
Wong, Roxana	Manager, Information Technology Client Services	114,636	412

17. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the financial statement presentation adopted in the current year.

The Agricultural Research Institute of Ontario

Management's Responsibility for Financial Reporting

The accompanying financial statements of the Agricultural Research Institute of Ontario (ARIO) have been prepared in accordance with Canadian generally accepted accounting principles. Management is responsible for the accuracy, integrity, and objectivity of the information contained in the financial statements.

The preparation of financial statements necessarily involves the use of estimates based on management's best judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. These financial statements have been prepared within reasonable limits of materiality with information available up to and including May 19, 2010.

In discharging its responsibility for the integrity of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and proper records are maintained.

The financial statements have been examined by RLB LLP, independent external auditors appointed by the Ontario Ministry of Agriculture, Food and Rural Affairs on behalf of ARIO. The external auditors' responsibility is to express an opinion on whether the financial statements are presented fairly in accordance with generally accepted accounting principles. The Auditors' Report outlines the scope of their examination and opinion.

On behalf of management:



Karen Chan
Director of Research



Rob Cunningham, C.A.
Comptroller



Chartered Accountants
and Business Advisors

People Count.

AUDITORS' REPORT

To the Members of: Agricultural Research Institute of Ontario

We have audited the statement of financial position of Agricultural Research Institute of Ontario as at March 31, 2010 and the statements of revenues and expenditures and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Institute's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Institute as at March 31, 2010 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Guelph, Ontario
May 19, 2010

RLB LLP
Chartered Accountants
Licensed Public Accountants

STATEMENT 1

**AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2010**

A S S E T S		
	2010	2009
Cash	\$ 164,872	\$ 2,457,643
Temporary investments	8,886,098	8,097,554
Accounts receivable	405,618	415,639
Capital assets under construction	1,127,537	0
Capital assets (note 4)	<u>54,660,104</u>	<u>56,706,068</u>
	<u>\$ 65,244,229</u>	<u>\$ 67,676,904</u>
L I A B I L I T I E S		
Accounts payable and accruals	\$ 1,295,866	\$ 978,115
Holdbacks payable	471,983	510,612
Unclaimed expenditures	5,955,158	6,985,970
Deferred revenue	23,211	0
Deferred capital funded contributions (note 5)	1,150,000	0
Deferred capital contributions (note 6)	<u>40,419,333</u>	<u>42,617,195</u>
	<u>49,315,551</u>	<u>51,091,892</u>
N E T A S S E T S		
Fund balances	<u>15,928,678</u>	<u>16,585,012</u>
	<u>\$ 65,244,229</u>	<u>\$ 67,676,904</u>

see accompanying notes

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO
STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2010

	2010	2009
REVENUES		
Research		
Grants - Provincial (note 9)	\$ 2,100,000	\$ 2,675,724
Grants - Federal	0	230,000
Grants - other	100,000	100,000
Royalties	944,784	879,007
	<u>3,144,784</u>	<u>3,884,731</u>
Property		
Grants - Provincial - Minor Capital (note 9)	4,000,000	4,000,000
Elora Livestock Environmental and Energy Complex (note 9)	0	250,000
Rental income - Provincial	318,495	320,235
Rental income - Private industry	681,020	626,848
Operations and Maintenance - Provincial	388,583	388,832
Operations and Maintenance - Private industry	3,000	6,887
Transfer payments - payments in lieu of taxes (note 9)	550,000	357,000
Payments in lieu of taxes	65,529	65,529
Amortization of deferred capital contribution	2,030,413	2,170,289
	<u>8,037,040</u>	<u>8,185,620</u>
Other		
Investment income	260,988	458,453
	<u>11,442,812</u>	<u>12,528,804</u>
EXPENDITURES		
Research		
Research project\program	3,477,764	3,548,986
Royalty expenses	915,572	752,417
	<u>4,393,336</u>	<u>4,301,403</u>
Property		
Payments in lieu of taxes	684,943	651,759
Minor capital	5,217,654	4,770,418
Elora Livestock Environmental and Energy Complex	0	39,420
Operations and maintenance	678,267	625,936
Amortization of capital assets	2,034,894	2,170,289
	<u>8,615,758</u>	<u>8,257,822</u>
Other		
Other expenses	17,258	216,892
	<u>13,026,352</u>	<u>12,776,117</u>
NET EXPENDITURES OVER REVENUES for the year	(1,583,540)	(247,313)
FUND BALANCES, beginning of year	16,585,012	19,274,151
NET AMOUNT TRANSFERRED FROM (TO)		
UNCLAIMED EXPENDITURES	1,030,811	(2,523,242)
UNREALIZED (DEPRECIATION) APPRECIATION		
IN INVESTMENTS	(19,320)	81,416
CONTRIBUTED ASSETS (note 7)	(38,000)	0
FUNDS RETURNED TO PROVINCIAL GOVERNMENT	(46,285)	0
FUND BALANCES, end of year	<u>\$ 15,928,678</u>	<u>\$ 16,585,012</u>

see accompanying notes

STATEMENT 3

**AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2010**

	2010	2009
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Net expenditures over revenues for the year	\$ (1,583,540)	\$ (247,313)
Items not requiring an outlay of cash		
Amortization	2,034,894	2,170,289
Unrealized (depreciation) appreciation in investments	(19,320)	81,416
Deferred capital contributions	<u>(2,030,413)</u>	<u>(2,170,289)</u>
	(1,598,379)	(165,897)
Changes in non-cash working capital		
Accounts receivable	10,021	122,498
Temporary investments	(788,544)	2,133,230
Accounts payable and accruals	317,751	87,996
Deferred capital funded contributions	1,150,000	0
Holdbacks payable	(38,629)	194,770
Funds returned to government	(46,285)	0
Deferred revenue	<u>23,211</u>	<u>0</u>
	<u>(970,854)</u>	<u>2,372,597</u>
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Additions to capital assets	(194,380)	0
Capital assets under construction	<u>(1,127,537)</u>	<u>0</u>
	<u>(1,321,917)</u>	<u>0</u>
NET (DECREASE) INCREASE IN CASH for the year	(2,292,771)	2,372,597
NET CASH, beginning of year	<u>2,457,643</u>	<u>85,046</u>
NET CASH, end of year	<u><u>\$ 164,872</u></u>	<u><u>\$ 2,457,643</u></u>

see accompanying notes

**AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2010**

1. NATURE OF BUSINESS

The Agricultural Research Institute of Ontario (ARIO) is a non-profit corporate body reporting directly to the Ministry of Agriculture, Food and Rural Affairs. It was created by the ARIO Act (1962) with specific responsibilities over the co-ordination and direction of agricultural research programs in Ontario. These programs relate to a broad range of commodities and disciplines, covering all aspects of the agri-food system. In addition, ARIO manages the Vegetation Management Alternatives Program research fund on behalf of the Ministry of Natural Resources, and all funding is provided by the Ministry of Natural Resources.

Funding for programs supported by ARIO is available from three sources. The Ontario Government, through the Ministry of Agriculture, Food and Rural Affairs, is the primary source of funding. The Ontario Government also provides funding for the competitive research programs. The secondary source of funding is the Federal Government, mainly through Agriculture and Agri-Food Canada (AAFC). Under the ARIO Act, the Institute may accept grants and donations for research. Other funds usually come from commercial sources (such as agri-business, marketing boards, and producer associations) and can be either designated for specific projects or non-designated. In addition, with the approval of the Minister of Agriculture, Food and Rural Affairs, ARIO is able to hold patents and earn royalties on research developments.

All receipts are held in trust by the Director of Research and are allocated in accordance with the terms of the funds.

The research funds are managed by the secretariat to ARIO as follows:

- Agricultural Research Institute of Ontario (ARIO)
- Alternative Renewable Fuels (ARF)
- Vegetation Management Alternatives Program (VMAP)
- New Directions and Alternative Renewable Fuels Research Program
- Food Safety Research Program
- Nutrient Management Joint Research Program (NMJRP)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

(a) BASIS OF ACCOUNTING

Agricultural Research Institute of Ontario follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue of the appropriate research trust fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate research trust fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(b) INVESTMENTS

Investments classified as available-for-sale are recorded at market value. Investments classified as held-to-maturity are recorded at amortized cost. Unrealized gains and losses on available-for-sale financial assets are included directly to the fund balance until the asset is removed from the statement of financial position.

(c) UNCLAIMED EXPENDITURES

Unclaimed expenditures are defined as the total approved budget for competitive research projects less expenses incurred to date.

**AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2010**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) CAPITAL ASSETS

Capital assets are amortized using the following annual rate and method:

Buildings	- 40 year straight line

(e) IMPAIRMENT OF LONG LIVED ASSETS

Long lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

(f) DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions are amortized at the same rate as the buildings to which they relate.

(g) INCOME TAXES

ARIO is a non-profit organization within the meaning of the Income Tax Act (Canada) and is exempt from income taxes.

(h) RESTRICTIONS ON THE EXPENDITURE OF FUNDS

The purpose, funding, terms and conditions and duration of each research trust fund are stipulated in the relevant Order-in-Council, memorandum of understanding or Ministry correspondence.

(i) USE OF ESTIMATES

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

3. FINANCIAL INSTRUMENTS

Credit risk management

The organization's financial instruments consist of cash, temporary investments, accounts receivable, accounts payable and accrued liabilities, and holdbacks payable. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, liquidity, currency or credit risks arising from these financial instruments.

The organization does not have a significant exposure to any individual customer or counterpart.

Fair value of financial assets and financial liabilities

The carrying values of cash, temporary investments, accounts receivable, accounts payable and accrued liabilities, and holdbacks payable approximate their fair value due to the relatively short periods to maturity of these items.

**AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2010**

4. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2010	Net 2009
Land:				
Cambridge railway line	\$ 9,793	\$ 0	\$ 9,793	\$ 9,793
Colleges	3,095,900	0	3,095,900	3,099,400
Research Stations	<u>10,945,180</u>	<u>0</u>	<u>10,945,180</u>	<u>10,979,680</u>
	<u>14,050,873</u>	<u>0</u>	<u>14,050,873</u>	<u>14,088,873</u>
Buildings:				
Colleges	27,617,995	3,737,031	23,880,964	25,229,034
Research Stations	<u>19,514,842</u>	<u>2,786,575</u>	<u>16,728,267</u>	<u>17,388,161</u>
	<u>47,132,837</u>	<u>6,523,606</u>	<u>40,609,231</u>	<u>42,617,195</u>
	<u>\$ 61,183,710</u>	<u>\$ 6,523,606</u>	<u>\$ 54,660,104</u>	<u>\$ 56,706,068</u>

As at March 6, 2007, the titles for capital assets (land and buildings) with a carrying value of approximately \$60.9 million were transferred to ARIO from the Government of Ontario. Carrying value is being used as the transfer value since the transfer took place between non-arm's length parties, is non-monetary in nature and does not have commercial substance. As an agency of the Government of Ontario, ARIO reports these capital assets (and other assets and liabilities) in consolidation with the Ministry of Agriculture, Food and Rural Affairs on an annual basis.

5. DEFERRED CAPITAL FUNDED CONTRIBUTIONS

The organization received funding from the provincial government (Ontario Ministry of Agriculture, Food and Rural Affairs) towards a capital project undertaken during the fiscal year known as Elora Mission 2050. The project is estimated to be completed in 2012.

6. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the net book value of the buildings transferred to ARIO from the Government of Ontario. A subsequent review of the transfer of capital assets revealed that the Woodstock location had nine buildings that should have been included in the transfer but were not, and one building that was included in the transfer of assets that should not have been. In addition, two buildings at Cedar Springs were not included in the transfer. These adjustments are reflected in this year's annual report.

7. CONTRIBUTED ASSETS

Contributed assets represent the cost of the land transferred to ARIO from the Government of Ontario. A subsequent review of the transfer of capital assets revealed that the Woodstock location had land that was included in the valuation that should not have been and there were errors in the cost of land at the Alfred and Winchester locations. These adjustments are reflected in this year's financial statements.

**AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2010**

8. ARIO RESEARCH FUND

	Seed Royalty	Technology Royalty	Unpledged Equity	Total 2010	Total 2009
Grant income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 130,000
Royalties	671,131	273,653	0	944,784	879,007
Investment income	24,319	27,630	10,011	61,960	105,568
	<u>695,450</u>	<u>301,283</u>	<u>10,011</u>	<u>1,006,744</u>	<u>1,114,575</u>
Expenses	<u>683,571</u>	<u>237,483</u>	<u>11,776</u>	<u>932,830</u>	<u>987,145</u>
Net surplus (deficit) for the year	11,879	63,800	(1,765)	73,914	127,430
Fund balance, beginning of year	1,001,513	846,350	133,383	1,981,246	1,667,771
2009 proof of principal payment	(125,000)	125,000	0	0	0
Transfer from (to) LAIF	65,809	65,809	(131,618)	0	131,618
Unrealized (depreciation) appreciation in investments	(2,644)	(3,050)	0	(5,694)	16,445
Transfer from unclaimed expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>36,532</u>
Fund balance, end of year	<u>\$ 951,557</u>	<u>\$ 1,097,909</u>	<u>\$ 0</u>	<u>\$ 2,049,466</u>	<u>\$ 1,979,796</u>

9. GRANTS RECEIVED FROM THE PROVINCIAL GOVERNMENT

The following grants have been received from the Ontario Ministry of Agriculture, Food and Rural Affairs:

	2010	2009
New Directions Research Program	\$ 1,350,000	\$ 1,350,000
Food Safety Research Program	500,000	500,000
Nutrient Management Joint Research Program	0	575,724
Alternative Renewable Fuels	<u>250,000</u>	<u>250,000</u>
	2,100,000	2,675,724
 Minor capital	 4,000,000	 4,000,000
Elora Livestock Environmental and Energy Complex	1,150,000	250,000
Payments in lieu of taxes	<u>550,000</u>	<u>357,000</u>
	<u>\$ 7,800,000</u>	<u>\$ 7,282,724</u>

**AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2010**

10. CAPITAL DISCLOSURES

The organization defines capital as the sum of fund balances and is calculated as follows:

	2010	2009
Fund balances, being capital	<u>\$ 15,928,678</u>	<u>\$ 16,585,012</u>

The organization's objective when managing capital is to safeguard the organization's ability to continue as a going concern and to hold sufficient fund balances to enable it to withstand negative unexpected financial events in order to maintain stability in the financial structure.

The organization seeks to maintain sufficient liquidity and short term borrowing capacity to enable it to meet its obligations as they become due. The organization manages the capital structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the organization may modify or seek additional government funding.

The organization is not subject to externally imposed capital requirements.

11. COMPARATIVE FIGURES

Prior year's figures have been reclassified to conform to the current year's presentation.



May 25, 2010

Management's Responsibility for Financial Information

Management and the Board of Directors are responsible for the financial statements and all other information presented in this financial statement. The financial statements have been prepared by management in accordance with generally accepted accounting principles and, where appropriate, include amounts based on management's best estimates and judgements.

Cancer Care Ontario is dedicated to the highest standards of integrity and patient care. To safeguard Cancer Care Ontario's assets, a sound and dynamic set of internal financial controls and procedures that balance benefits and costs has been established. Management has developed and maintains financial and management controls, information systems and management practices to provide reasonable assurance of the reliability of financial information. Internal audits are conducted to assess management systems and practices, and reports are issued to the Audit Finance Committee.

For the fiscal year ended March 31, 2010, Cancer Care Ontario's Board of Directors, through the Audit Finance Committee, was responsible for ensuring that management fulfilled its responsibilities for financial reporting and internal controls. The Committee meets regularly with management, the internal auditor and the Auditor General to satisfy itself that each group had properly discharged its respective responsibility, and to review the financial statements before recommending approval by the Board of Directors. The Auditor General had direct and full access to the Audit Finance Committee, with and without the presence of management, to discuss their audit and their findings as to the integrity of Cancer Care Ontario's financial reporting and the effectiveness of the system of internal controls.

The financial statements have been examined by the Office of the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's Report outlines the scope of the Auditor's examination and opinion.

On behalf of Cancer Care Ontario Management,

A handwritten signature in black ink, appearing to read 'Terrence Sullivan'.

Terrence Sullivan, Ph.D.
President and Chief Executive Officer

A handwritten signature in blue ink, appearing to read 'Elham Roushani'.

Elham Roushani, BSc, CA
Vice President & Chief Financial Officer



Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Auditor's Report

To Cancer Care Ontario
and to the Minister of Health and Long-Term Care

I have audited the statement of financial position of Cancer Care Ontario as at March 31, 2010 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of Cancer Care Ontario's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of Cancer Care Ontario as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Box 105, 15th Floor
20 Dundas Street West
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-326-3812

B.P. 105, 15^e étage
20, rue Dundas ouest
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-326-3812

www.auditor.on.ca

Toronto, Ontario
May 25, 2010

Gary R. Peall, CA
Deputy Auditor General
Licensed Public Accountant

Cancer Care Ontario

Statement of financial position

(In thousands of dollars)

March 31

2010

2009

Assets**Current**

Cash and cash equivalents (Note 4)	\$ 106,331	\$ 172,210
Short-term investments (Note 5)	30,044	-
Receivables and prepaids (Note 6)	36,912	15,416
	<u>173,287</u>	<u>187,626</u>

Long-term investments (Note 5)

50,080

30,046

Capital assets (Note 7)

97,542

89,397

	<u>\$ 320,909</u>	<u>\$ 307,069</u>

Liabilities**Current liabilities**

Accounts payable and accrued liabilities (Note 8)	\$ 135,877	\$ 117,039
Deferred operating grants (Note 9(a))	37,434	44,649
	<u>173,311</u>	<u>161,688</u>

Deferred contributions related to capital assets (Note 9(b))

101,786

97,323

Post-retirement benefits other than pension plan (Note 10(b))

3,356

3,326

	<u>278,453</u>	<u>262,337</u>

Fund balances

Endowment	2,317	2,317
Internally and externally restricted	23,822	26,905
General – unrestricted	14,585	12,904
Investment in capital assets	1,732	2,606

	<u>42,456</u>	<u>44,732</u>

	<u>\$ 320,909</u>	<u>\$ 307,069</u>

Commitments (Note 17)

Contingency (Note 18)

Guarantees (Note 20)

On behalf of the Board:



Director



Director

See accompanying notes to the financial statements.

Cancer Care Ontario Statement of operations

(In thousands of dollars)

Year ended March 31, 2010

	Restricted		General		Total	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u> (Restated see Note 2)	<u>2010</u>	<u>2009</u> (Restated see Note 2)
Revenue						
Ministry of Health and Long-Term Care (MOHLTC) \$	-	\$ -	\$ 697,165	\$ 650,061	\$ 697,165	\$ 650,061
Capital contributions from MOHLTC for Integrated Cancer Programs (Note 2)	-	-	16,232	12,379	16,232	12,379
Ministry of Health Promotion	-	-	3,066	3,061	3,066	3,061
Net investment income (loss) (Note 12)	41	(3,382)	1,090	2,979	1,131	(403)
Amortization of deferred contributions related to capital assets (Note 9(b))	-	-	28,303	22,520	28,303	22,520
Other (Note 13)	10,947	10,558	7,780	8,019	18,727	18,577
	<u>10,988</u>	<u>7,176</u>	<u>753,636</u>	<u>699,019</u>	<u>764,624</u>	<u>706,195</u>
Expenses						
Integrated Cancer Programs Services	2,025	1,153	284,942	278,226	286,967	279,379
Drugs	-	-	199,094	184,965	199,094	184,965
Medical services	411	22	54,036	49,155	54,447	49,177
Salaries and benefits	3,117	3,183	52,367	39,264	55,484	42,447
Surgical services – hospitals	-	-	49,475	38,411	49,475	38,411
Amortization of capital assets	121	-	28,552	22,900	28,673	22,900
Consulting services (Note 14)	497	665	22,687	29,333	23,184	29,998
Capital contributions to Integrated Cancer Programs (Note 2)	-	-	16,232	12,379	16,232	12,379
Other hospital cancer programs	-	-	14,958	9,178	14,958	9,178
Purchased services	5,472	2,620	13,491	12,843	18,963	15,463
Other operating (Note 15)	1,638	1,561	9,767	13,845	11,405	15,406
Pension (Note 10(a))	-	-	3,976	3,083	3,976	3,083
Occupancy costs	217	34	3,162	3,001	3,379	3,035
Loss on disposal of capital assets	-	-	441	-	441	-
Post-retirement benefits other than pension plan (Note 10(b))	-	-	222	227	222	227
	<u>13,498</u>	<u>9,238</u>	<u>753,402</u>	<u>696,810</u>	<u>766,900</u>	<u>706,048</u>
(Deficiency) excess of revenue over expenses	\$ (2,510)	\$ (2,062)	\$ 234	\$ 2,209	\$ (2,276)	\$ 147

See accompanying notes to the financial statements.

Cancer Care Ontario

Statement of changes in fund balances

(In thousands of dollars)

Year ended March 31, 2010

	<u>Restricted</u>		<u>General –</u>		<u>Invested in</u>		<u>Total</u>	
	<u>Endowment</u>	<u>Other</u>	<u>Unrestricted</u>	<u>capital assets</u>	<u>2010</u>	<u>2009</u>		
Fund balances, beginning of year	\$ 2,317	\$ 26,905	\$ 12,904	\$ 2,606	\$ 44,732	\$ 44,585		
(Deficiency) excess of revenue over expenses	-	(2,510)	234	-	(2,276)	147		
Net change in investment in capital assets (Note 11)	-	115	759	(874)	-	-		
Interfund transfers (Note 16)	-	(688)	688	-	-	-		
Fund balances, end of year	\$ 2,317	\$ 23,822	\$ 14,585	\$ 1,732	\$ 42,456	\$ 44,732		

See accompanying notes to the financial statements.

Cancer Care Ontario

Statement of cash flows

(In thousands of dollars)

Year ended March 31

2010

2009

Increase (decrease) in cash and cash equivalents

Operating

(Deficiency) excess of revenue over expenses	\$ (2,276)	\$ 147
Amortization of capital assets	28,673	22,900
Amortization of deferred contributions related to capital assets	(28,303)	(22,520)
Realized loss on disposal of long-term investments	-	4,063
Loss on disposal of capital assets	441	-
Benefit expense related to post-retirement benefits other than pension plan	222	227
Post-retirement benefits other than pension plan paid	(192)	(198)
	<u>(1,435)</u>	<u>4,619</u>
Change in non-cash operating working capital		
Receivables	(21,496)	39,215
Accounts payable and accrued liabilities	18,838	8,084
Deferred operating grants	(7,215)	4,666
	<u>(9,873)</u>	<u>51,965</u>
	<u>(11,308)</u>	<u>56,584</u>

Investing

Short-term investments	(30,044)	-
Long-term investments, net	(20,034)	(5,680)
Purchase of capital assets	(37,329)	(31,933)
Proceeds on sale of capital assets	70	-
	<u>(87,337)</u>	<u>(37,613)</u>

Financing

Amounts received related to capital assets	<u>32,766</u>	<u>29,019</u>
(Decrease) increase in cash and cash equivalents	(65,879)	47,990
Cash and cash equivalents, beginning of year	<u>172,210</u>	<u>124,220</u>
Cash and cash equivalents, end of year	<u>\$ 106,331</u>	<u>\$ 172,210</u>

See accompanying notes to the financial statements.

Cancer Care Ontario

Notes to the financial statements

(In thousands of dollars)

March 31, 2010

The Government of Ontario approved the establishment of Cancer Care Ontario (the "Organization") on April 29, 1997 to advance services for cancer patients to improve the outcome, quality and efficiency of cancer services. The cancer services encompass prevention, early detection, diagnosis, treatment, supportive care, research and education. The Organization was incorporated under the name of The Ontario Cancer Treatment and Research Foundation by an Act of the Legislature of the Province of Ontario in 1943 and the name of the Organization was changed in 1997 to Cancer Care Ontario. The Organization is a registered charity under the Income Tax Act (Canada). Members of the Board of Directors and Board Committees are volunteers who serve without remuneration.

In accordance with the Cancer Program Integration Agreement ("CPIA"), the Organization funds the Integrated Cancer Programs ("ICP") at various hospitals in return for agreed upon cancer treatment services.

The Organization's mission is to improve the performance of the cancer treatment system in Ontario by driving quality, accountability and innovation in all cancer-related services. The Organization's mission includes an emphasis on performance management.

During June 2009, the Ministry of Health and Long-Term Care ("MOHLTC") gave the Organization the mandate to manage performance of the chronic kidney disease program in Ontario.

1. Significant accounting policies

The Organization's financial statements are prepared by management using Canadian generally accepted accounting principles.

Fund accounting

The Endowment Fund reports contributions subject to externally imposed stipulations specifying that the resources contributed be maintained permanently, unless specifically disendowed by the donor. Restricted investment income earned on Endowment Fund resources is recognized as revenue of the Restricted Fund.

The Restricted Fund reports all other externally and internally restricted resources. The main use of these resources is for research and education. These funds include donations and grants which either have specific restrictions placed on their use by the donor, have been received by a particular cancer centre and are restricted for use by that particular cancer centre or have been internally restricted by the Board of Directors.

The General Fund accounts for the Organization's MOHLTC, the Ministry of Health Promotion ("MHP") and other funded programs and administration activities. This fund reports unrestricted resources and restricted operating grants.

Cancer Care Ontario

Notes to the financial statements

(In thousands of dollars)

March 31, 2010

1. Significant accounting policies (continued)

Contributions

The Organization follows the deferral method of accounting for restricted contributions related to MOHLTC, MHP and other funded programs which are recognized as revenue of the General Fund in the year which the related expenses are incurred. The Organization follows the restricted fund method for all other restricted contributions which are recognized as revenue of the appropriate Restricted Fund in the year of receipt.

Unrestricted contributions are recognized as revenue of the General Fund when the amount is reasonably estimated and collection is probable.

Contributions received for the purpose of capital assets are recorded as deferred capital contributions and are amortized on the same basis as the related capital assets.

Contributions for endowment are recognized as revenue of the Endowment Fund in the year of receipt.

Cash and cash equivalents

The Organization considers deposits in banks, certificates of deposit and short-term investments with original maturities of three months or less as cash and cash equivalents.

Investments

Investments are classified as held for trading and carried at fair value. Investment transactions are accounted for on a settlement date basis and transaction costs are expensed as incurred.

Capital assets

Capital assets are recorded at cost. All capital assets are amortized on a straight-line basis at 20% per annum. Software costs are expensed in the year of acquisition.

Land and buildings for four lodges donated by the Canadian Cancer Society – Ontario Division are recorded at nominal value, as current value is not reasonably determinable.

Impairment of long-lived assets

An impairment charge is recorded for long-lived assets when an event or change in circumstances causes the asset's carrying values to exceed the total undiscounted cash flows expected from its use and eventual disposition. The impairment loss is calculated as the difference between the fair value of the asset and its carrying value.

Cancer Care Ontario

Notes to the financial statements

(In thousands of dollars)

March 31, 2010

1. Significant accounting policies (continued)

Pension costs and post retirement benefits other than pension plan

(i) Pension costs

The Organization accounts for its participation in the Healthcare of Ontario Pension Plan ("HOOPP"), a multiemployer defined benefit pension plan, as a defined contribution plan, as the Organization has insufficient information to apply defined benefit plan accounting.

(ii) Post-retirement benefits other than pension plan

The cost of post-retirement benefits other than pension plan is actuarially determined using the projected benefit method prorated on employment services and expensed as employment services are rendered.

The transitional obligation arising from the adoption of this accounting policy is being amortized over the expected remaining life of eligible retirees.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

2. Changes in accounting disclosures

Effective April 1, 2009, the Organization retrospectively adopted the recommendations of CICA 4400 – Financial Statement Presentation by Not-for-Profit Organizations, that eliminated the requirement to present net assets invested in capital assets as a separate category of net assets and provided clarification of presentation of revenue and expenses on a gross basis when the entity is acting as the principal in a transaction. The Organization chose to continue to classify the amount of net assets invested in capital assets separately. The presentation of revenue and expenses on a gross basis resulted in a restatement of amounts previously netted. Accordingly both revenues and expenses have increased in the amount of \$12,379 in 2009, with a nil impact to deficiency of revenue over expenses in 2009.

CICA 4460 – Disclosure of Related Party Transactions by Not-for-Profit Organizations, has been amended to align the definition of related parties to CICA 3840, Related Party Transactions, effective April 1, 2009. There was no impact on the financial statements as a result of the adoption of this standard.

CICA 4470 – Disclosure of Allocated Expenses by Not-for-Profit Organizations, establishes disclosure standards for a Not-for-Profit Organization that classified its expenses by function and allocated its expenses to a number of functions to which the expenses relate, effective April 1, 2009. There was no impact on the financial statements as a result of the adoption of this standard.

Cancer Care Ontario

Notes to the financial statements

(In thousands of dollars)

March 31, 2010

3. Capital disclosures

The capital structure of the Organization consists of fund balances comprised of endowment funds, internally and externally restricted funds, general – unrestricted fund, investment in capital assets, and deferred capital contributions.

The Organization's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide the appropriate level of benefits and services to its stakeholders.

A portion of the Organization's capital is restricted in how it is to utilize its externally restricted contributions and deferred capital contributions as described in Note 1. The Organization employs internal control processes to ensure the restrictions are met prior to the utilization of these resources and has been in compliance with these restrictions throughout the year.

The Organization sets the amount of fund balances in proportion to risk, manages its capital structure and makes adjustments to it in light of economic conditions and the risk characteristics of the underlying assets.

4. Cash and cash equivalents – restricted

Cash and cash equivalents includes \$402 (2009 - \$400) which is restricted, as it is monies related to a pension plan that has been dissolved and is being held in escrow in the event that former members put forth a claim. These monies are subject to externally imposed restrictions and are not available for general use.

5. Investments

	<u>2010</u>	<u>2009</u>
Guaranteed Investment Certificate, interest at 2.0%, maturing September 4, 2010	\$ 30,044	\$ 30,046
Guaranteed Investment Certificate, interest at 2.1%, maturing March 3, 2012	10,017	-
Guaranteed Investment Certificate, interest at 2.05%, maturing March 5, 2012	<u>40,063</u>	<u>-</u>
	80,124	30,046
Less maturing within one year	<u>30,044</u>	<u>-</u>
	\$ <u>50,080</u>	\$ <u>30,046</u>

Cancer Care Ontario

Notes to the financial statements

(In thousands of dollars)

March 31, 2010

6. Receivables and prepaids	<u>2010</u>	<u>2009</u>
Accounts receivable	\$ 2,396	\$ 4,031
Due from MOHLTC	34,329	10,622
Due from Community Foundations	-	436
Prepaids	187	327
	<u>\$ 36,912</u>	<u>\$ 15,416</u>

7. Capital assets			2010	2009
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Therapeutic and other technical equipment	\$ 255,955	\$ 162,117	\$ 93,838	\$ 84,342
Office furniture and equipment, and leasehold improvements	<u>5,887</u>	<u>2,183</u>	<u>3,704</u>	<u>5,055</u>
	\$ 261,842	\$ 164,300	\$ 97,542	\$ 89,397

The cost of therapeutic equipment includes deposits of \$12,405 (2009 - \$25,655). Amortization of these amounts will commence when the equipment is available for use.

8. Accounts payable and accrued liabilities	<u>2010</u>	<u>2009</u>
Trade payables	\$ 67,762	\$ 59,142
Accrued liabilities and other	56,990	51,595
Payable to MOHLTC and MHP	10,723	5,902
Pension escrow	402	400
	<u>\$ 135,877</u>	<u>\$ 117,039</u>

9. Deferred contributions

a) Deferred operating grants

Deferred operating grants represent unspent resources related to MOHLTC, MHP and other funded programs. Unspent amounts are held for use in subsequent periods or settlement by the respective ministry. Changes in the deferred operating grant balance are as follows:

	<u>2010</u>	<u>2009</u>
Balance, beginning of year	\$ 44,649	\$ 39,983
Amounts received related to subsequent periods	16,672	20,222
Amount recognized as revenue	(19,063)	(6,104)
Amount returned to MOHLTC	(4,824)	(9,452)
Balance, end of year	<u>\$ 37,434</u>	<u>\$ 44,649</u>

Cancer Care Ontario

Notes to the financial statements

(In thousands of dollars)

March 31, 2010

9. Deferred contributions (continued)

b) Deferred contributions related to capital assets

Deferred contributions related to capital assets represent the unamortized amount and unspent amount of funds received for the purchase of capital assets. The changes in the deferred contributions related to capital assets balance for the year are as follows:

	<u>2010</u>	<u>2009</u>
Balance, beginning of year	\$ 97,323	\$ 90,824
Amounts received related to capital assets	32,766	29,019
Amount recognized as revenue	<u>(28,303)</u>	<u>(22,520)</u>
Balance, end of year	\$ <u>101,786</u>	\$ <u>97,323</u>

The balance of deferred capital contributions related to capital assets consists of the following:

	<u>2010</u>	<u>2009</u>
Unamortized capital contributions used to purchase capital assets	\$ 95,810	\$ 86,791
Unspent contributions	<u>5,976</u>	<u>10,532</u>
Balance, end of year	\$ <u>101,786</u>	\$ <u>97,323</u>

10. Pension costs and post-retirement benefits other than pension plan

a) Pension costs

Employees of the Organization are members of HOOPP, which is a multiemployer defined benefit pension plan. HOOPP members receive benefits based on length of service and the average annualized earnings during the five consecutive years that provide the highest earnings prior to retirement, termination or death.

Contributions to HOOPP made during the year by the Organization on behalf of its employees amounted to \$3,976 (2009 - \$3,083) and are included in the pension expense in the statement of operations.

b) Post-retirement benefits other than pension plan

The Organization offered non-pension, post retirement benefits to its retired employees. Effective January 1, 2006, the Organization no longer offers non-pension, post retirement benefits to its active employees. Benefits paid during the year under this unfunded plan were \$192 (2009 - \$198).

During the year, the Organization decreased its accrued benefit obligation by \$457 (2009 – increased by \$81) based on the most recent actuarial valuation for the post-retirement benefits other than pension plan dated April 1, 2010. The next valuation will take place in April 2011.

Cancer Care Ontario

Notes to the financial statements

(In thousands of dollars)

March 31, 2010

10. Pension costs and post-retirement benefits other than pension plan (continued)

Information about the Organization's post-retirement benefits other than pension plan is as follows:

	<u>2010</u>	<u>2009</u>
Accrued benefit obligation	\$ (2,951)	\$ (3,408)
Unamortized actuarial gain	(1,132)	(716)
Unamortized net transitional obligation	<u>727</u>	<u>798</u>
Net accrued benefit liability	\$ <u>(3,356)</u>	\$ <u>(3,326)</u>

The actuarially determined present value of the accrued benefit obligation is measured using management's best estimates based on assumptions that reflect the most probable set of economic circumstances and planned courses of action as follows:

	<u>2010</u>	<u>2009</u>
Discount rate	4.5%	5.5%
Hospital and drug cost trend rate	9% in 2010 to 5% in 2018 and after	9% in 2009 to 5% in 2013 and after
Other medical costs trend rate	4% per annum	4% per annum

11. Investment in capital assets

	<u>2010</u>	<u>2009</u>
Capital assets	\$ 97,542	\$ 89,397
Amounts financed by deferred capital contributions	<u>(95,810)</u>	<u>(86,791)</u>
	\$ <u>1,732</u>	\$ <u>2,606</u>

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

Purchase of capital assets	\$ 37,329	\$ 31,933
Deferred contributions related to capital assets	(37,322)	(28,947)
Amortization of deferred contributions related to capital assets	28,303	22,520
Amortization of capital assets	(28,673)	(22,900)
Disposal of capital assets	<u>(511)</u>	<u>-</u>
	\$ <u>(874)</u>	\$ <u>2,606</u>

12. Net investment income (loss)

Net investment income earned on the Endowment Fund resources in the amount of \$25 (2009 - \$18) is included in the Restricted Fund. Also included in restricted net investment income is realized and unrealized losses on investments of \$nil (2009 - \$3,400).

Cancer Care Ontario

Notes to the financial statements

(In thousands of dollars)

March 31, 2010

13. Other revenue	<u>2010</u>	<u>2009</u>
General Fund		
Canada Health Infoway (repayment)	\$ (1,856)	\$ 1,938
Canadian Partnership Against Cancer	2,572	867
Salary recovery	888	1,640
eHealth Ontario	3,557	-
Miscellaneous	<u>2,619</u>	<u>3,574</u>
	\$ <u>7,780</u>	\$ <u>8,019</u>
Restricted Fund		
Grants	\$ 10,640	\$ 10,333
Donations	<u>307</u>	<u>225</u>
	\$ <u>10,947</u>	\$ <u>10,558</u>

14. Wait Time Information System

At the direction of the MOHLTC, the Organization was engaged to develop and implement Ontario's Wait Time Strategy (the "Strategy"), including obtaining data on wait times for selected major health care services at participating Ontario hospitals. The Organization manages the Wait Times Information System, an information technology component of the Strategy.

The MOHLTC provides funding dedicated to the Strategy. The costs related to the Strategy totalled \$31,160 (2009 - \$31,455) and are included in various categories in the statement of operations. Total expenses related to the Strategy since its inception in the 2005/06 fiscal year are \$155,973. Total funding supporting the Strategy since inception is \$179,888.

Consulting services includes \$14,043 (2009 - \$18,085) related to the Strategy.

15. Other operating expenses	<u>2010</u>	<u>2009</u>
Restricted Fund		
Equipment	\$ 531	\$ 679
General office	506	211
Travel	249	246
Education and Publications	217	311
Other expenses	<u>135</u>	<u>114</u>
	\$ <u>1,638</u>	\$ <u>1,561</u>
General Fund		
Equipment	\$ 4,576	\$ 7,637
General office	1,717	1,562
Education and Publications	1,555	1,378
Patient services	800	800
Travel	778	1,140
Other expenses	<u>341</u>	<u>1,328</u>
	\$ <u>9,767</u>	\$ <u>13,845</u>

Cancer Care Ontario

Notes to the financial statements

(In thousands of dollars)

March 31, 2010

16. Interfund transfers	<u>2010</u>	<u>2009</u>
Transfer to the General Fund from the Restricted Fund	\$ <u>688</u>	\$ <u>108</u>

Transfers to the General Fund from the Restricted Fund represent the release of internally restricted reserves.

17. Commitments

- a) The Organization leases space, and computer and office equipment. Under the terms of the leases, future repayments are estimated as follows for the year ending March 31:

2011	\$ 3,960
2012	3,131
2013	1,375
2014	27
2015 and thereafter	<u>-</u>
	\$ <u>8,493</u>

- b) The Organization has committed to approximately \$9,614 (2009 - \$15,372) for the purchase of equipment.

18. Contingency

The Organization is a member of the Healthcare Insurance Reciprocal of Canada ("HIROC"), which was established by hospitals and other organizations to self-insure. If the aggregate premiums paid are not sufficient to cover claims, the Organization will be required to provide additional funding on a participatory basis.

Since the inception, HIROC has accumulated an unappropriated surplus, which is the total of premiums paid by all subscribers plus investment income less the obligation for claims reserves and expenses and operating expenses. Each subscriber which has an excess of premium plus investment income over the obligation for their allocation of claims reserves and expenses and operating expenses may be entitled to receive distributions of their share of the unappropriated surplus at the time such distributions are declared by the Board of Directors of HIROC. There are nil distributions receivable from HIROC as of March 31, 2010.

19. Financial instruments

The carrying amounts of cash and cash equivalents, receivables, and accounts payable and accrued liabilities approximate fair values due to the short-term nature of these instruments.

The fair values of investments are disclosed in Note 5. Investments consist of guaranteed investment certificates with a fixed interest rate that in management's estimation is at market.

Cancer Care Ontario

Notes to the financial statements

(In thousands of dollars)

March 31, 2010

20. Guarantees

a) Director/officer indemnification

The Organization's General By-Law contains an indemnification of its directors/officers, former directors/officers and other persons who have served on board committees against all costs incurred by them in connection with any action, suit or other proceeding in which they are sued as a result of their service, as well as all other costs sustained in or incurred by them in relation to their service. This indemnity excludes costs that are occasioned by the indemnified party's own dishonesty, wilful neglect or default.

The nature of the indemnification prevents the Organization from making a reasonable estimate of the maximum amount that it could be required to pay to counterparties. To offset any potential future payments, the Organization has purchased from HIROC directors' and officers' liability insurance to the maximum available coverage. The Organization has not made any significant payments under such indemnifications, and no amount has been accrued in the accompanying financial statements with respect to the contingent aspect of these indemnities.

b) Other indemnification agreements

In the normal course of its operations, the Organization executes agreements that provide for indemnification to third parties. These include, without limitation: indemnification of the Landlord under the Organization's lease of premises; indemnification of the Minister of Health and Long-Term Care from claims, actions, suits or other proceedings based upon the actions or omissions of the representative groups of medical, radiation and gynaecology/oncology physicians under certain Alternate Funding Agreements; and indemnification of the ICP host hospitals from claims, actions, costs, damages and expenses brought about as a result of any breach by the Organization of its obligations under the Cancer Program Integration Agreement and the related closing documentation.

While the terms of these indemnities vary based upon the underlying contract, they normally extend for the term of the contract. In most cases, the contract does not provide a limit on the maximum potential amount of indemnification, which prevents the Organization from making a reasonable estimate of its maximum potential exposure. The Organization has not made any significant payments under such indemnifications, and no amount has been accrued in the accompanying financial statements with respect to the contingent aspect of these indemnities.

21. Comparative figures

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

**Education Quality and
Accountability Office**

2 Carlton Street, Suite 1200
Toronto ON M5B 2M9
Telephone: 1-888-327-7377
Fax: 416-325-0831
Web site: www.eqao.com

MANAGEMENT REPORT**Management's Responsibility for Financial Reporting**

The accompanying financial statements of the Education Quality Accountability Office for the year ended March 31, 2010 are the responsibility of management and have been prepared in accordance with accounting principles generally accepted in Canada. The significant accounting policies followed by the Education Quality Accountability Office are described in the Summary of Significant Accounting Policies contained in Note 1 in the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been prepared within reasonable limits of materiality and in light of information available up to April 30, 2010.

Management maintained a system of internal controls designed to provide reasonable assurance that the assets were safeguarded and that reliable information was available on a timely basis. The system included formal policies and procedures and an organizational structure that provided for the appropriate delegation of authority and segregation of responsibilities.

These financial statements have been examined by KPMG LLP, a firm of independent external auditors appointed by the Board of Directors. The external auditors' responsibility is to express their opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles in Canada. The Auditor's Report, which follows, outlines the scope of their examination and their opinion.

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

On behalf of management,

A handwritten signature in cursive script, reading 'Marguerite Jackson'.

Marguerite Jackson
Chief Executive Officer

A handwritten signature in cursive script, reading 'Robin Dafoe'.

Robin Dafoe
Director, Corporate and Public Affairs

Toronto, Canada
April 30, 2010



KPMG LLP
Chartered Accountants
Ponge Corporate Centre
4100 Yonge Street Suite 200
Toronto, ON M3P 2H3
Canada

Telephone: (416) 228-7000
Fax: (416) 228-7123
Internet: www.kpmg.ca

AUDITORS' REPORT

To the Board of Directors of Education Quality and Accountability Office

We have audited the statement of financial position of Education Quality and Accountability Office as at March 31, 2010 and the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures for March 31, 2009 were reported on by another firm of chartered accountants.

Chartered Accountants, Licensed Public Accountants

Toronto, Canada

April 30, 2010

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Statement of Financial Position

March 31, 2010, with comparative figures for 2009

	2010	2009
Financial Assets		
Current assets:		
Cash	\$ 4,249,592	\$ 643,623
Board restricted fund (note 3)	4,448,162	4,155,997
Accounts receivable (note 4)	159,124	1,038,632
	<u>8,856,878</u>	<u>5,838,252</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	3,117,098	919,888
Deferred revenue	2,150,938	2,462,599
	<u>5,268,036</u>	<u>3,382,487</u>
Net financial assets	3,588,842	2,455,765
Non-financial assets		
Prepaid expenses (note 5)	387,209	923,700
Capital assets (note 6)	600,077	776,532
	<u>987,286</u>	<u>1,700,232</u>
Accumulated surplus	<u>\$ 4,576,128</u>	<u>\$ 4,155,997</u>

See accompanying notes to financial statements.

On behalf of the Board:




Chair

Chief Executive Officer

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Statement of Operations and Accumulated Surplus

Year ended March 31, 2010, with comparative figures for 2009

	2010 Budget (Unaudited)	2010 Actual	2009 Actual
Revenue:			
Ministry of Education:			
Base allocation payments (note 2)	\$ 33,380,940	\$ 33,048,228	\$ 31,708,963
Other	—	416,058	587,024
	33,380,940	33,464,286	32,295,987
Expenses:			
Service and rental	17,062,514	17,450,364	16,839,681
Salaries and wages	11,254,389	11,276,070	10,610,284
Transportation and communication	3,761,524	3,371,976	3,088,365
Supplies and equipment	1,302,513	945,745	1,167,158
	33,380,940	33,044,155	31,705,488
Annual surplus	—	420,131	590,499
Accumulated surplus, beginning of year	4,155,997	4,155,997	3,565,498
Accumulated surplus, end of year	\$ 4,155,997	\$ 4,576,128	\$ 4,155,997

See accompanying notes to financial statements.

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Statement of Changes in Net Financial Assets

Year ended March 31, 2010, with comparative figures for 2009

	2010 Budget (Unaudited)	2010 Actual	2009 Actual
Annual surplus	\$ —	\$ 420,131	\$ 590,499
Acquisition of capital assets	—	(228,222)	(155,076)
Amortization of capital assets	360,665	404,677	512,622
	360,665	176,455	357,546
Acquisition of prepaid expenses	—	(387,209)	(923,701)
Use of prepaid expenses	—	923,700	481,960
	—	536,491	(441,741)
Increase in net financial assets	360,665	1,133,077	506,304
Net financial assets, beginning of year	2,455,765	2,455,765	1,949,461
Net financial assets, end of year	\$ 2,816,430	\$ 3,588,842	\$ 2,455,765

See accompanying notes to financial statements.

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Statement of Cash Flows

Year ended March 31, 2010, with comparative figures for 2009

	2010	2009
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 420,131	\$ 590,499
Amortization of capital assets which does not affect cash	404,677	512,622
	824,808	1,103,121
Change in non-cash operating working capital:		
Accounts receivable	879,508	(762,961)
Accounts payable and accrued liabilities	2,197,210	(816,212)
Deferred revenue	(311,661)	999,874
Prepaid expenses	536,491	(441,741)
	4,126,356	82,081
Financing activities:		
Acquisition of capital assets	(228,222)	(155,076)
Investing activities:		
Additions to board restricted fund	(292,165)	(590,499)
Increase (decrease) in cash	3,605,969	(663,494)
Cash, beginning of year	643,623	1,307,117
Cash, end of year	\$ 4,249,592	\$ 643,623

See accompanying notes to financial statements.

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Notes to Financial Statements

Year ended March 31, 2010

The Education Quality and Accountability Office (the "Agency") was established by the Province of Ontario by the EQAO Act, June 1996. The Agency was created to assure greater accountability and to contribute to the enhancement of the quality of education in Ontario. This is done through assessments and reviews based on objective, reliable and relevant information, and the timely public release of that information along with recommendations for system improvement.

1. Significant accounting policies:

These financial statements, which have been prepared in accordance with Canadian generally accepted accounting principles for governments, as established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants ("CICA") and, where applicable, the recommendations of the Accounting Standards Board of the CICA, reflect the accounting policies set out below:

(a) Revenue recognition:

The Agency is funded by the Ministry of Education in accordance with established budget arrangements. These transfer payments are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met and reasonable estimates of the amounts can be made.

Other revenue is recognized at the time the service is rendered.

(b) Deferred revenue:

Certain amounts, including transfer payments from the Ministry of Education, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. In addition, certain amounts received are used to pay expenses for which the related service is yet to be performed, or are in excess of the expenses actually incurred. These amounts are recorded as deferred revenue at year end.

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Notes to Financial Statements (continued)

Year ended March 31, 2010

1. Significant accounting policies (continued):**(c) Capital assets:**

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer equipment	3 years
Furniture and fixtures	5 years

For assets acquired or brought into use during the year, amortization is calculated from the month following that in which additions come into operation.

The Agency considers the carrying value of long-lived assets when events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the Agency expects an asset to generate cash flows less than the asset's carrying value, at the lowest level of identifiable cash flows, the Agency recognizes a loss for the difference between the asset's carrying value and its fair value.

(d) Measurement uncertainty:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Such estimates include providing for amortization of capital assets. Actual results could differ from those estimates.

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Notes to Financial Statements (continued)

Year ended March 31, 2010

2. Ministry of Education funding:

The Agency received base allocation payments in accordance with the year's approved budget. Actual expenses incurred in the year are less than the budgeted amounts. The difference between base allocation payments received and actual expenses incurred represents deferred revenue. A breakdown of revenue reported on the statement of operations is noted below:

	2010	2009
Gross base allocation payments	\$ 32,736,567	\$ 32,708,837
Allocation from (to) deferred revenue	311,661	(999,874)
Ministry of Education - base allocation payments	\$ 33,048,228	\$ 31,708,963

3. Board restricted fund:

A board restricted fund was established by a Board of Directors' resolution for the purpose of examining assessment processes and researching emerging methodologies in large scale assessment in order to maintain Ontario's high quality assessment programs as best of class. The fund is currently invested in a Royal Bank of Canada current account. The Agency has the authority to retain any revenue that is not provincial funding according to the EQAO Act, the Agency Establishment and Accountability Directive and the Financial Administration Act.

	2010	2009
Balance, beginning of year	\$ 4,155,997	\$ 3,565,498
Appropriation of other income	143,611	495,007
Interest income earned on funds	148,554	95,492
Balance, end of year	\$ 4,448,162	\$ 4,155,997

4. Accounts receivable:

Included in accounts receivable is a transfer payment in the amount of nil (2009 - \$929,281) from the Ministry of Education.

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Notes to Financial Statements (continued)

Year ended March 31, 2010

5. Prepaid expenses:

Prepaid expenses are paid in cash and recorded as assets before they are used or consumed. As at year end, the balance is made up of the following amounts:

	2010	2009
Prepaid expenses	\$ 123,768	\$ 400,625
Deposit to Toronto Congress Centre	200,000	400,000
Prepaid secondees	63,441	123,075
	<u>\$ 387,209</u>	<u>\$ 923,700</u>

6. Capital assets:

			2010	2009
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment	\$ 1,701,835	\$ 1,167,461	\$ 534,374	\$ 709,426
Furniture and fixtures	251,191	185,488	65,703	67,106
	<u>\$ 1,953,026</u>	<u>\$ 1,352,949</u>	<u>\$ 600,077</u>	<u>\$ 776,532</u>

Amortization of capital assets recorded in the current year amounts to \$404,677 (2009 - \$512,622).

7. Lease commitments:

The Agency leases premises under a long-term lease that expires on December 31, 2012. Under the terms of the lease, the Agency is required to pay an annual base rent which is predetermined based on square footage rates plus operating and maintenance charges.

The minimum annual lease payments related to the office lease and office equipment for the next three years are as follows:

2011	\$ 1,146,000
2012	817,000
2013	72,000
	<u>\$ 2,035,000</u>

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Notes to Financial Statements (continued)

Year ended March 31, 2010

8. Financial instruments:

The Agency's financial instruments consist of cash, board restricted fund, accounts receivable and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values due to their short-term nature.

It is management's opinion that the Agency is not exposed to significant interest, currency or credit risks arising from these financial instruments.

eHealth Ontario

Management's Responsibility For Financial Information

Management and the board of directors are responsible for the financial statements and all other information presented in the Annual Report. The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and, where appropriate, include amounts based on management's best estimates and judgment. Management is responsible for the integrity and objectivity of these financial statements. The financial information presented elsewhere in this Annual Report is consistent with that in the financial statements in all material respects.

eHealth Ontario is dedicated to the highest standards of integrity in its business. To safeguard the agency's assets and assure the reliability of financial information, the agency follows sound management practices and procedures, and maintains appropriate financial reporting systems and controls. The board of directors ensures that management fulfills its responsibilities for financial information and internal controls.

The financial statements have been reviewed by eHealth Ontario's Finance and Audit Committee and approved by the board of directors. The financial statements have been examined by PricewaterhouseCoopers LLP, independent external auditors appointed by the board of directors. The external auditors' responsibility is to examine the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express their opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditors' Report outlines the scope of the Auditors' examination and opinion.



Sandip Mitra
Chief Financial Officer



PricewaterhouseCoopers LLP
Chartered Accountants
North American Centre
5700 Yonge Street, Suite 1900
North York, Ontario
Canada M2M 4K7
Telephone +1 416 218 1500
Facsimile +1 416 218 1499

June 24, 2010

Auditors' Report

**To the Board of Directors of
*eHealth Ontario***

We have audited the statement of financial position of ***eHealth Ontario*** (formerly Smart Systems for Health Agency) as at March 31, 2010 and the statements of operations and fund balance and cash flows for the year then ended. These financial statements are the responsibility of ***eHealth Ontario***'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of ***eHealth Ontario*** as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

"PricewaterhouseCoopers" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership, or, as the context requires, the PricewaterhouseCoopers global network or other member firms of the network, each of which is a separate legal entity.

eHealth Ontario

Statement of Financial Position

As at March 31, 2010

(in thousands of dollars)

	2010 \$	2009 \$
Assets		
Current assets		
Cash	20,794	6,852
Prepaid expenses	3,742	4,224
Interest receivable	19	-
Due from the Province of Ontario (note 3)	3,987	33,500
	28,542	44,576
Property and equipment (note 4)	19,645	17,679
Intangible assets (note 5)	17,086	9,935
	65,273	72,190
Liabilities		
Current liabilities		
Accounts payable	7,329	24,282
Accrued liabilities		
Operating	15,215	15,492
Property and equipment	842	4,206
	23,386	43,980
Deferred capital contributions (note 7)	36,731	27,614
	60,117	71,594
Fund Balance (note 6)	5,156	596
	65,273	72,190

Commitments (note 8)**Approved by the Board of Directors**


Chair

eHealth Ontario

Statement of Operations and Fund Balance

For the year ended March 31, 2010

(in thousands of dollars)

	2010 \$	2009 \$
Funding		
Government funding (note 3)	342,828	202,683
Amortization of deferred capital contributions (note 7)	10,501	8,808
	<u>353,329</u>	<u>211,491</u>
Expenses		
Network operations and management	80,840	72,412
Solutions development, delivery and support	194,590	63,784
Information technology operations	34,403	37,025
Privacy and security	3,101	2,637
Corporate services	24,738	19,085
Transition costs	-	6,825
	<u>337,672</u>	<u>201,768</u>
Amortization of property and equipment	5,772	5,155
Amortization of intangible assets	4,729	3,653
	<u>348,173</u>	<u>210,576</u>
Excess of funding over expenses for the year	5,156	915
Fund balance (deficit) - Beginning of year	596	(319)
Repayment of prior year's surplus	(596)	-
Fund balance - End of year	<u>5,156</u>	<u>596</u>

eHealth Ontario

Statement of Cash Flows

For the year ended March 31, 2010

(in thousands of dollars)

	2010 \$	2009 \$
Cash provided by (used in)		
Operating activities		
Excess of funding over expenses for the year	5,156	915
Items not affecting cash		
Amortization of deferred capital contributions (note 7)	(10,501)	(8,808)
Amortization of property and equipment	5,772	5,155
Amortization of intangible assets	4,729	3,653
	<u>5,156</u>	<u>915</u>
Change in non-cash working capital items		
Due from the Province of Ontario	29,513	(16,741)
Interest receivable	(19)	-
Prepaid expenses	482	(2,695)
Accounts payable	(16,953)	19,134
Accrued liabilities		
Operating	(277)	(1,238)
Property and equipment	(3,364)	3,546
	<u>14,538</u>	<u>2,921</u>
Investing activities		
Purchase of property and equipment	(7,738)	(13,981)
Purchase of intangible assets	(11,880)	(8,336)
	<u>(19,618)</u>	<u>(22,317)</u>
Financing activities		
Capital contributions received (note 7)	19,618	22,317
Reimbursement of prior year's surplus	(596)	-
	<u>19,022</u>	<u>22,317</u>
Increase in cash during the year	13,942	2,921
Cash - Beginning of year	<u>6,852</u>	<u>3,931</u>
Cash - End of year	<u>20,794</u>	<u>6,852</u>

eHealth Ontario

Notes to Financial Statements

March 31, 2010

(in thousands of dollars)

1 Nature of operations

On September 29, 2008, Smart Systems for Health Agency, a corporation without share capital, changed its name to *eHealth Ontario* under Ontario Regulation 43/02 (O. Reg. 43/02). Effective April 1, 2009, the e-Health Program office transferred to *eHealth Ontario*.

eHealth Ontario is an operational service agency as defined by the Management Board of Cabinet Directives. Subsection 2(3) of O. Reg. 43/02 provides that *eHealth Ontario* is, for all its purposes, an agency of Her Majesty within the meaning of the Crown Agency Act and its powers may be exercised only as an agency of Her Majesty. Subsection 6(1) of O. Reg. 43/02 provides that the Board of Directors is composed of the members appointed by the Lieutenant-Governor in Council on the recommendation of the Minister of Health and Long-Term Care. The Lieutenant-Governor in Council can appoint up to 12 members to *eHealth Ontario*'s Board of Directors. Pursuant to subsection 7(1) of O. Reg. 43/02 and subject to any directions given by the Minister of Health and Long-Term Care under Section 8, the affairs of *eHealth Ontario* are under the management and control of the Board of Directors. Subsection 9(1) of O. Reg. 43/02 provides that the Chief Executive Officer of *eHealth Ontario* be appointed by the Lieutenant-Governor in Council.

Subsection 10.1(1) of O. Reg. 43/02 requires *eHealth Ontario* and the Ministry of Health and Long-Term Care (the Ministry) to enter into a memorandum of understanding (MOU). This MOU was executed on March 31, 2008. The following are the objects of the Agency:

- a) to provide eHealth services and related support for the effective and efficient planning, management and delivery of health care in Ontario;
- b) to develop eHealth services strategy and operational policy; and
- c) to protect the privacy of individuals whose personal information or personal health information is collected, transmitted, stored or exchanged by and through *eHealth Ontario*, in accordance with the Freedom of Information and Protection of Privacy Act, the Personal Health Information Protection Act, 2004, and any other applicable law (O.Reg. 339/08, s.4).

eHealth Ontario is funded by the Province of Ontario through the Ministry and operates on the same fiscal year as the Ontario government. As an agency of the Ministry, *eHealth Ontario* is exempt from income taxes.

2 Summary of significant accounting policies**Changes in accounting policies**

Recent amendments to CICA Handbook Section 4400, Financial Statement Presentation By Not-for-Profit Organizations, modified the requirements with respect to various elements of financial statement presentation. The new standards were applied to *eHealth Ontario* effective April 1, 2009 and there were no changes to *eHealth Ontario*'s financial statements as a result.

eHealth Ontario

Notes to Financial Statements

March 31, 2010

(in thousands of dollars)

Effective April 1, 2009, *eHealth Ontario* adopted CICA Section 3064, Goodwill and Intangible Assets, which establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. As a result of adopting this standard, *eHealth Ontario* has reclassified certain software costs from property and equipment to intangible assets. This standard has been applied retrospectively and affects presentation only. The following is a summary of the impacts of the adoption on the comparative balances:

	2009 \$ (as previously reported)	2009 \$ (as restated)
Statement of financial position		
Property and equipment	27,614	17,679
Intangible assets	-	9,935
Statement of operations and fund balances		
Amortization of property and equipment	8,808	5,155
Amortization of intangible assets	-	3,653
Statement of cash flows		
Purchase of property and equipment	22,317	13,981
Purchase of intangible assets	-	8,336

Funding

Government funding is recognized when received, or when receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

eHealth Ontario follows the deferral method of accounting for funding received. Contributions with respect to the purchase of property and equipment and intangible assets are deferred and recognized as funding in the year in which the amortization expense is recognized.

Financial instruments

eHealth Ontario's financial instruments consist of cash, interest receivable, due from the Province of Ontario, accounts payable and accrued liabilities. The carrying values of these financial instruments approximate their fair value due to their short-term maturities.

eHealth Ontario's financial instruments are generally classified and measured as follows:

Cash	held-for-trading
Interest receivable	loans and receivables
Due from the Province of Ontario	loans and receivables
Accounts payable	other financial liabilities
Accrued liabilities	other financial liabilities

Financial assets classified as held-for-trading are recorded at fair value at the statement of financial position date. Amounts classified as loans and receivables or other financial liabilities are accounted for at amortized cost.

eHealth Ontario

Notes to Financial Statements

March 31, 2010

(in thousands of dollars)

Expense categories

Network operations and management include costs relating to the investment by *eHealth Ontario* in the development and maintenance of its secure, private network for health-care providers to access eHealth applications and costs associated with the network deployment to clients.

The solutions development, delivery and support category includes costs related to client software applications and *eHealth Ontario* products, in addition to planning and enabling external delivery partners to execute projects and programs.

The information technology operations category includes costs relating to providing information technology services for eHealth products and services, and *eHealth Ontario*'s two data centres.

The privacy and security category includes costs related to protecting the privacy of and safeguarding the confidentiality and integrity of personal health information held by *eHealth Ontario*, including applications developed and implemented by *eHealth Ontario*.

The corporate services category includes costs relating to resources and services for *eHealth Ontario* with the exception of legal, rent, recruitment and internal information technology costs, which have been allocated to other expense categories.

The transition costs category includes costs relating to the transition from Smart Systems for Health Agency to *eHealth Ontario*, which was completed as of March 31, 2009.

Property and equipment

Property and equipment are recorded at cost, net of accumulated amortization. Amortization is provided on a straight-line basis, with only one-half of the amortization recorded in the year of purchase, over the estimated useful lives of the assets as follows:

Computer hardware	3 to 5 years
Furniture and office equipment	5 years
Leasehold improvements	over the term of the respective leases

Property and equipment that no longer have any long-term service potential for *eHealth Ontario* are written down to residual value, if any. The excess of the carrying value over the residual value of such assets is recognized as amortization in the statement of operations and fund balance.

Intangible assets

Intangible assets are recorded at cost, net of accumulated amortization. Amortization is provided on a straight-line basis, with the amortization recorded in the month the asset is put into operation. The useful lives of the assets are as follows:

eHealth Ontario

Notes to Financial Statements

March 31, 2010

(in thousands of dollars)

Computer software	3 to 5 years
IT infrastructure or business application software	5 to 10 years

As of April 1, 2009, *eHealth Ontario* began capitalizing labour as it related to the development and installation of computer software and IT infrastructure or business application software. This new accounting policy was applied prospectively as the information related to prior years was not readily available.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of funding and expenses during the reporting period. Actual results could differ from those estimates.

3 Government funding

eHealth Ontario obtained a funding commitment of \$362,446 (2009 - \$225,000) from the Ministry, of which \$3,987 (2009 - \$33,500) was collected subsequent to year-end. This funding was accounted for in accordance with *eHealth Ontario's* accounting policies as follows:

	2010 \$	2009 \$
Committed funding	259,407	223,700
Transfer payment funding	103,039	1,300
Total funding	362,446	225,000
Amounts received for property and equipment	(19,618)	(22,317)
	342,828	202,683

4 Property and equipment

	2010		
	Cost \$	Accumulated amortization \$	Net \$
Computer hardware	55,723	38,762	16,961
Furniture and office equipment	4,190	2,613	1,577
Leasehold improvements	3,490	2,383	1,107
	63,403	43,758	19,645

eHealth Ontario

Notes to Financial Statements

March 31, 2010

(in thousands of dollars)

	2009		
	Cost \$	Accumulated amortization \$	Net \$
Computer hardware	48,357	34,312	14,045
Furniture and office equipment	3,973	2,097	1,876
Leasehold improvements	3,335	1,577	1,758
	55,665	37,986	17,679

There are assets included in property and equipment that have been purchased and not placed into use and therefore have not been amortized for the year. The net book value of computer hardware not in use is \$2,158 (2009 - \$6,478).

In the current year, certain computer hardware no longer in use with a net book value of \$80 (2009 - \$198) was written off as amortization.

5 Intangible assets

	2010		
	Cost \$	Accumulated amortization \$	Net \$
Computer software	30,427	22,782	7,645
Work-in-process	9,441	-	9,441
	39,868	22,782	17,086

	2009		
	Cost \$	Accumulated amortization \$	Net \$
Computer software	27,988	18,053	9,935

There are assets included in intangible assets that have been purchased and not placed into use and therefore have not been amortized for the year. The net book value of computer software not in use is \$838 (2009 - \$2,812).

eHealth Ontario

Notes to Financial Statements

March 31, 2010

(in thousands of dollars)

6 Managing the fund balance

eHealth Ontario receives all of its funding from the Ministry. Any surplus balance must be repaid in the following fiscal year. Any deficit balance reduces the funding allocation in the following fiscal year.

7 Deferred capital contributions

	2010 \$	2009 \$
Balance - Beginning of year	27,614	14,105
Property and equipment and intangible contributions received	19,618	22,317
Amortization	(10,501)	(8,808)
Balance - End of year	36,731	27,614

8 Commitments

- a) *eHealth Ontario* has various contractual commitments. The commitments are for services and space relating to the highly secure data centres that are utilized to host the *eHealth Ontario* ONE suite of products and services and other initiatives and to host client applications. Payments required on these commitments are as follows:

	\$
2011	83,192
2012	89,233
2013	55,831
2014	25,537
2015	-
	253,793

- b) Ontario Realty Corporation, a Crown Corporation of the Province of Ontario, holds leases on the office space occupied by *eHealth Ontario*. *eHealth Ontario* is responsible for all the operating lease payments. The payments required to the date of expiry are as follows:

	\$
2011	5,200
2012	2,710
2013	1,412
2014	792
2015	629
2016 and beyond	366
	11,109

eHealth Ontario

Notes to Financial Statements

March 31, 2010

(in thousands of dollars)

- c) *eHealth Ontario* has entered into a multi-year contractual agreement with IBM Canada Ltd. to provide information technology services. Payments are expected to be \$5,280 in fiscal 2011.

9 Employee benefits

eHealth Ontario has a defined contribution pension plan for its employees. *eHealth Ontario's* contributions to this plan during the year amounted to \$2,427 (2009 - \$2,141).

Management Report

Management's Responsibility for Financial Reporting

The accompanying financial statements of the Independent Electricity System Operator are the responsibility of management and have been prepared in accordance with accounting principles generally accepted in Canada. The significant accounting policies followed by the Independent Electricity System Operator are described in the Summary of Significant Accounting Policies contained in Note 2 in the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been prepared within reasonable limits of materiality and in light of information available up to February 11, 2010.

Management maintained a system of internal controls designed to provide reasonable assurance that the assets were safeguarded and that reliable information was available on a timely basis. The system included formal policies and procedures and an organizational structure that provided for the appropriate delegation of authority and segregation of responsibilities.

These financial statements have been examined by PricewaterhouseCoopers LLP, a firm of independent external auditors appointed by the Board of Directors. The external auditors' responsibility is to express their opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles in Canada. The Auditors' Report, which follows, outlines the scope of their examination and their opinion.

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

On behalf of management,



Paul Murphy
President and Chief Executive Officer
Toronto, Canada
March 8, 2010



Ted Leonard
Vice President, Finance
Chief Financial Officer and Treasurer
Toronto, Canada
March 8, 2010

2009 FINANCIAL STATEMENTS

Auditors' Report

February 11, 2010

To the Board of Directors of the Independent Electricity System Operator (IESO):

We have audited the statement of financial position of the IESO as at December 31, 2009 and the statements of operations, other comprehensive loss and accumulated deficit and cash flows for the year then ended. These financial statements are the responsibility of the IESO's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements present fairly, in all material respects, the financial position of the IESO as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants
Toronto, Ontario

2009 FINANCIAL STATEMENTS

Statement of Operations, Comprehensive Loss and Accumulated Deficit

For the year ended December 31 (in thousands of Canadian dollars)	2009	2008
	\$	\$
REVENUES		
System fees (Note 11)	119,988	132,477
Other revenue (Note 2b)	1,511	1,906
TOTAL REVENUES	121,499	134,383
EXPENSES		
Labour	74,036	76,270
Computer services, support and equipment	9,275	8,988
Contract services and consultants	6,860	7,500
Telecommunications	2,936	2,944
Other costs	7,255	6,350
Smart metering program costs (Note 11)	9,962	7,763
Amortization	24,319	23,360
TOTAL EXPENSES	134,643	133,175
Income/(loss) before interest, financial charges and investment income	(13,144)	1,208
Interest and investment income/(loss)	2,304	(2,321)
Interest expense and financing charges	(3,074)	(5,945)
NET LOSS FOR THE YEAR	(13,914)	(7,058)
OTHER COMPREHENSIVE INCOME	-	29
COMPREHENSIVE LOSS	(13,914)	(7,029)
ACCUMULATED SURPLUS (before change in accounting policy)	-	3,014
Change in accounting policy (Note 3)	-	(1,596)
ACCUMULATED SURPLUS/(DEFICIT) - BEGINNING OF YEAR	(5,611)	1,418
ACCUMULATED DEFICIT - END OF YEAR (Note 11)	(19,525)	(5,611)

See accompanying notes to Financial Statements.

2009 FINANCIAL STATEMENTS

Statement of Financial Position

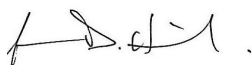
As at December 31 (in thousands of Canadian dollars)

	2009	2008
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	8,990	12,691
Accounts receivable	13,500	13,775
Prepaid expenses	3,693	3,958
	26,183	30,424
Property and equipment (Note 4)		
In service	74,856	91,581
Construction-in-progress	4,882	1,781
	79,738	93,362
Other assets		
Intangible assets (Note 5)	6,685	6,774
Long-term investments (Note 6)	18,204	14,972
Prepaid pension cost (Note 7)	3,349	-
	28,238	21,746
TOTAL ASSETS	134,159	145,532
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 8)	20,073	22,172
Accrued interest on debt	66	1,030
Short-term debt (Note 9)	-	78,200
Rebates to market participants (Note 11)	4,324	1,386
	24,463	102,788
Long-term liabilities		
Long-term debt (Note 9)	78,200	-
Accrued pension liability (Note 7)	-	1,839
Accrual for employee future benefits other than pensions (Note 7)	51,021	46,516
	129,221	48,355
TOTAL LIABILITIES	153,684	151,143
ACCUMULATED DEFICIT (Note 11)	(19,525)	(5,611)
TOTAL LIABILITIES AND ACCUMULATED DEFICIT	134,159	145,532

Commitments and contingencies (Note 13).

See accompanying notes to financial statements.

On behalf of the Board:


James Hinds
Chair

William Museler
Director

2009 FINANCIAL STATEMENTS

Statement of Cash Flows

For the year ended December 31 (in thousands of Canadian dollars)	2009	2008
	\$	\$
OPERATING ACTIVITIES		
Net loss for the year	(13,914)	(7,058)
Adjustments for non-cash items:		
Amortization	24,319	23,360
Pension cost	12,524	13,456
Other employee future benefits cost	6,240	6,252
Change in fair value of long-term investments held for trading	(1,218)	3,127
	27,951	39,137
Changes in non-cash balances related to operations:		
Change in accounts payable and accrued liabilities	(1,760)	(636)
Change in rebates to market participants	2,938	1,386
Change in accounts receivable	275	55
Change in prepaid expenses	265	(831)
	1,718	(26)
Other:		
Contribution to pension fund	(17,712)	(8,646)
Payment of employee future benefits	(1,735)	(1,673)
	(19,447)	(10,319)
Cash provided by operating activities	10,222	28,792
INVESTING ACTIVITIES		
Net purchase of long-term investments	(2,014)	(1,381)
Investment in property and equipment	(8,975)	(13,645)
Investment in intangible assets	(2,934)	(2,304)
Cash used in investing activities	(13,923)	(17,330)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(3,701)	11,462
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	12,691	1,229
CASH AND CASH EQUIVALENTS - END OF YEAR	8,990	12,691

See accompanying notes to financial statements.

Supplementary information:

(in thousands of Canadian dollars)

Interest paid	3,279	6,224

2009 FINANCIAL STATEMENTS

Notes to Financial Statements

1. NATURE OF OPERATIONS

Independent Electricity System Operator (IESO) is a not-for-profit, non-taxable corporation, created by statute effective on April 1, 1999 pursuant to Part II of the *Electricity Act, 1998*. As set out in the *Electricity Act, 1998*, the IESO operates pursuant to a licence granted by the Ontario Energy Board (OEB). The objects of the IESO as contained in the *Electricity Act, 1998* and amended, in the *Electricity Restructuring Act, 2004* and Ontario Regulation 452/06, are as follows:

- to exercise the powers and perform the duties assigned to the IESO under the *Electricity Restructuring Act, 2004*, the market rules and its licence;
- to enter into agreements with transmitters giving the IESO the authority to direct the operation of their transmission systems;
- to direct the operation and maintain the reliability of the IESO-controlled grid to promote the purposes of the *Electricity Restructuring Act, 2004*;
- to participate in the development, by any standards authority, of standards and criteria relating to the reliability of the transmission systems;
- to work with the responsible authorities outside Ontario to co-ordinate the IESO's activities with their activities;
- to collect and provide information to the Ontario Power Authority (OPA) and the public relating to the current and short-term electricity needs of Ontario and the adequacy and reliability of the integrated power system to meet those needs;
- to operate the IESO-administered markets to promote the purposes of the *Electricity Restructuring Act, 2004*;
- to plan, manage and implement the smart metering initiative or any aspect of the initiative;
- to oversee, administer and deliver the smart metering initiative or any aspect of the initiative; and
- to establish and enforce standards and criteria relating to the reliability of transmission systems.

The IESO was designated the Smart Metering Entity by Ontario Regulation 393/07 under the *Electricity Act, 1998* on March 28, 2007. The regulation came into effect on July 26, 2007.

The objects of the Smart Metering Entity, as contained in the *Electricity Act, 1998*, are as follows:

- to plan and implement and, on an ongoing basis, oversee, administer and deliver any part of the smart metering initiative as required by regulation under this or any Act or directive made pursuant to sections 28.3 or 28.4 of the *Ontario Energy Board Act, 1998*, and, if so authorized, to have the exclusive authority to conduct these activities;
- to collect and manage and to facilitate the collection and management of information and data and to store the information and data related to the metering of consumers' consumption or use of electricity in Ontario, including data collected from distributors and, if so authorized, to have the exclusive authority to collect, manage and store the data;
- to establish, to own or lease and to operate one or more databases to facilitate collecting, managing, storing and retrieving smart metering data;

2009 FINANCIAL STATEMENTS

- to provide and promote non-discriminatory access, on appropriate terms and subject to any conditions in its licence relating to the protection of privacy, by distributors, retailers, the OPA and other persons,
 - i. to the information and data referred to above, and
 - ii. to the telecommunication system that permits the Smart Metering Entity to transfer data about the consumption or use of electricity to and from its databases, including access to its telecommunication equipment, systems and technology and associated equipment, systems and technologies
- to own or to lease and to operate equipment, systems and technology, including telecommunication equipment, systems and technology that permit the Smart Metering Entity to transfer data about the consumption or use of electricity to and from its databases, including owning, leasing or operating such equipment, systems and technology and associated equipment, systems and technologies, directly or indirectly, including through one or more subsidiaries, if the Smart Metering Entity is a corporation;
- to engage in such competitive procurement activities as are necessary to fulfill its objects or business activities;
- to procure, as and when necessary, meters, metering equipment, systems and technology and any associated equipment, systems and technologies on behalf of distributors, as an agent or otherwise, directly or indirectly, including through one or more subsidiaries, if the Smart Metering Entity is a corporation;
- to recover, through just and reasonable rates, the costs and an appropriate return approved by the Ontario Energy Board associated with the conduct of its activities; and
- to undertake any other objects that are prescribed by associated regulation.

The IESO is required to submit its proposed expenditures, revenue requirements, and fees for the coming year to the OEB for review. The submission may be made only with the approval or deemed approval of the Minister of Energy and Infrastructure (Minister).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of financial statement preparation

The accompanying financial statements have been prepared on a going concern basis and in accordance with accounting principles generally accepted in Canada.

b) Revenue recognition

System fees earned by the IESO are based on approved rates for each megawatt of electricity withdrawn from the IESO-controlled grid, including exports. System fees are recognized as revenue at the time the electricity is withdrawn. Rebates are recognized in the year in which the approved regulatory deferral account, before such rebates, exceeds regulated limits.

These financial statements do not include the financial transactions of market participants within the IESO-administered markets.

2009 FINANCIAL STATEMENTS

Other revenue represents amounts that accrue to the IESO relating to services the IESO performs and charges on a recovery basis, investment income on funds passing through market settlement accounts, as well as fines and penalties. Such revenue is recognized as it accrues.

c) Financial instruments**Classification**

- The IESO designated its investment portfolio as being held for trading and classified its cash and accounts receivable as “loans and receivables”.
- Cash and cash equivalents comprise cash, term deposits and other short-term, highly-rated investments with original maturity dates of less than 90 days.
- Accounts payable and debt have been classified as other financial liabilities.

Recognition and measurement

- Held for trading investments are recorded at fair value with gains and losses recorded in the statement of operations. Transactions are recorded based on trade dates. Transaction costs are charged to operations as incurred.
- Loans and receivables are initially recorded at fair value and subsequently measured at amortized cost using the effective interest rate method.
- The IESO's financial liabilities, comprising accounts payable and long-term debt are carried at amortized cost.
- Foreign currency exchange forward contracts are recorded at fair value. Where foreign currency exchange forward contracts meet the criteria for hedge accounting, changes in their values are reflected in accumulated surplus as other comprehensive income. Where such contracts do not meet the criteria for hedge accounting, changes in their value are recognized in the statement of operations.

d) Construction-in-progress

Construction-in-progress generally relates to the costs of physical facilities, hardware and software, and includes costs paid to vendors, internal and external labour, consultants and interest related to funds borrowed to finance the project. Costs relating to construction-in-progress are transferred to property and equipment in service or intangibles when the asset under construction is deemed to be ready for use.

e) Property and equipment in service

Property and equipment are capitalized at cost, which comprises materials, labour, external support, overhead, and interest applicable to capital activities.

f) Amortization

The capital cost of property and equipment and intangible assets in service is amortized on a straight-line basis over their estimated service lives.

2009 FINANCIAL STATEMENTS

The estimated service lives in years, from the date the assets were acquired, are:

<u>Class</u>	<u>Estimated Average Service Life</u>
Facilities	38
Meter Data Management/Repository	6
Market Systems and Applications	5 to 9
Infrastructure and Other Assets	4 to 7
Intangible Assets	4

Gains and losses on sales of property and equipment are charged to operations. Losses on premature retirements for property and equipment and intangible assets are charged to operations.

The estimated service lives of property and equipment and intangible assets are subject to periodic review. The impacts of changes in the estimated lives are amortized on a prospective basis. The most recent review was completed in fiscal 2009.

g) Intangible assets

Intangible assets are capitalized at cost, which comprises materials, labour, external support, overhead, and interest applicable to capital activities.

h) Pension and other post-employment benefits

The IESO's post-employment benefit programs include pension, group life insurance, health care, long-term disability and workers compensation benefits.

The IESO accrues obligations under pension and other post-employment benefit (OPEB) plans and the related costs, net of plan assets. Pension and OPEB expenses and obligations are determined annually by independent actuaries using the projected benefit method and management's best estimate of expected return on plan assets, salary escalation, retirement ages of employees, mortality and expected health-care costs. The discount rate used to value liabilities is based on market rates as at the measurement date of September 30.

The expected return on plan assets is based on management's long-term best estimate using a market-related value of plan assets. The market-related value of plan assets is determined using market-related values for equities (whereby fund assets are calculated using the smoothed value of assets over five years) and market values for fixed income securities, as at the measurement date of September 30.

Pension and OPEB expenses are recorded during the year in which employees render services. Pension and OPEB expenses consist of current service costs, interest expense on liabilities, expected return on plan assets and the amortization of plan amendments on a straight-line basis over the expected average remaining service life of the employees covered by the plan. Actuarial gains/(losses) arise from, among other things, the difference between the actual rate of return on plan assets for a period and the expected long-term rate of return on plan assets for that period or from changes in actuarial assumptions used to determine the accrued benefit obligations. The excess, if any, of the cumulative unamortized net actuarial gain or loss over 10% of the greater of the projected benefit obligation and the market-related value of plan assets is also amortized over the expected average remaining service life of the employees covered by the plan.

The expected average remaining service life of employees covered by the pension and OPEB plans is 11 years (2008 - 11 years).

2009 FINANCIAL STATEMENTS

i) Deferred costs

Deferred costs represent start-up costs incurred by the IESO during 2006 for the smart metering initiative (\$1,595,605). In 2009, the IESO adopted CICA Handbook Section 3064, Goodwill and Intangible Assets which requires these start-up costs to be written off (Note 3).

j) Foreign currency exchange

Transactions denominated in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated in Canadian dollars at the rate prevailing at that date. Exchange gains and losses arising on settlement of foreign exchange transactions are reported in the statement of operations at the date at which the transactions are settled.

k) Use of estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the financial statements. Actual results could differ from those estimates.

l) Comparative figures

Certain 2008 comparative figures have been reclassified to conform to the 2009 financial statement presentation.

3. CHANGE IN ACCOUNTING POLICIES

The IESO retrospectively adopted Canadian Institute of Chartered Accountants' (CICA) Handbook Section 3064, Goodwill and Intangible Assets in 2009. Upon adoption of the new accounting standard, the IESO reclassified computer applications software previously classified as property and equipment to intangible assets and expensed start up costs incurred in 2006 previously classified as deferred costs (\$1,595,605). The new standard requires the IESO to provide new disclosures which are included in Note 5.

The IESO adopted EIC 173 and revisions to CICA Handbook Section 3862. No material changes to the financial statements resulted from these adoptions.

2009 FINANCIAL STATEMENTS

4. PROPERTY AND EQUIPMENT

As at December 31

(in thousands of Canadian dollars)

	2009			2008		
	Costs	Accumulated Amortization	Net Book Value	Costs	Accumulated Amortization	Net Book Value
	\$	\$	\$	\$	\$	\$
Property and equipment in service						
Facilities	50,087	13,769	36,318	49,782	12,279	37,503
Meter Data Management/ Repository	18,208	5,638	12,570	16,650	2,557	14,093
Market Systems and Applications	207,861	189,620	18,241	206,771	178,029	28,742
Infrastructure and Other Assets	75,178	67,451	7,727	73,550	62,307	11,243
	351,334	276,478	74,856	346,753	255,172	91,581
Construction-in-progress	4,882	-	4,882	1,781	-	1,781
	356,216	276,478	79,738	348,534	255,172	93,362

In 2009, the impact of adjustments to management's estimates of remaining asset service lives was a decrease in amortization expense of \$390,533 (2008 - \$6,224,713).

Interest capitalized to construction-in-progress during 2009 was \$34,574.

5. INTANGIBLE ASSETS

As a result of adopting the new accounting standard Section 3064, Goodwill and Intangible Assets, in 2009 (Note 3), the IESO reclassified \$34,205,333 in computer applications software previously classified as property and equipment to intangible assets.

As at December 31

(in thousands of Canadian dollars)

	2009			2008		
	Costs	Accumulated Amortization	Net Book Value	Costs	Accumulated Amortization	Net Book Value
	\$	\$	\$	\$	\$	\$
Intangible assets	34,205	29,620	4,585	33,048	26,620	6,428
Construction-in-progress	2,100	-	2,100	346	-	346
	36,305	29,620	6,685	33,394	26,620	6,774

In 2009, the impact of adjustments to management's estimates of remaining asset service lives was a decrease in amortization expense of \$13,043 (2008 - \$219,423).

2009 FINANCIAL STATEMENTS

6. LONG-TERM INVESTMENTS

Long-term investments in a balanced portfolio of pooled funds are valued by the pooled funds manager based on published price quotations and amount to \$17,930,573 (2008 – \$14,501,928). As at December 31, the market value allocation of these long-term investments was 60.9% equity securities and 39.1% debt securities (2008 – 56.6% and 43.4% respectively).

Balanced portfolio of pooled funds

As at December 31

(in thousands of Canadian dollars)	2009	2008
	\$	\$
Opening balance	14,502	16,052
Purchase of investments	2,014	1,381
Change in fair value	1,415	(2,931)
Closing balance	17,931	14,502

Long-term investments in non-bank sponsored ABCP are carried at an estimated fair value of \$273,513 (2008 - \$469,840). Fair value is determined based on estimated discounted cash flows.

In its administration of the IESO-Administered Markets, the IESO directs the investment of market funds in highly-rated short-term investments, including previous investments in asset-backed commercial paper (ABCP), throughout the settlement cycle. The IESO is entitled to receive the investment interest and investment gains, net of investment losses earned on funds passing through the real-time market settlement accounts. The IESO is not entitled to the principal on real-time market investments.

The IESO is not obligated to reimburse the market accounts in respect of investment losses incurred on the investments. As a result of investment losses on existing ABCP investments purchased in 2007, the accumulated net investment income since 2007 has been negative. Accordingly, the IESO has not recognized as other revenue any investment income earned in the market settlement accounts in 2007, 2008 or 2009.

7. POST-EMPLOYMENT BENEFIT PLANS

The IESO provides pension and other employee post-employment benefits, comprising group life insurance, long-term disability and group medical and dental plans, for the benefit of current and retired employees.

Pension plans

The IESO provides a contributory defined benefit, indexed, registered pension plan. In addition to the funded, registered, pension plan, the IESO provides certain non-registered defined benefit pensions through an unfunded, indexed, non-registered plan.

2009 FINANCIAL STATEMENTS

Other employee future benefits

The group life insurance, long-term disability and group medical and dental benefits are provided through unfunded, non-registered defined benefit plans.

Summary of accrued benefit obligations and plan assets

	2009	2008	2009	2008
	Pension	Pension	Other	Other
(in thousands of Canadian dollars)	Benefits	Benefits	Benefits	Benefits
	\$	\$	\$	\$
Accrued benefit obligation	396,936	367,356	67,630	60,037
Fair value of plan assets	269,791	264,870	-	-
Funded status	(127,145)	(102,486)	(67,630)	(60,037)
Employer contribution after measurement date	2,264	2,154	467	449
Unamortized past service costs	2,323	3,021	172	(8)
Unamortized net actuarial loss	125,907	95,472	15,970	13,080
Prepaid/(accrued) benefit cost recognized in the statement of financial position	3,349	(1,839)	(51,021)	(46,516)

Prepaid benefit cost in 2009 is shown net of a valuation allowance of \$nil.

Registered pension plan assets

As at the measurement date of September 30, registered pension plan assets were split by fair value between the following categories:

	2009	2008
Canadian equity securities	21.0%	21.0%
Foreign equity securities	39.8%	33.0%
Canadian debt securities	37.5%	45.5%
Cash equivalents	0.7%	0.5%
Forward foreign exchange contracts	1.0%	0.0%
	100.0%	100.0%

Summary of principal assumptions used to calculate benefit obligations

	2009	2008	2009	2008
	Pension	Pension	Other	Other
	Benefits	Benefits	Benefits	Benefits
Discount rate at end of the period	5.8%	6.1%	5.8%	6.1%
Rate of compensation increase	4.0%	4.0%	4.0%	4.0%

2009 FINANCIAL STATEMENTS

The assumed hospital and drug cost increase is 9.0% per annum initially. The rate is assumed to begin decreasing gradually commencing on October 1, 2010 to a rate of 5.0% in 2018 and remain at that level thereafter. Dental costs are assumed to increase by 6.0% per annum initially and to begin decreasing commencing on October 1, 2010 to a rate of 4.5% in 2013 and remain at that level thereafter.

Summary of benefit costs and plan contributions

	2009	2008	2009	2008
	Pension	Pension	Other	Other
(in thousands of Canadian dollars)	Benefits	Benefits	Benefits	Benefits
	\$	\$	\$	\$
Benefit cost	12,524	13,456	6,240	6,252
Employer contributions	17,603	8,448	1,717	1,575
Plan participants' contributions	2,749	2,579	-	-
Benefits paid	21,458	16,736	1,717	1,575

The most recent actuarial valuation of the registered pension plan for funding purposes was at January 1, 2008, and the date of the next required valuation is January 1, 2011.

Summary of principal assumptions used to calculate benefit costs

	2009	2008	2009	2008
	Pension	Pension	Other	Other
	Benefits	Benefits	Benefits	Benefits
Discount rate at the beginning of the period	6.1%	5.4%	6.1%	5.4%
Expected return on plan assets	6.75%	7.0%	-	-
Rate of compensation increase	4.0%	3.5%	4.0%	3.5%
Rate of indexing of pension benefits	2.5%	2.5%	-	-

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at December 31

(in thousands of Canadian dollars)	2009	2008
	\$	\$
Relating to property and equipment	2,994	4,274
Relating to intangibles	242	265
Relating to operations	16,837	17,633
	20,073	22,172

9. DEBT

Note payable to OEFC

The note payable to Ontario Electricity Financial Corporation (OEFC) due May 1, 2009 was repaid on May 1, 2009.

In April 2009, IESO executed a new note payable with OEFC in the amount of \$78.2 million. The note payable to OEFC is unsecured, bears interest at a per annum rate equal to the yield earned on 90 day Province of Ontario treasury bills on the quarterly reset date plus 25 basis points and is repayable in full on May 1, 2011. Interest accrues daily and is payable in arrears quarterly in February, May, August and November of each year. The fair value of the note payable approximates the carrying value.

Credit facility

On April 30, 2009, the existing credit facility with a Canadian chartered bank expired and the IESO entered into a revised agreement with the same Canadian chartered bank. Under the terms of the new unsecured credit facility, the bank will make available to the IESO an amount up to \$60 million. The credit facility expires on April 30, 2010. Advances under this facility are available in Canadian dollars by way of prime rate loan plus 75 basis points or the issuance of Bankers' Acceptances at market rates plus a stamping fee of 175 basis points per annum. Unused portions of this credit facility are subject to a commitment fee of 45 basis points per annum. As at December 31, 2009, \$nil was drawn on the credit facility.

10. CAPITAL DISCLOSURES

The IESO's primary objectives are to maintain and enhance the reliability of Ontario's power system, administer the wholesale electricity market, and serve the needs of our participants and stakeholders. In order to fulfill its mandate, the IESO receives fees from market participants (Note 1). The IESO has a limited ability to accumulate a surplus from these fees (Note 11).

On March 31, 2009, the Ontario Energy Board (OEB) issued its order approving the IESO's application fee of \$1,000, the usage fee of \$0.822/MWh and the IESO's revenue requirements in the amount of \$130.3 million and capital expenditures in the amount of \$22.9 million.

The IESO submitted the proposed 2010 expenditures, revenue requirements, and fees to the OEB for review on November 2, 2009 after deemed approval by the Minister. The Minister provided formal approval of IESO's proposed expenditures, revenue requirements and fees on November 16, 2009. To date, the OEB has not approved the IESO's proposed usage fee for 2010.

In addition, the IESO maintains a credit facility for short-term funding to support its various capital requirements. The IESO has customary covenants associated with the credit facility and is in compliance with all of these covenants.

2009 FINANCIAL STATEMENTS

11. ACCUMULATED DEFICIT AND REBATES TO MARKET PARTICIPANTS

In 2009, the IESO recognized \$4,323,840 in rebates to market participants of system fees (2008 – \$1,386,144), due to a net operating surplus in the year. The IESO's approved regulatory deferral account balance is maintained at a maximum of \$5 million. As at December 31, the components of the accumulated deficit were as follows:

Accumulated deficit

As at December 31

(in thousands of Canadian dollars)	2009	2008
	\$	\$
Approved regulatory deferral account (a)	5,000	5,000
Accumulated market penalties and fines (b)	1,372	1,832
Smart metering entity - accumulated deficit(c)	(25,897)	(12,443)
	(19,525)	(5,611)

a) Approved regulatory deferral account

As at December 31

(in thousands of Canadian dollars)	2009	2008
	\$	\$
Accumulated surplus - beginning of year	5,000	691
Revenues (before rebates to market participants)	125,770	135,692
Rebates to market participants	(4,324)	(1,386)
Expenses	(99,849)	(101,331)
Amortization	(21,239)	(20,803)
Net interest	(358)	(7,863)
Accumulated surplus - end of year	5,000	5,000

b) Accumulated market penalties and fines

As at December 31

(in thousands of Canadian dollars)	2009	2008
	\$	\$
Accumulated surplus - beginning of year	1,832	2,476
Revenue from penalties and fines	53	77
Customer education expenses	(513)	(721)
Accumulated surplus - end of year	1,372	1,832

2009 FINANCIAL STATEMENTS

c) Smart metering entity - accumulated deficit

As at December 31

(in thousands of Canadian dollars)

	2009	2008
	\$	\$
Opening accumulated deficit (before change in accounting policy)	-	(124)
Change in accounting policy	-	(1,596)
Accumulated deficit - beginning of year	(12,443)	(1,720)
Smart metering program costs	(9,962)	(7,763)
Smart metering amortization	(3,080)	(2,557)
Smart metering interest expense	(412)	(403)
Accumulated deficit - end of year	(25,897)	(12,443)

In his approval letter to proceed to the OEB for approval of the 2009 usage fee, the Minister noted the intention of the IESO to apply to the OEB separately for a smart meter service fee with respect to the costs the IESO has incurred on the smart metering initiative. At that time, the Minister requested, prior to the IESO filing an application to the OEB in respect of a smart meter service fee, the IESO provide him with a detailed implementation plan, and schedule for the integration of the local distribution companies, to enable a broader transition to time-of-use pricing for electricity consumers. The IESO has since provided a plan to the Minister and received approval to proceed with an application before the OEB. The permanent licence and fee applications to the OEB are in the course of preparation. It is the IESO's intent, consistent with the *Electricity Act, 1998* to recover all costs, including capital costs and/or accumulated deficits associated with the smart meter entity through a smart meter service fee once approved.

The IESO's smart meter service fees as of December 31, 2009 have not yet been established.

12. FINANCIAL RISK MANAGEMENT

The IESO is exposed to financial risks in the normal course of its business operations, including market risks resulting from volatilities in equity, debt, and foreign currency exchange markets, as well as credit risk and liquidity risk. The nature of the financial risks and the IESO's strategy for managing these risks has not changed significantly from the prior year.

a) Market Risk

Market risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate to cause changes in market prices. The IESO is exposed to three types of market risk: currency risk, interest rate risk and equity risk. The IESO monitors its exposure to market risk fluctuations and may use financial instruments to manage these risks as it considers appropriate. The IESO does not use derivative instruments for trading or speculative purposes.

2009 FINANCIAL STATEMENTS

i) Currency Risk

The IESO conducts certain transactions in US dollars, primarily related to vendor payments, and maintains a US dollar denominated bank account. From time to time, the IESO uses currency forward purchase contracts to purchase foreign currencies for delivery at a specified date in the future at a fixed exchange rate. In addition, the IESO invests in pooled funds with US dollar and other foreign currency denominated investments. The reasonably possible currency risks associated with these exposures were not material as at December 31, 2009.

ii) Interest Rate Risk

The IESO is exposed to changes in interest rates primarily through its variable rate credit facility, cash equivalents, and long-term investments. Long-term investments include investments in a pooled Canadian bond fund. The reasonably possible interest rate risks associated with these exposures were not material as at December 31, 2009.

iii) Equity Risk

The IESO is exposed to changes in equity prices through its long-term investments. Long-term investments include investments in pooled equity funds. A 30% change in the value of equities in the IESO's pooled fund investments as at December 31, 2009 would have resulted in a change for the year (before the impact of adjustments to the approved regulatory deferral account (Note 11)) of approximately \$3.3 million (2008 - \$2.5 million).

Financial instruments at fair value

As at December 31

(in thousands of Canadian dollars)

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Cash and cash equivalents	8,990	-	-	8,990
Investment in pooled funds	17,931	-	-	17,931
non-bank ABCP	-	-	273	273
	26,921	-	273	27,194

b) Credit Risk

Credit risk refers to the risk that one party to a financial instrument may cause a financial loss for the other party by failing to meet its obligations under the terms of the financial instrument. The IESO is exposed directly to credit risk related to cash equivalents and accounts receivable and indirectly through its exposure to bond investments in pooled funds. Direct exposure to credit risk is limited to the carrying amount presented for these assets on the statement of financial position. The IESO manages credit risk associated with cash equivalents (which amounted to \$9 million as at December 31, 2009) through approved management policy which limits investments to investment grade investments with counterparty-specific limits of no more than \$20 million. Accounts receivable as at December 31, 2009 included no material items past due and substantially all of the balance was collected as at January 21, 2010. As at December 31, 2009, the Canadian bond fund in which the IESO invests comprised of investment grade securities rated BBB(low), or better.

2009 FINANCIAL STATEMENTS

c) Liquidity Risk

Liquidity risk refers to the risk that the IESO will encounter financial difficulty in meeting obligations associated with its financial liabilities. The IESO manages liquidity risk by forecasting cash flows to identify financing requirements. Cash flows from operations and investment income and maintaining appropriate credit facilities reduce liquidity risk. The IESO's long-term investments in pooled funds are normally able to be redeemed within three business days however, the manager of the pooled funds has the authority to require a redemption in-kind rather than cash and has the ability to suspend redemptions if deemed necessary.

13. COMMITMENTS AND CONTINGENCIES**Operating commitments**

The obligations of the IESO with respect to non-cancellable operating leases over the next three years are as follows:

As at December 31 (in thousands of Canadian dollars)	2009
	\$
2010	2,146
2011	1,590
2012	66

Contingencies

The IESO is subject to various claims, legal actions, and investigations that arise in the normal course of business. While the final outcome of such matters cannot be predicted with certainty, management believes that the resolution of such claims, actions and investigations will not have a material impact on the IESO's financial position or results of operations.



40 Dundas Street West, Suite 200, Toronto ON M5G 2H1
40, rue Dundas Ouest, bureau 200, Toronto ON M5G 2H1

Toll free / Sans frais :	1-800-668-8258
Phone / Téléphone :	416-979-2352
Fax / Télécopieur :	416-979-2948
www.legalaid.on.ca	

Management's Statement of Responsibility

The Management of Legal Aid Ontario is responsible for the preparation, presentation and integrity of the accompanying financial statements, Management's Discussion and Analysis and all other information contained in this Annual Report. This responsibility includes the selection and consistent application of appropriate accounting principles and methods in addition to making the judgements and best estimates necessary to prepare the financial statements in accordance with Canadian generally accepted accounting principles, with appropriate consideration to materiality. The significant accounting policies followed by Legal Aid Ontario are described in the financial statements.

Management has developed and maintains a system of internal control, business practices and financial reporting to provide reasonable assurance that assets are safeguarded and that relevant and reliable financial information is produced on a timely basis. Internal auditors, who are employees of Legal Aid Ontario, review and evaluate internal controls on management's behalf.

The Board of Directors of Legal Aid Ontario ensures that management fulfils its responsibilities for financial information and internal control through an Audit and Finance Committee. This Committee meets regularly with management and the auditor to discuss internal controls, audit findings and the resulting opinion on the adequacy of internal controls, and the quality of financial reporting issues. The auditors have access to the Audit and Finance Committee, without management present, to discuss the results of their work.

The accompanying financial statements have been examined by the Office of the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditor's Report outlines the scope of the Auditor General's examination and opinion.



Robert W. Ward
President and
Chief Executive Officer
May 14, 2010



Michelle Séguin
Vice President and
Chief Administrative Officer
May 14, 2010



Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Auditor's Report

To Legal Aid Ontario
and to the Attorney General of Ontario

I have audited the balance sheet of Legal Aid Ontario as at March 31, 2010 and the statements of operations and changes in net accumulated assets and cash flows for the year then ended. These financial statements are the responsibility of the Legal Aid Ontario's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of Legal Aid Ontario as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Box 105, 15th Floor
20 Dundas Street West
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-326-3812

B.P. 105, 15^e étage
20, rue Dundas ouest
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-326-3812

www.auditor.on.ca

Toronto, Ontario
May 14, 2010

Jim McCarter, FCA
Auditor General
Licensed Public Accountant

Legal Aid Ontario Balance Sheet

March 31

2010
(\$000's)2009
(\$000's)**ASSETS****Current**

Cash and cash equivalents (Note 2)	\$ 20,008	\$ 7,144
Accounts receivable (Note 3)	24,774	21,563
Prepaid expenses	1,252	1,197
Short-term investments (Note 4)	12,059	30,637
Short-term investments - contingency reserve (Notes 4 and 10)	10,000	20,000

	\$ 68,093		\$ 80,541

Long-term client accounts receivable (Note 3)

	23,194		20,024

Capital assets (Note 5)

	8,233		10,920

	\$ 99,520		\$ 111,485

LIABILITIES AND NET ASSETS**Current**

Accounts payable and accrued liabilities (Note 6)	\$ 96,199		\$ 86,022

Deferred capital contributions (Note 7)

	253		485

Deferred revenue (Note 8)

	5,580		-

Accrued pension benefit (Note 13)

	1,413		1,257

	\$ 103,445		\$ 87,764

Net Assets

Net accumulated deficit (Note 1(c))	\$ (21,905)		\$ (6,714)

Invested in capital assets (Note 9)	7,980		10,435

Contingency reserve (Notes 4 and 10)	10,000		20,000

	\$ (3,925)		\$ 23,721

	\$ 99,520		\$ 111,485

On behalf of the Board:



Chair

Legal Aid Ontario Statement of Operations

For the year ended March 31

	2010 (\$000's)	2009 (\$000's)
REVENUE		
Province of Ontario (Note 1(a))	\$ 315,439	\$ 285,811
The Law Foundation of Ontario	4,837	26,198
Client contributions	21,880	21,500
Judgments, costs and settlements	264	296
Investment and other income	1,674	3,289
	\$ 344,094	\$ 337,094
EXPENSES		
Core Business		
Certificate Program		
Criminal - Big Cases	\$ 24,211	\$ 22,823
Criminal - Others	79,853	80,172
Sub-total	104,064	102,995
Family	51,801	50,787
Immigration and refugee	18,571	17,711
Other civil	6,044	6,344
Settlement conferences	155	111
Sub-total	180,635	177,948
Area office services	33,473	25,574
Family law offices	2,521	2,518
Criminal law offices	1,037	1,194
Refugee law office	1,166	1,010
	218,832	208,244
Duty Counsel Program		
Duty counsel fees and disbursements	38,184	37,331
Expanded duty counsel	814	713
	38,998	38,044
Clinic Program and Special Services		
Clinic law services (Note 11)	61,828	62,527
Nishnawbe-Aski legal services corporation	1,802	1,791
Student legal aid societies	3,217	3,156
Clinic information management project	40	64
	66,887	67,538
Service Innovation Projects		
Other	916	810
	916	810

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**Legal Aid Ontario
Statement of Operations
(Continued)**

For the year ended March 31

2010 2009
(\$000's) (\$000's)

EXPENSES (continued)**Service Provider Support**

Research facility	2,077	2,124
	2,077	2,124

Administrative and Other Costs

Provincial office	32,035	28,569
Amortization expense	3,793	3,711
Bad debts	8,202	7,208
	44,030	39,488

	\$ 371,740	\$ 356,248

Deficiency of revenue over expenses for the year

	\$ (27,646)	\$ (19,154)

Legal Aid Ontario

Statement of Changes in Net Accumulated Assets

For the year ended March 31, 2010 with comparative figures for 2009

	Invested in capital assets	Contingency reserve	Accumulated deficit	2010 Total (\$000's)	2009 Total (\$000's)
	(Note 9)	(Note 10)	(Note 1(c))		
Net accumulated surplus, beginning of year	\$ 10,435	\$ 20,000	\$ (6,714)	\$ 23,721	\$ 42,875
Deficiency of revenue over expenses	(3,561)	-	(24,085)	(27,646)	(19,154)
Investment in capital assets	1,106	-	(1,106)	-	-
Transfer to accumulated deficit	-	(10,000)	10,000	-	-
Net accumulated surplus/(deficit), end of year	\$ 7,980	\$ 10,000	\$ (21,905)	\$ (3,925)	\$ 23,721

Legal Aid Ontario Statement of Cash Flows

For the year ended March 31

	2010	2009
	(\$000's)	(\$000's)

Cash provided by (used in)**OPERATING ACTIVITIES**

Deficiency of revenue over expenses for the year	\$ (27,646)	\$ (19,154)
Adjustments to reconcile excess of revenue over expenses to net cash provided by operating activities:		
Amortization	3,793	3,711
Amortization of deferred contributions	(232)	(262)
Employer pension contributions	(2,134)	(1,862)
Pension expense	2,291	2,055
Loss on disposal of capital assets	-	66
Changes in non-cash working capital balances:		
Accounts receivable	(3,211)	1,644
Prepaid expenses	(55)	(316)
Accounts payable and accrued liabilities	10,177	8,192
Accrued interest on investments	577	615
Deferred revenue	5,580	-
Long-term client accounts receivable	(3,170)	(656)
	\$ (14,030)	\$ (5,967)

INVESTING ACTIVITIES

Purchase of capital assets	\$ (1,106)	\$ (5,807)
Redemption of investments	28,000	10,000
	\$ 26,894	\$ 4,193

Net increase (decrease) in cash and cash equivalents during the year

	12,864	(1,774)

Cash and cash equivalents, beginning of year

	7,144	8,918

Cash and cash equivalents, end of year

	\$ 20,008	\$ 7,144

Legal Aid Ontario

Summary of Significant Accounting Policies

March 31, 2010

NATURE OF OPERATIONS

On December 18, 1998, the Ontario Legislative Assembly enacted the *Legal Aid Services Act, 1998* whereby Legal Aid Ontario (the "Corporation") was incorporated without share capital under the laws of Ontario. The Corporation began operations on April 1, 1999 and is tax exempt under the Income Tax Act (Canada).

The *Legal Aid Services Act, 1998* establishes the following mandate for the Corporation:

- To promote access to justice throughout Ontario for low-income individuals by providing high quality legal aid services
- To encourage and facilitate flexibility and innovation in the provision of legal aid services
- To recognize the diverse legal needs of low-income individuals and disadvantaged communities
- To operate within a framework of accountability for the expenditure of public funds

The affairs of the Corporation are governed and managed by a Board of eleven Directors appointed by the Lieutenant Governor in Council. While the Corporation operates independently from the Province of Ontario and the Law Society of Upper Canada, it is accountable for the expenditure of public funds and for the provision of legal aid services in a manner that both meets the needs of low-income individuals and is cost-effective and efficient.

BASIS OF ACCOUNTING

The Corporation follows the deferral method of accounting for contributions.

Accumulated surplus (deficit) represents the excess (deficiency) of revenue over expenses related to the Corporation's program delivery and administrative activities.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

REVENUE RECOGNITION

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue if the amount to be received can be reasonably estimated and collection is reasonably assured. Due to uncertainty surrounding the amounts to be billed, client contributions are recognized as revenue when the Corporation accrues a lawyer's invoice on behalf of a client. Judgments, costs and settlements are recognized as revenue when awarded.

EXPENSE RECOGNITION

Expenses are recognized on an accrual basis. Certificate program costs include amounts billed to the Corporation by lawyers and an estimate of amounts for work performed by lawyers but not yet billed to the Corporation.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and balances with banks plus highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturities of three months or less.

Legal Aid Ontario

Summary of Significant Accounting Policies

(Continued)

March 31, 2010

FINANCIAL INSTRUMENTS

The Corporation has designated all of its investments as Available for Sale recorded at fair value. Transaction costs related to the purchase of investments are capitalized and costs related to the sale of investments are expensed in the year incurred. Changes in fair value are treated as an increase or decrease in the statement of changes in net accumulated surplus (deficit). Fair values for investments are valued at year-end quoted market prices.

The Corporation has designated client accounts receivable as loans and receivables and carries them at amortized cost using the effective interest rate method.

The Corporation has designated its cash and cash equivalents as Held-For-Trading and carries them at fair value. Accounts payable and accrued liabilities are designated as Other Liabilities and are also carried at fair value. The fair value of cash and cash equivalents, accounts payable and accrued liabilities approximate their face value due to the short-term nature of these accounts.

The Corporation has adopted the Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 3861, Financial Instruments - Disclosure and Presentation, in accordance with the Accounting Standards Boards' decision to exempt not-for-profit organizations from the disclosure requirements with respect to financial instruments contained with Section 3862, Financial Instruments - Disclosures, and Section 3863, Financial Instruments - Presentation.

CAPITAL ASSETS

Capital assets are recorded at cost less accumulated amortization. Amortization is provided on the straight-line basis over the estimated useful life of the asset as follows:

Furniture and office equipment	- 5 years
Computer hardware and software	- 3 years
Custom-designed software	- 3 years
Enterprise-wide software	- 7 years
Leasehold improvements	- over the term of lease

DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions, related to the funding received from the Province of Ontario for the acquisition of capital assets represents the unamortized portion of contributions used for the acquisition of capital assets. Amortization of the deferred capital contribution is provided on the same basis as the related asset.

PENSIONS

Substantially all of the Corporation's employees are enrolled in a defined contribution plan. The cost of pension benefits for defined contribution plans are charged to operations as contributions become due. The Corporation also has a small number of employees enrolled in a defined benefit plan. The cost of pension benefits earned by the employees covered by the defined benefit plan is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation, terminations and retirement ages of plan members. Adjustments for plan amendments, changes in assumptions and actuarial gains and losses are recorded in the statement of operations over the expected average remaining service life of the employee group which is approximately 7 years.

Legal Aid Ontario
Summary of Significant Accounting Policies
(Continued)

March 31, 2010

USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Significant estimates in the financial statements include the allowance for accounts receivable, accruals related to legal work performed but not yet billed and accrued pension benefits.

CHANGE IN ACCOUNTING POLICIES

- a.) The CICA Handbook Section 4400, Financial Statement Presentation by Not-For-Profit Organizations:

Recent amendments to Section 4400, Financial Statement Presentation by Not-for-Profit Organizations, will modify the requirement with respect to various elements of financial statement presentation. These amendments include:

- (i) reporting certain revenue at its gross amount in the statement of operations;
- (ii) the option to eliminate the requirement to treat net assets invested in capital assets as a separate component of net assets; and
- (iii) when a not-for-profit organization classifies its expenses by function and allocates some of its general support costs to another function, disclosing the policy adopted for expenses and amounts allocated from general support costs to other functions.

The new standard did not have a significant impact on the measurement or presentation of the financial statements.

- b.) Effective April 1, 2009 the Corporation adopted the amendments to section 1000 of the CICA Handbook. These amendments clarified the criteria for recognition of an asset or liability, removing the ability to recognize assets or liabilities solely on the basis of matching the revenue and expense items. Adoption of these recommendations had no effect on the financial statements for the year ended March 31, 2010.

Legal Aid Ontario

Notes to Financial Statements

March 31, 2010

1. Funding by the Province of Ontario

Section 71 of the *Legal Aid Services Act, 1998* requires the Corporation and the Attorney General of Ontario to enter into a Memorandum of Understanding ("MOU") every five years. The purpose of the MOU is to clarify the operational, administrative, financial, and other relationships between the Attorney General and the Corporation.

The Memorandum of Understanding which was signed on December 22, 2000 expired April 1, 2004. A new Memorandum of Understanding was signed on December 10, 2008. The agreement is effective for five years and expires on December 10, 2013.

- (a) The Corporation is economically dependent on the Province of Ontario, and contributions received from the Province were allocated as follows:

	2010 (\$000's)	2009 (\$000's)
Contributions	\$ 315,207	\$ 285,549
Amortization of deferred contributions (Note 7)	232	262
	\$ 315,439	\$ 285,811

- (b) Included in contributions from the Province of Ontario for the year ended March 31, 2010 is an amount of \$ 53.3 million (2009 - \$50.1 million) representing an allocation of funds from a lump sum transfer by the Federal Government to the Province in connection with criminal law, the Youth Criminal Justice Act, and other expenditures for unique pressures through a cost-sharing arrangement.
- (c) Subsection 66(3) of the *Legal Aid Services Act, 1998* allows the Corporation to designate any surplus or deficit in a fiscal year to either or both of the two subsequent fiscal years with the approval of the Attorney General, unless under Subsection 69(2) it is ordered by the Minister of Finance to pay its surplus into the Consolidated Revenue Fund.

Legal Aid Ontario
Notes to Financial Statements
(Continued)

March 31, 2010

2. Cash and Cash Equivalents

The Corporation has an available line of credit in the amount of \$5 million which remained unused as at March 31, 2010. The credit facility bears interest at the prime rate and is unsecured.

3. Accounts Receivable

	2010 (\$000's)	2009 (\$000's)
Client accounts receivable	\$ 84,737	\$ 80,233
Less: Allowance for doubtful accounts	(48,181)	(46,293)
Client accounts receivable (net)	36,556	33,940
Less: Long-term portion of client accounts receivable	(23,194)	(20,024)
Client accounts receivable - current	13,362	13,916
Due from The Law Foundation of Ontario	587	688
Other receivables	10,825	6,959
Current accounts receivable	\$ 24,774	\$ 21,563

The Corporation has a client contribution program for legal aid applicants who do not meet the Corporation's financial eligibility requirements for a non-contributory certificate. These applicants receive the assistance they need by entering into a contribution agreement, by which they undertake to repay the Corporation over time for the services provided to them. Contribution agreements may include monthly payments and/or liens on property.

Legal Aid Ontario
Notes to Financial Statements
(Continued)

March 31, 2010

4. Investments

	2010 (\$000's)		2009 (\$000's)	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Guaranteed investment certificates	\$ 22,000	\$ 22,000	\$ 50,000	\$ 50,000
Accrued interest	59	59	637	637
	\$ 22,059	\$ 22,059	\$ 50,637	\$ 50,637
Less: Contingency reserve				
- Short-term (Note 10)	\$ (10,000)	\$ (10,000)	\$ (20,000)	\$ (20,000)
Total	\$ 12,059	\$ 12,059	\$ 30,637	\$ 30,637

The Corporation has developed an investment policy in accordance with the statutory requirements outlined in Sections 7(1), 7(2), 7(3) and 7(4) of Ontario Regulation 107/99 made under the *Legal Aid Services Act, 1998*. The Corporation's short-term and long-term investment policy is to invest in highly liquid investments in Canadian federal government securities, Canadian provincial government securities or other guaranteed investment certificates issued or guaranteed by Canadian financial institutions with a rating of A or above. The investments held by the Corporation as at March 31, 2010 are in compliance with the statutory requirements. The Corporation earned total investment income of \$0.6 million in 2010 (2009 - \$1.9 million).

The Corporation's investment portfolio is exposed to various risks, which are mitigated by the type of investments and therefore risk is low. The associated risks with the investments are as follows:

(a) Interest rate risk:

The value of fixed income securities will generally rise if interest rates fall and decrease if interest rates rise. The fixed income investments consist of \$22.0 million (2009 - \$50.0 million) invested in guaranteed investment certificates, bearing interest rates of 0.5% (2009 - from 0.6% to 3.0%) and maturing from September 2, 2010 to September 17, 2010 (2009 - September 3, 2009 to March 31, 2010).

(b) Liquidity risk:

Liquidity risk is the ease with which an organization can readily convert their investments into cash. Guaranteed investment securities represent instruments in highly liquid investments that are readily converted into known amounts of cash.

(c) Market risk:

Market risk arises as a result of trading fixed income securities. Fluctuation in the market exposes the Corporation to a risk of loss. Given the composition of the investment portfolio and the statutory requirements regarding investment decisions, market risk is low.

Legal Aid Ontario
Notes to Financial Statements
(Continued)

March 31, 2010

5. Capital Assets

	2010 (\$000's)		2009 (\$000's)	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and office equipment	\$ 998	\$ 482	\$ 2,180	\$ 1,555
Computer hardware and software	16,196	14,982	19,727	18,071
Custom-designed software	84	45	46	20
Enterprise-wide software	15,628	12,672	15,628	10,441
Leasehold improvements	7,931	4,423	7,376	3,950
	<u>\$ 40,837</u>	<u>\$ 32,604</u>	<u>\$ 44,957</u>	<u>\$ 34,037</u>
Net book value		<u>\$ 8,233</u>		<u>\$ 10,920</u>

6. Accounts Payable and Accrued Liabilities

	2010 (\$000's)	2009 (\$000's)
Legal accounts - billings received but not paid	\$ 24,252	\$ 23,243
- work performed but not yet billed	55,511	55,688
Rent inducements	1,762	1,857
Trade and other payables	13,886	4,525
Vacation pay	788	709
	<u>\$ 96,199</u>	<u>\$ 86,022</u>

At year end, management estimates the liability for work performed by private lawyers that has not yet been billed to the Corporation to be approximately \$55.5 million (2009 - \$55.7 million).

Legal Aid Ontario Notes to Financial Statements (Continued)

March 31, 2010

7. Deferred Capital Contributions

Changes in capital contributions relating to Province of Ontario funded projects are as follows:

	2010 (\$000's)	2009 (\$000's)
Balance, beginning of year	\$ 485	\$ 747
Amortization of deferred contributions (Note 1(a))	(232)	(262)
Balance, end of year	<u>\$ 253</u>	<u>\$ 485</u>

8. Deferred Revenue

The Corporation has received advance funds for future projects as follows:

	2010 (\$000's)	2009 (\$000's)
Law Foundation of Ontario	\$ 5,000	\$ -
Ministry of Attorney General	580	-
Balance, end of year	<u>\$ 5,580</u>	<u>\$ -</u>

9. Changes in Net Assets Invested in Capital Assets

	2010 (\$000's)	2009 (\$000's)
Balance, beginning of year	\$ 10,435	\$ 8,143
Amortization	(3,793)	(3,711)
Amortization of deferred contributions	232	262
Purchase of capital assets	1,106	5,807
Loss on disposal of capital assets	-	(66)
Balance, end of year	<u>\$ 7,980</u>	<u>\$ 10,435</u>
Represented by		
Capital assets (Note 5)	\$ 8,233	\$ 10,920
Deferred capital contributions (Note 7)	(253)	(485)
	<u>\$ 7,980</u>	<u>\$ 10,435</u>

Legal Aid Ontario
Notes to Financial Statements
(Continued)

March 31, 2010

10. Contingency Reserve

Section 66(4) of the *Legal Aid Services Act, 1998*, requires the Corporation to maintain a contingency reserve fund as prescribed. Section 6 of Ontario Regulation 107/99, made under the *Legal Aid Services Act, 1998*, requires the Corporation to pay into the account, which was to be established for the purpose of holding the reserve fund, the capital amount of \$20 million. The Regulation also requires the Corporation to obtain advance approval from the Attorney General for any withdrawal beyond \$5 million of this capital amount and for the Corporation to provide an explanation of why the withdrawal is needed, a schedule for repayment, and a statement of the Corporation's plans for preventing a similar need from arising in future.

On March 31, 2010 the Province approved a withdrawal of \$10 million out of the contingency reserve fund to finance current operations. Due to financial constraints, the Corporation has no immediate plans to replenish the contingency reserve.

	2010 (\$000's)	2009 (\$000's)
Balance, beginning of year	\$ 20,000	\$ 20,000
Transfer to accumulated surplus	(10,000)	-
Balance, end of year	\$ 10,000	\$ 20,000
Represented by	2010 (\$000's)	2009 (\$000's)
Investments - short-term (Note 4)	\$ 10,000	\$ 20,000
	\$ 10,000	\$ 20,000

Legal Aid Ontario

Notes to Financial Statements

(Continued)

March 31, 2010

11. Clinic Law Services

The Corporation provides funding to community clinics enabling them to provide legal aid services to the community they serve on a basis other than fee for service. The community clinics are organizations structured as corporations without share capital and are governed and managed by a board of directors. Community Clinics are independent from, but accountable to, the Corporation under Sections 33 to 39 of the *Legal Aid Services Act, 1998*. Each community clinic is independently audited and is required to provide audited financial statements to the Corporation for the funding period.

The total grant to community clinics consists of:

	2010 (\$000's)	2009 (\$000's)
Payments to and on behalf of clinics	\$ 60,020	\$ 60,646
Administrative costs	1,808	1,881
	\$ 61,828	\$ 62,527

12. Commitments and Contingencies

- (a) The Corporation issues certificates to individuals seeking legal aid assistance. Each certificate issued authorizes legal services to be performed within the tariff guidelines. At March 31, 2010 management estimates that a potential \$ 44.0 million (2009 - \$47.0 million) could still be incurred on certificates issued on or before March 31, 2010 over and above the billings received to date and management's estimate of work performed but not yet billed.
- (b) The Corporation leases various office premises and equipment throughout the Province. The base rent and estimated operating costs based on prior period information under these leases for the next five years and thereafter are approximately as follows:

	Base Rent (\$000's)	Operating Cost (\$000's)	Total (\$000's)
2011	\$ 2,312	\$ 2,618	\$ 4,930
2012	1,645	2,166	3,811
2013	1,318	1,898	3,216
2014	1,219	1,820	3,039
2015	1,184	1,791	2,975
Thereafter	3,627	5,852	9,479
	\$ 11,305	\$ 16,145	\$ 27,450

Legal Aid Ontario
Notes to Financial Statements
(Continued)

March 31, 2010

12. Commitments and Contingencies (continued)

- (c) The Corporation is the defendant in a number of lawsuits arising in the ordinary course and conduct of business. The outcome and ultimate disposition of these actions are not likely to be significant and are not determinable at this time. Losses, if any, will be accounted for in the period of settlement.

Some of the above lawsuits are covered by insurance after the application of a deductible of up to \$0.509 million, depending on when the event of the claim occurred and the nature of the claim.

13. Pensions

The Corporation has a pension plan to provide retirement benefits for its employees. The plan has effectively two plans, a defined contribution with a defined benefit component and supplementary (executive) plan.

Defined Contribution Component

The defined contribution component of the plan covers 656 (2009 - 622) employees. The Corporation makes pension contributions to the defined contribution component of the plan which is limited to making regular payments to match the amount contributed by the employees for current service. The Corporation's pension expense for the year relating to this component of the plan was \$2.134 million (2009 - \$1.862 million).

Defined Benefit Component

The defined benefit component of the plan covers 9 (2009 - 9) participants. Under this benefit plan, benefits at retirement are related to years of service and remuneration during the years of employment. It is subject to actuarial valuations for funding purposes at intervals of not more than three years. The next actuarial valuation will be performed in fiscal 2011 on the value at January of 2011. The Corporation makes pension contributions to this component of the plan in amounts recommended by the actuary.

For the year ended March 31, 2010, an actuarial valuation for accounting purposes was performed using the following assumptions:

Discount rate	7.25 %
Salary increases	4.00%
Expected rate of return on assets	6.00%

Legal Aid Ontario Notes to Financial Statements (Continued)

March 31, 2010

13. Pensions (continued)

The actuarial valuation for the year ended March 31, 2010, for accounting purposes was as follows:

	2010 (\$000's)	2009 (\$000's)
Accrued benefit obligation	\$ 3,469	\$ 2,633
Fair value of plan assets	3,003	2,472
Actuarial surplus (deficit)	(466)	(161)
Pension income	25	90
Pension accrued benefit asset	203	177
Pension contributions		
Employees	24	24
Corporation	111	131
Pension paid benefits	30	140

Supplementary Benefit Plan

The Board of the Corporation has also approved the establishment of a supplementary pension benefit plan for designated executive members. Under the supplementary pension benefit plan, benefits at retirement are related to years of service and remuneration during the years of employment. The Plan is unfunded and the benefits will be paid by the Corporation as they become due. The accounting valuation for the unfunded retirement plan has been performed as at March 31, 2010.

For the year ended March 31, 2010, an actuarial valuation for accounting purposes was performed using the following assumptions:

Discount rate	6.00%
Inflation	3.00%

The actuarial valuation for accounting purposes for the year ended March 31, 2010 indicated the Corporation's pension expense for the year was \$0.181 million (2009 - \$0.283 million); the pension accrued benefit obligation as at March 31, 2010 was \$0.593 million (2009 - \$0.679 million); and the accrued benefit liability as at March 31, 2010 was \$1.616 million (2009 - \$1.434 million). During the year, the Corporation made no payments to the plan (2009 - \$ nil).

14. Comparative Figures

Certain comparative figures has been reclassified in order to conform with current year presentation.

140 Allstate Parkway, Suite 210
Markham, ON L3R 5Y8
Tel: 905 948-1872 • Fax: 905 948-8011
Toll Free: 1 866 392-5446
www.centrollhin.on.ca

Central Local Health Integration Network

Management's Responsibility for the Financial Statements

March 31, 2010

The management of the Central Local Health Integration Network is responsible for the preparation and for the integrity and objectivity of the accompanying financial statements and the notes thereto. Management believes that the financial statements present fairly the Central Local Health Integration Network's financial position as at March 31, 2010 and the statements of financial activities, changes in net debt, and cash flows for the year then ended.

The financial statements have been prepared in compliance with legislation and in accordance with Generally Accepted Accounting Principles (GAAP) and Public Sector Accounting Board (PSAB) requirements.

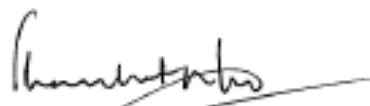
In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has developed and maintains a system of internal control designed to provide reasonable assurance that Central Local Health Integration Network's assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of financial statements.

The Board of Directors carries out its responsibility for review of the financial statements through its Audit Committee. This committee meets with management and with external auditors to discuss the results of audit examinations and financial reporting matters. The external auditors have full access to the Audit Committee with and without the presence of the management. The Board of Directors of the Central Local Health Integration Network has approved the financial statements.

The financial statements for the year ended March 31, 2010 have been audited and reported on by Deloitte and Touche LLP, independent external auditors appointed by the Board of Directors.



Kim Baker
Chief Executive Officer



Shaikat Maloo
Senior Director, Performance, Contracts and Allocations



Deloitte & Touche LLP
5140 Yonge Street
Suite 1700
Toronto ON M2N 6L7
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Auditors' Report

To the Members of the Board of Directors of the
Central Local Health Integration Network

We have audited the statement of financial position of the Central Local Health Integration Network (the "LHIN") as at March 31, 2010 and the statements of financial activities, changes in net debt and cash flows for the year then ended. These financial statements are the responsibility of the LHIN's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Central Local Health Integration Network as at March 31, 2010 and the results of its operations, its changes in its net debt and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
April 30, 2010

Central Local Health Integration Network

Statement of financial position

as at March 31, 2010

	2010	2009
	\$	\$
Financial assets		
Cash	659,837	605,733
Due from Ministry of Health and Long-Term Care ("MOHLTC")	3,103,069	5,981,119
Due from LHIN Shared Services Office (Note 4)	3,643	-
Accounts receivable	66,633	98,470
	<u>3,833,182</u>	<u>6,685,322</u>
Liabilities		
Accounts payable and accrued liabilities	680,303	683,054
Due to Health Service Providers ("HSPs")	3,103,069	5,981,119
Due to the LHIN Shared Services Office (Note 4)	-	21,149
Deferred Revenue	54,042	-
Deferred capital contributions (Note 5)	205,188	325,793
	<u>4,042,602</u>	<u>7,011,115</u>
Commitments (Note 6)		
Net debt	(209,420)	(325,793)
Non-financial assets		
Prepaid Expenses	4,232	-
Capital assets (Note 7)	205,188	325,793
	<u>209,420</u>	<u>325,793</u>
Accumulated surplus	-	-

Approved by the Board



Director



Director

Central Local Health Integration Network

Statement of financial activities
year ended March 31, 2010

		2010	2009
	Budget (unaudited) (Note 8)	Actual	Actual
	\$	\$	\$
Revenue			
MOHLTC funding			
HSP transfer payments (Note 9)	1,622,253,700	1,671,803,309	1,579,748,869
Operations of LHIN	4,259,237	4,344,422	4,073,224
E-Health (Note 10a)	-	600,000	483,700
Emergency Room/Alternative Level of Care ("ER - ALC") Funding (Note 10b)	-	100,000	33,300
Aging at Home Funding (Note 10c)	-	300,000	-
Aboriginal Initiative (Note 10d)	-	30,000	47,088
Vaughan Hospital Study (Note 10e)	-	215,000	-
Emergency Department Lead (Note 10f)	-	75,000	75,000
Diabetes Strategy (Note 10g)	-	25,000	-
French Language Services (Note 10h)	-	11,958	-
Amortization of deferred capital contributions (Note 5)	-	194,528	164,044
	1,626,512,937	1,677,699,217	1,584,625,225
Expenses			
Transfer payments to HSPs (Note 9)	1,622,253,700	1,671,803,309	1,579,739,110
Operations			
General and administrative (Note 11)	4,259,237	4,536,973	4,237,268
E-Health (Note 10a)	-	600,000	483,700
ER - ALC funding (Note 10b)	-	100,000	33,300
Aging at Home Funding (Note 10c)	-	300,000	-
Aboriginal Initiative (Note 10d)	-	31,596	47,088
Vaughan Hospital Study (Note 10e)	-	215,000	-
Emergency Department Lead (Note 10f)	-	75,000	75,000
Diabetes Strategy (Note 10g)	-	25,000	-
French Language Services (Note 10h)	-	11,958	-
	1,626,512,937	1,677,698,836	1,584,615,467
Annual surplus before funding adjustments for unallocated in year recoveries from HSP's	-	381	9,759
Adjustments for unallocated in year recoveries from HSP's (Note 3)	-	-	(9,759)
Operations annual surplus	-	381	-
Funding repayable to the MOHLTC regarding operations (Note 3)	-	(381)	-
Annual surplus	-	-	-
Opening accumulated surplus	-	-	-
Closing accumulated surplus	-	-	-

Central Local Health Integration Network

Statement of changes in net debt
year ended March 31, 2010

		2010	2009
	Budget (unaudited) (Note 8)	\$	\$
Annual surplus	-	-	-
Acquisition of capital assets	100,000	73,922	186,091
Amortization of capital assets	(210,890)	(194,527)	(164,044)
Change in other non-financial assets	-	4,232	-
Decrease in net debt	(110,890)	(116,373)	22,047
Opening net debt	325,793	325,793	303,746
Closing net debt	214,903	209,420	325,793

Central Local Health Integration Network

Statement of cash flows year ended March 31, 2010

	2010	2009
	\$	\$
Operating transactions		
Annual surplus	-	-
Less items not affecting cash		
Amortization of capital assets	(194,527)	(164,044)
Amortization of deferred capital contributions (Note 5)	194,527	164,044
	-	-
Changes in non-cash operating items		
Decrease (Increase) in due from MOHLTC	2,878,050	(2,926,199)
Decrease (Increase) in accounts receivable	31,837	(95,745)
(Decrease) Increase in accounts payable and accrued liabilities	(2,751)	81,085
Decrease increase in due to the MOHLTC	-	(70,733)
(Decrease) Increase in due to HSPs	(2,878,050)	2,926,199
(Decrease) Increase in due to the LHIN Shared Services Office	(24,792)	19,305
Increase in deferred revenue	54,042	
Increase in prepaid expenses	(4,232)	-
	54,104	(66,088)
Capital transactions		
Acquisition of capital assets	(73,922)	(186,091)
Financing transactions		
Deferred capital contributions received (Note 5)	73,922	186,091
Net increase (decrease) in cash	54,104	(66,088)
Cash, beginning of year	605,733	671,821
Cash, end of year	659,837	605,733

Central Local Health Integration Network

Notes to the financial statements

March 31, 2010

1. Description of business

The Central Local Health Integration Network was incorporated by Letters Patent on June 2, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the *Local Health System Integration Act, 2006* (the "Act") as the Central Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The LHIN has also entered into an Accountability Agreement with the Ministry of Health and Long Term Care ("MOHLTC"), which provides the framework for LHIN accountabilities and activities.

Commencing April 1, 2007, all funding payments to LHIN managed health service providers in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and the amounts transferred to authorized Health Service Providers ("HSP") are expensed in the LHIN's financial statements for the year ended March 31, 2008.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers most of North York, York Region and South Simcoe. The LHIN enters into service accountability agreements with service providers.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian generally accepted accounting principles for governments as established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA") and, where applicable, the recommendations of the Accounting Standards Board ("AcSB") of the CICA as interpreted by the Province of Ontario. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, and they are measurable. Expenses include non-cash items, such as the amortization of capital assets; and losses in the value of assets.

Ministry of Health and Long-Term Care Funding

The LHIN is funded solely by the Province of Ontario in accordance with the Ministry LHIN Accountability Agreement ("MLAA"), which describes budget arrangements established by the MOHLTC. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to HSPs, effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account.

The LHIN financial statements do not include any MOHLTC managed programs, where the HSP is directly accountable to the MOHLTC.

Central Local Health Integration Network

Notes to the financial statements

March 31, 2010

2. Significant accounting policies (continued)

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and the reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at period end.

Deferred capital contributions

Any amounts received that are used to fund capital asset purchases, are recorded as deferred capital contributions and are recognized as revenue over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the Statement of Financial Activities, is in accordance with the amortization policy applied to the related capital asset recorded.

Capital assets

Capital assets are recorded at historic cost. Historic cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of capital assets. The cost of capital assets contributed is recorded at the estimated fair value on the date of contribution. Fair value of contributed capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a capital asset are capitalized. Computer software is recognized as an expense when incurred.

Capital assets are stated at cost less accumulated amortization. Tangible capital assets are amortized over their estimated useful lives as follows:

Computer equipment and development	3 years straight-line method
Leasehold improvements	Life of lease straight-line method
Office furniture and fixtures	5 years straight-line method

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Segment disclosures

The LHIN was required to adopt Section PS 2700 - Segment Disclosures, for the fiscal year beginning April 1 2007. A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the Statement of Financial Activities and within the related notes for both the prior and current year sufficiently disclose information of all appropriate segments and, therefore, no additional disclosure is required.

Central Local Health Integration Network

Notes to the financial statements

March 31, 2010

3. Funding repayable to the MOHLTC

In accordance with the MLAA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

Excess funding from the MOHLTC related to current year activities is made up of the following components:

			2010	2009
	Revenue	Expenses	Surplus	Surplus
	\$	\$	\$	\$
Transfer payments to HSPs	1,671,803,309	1,671,803,309	-	9,759
LHIN operations	4,538,950	4,536,973	1,977	-
Special Program Funding	1,356,958	1,358,554	(1,596)	-
	1,677,699,217	1,677,698,836	381	9,759

LHIN activities show a surplus of \$381 (2009-\$9,759) which will be recovered by MOHLTC in the next fiscal year.

4. Related party transactions

The LHIN Shared Services Office (the "LSSO") is a division of the Toronto Central LHIN. The LSSO, on behalf of the LHINs, is responsible for providing services to all LHINs. The full costs of providing these services are billed to all the LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHIN at the year end are recorded as a receivable (payable) from (to) the LSSO. This is all done pursuant to the Shared Service Agreement the LSSO has with all the LHINs.

LHIN Cooperative (LHINC) was formed in fiscal 2010 to strengthen relationships between and among health service providers, associations and the LHINs, and to support system alignment. The full costs of providing these services are billed to all the LHINs as well as supported by funding from MOHLTC.

5. Deferred capital contributions

	2010	2009
	\$	\$
Balance, beginning of year	325,793	303,746
Capital contributions received during the year	73,922	186,091
Amortization for the year	(194,527)	(164,044)
Balance, end of year	205,188	325,793

6. Commitments

The LHIN has commitments under various operating leases as follows:

	Office space	Equipment	Total
	\$	\$	\$
2011	264,187	7,936	272,123
2012	22,016	2,090	24,106

The LHIN enters into accountability agreements with HSP's which include planned funding targets. The actual amounts which will ultimately be paid to HSP's are contingent on LHIN funding received from the MOHLTC.

Central Local Health Integration Network

Notes to the financial statements

March 31, 2010

7. Capital assets

			2010	2009
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office furniture and fixtures	271,950	193,206	78,744	113,491
Computer equipment	104,270	43,009	61,261	38,160
Leasehold improvements	506,768	441,585	65,183	174,142
	882,988	677,800	205,188	325,793

8. Budget figures

The budgets were approved by the Government of Ontario. The budget figures reported in the Statement of Financial Activities reflect the initial budget at April 1, 2009. The figures have been reported for the purposes of these statements to comply with PSAB reporting requirements. During the year the government approved budget adjustments. The following reflects the adjustments for the LHIN during the year:

The total HSP funding budget of \$ 1,672,186,673 is made up of the following:

	\$
Initial HSP	1,621,870,336
Budget	-
Adjustments due to announcements made during the year	49,932,973
	1,671,803,309

The total budget by sector is as follows:

Operation of Hospitals	1,051,676,778
Grants for Municipal Taxation	224,925
Long Term Care Homes	281,643,069
Community Care Access Centres	203,474,565
Community Support Services	36,960,752
Acquired Brain Injury	8,938,225
Assisted Living Services in Supporting Housing	19,436,492
Community Health Centres	7,105,587
Community Mental Health	57,928,353
Addictions Program Initiatives	4,414,563
Total budget	1,671,803,309

The original LHIN operating budget was \$4,259,237. Additional program funding in year resulted in a year-end budget of \$5,810,028 made up of the following:

Central Local Health Integration Network

Notes to the financial statements

March 31, 2010

8. Budget figures (continued)

	\$
Initial budget as reported on the statement of financial activities	4,259,237
Additional funding received in-year:	
Funding for capital asset purchased transferred to deferred capital contributions	(73,922)
Funding transferred from deferred capital contributions	194,528
Stabilization	85,185
Special programs	
E-health	600,000
Vaughan Capital Study	215,000
Diabetes	25,000
Aging at Home	300,000
Aboriginal Initiative	30,000
Emergency Response - Alternate Level of Care	100,000
Emergency Department Lead	75,000
Closing budget	<u>5,810,028</u>

9. Transfer payments to HSPs

The LHIN has authorization to allocate funding of \$1,672,186,673 (2009 - \$1,579,748,869 of which \$9759 was unallocated) to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors in fiscal 2010 as follows:

	2010	2009
	\$	\$
Operation of Hospitals	1,051,676,778	1,002,538,075
Grants to compensate for Municipal Taxation		
- Public Hospitals	224,925	216,450
Long Term Care Homes	281,643,069	266,837,701
Community Care Access Centres	203,474,565	188,132,222
Community Support Services	36,960,752	31,105,167
Acquired Brain Injury	8,938,225	8,561,178
Assisted Living Services in Supportive Housing	19,436,492	18,652,036
Community Health Centres	7,105,587	4,897,912
Community Mental Health	57,928,353	54,504,178
Addictions program	4,414,563	4,294,191
	<u>1,671,803,309</u>	<u>1,579,739,110</u>

Central Local Health Integration Network

Notes to the financial statements

March 31, 2010

10. a) E-health

The LHIN received funding of \$ 600,000 (2009 - \$483,700) related to the E-health project. E-health expenses incurred during the year are as follows:

	2010	2009
	\$	\$
Salaries and benefits	484,929	288,600
Consulting services	55,761	145,960
Accommodation and administration	52,950	48,001
Supplies and other	6,360	1,139
	600,000	483,700

b) Emergency Response - Alternate Level of Care (ER-ALC)

The LHIN received funding of \$100,000 (2009 - \$33,300) for the Emergency Response – Alternate Level of Care project in the 2010 fiscal year. The following are the expense details:

	2010	2009
	\$	\$
Salaries and benefits	85,431	29,364
Accommodation and administration	11,005	3,652
Supplies and other	3,564	284
	100,000	33,300

c) Aging at Home

The LHIN received one time funding of \$300,000 for the Aging at Home projects in 2010 fiscal year. In 2009, the LHIN entered into a Shared Cost Agreement with the Central CCAC for up to \$ 364,000 to deliver incremental costs associated with Aging at Home Planning incurred on behalf of the CCAC for the 2009 fiscal year. Expenses incurred during the year are as follows:

	2010	2009
	\$	\$
Salaries and benefits	280,319	233,064
Public relations	3,300	13,449
Consulting services	-	9,950
Supplies	1,788	218
Other	14,593	7,855
Recoveries	-	(264,536)
	300,000	-

Central Local Health Integration Network

Notes to the financial statements

March 31, 2010

10. (continued)

d) Aboriginal initiative

The LHIN received funding of \$ 30,000 (2009 - \$47,088) related to the Aboriginal Planning initiative. Expenses incurred during the year are as follows:

	2010	2009
	\$	\$
Consulting services	30,122	46,167
Supplies and other	1,474	921
	31,596	47,088

e) Vaughan Hospital study

The LHIN received one time funding of \$215,000 for the Vaughan Hospital Study. Expenses incurred during the year are as follows:

	2010	2009
	\$	\$
Salaries and benefits	69,301	-
Consulting services	141,144	-
Public relations	3,993	-
Supplies and other	562	-
	215,000	-

f) Emergency department (ED) lead project

The LHIN received funding of \$ 75,000 (2009 - \$75,000) related to the ED Lead project. ED Lead project expenses incurred during the year are as follows:

	2010	2009
	\$	\$
Salaries and benefits	15,000	15,000
Consulting services	60,000	60,000
	75,000	75,000

g) Diabetes strategy

The LHIN received one time funding of \$ 25,000 related to the support service expansion for the diabetes strategy. Expenses incurred during the year are as follows:

	2010	2009
	\$	\$
Salaries and benefits	25,000	-
	25,000	-

Central Local Health Integration Network

Notes to the financial statements

March 31, 2010

10. (continued)

h) French Language Services

The LHIN is expecting to receive one time funding of \$66,000 related to support Francophone community engagement activities. \$11,958 has already been spent with the remaining balance to be spent in fiscal year 2011. Expenses incurred during the year are as follows:

	2010	2009
	\$	\$
Public relations	9,473	-
Consulting services	2,485	-
	11,958	-

11. General and administrative expenses

The Statement of Financial Activities presents the expenses by function, the following classifies these same expenses by object:

	2010	2009
	\$	\$
Salaries and benefits	2,967,561	2,678,888
Occupancy	196,643	221,466
Amortization	194,527	164,044
Shared services	375,000	300,000
Public relations	63,984	109,350
Consulting services	224,282	288,534
Supplies	56,601	67,401
Board expenses (see note below)	190,032	200,221
Mail, courier and telecommunications	49,925	53,132
Other	218,418	154,232
	4,536,973	4,237,268

Note:

	2010 budget	2010	2009
	\$	\$	\$
Board Chair per diem expense	50,400	47,775	55,300
Other Board members per diem expense	89,600	78,750	74,999
Governance costs and travel	64,000	63,507	69,922
	204,000	190,032	200,221

Central Local Health Integration Network

Notes to the financial statements

March 31, 2010

12. Pension agreements

The LHIN makes contributions to the Hospitals of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 23 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2010 was \$ 228,911 (2009 - \$200,455) for current service costs and is included as an expense in the Statement of Financial Activities. The last actuarial valuation was completed for the plan as of December 31, 2009. At that time, the plan was 102% funded.

13. Guarantees

The LHIN is subject to the provisions of the *Financial Administration Act*. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the *Financial Administration Act* and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the *Local Health System Integration Act, 2006* and in accordance with s. 28 of the *Financial Administration Act*.

Harwood Plaza, 314 Harwood Ave. South,
Suite 204A Ajax, ON, L1S 2J1
Tel 905 427-5497 • Fax 905 427-9659
www.centraleastlhlin.on.ca

Central East Local Health Integration Network

Management's Responsibility for the Financial Statements

March 31, 2010

The integrity and objectivity of the accompanying financial statements of the Central East Local Health Integration Network ("the LHIN") is the responsibility of management. These financial statements have been prepared by management in compliance with legislation and in accordance with Canadian Generally Accepted Accounting Principles and, where appropriate, include amounts based on management's best estimates and judgments.

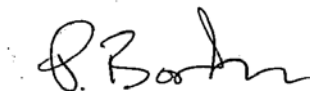
Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for the preparation of the financial statements. These systems are monitored and evaluated by management, the Audit Committee and Board of Directors.

Management meets with the external auditors and the Board of Directors to review the financial statements and discuss any significant financial reporting or internal control matters prior to approval of the financial statements.

The financial statements have been audited by Deloitte & Touche LLP, independent external auditors appointed by the Board of Directors.



Deborah Hammons
Chief Executive Officer



Paul Barker
Sr. Director, Contracts & Allocations



Deloitte & Touche LLP
5140 Yonge Street
Suite 1700
Toronto ON M2N 6L7
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Auditors' Report

To the Members of the Board of Directors of the
Central East Local Health Integration Network

We have audited the statement of financial position of the Central East Local Health Integration Network (the "LHIN") as at March 31, 2010 and the statements of financial activities, changes in net debt and cash flows for the year then ended. These financial statements are the responsibility of the LHIN's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Central East Local Health Integration Network as at March 31, 2010 and the results of its operations, its changes in its net debt and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads "Deloitte & Touche LLP".

Chartered Accountants
Licensed Public Accountants
May 7, 2010

Central East Local Health Integration Network

Statement of financial position
year ended March 31, 2010

	2010	2009
	\$	\$
Financial assets		
Cash	536,038	1,249,277
Due from Ministry of Health and Long Term Care ("MOHLTC")	1,533,500	1,485,300
Accounts receivable	1,192,464	6,187
	3,262,002	2,740,764
Liabilities		
Accounts payable and accrued liabilities	1,423,365	1,230,297
Due to Health Service Providers ("HSP")	1,533,500	1,485,300
Due to MOHLTC (Note 3b)	354,269	28,950
Due to the LHIN Shared Services Office (Note 4)	-	7,546
Deferred capital contributions (Note 5)	369,310	380,725
	3,680,444	3,132,818
Commitments (Note 6)		
Net debt	(418,442)	(392,054)
Non-financial assets		
Prepaid expenses	49,132	11,329
Capital assets (Note 7)	369,310	380,725
	418,442	392,054
Accumulated surplus	-	-

Approved by the Board



Director



Director

Central East Local Health Integration Network

Statement of financial activities
year ended March 31, 2010

		2010	2009
	Budget (unaudited) (Note 8)	Actual	Actual
	\$	\$	\$
Revenue			
Ministry of Health and Long Term Care ("MOHLTC") funding			
Health Service Provider ("HSP") transfer payments (Note 9)	1,888,981,690	1,923,766,995	1,837,250,608
Operations of LHIN	4,702,230	4,452,752	4,329,312
Emergency Department ("ED") Lead (Note 10a)	-	75,000	75,000
Emergency Room/Alternative Level of Care ("ER/ALC") (Note 10b)	-	100,000	33,300
Aboriginal Planning (Note 10c)	-	20,000	32,250
e-Health (Note 10d)	-	1,885,000	700,000
Diabetes Strategy	-	25,000	-
Self Management program	-	35,000	-
French Language Services	-	173,700	-
Aboriginal Health Transition Funding	-	51,000	-
Amortization of deferred capital contributions (Note 5)	-	260,893	209,814
	1,893,683,920	1,930,845,340	1,842,630,284
Expenses			
Transfer payments to HSPs (Note 9)	1,888,981,690	1,923,766,995	1,837,250,608
General and administrative (Note 11)	4,702,230	4,664,979	4,524,969
ED Lead (Note 10a)	-	75,000	75,000
ER/ALC (Note 10b)	-	100,000	33,300
Aboriginal Planning (Note 10c)	-	20,000	32,015
e-Health (Note 10d)	-	1,707,447	685,442
Diabetes Strategy	-	25,000	-
Self Management program	-	35,000	-
French Language Services	-	73,700	-
Aboriginal Health Transition Funding	-	51,000	-
Resident's First program	-	900	-
	1,893,683,920	1,930,520,021	1,842,601,334
Annual surplus before funding repayable to the MOHLTC	-	325,319	28,950
Funding repayable to the MOHLTC (Note 3a)		(325,319)	(28,950)
Annual surplus	-	-	-
Opening accumulated surplus			-
Closing accumulated surplus	-	-	-

Central East Local Health Integration Network

Statement of changes in net debt
year ended March 31, 2010

	Budget (unaudited) (Note 8)	2010	2009
		\$	\$
Annual surplus	-	-	-
Acquisition of tangible capital assets	-	(249,478)	(280,717)
Amortization of tangible capital assets	-	260,893	209,814
Change in other non-financial assets	-	(37,803)	3,542
Increase in net debt		(26,388)	(67,361)
Opening net debt	-	(392,054)	(324,693)
Closing net debt	-	(418,442)	(392,054)

Central East Local Health Integration Network

Statement of cash flows year ended March 31, 2010

	2010	2009
	\$	\$
Operating transactions		
Annual surplus	-	-
Less items not affecting cash		
Amortization of capital assets	260,893	209,814
Amortization of deferred capital contributions (Note 5)	(260,893)	(209,814)
	-	-
Changes in non-cash operating items		
(Increase) decrease in due from MOHLTC	(48,200)	5,527,810
Increase in accounts receivable	(1,186,277)	(6,187)
Increase in accounts payable and accrued liabilities	193,068	487,872
Increase (decrease) in due to HSPs	48,200	(5,527,810)
Increase (decrease) in due to the MOHLTC	325,319	(840,165)
(Increase) decrease in prepaid expenditures	(37,803)	3,542
Decrease (increase) in due to the LHIN Shared Services Office	(7,546)	5,702
	(713,239)	(349,236)
Capital investments		
Acquisition of tangible capital assets	(249,478)	(280,717)
Financing transactions		
Capital contributions received (Note 5)	249,478	280,717
Net decrease in cash	(713,239)	(349,236)
Cash, beginning of year	1,249,277	1,598,513
Cash, end of year	536,038	1,249,277

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2010

1. Description of business

The Local Health Integration Network was incorporated by Letters Patent on June 2, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the *Local Health System Integration Act, 2006* (the "Act") as the Central East Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The LHIN has also entered into an Accountability Agreement with the Ministry of Health and Long Term Care ("MOHLTC"), which provides the framework for LHIN accountabilities and activities.

Commencing April 1, 2007, all funding payments to LHIN managed health service providers in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized Health Service Providers ("HSP") are expensed in the LHIN's financial statements for the year ended March 31, 2009.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The Central East LHIN is a mix of urban and rural geography and is the sixth-largest LHIN in land area in Ontario (16,673 km²). In densely populated urban cities, suburban towns, rural farm communities, cottage country villages and remote settlements, the Central East LHIN stretches from Victoria Park to Algonquin Park. The neighbourhoods in our planning zones boast a rich diversity of community values, ethnicity, language and socio-demographic characteristics.

The LHIN enters into service accountability agreements with service providers.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian generally accepted accounting principles for governments as established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA") and, where applicable, the recommendations of the Accounting Standards Board ("AcSB") of the CICA as interpreted by the Province of Ontario. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable, expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of tangible capital assets.

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2010

2. Significant accounting policies (continued)

Ministry of Health and Long-Term Care Funding

The LHIN is funded solely by the Province of Ontario in accordance with the Ministry LHIN Accountability Agreement ("MLAA"), which describes budget arrangements established by the MOHLTC. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to HSPs, effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account.

The LHIN statements do not include any MOHLTC managed programs.

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at period end.

Deferred capital contributions

Any amounts received that are used to fund expenses that are recorded as capital assets, are recorded as deferred capital contributions and are recognized as revenue over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the Statement of Financial Activities, is in accordance with the amortization policy applied to the related capital asset recorded.

Capital assets

Capital assets are recorded at historic cost. Historic cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of capital assets. The cost of capital assets contributed is recorded at the estimated fair value on the date of contribution. Fair value of contributed capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a capital asset are capitalized. Computer software is recognized as an expense when incurred.

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives as follows:

Computer equipment	3 years straight-line method
Leasehold improvements	Life of lease straight-line method
Office furniture and fixtures	5 years straight-line method
Web development	3 years straight-line method

For assets acquired or brought into use during the year, amortization is provided for a full year.

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2010

2. Significant accounting policies (continued)

Segment disclosures

The LHIN was required to adopt Section PS 2700 - Segment Disclosures, for the fiscal year beginning April 1, 2007. A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the Statement of Financial Activities and within the related notes for both the prior and current year sufficiently discloses information of all appropriate segments and, therefore, no additional disclosure is required.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Funding repayable to the MOHLTC

In accordance with the MLAA, the LHIN is required to be in a balanced position at year end. Thus, any excess of funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

- a) The amount repayable to the MOHLTC related to current year activities is made up of the following components:

			2010	2010	2009
	Revenue	Expenses	Surplus		Surplus
	\$	\$	\$	%	\$
Transfer payments to HSPs	1,923,766,995	1,923,766,995	-		-
LHIN operations	4,713,645	4,664,979	48,666	1%	14,157
Aging at Home	-	-	-		-
ER/ALC	100,000	100,000	-		-
ED/Lead	75,000	75,000	-		-
Diabetes	25,000	25,000	-		-
E-Health	1,885,000	1,707,447	177,553	9%	14,558
Aboriginal Planning	20,000	20,000	-		235
French Language Services	173,700	73,700	100,000	58%	-
Aboriginal Health Transition Funding	51,000	51,000	-		-
Resident's First	-	900	(900)	-	-
Self Management	35,000	35,000	-		-
	1,930,845,340	1,930,520,021	325,319	-	28,950

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2010

3. Funding repayable to the MOHLTC (continued)

b) The amount due to the MOHLTC at March 31 is made up as follows:

	2010	2009
	\$	\$
Due to MOHLTC, beginning of year	28,950	869,115
Recovery by MOHLTC during the year	-	(869,115)
Funding repayable to the MOHLTC related to current year activities (Note 3a)	325,319	28,950
Due to MOHLTC, end of year	354,269	28,950

4. Related party transactions

The LHIN Shared Services Office (the "LSSO") and the Local Health Integration Network Collaborative (the "LHINC") are divisions of the Toronto Central LHIN and are subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO and LHINC, on behalf of the LHINs are responsible for providing services to all LHINs. The full costs of providing these services are billed to all the LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHIN at the year end are recorded as a receivable (payable) from (to) the LSSO. This is all done pursuant to the shared service agreement the LSSO has with all LHINs.

5. Deferred capital contributions

	2010	2009
	\$	\$
Balance, beginning of year	380,725	309,822
Capital contributions received during the year	249,478	280,717
Amortization for the year	(260,893)	(209,814)
Balance, end of year	369,310	380,725

6. Commitments

The LHIN has commitments under various operating leases related to building and equipment. Lease renewals are likely. Minimum lease payments due in each of the next five years and thereafter are as follows:

	\$
2011	238,373
2012	238,373
2013	236,537
2014	232,949
2015	228,331
Thereafter	133,193
	1,307,756

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2010

6. Commitments (continued)

The LHIN also has funding commitments to HSPs associated with accountability agreements. Minimum commitments to HSPs based on the current accountability agreements are as follows:

	\$
2011	1,896,186,889
2012	1,896,186,889

The actual amounts which will ultimately be paid are contingent upon actual LHIN funding received from the MOHLTC.

7. Capital assets

			2010	2009
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office furniture and fixtures	424,509	324,477	100,032	184,932
Computer equipment	182,627	136,317	46,310	30,573
Web development	36,100	36,100	-	7,593
Leasehold improvements	658,898	435,930	222,968	157,627
	1,302,134	932,824	369,310	380,725

8. Budget figures

The budgets were approved by the Government of Ontario. The budget figures reported in the Statement of Financial Activities reflect the initial budget at April 1, 2009. The figures have been reported for the purposes of these statements to comply with PSAB reporting requirements. During the year the government approved budget adjustments. The following reflects the adjustments for the LHIN during the year:

The total HSP funding budget of \$1,923,766,995 is made up of the following:

	\$
Initial HSP funding budget	1,888,981,690
Adjustment due to announcements made during the year	34,785,305
Total HSP funding budget	1,923,766,995

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2010

8. Budget figures (continued)

The total revised operating budget of \$7,066,930 is made up of the following:

	\$
Initial budget as represented on the statement of financial activities	4,702,230
Additional funding received during the year for:	
ER/ALC	100,000
ED/Lead	75,000
Diabetes	25,000
E-Health	1,885,000
Aboriginal Planning	20,000
French Language Services	173,700
Aboriginal Health Transition Funding	51,000
Self Management	35,000
Total budget	7,066,930

9. Transfer payments to HSPs

The LHIN has authorization to allocate the funding of \$1,923,766,995 (2009 - \$1,837,250,608) to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors in 2010 as follows:

	2010	2009
	\$	\$
Operation of hospitals	1,124,792,403	1,082,886,094
Grants to compensate for municipal taxation		
- public hospitals	294,975	294,975
Long term care homes	368,756,047	356,028,894
Community care access centres	208,746,653	195,064,667
Community support services	28,341,071	27,254,697
Assisted living services in supportive housing	13,024,039	11,996,510
Community health centres	20,015,681	12,267,412
Community mental health addictions program	52,902,577	50,100,532
Specialty psychiatric hospitals	105,624,200	100,271,165
Acquired brain injury	1,245,349	1,061,662
Grants to compensate for municipal taxation		
- psychiatric hospitals	24,000	24,000
Total	1,923,766,995	1,837,250,608

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2010

10. a) ED Lead

The LHIN received funding of \$75,000 (2009 - \$75,000) related to the ED Lead project. ED Lead expenses incurred during the year are as follows:

	2010	2009
	\$	\$
Consulting services	63,866	62,068
Salaries and benefits	-	11,086
Other	11,134	1,846
	75,000	75,000

b) ER/ALC

The LHIN received funding of \$100,000 (2009 - \$33,300) related to the ER/ALC project. ER/ALC expenses incurred during the year consist of \$91,983 (2009 - \$33,300) of salaries & benefits and \$8,017 (2009 - \$nil) of other expenses.

c) Aboriginal Planning

The LHIN received funding of \$20,000 (2009 - \$32,250) related to the Aboriginal Planning project. Aboriginal Planning project expenses incurred during the year consist of \$nil (2009 - \$31,250) of consulting fees and \$20,000 (2009 - \$765) of other expenses.

d) E-Health

The LHIN received funding of \$1,885,000 (2009 - \$700,000) related to the E-Health project. E-Health project expenses incurred during the year are as follows:

	2010	2009
	\$	\$
Consulting services	1,192,071	458,373
Salaries and benefits	261,421	156,903
Meetings	65,673	68,529
Supplies and other	188,282	1,637
	1,707,447	685,442

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2010

11. General and administrative expenses

The Statement of financial activities presents the expenses by function, the following classifies these same expenses by object:

	2010	2009
	\$	\$
Salaries and benefits	3,212,777	2,672,304
Occupancy	212,745	312,792
Amortization	260,893	209,814
Shared services	378,919	300,000
Community engagement	153,588	128,329
Consulting services	113,457	320,734
Supplies	118,424	137,970
Board member expenses	107,901	249,584
Mail, courier and telecommunications	3,154	5,007
Other	103,121	188,435
	4,664,979	4,524,969

Note:

	2010 Budget	2010	2009
	\$	\$	\$
Board chair per diem expense	50,000	50,750	36,575
Other board members per diem expense	100,000	50,279	129,792
CRA accrual historical expense	-	(30,463)	-
Governance costs and travel	70,000	37,335	83,217
Total expenses	220,000	107,901	249,584

12. Pension agreements

The LHIN makes contributions to the Hospitals of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 28 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2010 was \$251,562 (2009 - \$202,595) for current service costs and is included as an expense in the Statement of Financial Activities. The last actuarial valuation of the plan was completed for the plan as of December 31, 2009. At that time, the plan was fully funded.

13. Guarantees

The LHIN is subject to the provisions of the *Financial Administration Act*. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the *Financial Administration Act* and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the *Local Health System Integration Act, 2006* and in accordance with s. 28 of the *Financial Administration Act*.

8 Nelson Street West, Suite 300
Brampton, ON L6X 4J2
Tel: 905 455-1281
Toll Free: 1 866 370-5446
Fax: 905 455-0427
www.centralwestlhlin.on.ca

8, rue Nelson Ouest, bureau 300
Brampton, ON L6X 4J2
Téléphone : 905 455-1281
Sans frais : 1 866 370-5446
Télécopieur : 905 455-0427
www.rliisscentre-ouest.on.ca

Central West Local Health Integration Network (Central West LHIN)

Management Responsibility for Financial Information

Management and the Board of Directors are responsible for the financial statements and all other information presented in the Annual Report. The financial statements have been prepared by Management in accordance with Canadian generally accepted accounting principles and, where appropriate, include amounts based on Management's best estimates and judgment. Management is responsible for the integrity and objectivity of these financial statements. The financial information presented elsewhere in this Annual Report is consistent with that in the financial statements in all material respects.

The Central West Local Health Integration Network is dedicated to the highest standards of integrity in its business. To safeguard the Central West LHIN's assets and assure the reliability of financial information, the Central West LHIN follows sound management practices and procedures, and maintains appropriate information systems and internal financial controls.

The Board of Directors ensures that Management fulfills its responsibilities for financial information and internal controls. The financial statements have been reviewed by the Central West LHIN Board Audit Committee and approved by the Board of Directors.

Deloitte & Touche LLP, the independent auditors appointed by the Board of Directors, have been engaged to conduct an examination of the financial statements in accordance with Canadian generally accepted auditing standards and have expressed their opinion on these statements. During the course of their audit, Deloitte & Touche LLP reviewed the LHINs system of internal controls to the extent necessary to render their opinion on the financial statements. The Auditor's Report outlines the scope of the Auditor's examination and opinion.



Mimi Lowi-Young,
Chief Executive Officer



Pat Stoddart
Senior Director, Performance Contract and Allocation

May 7, 2010



Deloitte & Touche LLP
5140 Yonge Street
Suite 1700
Toronto ON M2N 6L7
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Auditors' Report

To the Members of the Board of Directors of the
Central West Local Health Integration Network

We have audited the statement of financial position of the Central West Local Health Integration Network (the "LHIN") as at March 31, 2010 and the statements of financial activities, changes in net debt and cash flows for the year then ended. These financial statements are the responsibility of the LHIN's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Central West Local Health Integration Network as at March 31, 2010 and the results of its operations, its changes in its net debt and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads "Deloitte & Touche LLP".

Chartered Accountants
Licensed Public Accountants
May 7, 2010

Central West Local Health Integration Network

Statement of financial activities
year ended March 31, 2010

	2010		2009
	Budget (unaudited) (Note 8)	Actual	Actual
	\$	\$	\$
Revenue			
MOHLTC funding			
Health Service Provider ("HSP") transfer payments (Note 9a)	695,117,595	727,403,702	680,355,501
Health Infrastructure Renewal Fund (HIRF) (Note 9b)	1,074,261	1,074,261	-
Operations of LHIN	4,251,792	4,336,828	4,203,807
e-Health (Note 10a)	600,000	600,000	425,000
e-Health Infrastructure Blueprint (Note 10b)	-	20,000	-
e-Health Physician-Patient Portal (note 10b)	-	30,000	-
e-Health Privacy (note 10b)	-	25,000	-
e-Health Communications (Note 10b)	-	3,500	-
French Language Services (note 10c)	-	160,400	-
ER/ALC Performance Lead (Note 10d)	-	100,000	33,300
Emergency Department Lead (Note 10e)	-	65,000	75,000
Aboriginal Health (Note 10f)	7,500	7,250	7,500
Aboriginal Health Transition Fund (Note 10g)	-	51,000	12,250
Diabetes Self Management Note 10h)	-	35,000	-
Health System Plan (Note 10i)	-	-	49,738
Health Force Ontario (Note 10j)	-	-	50,000
Amortization of deferred capital contributions (Note 5)	210,000	157,559	181,683
	701,261,148	734,069,500	685,393,779
Expenses			
Transfer payments to HSPs (Note 9a)	695,117,595	727,403,702	680,355,501
Transfer payments to HSPs (HIRF) (Note 9b)	1,074,261	1,074,261	-
General and administrative (Note 11)	4,461,792	4,527,733	4,364,890
E-Health (Note 10a)	600,000	600,000	424,925
French Language Services (note 10c)	-	132,000	-
ER/ALC Performance Lead (Note 10d)	-	100,000	23,122
Emergency Department Lead (Note 10e)	-	64,444	60,535
Aboriginal Health (Note 10f)	7,500	1,056	7,340
Aboriginal Health Transition Fund (Note 10g)	-	51,000	-
Health System Plan (Note 10i)	-	-	43,984
Health Force Ontario (Note 10j)	-	-	50,000
	701,261,148	733,954,196	685,330,297
Annual surplus before funding repayable to the MOHLTC	-	115,304	63,482
Funding repayable to the MOHLTC (Note 3a)	-	(115,304)	(63,482)
Annual surplus	-	-	-
Opening accumulated surplus	-	-	-
Closing accumulated surplus	-	-	-

Central West Local Health Integration Network

Statement of changes in net debt
year ended March 31, 2010

	2010	2009
	\$	\$
Annual surplus	-	-
Acquisition of capital assets	(57,895)	(47,985)
Amortization of capital assets	157,557	181,683
Change in other non-financial assets	(16,137)	(384)
Decrease in net debt	83,525	133,314
Opening net debt	(186,511)	(319,825)
Closing net debt	(102,986)	(186,511)

Central West Local Health Integration Network

Statement of cash flows

	2010	2009
	\$	\$
Operating transactions		
Annual surplus	-	-
Less items not affecting cash		
Amortization of capital assets	(157,557)	(181,683)
Amortization of deferred capital contributions (Note 5)	157,557	181,683
Changes in non-cash operating items		
Decrease (increase) in accounts receivable - MOHLTC	(1,230,108)	6,635,793
(Decrease) increase in due to the MOHLTC	115,304	(322,190)
(Decrease) increase in due to HSP's	1,116,607	(6,226,510)
Decrease (increase) in accounts receivable - Other	(16,800)	464
(Increase) Decrease in prepaid expenses	(16,137)	(384)
Increase (decrease) in accounts payable	(83,092)	94,001
Increase (decrease) in due to the LHIN Shared Services Office	(14,784)	12,184
	(129,010)	193,358
Capital transactions		
Acquisition of capital assets	(57,895)	(47,985)
Financing transactions		
Increase in deferred capital contributions (Note 5)	57,895	47,985
Net increase in cash	(129,010)	193,358
Cash, beginning of year	1,061,658	868,300
Cash, end of year	932,648	1,061,658

Central West Local Health Integration Network

Notes to the financial statements

March 31, 2010

1. Description of business

The Central West Local Health Integration Network was incorporated by Letters Patent on June 9, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the Local Health System Integration Act, 2006 (the "Act") as the Central West Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The LHIN has also entered into an Accountability Agreement with the Ministry of Health and Long Term Care ("MOHLTC"), which provides the framework for LHIN accountabilities and activities.

Commencing April 1, 2007, all funding payments to LHIN managed health service providers in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized Health Service Providers ("HSP") are expensed in the LHIN's financial statements for the year ended March 31, 2010.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers Dufferin County, the northern portion of Peel Region, part of York Region, and a small part of the City of Toronto. The LHIN enters into service accountability agreements with service providers.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian generally accepted accounting principles for governments as established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA") and, where applicable, the recommendations of the Accounting Standards Board ("AcSB") of the CICA as interpreted by the Province of Ontario. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable, expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of capital assets.

Central West Local Health Integration Network

Notes to the financial statements

March 31, 2010

2. Significant accounting policies (continued)

Ministry of Health and Long-Term Care Funding

The LHIN is funded solely by the Province of Ontario in accordance with the Ministry LHIN Accountability Agreement ("MLAA"), which describes budget arrangements established by the MOHLTC. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to HSPs, effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account.

The LHIN statements do not include any MOHLTC managed programs.

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at period end.

Deferred capital contributions

Any amounts received that are used to fund expenses that are recorded as capital assets, are recorded as deferred capital contributions and are recognized as revenue over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the Statement of Financial Activities, is in accordance with the amortization policy applied to the related capital asset recorded.

Capital assets

Capital assets are recorded at historical cost. Historical cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of capital assets. The cost of capital assets contributed is recorded at the estimated fair value on the date of contribution. Fair value of contributed capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a capital asset are capitalized. Computer software is recognized as an expense when incurred.

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives as follows:

Office furniture and fixtures	5 years straight-line method
Computer equipment	3 years straight-line method
Leasehold improvements	Life of lease straight-line method
Web development	3 years straight-line method

For assets acquired or brought into use during the year amortization is provided for a full year.

Central West Local Health Integration Network

Notes to the financial statements

March 31, 2010

2. Significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Segment disclosures

The LHIN was required to adopt Section PS 2700 - Segment Disclosures, for the fiscal year beginning April 1 2007. A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the Statement of Financial Activities and within the related notes for both the prior and current year sufficiently discloses information of all appropriate segments and, therefore, no additional disclosure is required.

3. Funding repayable to the MOHLTC

In accordance with the MLAA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

- a. The amount repayable to the MOHLTC related to current year activities is made up of the following components:

	Revenue	Expenses	2010 surplus	2009 surplus
	\$	\$	\$	\$
Transfer Payments to HSP's	727,403,702	727,403,702	-	-
Health Infrastructure Renewal Fund (HIRF)	1,074,261	1,074,261	-	-
LHIN Operations	4,336,828	4,370,174	(33,346)	20,600
Capital Contribution	157,559	157,559	-	-
E-Health (Note 10a)	600,000	600,000	-	75
eHealth Infrastructure Blueprint (Note 10b)	20,000	-	20,000	-
eHealth Physician-Patient Portal (note 10b)	30,000	-	30,000	-
eHealth Privacy (note 10b)	25,000	-	25,000	-
eHealth Communications (Note 10b)	3,500	-	3,500	-
French Language Services (note 10c)	160,400	132,000	28,400	-
ER/ALC Performance Lead (Note 10d)	100,000	100,000	-	10,178
Emergency Department Lead (Note 10e)	65,000	64,444	556	14,465
Aboriginal Health (Note 10f)	7,250	1,056	6,194	160
Aboriginal Health Transition Fund (Note 10g)	51,000	51,000	-	12,250
Diabetes Self Management Note 10h)	35,000	-	35,000	-
Health System Plan (Note 10i)	-	-	-	5,754
Health Force Ontario (Note 10j)	-	-	-	-
	734,069,500	734,954,196	115,304	63,482

Central West Local Health Integration Network

Notes to the financial statements

March 31, 2010

- b. The amount due to the MOHLTC at March 31 is made up as follows:

	2010	2009
	\$	\$
Due to MOHLTC, beginning of year	63,482	
	-	(385,672)
Funding repayable to the MOHLTC related to		
	115,304	63,482
<u>Due to MOHLTC, end of year</u>		

4. Related party transactions

The LHIN Shared Services Office (the "LSSO") is a division of the Toronto Central LHIN and is subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO, on behalf of the LHINs is responsible for providing services to all LHINs. The full costs of providing these services are billed to all the LHINs. Any portion of the LSSO operating costs overpaid/or not paid by the LHIN at the year end are recorded as a receivable (payable) from (to) the LSSO. This is all done pursuant to the Shared Services Agreement the LSSO has with all the LHINs.

5. Deferred capital contributions

	2010	2009
	\$	\$
Balance, beginning of year	184,683	318,381
Capital contributions received during the year	57,895	47,985
Amortization for the year	(157,557)	(181,683)
<u>Balance, end of year</u>		

6. Commitments

The LHIN has commitments under various operating leases related to building and equipment. Lease renewals are likely. Minimum lease payments due in each of the next five years are as follows:

	\$
2011	221,443
2012	227,615
2013	225,779
2014	220,835
2015	92,014

The LHIN also has funding commitments to some HSPs associated with accountability agreements for fiscal 2010. Minimum funding for HSPs related to the next two years, based on the fiscal 2010 accountability agreements, and are as follows:

	\$
2011	716,909,610
2012	716,909,610

The actual amounts which will ultimately be paid are contingent upon actual LHIN funding received from the MOHLTC.

Central West Local Health Integration Network

Notes to the financial statements

March 31, 2010

7. Capital assets

			2010	2009
	Cost	Accumulated amortization	Net book value	Net book value
		\$	\$	\$
Office furniture and fixtures	273,504	221,854	51,650	62,714
Computer equipment	34,427	30,110	4,317	9,572
Leasehold improvements	540,375	511,321	29,054	112,397
	848,306	763,285	85,021	184,683

8. Budget figures

The budgets were approved by the Government of Ontario. The budget figures reported on the Statement of Financial Activities reflect the final budget at June 30, 2009. The figures have been reported for the purposes of these statements to comply with PSAB reporting principles. During the year the government approved budget adjustments. The following reflects the adjustments for the LHIN during the year:

The total HSP funding budget of \$727,403,702 is made up of the following:

	\$
Initial HSP funding budget	695,117,595
Adjustment due to announcements made during the year	32,286,107
Total HSP funding budget	727,403,702

The total operating budget, excluding HSP funding, of \$5,433,978 is made up of the following:

	\$
Initial budget	4,859,292
Adjustment due to announcements made during the year	
E-Health Blueprint	20,000
E-Health Physician-Patient Portal	30,000
E-Health Privacy	25,000
E-Health Communications	3,500
French Language Services	160,400
ER/ALC Performance Lead	100,000
Aboriginal Surplus Returned to MOHLTC	(250)
Aboriginal Health Transition Fund	51,000
ED LHIN Lead	65,000
Diabetes Self Management	35,000
Stabilization Funding	85,036
Total budget	5,433,978

Central West Local Health Integration Network

Notes to the financial statements

March 31, 2010

9. a) Transfer payments to HSPs

The LHIN has authorization to allocate funding of \$727,403,702 (2009 - \$680,355,602) to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors in 2010 as follows:

	2010	2009
	\$	\$
Operation of Hospitals	465,785,181	433,771,883
Grants to compensate for Municipal Taxation - Public Hospitals	99,450	99,450
Long Term Care Homes	136,059,183	131,498,900
Community Care Access Centres	77,593,209	72,039,992
Community Support Services	6,668,770	5,143,348
Assisted Living Services in Supportive Housing	4,854,656	4,182,997
Community Health Centres	5,695,761	3,865,265
Community Mental Health Addictions Program	30,647,492	29,753,666
	727,403,702	680,355,501

b) Health Infrastructure Renewal Fund (HIRF)

The LHIN has authorized to allocate funding of \$ 1,074,261 (2009 - \$nil) to support public hospital infrastructure renewal projects that are minor capital in nature. This is the first year that the Ministry of Health and Long Term Care has incorporated the funding into the Ministry LHIN Accountability Agreement directly and therefore the prior year disclosure has been adjusted accordingly.

10. a) e-Health

The LHIN received funding of \$600,000 (2009 - \$425,000) related to supporting the E-Health projects. E-Health expenses incurred during the year are as follows:

	2010	2009
	\$	\$
Salaries and Benefits	322,496	
Staff Travel	422	
Communication Expense	1,652	
Recruitment fees	2,500	10,350
General repairs and maintenance		3,300
Consulting	197,297	411,030
Computer equipment	20,062	
Computer software	52,982	-
Office Supplies	1,328	185
Staff Development	549	-
Meeting expenses	712	60
	600,000	424,925

Central West Local Health Integration Network

Notes to the financial statements

March 31, 2010

10. (continued)

b) e-Health Projects

The LHIN received funding of \$78,500 (2009 - \$0) related for specific technology initiatives as listed below. The initiatives have not been started as intended, and the funding is reflected as a payable to the Ministry of Health.

	2010	2009
	\$	\$
e-Health Infrastructure Blueprint	20,000	-
e-Health Physician-Patient Portal	30,000	-
eHealth Privacy	25,000	-
e-Health Communications	3,500	-
	78,500	-

c) French Language Services

The LHIN received funding of \$160,400 (2009 - \$nil) related to the French Language Services initiative. Expenses incurred during the year consist of \$132,000 (2009 - \$nil) to develop a French Language Services plan.

d) ER/ALC Performance Lead

The LHIN received funding of \$100,000 (2009 - \$33,300) related to the ER/ALC Performance Lead initiative. ER/ALC expenses incurred during the year of \$100,000 (2009 - \$23,122) related to salaries and benefits.

e) Emergency Department Lead

The LHIN received funding of \$75,000 (2009 - \$75,000) related to the Emergency Department Lead project. A surplus of \$10,000 was returned to MOHLTC for a net funding amount of \$65,000. Emergency Department Lead expenses incurred during the year consist of \$60,526 (2009 - \$60,535) for consulting fees as well as \$3,918 (2009 - \$nil) related to development and travel expenses for a total of \$64,444. (2009 - \$60,535)

f) Aboriginal Health

The LHIN received funding of \$7,500 (2009 - \$7,500) related to the Aboriginal Health project. A surplus of \$250 was returned to MOHLTC for a net funding amount of \$7,250. Aboriginal Health project expenses incurred during the year consist of \$1,056 (2009 - \$7,340) for meeting expenses.

g) Aboriginal Health Transition Fund

The LHIN received funding of \$51,000 (2009 - \$12,250) related to the Aboriginal Health Transition Fund Ontario Adaptation Plan. Expenses incurred during the year are as follows:

	2010	2009
	\$	\$
Salaries and Benefits	26,387	-
Consulting fees	20,331	-
Other Expenses	4,282	-
	51,000	-

Central West Local Health Integration Network

Notes to the financial statements

March 31, 2010

10. (continued)

h) Diabetes Self Management

The LHIN received funding of \$35,000 related to the Diabetes Self Management Initiative. There were no expenditures incurred. The LHIN also received \$25,000 in funding for Diabetes Strategy but this was returned to the MOHLTC during the year as there were no related expenses.

i) Health System Plan

This initiative was completed in 2009.

j) Health Force Ontario

Funding and expenses related to this initiative are now accounted for directly through Health Force Ontario.

11. General and administrative expenses

The Statement of financial activities presents expenses by function. The following classifies these same expenses by object:

	2010	2009
	\$	\$
Salaries and benefits	2,669,292	2,293,987
Occupancy	179,409	215,914
Amortization	157,557	181,683
Shared services	362,714	501,408
LHIN Collaborative	12,286	-
Public relations	-	5,505
Consulting services	357,950	591,365
Supplies	47,201	50,859
Board Chair remuneration	75,775	81,200
Board member remuneration	63,725	66,650
Board expenses	47,608	43,971
Mail, courier and telecommunications	49,942	39,485
One time initiative funding to Health Service Providers	223,474	-
Other	280,800	292,863
	4,527,733	4,364,890

12. Pension agreements

The LHIN makes contributions to the Hospitals of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 24 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2010 was \$221,909 (2009 - \$181,717) for current service costs and is included as an expense in the Statement of Financial Activities. The last actuarial valuation was completed for the plan in December 31, 2009. At that time, the plan was fully funded.

Central West Local Health Integration Network

Notes to the financial statements

March 31, 2010

13. Guarantees

The LHIN is subject to the provisions of the *Financial Administration Act*. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the *Financial Administration Act* and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the *Local Health System Integration Act, 2006* and in accordance with s. 28 of the *Financial Administration Act*.

14. Comparative amounts

Certain of the comparative data have been reclassified to conform with the financial statement presentation followed in the current year.

Champlain Local Health Integration Network

Report of Management

The management of the Champlain Local Health Integration Network (LHIN) is responsible for the preparation and presentation of the accompanying financial statements in conformity with generally accepted accounting principles. In preparing these financial statements, management selects appropriate accounting policies and uses its judgement and best estimates to ensure that the financial statements are presented fairly, in all material respects.

The LHIN maintains a system of internal accounting controls designed to provide reasonable assurance, at a reasonable cost, that assets are safeguarded and that transactions are executed and recorded in accordance with the LHIN's policies for doing business. This system is supported by written policies and procedures for key business activities; the hiring of qualified, competent staff; and by a continuous planning and monitoring program.

Deloitte & Touche LLP, the independent auditors appointed by the Board of Directors, have been engaged to conduct an examination of the financial statements in accordance with generally accepted auditing standards, and have expressed their opinions on these statements. During the course of their audit, Deloitte & Touche LLP reviewed the LHIN's system of internal controls to the extent necessary to render their opinion on the financial statements.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control, and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee. The Committee meets at least four times annually to review audited and unaudited financial information. Deloitte & Touche LLP has full and free access to the Audit Committee.

Management acknowledges its responsibility to provide financial information that is representative of the LHIN's operations, is consistent and reliable, and is relevant for the informed evaluation of the LHIN's activities.



Dr. Robert Cushman
Chief Executive Officer



Suzanne Dionne
*Senior Director
Performance, Contracts and Allocations*



Deloitte & Touche LLP
5140 Yonge Street
Suite 1700
Toronto ON M2N 6L7
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Auditors' Report

To the Members of the Board of Directors of the Champlain Local Health Integration Network

We have audited the statement of financial position of the Champlain Local Health Integration Network (the "LHIN") as at March 31, 2010 and the statements of financial activities, changes in net debt and cash flows for the year then ended. These financial statements are the responsibility of the LHIN's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Champlain Local Health Integration Network as at March 31, 2010 and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
April 30, 2010

Statement of financial position as at March 31, 2010

	2010	2009
	\$	\$
Financial assets		
Cash	1,011,260	1,177,095
Accounts receivable -		
MOHLTC Transfer Payments for Health Service Providers	10,030,160	10,310,790
Accounts receivable - MOHLTC Other Programs	255,000	-
Accounts receivable - Other	50	25,859
	11,296,470	11,513,744
Liabilities		
Accounts payable and accrued liabilities	806,800	981,885
Due to Health Service Providers	10,030,160	10,310,790
Due to MOHLTC (Note 3b)	413,224	150,622
Due to the LHIN Shared Services Office (Note 4)	53,478	77,376
Deferred capital contributions (Note 5)	354,535	408,637
	11,658,197	11,929,310
Net debt	(361,727)	(415,566)
Non-financial assets		
Prepaid expenses	7,192	6,929
Capital assets (Note 6)	354,535	408,637
	361,727	415,566
Accumulated surplus	-	-

Approved by the Board



Marie E. Fortier
Board Chair



Andrew Dickson
Board Director

Statement of financial activities

year ended March 31, 2010

		2010	2009
	Initial Budget (unaudited) (Note 7)	Actual	Actual
	\$	\$	\$
Revenue			
MOHLTC funding			
HSP transfer payments (Note 8)	2,172,489,800	2,244,621,490	2,124,752,713
LHIN Operations (Note 9)	5,088,127	4,889,440	5,046,892
eHealth (Note 10)	600,000	600,000	475,000
eHealth - Alternate Level of Care / RMR (Note 10)	200,000	80,000	-
eHealth - Implementation and Adoption (Note 10)	40,000	40,000	-
Diabetes Strategy (Note 11)	72,000	72,000	41,000
Diabetes Strategy - Gestational Diabetes (Note 11)	5,000	5,000	-
Diabetes Strategy - Ethnic Populations (Note 11)	5,000	5,000	-
Diabetes Strategy - Self Management (Note 11)	35,000	35,000	-
Diabetes Registry (Note 11)	-	-	175,000
Emergency Department Physician Leader (Note 11)	75,000	69,674	75,000
Aboriginal Engagement (Note 11)	35,000	30,441	35,000
Emergency Room / Alternate Level of Care (Note 11)	100,000	90,629	33,300
French Language Services (Note 11)	100,000	100,000	-
Capital Review Project (Note 11)	25,000	25,000	-
Amortization of deferred capital contributions (Note 5)	-	354,552	300,458
	2,178,869,927	2,251,018,226	2,130,934,363
Expenses			
Transfer payments to HSPs (Note 8)	2,172,489,800	2,244,621,490	2,124,752,713
LHIN Operations (Note 9)	5,088,127	4,873,011	4,986,137
eHealth (Note 10)	600,000	571,565	475,000
eHealth - Alternate Level of Care / RMR (Note 10)	200,000	70,924	-
eHealth - Implementation and Adoption (Note 10)	40,000	38,916	-
Diabetes Strategy (Note 11)	72,000	37,748	11,791
Diabetes Strategy - Gestational Diabetes (Note 11)	5,000	4,127	-
Diabetes Strategy - Ethnic Populations (Note 11)	5,000	4,437	-
Diabetes Strategy - Self Management (Note 11)	35,000	-	-
Diabetes Registry (Note 11)	-	-	159,678
Emergency Department Physician Leader (Note 11)	75,000	69,674	64,749
Aboriginal Engagement (Note 11)	35,000	9,989	33,215
Emergency Room / Alternate Level of Care (Note 11)	100,000	88,409	-
French Language Services (Note 11)	100,000	-	-
Capital Review Project (Note 11)	25,000	10,782	-
Amortization	-	354,552	300,458
	2,178,869,927	2,250,755,624	2,130,783,741
Annual surplus before funding			
repayable to MOHLTC	-	262,602	150,622
Funding repayable to the MOHLTC (Note 3b)	-	(262,602)	(150,622)
Annual and accumulated surplus	-	-	-

Statement of changes in net debt year ended March 31, 2010

	Budget	2010	2009
		\$	\$
Annual surplus		-	-
Acquisition of capital assets	-	(300,450)	(51,748)
Amortization of capital assets	-	354,552	300,458
Loss on disposal of capital asset	-	-	6,082
Increase in prepaid expenses	-	(263)	(5,675)
Decrease in net debt	-	53,839	249,117
Opening net debt	-	(415,566)	(664,683)
Closing net debt	-	(361,727)	(415,566)

Statement of cash flows year ended March 31, 2010

	2010	2009
	\$	\$
Operating transactions		
Annual surplus	-	-
Non-cash items		
Amortization of capital assets	354,552	300,458
Amortization of deferred capital contributions (Note 5)	(354,552)	(300,458)
Loss on disposal of capital asset	-	6,082
Write off of deferred capital contribution	-	(6,082)
Changes in non-cash working capital		
Decrease (increase) in accounts receivable - MOHLTC HSP	280,630	(10,310,790)
Increase in accounts receivable - MOHLTC Other Programs	(255,000)	-
Decrease (increase) in accounts receivable - Other	25,809	(25,859)
Increase in prepaid expenses	(263)	(5,675)
Decrease in accounts payable and accrued liabilities	(175,085)	(176,642)
(Decrease) increase in due to MOHLTC HSP	(280,630)	10,310,790
(Decrease) increase in due to MOHLTC	262,602	(26,566)
(Decrease) increase in due to LHIN Shared Services Office	(23,898)	33,187
	(165,835)	(201,555)
Capital transactions		
Acquisition of capital assets	(300,450)	(51,748)
Financing transactions		
Capital contributions received (Note 5)	300,450	51,748
Net change in cash	(165,835)	(201,555)
Cash, beginning of year	1,177,095	1,378,650
Cash, end of year	1,011,260	1,177,095

Notes to the Financial Statements

1) Description of business

The Champlain Local Health Integration Network was incorporated by Letters Patent on June 2, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the *Local Health System Integration Act, 2006* (the “Act”) as the Champlain Local Health Integration Network (the “LHIN”) and its Letters Patent were extinguished.

The LHIN is, and exercises its powers only as, an agent of the Crown. As an agent of the Crown, the LHIN is not subject to income taxation. Limits on the LHIN’s ability to undertake certain activities are set out in both the Act and the Memorandum of Understanding between the LHIN and the Ministry of Health and Long-Term Care (the “MOHLTC”).

The LHIN has also entered into an Accountability Agreement with the Ministry of Health and Long-Term Care (“MOHLTC”), which provides the framework for LHIN accountabilities and activities.

Commencing April 1, 2007 all funding payments to LHIN-managed Health Service Providers (“HSP”) in the LHIN geographic area have flowed through the LHIN’s financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized HSPs are expensed in the LHIN’s financial statements.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers Renfrew County, the City of Ottawa, Prescott & Russell, Stormont, Dundas & Glengarry, North Grenville and four parts of North Lanark. Most people live in the Ottawa area. Cornwall, Clarence-Rockland and Pembroke/Petawawa are also large communities. For more details, visit our website: www.champlainlhin.on.ca.

2) Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian generally accepted accounting principles for governments as established by the Public Sector Accounting Board (“PSAB”) of the Canadian Institute of Chartered Accountants (“CICA”) and, where applicable, the recommendations of the Accounting Standards Board (“AcSB”) of the CICA as interpreted by the Province of Ontario.

2) Significant accounting policies *(continued)*

Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of capital assets and losses in the value of assets.

Ministry of Health and Long-Term Care Funding

The LHIN is funded solely by the Province of Ontario in accordance with the Ministry LHIN Accountability Agreement (“MLAA”), which describes budget arrangements established by the MOHLTC. These financial statements reflect agreed funding arrangements approved by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to HSPs, effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. The LHIN cannot authorize in excess of the budget allocation set by the MOHLTC. Throughout the fiscal year, the LHIN authorizes MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account.

The LHIN statements do not include any Ministry managed programs.

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at year end.

Deferred capital contributions

Any amounts received that are used to fund expenditures that are recorded as capital assets, are also recorded as deferred capital contributions and are recognized as revenue over the estimated useful life of the asset reflective of the provision of its services. This amortization revenue is in accordance with the amortization policy applied to the related capital asset

2) Significant accounting policies *(continued)*

Capital assets

Capital assets are recorded at historical cost. Historical cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of capital assets. The cost of contributed capital assets is recorded at the estimated fair value on the date of contribution. Fair value of contributed capital assets is estimated using the cost of the asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the contributed capital asset would be recognized at nominal value.

Betterments or improvements that significantly increase or prolong the service life or capacity of a capital asset are capitalized. Software purchases, maintenance and repair costs are recognized as an expense when incurred.

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized, on a straight line basis, over their estimated useful lives as follows:

Computer equipment	3 years
Computer software	3 years
Office furniture and fixtures	5 years
Leasehold improvements	Life of lease

For assets acquired or brought into use, during the year, amortization is provided for a full year.

Segment disclosures

The LHIN is required to adopt Section PS 2700 - Segment Disclosures, for the fiscal year beginning April 1, 2007. A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information.

Management has determined that existing disclosures in the Statement of Financial Activities and within the related notes for both the prior and current year sufficiently discloses information of all appropriate segments and, therefore, no additional disclosure is required.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3) Funding repayable to the MOHLTC

Any funding received in excess of expenses incurred is required to be returned to the MOHLTC.

- a) The amount repayable to the MOHLTC is related to the current year activities in the following programs:

	Revenue	Expenses	Surplus
	\$	\$	\$
Transfer payments to HSPs	2,244,621,490	2,244,621,490	-
LHIN Operations	4,889,440	4,873,011	16,429
Amortization	354,552	354,552	-
eHealth	600,000	571,565	28,435
eHealth Alternate Level of Care / RMR	80,000	70,924	9,076
eHealth Implementation and Adoption	40,000	38,916	1,084
Diabetes Strategy	72,000	37,748	34,252
Diabetes Strategy - High Risk Populations	10,000	8,564	1,436
Diabetes Strategy - Self Management	35,000	-	35,000
Emergency Department Leader	69,674	69,674	-
Aboriginal Engagement	30,441	9,989	20,452
Emergency Room / Alternate Level of Care	90,629	88,409	2,220
French Language Services	100,000	-	100,000
Capital Review Project	25,000	10,782	14,218
	2,251,018,226	2,250,755,624	262,602

- b) The amount due to the MOHLTC at March 31 consists of:

	2010	2009
	\$	\$
Due to MOHLTC, beginning of year	150,622	177,188
Amount recovered during the year	-	(177,188)
Funding repayable to the MOHLTC related to current year activities	262,602	150,622
Due to MOHLTC, end of year	413,224	150,622

4) Related party transactions

The LHIN Shared Services Office (“LSSO”) is a division of the Toronto Central LHIN and, as such, is subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO is an administrative body that provides centralized Human Resources, Information Technology, Legal and Finance support to all LHINs. The full costs of providing these services are billed to the LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHIN at the year end is recorded as a receivable from (payable to) the LSSO. This is all done pursuant to the Shared Service Agreement the LSSO has with all the LHINs. In addition, the LSSO periodically incurs expenses on behalf of the LHINs and charges the appropriate LHINs to recover these costs.

4) Related party transactions *(continued)*

The LHIN Collaborative ("LHINC") was formed in fiscal 2010 to strengthen relationships between and among health service provider associations and the LHINs, and to support system alignment. LHINC is a LHIN-led organization and accountable to the LHINs. In the first year of operation, LHINC was funded by the LHINs with support from the MOHLTC. LHINC is a division of Toronto Central LHIN and as such is subject to the same policies, guidelines and directives as the Toronto Central LHIN.

5) Deferred capital contributions

	2010	2009
	\$	\$
Balance, beginning of year	408,637	663,429
Capital contributions		
Ministry	300,450	41,234
Insurance	-	10,514
Write off of deferred capital contribution	-	(6,082)
Amortization for the year	(354,552)	(300,458)
Balance, end of year	354,535	408,637

6) Capital assets

	2010		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Computer equipment	99,040	99,040	-
Computer software	33,762	33,346	416
Office equipment	151,744	105,808	45,936
Furniture and fixtures	390,981	266,624	124,357
Leasehold improvements	1,167,273	983,447	183,826
	1,842,800	1,488,265	354,535

	2009		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Computer equipment	99,040	95,277	3,763
Computer software	33,761	28,610	5,151
Office equipment	136,538	71,405	65,133
Furniture and fixtures	267,738	188,428	79,310
Leasehold improvements	1,005,273	749,993	255,280
	1,542,350	1,133,713	408,637

7) Budget

The budget figures reported on the Statement of Financial Activities comply with PSAB reporting requirements and reflect the initial budget approved by the Government of Ontario.

During the year the Government approves budget adjustments. The total funding budget is made up of the following:

	Initial	Announcements	Total
	\$	\$	\$
HSP transfer payments	2,172,489,800	72,131,690	2,244,621,490
LHIN operations	5,088,127	101,763	5,189,890
e-Health and programs	840,000	(120,000)	720,000
Other programs	452,000	(19,256)	432,744
	2,178,869,927	72,094,197	2,250,964,124

8) Transfer payments to HSPs

The LHIN has authorization to allocate funding to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors in fiscal 2010 and 2009 as follows:

	2010	2009
	\$	\$
Operation of Hospitals		
Operations	1,512,176,964	1,435,928,128
Hospital InfraStructure Renewal Fund (Capital)	5,575,254	4,091,585
Grants to compensate for Municipal Taxation		
Public Hospitals	355,650	352,125
Long Term Care Homes	267,758,962	255,250,405
Community Care Access Centres	180,812,654	168,875,950
Community Support Services	32,791,914	27,950,748
Assisted Living Services in Supportive Housing	6,434,010	6,076,864
Community Health Centres	45,133,717	43,218,079
Community Mental Health Addictions Program	60,299,505	59,433,351
Addictions Program	16,115,102	15,427,360
Specialty Psychiatric Hospitals	117,139,333	108,119,693
Grants to compensate for Municipal Taxation		
Psychiatric Hospitals	28,425	28,425
	2,244,621,490	2,124,752,713

9) LHIN Operations

The MOHLTC provides funds to the LHIN to cover personnel costs, project and program costs, as well as lease and office related costs. The funds are also used to subsidize the LHIN Shared Services Office as well as LHIN Collaborative (see Note 4). The expenses incurred are as follows:

	2010	2009
	\$	\$
Program based		
Salary and benefits	3,491,502	3,246,361
Consulting and LHIN-based projects	114,617	575,883
Other program costs	273,211	292,677
	3,879,330	4,114,921
Occupancy	241,484	239,662
LHIN Shared services	362,714	300,000
LHIN Collaborative	12,286	-
Governance Per Diems	102,750	86,300
Office equipment and supplies	127,213	158,371
Insurance proceeds	-	(50,345)
Write off of deferred capital contribution	-	(6,082)
Loss on disposal of asset	-	6,082
Other	147,234	137,228
	4,873,011	4,986,137
Amortization	354,552	300,458
	5,227,563	5,286,595

Governance costs

Included in the above LHIN Operations results are costs to support the activities of the Board of Directors such as administrative support, travel, community engagement meetings, and other general costs. The expenses incurred are as follows:

	2010	2009
	\$	\$
Chair per diems	48,825	42,175
Other Board member per diems	53,925	44,125
Other	160,126	194,069
	262,876	280,369

10) eHealth and related programs

The MOHLTC has provided the LHIN with eHealth funding since fiscal 2008. The Project Management Office was created late in fiscal 2009. Funds were also used to support strategic e-Health initiatives. The expenses incurred are as follows:

	2010	2009
	\$	\$
Salary and benefits	449,143	305,291
Consulting	85,503	113,750
Other program costs	36,919	55,959
	571,565	475,000

eHealth Alternate Level of Care Resource Matching and Referral (ALC RMR)

ALC RMR is one of the priority eHealth projects focused on improving referral processes and ensuring patients are moving to alternate care settings in a timely, appropriate, and efficient manner. During fiscal 2010, the LHIN received one-time funding which was used to create a current state analysis (inventory of existing RMR systems) and a readiness analysis for RMR systems implementation, a needs analysis, and recommendations for new initiatives and expansion of existing initiatives.

eHealth Implementation and Adoption

The LHIN intends to prepare its Region for more rapid and effective promotion, implementation and adoption of eHealth initiatives. The LHIN received funds late in fiscal 2010 which it used to enhance the robustness of the regional collaboration space launched in fiscal 2009 for the Champlain LHIN's health service providers.

11) Other programs

Diabetes Strategy and related programs

The MOHLTC has made a commitment to transform the health care system through better chronic disease management and prevention, with improved diabetes management being identified as the number one priority. The Ontario Diabetes Strategy is focused on reducing modifiable risk factors, expanding service, improving service and performance management.

In fiscal 2010, LHIN initiatives funded by the MOHLTC included diabetes prevalence and diabetes education program gap analysis, physician engagement, and the development of project work plans to address high risk populations.

11) Other programs (*continued*)

Late in the fiscal year, the MOHLTC funded an additional three projects; two of them related to high risk populations. Gestational Diabetes focused on identifying current programs and conducting a literature review on best practices. The other project focused on conducting a stakeholder engagement session, establishing a Terms of Reference, and developing a project workplan for high risk immigrant populations. The third initiative related to self-management capacity building. This funding was to enable the LHIN to expand the number of individuals trained to deliver chronic disease self management programs and to increase the numbers of health care providers trained in the concepts and principles of self-management. The LHIN already had significant training initiatives underway and was unable to arrange additional training before the end of the year.

Diabetes Registry

In fiscal 2009, the Champlain LHIN was selected as an early adopter for the Diabetes Registry by the MOHLTC e-Health programs. The Diabetes Registry will provide comprehensive tools for diabetes management and self care. Late in the fiscal year, the LHIN received a total of \$175,000 that was used to support the planning and implementation activities of the Registry.

Emergency Department Physician Leader

Since fiscal 2008 the MOHLTC has worked closely with the LHINs, Ontario hospitals and health care professionals to implement a comprehensive Emergency Department Strategy. To support the improvements required by this strategy, the MOHLTC and the LHIN jointly retained an Emergency Department Physician Leader. The funds received have been used to compensate the Physician Leader and to cover related business expenses.

Aboriginal Engagement

The MOHLTC provided funding for Aboriginal community engagement. The LHIN allocated the funds to support the new Aboriginal Health Circle Forum to engage in community engagement activities across the region. Specifically, the funds were used to support three community engagement events and the creation of a report of the urban Aboriginal consultation.

Emergency Room / Alternate Level of Care Performance Lead (ER/ALC)

Improving Emergency Department wait times and reducing hospital ALC days are key provincial priorities. The LHIN received funds to hire a staff resource to implement the ER/ALC Overarching Plan and the ER Pay for Results Action Plan, and to advance the implementation of a standard performance management approach. The funds received in fiscal 2009 were for the last four months of the year; the LHIN had not recruited the resource by the end of that fiscal year.

11) Other programs (*continued*)

French Language Health Services (FLHS) Program

The objective of the FLHS Program is to improve the health status of Francophones and to ensure the integration of French language services consistent with Ministry directions. In fiscal 2010, the MOHLTC provided \$100,000 base funding to establish a dedicated FLHS resource to support the implementation of French language services. The funds were received late in the year; the LHIN was unable to recruit the resource by the end of the fiscal year.

Capital Review Project

The MOHLTC provided one-time funding, under the Aging at Home Central Priorities Fund, to offset costs associated with a review of a capital project.

12) Pension agreements

The LHIN makes contributions to the Hospitals of Ontario Pension Plan (“HOOPP”), which is a multi-employer plan, on behalf of approximately 41 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed by the LHIN to HOOPP for fiscal 2010 was \$311,167 (2009 - \$290,907) for current service costs and is included as an expense in the Statement of Financial Activities. The last actuarial valuation was completed for the plan as of December 31, 2009. At that time, the plan was fully funded.

13) Guarantees

The LHIN is subject to the provisions of the *Financial Administration Act*. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the *Financial Administration Act* and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the *Local Health System Integration Act, 2006* and in accordance with s. 28 of the *Financial Administration Act*.

14) Commitments

The LHIN has commitments under various operating leases related to office space and equipment. Lease renewals are likely. Minimum lease payments due in each of the next five years are as follows:

	\$
2011	369,087
2012	354,958
2013	350,681
2014	346,356
2015	172,055
	<u>1,593,137</u>

The LHIN also has funding commitments to HSPs associated with accountability agreements. Minimum commitments to HSPs, based on the current accountability agreements, is as follows:

	\$
2011	2,187,206,577

The actual amounts that will ultimately be paid to HSP's are contingent on receipt of anticipated levels of funding from the MOHLTC. At this time, the Champlain LHIN has no agreements with Health Service Providers which extend beyond 2010-11.

15) Comparative figures

Beginning in the current year the LHIN has chosen to disclose the amount pertaining to "Accounts Receivable - MOHLTC Transfer Payments for Health Service Providers" and "Due to Health Service Providers" in the financial statements. The comparative figures have been provided to conform to the current year's presentation.

Erie St. Clair Local Health Integration Network

Management Responsibility Report

The management of the Erie St. Clair Local Health Integration Network (LHIN) is responsible for preparing the accompanying financial statements in conformity with generally accepted accounting principles. In preparing these financial statements, management selects appropriate accounting policies and uses its judgement and best estimates to report events and transactions as they occur. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Financial data included throughout this Annual Report is prepared on a basis consistent with that of the financial statements.

The LHIN maintains a system of internal accounting controls designed to provide reasonable assurance, at a reasonable cost, that assets are safeguarded and that transactions are executed and recorded in accordance with the LHIN's policies for doing business.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control, and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee. The Committee meets approximately four times annually to review audited and unaudited financial information. Deloitte & Touche LLP has full and free access to the Audit Committee.

Management acknowledges its responsibility to provide financial information that is representative of the LHIN's operations, is consistent and reliable, and is relevant for the informed evaluation of the LHIN's activities.



Mr. Gary Switzer
Chief Executive Officer



Mr. Matthew Little, CMA
Controller & Business Support Manager

April 30, 2010



Deloitte & Touche LLP
5140 Yonge Street
Suite 1700
Toronto ON M2N 6L7
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Auditors' Report

To the Members of the Board of Directors of the
Erie St. Clair Local Health Integration Network

We have audited the statement of financial position of the Erie St. Clair Local Health Integration Network (the "LHIN") as at March 31, 2010 and the statements of financial activities, changes in net debt and cash flows for the year then ended. These financial statements are the responsibility of the LHIN's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Erie St. Clair Local Health Integration Network as at March 31, 2010 and the results of its operations, its changes in its net debt and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads "Deloitte & Touche LLP".

Chartered Accountants
Licensed Public Accountants
April 30, 2010

Erie St. Clair Local Health Integration Network

Statement of financial position

as at March 31, 2010

	2010	2009
	\$	\$
Financial assets		
Cash	604,779	680,448
Due from Ministry of Health and Long-Term Care ("MOHLTC") (Note 7)	3,299,486	580,600
Due from the LHIN Shared Services Office (Note 3)	5,000	-
	3,909,265	1,261,048
Liabilities		
Accounts payable and accrued liabilities	607,213	680,356
Due to MOHLTC (Note 10b)	14,913	14,913
Due to Health Service Providers ("HSPs") (Note 7)	3,299,486	580,600
Due to the LHIN Shared Services Office (Note 3)	-	17,179
Deferred capital contributions (Note 4)	64,604	288,582
	3,986,216	1,581,630
Commitments (Note 13)		
Net debt	(76,951)	(320,582)
Non-financial assets		
Prepaid expenses	12,347	32,000
Capital assets (Note 5)	64,604	288,582
Accumulated surplus	-	-

Approved by the Board



Director



Director

Erie St. Clair Local Health Integration Network

Statement of financial activities
year ended March 31, 2010

		2010	2009
	Budget (unaudited) (Note 6)	Actual	Actual
	\$	\$	\$
Revenue			
MOHTLC funding			
HSP transfer payments (Note 7)	939,429,200	952,882,369	916,693,635
Operations of LHIN	4,211,200	4,388,226	4,154,629
E-Health (Note 9a)	600,000	600,000	425,000
Aboriginal Health Transformation Fund (Note 9b)	-	126,500	-
Diabetes Fund	-	25,000	-
French Language Services Fund	-	36,942	-
Emergency Department Lead (Note 9c)	-	75,000	75,000
Amortization of deferred capital contributions (Note 4)	-	230,825	228,576
	944,240,400	958,364,862	921,576,840
Expenses			
Transfer payments to HSPs (Note 7)	939,429,200	952,882,369	916,693,635
General and administrative (Note 8)	4,211,200	4,619,051	4,383,205
E-Health (Note 9a)	600,000	600,000	425,000
Aboriginal Health Transformation Fund (Note 9b)	-	126,500	-
Diabetes Fund	-	25,000	-
French Language Services Fund	-	36,942	-
Emergency Department Lead (Note 9c)	-	75,000	60,087
	944,240,400	958,364,862	921,561,927
Annual surplus before funding repayable to the MOHLTC	-	-	14,913
Funding repayable to the MOHLTC (Note 10)	-	-	(14,913)
Annual surplus	-	-	-
Opening accumulated surplus	-	-	-
Closing accumulated surplus	-	-	-

Erie St. Clair Local Health Integration Network

Statement of changes in net debt
year ended March 31, 2010

		2010	2009
	Budget (unaudited) (Note 6)	Actual	Actual
	\$	\$	\$
Annual surplus	-	-	-
Prepaid expenses incurred (applied)	-	19,653	(32,000)
Acquisition of capital assets	-	(6,847)	(89,919)
Amortization of capital assets	-	230,825	228,576
Decrease in net debt	-	243,631	106,657
Opening net debt	-	(320,582)	(427,239)
Closing net debt	-	(76,951)	(320,582)

Erie St. Clair Local Health Integration Network

Statement of cash flows

year ended March 31, 2010

	2010	2009
	\$	\$
Operating transactions		
Annual surplus	-	-
Less items not affecting cash		
Amortization of capital assets	230,825	228,576
Amortization of deferred capital contributions (Note 4)	(230,825)	(228,576)
	-	-
Changes in non-cash operating items		
(Increase) decrease in due from MOHLTC	(2,718,886)	599,130
(Increase) decrease in accounts receivable	(5,000)	8,005
(Decrease) increase in accounts payable and accrued liabilities	(73,143)	203,313
Decrease in due to MOHLTC	-	(120,338)
Increase (decrease) in due to HSPs	2,718,886	(599,130)
(Decrease) increase in due to LHIN Shared Services Office	(17,179)	5,335
Increase (decrease) in prepaid expenses	19,653	(32,000)
	(75,669)	64,315
Capital transactions		
Acquisition of capital assets	(6,847)	(89,919)
Financing transactions		
Increase in deferred capital contributions (Note 4)	6,847	89,919
Net (decrease) increase in cash	(75,669)	64,315
Cash, beginning of year	680,448	616,133
Cash, end of year	604,779	680,448

Erie St. Clair Local Health Integration Network

Notes to the financial statements

March 31, 2010

1. Description of business

The Erie St. Clair Local Health Integration Network was incorporated by Letters Patent on June 2, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the Local Health System Integration Act, 2006 (the "Act") as the Erie St. Clair Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The LHIN has also entered into an Accountability Agreement with the Ministry of Health and Long Term Care ("MOHLTC"), which provides the framework for LHIN accountabilities and activities.

Commencing April 1, 2007, all funding payments to LHIN managed health service providers in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized Health Service Providers ("HSPs") are expensed in the LHIN's financial statements for the year ended March 31, 2010.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers the Municipalities of Essex, Lambton and Chatham-Kent. The LHIN enters into service accountability agreements with service providers.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian generally accepted accounting principles for governments as established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA") and, where applicable, the recommendations of the Accounting Standards Board ("AcSB") of the CICA as interpreted by the Province of Ontario. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of capital assets and losses in the value of assets.

Ministry of Health and Long-Term Care Funding

The LHIN is funded solely by the Province of Ontario in accordance with the Ministry LHIN Accountability Agreement ("MLAA"), which describes budget arrangements established by the MOHLTC. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to HSPs, effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account.

The LHIN financial statements do not include any MOHLTC managed programs.

Erie St. Clair Local Health Integration Network

Notes to the financial statements

March 31, 2010

2. Significant accounting policies (continued)

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. Unspent amounts are recorded as payable to the MOHLTC at period end. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed.

Deferred capital contributions

Any amounts received that are used to fund expenses that are recorded as capital assets, are recorded as deferred capital contributions and are recognized as revenue over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the Statement of financial activities, is in accordance with the amortization policy applied to the related capital asset recorded.

Cash

Cash includes cash on hand and balances with banks, net of bank overdrafts.

Capital assets

Capital assets are recorded at historic cost. Historic cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of capital assets. The cost of capital assets contributed is recorded at the estimated fair value on the date of contribution. Fair value of contributed capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a capital asset are capitalized. Computer software is recognized as an expense when incurred.

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives as follows:

Office equipment	5 years straight-line method
Computer equipment	3 years straight-line method
Leasehold improvements	Life of lease straight-line method

For assets acquired or brought into use during the year, amortization is provided for a full year.

Segment disclosures

The LHIN was required to adopt Section PS 2700 - Segment Disclosures, for the fiscal year beginning April 1, 2007. A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the Statement of financial activities and within the related notes for both the prior and current year sufficiently discloses information of all appropriate segments and, therefore, no additional disclosure is required.

Erie St. Clair Local Health Integration Network

Notes to the financial statements

March 31, 2010

2. Significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Related party transactions

The LHIN Shared Services Office (the "LSSO") is a division of the Toronto Central LHIN and is subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO, on behalf of the LHINs is responsible for providing services to all LHINs. The full costs of providing these services are billed to all the LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHINs at the year end is recorded as a receivable (payable) from (to) the LSSO. This is all done pursuant to the shared service agreement the LSSO has with all the LHINs.

The LHIN Collaborative (the "LHINC") was formed in fiscal 2010 to strengthen relationships between and among health service providers, associations and the LHINs, and to support system alignment. The purpose of LHINC is to support the LHINs in fostering engagement of the health service provider community in support of collaborative and successful integration of the health care system; their role as system manager; where appropriate, the consistent implementation of provincial strategy and initiatives; and the identification and dissemination of best practices. LHINC is a LHIN-led organization and accountable to the LHINs. LHINC is funded by the LHINs with support from the MOHLTC.

4. Deferred capital contributions

	2010	2009
	\$	\$
Balance, beginning of year	288,582	427,239
Capital contributions received during the year	6,847	89,919
Amortization for the year	(230,825)	(228,576)
Balance, end of year	64,604	288,582

5. Capital assets

	2010		2009	
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office equipment	472,326	467,914	4,412	98,877
Computer equipment	64,765	42,030	22,735	33,663
Leasehold improvements	592,923	555,466	37,457	156,042
	1,130,014	1,065,410	64,604	288,582

Erie St. Clair Local Health Integration Network

Notes to the financial statements

March 31, 2010

6. Budget figures

The budgets were approved by the Government of Ontario. The budget figures reported in the Statement of financial activities reflect the initial budget at April 1, 2009. The figures have been reported for the purposes of these statements to comply with PSAB reporting requirements. During the year the government approved budget adjustments. The following reflects the adjustments for the LHIN during the year:

HSP funding

	\$
Initial budget	939,429,200
Adjustment due to announcements made during the year	13,453,169
Final HSP funding budget	952,882,369

LHIN operations

	\$
Initial budget	4,811,200
Additional funding received during the year	678,140
Amount treated as capital contributions made during the year	(6,847)
Final LHIN operations budget	5,482,493

7. Transfer payments to HSPs

The LHIN has authorization to allocate funding of \$952,882,369 (2009 - \$916,693,635) to various HSPs in its geographic area. The LHIN approved transfer payments to various sectors in 2010 as follows:

	2010	2009
	\$	\$
Operation of hospitals	612,202,122	589,523,534
Health infrastructure renewal fund - hospitals	2,150,982	-
Grants to compensate for municipal taxation - public hospitals	163,650	163,650
Long-term care homes	158,614,357	155,298,877
Community care access centres	105,344,964	100,204,704
Community support services	14,634,806	14,051,215
Assisted living services in supportive housing	5,293,339	5,301,449
Community health centres	17,794,278	16,418,894
Community mental health addictions programs	9,080,273	8,843,513
Community mental health programs	27,603,598	26,887,799
Total	952,882,369	916,693,635

The LHIN receives money from the MOHLTC and in turn allocates it to the HSPs. As at March 31, 2010, an amount of \$3,299,486 (2009 - \$580,600) was receivable from the MOHLTC and payable to the HSPs. These amounts have been reflected as revenue and expenses in the statement of financial activities and are included in the table above.

Erie St. Clair Local Health Integration Network

Notes to the financial statements

March 31, 2010

8. General and administrative expenses

The Statement of financial activities presents the expenses by function. The following classifies general and administrative expenses by object:

	2010	2009
	\$	\$
Salaries and benefits	2,958,376	2,583,019
Occupancy	217,512	307,344
Amortization	230,825	228,576
Shared services	362,714	300,000
Public relations	43,336	37,501
Consulting services	277,231	317,282
Supplies	33,141	54,943
Board Chair per diems	54,075	41,825
Board member per diems	64,450	68,725
Board member expenses	127,811	119,582
Mail, courier and telecommunications	62,072	50,803
LHIN Collaborative	12,286	-
Other	175,222	273,605
	4,619,051	4,383,205

9. a) E-Health

The E-Health office of the Ministry of Health and Long-Term Care provided \$600,000 (2009 - \$425,000) to the LHIN. The LHIN had a contract and retained services of the Consolidated Health Information Services ("CHIS") during 2010 and 2009 for the entire allotment of funding.

b) Aboriginal Health Transformation Fund

The MOHLTC provided the LHIN with \$126,500 (2009 – nil) directed from the Federal Government to be used in engaging the aboriginal communities for both the Southwest and Erie St. Clair LHINs. Both LHINs directed a portion of the funds to engage their respective aboriginal populations and gather and interpret information, while developing plans for their health care. All funds were expended.

c) Emergency Department Lead

The MOHLTC provided the LHIN with \$75,000 (2009 - \$75,000) to hire a LHIN representative for emergency department planning. Dr. David Ng incurred operating expenses totaling \$75,000 (2009 - \$60,087).

Erie St. Clair Local Health Integration Network

Notes to the financial statements

March 31, 2010

10. Funding repayable to the MOHLTC

In accordance with the MLAA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

- a) The amount repayable to the MOHLTC related to current year activities is made up of the following components:

			2010	2009
	Revenue	Expenses	surplus	surplus
	\$	\$	\$	\$
Transfer payments to HSPs	952,882,369	952,882,369	-	-
LHIN operations	4,619,051	4,619,051	-	-
E-Health	600,000	600,000	-	-
Aboriginal Health Transformation	126,500	126,500	-	-
Diabetes Fund	25,000	25,000	-	-
French Language Services Fund	36,942	36,942	-	-
Emergency Department Lead	75,000	75,000	-	14,913
	958,364,862	958,364,862	-	14,913

- b) The amount due to the MOHLTC at March 31 is made up as follows:

	2010	2009
	\$	\$
Due to MOHTLC, beginning of year	14,913	135,251
Funding repayable to the MOHLTC related to current year activities (Note 10a)	-	14,913
Amounts repaid to MOHLTC during the year	-	(135,251)
Due to MOHLTC, end of year	14,913	14,913

11. Pension agreements

The LHIN makes contributions to the Hospitals of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 24 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2010 was \$201,003 (2009 - \$163,524) for current service costs and is included as an expense in the Statement of financial activities. The last actuarial valuation was completed for the plan in December 31, 2009. At that time, the plan was fully funded.

Erie St. Clair Local Health Integration Network

Notes to the financial statements

March 31, 2010

12. Guarantees

The LHIN is subject to the provisions of the *Financial Administration Act*. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the *Financial Administration Act* and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the *Local Health System Integration Act, 2006* and in accordance with s. 28 of the *Financial Administration Act*.

13. Commitments

The LHIN has funding commitments to health service providers associated with accountability agreements. Minimum commitments to HSP are based on the current accountability agreements, are as follows:

	\$
2011	655,144,847

The actual payments which will be made in 2011 are contingent upon the LHIN receiving anticipated levels of funding from the MOHLTC.

The LHIN also has commitments under various operating leases related to building and equipment. Lease renewals are likely. Minimum lease payments due in each of the next two years are as follows:

	\$
2011	100,977
2012	18,379

264 Main Street East
Grimsby, ON L3M 1P8
Tel: 905 945-4930
Toll Free: 1 866 363-5446
Fax: 905 945-1992
www.hnhblhin.on.ca

264, rue Main Est
Grimsby ON L3M 1P8
Tél : 905-945-4930
866-363-5446
Télé : 905-945-1992
www.hnhblhin.on.ca

Hamilton Niagara Haldimand Brant **LHIN**

Management's Responsibility for the Financial Statements

March 31, 2010

The integrity and objectivity of the accompanying financial statements of the Hamilton Niagara Haldimand Brant Local Health Integration Network (HNHBLHIN) is the responsibility of management. These financial statements have been prepared in compliance with legislation and in accordance with Generally Accepted Account Principles (GAAP) and under Public Sector Accounting Board (PSAB).

Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for the preparation of the financial statements. These systems are monitored and evaluated by management, the Audit Committee and Board of Directors.

The external auditors meet with Management and the Audit Committee to review the financial statements and discuss any significant financial reporting or internal control matters prior to approval of the financial statements by the Board of Directors.

The financial statements have been audited by Deloitte & Touche LP, independent external auditors appointed by the Board of Directors.



Pat Mandy
Chief Executive Officer



Patricia Ciccarelli
Team Lead Funding and Allocation



Deloitte & Touche LLP
5140 Yonge Street
Suite 1700
Toronto ON M2N 6L7
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Auditors' Report

To the Members of the Board of Directors of the
Hamilton Niagara Haldimand Brant
Local Health Integration Network

We have audited the statement of financial position of the Hamilton Niagara Haldimand Brant Local Health Integration Network (the "LHIN") as at March 31, 2010 and the statements of financial activities, changes in net debt and cash flows for the year then ended. These financial statements are the responsibility of the LHIN's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Hamilton Niagara Haldimand Brant Local Health Integration Network as at March 31, 2010 and the results of its operations, its changes in its net debt and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads "Deloitte & Touche LLP".

Chartered Accountants
Licensed Public Accountants
April 30, 2010

Hamilton Niagara Haldimand Brant Local Health Integration Network

Statement of financial position
as at March 31, 2010

	2010	2009
	\$	\$
Financial assets		
Cash	546,544	736,297
Accounts receivable - Ministry of Health and Long-Term Care ("MOHLTC")	35,000	223,200
Accounts receivable - Other	6,634	144
Due from MOHLTC to Health Service Providers ("HSPs") (Note 9)	1,374,800	4,559,149
Due from the LHIN Shared Services Office (Note 4)	4,968	-
	1,967,946	5,518,790
Liabilities		
Accounts payable and accrued liabilities	555,276	962,921
Due to the MOHLTC (Note 3b)	54,863	-
Due to HSPs from MOHLTC (Note 9)	1,374,800	4,559,149
Due to the LHIN Shared Services Office (Note 4)	-	16,233
Deferred capital contributions (Note 5)	481,618	701,891
	2,466,557	6,240,194
Commitments (Note 6)		
Net debt	(498,611)	(721,404)
Non-financial assets		
Prepaid expenses	16,993	19,513
Capital assets (Note 7)	481,618	701,891
Accumulated surplus	-	-

Approved by the Board



Juanita G. Gledhill, Chair



Jack Brewer, Vice-Chair

Hamilton Niagara Haldimand Brant Local Health Integration Network

Statement of financial activities
year ended March 31, 2010

		2010	2009
	Budget (unaudited) (Note 8)	Actual	Actual
	\$	\$	\$
Revenue			
MOHLTC funding			
HSPs transfer payments (Note 9)	2,444,933,900	2,493,218,669	2,385,618,620
Operations of LHIN	5,005,757	5,096,546	4,887,384
E-Health (Note 10a)	600,000	600,000	425,000
Residents First (Note 10b)	-	209,750	-
ER/ALC Performance Lead (Note 10c)	-	100,000	33,300
French Language Services (Note 10d)	-	78,000	-
Emergency Dept LHIN LEAD (Note 10e)	-	75,000	75,000
Aboriginal Planning (Note 10f)	37,500	37,500	49,000
Diabetes Self Management (Note 10g)	-	35,000	-
Diabetes Strategy (Note 10h)	-	25,000	-
Patient-Centric Transformation Initiative	-	-	223,200
Health Force Ontario	-	-	50,000
Amortization of deferred capital contributions (Note 5)	-	229,600	515,270
	2,450,577,157	2,499,705,065	2,391,876,774
Expenses			
Transfer payments to HSPs (Note 9)	2,444,933,900	2,493,218,669	2,385,618,620
General and administrative (Note 11)	5,005,757	5,319,297	5,402,654
E-Health (Note 10a)	600,000	600,000	425,000
Residents First (Note 10b)	-	161,736	-
ER/ALC Performance Lead (Note 10c)	-	100,000	33,300
French Language Services (Note 10d)	-	78,000	-
Emergency Dept LHIN LEAD (Note 10e)	-	75,000	75,000
Aboriginal Planning (Note 10f)	37,500	37,500	49,000
Diabetes Self Management (Note 10g)	-	35,000	-
Diabetes Strategy (Note 10h)	-	25,000	-
Patient-Centric Transformation Initiative	-	-	223,200
Health Force Ontario	-	-	50,000
	2,450,577,157	2,499,650,202	2,391,876,774
Annual surplus before funding repayable to the MOHLTC	-	54,863	-
Funding repayable to the MOHLTC (Note 3a)	-	(54,863)	-
Annual surplus	-	-	-
Opening accumulated surplus	-	-	-
Closing accumulated surplus	-	-	-

Hamilton Niagara Haldimand Brant Local Health Integration Network

Statement of changes in net debt
year ended March 31, 2010

		2010	2009
	Budget (unaudited) (Note 8)	Actual	Actual
	\$	\$	\$
Annual surplus		-	-
Change in other non-financial assets	-	2,520	(17,750)
Acquisition of capital assets	-	(9,327)	(757,016)
Amortization of capital assets	-	229,600	515,270
Increase in net debt	-	222,793	(259,496)
Opening net debt	-	(721,404)	(461,908)
Closing net debt	-	(498,611)	(721,404)

Hamilton Niagara Haldimand Brant Local Health Integration Network

Statement of cash flows
year ended March 31, 2010

	2010	2009
	\$	\$
Operating transactions		
Annual surplus	-	-
Add items not affecting cash		
Amortization of capital assets	229,600	515,270
Less items not affecting cash		
Amortization of deferred capital contributions (Note 5)	(229,600)	(515,270)
	-	-
Changes in non-cash operating items		
(Increase) decrease in accounts receivable - other	(6,490)	4,652
Decrease (increase) in accounts receivable - MOHLTC	188,200	(223,200)
Decrease in due from MOHLTC to HSPs	3,184,349	2,339,833
(Decrease) increase in accounts payable and accrued liabilities	(407,645)	192,720
Increase (decrease) in due to the MOHLTC	54,863	(4,531)
Decrease in due to HSPs from MOHLTC	(3,184,349)	(2,339,833)
(Decrease) increase in due to the LHIN Shared Services Office	(21,201)	4,389
Decrease (increase) in prepaid expenses	2,520	(17,750)
	(189,753)	(43,720)
Capital investments		
Acquisition of capital assets	(9,327)	(757,016)
Financing transactions		
Capital contributions received (Note 5)	9,327	757,016
Net decrease in cash	(189,753)	(43,720)
Cash, beginning of year	736,297	780,017
Cash, end of year	546,544	736,297

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements

March 31, 2010

1. Description of business

The Hamilton Niagara Haldimand Brant Local Health Integration Network was incorporated by Letters Patent on June 2, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the *Local Health System Integration Act, 2006* (the "Act") as the Hamilton Niagara Haldimand Brant Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The LHIN has also entered into an Accountability Agreement with the Ministry of Health and Long Term Care ("MOHLTC"), which provides the framework for LHIN accountabilities and activities.

Commencing April 1, 2007, all funding payments to LHIN managed health service providers in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized Health Service Providers ("HSP") are expensed in the LHIN's financial statements for the year ended March 31, 2009.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers the Counties of Hamilton, Niagara, Haldimand, Brant, most of the County of Norfolk and the City of Burlington. The LHIN enters into service accountability agreements with service providers.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian generally accepted accounting principles for governments as established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA") and, where applicable, the recommendations of the Accounting Standards Board ("AcSB") of the CICA as interpreted by the Province of Ontario. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of capital asset and impairment in the value of assets.

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements

March 31, 2010

2. Significant accounting policies (continued)

Ministry of Health and Long-Term Care Funding

The LHIN is funded solely by the Province of Ontario in accordance with the Ministry LHIN Accountability Agreement ("MLAA"), which describes budget arrangements established by the MOHLTC. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to Health Service Providers ("HSPs"), effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account.

The LHIN statements do not include any MOHTLC managed programs.

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at period end.

Deferred capital contributions

Any amounts received that are used to fund expenditures that are recorded as capital assets, are recorded as deferred capital contributions and are recognized over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the Statement of Financial Activities, is in accordance with the amortization policy applied to the related capital asset recorded.

Capital assets

Capital assets are recorded at historical cost. Historical cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of capital assets. The cost of capital assets contributed is recorded at the estimated fair value on the date of contribution. Fair value of contributed capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a capital asset are capitalized. Computer software is recognized as an expense when incurred.

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements

March 31, 2010

2. Significant accounting policies (continued)

Capital assets (continued)

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives as follows:

Computer equipment	3 years straight-line method
Leasehold improvements	Life of lease straight-line method
Office equipment, furniture and fixtures	5 years straight-line method

For assets acquired or brought into use during the year, amortization is provided for a full year. Infrastructure/web development costs are included with computer equipment for accounting and reporting purposes.

Segment disclosures

The LHIN was required to adopt Section PS 2700 - Segment Disclosures, for the fiscal year beginning April 1, 2007. A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the Statement of Financial Activities and within the related notes for both the prior and current year sufficiently discloses information of all appropriate segments and therefore no additional disclosure is required.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Funding repayable to the MOHLTC

In accordance with the MLAA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

- a) The amount repayable to the MOHLTC related to current year activities is made up of the following components:

	Revenue	Expenses	2010 surplus	2009 surplus
	\$	\$	\$	\$
Transfer payments to HSPs	2,493,218,669	2,493,218,669	-	-
LHIN operations	5,326,146	5,319,297	6,849	-
E-Health	600,000	600,000	-	-
Residents First	209,750	161,736	48,014	-
ER/ALC Performance Lead	100,000	100,000	-	-
French Language Services	78,000	78,000	-	-
Emergency Dept. LHIN LEAD	75,000	75,000	-	-
Aboriginal Planning	37,500	37,500	-	-
Diabetes Self Management	35,000	35,000	-	-
Diabetes Strategy	25,000	25,000	-	-
	2,499,705,065	2,499,650,202	54,863	-

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements

March 31, 2010

3. Funding repayable to the MOHLTC (continued)

b) The amount due to the MOHLTC at March 31, 2010 is made up as follows:

	2010	2009
	\$	\$
Due to MOHLTC, beginning of year	-	4,531
Funding repayable related to current year activities to the MOHLTC (Note 3a)	54,863	-
Amount recovered by the MOHLTC during the year	-	(4,531)
Due to MOHLTC, end of year	54,863	-

4. Related party transactions

The LHIN Shared Services Office (the "LSSO") and the Local Health Integration Network Collaborative (the "LHINC") are divisions of the Toronto Central LHIN and are subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO and LHINC, on behalf of the LHINs is responsible for providing services to all LHINs. The full costs of providing these services are billed to all the LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHINs at the year end, are recorded as a receivable (payable) from (to) the LSSO. This is all done pursuant to the shared services agreement the LSSO has with all LHINs.

5. Deferred capital contributions

	2010	2009
	\$	\$
Balance, beginning of year	701,891	460,145
Capital contributions received during the year	9,327	757,016
Amortization for the year	(229,600)	(515,270)
Balance, end of year	481,618	701,891

6. Commitments

The LHIN has commitments under various operating leases related to building and equipment. Lease renewals are likely. Minimum lease payments due in each of the next five years and thereafter are as follows:

	\$
2011	161,776
2012	160,835
2013	156,947
2014	163,313
2015	172,786
Thereafter	418,502

The LHIN also has funding commitments to HSPs associated with accountability agreements. The actual amounts which will ultimately be paid are contingent upon LHIN funding received from MOHLTC.

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements

March 31, 2010

7. Capital assets

			2010	2009
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office equipment, furniture and fixtures	455,333	334,107	121,226	212,293
Computer equipment	129,582	113,754	15,828	36,037
Leasehold improvements	572,443	227,879	344,564	453,561
	1,157,358	675,740	481,618	701,891

8. Budget figures

The budgets were approved by the Government of Ontario. The budget figures reported on the Statement of financial activities reflect the initial budget at April 1, 2009. The figures have been reported for the purposes of these statements to comply with PSAB reporting requirements. During the year the government approved budget adjustments. The following reflects the adjustments for the LHIN during the year:

The final HSP funding budget of \$2,493,218,669 is derived as follows:

	\$
Initial budget	2,444,933,900
Adjustment due to announcements made during the year	48,284,769
Final budget	2,493,218,669

The final LHIN general and administrative budget of \$6,266,123 is derived as follows:

	\$
Initial budget	
LHIN operations	5,005,757
E-Health	600,000
Aboriginal Planning	37,500
Additional funding received during the year for:	
Stabilization Increase	100,116
Residents First	209,750
ER/ALC Performance Lead	100,000
French Language Services	78,000
Emergency Dept. LHIN LEAD	75,000
Diabetes Self Management	35,000
Diabetes Strategy	25,000
	6,266,123

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements

March 31, 2010

9. Transfer payments to HSPs

The LHIN has authorization to allocate funding of \$2,493,218,699 (2009 - \$2,385,618,620) to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors in 2010 as follows:

	2010	2009
	\$	\$
Operation of hospitals	1,718,425,416	1,649,379,136
Capital Contributions - Health Infrastructure Renewal Fund	5,417,098	-
Grants to compensate for municipal taxation		
- public hospitals	462,075	462,075
Long term care homes	396,752,189	386,280,945
Community care access centres	228,780,891	216,335,473
Community support services	39,376,097	36,210,913
Acquired brain injury	6,086,497	5,726,436
Assisted living services in supportive housing	24,345,509	23,025,180
Community health centres	16,255,575	11,083,096
Community mental health addictions program	57,317,322	57,115,366
	2,493,218,669	2,385,618,620

The LHIN receives money from the MOHLTC which it in turn allocates to the HSPs. As at March 31, 2010, an amount of \$1,374,800 was payable to the HSPs. This amount has been reflected as revenue and expenses within the LHIN's financial activities and is included above.

10. a) E-Health

During fiscal 2010, the Hamilton Niagara Haldimand Brant LHIN received funding in the amount of \$600,000 (2009 - \$425,000). These funds were used toward initiatives in support of the 2010 update of the E-Health strategic plan.

b) Residents First

During fiscal 2010, the Hamilton Niagara Haldimand Brant LHIN received funding in the amount of \$209,750 (2009 - \$nil). As directed by the MOHLTC, these funds were used to support performance improvement in Long-Term Care homes and help to reduce pressures on the Emergency Departments.

c) ER/ALC Performance Lead

During fiscal 2010, the Hamilton Niagara Haldimand Brant LHIN received funding in the amount of \$100,000 (2009 - \$33,300). These funds were used to support the activities of the ER/ALC Coordinator.

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements

March 31, 2010

10. (continued)

d) French Language Services

During fiscal 2010, the Hamilton Niagara Haldimand Brant LHIN received funding in the amount of \$78,000 (2009 - \$nil). These funds were used to support the Francophone community engagement activities.

e) Emergency Department LHIN LEAD

During fiscal 2010, the Hamilton Niagara Haldimand Brant LHIN received funding in the amount of \$75,000 (2009 - \$75,000). These funds were used toward initiatives in support of Emergency Department LHIN LEAD activities.

f) Aboriginal Planning

During fiscal 2010, the Hamilton Niagara Haldimand Brant LHIN received funding in the amount of \$37,500 (2009 - \$49,000). These funds were used to support Aboriginal Planning activities.

	2010	2009
	\$	\$
Travel	101	2,544
Consulting services	500	11,658
Meeting expenses	36,812	16,287
Supplies, other	87	18,511
	37,500	49,000

g) Diabetes Self Management

During fiscal 2010, the Hamilton Niagara Haldimand Brant LHIN received funding in the amount of \$35,000 (2009 - \$nil). These funds were used toward initiatives that would provide people living with are at risk of Diabetes with the knowledge, tools and resources needed to effectively self-manage diabetes in partnership with their health care team.

h) Diabetes Strategy

During fiscal 2010, the Hamilton Niagara Haldimand Brant LHIN received funding in the amount of \$25,000 (2009 - \$nil). These funds were used toward improving the health and health care options for people with diabetes or are at high risk for the disease.

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements

March 31, 2010

11. General and administrative expenses

The Statement of financial activities presents the expenses by function. The following classifies general and administrative expenses by object:

	2010	2009
	\$	\$
Salaries and benefits	3,248,887	2,841,880
Board Chair per diems	55,650	68,775
Directors' per diems	73,150	74,950
Board expenses	57,095	128,146
Travel	48,246	76,164
Consulting services	481,998	458,707
Community forums & communication	122,186	110,937
Supplies, equipment, maintenance, other	318,105	286,798
Accommodation	309,380	541,027
Amortization	229,600	515,270
Shared services	375,000	300,000
General and administrative expenses	5,319,297	5,402,654
E-Health	600,000	425,000
Residents First	161,736	-
ER/ALC Performance Lead	100,000	33,300
French Language Services	78,000	-
Emergency Dept. LHIN LEAD	75,000	75,000
Aboriginal Planning	37,500	49,000
Diabetes Strategy - Self Management	35,000	-
Diabetes Strategy	25,000	-
Patient-Centric Transformation Initiative	-	223,200
Health Force Ontario	-	50,000
	6,431,533	6,258,154
Reconciliation to MOHLTC approved budget:		
General and administrative and initiatives expenses	6,431,533	6,258,154
Less: amortization	(229,600)	(515,270)
Add: due to MOHLTC	54,863	-
Add: purchase of tangible capital assets	9,327	757,016
	6,266,123	6,499,900

12. Pension agreements

The LHIN makes contributions to the Hospitals of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of 30 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2010 was \$210,063 (2009 - \$186,699) for current service costs and is included as an expense in the Statement of financial activities. The last actuarial valuation was completed for the plan on December 31, 2009. At that time, the plan was fully funded.

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements

March 31, 2010

13. Guarantees

The LHIN is subject to the provisions of the *Financial Administration Act*. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the *Financial Administration Act* and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the *Local Health System Integration Act, 2006* and in accordance with s. 28 of the *Financial Administration Act*.

14. Comparative figures

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

Mississauga Halton **LHIN**

700 Dorval Drive, Suite 500
Oakville, ON
L6K 3V3
Tel : 905-337-7131
Fax: 905-337-8330

Management's Responsibility for the Financial Statements

March 31, 2010

The integrity and objectivity of the accompanying financial statements of the Mississauga Halton Local Health Integration Network (MHLHIN) is the responsibility of management. These financial statements have been prepared in compliance with legislation and in accordance with Generally Accepted Accounting Principles (GAAP) and under Public Sector Accounting Board (PSAB).

Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for the preparation of the financial statements. These systems are monitored and evaluated by management, the Audit Committee and Board of Directors.

Management meets with the external auditors and the Board of Directors to review the financial statements and discuss any significant financial reporting or internal control matters prior to approval of the financial statements.

The financial statements have been audited by Deloitte & Touche LP, independent external auditors appointed by the Board of Directors.



William MacLeod
Chief Executive Officer



Sue Turcotte
Director, Finance and Risk Management



Deloitte & Touche LLP
5140 Yonge Street
Suite 1700
Toronto ON M2N 6L7
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Auditors' Report

To the Members of the Board of Directors of the
Mississauga Halton Local Health Integration Network

We have audited the statement of financial position of the Mississauga Halton Local Health Integration Network (the "LHIN") as at March 31, 2010 and the statements of financial activities, changes in net debt and cash flows for the year then ended. These financial statements are the responsibility of the LHIN's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Mississauga Halton Local Health Integration Network as at March 31, 2010 and the results of its operations, its changes in its net debt and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
April 30, 2010

Mississauga Halton Local Health Integration Network

Statement of financial position as at March 31, 2010

	2010	2009
	\$	\$
Financial assets		
Cash	816,342	762,774
Accounts receivable	11,598	6,139
Accounts receivable Ministry of Health and Long-Term Care ("MOHLTC") transfer payments to Health Service Providers ("HSPs") (Note 3)	14,083,200	11,562,400
Due from MOHLTC (Note 4b)	35,000	-
Due from other Local Health Integration Network ("LHIN") - Project Funds	48,697	-
Due from the LHIN Shared Services Office (Note 5)	3,554	-
	14,998,391	12,331,313
Liabilities		
Accounts payable and accrued liabilities	689,192	759,369
Accounts payable HSPs transfer payments (Note 3)	14,083,200	11,562,400
Due to MOHLTC (Note 4b)	228,663	18,279
Due to the LHIN Shared Services Office (Note 5)	-	7,494
Deferred capital contributions (Note 6)	109,025	283,777
	15,110,080	12,631,319
Commitments (Note 7)		
Net debt	(111,689)	(300,006)
Non-financial assets		
Prepaid expenses	2,664	16,229
Capital assets (Note 8)	109,025	283,777
	111,689	300,006
Accumulated surplus	-	-

Approved by the Board:

 Director

 Director

Mississauga Halton Local Health Integration Network

Statement of financial activities
year ended March 31, 2010

		2010	2009
	Budget (unaudited) (Note 9)	Actual	Actual
	\$	\$	\$
Revenue			
MOHLTC funding			
HSP transfer payments (Note 3)	1,124,001,599	1,145,448,392	1,090,153,327
Operations of LHIN	4,184,600	4,174,408	4,018,491
Other funding initiatives (Note 12)	605,000	967,100	538,300
Amortization of deferred capital contributions (Note 6)	-	268,637	260,135
	1,128,791,199	1,150,858,537	1,094,970,253
Expenses			
Transfer payments to HSPs (Note 3)	1,124,001,599	1,145,448,392	1,090,153,327
General and administrative (Notes 10 and 11)	4,184,600	4,386,320	4,272,383
Other funding initiatives (Note 12)	605,000	848,441	526,264
	1,128,186,199	1,150,683,153	1,094,951,974
Annual surplus before funding repayable to the MOHLTC	-	175,384	18,279
Funding repayable to the MOHLTC (Note 4a)	-	(175,384)	(18,279)
Annual surplus	-	-	-
Opening accumulated surplus	-	-	-
Closing accumulated surplus	-	-	-

Mississauga Halton Local Health Integration Network

Statement of changes in net debt year ended March 31, 2010

		2010	2009
	Budget (unaudited) (Note 9)	Actual	Actual
	\$	\$	\$
Annual surplus	-	-	-
Change in prepaid expenses	-	13,565	(14,861)
Acquisition of capital assets	-	(93,885)	(166,109)
Amortization of capital assets	-	268,637	260,135
Decrease in net debt	-	188,317	79,165
Opening net debt	-	(300,006)	(379,171)
Closing net debt	-	(111,689)	(300,006)

Mississauga Halton Local Health Integration Network

Statement of cash flows
year ended March 31, 2010

	2010	2009
	\$	\$
Operating transactions		
Annual surplus	-	-
Add item not affecting cash		
Amortization of capital assets	268,637	260,135
Less items not affecting cash		
Amortization of deferred capital contributions (Note 6)	(268,637)	(260,135)
	-	-
Changes in non-cash operating items		
(Increase) decrease in accounts receivable	(5,459)	1,101
Increase in Due from MOHLTC	(35,000)	-
Increase in Due from other LHIN	(48,697)	-
Increase in Due from the LHIN Shared Services Office	(3,554)	-
Increase in accounts receivable MOHLTC		
transfer payments to HSPs	(2,520,800)	(10,091,890)
(Decrease) increase in accounts payable and accrued liabilities	(70,177)	143,616
Increase in accounts payable HSPs transfer payments	2,520,800	10,091,890
Increase (decrease) in due to MOHLTC	210,384	(338,663)
(Decrease) increase in due to the		
LHIN Shared Services Office	(7,494)	5,650
Decrease (increase) in prepaid expenses	13,565	(14,861)
	53,568	(203,157)
Capital transactions		
Acquisition of capital assets	(93,885)	(166,109)
Financing transactions		
Capital contributions received (Note 6)	93,885	166,109
Net increase (decrease) in cash	53,568	(203,157)
Cash, beginning of year	762,774	965,931
Cash, end of year	816,342	762,774

Mississauga Halton Local Health Integration Network

Notes to the financial statements

March 31, 2010

1. Description of business

The Mississauga Halton Local Health Integration Network was incorporated by Letters Patent on June 9, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the *Local Health System Integration Act, 2006* (the "Act") as the Mississauga Halton Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The LHIN has also entered into an Accountability Agreement with the Ministry of Health and Long Term Care ("MOHLTC"), which provides the framework for LHIN accountabilities and activities.

Commencing April 1, 2007, all funding payments to LHIN managed health service providers in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized Health Service Providers ("HSP") are expensed in the LHIN's financial statements for the year ended March 31, 2010.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers a south-west portion of the City of Toronto, the south part of Peel Region and all of Halton Region except for Burlington. The LHIN enters into service accountability agreements with service providers.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian generally accepted accounting principles for governments as established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA") and, where applicable, the recommendations of the Accounting Standards Board ("AcSB") of the CICA as interpreted by the Province of Ontario. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of capital assets and impairment in the value of assets.

Cash

Cash includes cash on hand and balances with banks.

Mississauga Halton Local Health Integration Network

Notes to the financial statements

March 31, 2010

2. Significant accounting policies (continued)

Ministry of Health and Long-Term Care Funding

The LHIN is funded solely by the Province of Ontario in accordance with the Ministry LHIN Accountability Agreement ("MLAA"), which describes budget arrangements established by the MOHLTC. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to HSPs, effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the Health Service Providers ("HSPs"). The cash associated with the transfer payment does not flow through the LHIN bank account.

The LHIN statements do not include any MOHLTC managed programs.

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and the reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at period end. Due to the inability to quantify by year end, the dollar value of surplus funding provided to certain HSPs, these recoverable amounts are not reflected in these statements but will be recovered in the subsequent year.

Deferred capital contributions

Any amounts received that are used to fund expenditures that are recorded as capital assets, are recorded as deferred capital contributions and are recognized as revenue over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the Statement of Financial Activities, is in accordance with the amortization policy applied to the related capital asset recorded.

Capital assets

Capital assets are recorded at historic cost. Historic cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of capital assets. The cost of capital assets contributed is recorded at the estimated fair value on the date of contribution. Fair value of contributed capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a capital asset are capitalized. Computer software is recognized as an expense when incurred.

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives as follows:

Computer equipment	3 years straight-line method
Web development	3 years straight-line method
Leasehold improvements	Life of lease straight-line method
Office equipment, furniture and fixtures	5 years straight-line method

For assets acquired or brought into use during the year, amortization is provided for a full year.

Mississauga Halton Local Health Integration Network

Notes to the financial statements

March 31, 2010

2. Significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Transfer payments to HSPs

The LHIN has authorization to allocate funding of \$1,145,448,392 to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors in fiscal 2010 as follows:

	2010	2009
	\$	\$
Operation of hospitals	788,814,383	758,587,369
Health Infrastructure Renewal Fund (HIRF)	1,776,895	-
Long term care homes	163,183,965	156,925,812
Community care access centres	116,037,922	108,664,824
Community support services	21,206,070	19,347,988
Assisted living services in supportive housing	21,585,324	16,081,404
Community mental health	23,664,737	22,671,891
Addictions program	4,143,160	3,980,945
Acquired brain injury	5,035,936	3,893,094
	1,145,448,392	1,090,153,327

For Fiscal 2010, Acquired Brain Injury sector has been disclosed separately from the Community Support Services. The comparative figures have been reclassified to conform to this change.

The LHIN receives money from the MOHLTC which it in turn allocates to the HSPs. As at March 31, 2010, an amount of \$14,083,200 (2009 - \$11,562,400) was receivable from the MOHLTC and \$14,083,200 (2009 - \$11,562,400) was payable to the HSPs. These amounts have been reflected as revenue and expenses with the LHIN's financial activities and are included above.

Included in the LHIN's transfer payments to HSPs - operation of hospitals as revenue and expense are funding amounts to the Hospitals for the current period although the final performance of the service will occur in subsequent fiscal year due to the timing of the funding. Hospitals are required to obtain LHIN approval to defer revenue to subsequent fiscal years and the LHIN's management monitors these items closely to ensure ultimate performance is achieved.

New investment decisions targeting various initiatives such as the Aging At Home strategy, reduction in emergency room wait times, etc. are included in the above transfer payments to HSPs.

Mississauga Halton Local Health Integration Network

Notes to the financial statements

March 31, 2010

4. Funding repayable to the MOHLTC

In accordance with the MLAA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

- a. The amount repayable to the MOHLTC related to current year activities is made up of the following components:

	Revenue	Expenses	2010 surplus	2009 surplus
	\$	\$	\$	\$
Transfer payments to HSPs	1,145,448,392	1,145,448,392	-	-
LHIN operations	4,443,045	4,386,320	56,725	6,243
E-Health	600,000	597,076	2,924	-
ED Lead / ER/ALC				
Performance Lead	175,000	160,505	14,495	12,036
Diabetes	25,000	25,000	-	-
French Language Health Services	162,100	63,633	98,467	-
Aboriginal engagement	5,000	2,227	2,773	-
	1,150,858,537	1,150,683,153	175,384	18,279

- b. The amount due to the MOHLTC at March 31 is made up as follows:

	2010	2009
	\$	\$
Due to MOHLTC, beginning of year	18,279	356,942
Funding repayable to the MOHLTC related to current year activities (Note 4a)	175,384	18,279
Funding repayable to MOHLTC for Diabetes Education	35,000	-
Amount recovered by the MOHLTC during the year	-	(356,942)
Due to MOHLTC, end of year	228,663	18,279

The funding repayable to the MOHLTC for Diabetes Education relates to the Self-Management Capacity Building Initiative under the Ontario Diabetes Strategy. This initiative was not included in the Statement of Financial Activities for the year ended March 31, 2010 due to the timing of the funding announcements.

5. Shared services agreement

The LHIN Shared Services Office (the "LSSO") is a division of the Toronto Central LHIN and is subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO, on behalf of the LHINs, is responsible for providing services to all LHINs. The full costs of providing these services are billed to all the LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHIN at the year end are recorded as a receivable (payable) from (to) the LSSO. This is all done pursuant to the Shared Service Agreement the LSSO has with all the LHINs.

In fiscal 2010, the Local Health Integration Network Collaborative ("LHINC") became a division of the Toronto Central LHIN. LHINC was formed to foster engagement of the LHINs' HSP community and encourage collaborative integration of the health care system to all LHINs. At the direction of the Steering Committee of LHINC, prior to LHINC assembling their Council, the LHIN approved and paid for expenses on behalf of the LHINC. The total expense incurred was \$251,508 (2009 - \$128,039) of which \$250,434 (2009 - \$118,894) was reimbursed by LSSO. LHINC is subject to the same policies, guidelines and directives as the LSSO and Toronto Central LHIN.

Mississauga Halton Local Health Integration Network

Notes to the financial statements

March 31, 2010

5. Shared services agreement (continued)

MH LHIN has also entered into various shared service agreements with respect to the E-health initiative as a shared responsibility to the Central West LHIN, Hospitals and the Mississauga Halton Community Care Access Centre.

6. Deferred capital contributions

	2010	2009
	\$	\$
Balance, beginning of year	283,777	377,803
Capital contributions received during the year	93,885	166,109
Amortization for the year	(268,637)	(260,135)
Balance, end of year	109,025	283,777

7. Commitments

The LHIN has commitments under various operating leases related to building and equipment. The current building lease expires December 31, 2010 and therefore commitments for building lease beyond that date is not included below. The LHIN is currently negotiating a lease renewal for its building and it is anticipated the new lease will contain similar terms to the existing lease. Other lease renewals are likely. Minimum lease payments due in each of the next three years are as follows:

	\$
2011	179,343
2012	26,774
2013	11,447

The LHIN also has funding commitments to certain HSPs associated with accountability agreements allocating planning targets for fiscal 2010 and 2011. The actual amounts which will ultimately be paid are contingent upon actual LHIN funding received from the MOHLTC.

8. Capital assets

			2010	2009
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office equipment, furniture and fixtures	146,718	90,944	55,774	63,226
Computer equipment	27,479	19,667	7,812	10,511
Web development	77,910	32,471	45,439	3,250
Leasehold improvements	880,162	880,162	-	206,790
	1,132,269	1,023,244	109,025	283,777

Mississauga Halton Local Health Integration Network

Notes to the financial statements

March 31, 2010

9. Budget figures

The budget figures reported in the Statement of Financial Activities reflect the initial budget at April 1, 2009 as approved by the LHIN Board. The figures have been reported for the purposes of these statements to comply with PSAB reporting requirements. During the year the government approved budget adjustments. The following reflects the adjustments for the LHIN during the year:

The final HSP funding budget of \$1,145,448,392 as at March 31, 2010 is made up of the following:

\$

Initial HSP funding budget	1,124,001,599
Adjustments due to announcements made during the year	21,446,793
Final HSP funding budget	1,145,448,392

The final operating budget excluding HSP funding of \$5,235,393 as at March 31, 2010 is made up of the following:

\$

Initial budget	
LHIN operations	4,184,600
E-Health	600,000
Aboriginal engagement	5,000
Additional funding received during the year for:	
Stabilization	83,693
ED Lead / ER/ALC	
Performance Lead	175,000
Diabetes	25,000
French Language Services	162,100
Final budget	5,235,393

Mississauga Halton Local Health Integration Network

Notes to the financial statements

March 31, 2010

10. General and administrative expenses

The Statement of Financial Activities presents the expenses by function. The following classifies general and administrative expenses by object:

	2010	2009
	\$	\$
Salaries and benefits	2,822,350	2,632,252
Occupancy	213,782	252,513
Amortization	268,637	260,135
Shared services	359,059	300,000
LHIN Collaborative	12,286	-
Integrated Health Service Plan	96,655	23,720
Engagement with Stakeholders	136,378	143,652
Professional fees	20,793	56,820
Supplies	37,292	39,577
Board members' per diem expenses (see Note below)	167,300	171,175
Board development	15,619	54,355
Mail, courier and telecommunications	54,273	58,845
Staff travel	19,382	24,462
Recruitment	330	6,138
Other	162,184	248,739
	4,386,320	4,272,383

Included in general and administrative expenses are costs to support the activities of the Board of Directors such as per diems, travel and other general costs. The expenses incurred are as follows:

	2010	2009
	\$	\$
Board Chair per diem expense	58,450	65,975
Other Board member per diem expense	108,850	105,200
	167,300	171,175
Other governance costs (reflected in various objects above)	60,050	76,181
	227,350	247,356

11. Consulting fees

Within the Salaries and benefits, Integrated Health Service Plan, Engagement with Stakeholders, Recruitment, Professional fees, Board development costs and Other itemized in Note 10, approximately \$190,528 (2009 - \$180,123) were procured through consultants. The comparative figure has been reclassified to conform with the presentation adopted in the current year, temporary administrative staff are no longer included as consulting.

12. Other funding initiatives

During fiscal 2010, the LHIN received \$967,100 (2009 - \$538,300) in funding from the MOHLTC and spent \$848,441 (2009 - \$526,264). These funds were used toward initiatives in support of its strategic E-Health Plan, ED Lead, ER/ALC Performance Lead funding, Diabetes, French Language Health Services and Aboriginal engagement as defined in its Integrated Health Services Plan.

The net unspent amount of \$118,659 (2009 - \$12,036), of which \$98,467 relates to the late funding announcement of the French Language Health Services, is payable to the MOHLTC (Note4a).

Mississauga Halton Local Health Integration Network

Notes to the financial statements

March 31, 2010

13. Pension agreements

The LHIN makes contributions to the Hospitals of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 26 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2010 was \$224,014 (2009 - \$201,268) for current service costs and is included as an expense in the Statement of Financial Activities. The last actuarial valuation was completed for the plan on December 31, 2009. At that time, the plan was fully funded.

14. Guarantees

The LHIN is subject to the provisions of the *Financial Administration Act*. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the *Financial Administration Act* and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the *Local Health System Integration Act, 2006* and in accordance with s. 28 of the *Financial Administration Act*.

555 Oak Street East, 3rd Floor
North Bay, ON P1B 8E3
Tel: 705 840-2872
Toll Free: 1 866 906-5446
Fax: 705 840-0142
www.nelhin.on.ca

555, rue Oak Est, 3^e étage
North Bay, ON P1B 8E3
Téléphone : 705 840-2872
Sans frais : 1 866 906-5446
Télécopieur : 705 840-0142
www.rlissne.on.ca

North East **LHIN** **RLISS** du Nord-Est

Management's Responsibility for the Financial Statements

March 31, 2010

The integrity and objectivity of the accompanying financial statements of the North East Local Health Integration Network (NE LHIN) is the responsibility of management. These financial statements have been prepared in compliance with legislation and in accordance with Generally Accepted Account Principles (GAAP) and under Public Sector Accounting Board (PSAB).

Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for the preparation of the financial statements. These systems are monitored and evaluated by management, the Audit Committee and Board of Directors.

Management meets with the external auditors and the Board of Directors to review the financial statements and discuss any significant financial reporting or internal control matters prior to approval of the financial statements.

The financial statements have been audited by Deloitte & Touche LP, independent external auditors appointed by the Board of Directors.



Terry Illeczek
Acting CEO



Ryan Jeffers
Controller



Deloitte & Touche LLP
5140 Yonge Street
Suite 1700
Toronto ON M2N 6L7
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Auditors' Report

To the Members of the Board of Directors of the
North East Local Health Integration Network

We have audited the statement of financial position of the North East Local Health Integration Network (the "LHIN") as at March 31, 2010 and the statements of operations, changes in net debt and cash flows for the year then ended. These financial statements are the responsibility of the LHIN's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the North East Local Health Integration Network as at March 31, 2010 and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
May 7, 2010

North East Local Health Integration Network

Statement of financial position as at March 31, 2010

	2010	2009
	\$	\$
Financial assets		
Cash	698,735	968,385
Due from the LHIN Shared Services Office (Note 3)	4,969	-
Due from MOHLTC-Other	235,000	-
Due from MOHLTC-Health Service Providers ("HSP")	4,113,341	3,701,600
	5,052,045	4,669,985
Liabilities		
Accounts payable and accrued liabilities	641,712	817,949
Due to MOHLTC (10b)	296,992	128,332
Due to the LHIN Shared Services Office (Note 3)	-	22,104
Due to Health Service Providers ("HSP")	4,113,341	3,701,600
Deferred capital contributions (Note 4)	215,190	213,966
	5,267,235	4,883,951
Net debt	215,190	213,966
Non-financial assets		
Capital assets (Note 5)	215,190	213,966
Accumulated surplus	-	-

Approved by the Board




Director

Director

North East Local Health Integration Network

Statement of operations
year ended March 31, 2010

		2010	2009
	Budget (unaudited) (Note 6)	Actual	Actual
	\$	\$	\$
Revenues			
MOHLTC funding			
HSP transfer payments (Note 7)	1,168,875,000	1,240,203,544	1,169,655,493
Operations of LHIN	4,832,335	4,684,155	4,796,665
e-Health (Note 9a)	600,000	600,000	600,000
e-Health Project Funding (Note 9b)	-	200,000	-
Emergency Department Lead (Note 9c)	-	60,000	75,000
Aboriginal Engagement (Note 9d)	100,000	100,000	100,000
Aboriginal Health Transfer Fund (Note 9e)	193,500	238,874	45,374
Emergency Room/Alternate Level of Care (Note 9f)	-	100,000	33,300
Diabetes Strategy (Note 9g)	-	65,000	51,000
Diabetes: Self-Management (Note 9h)	-	35,000	-
Amortization of deferred capital contributions (Note 4)	210,454	243,602	210,454
	1,174,811,289	1,246,530,175	1,175,567,286
Expenses			
Transfer payments to HSPs (Note 7)	1,168,875,000	1,240,203,544	1,169,655,493
General and administrative (Note 8)	4,832,335	4,679,829	4,796,665
e-Health (Note 9a)	600,000	596,734	534,131
e-Health Project Funding (Note 9b)	-	200,000	-
Emergency Department Lead (Note 9c)	-	60,000	60,000
Aboriginal Engagement (Note 9d)	100,000	100,000	99,035
Aboriginal Health Transfer Fund (Note 9e)	193,500	58,632	-
Emergency Room/Alternate Level of Care (Note 9f)	-	100,000	32,728
Diabetes Strategy (Note 9g)	-	65,000	50,448
Diabetes: Self-Management (Note 9h)	-	8,800	-
Amortization of capital assets	210,454	243,602	210,454
	1,174,811,289	1,246,316,141	1,175,438,954
Annual surplus before repayable to MOHLTC	-	214,034	128,332
Funding repayable to MOHLTC (Note 10a)	-	(214,034)	(128,332)
Annual surplus	-	-	-
Opening accumulated surplus	-	-	-
Closing accumulated surplus	-	-	-

North East Local Health Integration Network

Statement of changes in net debt
year ended March 31, 2010

	2010	2009
	\$	\$
Annual surplus		
Acquisition of tangible capital assets	(244,826)	(35,670)
Amortization of tangible capital assets	243,602	210,454
Decrease (increase) in net debt	(1,224)	174,784
Opening net debt	(213,966)	(388,750)
Closing net debt	(215,190)	(213,966)

North East Local Health Integration Network

Statement of cash flows year ended March 31, 2010

	2010	2009
	\$	\$
Operating transactions		
Annual surplus		-
Items not affecting cash		
Amortization of capital assets	243,602	210,454
Amortization of deferred capital contributions (Note 4)	(243,602)	(210,454)
Changes in non-cash working capital		
Increase (decrease) in due to/from the LHIN Shared Services Office	(27,073)	14,151
Increase in due from MOHLTC-Other	(235,000)	-
Increase in due from MOHLTC-Health Service Providers	(411,741)	(2,014,890)
(Decrease) increase in accounts payable and accrued liabilities	(176,237)	(274,527)
Increase in due to MOHLTC	168,660	61,686
Increase in due to Health Service Providers	411,741	2,014,890
	(269,650)	(198,690)
Investing transactions		
Acquisition of capital assets	(244,826)	(35,670)
Financing transactions		
Increase in deferred capital contributions (Note 4)	244,826	35,670
Net decrease in cash	(269,650)	(198,690)
Cash, beginning of year	968,385	1,167,075
Cash, end of year	698,735	968,385

North East Local Health Integration Network

Notes to the financial statements

March 31, 2010

1. Description of business

The North East Local Health Integration Network was incorporated by Letters Patent on June 9, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the *Local Health System Integration Act, 2006* (the "Act") as the North East Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The LHIN has also entered into an Accountability Agreement with the Ministry of Health and Long Term Care ("MOHLTC"), which provides the framework for LHIN accountabilities and activities.

Commencing April 1, 2007, all funding payments to LHIN managed health service providers in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized Health Service Providers ("HSP") are expensed in the LHIN's financial statements for the year ended March 31, 2010.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers the area of Northeastern Ontario. The LHIN enters into service accountability agreements with service providers.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian generally accepted accounting principles for governments as established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA") and, where applicable, the recommendations of the Accounting Standards Board ("AcSB") of the CICA as interpreted by the Province of Ontario. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of tangible assets and losses in the value of assets.

North East Local Health Integration Network

Notes to the financial statements

March 31, 2010

2. Significant accounting policies (continued)

Ministry of Health and Long-Term Care Funding

The LHIN is funded solely by the Province of Ontario in accordance with the Ministry LHIN Accountability Agreement ("MLAA"), which describes budget arrangements established by the MOHLTC. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to HSPs, effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account.

The LHIN statements do not include any Ministry managed programs.

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at period end.

Deferred capital contributions

Any amounts received that are used to fund expenditures that are recorded as tangible capital assets, are recorded as deferred capital contributions and are recognized as revenue over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the Statement of Financial Activities, is in accordance with the amortization policy applied to the related capital asset recorded.

Capital assets

Capital assets are recorded at historic cost. Historic cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of capital assets. The cost of capital assets contributed is recorded at the estimated fair value on the date of contribution. Fair value of contributed tangible capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the tangible capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a capital asset are capitalized.

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives as follows:

Furniture and fixtures	5 years straight-line method
Computer equipment	3 years straight-line method
Leasehold improvements	Life of lease straight-line method

For assets acquired and brought into use during the year, amortization is provided for a full year.

North East Local Health Integration Network

Notes to the financial statements

March 31, 2010

2. Significant accounting policies (continued)

Segment disclosures

The LHIN was required to adopt Section PS 2700 - Segment Disclosures, for the fiscal year beginning April 1 2007. A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the Statement of Financial Activities and within the related notes for both the prior and current year sufficiently discloses information of all appropriate segments and therefore no additional disclosure is required.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Related party transactions

The LHIN Shared Services Office (the "LSSO") and the LHIN Collaborative (LHINC) are divisions of the Toronto Central LHIN and are subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO and LHINC, on behalf of the LHINs, are responsible for providing services to all LHINs. The full costs of providing these services are billed to all the LHINs. Any portions of the LSSO/LHINC operating costs overpaid (or not paid) by the LHIN at the year end are recorded as a receivable from (payable to) the LSSO/LHINC. This is all done pursuant to the agreement the LSSO/LHINC has with all the LHINs.

4. Deferred capital contributions

	2010	2009
	\$	\$
Balance, beginning of year	213,966	388,750
Capital contributions received	244,826	35,670
Amortization	(243,602)	(210,454)
Balance, end of year	215,190	213,966

5. Capital assets

	2010		2009
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Furniture and fixtures	70,404	65,006	5,398
Computer equipment	96,622	87,657	8,965
Leasehold improvements	966,025	765,198	200,827
	1,133,051	917,861	215,190

North East Local Health Integration Network

Notes to the financial statements

March 31, 2010

6. Budget figures

The budgets were approved by the Government of Ontario. The budget figures reported on the Statement of Financial Activities reflect the initial budget at April 1, 2009. The figures have been reported for the purposes of these statements to comply with PSAB reporting principles. During the year the government approved budget adjustments. The following reflects the adjustments for the LHIN during the year:

The total HSP funding budget of \$1,240,203,544 is made up of the following:

	\$
Initial HSP Funding budget	1,168,875,000
Adjustment due to announcements made during the year	71,328,544
Total HSP Funding budget	1,240,203,544

The total operating budget of \$6,327,856 is made up of the following:

	\$
Initial budget	5,725,835
Additional funding received during the year	602,021
Total budget	6,327,856

7. Transfer payments to HSPs

The LHIN has authorization to allocate the funding of \$1,240,203,544 to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors as follows:

	2010	2009
	\$	\$
Operation of Hospitals	787,852,105	735,395,697
Grants to compensate for Municipal Taxation - Public Hospitals	254,475	249,825
Long Term Care Homes	177,584,058	168,778,614
Community Care Access Centres	100,772,313	93,802,009
Community Support Services	23,232,856	21,398,759
Acquired Brain Injury	1,741,573	1,263,094
Assisted Living Services in Supportive Housing	9,908,082	8,069,412
Community Health Centres	14,053,035	8,569,291
Community Mental Health	48,266,691	47,495,109
Substance Abuse & Problem Gambling	19,576,342	19,424,774
Specialty Psychiatric Hospitals	56,946,864	65,193,759
Grants to compensate for Municipal Taxation - Psychiatric Hospitals	15,150	15,150
	1,240,203,544	1,169,655,493

The LHIN receives funding from the MOHLTC and in turn allocates it to the HSPs. As at March 31, 2010, an amount of \$4,113,341 (2009-\$3,701,600) was receivable from the MOHLTC and was payable to the HSPs. These amounts have been reflected as revenue and expenses in the statement of operations and are included in the table above.

North East Local Health Integration Network

Notes to the financial statements

March 31, 2010

8. General and administrative expenses

The Statement of Financial Activities presents the expenses by function; the following classifies these same expenses by object:

	2010	2009
	\$	\$
Salaries and wages	2,421,825	2,404,290
HOOPP	222,485	254,296
Other benefits	285,762	251,173
Staff travel	193,788	245,695
Governance travel	83,021	68,463
Communications	83,200	91,240
Accommodation	161,681	160,409
Advertising	37,171	54,668
Banking	5	25
Consulting fees	234,161	539,596
Equipment rentals	17,236	20,044
Board Chair per diems	67,008	73,605
Other Governance per diems	52,898	55,970
Insurance	15,930	15,930
LHIN Shared Services Office	362,715	300,000
LHIN Collaborative	12,285	-
Other meeting expenses	33,919	32,031
Other governance expenses	11,403	29,441
Printing and translation	61,627	73,748
Staff development	71,084	36,446
IT equipment	74,972	37,117
Office supplies and equipment	71,055	45,119
Other	104,598	7,359
	4,679,829	4,796,665

9. a) e-Health expense

The E-Health office of the Ministry of Health and Long-Term Care provided \$600,000 to the LHIN. The LHIN hired four permanent full-time staff to run a Project Management Office related to E-Health. In addition to covering the staff costs, the LHIN also incurred costs related to projects this group is responsible for. The total amount of expenses the LHIN incurred related to E-Health was \$596,734.

b) e-Health Project Funding

The E-Health office of the Ministry of Health and Long-Term Care provided \$200,000 to the LHIN related to the Initial Planning Activities for the Alternate Level of Care Resource Matching and Referral Project. A contract was setup between the LHIN and the North Bay General Hospital to support this project. In 2010 the LHIN incurred expenses of \$200,000 related to this project.

c) Emergency Department Lead (ED Lead)

The Ministry of Health and Long Term Care announced they would be providing the LHIN an additional \$75,000 in one-time funding to (a) pay the LHIN ED Lead \$5,000 per month as well as (b) money to reimburse the LHIN ED Lead for any expenses. In March of this year, the Ministry of Health and Long Term Care recovered \$15,000 as the LHIN was projecting a surplus. The LHIN contracted an area physician as the ED Lead; total monies paid out in 2010 are \$60,000.

North East Local Health Integration Network

Notes to the financial statements

March 31, 2010

9. (continued)

d) Aboriginal Engagement

The Ministry of Health and Long Term Care provided an additional \$100,000 in base funding for the purposes of engaging the Aboriginal population and organizations with the North East LHIN. The total amount of expenses paid using this funding was \$100,000.

e) Aboriginal Health Transfer Funding (AHTF)

The Ministry of Health and Long Term Care provided an additional \$193,500 in one-time funding for AHTF Adaption projects that were submitted for funding by the LHIN. Also, a formal request to have \$45,374 from 2009 carried forward into 2010 was approved by the Ministry of Health and Long Term Care. The LHIN spend a total of \$58,632 in 2010 and another formal request has been made to carry the surplus funds into 2011.

f) Emergency Room/Alternate Level of Care

The Ministry of Health and Long Term Care provided \$100,000 in one-time funding to help the LHIN in supporting the North East ER/ALC Performance Lead, this amount was spent in full.

g) Diabetes Strategy

The Ministry of Health and Long Term Care provided \$75,000 in one-time funding to help the LHIN in supporting the Ontario Diabetes Strategy. The total amount of expenses paid using this funding was \$65,000. The Ministry of Health and Long Term Care recovered the \$10,000 surplus in March 2010.

h) Diabetes: Self-management

The Ministry of Health and Long Term Care provided \$35,000 in one-time funding to help the LHIN in supporting the implementation and the Self-Management Capacity Building Initiative. The total amount of expenses paid using this funding in 2010 was \$8,800.

10. Funding repayable to the MOHLTC

In accordance with the MLAA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

- a. The amount repayable to the MOHLTC is made up of the following components:

North East Local Health Integration Network

Notes to the financial statements

March 31, 2010

	Revenue	Expenses	Surplus
	\$	\$	\$
Transfer payments to HSPs	1,240,203,544	1,240,203,544	-
LHIN operations	4,684,155	4,679,829	4,326
Amortization of capital assets	243,602	243,602	-
E-Health	600,000	596,734	3,266
E-Health Project Funding	200,000	200,000	-
Emergency Department Lead	60,000	60,000	-
Aboriginal Engagement	100,000	100,000	-
Aboriginal Health Transfer Fund	238,874	58,632	180,242
Emergency Room/Alternate Level of Care	100,000	100,000	-
Diabetes Strategy	65,000	65,000	-
Diabetes: Self-Management	35,000	8,800	26,200
	1,246,530,175	1,246,316,141	214,034

North East Local Health Integration Network

Notes to the financial statements

March 31, 2010

- b. The amount due to the MOHLTC is made up of the following components:

	2010	2009
	\$	\$
Opening balance	128,332	66,646
Funding recovered by the MOHLTC	-	(66,646)
Funding allowed to be carried into 2010	(45,374)	-
Funding repayable to the MOHLTC (Note 10A)	214,034	128,332
Closing balance	296,992	128,332

11. Pension agreements

The LHIN makes contributions to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 24 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2010 was \$222,485 (2009 - \$254,296) for current service costs and is included as an expense in the Statement of Operations. The last actuarial valuation was completed for the plan as at December 31, 2009. At that time the plan was fully funded.

12. Guarantees

The LHIN is subject to the provisions of the *Financial Administration Act*. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in the favor of third parties, except in accordance with the *Financial Administration Act* and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the *Local Health System Integration Act, 2006* and in accordance with s. 28 of the *Financial Administration Act*.

13. Commitments

The LHIN has commitments under various operating leases related to building and equipment. Lease renewals are likely. Future lease payments aggregates are \$871,419 and include the following amounts payable over the next five years:

2011	171,527
2012	168,072
2013	167,349
2014	163,488
2015	160,786

The LHIN also has funding commitments to HSPs associated with accountability agreements. As of March 31, 2010 the LHIN had signed Accountability Agreements with all Hospitals and Community Agencies for the next two years. The actual amounts which will ultimately be paid are contingent upon actual LHIN funding received from MOHLTC.

14. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

210 Memorial Avenue
Suites 127-130
Orillia, ON L3V 7V1
Tel: 705 326-7750
Toll Free: 1 866 903-5446
Fax: 705 326-1392
www.nsmhlin.on.ca

210, avenue Memorial
Bureaux 127 à 130
Orillia, ON L3V 7V1
Téléphone : 705 326-7750
Sans frais : 1 866 903-5446
Télécopieur : 705 326-1392
www.nsmhlin.on.ca

North Simcoe Muskoka LHIN RLISS de Simcoe Nord Muskoka

Management's Responsibility for the Financial Statements

March 31, 2010

The integrity and objectivity of the accompanying financial statements of the North Simcoe Muskoka Local Health Integration Network is the responsibility of management. These financial statements have been prepared in compliance with legislation and in accordance with Generally Accepted Accounting Principles (GAAP) and Public Sector Accounting Board (PSAB) standards.

Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for the preparation of the financial statements. These systems are monitored and evaluated by management, the Finance & Audit Committee and Board of Directors.

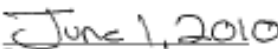
Management meets with the external auditors and the Board of Directors to review the financial statements and discuss any significant financial reporting or internal control matters prior to approval of the financial statements.

The financial statements have been audited by Deloitte & Touche LLP, independent external auditors appointed by the Board of Directors.


Bernie Blais
CEO


Tim Berry
Senior Director, Finance and Risk Management


Date


Date



Deloitte & Touche LLP
5140 Yonge Street
Suite 1700
Toronto ON M2N 6L7
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Auditors' Report

To the Members of the Board of Directors of the
North Simcoe Muskoka Local Health Integration Network

We have audited the statement of financial position of the North Simcoe Muskoka Local Health Integration Network (the "LHIN") as at March 31, 2010 and the statements of financial activities, changes in net debt and cash flows for the year then ended. These financial statements are the responsibility of the LHIN's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the North Simcoe Muskoka Local Health Integration Network as at March 31, 2010 and the results of its operations, its changes in its net debt and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads "Deloitte & Touche LLP".

Chartered Accountants
Licensed Public Accountants
April 23, 2010

North Simcoe Muskoka Local Health Integration Network

Statement of financial position
as at March 31, 2010

	2010	2009
	\$	\$
Financial assets		
Cash	912,595	952,128
Due from Ministry of Health and Long-Term Care ("MOHLTC")	187,000	-
Due from MOHLTC ("HSPs")	564,034	774,600
Due from LHIN Shared Services Office (Note 4)	11,964	-
	1,675,593	1,726,728
Liabilities		
Accounts payable and accrued liabilities	998,401	951,451
Due to MOHLTC (Note 3b)	49,163	793
Due to Health Service Providers ("HSPs")	564,034	774,600
Due to the LHIN Shared Services Office (Note 4)	138	14,108
Deferred Revenue	63,857	-
Deferred capital contributions (Note 5)	210,465	304,205
	1,886,058	2,045,157
Commitments (Note 6)		
Net debt	(210,465)	(318,429)
Non-financial assets		
Prepaid expenses	-	14,224
Capital assets (Note 7)	210,465	304,205
Accumulated surplus	-	-

Approved by the Board

RJ Rosen. Director

Lynne Stevenson Director

North Simcoe Muskoka Local Health Integration Network

Statement of financial activities
year ended March 31, 2010

		2010	2009
	Budget (unaudited) (Note 8)	Actual	Actual
	\$	\$	\$
Revenue			
MOHLTC funding			
HSP transfer payments (Note 9)	691,677,650	694,467,511	604,031,421
HSP capital payments (Note 10)	1,829,672	1,829,672	-
Operations of LHIN	4,221,132	4,056,690	4,095,584
LHIN Operations Special Funding (Note 11)	805,000	1,186,143	563,300
Amortization of deferred capital contributions (Note 5)	-	342,604	265,818
	698,533,454	701,882,620	608,956,123
Expenses			
Transfer payments to HSPs (Note 9)	691,677,650	694,467,511	604,031,421
Capital payments to HSPs (Note 10)	1,829,672	1,829,672	-
General operating expenses (Note 12)	4,221,132	4,398,066	4,360,760
LHIN Operations Special Funded Initiatives (Note 11)	805,000	1,134,001	563,149
	698,533,454	701,829,250	608,955,330
Annual surplus before funding repayable to the MOHLTC	-	53,370	793
Funding repayable to the MOHLTC (Note 3a)	-	(53,370)	(793)
Annual surplus	-	-	-
Opening accumulated surplus	-	-	-
Closing accumulated surplus	-	-	-

North Simcoe Muskoka Local Health Integration Network

Statement of changes in net debt
year ended March 31, 2010

		2010	2009
	Budget (unaudited) (Note 8)	Actual	Actual
	\$	\$	\$
Annual surplus	-	-	-
Acquisition of capital assets	-	(248,864)	(125,548)
Amortization of capital assets	-	342,604	265,818
Change in other non-financial assets	-	14,224	(174)
Decrease in net debt	-	107,964	140,096
Opening net debt	-	(318,429)	(458,525)
Closing net debt	-	(210,465)	(318,429)

North Simcoe Muskoka Local Health Integration Network

Statement of cash flows
year ended March 31, 2010

	2010	2009
	\$	\$
Operating transactions		
Annual surplus	-	-
Less items not affecting cash		
Amortization of capital assets	342,604	265,818
Amortization of deferred capital contributions (Note 5)	(342,604)	(265,818)
	-	-
Changes in non-cash operating items		
Decrease (increase) in prepaid expenses	14,224	(174)
Decrease in due from MOHLTC	23,566	902,020
(Increase) decrease in due from LHIN Shared Services Office	(11,964)	249
Increase in accounts payable and accrued liabilities	46,950	118,077
Increase (decrease) in due to the MOHLTC	48,370	(111,805)
Decrease in due to HSPs	(210,566)	(902,020)
Increase in deferred revenue	63,857	-
(Decrease) increase in due to the LHIN shared Services Office	(13,970)	10,352
	(39,533)	16,699
Capital Investment		
Acquisition of capital assets	(248,864)	(125,548)
Financing transactions		
Capital contributions received (Note 5)	248,864	125,548
Net (decrease) increase in cash	(39,533)	16,699
Cash, beginning of year	952,128	935,429
Cash, end of year	912,595	952,128

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2010

1. Description of business

The North Simcoe Muskoka Local Health Integration Network was incorporated by Letters Patent on June 2, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the Local Health System Integration Act, 2006 (the "Act") as the North Simcoe Muskoka Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The LHIN is funded solely by the Province of Ontario in accordance with the Ministry LHIN Accountability Agreement ("MLAA"), which describes budget arrangements established by the Ministry of Health and Long-Term Care ("MOHLTC") and provides the framework for the LHIN accountabilities and activities. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to HSPs, effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP ("Health Service Provider"). The cash associated with the transfer payment does not flow through the LHIN bank account.

The LHIN statements do not include any MOHLTC managed programs.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers the municipalities of Muskoka, most of Simcoe County and part of Grey County. The LHIN enters into service accountability agreements with service providers.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian generally accepted accounting principles for governments as established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA") and, where applicable, the recommendations of the Accounting Standards Board ("AcSB") of the CICA as interpreted by the Province of Ontario. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, and they are measurable. Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of capital assets, and losses in the value of assets.

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2010

2. Significant accounting policies (continued)

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and the reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at period end.

Funding payments to Health Service Providers in the LHIN geographic area flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized Health Service Providers ("HSPs") are expensed in the LHIN's financial statements for the year ended March 31, 2010.

Deferred capital contributions

Any amounts received that are used to fund capital asset purchases, are recorded as deferred capital contributions and are recognized over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the Statement of Financial Activities, is in accordance with the amortization policy applied to the related capital asset recorded.

Capital assets

Capital assets are recorded at historic cost. Historic cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of capital assets. The cost of capital assets contributed is recorded at the estimated fair value on the date of contribution. Fair value of contributed capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a capital asset are capitalized. Computer software is recognized as an expense when incurred.

Capital assets are stated at cost less accumulated amortization. Tangible capital assets are amortized over their estimated useful lives as follows:

Computer equipment and development	3 years straight-line method
Leasehold improvements	Life of lease straight-line method
Office furniture and equipment	5 years straight-line method

For assets acquired or bought into use during the year, amortization is provided for a full year.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2010

2. Significant accounting policies (continued)

Segmented disclosures

The LHIN was required to adopt Section PS 2700 - Segment Disclosures, for the fiscal year beginning April 1, 2007. A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the Statement of Financial Activities and within the related notes for both the prior and current year sufficiently disclose information of all appropriate segments and, therefore, no additional disclosure is required.

3. Funding repayable to the MOHLTC

In accordance with the MLAA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

- a. The amount repayable to the MOHLTC related to current year activities is made up of the following components:

			2010	2009
	Revenue	Expenses	Surplus	Surplus
	\$	\$	\$	\$
LHIN operations	4,399,295	4,398,067	1,228	642
e-Health	600,000	599,214	786	151
Aboriginal Planning	30,000	30,000	-	-
Emergency Department Lead	75,000	60,792	14,208	-
ER/ALC Performance Lead	100,000	100,000	-	-
Ontario LHINs Privacy Project	35,000	-	35,000	-
ICT - e-Health Framework Project	80,000	79,746	254	-
www.ufirst.cc - e-Health Project	37,000	36,960	40	-
Ontario Diabetes Strategy	25,000	25,000	-	-
Self-Management Capacity Building	35,000	33,146	1,854	-
Behavioural Support Systems	165,000	165,000	-	-
Francophone Community Engagement	4,143	4,143	-	-
	5,585,438	5,532,068	53,370	793

- b. The amount due to the MOHLTC at March 31 is made up as follows:

	2010	2009
	\$	\$
Due to MOHLTC, beginning of year	793	112,598
Funding repaid to MOHLTC during the current year	(5,000)	(112,598)
Funding repayable to the MOHLTC related to current year activities (Note 3a)	53,370	793
Due to MOHLTC, end of year	49,163	793

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2010

4. Related party transactions

The LHIN Shared Services Office (the "LSSO") is a division of the Toronto Central LHIN and is subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO, on behalf of the LHINs, is responsible for providing services to all LHINs. The full costs of providing these services are billed to all of the LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHIN at the year end are recorded as a receivable (payable) from (to) the LSSO. This is all done pursuant to the Shared Service Agreement the LSSO has with all the LHINs.

LHIN Collaborative (LHINC) was formed in fiscal 2010 as a LHIN-led service to strengthen relationships between and among health service providers. LHINC is accountable to the LHINs, and funded by the LHINs with support from the Ministry of Health and Long-Term Care.

5. Deferred capital contributions

	2010	2009
	\$	\$
Balance, beginning of year	304,205	444,475
Capital contributions received during the year	248,864	125,548
Amortization for the year	(342,604)	(265,818)
Balance, end of year	210,465	304,205

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2010

6. Commitments

The LHIN has commitments under various operating leases related to building and equipment. Lease renewals are likely. Minimum lease payments due in each of the next three years and thereafter are as follows:

	\$
2011	75,885
2012	3,235
2013	2,966

The LHIN also has funding commitments to certain HSPs associated with accountability agreements. Minimum commitments to HSPs, based on the current accountability agreements as follows:

	\$
Operation of hospitals	359,027,220
Grants to compensate for municipal taxation	
- public hospitals	77,625
Long term care homes	107,861,208
Community care access centres	70,080,131
Community support services	10,032,805
Assisted living services in supportive housing	5,522,368
Community health centres	8,081,560
Community mental health	22,296,481
Addictions program	3,558,487
Specialty psychiatric hospitals	103,905,246
Grants to compensate for municipal taxation	
- psychiatric hospitals	23,400
Acquired brain injury	1,140,934
	<u>691,607,465</u>

The actual amounts which will ultimately be paid are contingent upon LHIN funding received by the MOHLTC.

7. Capital assets

			2010	2009
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office furniture and equipment	454,613	252,327	202,286	103,416
Computer equipment	133,767	125,588	8,179	14,297
Leasehold improvements	887,349	887,349	-	186,492
	<u>1,475,729</u>	<u>1,265,264</u>	<u>210,465</u>	<u>304,205</u>

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2010

8. Budget figures

The budgets were approved by the Government of Ontario. The budget figures reported on the Statement of Financial Activities reflect the initial budget at April 1, 2009. The figures have been reported for the purposes of these statements to comply with PSAB reporting requirements. During the year the government approved budget adjustments. The following reflects the adjustments for the LHIN during the year:

The total HSP funding budget of \$694,467,511 is made up of the following:

	\$
Initial budget	691,677,650
Adjustment due to announcements made during the year	2,789,861
Total budget	694,467,511

The total revised operating budget of \$5,491,698 is made up of the following:

	\$
Initial budget as reported on the statement of financial activities	5,026,132
Additional funding received during the year for:	
Operations stabilization base funding	84,423
Ontario LHINs Privacy Project	35,000
ICT - e-Health Framework Project	80,000
www.ufirst.cc - e-Health Project	37,000
Ontario Diabetes Strategy	25,000
Self-Management Capacity Building	35,000
Behavioural Support Systems	165,000
Francophone Community Engagement	4,143
Total budget	5,491,698

9. Transfer payments to HSPs

The LHIN has authorization to allocate funding of \$694,467,511 (2009 - \$604,031,421) to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors in fiscal 2010 as follows:

	2010	2009
	\$	\$
Operation of hospitals	364,199,298	350,620,399
Grants to compensate for municipal taxation		
- public hospitals	77,625	77,625
Long term care homes	110,435,817	104,918,721
Community care access centres	69,782,223	65,527,335
Community support services	10,878,015	9,643,617
Assisted living services in supportive housing	5,412,834	5,076,609
Community health centres	4,250,477	3,659,647
Community mental health	22,080,458	21,388,298
Addictions program	3,524,808	3,415,102
Specialty psychiatric hospitals	102,882,297	39,022,776
Acquired brain injury	943,659	681,292
Total	694,467,511	604,031,421

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2010

10. Capital payments to HSPs

The allocation represents the approved LHIN allocation to support grants for public and specialty psychiatric hospitals in 2009/10 under the 2009/10 Health Infrastructure Renewal Fund (HIRF), and in accordance with 2009/10 HIRF Guidelines which the ministry has provided to LHINs.

11. LHIN Operations Special Funding

The LHIN received additional operational funding for special initiatives during the year as follows:

	2010	2009
	\$	\$
e-Health PMO	600,000	425,000
Aboriginal Planning	30,000	30,000
Emergency Department Lead	75,000	75,000
Emergency Room/Alternative Level of Care ("ER/ALC") Performance Lead	100,000	33,300
Ontario LHINs Privacy Project	35,000	-
Information & Community Technology (ITC)		
- e-Health Framework	80,000	-
www.ufirst.cc - Physician and Specialist eReferral System	37,000	-
Ontario Diabetes Strategy	25,000	-
Self-Management Capacity Building	35,000	-
Behavioural Support Systems	165,000	-
Francophone Community Engagement	4,143	-
	1,186,143	563,300

a) e-Health PMO

The LHIN received funding of \$600,000 (2009 - \$425,000) related to the e-Health PMO. E-Health expenses incurred during the year are as follows:

	2010	2009
	\$	\$
Salaries and benefits	420,040	156,760
Occupancy	28,229	-
Shared services	51,816	-
Consulting services	32,234	157,072
Other services	15,654	11,124
Supplies, equipment and licences	35,955	94,307
Travel	7,654	3,840
Mail, courier and telecommunications	7,632	1,746
	599,214	424,849

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2010

11. LHIN Operations Special Funding (continued)

b) Aboriginal Planning

The LHIN received funding of \$30,000 (2009 - \$30,000) related to the Aboriginal Planning initiative. Aboriginal Planning expenses incurred during the year are as follows:

	2010	2009
	\$	\$
Salaries and benefits	14,460	-
Travel	540	-
Special project expenditures	15,000	30,000
	30,000	30,000

c) Emergency Department Lead

The LHIN received funding of \$75,000 (2009 - \$75,000) related to the Emergency Department Lead project. Emergency Department Lead expenses incurred during the year are as follows:

	2010	2009
	\$	\$
Consulting services	60,000	60,000
Travel	-	3,322
Mail, courier and telecommunications	792	11,678
	60,792	75,000

d) ER/ALC Performance Lead

The LHIN received funding of \$100,000 (2009 - \$33,300) related to the ER/ALC Performance Lead initiative. Expenses incurred during the year for this project are as follows:

	2010	2009
	\$	\$
Salaries and benefits	89,648	33,300
Other services	3,698	
Supplies, equipment and licences	784	
Travel	4,853	
Mail, courier and telecommunications	1,018	
	100,000	33,300

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2010

11. LHIN Operations Special Funding (continued)

e) Ontario LHINs Privacy Project

The LHIN received funding of \$35,000 (2009 - \$NIL) related to the e-Health Ontario LHINs Privacy Project. No expenses were incurred during the year for this project.

f) Information and Community Technology (ITC) – e-Health Framework

The LHIN received funding of \$80,000 (2009 - \$NIL) related to the ITC – e-Health Framework Project. Expenses incurred during the year for this project are as follows:

	2010	2009
	\$	\$
Salaries and benefits	10,796	-
Advertising and public relations	3,780	-
Consulting services	61,060	-
Other services	3,626	-
Supplies, equipment and licences	321	-
Mail, courier and telecommunications	162	-
	<u>79,746</u>	<u>-</u>

g) www.ufirst.cc – Physician and Specialist eReferral System

The LHIN received funding of \$37,000 (2009 - \$NIL) related to the www.ufirst.cc – Physician and Specialist eReferral System Project. Expenses incurred during the year for this project are as follows:

	2010	2009
	\$	\$
Special project expenditures	36,960	-

h) Ontario Diabetes Strategy

The LHIN received funding of \$25,000 (2009 - \$NIL) related to the Ontario Diabetes Strategy. Expenses incurred during the year for this strategy are as follows:

i) Self-Management Capacity Building

The LHIN received funding of \$35,000 (2009 - \$NIL) related to Self-Management Capacity Building. Expenses incurred during the year for this initiative are as follows:

	2010	2009
	\$	\$
Other services	2,912	-
Supplies, equipment and licences	29,395	-
Travel	839	-
	<u>33,146</u>	<u>-</u>

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2010

11. LHIN Operations Special Funding (continued)

j) Behavioural Support Systems

The LHIN received funding of \$165,000 (2009 - \$NIL) related to Behavioural Support Systems. Expenses incurred during the year for this project are as follows:

	2010	2009
	\$	\$
Special project expenditures	165,000	-

k) Francophone Community Engagement

The LHIN received funding of \$4,143 (2009 - \$NIL) related to Francophone Community Engagement. Expenses incurred during the year for this initiative are as follows:

	2010	2009
	\$	\$
Other services	4,143	-

12. General operating expenses

The Statement of Financial Activities presents the expenses by function, the following classifies general operating expenses, by object:

	2010	2009
	\$	\$
Salaries and benefits	2,399,026	2,484,218
Occupancy	176,813	185,289
Amortization	342,604	265,818
Shared services	323,184	492,746
Advertising and public relations	21,972	6,209
Consulting services	513,877	253,923
Other services	236,169	279,326
Supplies, equipment and licences	152,271	125,776
Board expenses	129,045	173,296
Travel	52,804	51,003
Mail, courier and telecommunications	50,301	43,156
	4,398,066	4,360,760

Board expenses included in general operating expenses above include per diem costs and other Board expenses as follows:

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2010

12. General operating expenses (cont'd)

	2010	2010	2009
	Budget	Actual	Actual
	\$	\$	\$
Board Chair per diem cost	70,000	73,150	84,350
Directors per diem cost	75,000	32,900	38,925
Board expenses	88,000	22,995	50,021
	233,000	129,045	173,296

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2010

13. Pension agreements

The LHIN makes contributions to the Hospitals of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 17 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2010 was \$217,414 (2009 - \$197,848) for current service costs and is included as an expense in the Statement of Financial Activities. The last actuarial valuation was completed for the plan as of December 31, 2009. At that time, the plan was fully funded.

14. Guarantees

The LHIN is subject to the provisions of the *Financial Administration Act*. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the *Financial Administration Act* and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the *Local Health System Integration Act, 2006* and in accordance with s. 28 of the *Financial Administration Act*.

15. Comparative figures

Certain of the prior year's comparative amounts have been reclassified to conform with the presentation adopted for the current year.

North West **LHIN**

Management's Responsibility for the Financial Statements

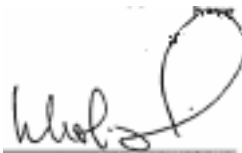
March 31, 2010

The integrity and objectivity of the accompanying financial statements of the North West Local Health Integration Network (NWLHIN) is the responsibility of management. These financial statements have been prepared in compliance with legislation and in accordance with Generally Accepted Account Principles (GAAP) and under Public Sector Accounting Board (PSAB).

Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for the preparation of the financial statements. These systems are monitored and evaluated by management, the Audit Committee and Board of Directors.

Management meets with the external auditors and the Board of Directors to review the financial statements and discuss any significant financial reporting or internal control matters prior to approval of the financial statements.

The financial statements have been audited by Deloitte & Touche LP, independent external auditors appointed by the Board of Directors.



Laura Kokocinski
Interim CEO



Chris Weislo
Controller



Deloitte & Touche LLP
5140 Yonge Street
Suite 1700
Toronto ON M2N 6L7
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Auditors' Report

To the Members of the Board of Directors of the
North West Local Health Integration Network

We have audited the statement of financial position of the North West Local Health Integration Network (the "LHIN") as at March 31, 2010 and the statements of financial activities, changes in net debt and cash flows for the year then ended. These financial statements are the responsibility of the LHIN's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the North West Local Health Integration Network as at March 31, 2010 and the results of its operations, its changes in its net debt and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads "Deloitte & Touche LLP".

Chartered Accountants
Licensed Public Accountants
April 24, 2010

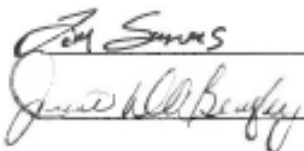
North West Local Health Integration Network

Statement of financial position

as at March 31, 2010

	2010	2009
	\$	\$
Financial assets		
Cash	2,068,416	1,470,670
Due from Ministry of Health and Long Term Care ("MOHLTC") - Internal LHIN Project Funding	90,000	-
("HSP") transfer payments (Note 9)	555,356	1,579,880
Due from HNHB LHIN	12,057	-
	2,725,829	3,050,550
Liabilities		
Accounts payable and accrued liabilities	1,064,569	1,020,593
Due to HSPs (Note 9)	555,356	1,579,880
Due to MOHLTC (Note 3B)	1,110,536	417,798
Due to the LHIN Shared Services Office (Note 4)	1,971	32,279
Deferred capital contributions (Note 5)	99,613	169,775
	2,832,045	3,220,325
Commitments (Note 6)		
Net debt	(106,216)	(169,775)
Non-financial assets		
Capital assets (Note 7)	99,613	169,775
Prepaid expenses	6,603	-
Accumulated surplus	-	-

Approved by the Board



Director



Director

North West Local Health Integration Network

Statement of financial activities year ended March 31, 2010

		2010	2009
	Budget (unaudited) (Note 8)	Actual	Actual
	\$	\$	\$
Revenue			
MOHLTC funding			
HSPs transfer payments (Note 9)	552,993,600	567,492,550	542,638,165
Operations of LHIN	4,859,600	4,864,099	4,841,175
Aboriginal Community Engagement (Note 11)	160,000	160,000	160,000
E-Health (Note 12)	600,000	655,000	600,000
Emergency Department LHIN ("ED") Lead (Note 13)	-	75,000	75,000
Ontario Diabetes Strategy ("ODS") (Note 14)			
ODS Service Expansion	-	66,500	224,700
ODS High Risk Populations	-	54,500	-
ODS Self-management Capacity Building	-	35,000	-
Emergency Room/Alternative Level of Care ("ER/ALC") Performance Lead (Note 15)	-	100,000	33,300
70% Full Time Nursing Initiative (Note 16)	-	-	42,750
Aboriginal Health Transition (Note 17)	-	422,125	165,625
Francophone Community Engagement (Note 18)	-	77,700	-
Amortization of deferred capital contributions (Note 5)	-	162,855	182,536
	558,613,200	574,165,329	548,963,251
Expenses			
Transfer payments to HSPs (Note 9)	552,993,600	567,492,550	542,638,165
General and administrative (Note 10)	4,859,600	4,752,093	4,895,161
Aboriginal Community Engagement (Note 11)	160,000	20,964	155,067
E-Health (Note 12)	600,000	398,839	541,725
ED LHIN Lead (Note 13)	-	70,616	71,651
Ontario Diabetes Strategy (Note 14)			
ODS Service Expansion	-	66,500	152,351
70% Full Time Nursing Initiative (Note 16)	-	-	36,333
Aboriginal Health Transition (Note 17)	-	312,504	-
	558,613,200	573,114,066	548,490,453
Annual surplus before funding repayable to the MOHLTC	-	1,051,263	472,798
In year surplus recovered by MOHLTC transferred to LSSO			(55,000)
In year surplus recovered by MOHLTC	-	(202,483)	-
Funding repayable to the MOHLTC (Note 3B)	-	(848,780)	(417,798)
Annual surplus	-	-	-
Opening accumulated surplus	-	-	-
Closing accumulated surplus	-	-	-

North West Local Health Integration Network

Statement of changes in net debt
year ended March 31, 2010

	2010	2009
	\$	\$
Annual surplus	-	-
Prepaid expenses incurred	(6,603)	-
Acquisition of capital assets	(92,693)	(18,425)
Amortization of capital assets	162,855	182,536
Decrease in net debt	63,559	164,111
Opening net debt	(169,775)	(333,886)
Closing net debt	(106,216)	(169,775)

North West Local Health Integration Network

Statement of cash flows
year ended March 31, 2010

	2010	2009
	\$	
Operating		
Annual surplus	-	-
Less items not affecting cash		
Amortization of capital assets	162,855	182,536
Amortization of deferred capital contributions (Note 5)	(162,855)	(182,536)
	-	-
Changes in non-cash operating items		
Increase in Prepaid expenses	(6,603)	-
Increase in Accounts Receivable - HNHB LHIN	(12,057)	-
Increase in due from MOHLTC - Internal LHIN Project Funding	(90,000)	-
Decrease (increase) in due from MOHLTC - HSPs transfer payments	1,024,524	(934,460)
Decrease (increase) in due from HSPs	-	107,730
Increase in accounts payable	43,976	314,044
(Decrease) increase in due to HSPs	(1,024,524)	826,730
Increase in due to MOHLTC	692,738	29,662
(Decrease) increase in due to LHIN Shared Services Office	(30,308)	23,514
	597,746	367,220
Capital transactions		
Acquisition of capital assets	(92,693)	(18,425)
Financing transactions		
Increase in deferred capital contributions (Note 5)	92,693	18,425
Net increase in cash	597,746	367,220
Cash, beginning of year	1,470,670	1,103,450
Cash, end of year	2,068,416	1,470,670

North West Local Health Integration Network

Notes to the financial statements

March 31, 2010

1. Description of business

The North West Local Health Integration Network was incorporated by Letters Patent on June 16, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the *Local Health System Integration Act, 2006* (the "Act") as the North West Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The LHIN has also entered into an Accountability Agreement with the Ministry of Health and Long Term Care ("MOHLTC"), which provides the framework for LHIN accountabilities and activities.

Commencing April 1, 2007, all funding payments to LHIN managed health service providers in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue with an equal amount in transfer payments to authorized Health Service Providers ("HSP") expensed in the LHIN's financial statements for the year ended March 31, 2010.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers the Districts of Thunder Bay, Rainy River and most of Kenora. The LHIN enters into service accountability agreements with service providers.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian generally accepted accounting principles for governments as established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA") and, where applicable, the recommendations of the Accounting Standards Board ("AcSB") of the CICA as interpreted by the Province of Ontario. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of capital assets and impairments in the value of assets.

Ministry of Health and Long-Term Care Funding

The LHIN is funded solely by the Province of Ontario in accordance with the Ministry LHIN Accountability Agreement ("MLAA"), which describes budget arrangements established by the MOHLTC. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to Health Service Providers ("HSPs"), effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the Ministry of Health and Long Term Care ("MOHLTC") of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account.

The LHIN statements do not include any MOHLTC managed programs.

North West Local Health Integration Network

Notes to the financial statements

March 31, 2010

2. Significant accounting policies (continued)

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at period end.

Deferred capital contributions

Any amounts received that are used to fund expenditures that are recorded as capital assets, are recorded as deferred capital contributions and are recognized over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the Statement of Financial Activities, is in accordance with the amortization policy applied to the related capital asset recorded.

Capital assets

Capital assets are recorded at historical cost. Historical cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of capital assets. The cost of capital assets contributed is recorded at the estimated fair value on the date of contribution. Fair value of contributed capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a capital asset are capitalized. Computer software is recognized as an expense when incurred.

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives as follows:

Office furniture and fixtures	5 years straight-line method
Computer equipment	3 years straight-line method
Leasehold improvements	Life of lease straight-line method
Web development	3 years straight-line method

For assets acquired or brought into use during the year, amortization is provided for a full year.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

North West Local Health Integration Network

Notes to the financial statements

March 31, 2010

3. Funding repayable to the MOHLTC

In accordance with the MLAA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

- A. The amount repayable to the MOHLTC related to the current year activities is made up of the following components:

	Revenue	Expenses	2010 surplus	2009 surplus
	\$	\$	\$	\$
Transfer payments to HSPs	567,492,550	567,492,550	-	-
LHIN operations	5,026,954	4,752,093	274,861	128,550
Aboriginal Community				
Engagement	160,000	20,964	139,036	4,933
E-Health	655,000	398,839	256,161	58,275
Ontario Diabetes Strategy (ODS)				
ODS Service Expansion	66,500	66,500	-	72,349
ODS High Risk Populations	54,500	-	54,500	-
ODS Self-Management Capacity	35,000	-	35,000	-
ED LHIN Lead	75,000	70,616	4,384	3,349
70% Full-Time				
Nursing Initiative	-	-	-	6,417
ER/ALC Performance Lead	100,000	-	100,000	33,300
Francophone Community Engagement	77,700	-	77,700	-
Aboriginal Health Transition	422,125	312,504	109,621	165,625
	574,165,329	573,114,066	1,051,263	472,798

- B. The amount due to the MOHLTC at March 31 is made up as follows:

	2010	2009
	\$	\$
Due to MOHLTC, beginning of year	417,798	388,136
Funding repaid to MOHLTC	(6,417)	(388,136)
08/09 Aboriginal Health Transition carryforward into 2009/10	(149,625)	-
Funding repayable to the MOHLTC related to		
current year activities (Note 3A)	1,051,263	472,798
In year surplus recovered by MOHLTC	(202,483)	-
In year surplus recovered by MOHLTC transferred to the LSSO	-	(55,000)
Due to MOHLTC, end of year	1,110,536	417,798

North West Local Health Integration Network

Notes to the financial statements

March 31, 2010

4. Related party transactions

The LHIN Shared Services Office (the "LSSO") and the Local Health Integration Network Collaborative (the "LHINC") are divisions of the Toronto Central LHIN and are subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO and LHINC, on behalf of the LHINs is responsible for providing services to all LHINs. The full costs of providing these services are billed to all the LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHIN at the year end are recorded as a receivable (payable) from (to) the LSSO. This is all done pursuant to the shared service agreement the LSSO has with all LHINs.

5. Deferred capital contributions

	2010	2009
	\$	\$
Balance, beginning of year	169,775	333,886
Capital contributions received during the year	92,693	18,425
Amortization for the year	(162,855)	(182,536)
Balance, end of year	99,613	169,775

6. Commitments

The LHIN has commitments under various operating leases related to building and equipment. The current building lease expires June 30, 2010 and therefore commitments for building lease beyond that date are not included below. The LHIN is currently negotiating a lease renewal for its building and it is anticipated the new lease will contain similar terms to the existing lease. Other lease renewals are also likely. Minimum lease payments due in each of the next five years as follows:

2011	64,613
2012	20,244
2013	2,898
2014	2,387
2015	597
	90,739

The LHIN also has funding commitments to HSPs associated with accountability agreements. Minimum commitments to HSPs related to the next two years, based on the current accountability agreements and are as follows:

	\$
	491,431,064
2011	907,024
2012	

The actual amounts which will ultimately be paid are contingent upon LHIN funding received from the MOHLTC.

North West Local Health Integration Network

Notes to the financial statements

March 31, 2010

7. Capital assets

			2010	2009
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office furniture and fixtures	272,382	237,087	35,295	48,351
Computer equipment	117,000	80,973	36,027	20,957
Leasehold improvements	517,545	489,420	28,125	97,884
Web development	7,250	7,084	166	2,583
	914,177	814,564	99,613	169,775

8. Budget figures

The budgets were approved by the Government of Ontario. The budget figures reported on the Statement of Financial Activities reflect the initial budget. The figures have been reported for the purposes of these statements to comply with PSAB reporting principles. During the year the government approved budget adjustments. The following reflects the adjustments for the LHIN during the year:

The final HSP funding budget of \$567,492,550 is derived as follows:

	\$
Initial budget	529,493,905
Adjustment due to announcements made during the year	37,998,645
Final budget	567,492,550

The final LHIN budget of \$6,509,924 is derived as follows:

	\$
Initial budget	5,116,792
Additional funding received during the year	
E-Health	655,000
ED LHIN Lead	75,000
Ontario Diabetes Strategy (ODS)	
ODS Service Expansion	66,500
ODS High Risk Populations	54,500
ODS Self-Management Capacity Building	35,000
ER/ALC Performance Lead	100,000
Aboriginal Health Transition	422,125
Francophone Community Engagement	77,700
Amount treated as capital contributions made during the year	(92,693)
Final budget	6,509,924

North West Local Health Integration Network

Notes to the financial statements

March 31, 2010

9. Transfer payments to HSPs

The LHIN has authorization to allocate funding of \$567,492,550 to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors in 2010 as follows:

	2010	2009
	\$	\$
Operation of hospitals	397,171,734	384,672,076
Health Infrastructure Renewal Fund	3,691,453	-
Grants to compensate for municipal taxation - public hospitals	104,250	104,250
Long term care homes	61,503,112	58,298,833
Community care access centres	37,733,336	35,552,976
Community support services	12,283,665	11,668,305
Acquired brain injury	1,205,225	1,025,159
Assisted living services in supportive housing	5,230,389	4,592,325
Community health centres	7,155,135	6,606,360
Community mental health program	29,615,269	28,764,744
Addictions program	11,798,982	11,353,137
	567,492,550	542,638,165

The LHIN receives money from the MOHLTC and in turn allocates it to the HSPs. As at March 31, 2010, an amount of \$555,356 (2009 - \$1,579,880) was receivable from the MOHLTC, and \$555,356 (2009 - \$1,579,880) was payable to the HSPs. These amounts have been reflected as revenue and expenses with the LHIN's financial activities and are included above.

10. General and administrative expenses

The Statement of Financial Activities presents the expenses by function, the following classifies these same expenses by object:

	2010	2009
	\$	\$
Salaries and benefits	3,117,354	2,702,197
Occupancy	191,212	185,952
Amortization	162,855	182,536
Equipment and maintenance	47,487	63,512
Shared services	362,714	300,000
Public relations and community forums	55,209	103,501
Professional fees	14,500	14,500
Staff travel	212,848	284,222
Staff development and recruitment	104,377	165,032
Consulting services	75,817	442,054
LHIN Collaborative	12,286	-
Supplies, printing and office	111,337	99,802
Board member per diems	58,705	63,075
Board chair per diems	43,610	49,315
Board member expenses	113,005	133,123
Mail, courier and telecommunications	68,777	106,340
	4,752,093	4,895,161

North West Local Health Integration Network

Notes to the financial statements

March 31, 2010

11. Aboriginal Community Engagement

The Ministry of Health and Long-Term Care provided \$160,000 (2009 - \$160,000) in additional base operational funding which was annualized for the purposes of engaging the Aboriginal population and organizations in the North West LHIN. During 2010, \$20,964 (2009 - \$155,067) of expenses were incurred.

12. eHealth

The eHealth office of the Ministry of Health and Long-Term Care provided \$655,000 to the LHIN (2009 - \$600,000). The funds were used to cover the operational and project costs associated with the LHIN Project Management Office infrastructure and eHealth Ontario activities. During the year, \$398,839 (2009 - \$541,725) of expenses were incurred.

13. Emergency Department LHIN Lead

The Ministry of Health and Long-Term Care provided \$75,000 in one-time funding to support the compensation of the North West LHIN Emergency Department (ED) LHIN Lead. During the year, \$70,616 of expenses were incurred (2009 - \$71,651).

14. Ontario Diabetes Strategy ("ODS")

ODS Service Expansion:

The LHIN received one-time funding from the Ministry of Health and Long-Term Care to continue planning for the implementation of Diabetes Teams. The funding allocation for fiscal year 2010 was \$66,500 (2009 - \$224,700). During the year, \$66,500 of expenses were incurred (2009 - \$152,351).

ODS High Risk Populations:

Additional one-time funding was provided to the LHIN for the High Risk Populations project. The funding allocation for fiscal year 2010 was \$54,500 (2009 - 0). During the year, no expenses were incurred.

ODS Self-management Capacity Building:

Additional one-time funding was provided to the LHIN to support the implementation of the Self-Management Capacity Building Initiative. The funding allocation for fiscal year 2010 was \$35,000 (2009 - 0). During the year, no expenses were incurred.

15. ER/ALC Performance Lead

The Ministry of Health and Long-Term Care provided one-time funding in the amount of \$100,000 (2009 - \$33,300) to support the compensation of the LHIN ER/ALC Performance Lead in 2009/10. During the year, no expenses were incurred (2009 - 0).

North West Local Health Integration Network

Notes to the financial statements

March 31, 2010

16. 70% Full-Time Nursing LHIN Engagement Initiative

The Ministry of Health and Long-Term Care provided one-time funding in the amount of \$42,750 in the 2009 fiscal year for the development of a nursing health human resource planning strategy. This funding was discontinued in 2010 and there were no expenses incurred (2009 - \$36,333).

17. Aboriginal Health Transition

The Ministry of Health and Long-Term Care approved a one-time funding amount of \$438,125 over two fiscal years (2009 and 2010). The funding allocation for fiscal year 2009 was \$165,625 of which \$149,625 was carried over into 2010. In the fiscal 2010 year \$312,504 of expenses were incurred (2009 - 0) in support of two Aboriginal Health Transition Fund Adaptation Projects. The projects include the development of a Mental Health and Addictions Strategy and an Environmental Scan of Aboriginal Health Services and Programs.

18. Francophone Community Engagement

The Ministry of Health and Long-Term Care approved one-time funding of \$77,700 (2009 - 0) to support the LHIN in its Francophone community engagement activities. During the year, no expenses were incurred.

19. Pension agreements

The LHIN makes contributions to the Hospitals of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 24 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2010 was \$244,921 (2009 - \$214,987) for current service costs and is included as an expense in the Statement of Financial Activities. The last actuarial valuation was completed for the plan in December 31, 2008. At this time, the plan is fully funded.

20. Guarantees

The LHIN is subject to the provisions of the *Financial Administration Act*. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the *Financial Administration Act* and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the *Local Health System Integration Act, 2006* and in accordance with s. 28 of the *Financial Administration Act*.

21. Segment disclosures

The LHIN was required to adopt Section PS 2700 - Segment Disclosures, for the fiscal year beginning April 1, 2007. A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the Statement of Financial Activities and within the related notes for both the prior and current year sufficiently discloses information of all appropriate segments and therefore no additional disclosure is required.

North West Local Health Integration Network

Notes to the financial statements

March 31, 2010

22. Comparative figures

Certain of the prior year's comparative amounts have been reclassified to conform with the presentation adopted by the current year.

48 Dundas Street West, Unit 2
Belleville, ON K8P 1A3
Tel: 613 967-0196
Toll Free: 1 866 831-5446
Fax: 613 967-1341
www.southeastlhin.on.ca

48, rue Dundas Ouest, unité 2
Belleville, ON K8P 1A3
Téléphone : 613 967-0196
Sans frais : 1 866 831-5446
Télécopieur : 613 967-1341
www.sud-estlhin.on.ca

March 31, 2010

South East **LHIN** **RLISS** du Sud-Est

Management's Responsibility for the Financial Statements

The integrity and objectivity of the accompanying financial statements of the South East Local Health Integration Network (SELHIN) is the responsibility of management. These financial statements have been prepared in compliance with legislation and in accordance with Generally Accepted Account Principles (GAAP) and under Public Sector Accounting Board (PSAB).

Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for the preparation of the financial statements. These systems are monitored and evaluated by management, the Audit Committee and Board of Directors.

Management meets with the external auditors and the Board of Directors to review the financial statements and discuss any significant financial reporting or internal control matters prior to approval of the financial statements.

The financial statements have been audited by Deloitte & Touche LP, independent external auditors appointed by the Board of Directors.



Paul Huras
Chief Executive Officer



Paula Heinemann
Manager Corporate Services / Controller



Deloitte & Touche LLP
5140 Yonge Street
Suite 1700
Toronto ON M2N 6L7
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Auditors' Report

To the Members of the Board of Directors of the
South East Local Health Integration Network

We have audited the statement of financial position of the South East Local Health Integration Network (the "LHIN") as at March 31, 2010 and the statements of financial activities, changes in net debt and cash flows for the year then ended. These financial statements are the responsibility of the LHIN's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the South East Local Health Integration Network as at March 31, 2010 and the results of its operations, its changes in its net debt and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

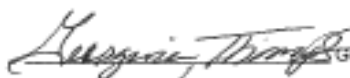
Chartered Accountants
Licensed Public Accountants
April 30, 2010

South East Local Health Integration Network

Statement of financial position
as at March 31, 2010

	2010	2009
	\$	\$
Financial assets		
Cash	975,076	1,011,618
Accounts receivable	-	1,788
Due from the LHIN Shared Services Office (Note 5)	1,895	-
	976,971	1,013,406
Liabilities		
Accounts payable and accrued liabilities	854,148	1,016,982
Due to MOHLTC (Note 3)	128,747	5,895
Due to the LHIN Shared Services Office (Note 5)	-	16,697
Deferred capital contributions (Note 6)	289,421	292,545
	1,272,316	1,332,119
Net debt	(295,345)	(318,713)
Non-financial assets		
Prepaid expenses	5,924	26,168
Capital assets (Note 7)	289,421	292,545
	295,345	318,713
Accumulated surplus	-	-

Approved on Behalf of the Board

 Georgina Thompson, Board Chair

 John Ferguson, Director and Audit Committee Chair

South East Local Health Integration Network

Statement of financial activities
year ended March 31, 2010

		2010	2009
	Budget (unaudited) (Note 8)	Actual	Actual
	\$	\$	\$
Revenue			
MOHLTC funding			
HSP transfer payments (Note 9)	905,077,193	960,628,457	905,077,193
Operations of LHIN (Note 3)	4,619,185	4,667,028	4,384,082
e-Health (Note 4a)	425,000	600,000	425,000
Emergency Department (Note 4b)	75,000	75,000	75,000
Aboriginal Initiative (Note 4c)	15,000	15,000	15,000
Aboriginal Health Transitions Fund Initiative (Note 4d)	-	20,000	24,450
ER/ALC Initiative (Note 4e)	100,000	100,000	33,300
Ontario Diabetes Strategy (Note 4f)	25,000	25,000	-
70% Full Time Nursing Initiative	-	-	50,000
Amortization of deferred capital contributions (Note 6)	-	47,665	54,605
	910,336,378	966,178,150	910,138,630
Expenses			
Transfer payments to HSPs (Note 9)	905,077,193	960,628,457	905,077,193
General and administrative (Note 10)	4,619,185	4,657,862	4,438,687
e-Health (Note 4a)	425,000	567,499	425,000
Emergency Department (Note 4b)	75,000	57,227	74,330
Aboriginal Initiative (Note 4c)	15,000	15,000	15,000
Aboriginal Health Transitions Fund Initiative (Note 4d)	-	20,000	24,450
ER/ALC Initiative (Note 4e)	100,000	100,000	33,000
Ontario Diabetes Strategy (Note 4f)	25,000	9,253	-
70% Full Time Nursing Initiative	-	-	50,000
	910,336,378	966,055,298	910,137,660
Annual surplus before funding repayable to the MOHLTC	-	122,852	970
Funding repayable to the MOHLTC (Note 3A)	-	(122,852)	(970)
Annual surplus and closing accumulated surplus	-	-	-

South East Local Health Integration Network

Statement of changes in net debt
year ended March 31, 2010

	2010	2009
	\$	\$
Annual surplus	-	-
Acquisition of capital assets	(44,541)	(235,103)
Amortization of capital assets	47,665	54,605
Change in prepaid expenses	20,244	20,327
Decrease (Increase) in net debt	23,368	(160,171)
Opening net debt	(318,713)	(158,542)
Closing net debt	(295,345)	(318,713)

South East Local Health Integration Network

Statement of cash flows year ended March 31, 2010

	2010	2009
	\$	\$
Operating transactions		
Annual surplus	-	-
Less items not affecting cash		
Amortization of capital assets	47,665	54,605
Amortization of deferred capital contribution (Note 6)	(47,665)	(54,605)
Changes in non-cash operating items		
Decrease (increase) in accounts receivable	1,788	(1,750)
Decrease in prepaid expenses	20,244	20,327
Decrease (increase) in due to the LHIN Shared Services Office	(18,592)	14,828
(Decrease) increase in accounts payable and accrued liabilities	(162,834)	331,178
Increase (decrease) in due to MOHLTC	122,852	(482,989)
	(36,542)	(118,406)
Investing transactions		
Acquisition of capital assets	(44,541)	(235,103)
Financing transactions		
Capital contributions received (Note 6)	44,541	235,103
Net decrease in cash	(36,542)	(118,406)
Cash, beginning of year	1,011,618	1,130,024
Cash, end of year	975,076	1,011,618

South East Local Health Integration Network

Notes to the financial statements

March 31, 2010

1. Description of business

The South East Local Health Integration Network was incorporated by Letters Patent on June 9, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the *Local Health System Integration Act, 2006* (the "Act") as the South East Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The LHIN has also entered into an Accountability Agreement with the Ministry of Health and Long Term Care ("MOHLTC"), which provides the framework for LHIN accountabilities and activities.

Commencing April 1, 2007, all funding payments to LHIN managed health service providers in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized Health Service Providers ("HSP") are expensed in the LHIN's financial statements for the year ended March 31, 2010.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN is home to over 482,000 people, which encompasses the areas of Hastings, Prince Edward, Lennox and Addington, Frontenac, Leeds and Grenville Counties, the cities of Kingston, Belleville and Brockville, the towns of Smith Falls and Prescott, and part of Lanark and Northumberland Counties. The LHIN enters into service accountability agreements with service providers.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian generally accepted accounting principles for governments as established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA") and, where applicable, the recommendations of the Accounting Standards Board ("AcSB") of the CICA as interpreted by the Province of Ontario. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of capital assets and losses in the book value of assets.

South East Local Health Integration Network

Notes to the financial statements

March 31, 2010

2. Significant accounting policies (continued)

Ministry of Health and Long-Term Care Funding

The LHIN is funded solely by the Province of Ontario in accordance with the Ministry LHIN Accountability Agreement ("MLAA"), which describes budget arrangements established by the MOHLTC. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to HSPs, effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account.

The LHIN statements do not include any Ministry managed programs.

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at year end.

Deferred capital contributions

Any amounts received that are used to fund expenditures that are recorded as capital assets, are recorded as deferred capital contributions and are recognized as revenue over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the Statement of Financial Activities, is in accordance with the amortization policy applied to the related capital asset recorded.

Capital assets

Capital assets are recorded at historical cost. Historical cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of tangible capital assets. The cost of capital assets contributed is recorded at the estimated fair value on the date of contribution. Fair value of contributed capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the capital asset would be recognized at nominal value.

Betterments or improvements that significantly increase or prolong the service life or capacity of a capital asset are capitalized. Maintenance and repair costs are recognized as an expense when incurred. Computer software is recognized as an expense when incurred.

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized, on a straight line basis, over their estimated useful lives as follows:

Office Equipment	5 years
Computer equipment	3 years
Leasehold improvements	Life of lease
Web developments	3 years

For assets acquired and brought into use, during the year, amortization is provided for a full year.

South East Local Health Integration Network

Notes to the financial statements

March 31, 2010

2. Significant accounting policies (continued)

Segment disclosures

The LHIN was required to adopt Section PS 2700 - Segment Disclosures, for the fiscal year beginning April 1, 2007. A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the Statement of Financial Activities and within the related notes for both the prior and current year sufficiently disclosed information of all appropriate segments and, therefore, no additional disclosure is required.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Funding repayable to the MOHLTC

In accordance with the MLAA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

In accordance with the accounting policy related to deferred capital contributions (Note 2) the LHIN has recognized the amortization of deferred capital contributions of \$47,665 (2009 - \$56,605) as revenue. This has resulted in an increase to the overall LHIN Operations revenue as shown in the table below. LHIN Operations base funding for 2010 after adjustments was \$4,711,569 as detailed in Note 8.

A. The amount repayable to the MOHLTC is made up of the following components:

	2010			2009	Total due to MOHLTC
	Revenue	Expenses	Surplus	Surplus	
	\$	\$	\$	\$	\$
Transfer payments to HSPs	960,628,457	960,628,457	-	-	-
LHIN operations	4,714,693	4,657,862	56,831	-	56,831
E-Health	600,000	567,499	32,501	-	32,501
Emergency department initiative	75,000	57,227	17,773	670	18,443
Aboriginal initiative	15,000	15,000	-	-	-
Aboriginal health transitions					
Fund initiative	20,000	20,000	-	-	-
ER/ALC Initiative	100,000	100,000	-	300	300
Ontario Diabetes strategy	25,000	9,253	15,747	-	15,747
	966,178,150	966,055,298	122,852	970	123,822
Aging at Home (relates to prior year)	-	-	-	4,925	4,925
	966,178,150	966,055,298	122,852	5,895	128,747

South East Local Health Integration Network

Notes to the financial statements

March 31, 2010

3. Funding repayable to the MOHLTC (continued)

B. The amount due to the MOHLTC at March 31 is made up as follows:

	2010	2009
	\$	\$
Due to MOHLTC, beginning of year	5,895	488,884
Funding repaid during the year	-	(488,884)
One-time funding repayable to the MOHLTC	66,021	5,895
LHIN Operations funding repayable to MOHLTC	56,831	
Due to MOHLTC, end of year	128,747	5,895

4. a) e-Health Initiative

During fiscal 2010, the South East LHIN received funding in the amount of \$600,000 from the MOHLTC. These funds were used toward initiatives in support of its strategic e-Health Plan as defined in its Integrated Health Services Plan. Unspent funds, amounting to \$32,501 at year end, are repayable to the MOHLTC.

\$

Expenses

Salaries and benefits	322,040
Consulting services	12,834
Travel	16,236
Meeting expenses	14,006
Other	202,383
	567,499

b) Emergency Department Initiative

During fiscal 2010, the South East LHIN received funding in the amount of \$75,000 from the MOHLTC. These funds were used toward initiatives in support of the strategic Emergency Department Initiative and fell under the Access to Specialized Medical Services, within the Integrated Health Services Plan "Priority for Change". Unspent funds, amounting to \$17,773 at year end, are repayable to the MOHLTC.

\$

Expenses

Salaries and benefits	52,505
Travel	4,682
Meeting expenses	36
Other	4
	57,227

c) Aboriginal Initiative

During fiscal 2010, the South East LHIN received funding in the amount of \$15,000 from the MOHLTC. These funds were used toward planning and engagement with the Aboriginal community in support of the Integrated Health Services Plan "Priority for Change".

\$

Expenses

Other	15,000
	15,000

South East Local Health Integration Network

Notes to the financial statements

March 31, 2010

4. (continued)

d) Aboriginal Health Transitions Fund Initiative

During fiscal 2010, the South East LHIN received funding in the amount of \$20,000 from the MOHLTC. These funds were provided through the Federal Government to provinces and used to support implementation of the approved project under the Aboriginal Health Transitions Fund Initiative.

\$

Expenses	
Other	20,000
	<u>20,000</u>

e) ER/ALC Initiative

During fiscal 2010, the South East LHIN received funding in the amount of \$100,000 from the MOHLTC. These funds were used in support of the ER/ALC Strategy.

\$

Expenses	
Salaries and benefits	100,000
	<u>100,000</u>

Actual expenditures incurred as part of the ER/ALC Initiative activities were in excess of the \$100,00 funding provided by the MOHLTC. The total of actual expenses is \$140,215. The deficit has been funded through LHIN Operations base as follows:

\$

Expenses	
Salaries and benefits	28,670
Travel	7,524
Meeting expenses	1,692
Other	2,329
	<u>40,215</u>

f) Ontario Diabetes Strategy Initiative

During fiscal 2010, the South East LHIN received funding in the amount of \$25,000 from the MOHLTC. These funds were used in support of the MOHLTC directive on the Ontario Diabetes Strategy. Unspent funds, amounting to \$15,747 at year end, are repayable to the MOHLTC.

\$

Expenses	
Other	9,253
	<u>9,253</u>

South East Local Health Integration Network

Notes to the financial statements

March 31, 2010

5. Related party transactions

LHIN Shared Services Office (LSSO)

The LSSO is a division of the Toronto Central LHIN and, as such, is subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO is responsible for providing services to all LHINs. The full costs of providing these services are billed to all the LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHIN at the year end is recorded as a receivable from (payable to) the LSSO. This is all done pursuant to the Shared Service Agreement the LSSO has with all the LHINs.

LHIN Collaborative (LHINC)

LHINC was formed in fiscal 2010 to strengthen relationships between and among health service providers, associations and the LHINs, and to support system alignment. The purpose of LHINC is to support the LHINs in:

- fostering engagement of the health service provider community in support of collaborative and successful integration of the health care system;
- their role as system manager;
- where appropriate, the consistent implementation of provincial strategy and initiatives;
- the identification and dissemination of best practices.
- LHINC is a LHIN-led organization and accountable to the LHINs. LHINC is funded by the LHINs with support from the Ministry of Health and Long-Term Care.

LHINC is a division of Toronto Central LHIN and as such is subject to the same policies, guidelines and directives as the Toronto Central LHIN.

6. Deferred capital contributions

	2010	2009
	\$	\$
Balance, beginning of year	292,545	112,047
Capital contributions received during the year	44,541	235,103
Amortization for the year	(47,665)	(54,605)
Balance, end of year	289,421	292,545

7. Capital assets

	2010		2009	
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office equipment	313,983	54,313	259,670	237,340
Computer equipment	69,567	63,187	6,380	6,963
Leasehold improvements	116,854	93,483	23,371	46,742
Web development	21,500	21,500	-	1,500
	521,904	232,483	289,421	292,545

South East Local Health Integration Network

Notes to the financial statements

March 31, 2010

8. Budget figures

The budgets were approved by the Government of Ontario. The budget figures reported in the Statement of Financial Activities reflect the initial budget at April 1, 2009. The figures have been reported for the purposes of these statements to comply with PSAB reporting requirement. During the year the government approves budget adjustments. The following reflects the adjustments for the LHIN during the year:

The total HSP funding budget of \$960,628,457 is made up of the following:

	\$
Initial HSP funding budget	905,077,193
Adjustment due to announcements made during the year	55,551,264
Total HSP funding budget	960,628,457

The total operating budget of \$4,711,569 is made up of the following:

	\$
Initial budget	4,619,185
Additional funding received during the year	92,384
Total budget	4,711,569

9. Transfer payments to HSPs

The LHIN has authorization to allocate the funding of \$960,628,457 to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors as follows:

	2010	2009
	\$	\$
Operation of Hospitals	640,350,426	605,347,505
Grants to compensate for Municipal Taxation - Public Hospitals	190,725	188,475
Long Term Care Homes	148,948,420	138,338,261
Community Care Access Centres	92,924,681	89,228,091
Community Support Services	23,443,792	20,035,925
Assisted Living Services in Supportive Housing	1,988,446	1,944,690
Community Health Centres	14,921,422	13,512,469
Community Mental Health Addictions Program	37,860,545	36,481,777
Total	960,628,457	905,077,193

South East Local Health Integration Network

Notes to the financial statements

March 31, 2010

10. General and administrative expenses

A. The Statement of Financial Activities presents expenses by function. The following classifies general and administrative expenses by object, as follows:

	2010	2009
	\$	\$
Program based		
Salaries and benefits	3,214,628	2,960,329
Consulting and LHIN-based projects	94,381	226,555
	3,309,009	3,186,884
Shared Services	362,714	300,000
Collaborative	12,286	-
Other (details listed below)	343,509	241,860
Occupancy	152,006	163,071
Office equipment and supplies	143,261	188,053
Board per diem	165,752	149,042
Public relations	69,180	99,816
Mail, courier and telecommunications	52,480	55,356
	4,610,197	4,384,082
Amortization	47,665	54,605
	4,657,862	4,438,687

B. The breakdown of "Other" general and administrative expenses listed in the table above are:

	2010	2009
	\$	\$
Training and development	94,498	57,811
Travel	159,673	160,242
Recruitment	16,662	5,330
Insurance	16,319	16,281
Other miscellaneous	56,357	2,196
	343,509	241,860

C. The total expenses related to governance is as follows, and are included in the expenses listed in Note 10A above:

	2010	2009
	\$	\$
Board chair per diems	89,250	82,075
All other per diems	76,502	66,967
Total per diems	165,752	149,042
Other governance related costs	115,464	135,335
	281,216	284,377

South East Local Health Integration Network

Notes to the financial statements

March 31, 2010

11. Pension agreements

The LHIN makes contributions to the Hospitals of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 22 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2010 was \$250,426 (2009 - \$232,948) for current service costs and is included as an expense in the Statement of Financial Activities. The last actuarial valuation was completed for the plan as of December 31, 2009. At that time, the plan was fully funded.

12. Guarantees

The LHIN is subject to the provisions of the *Financial Administration Act*. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the *Financial Administration Act* and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the *Local Health System Integration Act, 2006* and in accordance with s. 28 of the *Financial Administration Act*.

13. Commitments

The LHIN has commitments under various operating leases related to building and equipment. Lease renewals are likely. Minimum lease payments due in each of the next two years are as follows:

	\$
2010	56,626
2011	130
	<u>56,756</u>

The LHIN also has funding commitments to HSPs associated with accountability agreements. As of March 31, 2010 the LHIN had signed Accountability Agreements with all Hospitals and Community Agencies for the next two years. The actual amounts which will ultimately be paid are contingent upon actual LHIN funding received from MOHLTC.

201 Queens Avenue, Suite 700
London, Ontario N6A 1J1
Tel: 519 672-0445 • Fax: 519 672-6562
Toll-free: 1 866 294-5446
www.southwestlhinc.on.ca

Southwest LHIN

Management Responsibility Report

The management of the Southwest Local Health Integration Network (LHIN) is responsible for preparing the accompanying financial statements in conformity with generally accepted accounting principles. In preparing these financial statements, management selects appropriate accounting policies and uses its judgement and best estimates to report events and transactions as they occur. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Financial data included throughout this Annual Report is prepared on a basis consistent with that of the financial statements.

The LHIN maintains a system of internal accounting controls designed to provide reasonable assurance, at a reasonable cost, that assets are safeguarded and that transactions are executed and recorded in accordance with the LHIN's policies for doing business.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control, and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee. The Committee meets approximately four times annually to review audited and unaudited financial information. Deloitte & Touche LLP has full and free access to the Audit Committee.

Management acknowledges its responsibility to provide financial information that is representative of the LHIN's operations, is consistent and reliable, and is relevant for the informed evaluation of the LHIN's activities.



Mr. Michael Barrett
Chief Executive Officer



Mr. Matthew Little, CMA, MBA
Controller & Business Support Manager

May 14, 2010



Deloitte & Touche LLP
One London Place
255 Queens Avenue
Suite 700
London ON N6A 5R8
Canada

Tel: 519-679-1880
Fax: 519-640-4625
www.deloitte.ca

Auditors' Report

To the Members of the Board of Directors of the
South West Local Health Integration Network

We have audited the statement of financial position of the South West Local Health Integration Network (the "LHIN") as at March 31, 2010 and the statements of financial activities, changes in net debt and cash flows for the year then ended. These financial statements are the responsibility of the LHIN's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the South West Local Health Integration Network as at March 31, 2010 and the results of its operations, its changes in its net debt and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

Chartered Accountants
Licensed Public Accountants
May 14, 2010

South West Local Health Integration Network

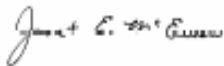
Statement of financial position
as at March 31, 2010

	2010	2009
	\$	\$
Financial assets		
Cash	705,687	1,254,897
Due from Ministry of Health and Long-Term Care ("MOHLTC") Health Service Provider ("HSP") transfer payments (Note 9)	16,382,394	2,113,558
Due from MOHLTC	107,000	-
Due from the LHIN Shared Services Office (Note 4)	3,343	-
Accounts receivable	6,368	2,826
	17,204,792	3,371,281
Liabilities		
Accounts payable and accrued liabilities	576,742	1,173,998
Due to Health Service Providers ("HSPs") (Note 9)	16,382,394	2,113,558
Due to MOHLTC (Note 3b)	173,656	65,842
Due to the LHIN Shared Services Office (Note 4)	-	17,883
Deferred revenue (Note 10g)	72,000	-
Deferred capital contributions (Note 5)	504,144	675,415
	17,708,936	4,046,696
Commitments (Note 6)		
Net debt	(504,144)	(675,415)
Non-financial assets		
Capital assets (Note 7)	504,144	675,415
Accumulated surplus	-	-

Approved by the Board



Director



Director

South West Local Health Integration Network

Statement of financial activities

year ended March 31, 2010

		2010	2009
	Budget (unaudited) (Note 8)	Actual	Actual
	\$	\$	\$
Revenue			
MOHLTC funding			
HSP transfer payments (Note 9)	1,950,587,846	1,996,757,391	1,910,900,828
Operations of LHIN	4,977,700	4,963,133	4,989,934
Aboriginal Planning (Note 10a)	35,000	35,525	-
Diabetes (Note 10b)	-	98,178	127,500
E-Health (Note 10c)	600,000	549,092	650,000
Emergency Department ("ED") Lead (Note 10d)	-	75,000	75,000
Emergency Room/Alternative Level of Care ("ER/ALC") Performance Lead (Note 10e)	-	100,000	33,300
70% Nursing Initiative (Note 10f)	-	-	50,000
Amortization of deferred capital contributions (Note 5)	-	325,756	306,463
	1,956,200,546	2,002,904,075	1,917,133,025
Expenses			
Transfer payments to HSPs (Note 9)	1,950,587,846	1,996,757,391	1,910,900,828
General and administrative (Note 11)	4,977,700	5,269,071	5,261,167
Aboriginal Planning (Note 10a)	35,000	35,777	-
Diabetes (Note 10b)	-	81,042	119,893
E-Health (Note 10c)	600,000	486,923	650,000
ED Lead (Note 10d)	-	60,356	62,629
ER/ALC Performance Lead (Note 10e)	-	105,701	22,666
70% Nursing Initiative (Note 10f)	-	-	50,000
	1,956,200,546	2,002,796,261	1,917,067,183
Annual surplus before funding repayable to MOHLTC	-	107,814	65,842
Funding repayable to the MOHLTC (Note 3a)	-	(107,814)	(65,842)
Annual surplus	-	-	-
Opening accumulated surplus	-	-	-
Closing accumulated surplus	-	-	-

South West Local Health Integration Network

Statement of changes in net debt

year ended March 31, 2010

		2010	2009
	Budget (unaudited) (Note 8)	Actual	Actual
	\$	\$	\$
Annual surplus	-	-	-
Acquisition of capital assets (Note 12)	-	(154,485)	(22,732)
Amortization of capital assets	-	325,756	306,463
Decrease in net debt	-	171,271	283,731
Opening net debt	-	(675,415)	(959,146)
Closing net debt	-	(504,144)	(675,415)

South West Local Health Integration Network

Statement of cash flows

year ended March 31, 2010

	2010	2009
	\$	\$
Operating transactions		
Annual surplus	-	-
Less items not affecting cash		
Amortization of capital assets	325,756	306,463
Amortization of deferred capital contributions (Note 5)	(325,756)	(306,463)
Changes in non-cash operating items		
Increase in due from MOHLTC HSP transfer payments	(14,268,836)	(796,038)
Increase in due from MOHLTC	(107,000)	-
Increase in due from LHIN Shared Services Office	(3,343)	-
(Increase) decrease in accounts receivable	(3,542)	5,689
(Decrease) increase in accounts payable and accrued liabilities	(597,256)	365,714
Increase in due to HSPs	14,268,836	796,038
Increase (decrease) in due to MOHLTC	107,814	(143,439)
(Decrease) increase in due to LHIN Shared Services Office	(17,883)	14,749
Increase in deferred revenue	72,000	-
	(549,210)	242,713
Capital transaction		
Acquisition of capital assets	(154,485)	(22,732)
Financing transaction		
Deferred capital contributions received (Note 5)	154,485	22,732
Net (decrease) increase in cash	(549,210)	242,713
Cash, beginning of year	1,254,897	1,012,184
Cash, end of year	705,687	1,254,897

South West Local Health Integration Network

Notes to the financial statements

March 31, 2010

1. Description of business

The South West Local Health Integration Network was incorporated by Letters Patent on July 9, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the *Local Health System Integration Act, 2006* (the "Act") as the South West Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The LHIN has also entered into an Accountability Agreement with the Ministry of Health and Long Term Care ("MOHLTC"), which provides the framework for LHIN accountabilities and activities.

Commencing April 1, 2007, all funding payments to LHIN managed health service providers in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized Health Service Provider ("HSP") are expensed in the LHIN's financial statements for the year ended March 31, 2010.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers approximately 22,000 square kilometers from Tobermory in the north to Long Point in the south. The LHIN enters into service accountability agreements with service providers.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian generally accepted accounting principles for governments as established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA") and, where applicable, the recommendations of the Accounting Standards Board ("AcSB") of the CICA as interpreted by the Province of Ontario. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of capital assets and impairments in the value of assets.

Ministry of Health and Long-Term Care Funding

The LHIN is funded solely by the Province of Ontario in accordance with the Ministry LHIN Accountability Agreement ("MLAA"), which describes budget arrangements established by the MOHLTC. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to HSPs, effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account.

The LHIN statements do not include any Ministry managed programs.

South West Local Health Integration Network

Notes to the financial statements

March 31, 2010

2. Significant accounting policies (continued)

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. Unspent amounts are recorded as payable to the MOHLTC at period end. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed.

Deferred capital contributions

Any amounts received that are used to fund expenditures that are recorded as capital assets, are recorded as deferred capital revenue and are recognized as revenue over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the statement of financial activities, is in accordance with the amortization policy applied to the related capital asset recorded.

Capital assets

Capital assets are recorded at historic cost. Historic cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of capital assets. The cost of capital assets contributed is recorded at the estimated fair value on date of contribution. Fair value of contributed capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a capital asset are capitalized. Computer software is recognized as an expense when incurred.

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives as follows:

Computer equipment	3 years straight-line method
Leasehold improvements	Life of lease straight-line method
Office equipment, furniture and fixtures	5 years straight-line method
Web development	3 years straight-line method

For assets acquired or brought into use, during the year, amortization is provided for a full year.

Segment disclosures

The LHIN was required to adopt Section PS 2700 - Segment Disclosures, for the fiscal year beginning April 1, 2007. A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the statement of financial activities and within the related notes for both the prior and current year sufficiently discloses information of all appropriate segments and, therefore, no additional disclosure is required.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

South West Local Health Integration Network

Notes to the financial statements

March 31, 2010

3. Funding repayable to the MOHLTC

In accordance with the MLAA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

- a) The amount repayable to the MOHLTC related to current year activities is made up of the following components:

	Revenue	Expenses	2010 surplus	2009 surplus
	\$	\$	\$	\$
Transfer payments to HSPs	1,996,757,391	1,996,757,391	-	-
LHIN operations	5,288,889	5,269,071	19,818	35,230
Aboriginal Planning	35,525	35,777	(252)	-
Diabetes	98,178	81,042	17,136	7,607
E-Health	549,092	486,923	62,169	-
ED Lead	75,000	60,356	14,644	12,371
ER/ALC Lead	100,000	105,701	(5,701)	10,634
	2,002,904,075	2,002,796,261	107,814	65,842

- b) The amount due to the MOHLTC at March 31 is made up as follows:

	2010	2009
	\$	\$
Due to MOHLTC, beginning of year	65,842	209,281
Funding repaid to MOHLTC	-	(209,281)
Funding repayable to the MOHLTC related to current year activities (Note 3a)	107,814	65,842
Due to MOHLTC, end of year	173,656	65,842

4. Related party transactions

The LHIN Shared Services Office (the "LSSO") is a division of the Toronto Central LHIN and is subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO, on behalf of the LHINs is responsible for providing services to all LHINs. The full costs of providing these services are billed to all the LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHIN at the year end is recorded as a receivable (payable) from (to) the LSSO. This is all done pursuant to the shared service agreement the LSSO has with all the LHINs.

The LHIN Collaborative (the "LHINC") was formed in fiscal 2010 to strengthen relationships between and among health service providers, associations and the LHINs, and to support system alignment. The purpose of LHINC is to support the LHINs in fostering engagement of the health service provider community in support of collaborative and successful integration of the health care system; their role as system manager; where appropriate, the consistent implementation of provincial strategy and initiatives; and the identification and dissemination of best practices. LHINC is a LHIN-led organization and accountable to the LHINs. LHINC is funded by the LHINs with support from the MOHLTC.

South West Local Health Integration Network

Notes to the financial statements

March 31, 2010

5. Deferred capital contributions

	2010	2009
	\$	\$
Balance, beginning of year	675,415	959,146
Capital contributions received during the year (Note 12)	154,485	22,732
Amortization for the year	(325,756)	(306,463)
Balance, end of year	504,144	675,415

6. Commitments

The LHIN has commitments under various operating leases related to building and equipment. Lease renewals are likely. Minimum lease payments due in each of the next five years are as follows:

	\$
2011	253,249
2012	249,223
2013	209,216
2014	198,349
2015	82,645

The LHIN also has funding commitments to HSPs associated with accountability agreements. Minimum commitments to HSPs, based on the current accountability agreements, are as follows:

	\$
2011	1,708,112,525

The actual amounts which will ultimately be paid are contingent upon actual LHIN funding received from the MOHLTC.

7. Capital assets

			2010	2009
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Computer equipment	88,030	63,585	24,445	14,181
Leasehold improvements	1,463,410	1,116,132	347,279	523,104
Office equipment, furniture and fixtures	199,205	66,785	132,420	130,797
Web development	21,998	21,998	-	7,333
	1,772,643	1,268,500	504,144	675,415

South West Local Health Integration Network

Notes to the financial statements

March 31, 2010

8. Budget figures

The budgets were approved by the Government of Ontario. The budget figures reported in the statement of financial activities reflect the initial budget at April 1, 2009. The figures have been reported for the purposes of these statements to comply with PSAB reporting requirements. During the year the government approved budget adjustments. The following reflects the adjustments for the LHIN during the year:

The final HSP funding budget of \$1,996,757,391 is derived as follows:

	\$
Initial budget	1,950,587,846
Adjustment due to announcements made during the year	46,169,545
Final HSP funding budget	1,996,757,391

The final operating budget, excluding HSP funding, of \$5,830,913 is derived as follows:

	\$
Initial budget	5,612,700
Additional funding received during the year	372,698
Amount treated as capital contributions during the year	(154,485)
Final LHIN operating budget	5,830,913

9. Transfer payments to HSPs

The LHIN has authorization to allocate funding of \$1,996,757,391 to various HSPs in its geographic area. The LHIN approved transfer payments to various sectors in 2010 as follows:

	2010	2009
	\$	\$
Operation of hospitals	1,478,403,457	1,424,880,921
Grants to compensate for municipal taxation - public hospitals	451,650	451,350
Long term care homes	246,734,108	235,432,172
Community care access centres	162,409,737	148,561,357
Community support services	29,644,098	27,838,627
Assisted living services in supportive housing	15,959,228	13,067,348
Community health centres	8,712,310	7,417,723
Community mental health addictions program	54,442,803	53,251,330
	1,996,757,391	1,910,900,828

The LHIN receives funding from the MOHLTC and in turn allocates it to the HSPs. As at March 31, 2010, an amount of \$16,382,394 (2009 - \$2,113,558) was receivable from MOHLTC, and was payable to the HSPs. These amounts have been reflected as revenue and expenses in the statement of financial activities and are included in the table above.

South West Local Health Integration Network

Notes to the financial statements

March 31, 2010

10. a) Aboriginal Planning

The MOHLTC provided the LHIN with \$35,525 related to aboriginal planning. The LHIN incurred operating expenses totaling \$35,777.

b) Diabetes

The MOHLTC provided the LHIN with \$98,178 (2009 - \$127,500) related to diabetes management strategy funding. The LHIN incurred operating expenses totaling \$81,042 (2009 - \$119,893). The LHIN has setup a repayable to the MOHLTC for the remaining balance.

c) E-Health

The E-Health office of the MOHLTC provided \$600,000 (2009 - \$650,000) to the LHIN. The LHIN had a contract and retained services of the London Health Sciences Centre ("LHSC") during 2009 and spent all available funds. During 2010 the LHIN hired staff to create a project management office while incurring operating expenses of \$486,923 (2009 - \$650,000) and capital expenses of \$50,908 (2009 - \$Nil). The LHIN has setup a repayable to the MOHLTC for the remaining balance.

d) ED Lead

The MOHLTC provided the LHIN with \$75,000 (2009 - \$75,000) to hire a LHIN representative for emergency department planning. Dr. Lisa Shepherd was selected and remunerated a total of \$60,356 (2009 - \$62,629) through a monthly per diem and expense allowance as described by the MOHLTC. The LHIN has setup a repayable to the MOHLTC for the remaining balance.

e) ER/ALC Lead

The MOHLTC provided the LHIN with \$100,000 (2009 - \$33,300) related to emergency room management strategy funding. The LHIN incurred operating expenses totaling \$105,701 (2009 - \$22,666) and has set-up a repayable to the MOHLTC for the remaining balance. The LHIN has used operational funding to offset additional expenses.

f) 70% Nursing Initiative

The MOHLTC provided the LHIN with \$50,000 related to nurse staffing strategy in the 2009 fiscal year. This funding was discontinued in 2010 and there were no expenses incurred (2009 - \$50,000)

g) Deferred revenue

The MOHLTC provided the LHIN with \$72,000 related to French Language Services in the 2010 fiscal year and has allowed the LHIN to retain these funds until the end of August 2010. No related expenses were incurred in fiscal 2010 and all funds were deferred.

South West Local Health Integration Network

Notes to the financial statements

March 31, 2010

11. General and administrative expenses

The statement of financial activities presents the expenses by function; the following classifies general and administrative expenses by object:

	2010	2009
	\$	\$
Salaries and benefits	2,865,731	2,824,036
Occupancy (Note 12)	240,561	190,509
Amortization	325,756	306,463
Shared services	362,714	300,000
LHIN Collaborative	12,286	-
Public relations	139,432	54,169
Consulting services	664,610	943,272
Supplies	82,516	96,615
Board chair per diem	25,900	46,839
Board member per diem	65,010	70,572
Board member expenses	133,228	169,923
Mail, courier and telecommunications	130,495	65,134
Other	220,832	193,635
	5,269,071	5,261,167

12. Recovered expenditures

The LHIN has an agreement with the Southwest Community Care Access Centre ("CCAC") to introduce a Chronic Disease Prevention and Management ("CDPM") Project. The CCAC will pay the cost of accommodations and initial office set-up on behalf of the CDPM to the LHIN.

During the 2010 fiscal year, amounts received for accommodations decreased occupancy expense by \$58,200 to \$240,561 from \$298,761 and is included in the statement of financial activities.

13. Pension agreements

The LHIN makes contributions to the Hospitals of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 26 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2010 was \$256,430 (2009 - \$208,061) for current service costs and is included as an expense in the statement of financial activities. The last actuarial valuation was completed for the plan on December 31, 2009. As that time, the plan was fully funded.

14. Guarantees

The LHIN is subject to the provisions of the *Financial Administration Act*. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favor of third parties, except in accordance with the *Financial Administration Act* and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the *Local Health System Integration Act, 2006* and in accordance with s.28 of the *Financial Administration Act*.

15. Comparative figures

Certain of the prior year's comparative amounts have been reclassified to conform with the presentation adopted in the current year.

425 Bloor Street East, Suite 201
Toronto, ON M4W 3R4
Tel: 416 921-7453 • Fax: 416 921-0117
Toll-free: 1 866 383-5446
www.torontocentrallhin.on.ca

Toronto Central LHIN

March 31, 2010

Management's Responsibility for the Financial Statements

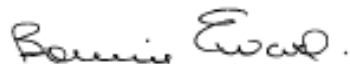
Toronto Central Local Health Integration Network (the "LHIN"), a crown agency, is dedicated to the highest standards of integrity in its business. To safeguard the LHIN's assets and assure the reliability of financial information, the LHIN follows sound management practices and procedures, and maintains appropriate information systems and internal financial controls.

The integrity and objectivity of the accompanying financial statements of the LHIN is the responsibility of management. These financial statements have been prepared in compliance with legislation and in accordance with Generally Accepted Accounting Principles (GAAP) and under Public Sector Accounting Board (PSAB).

Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for the preparation of the financial statements. These systems are monitored and evaluated by management, the Audit Committee and Board of Directors.

Management meets with the external auditors and the Board of Directors to review the financial statements and discuss any significant financial reporting or internal control matters prior to approval of the financial statements.

The financial statements have been audited by Deloitte & Touche LP, independent external auditors appointed by the Board of Directors.



Bonnie Ewart
Chief Executive Officer



Rai Krishnaoillal
Controller



Deloitte & Touche LLP
5140 Yonge Street
Suite 1700
Toronto ON M2N 6L7
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Auditors' Report

To the Members of the Board of Directors of the
Toronto Central Local Health Integration Network

We have audited the statement of financial position of the Toronto Central Local Health Integration Network (the "LHIN") as at March 31, 2010 and the statements of financial activities, changes in net debt and cash flows for the year then ended. These financial statements are the responsibility of the LHIN's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Toronto Central Local Health Integration Network as at March 31, 2010 and the results of its operations, its changes in its net debt and in its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

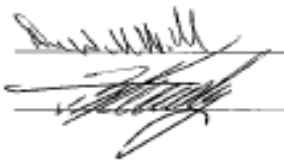
Chartered Accountants
Licensed Public Accountants
April 30, 2010

Toronto Central Local Health Integration Network

Statement of financial position as at March 31, 2010

	2010	2009
	\$	\$
Financial assets		
Cash	2,117,680	1,857,932
Due from Local Health Integration Networks ("LHINs") (Note 3)	33,172	272,897
Due from Ministry of Health and Long-Term Care ("MOHLTC") regarding HSP transfer payments	2,333,699	10,855,983
	4,484,551	12,986,812
Liabilities		
Accounts payable and accrued liabilities	2,089,583	2,132,555
Due to HSPs	2,333,699	10,855,983
Due to MOHLTC (Note 4b)	46,070	550
Deferred revenue	66,700	25,950
Deferred capital contributions (Note 5)	783,608	985,319
	5,319,660	14,000,357
Net debt	835,109	1,013,545
Non-financial assets		
Prepaid expenses	51,501	28,226
Capital assets (Note 6)	783,608	985,319
	835,109	1,013,545
Accumulated surplus	-	-

Approved by the Board



Director

Director

Toronto Central Local Health Integration Network

Statement of financial activities year ended March 31, 2010

		2010	2009
	Budget (unaudited) (Note 7)	Actual	Actual
	\$	\$	\$
Revenue			
Ministry of Health and Long-Term Care ("MOHLTC") funding	5,827,821	5,732,821	5,590,235
MOHLTC Funding to LHIN Collaborative (LHINC) (Note 16)	670,000	670,000	-
Health Service Provider ("HSP") transfer payments (Note 8)	4,118,133,600	4,200,566,501	4,043,555,722
E-Health (Note 9)	-	600,000	425,000
Emergency Department ("ED") Leads (Note 10)	-	75,000	75,000
Diabetes Strategy (Note 11)	-	95,000	561,500
Aboriginal Health Transition Planning (Note 12)	-	63,500	26,625
Emergency Room and Alternate Level of Care (ER/ALC) (Note 13)	-	100,000	33,300
Amortization of deferred capital contributions (Note 5)	-	781,191	726,832
Amounts recovered/recoverable from the LHINs for LHINC (Note 16)	650,000	159,714	-
Amounts recovered/recoverable from the LHINs for LSSO	4,457,601	4,161,756	3,835,585
	4,129,739,022	4,213,005,483	4,054,829,799
Expenses			
Transfer payments to HSPs (Note 8)	4,118,133,600	4,200,566,501	4,043,555,722
General and administrative (Note 14)	5,827,821	6,102,387	5,960,266
LHIN Shared Services Office expense (Note 15)	4,457,601	4,572,366	4,191,836
LHIN Collaborative (Note 16)	1,320,000	829,714	-
E-Health (Note 9)	-	600,000	425,000
Emergency Department ("ED") Leads (Note 10)	-	75,000	75,000
Diabetes Strategy and Diabetes Registry (Note 11)	-	95,000	561,500
Aboriginal Health Transition Planning (Note 12)	-	63,500	26,625
Emergency Room and Alternate Level of Care (ER/ALC) (Note 13)	-	100,000	33,300
	4,129,739,022	4,213,004,468	4,054,829,249
Annual surplus before funding repayable to the MOHLTC	-	1,015	550
Funding repayable to the MOHLTC (Note 4a)	-	(1,015)	(550)
Annual surplus	-	-	-
Opening accumulated surplus	-	-	-
Closing accumulated surplus	-	-	-

Toronto Central Local Health Integration Network

Statement of changes in net debt
year ended March 31, 2010

	Budget unaudited (Note 7)	2010	2009
		\$	\$
Annual surplus	-	-	-
Acquisition of capital assets	-	(579,480)	(478,474)
Amortization of capital assets	-	781,191	726,832
Change in other non-financial assets	-	(23,275)	(26,173)
(Decrease) increase in net debt	-	178,436	222,185
Opening net debt	-	(1,013,545)	(1,235,730)
Closing net debt	-	(835,109)	(1,013,545)

Toronto Central Local Health Integration Network

Statement of cash flows year ended March 31, 2010

	2010	2009
	\$	\$
Operating transactions		
Annual surplus	-	-
Less items not affecting cash		
Amortization of capital assets	781,191	726,832
Amortization of deferred capital contributions (Note 5)	(781,191)	(726,832)
	-	-
Changes in non-cash operating items		
Decrease (increase) in due from LHINs	239,725	(204,248)
Decrease (increase) in due from MOHLTC regarding HSP transfer payments	8,522,284	(4,814,106)
Decrease in accounts payable and accrued liabilities	(42,972)	(720,691)
Decrease in due from MOHLTC	-	355,037
(Decrease) increase in due to HSPs	(8,522,284)	4,814,106
Increase in due to the MOHLTC	45,520	550
Increase in deferred revenue	40,750	25,950
Increase in prepaid expenses	(23,275)	(26,173)
	259,748	(569,575)
Capital transactions		
Acquisition of capital assets	(579,480)	(478,474)
Financing transactions		
Increase in deferred capital contributions (Note 5)	579,480	478,474
Net change in cash	259,748	(569,575)
Cash, beginning of year	1,857,932	2,427,507
Cash, end of year	2,117,680	1,857,932

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2010

1. Description of business

The Toronto Central Local Health Integration Network was incorporated by Letters Patent on June 2, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the *Local Health System Integration Act, 2006* (the "Act") as the Toronto Central Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The LHIN has also entered into an Accountability Agreement with the Ministry of Health and Long Term Care ("MOHLTC"), which provides the framework for LHIN accountabilities and activities.

Commencing April 1, 2007, all funding payments to LHIN managed health service providers in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized Health Service Providers ("HSP") are expensed in the LHIN's financial statements for the year ended March 31, 2010.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers the City of Toronto. The LHIN enters into service accountability agreements with service providers.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian generally accepted accounting principles for governments as established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA") and, where applicable, the recommendations of the Accounting Standards Board ("AcSB") of the CICA as interpreted by the Province of Ontario. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of capital assets and losses in the value of assets.

Ministry of Health and Long-Term Care Funding

The LHIN is funded solely by the Province of Ontario in accordance with the Ministry LHIN Accountability Agreement ("MLAA"), which describes budget arrangements established by the MOHLTC. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to HSPs, effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account.

The LHIN financial statements do not include any MOHLTC managed programs.

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2010

2. Significant accounting policies (continued)

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at period end.

Deferred capital contributions

Any amounts received that are used to fund expenditures that are recorded as capital assets, are initially recorded as deferred capital contributions and are recognized as revenue over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the Statement of Financial Activities, is in accordance with the amortization policy applied to the related capital asset recorded.

Capital assets

Capital assets are recorded at historic cost. Historic cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of capital assets. The cost of capital assets contributed is recorded at the estimated fair value on date of contribution. Fair value of contributed capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a capital asset are capitalized. Computer software is recognized as an expense when incurred.

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives as follows:

Office furniture and fixtures	5 years straight-line method
Computer equipment	3 years straight-line method
Leasehold improvements	Life of lease straight-line method

For assets acquired or brought into use during the year, amortization is calculated for a full year.

Segmented financial reporting

The financial statements of the LHIN include the accounts of its LSSO and LHINC divisions. Separate schedules of LSSO and LHINC financial position and financial activities are presented in the attached schedules to the financial statements.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2010

3. Related party transactions

The LHIN Shared Services Office (the "LSSO") is a division of the Toronto Central LHIN and is subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO, on behalf of the LHINs is responsible for providing services to all LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHIN at the year end are recorded as a receivable (payable) to (from) the LSSO. This is all done pursuant to the Shared Service Agreement the LSSO has with all the LHINs.

The LHIN Collaborative (the "LHINC") is a division of the Toronto Central LHIN and is subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LHINC is responsible for providing advice to all LHINs in the areas of planning integration and community engagement, allocation methodologies, accountability performance and system alignment and co-ordination. Any portion of the LHINC operating costs overpaid (or not paid) by the LHIN at the year end are recorded as a receivable (payable) to (from) the LHINC. This is all done pursuant to the LHINC Agreement the LHINC has with all the LHINs. At the direction of the MOHLTC for the period from April 1, 2009 to July 2009 all operating costs of LHINC were paid for by the Mississauga Halton LHIN. LHINC became a division of TC LHIN effective July 2009. Mississauga Halton LHIN was reimbursed for costs incurred from the LHINC budget, and these costs are included in LHINC expenditures outlined in Note 16.

4. Funding repayable to the MOHLTC

In accordance with the MLAA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

- a. The amount repayable to the MOHLTC related to the current activities is made up of the following components:

	Revenue	Expenses	2010 Surplus	2009
	\$	\$	\$	
Transfer payments to HSPs	4,200,566,501	4,200,566,501	-	-
LHIN operations	5,732,821	5,731,806	1,015	550
E-Health	600,000	600,000	-	-
ED Leads	75,000	75,000	-	-
Diabetes Strategy	95,000	95,000	-	-
Aboriginal Health	63,500	63,500	-	-
Transition Planning				-
ER/ALC	100,000	100,000	-	-
	4,207,232,822	4,207,231,807	1,015	550

- b. The amount due to (from) the MOHLTC at March 31, is made up as follows:

	2010	2009
	\$	\$
Due to MOHLTC, beginning of year	(550)	355,037
MOHLTC payment	-	(355,037)
Funding repayable to the MOHLTC	(44,505)	-
Funding repayable to the MOHLTC related to current year activities (Note 4a)	(1,015)	(550)
Due (to)/from MOHLTC, end of year	(46,070)	(550)

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2010

5. Deferred capital contributions

	2010	2009
	\$	\$
Balance, beginning of year	985,319	1,233,677
Capital contributions received during the year	579,480	478,474
Amortization for the year	(781,191)	(726,832)
Balance, end of year	783,608	985,319

6. Capital assets

	2010		2009
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Office furniture and fixtures	251,685	239,117	12,568
Computer equipment	2,015,534	1,250,366	765,168
Leasehold improvements	1,261,883	1,256,011	5,872
	3,529,102	2,745,494	783,608
			985,319

7. Budget figures

The budgets were approved by the Government of Ontario. The budget figures reported in the Statement of Financial Activities reflect the initial budget at April 1, 2009. The figures have been reported for the purposes of these statements to comply with PSAB reporting requirements. During the year the government approves budget adjustments. The following reflects the adjustments for the LHIN during the year:

The total HSP funding budget of \$4,200,566,501 is made up of the following:

	\$
Initial HSP Funding budget	4,118,133,600
Adjustment due to announcements made during the year	83,149,001
Re-allocation between LHINS	(716,100)
Total HSP Funding budget	4,200,566,501

The total operating budget excluding HSP Funding of \$ 6,761,321 is made up of the following:

	\$
Initial budget	5,827,821
Additional funding received during the year for:	
E-Health	600,000
ED Leads	75,000
Diabetes Strategy	95,000
Aboriginal Health Transition Planning	63,500
Emergency Room and Alternative Level of Care (ER/ALC) Note 13	100,000
Total budget	6,761,321

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2010

8. Transfer payments to HSPs

The LHIN has authorization to allocate funding of \$4,200,566,501 (2009 - \$4,043,555,722) to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors in fiscal 2010 as follows:

	2010	2009
	\$	\$
Operation of hospitals	3,284,060,297	3,172,123,582
Grants to compensate for municipal taxation - public hospitals	736,800	736,800
Long-term care homes	233,431,076	224,682,836
Community care access centres	184,791,680	169,033,788
Community support services	43,192,053	42,425,230
Assisted living services in supportive housing	42,116,912	37,916,102
Community health centres	72,497,865	66,446,702
Community mental health addictions program	89,763,672	86,093,371
Addictions program	22,553,652	21,913,442
Specialty psychiatric hospitals	227,377,944	222,139,319
Grants to compensate for municipal taxation - psychiatric hospitals	44,550	44,550
	4,200,566,501	4,043,555,722

9. E-Health

The LHIN received funding of \$600,000 (2009 - \$425,000) related to the E-Health project. E-Health expenses incurred during the year are as follows:

	2010	2009
	\$	\$
Salaries and benefits	588,575	356,470
Translation Services	1,055	42,200
Other	10,370	26,330
	600,000	425,000

10. Emergency Department ("ED") Leads

The LHIN received funding of \$75,000 (2009 - \$75,000) related to the ED Leads project. ED Leads expenses incurred during the year are as follows:

	2010	2009
	\$	\$
Salaries and benefits	15,000	17,500
Consulting	60,000	57,500
	75,000	75,000

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2010

11. Diabetes Strategy and Diabetes Registry

During the year, the LHIN was provided funding of \$95,000 (2009 - \$561,500) from the MOHLTC for Diabetes Strategy and Diabetes Registry Program. The Diabetes program expenses incurred during the year are as follows:

	2010	2009
	\$	\$
Salaries and benefits	94,590	528,088
Consulting	-	19,250
Other	410	14,162
	95,000	561,500

12. Aboriginal Health Transition Planning

During the year, the LHIN was provided funding of \$63,500 (2009 - \$26,625) from the MOHLTC for Diabetes and Diabetes referrals Program. The Aboriginal Planning expenses incurred during the year are as follows:

	2010	2009
	\$	\$
Salaries and benefits	59,285	2,771
Consulting	2,265	22,915
Other	1,950	939
	63,500	26,625

13. Emergency Room and Alternate Level of Care (ER/ALC)

During the year, the LHIN was provided funding of \$100,000 (2009 - \$33,300) from the MOHLTC for the ER/ALC program. The LHIN incurred \$100,000 (2009 - \$33,300) ER/ALC expenses related to salaries and benefits.

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2010

14. General and administrative expenses

The Statement of Financial Activities presents the expenses by function, the following classifies general and administrative expenses by object:

	2010	2009
	\$	\$
Salaries and benefits	4,430,938	3,868,461
Occupancy	265,333	232,460
Amortization	370,580	370,580
Shared services	362,714	300,000
LHINC	12,286	-
Public affairs and communications	44,494	8,804
Consulting services	72,522	711,581
Translation services	33,890	-
Professional services	39,624	-
Supplies	102,557	110,237
Governance	104,554	153,181
Mail, courier and telecommunications	63,586	46,041
Other	199,309	158,921
	6,102,387	5,960,266

The following lists the Board Chair and Directors per diem costs as well as their travel which are included in governance expense in the general and administrative expenses above.

	2010 Budget	2010 Actual	2009
	\$	\$	\$
Board Chair per diem cost	54,600	34,225	82,250
Directors per diem cost	103,500	66,325	63,700
Board travel	6,900	4,004	7,231
	165,000	104,554	153,181

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2010

15. Common LHIN services expenses

The Statement of Financial Activities presents the common LHIN services expenses as a function, the following classifies the same expenses by object:

	2010	2009
	\$	\$
Salaries	1,093,259	980,259
Benefits	137,687	182,275
Supplies	31,489	15,037
Telecommunications	22,000	21,201
Recruitment and staff development	60,417	14,346
Computer expense	663,941	217,109
Consulting fees	262,800	180,587
Professional services	34,904	-
Meeting expenses	2,444	4,124
Accommodation and amortization	126,469	428,759
Other	34,106	59,925
Shared services	2,465,564	2,388,214
Total common LHIN services expenses	4,935,080	4,491,836
Less inter-entity transactions eliminated on consolidation	(362,714)	(300,000)
	4,572,366	4,191,836

16. Collaborative LHIN services expenses

The Statement of Financial Activities presents the collaborative LHIN services expenses by function; the following classifies the same expenses by object:

LHINC receives \$670,000 funding from MOHLTC and the balance of the revenue from all the LHINs. Costs allocation is based on the percentage proportionate on the funding received.

	LHINs	MOHLTC	Total
	\$	\$	\$
Salaries	-	325,387	325,387
Benefits	8,543	73,851	82,394
Supplies	6,337	-	6,337
Telecommunications	4,894	30,891	35,785
Recruitment and staff development	888	47,746	48,634
Computer expense	83,692	-	83,692
Consulting fees	15,135	191,680	206,815
Meeting expenses	7,584	-	7,584
Accommodation and amortization	40,299	-	40,299
Other	4,628	445	5,073
	172,000	670,000	842,000
Less inter-entity transactions eliminated on consolidation	(12,286)	-	(12,286)
	159,714	670,000	829,714

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2010

17. Pension agreements

The LHIN makes contributions to the Hospitals of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 37 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2010 was \$379,969 (2009 - \$301,068) for current service costs and is included as an expense in the Statement of Financial Activities. The last actuarial valuation was completed for the plan as of December 31, 2009. At that time, the plan was fully funded.

18. Guarantees

The LHIN is subject to the provisions of the *Financial Administration Act*. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the *Financial Administration Act* and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the *Local Health System Integration Act, 2006* and in accordance with s. 28 of the *Financial Administration Act*.

19. Commitments

The LHIN has commitments under various operating leases related to building and equipment. Lease renewals are likely. Minimum lease payments due next year and thereafter are as follows:

	\$
2011	392,000
2012	600,122
2013	614,592
2014	632,645
2015 and thereafter	976,740

The LHIN also has funding commitments to some HSPs associated with accountability agreements for fiscal 2011 and 2012.

Toronto Central Local Health Integration Network

Combined statement of financial position and financial activities by division - Schedule 1
year ended March 31, 2010

	2010	2009	2010	2009	2010	2009	2010	2009
	Toronto Central Operations		Shared Services Office		Collaborative		Total	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Financial assets								
Cash	650,198	665,053	1,364,852	1,192,879	102,630	-	2,117,680	1,857,932
Due from the LHIN Shared Services Office*	187,628	147,296	-	-	-	-	187,628	147,296
Due from Local Health Integration Network ("LHIN")*		-	33,172	272,897		-	33,172	272,897
Due from the LHIN Collaborative**	67,805	-	-	-	-	-	67,805	-
Due from Ministry of Health and Long-Term Care ("MOHLTC")	-	-	-	-	-	-	-	-
Due from MOHLTC regarding HSP transfer payments	2,333,699	10,855,983	-	-	-	-	2,333,699	10,855,983
	3,239,330	11,668,332	1,398,024	1,465,776	102,630	-	4,739,984	13,134,108
Liabilities								
Accounts payable and accrued liabilities	796,181	813,875	1,258,577	1,318,680	34,825	-	2,089,583	2,132,555
Due to TC LHIN*	-	-	187,628	147,296	67,805	-	255,433	147,296
Due to HSPs	2,333,699	10,855,983	-	-	-	-	2,333,699	10,855,983
Deferred revenue	66,700	-	-	25,950	-	-	66,700	25,950
Deferred capital contributions	12,568	383,149	771,040	602,170	-	-	783,608	985,319
Due to Ministry of Health and Long-Term Care ("MOHLTC")	46,070	550	-	-	-	-	46,070	550
	3,255,218	12,053,557	2,217,245	2,094,096	102,630	-	5,575,093	14,147,653
Net debt	(15,888)	(385,225)	(819,221)	(628,320)	-	-	(835,109)	(1,013,545)
Non-financial assets								
Prepaid expenses	3,320	2,076	48,181	26,150	-	-	51,501	28,226
Capital assets	12,568	383,149	771,040	602,170	-	-	783,608	985,319
Accumulated surplus	-	-	-	-	-	-	-	-

* Amounts due from the LHIN Shared Services Office, due from the LHINC and due to TC LHIN is eliminated upon combination.

Toronto Central Local Health Integration Network

Combined statement of financial position and financial activities by division - Schedule I (continued)
year ended March 31, 2010

	2010			2009			2010			2009		
	Toronto Central Operations			Shared Services Office			Collaborative			Total		
	Budget	Actual	Actual	Budget	Actual	Actual	Budget	Actual	Total	Total	Total	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue												
Amounts recovered/recoverable from the LHINs*	-	-	-	4,620,000	4,524,470	4,135,585	700,000	172,000	4,696,470	4,135,585		
MOHLTC funding	5,827,821	5,732,821	5,590,235	-	-	-	670,000	670,000	6,402,821	5,590,235		
HSP transfer payments (Note 8)	4,118,133,600	4,200,566,501	4,043,555,722	-	-	-	-	-	4,200,566,501	4,043,555,722		
E-Health funding (Note 9)	600,000	600,000	425,000	-	-	-	-	-	600,000	425,000		
Emergency Department ("ED") Leads (Note 10)	75,000	75,000	75,000	-	-	-	-	-	75,000	75,000		
Diabetes Strategy (Note 11)	95,000	95,000	561,500	-	-	-	-	-	95,000	561,500		
Aboriginal Health Transition Planning (Note 12)	63,500	63,500	26,625	-	-	-	-	-	63,500	26,625		
Emergency Room and Alternate Level of Care (ER/ALC) (Note 13)	100,000	100,000	33,300	-	-	-	-	-	100,000	33,300		
Amortization of deferred capital contributions (Note 5)	-	370,581	370,581	-	410,610	356,251	-	-	781,191	726,832		
	4,124,894,921	4,207,603,403	4,050,637,963	4,620,000	4,935,080	4,491,836	1,370,000	842,000	4,213,380,483	4,055,129,799		
Expenses												
General and administrative (Note 14)	5,827,821	6,102,387	5,960,266	-	-	-	-	-	6,102,387	5,960,266		
Common LHIN Services*	-	-	-	4,620,000	4,935,080	4,491,836	1,370,000	842,000	5,777,080	4,491,836		
Transfer payments to HSPs (Note 8)	4,118,133,600	4,200,566,501	4,043,555,722	-	-	-	-	-	4,200,566,501	4,043,555,722		
E-Health (Note 9)	600,000	600,000	425,000	-	-	-	-	-	600,000	425,000		
Emergency Department ("ED") Leads (Note 10)	75,000	75,000	75,000	-	-	-	-	-	75,000	75,000		
Diabetes Strategy and Diabetes Registry (Note 11)	95,000	95,000	561,500	-	-	-	-	-	95,000	561,500		
Aboriginal Health Transition Planning (Note 12)	63,500	63,500	26,625	-	-	-	-	-	63,500	26,625		
(ER/ALC) (Note 13)	100,000	100,000	33,300	-	-	-	-	-	100,000	33,300		
	4,124,894,921	4,207,602,388	4,050,637,413	4,620,000	4,935,080	4,491,836	1,370,000	842,000	4,213,379,468	4,055,129,249		
Annual surplus before funding surplus repayable	-	1,015	550	-	-	-	-	-	1,015	550		
Funding surplus repayable to the MOHLTC (Note 4(a))	-	(1,015)	(550)	-	-	-	-	-	(1,015)	(550)		
Opening accumulated surplus	-	-	-	-	-	-	-	-	-	-		
Closing accumulated surplus	-	-	-	-	-	-	-	-	-	-		

* These amounts have been adjusted by \$362,714 related to Toronto Central LHIN transactions. These numbers reflect LSSO operations on behalf of all 14 LHINs. (Note 15)

* These amounts have been adjusted by \$12,286 related to Toronto Central LHIN transactions. These numbers reflect LHINC operations on behalf of all 14 LHINs. (Note 16)

Local Health Integration Network

Local Shared Services Office

Schedule of financial position and financial activities - Schedule II
year ended March 31, 2010

	2010	2009
	\$	\$
Financial assets		
Cash	1,364,852	1,192,879
Due from LHINs	33,172	272,897
	1,398,024	1,465,776
Liabilities		
Accounts payable and accrued liabilities	1,258,577	1,318,680
Due to TC LHIN	187,628	147,296
Deferred revenue	-	25,950
Deferred capital contribution	771,040	602,170
	2,217,245	2,094,096
Net debt	(819,221)	(628,320)
Non-financial assets		
Prepaid Expenses	48,181	26,150
Capital assets	771,040	602,170
Accumulated surplus	-	-

		2010	2009
	Budget (unaudited)	Actual	Actual
	\$	\$	\$
Revenue			
Amounts recovered/recoverable from the LHINs	4,620,000	4,524,470	4,135,585
Amortization of deferred capital contributions	-	410,610	356,251
	4,620,000	4,935,080	4,491,836
Expenses			
Common LHIN Services	4,620,000	4,935,080	4,491,836
Annual surplus	-	-	-

Local Health Integration Network LHIN Collaborative (LHINC)

Schedule of financial position and financial activities - Schedule III
year ended March 31, 2010

	2010	2009
	\$	
Financial assets		
Cash	102,630	-
Liabilities		
Accounts payable and accrued liabilities	34,825	-
Due to TC LHIN	67,805	-
	102,630	-
Net debt		
Accumulated surplus	-	-

		2010	2009
	Budget (unaudited)	Actual	Actual
	\$	\$	\$
Revenue			
Amounts recovered/recoverable from the LHINs	700,000	172,000	-
MOHLIC funding	670,000	670,000	-
	1,370,000	842,000	-
Expenses			
Collaborative LHIN expenses	1,370,000	842,000	-
Annual surplus	-	-	-

55 Wyndham St. N, Suite 212
55 rue Wyndham N, suite 212
Guelph, ON N1H 7T8
Tel (Tél): 519 822 6208
Toll Free (Tél. sans frais): 1 866 306 5446
Fax (Télé): 519 822 5807
Email (Courriel): waterloowellington@lhins.on.ca
Website (site web): www.lhins.on.ca

Waterloo Wellington LHIN

Management's Responsibility for the Financial Statements

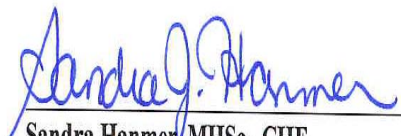
March 31, 2010

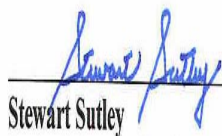
The integrity and objectivity of the accompanying financial statements of the Waterloo Wellington Local Health Integration Network (WWLHIN) is the responsibility of management. These financial statements have been prepared in compliance with legislation and in accordance with Generally Accepted Account Principles (GAAP) and under Public Sector Accounting Board (PSAB).

Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for the preparation of the financial statements. These systems are monitored and evaluated by management, the Audit Committee and Board of Directors.

Management meets with the external auditors and the Board of Directors to review the financial statements and discuss any significant financial reporting or internal control matters prior to approval of the financial statements.

The financial statements have been audited by Deloitte & Touche LP, independent external auditors appointed by the Board of Directors.


Sandra Hanmer, MHSc., CHE
Chief Executive Officer


Stewart Sutley
Senior Director, Performance and Accountability



Deloitte & Touche LLP
5140 Yonge Street
Suite 1700
Toronto ON M2N 6L7
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Auditors' Report

To the Members of the Board of Directors of the
Waterloo Wellington Local Health Integration Network

We have audited the statement of financial position of the Waterloo Wellington Local Health Integration Network as at March 31, 2010 and the statements of financial activities, changes in net debt and cash flows for the year then ended. These financial statements are the responsibility of the Waterloo Wellington Local Health Integration Network management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Waterloo Wellington Local Health Integration Network as at March 31, 2010 and the results of its operations, its changes in its net debt and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

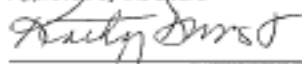
Chartered Accountants
Licensed Public Accountants
April 30, 2010

Waterloo Wellington Local Health Integration Network

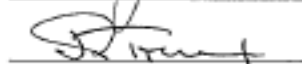
Statement of financial position
as at March 31, 2010

	2010	2009
	\$	\$
Financial assets		
Cash	1,056,475	1,039,237
Due from Ministry of Health and Long-Term Care	43,500	-
Due from the Local Health Integration Networks Shared Services Office (Note 4)	1,233	-
	1,101,208	1,039,237
Liabilities		
Accounts payable and accrued liabilities	1,027,385	1,038,872
Due to Ministry of Health and Long-Term Care (Note 3b)	27,286	89
Due to the Local Health Integration Networks Shared Services Office (Note 4)	-	17,511
Deferred capital contributions (Note 5)	384,155	206,500
Deferred revenue	46,537	-
	1,485,363	1,262,972
Commitments (Note 6)		
Net debt	(384,155)	(223,735)
Non-financial assets		
Prepaid expenses	-	17,235
Capital assets (Note 7)	384,155	206,500
Accumulated surplus	-	-

Approved by the Board



Director



Director

Waterloo Wellington Local Health Integration Network

Statement of financial activities
year ended March 31, 2010

		2010	2009
	Budget (unaudited) (Note 8)	Actual	Actual
	\$	\$	\$
Revenue			
Ministry of Health and Long-Term Care funding			
Health Service Providers transfer payments (Note 9)	858,018,770	870,764,285	831,056,024
Local Health Integration Network operations - general and administrative	4,269,038	4,030,745	4,214,754
E-Health (Note 10a)	-	600,000	425,000
Emergency Department Lead (Note 10b)	-	75,000	75,000
Emergency Department/Alternative Levels of Care Lead (Note 10c)	-	100,000	33,300
Aboriginal Planning (Note 10d)	-	5,000	5,000
Ontario Diabetes Strategy (Note 10e)	-	25,000	-
French Language Services (Note 10f)	-	15,163	-
Diabetes Self-Management (Note 10g)	-	35,000	-
Health Equity Impact Assessment (Note 10h)	-	8,500	-
Amortization of deferred capital contributions (Note 5)	-	146,019	158,375
	862,287,808	875,804,712	835,967,453
Expenses			
Transfer payments to Health Service Providers (Note 9)	858,018,770	870,764,285	831,056,024
Local Health Integration Network operations - general and administrative (Note 11)	4,269,038	4,176,716	4,373,040
E-Health (Note 10a)	-	600,000	425,000
Emergency Department Lead (Note 10b)	-	75,000	75,000
Emergency Department/Alternative Levels of Care Lead (Note 10c)	-	100,000	33,300
Aboriginal Planning (Note 10d)	-	5,000	5,000
Ontario Diabetes Strategy (Note 10e)	-	25,000	-
French Language Services (Note 10f)	-	15,163	-
Diabetes Self-Management (Note 10g)	-	16,351	-
Health Equity impact Assessment (Note 10h)	-	-	-
	862,287,808	875,777,515	835,967,364
Annual surplus before funding repayable to Ministry of Health and Long-Term Care	-	27,197	89
Funding repayable to Ministry of Health and Long-Term Care (Note 3b)	-	(27,197)	(89)
Annual surplus	-	-	-
Opening accumulated surplus	-	-	-
Closing accumulated surplus	-	-	-

Waterloo Wellington Local Health Integration Network

Statement of changes in net debt
year ended March 31, 2010

	Budget (unaudited) (Note 8)	2010	2009
		\$	\$
Annual surplus	-	-	-
Change in prepaid expenses	-	17,235	(17,235)
Acquisition of capital assets	-	(323,674)	(54,250)
Amortization of capital assets	-	146,019	158,375
Decrease in net debt	-	(160,420)	86,890
Opening net debt	-	(223,735)	(310,625)
Closing net debt	-	(384,155)	(223,735)

Waterloo Wellington Local Health Integration Network

Statement of cash flows
year ended March 31, 2010

	2010	2009
	\$	\$
Operating transactions		
Annual surplus	-	-
Less items not affecting cash		
Amortization of capital assets	146,019	158,375
Amortization of deferred capital contributions (Note 5)	(146,019)	(158,375)
	-	-
Changes in non-cash operating items		
Decrease in due from Health Service Providers	-	3,572,372
Increase in due from Ministry of Health and Long-Term Care	(43,500)	-
Increase in due from Local Health Integration Networks Shared Services Office	(1,233)	-
(Decrease) increase in accounts payable and accrued liabilities	(11,487)	336,131
Increase (decrease) in due to Ministry of Health and Long-Term Care	27,197	(61,776)
Decrease in due to Ministry of Health and Long-Term Care from Health Service Providers	-	(3,572,372)
(Decrease) increase in due to Local Health Integration Networks Shared Services Office	(17,511)	12,913
Increase in deferred revenue	46,537	-
Decrease (increase) in prepaid expenses	17,235	(17,235)
	17,238	270,033
Investing transactions		
Capital investment	(323,674)	(54,250)
Financing transactions		
Capital contributions received (Note 5)	323,674	54,250
Net increase in cash	17,238	270,033
Cash, beginning of year	1,039,237	769,204
Cash, end of year	1,056,475	1,039,237

Waterloo Wellington Local Health Integration Network

Notes to the financial statements

March 31, 2010

1. Description of business

The Waterloo Wellington Local Health Integration Network ("WW LHIN") was incorporated by Letters Patent on June 2, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the *Local Health System Integration Act, 2006* (the "Act") as the WW LHIN and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to taxation.

A Local Health Integration Network ("LHIN") is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

Each LHIN has also entered into an Accountability Agreement with the Ministry of Health and Long-Term Care ("MOHLTC"), which provides the framework for LHIN accountabilities and activities.

Commencing April 1, 2007, all funding payments to LHIN managed Health Service Providers ("HSPs") in a LHIN geographic area, have flowed through each LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized HSPs are expensed in each LHIN's financial statements for the year ended March 31, 2010.

The mandates of the WW LHIN are to plan, fund and integrate the local health system within its geographic area. The WW LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The WW LHIN covers all of the County of Wellington, the Region of Waterloo, and the City of Guelph. The WW LHIN also contains part of Grey County, which is split with the South West and the North Simcoe Muskoka LHINs. The WW LHIN enters into service accountability agreements with health service providers.

2. Significant accounting policies

The financial statements of the WW LHIN are the representations of management, prepared in accordance with Canadian generally accepted accounting principles for governments as established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA") and, where applicable, the recommendations of the Accounting Standards Board ("AcSB") of the CICA as interpreted by the Province of Ontario. Significant accounting policies adopted by the WW LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items such as the amortization of capital assets and impairments in the value of assets.

Waterloo Wellington Local Health Integration Network

Notes to the financial statements

March 31, 2010

2. Significant accounting policies (continued)

Ministry of Health and Long-Term Care Funding

The WW LHIN is funded solely by the Province of Ontario in accordance with the Ministry LHIN Accountability Agreement ("MLAA"), which describes budget arrangements established by the MOHLTC. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The WW LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The WW LHIN assumed responsibility to authorize transfer payments to HSPs, effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the WW LHIN. Throughout the fiscal year, the WW LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the WW LHIN bank account.

The WW LHIN statements do not include any Ministry managed programs.

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at period end.

Deferred capital contributions

Any amounts received that are used to fund expenses that are recorded as capital assets, are recorded as deferred capital contributions and are recognized as revenue over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the statement of financial activities, is in accordance with the amortization policy applied to the related capital asset recorded.

Capital assets

Capital assets are recorded at historic cost. Historic cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of capital assets. The cost of capital assets contributed is recorded at the estimated fair value on date of contribution. Fair value of contributed capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a capital asset are capitalized. Computer software is recognized as an expense when incurred.

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives as follows:

Computer equipment, furniture and fixtures	3 years straight-line method
Leasehold improvements	Life of lease straight-line method
Office equipment	5 years straight-line method
Web development	3 years straight-line method

For assets acquired or brought into use during the year, amortization is provided for a full year.

Waterloo Wellington Local Health Integration Network

Notes to the financial statements

March 31, 2010

2. Significant accounting policies (continued)

Segment disclosures

The WW LHIN was required to adopt Section PS 2700 - Segment Disclosures, for the fiscal year beginning April 1, 2007. A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the statement of financial activities and within the related notes for both the prior and current year sufficiently discloses information of all appropriate segments and, therefore, no additional disclosure is required.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Funding repayable to the MOHLTC

In accordance with the MLAA, the WW LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

- a) The amount repayable to the MOHLTC related to current year activities is made up of the following components:

	Revenue	Expenses	2010 Surplus	2009 Surplus
	\$	\$	\$	\$
Transfer of payments to HSPs	870,764,285	870,764,285	-	-
LHIN operations	4,176,764	4,176,716	48	89
E-Health	600,000	600,000	-	-
Emergency Department Lead	75,000	75,000	-	-
Emergency Department/ Alternative Levels of Care Lead	100,000	100,000	-	-
Aboriginal Planning	5,000	5,000	-	-
Ontario Diabetes Strategy	25,000	25,000	-	-
French Language Services	15,163	15,163	-	-
Diabetes Self-Management	35,000	16,351	18,649	-
Health Equity Impact Assessment	8,500	-	8,500	-
	875,804,712	875,777,515	27,197	89

- b) The amount due to the MOHLTC at March 31 is made up as follows:

	2010	2009
	\$	\$
Due to MOHLTC, beginning of year	89	61,865
Paid to MOHLTC during the year	-	(61,865)
Funding repayable to the MOHLTC related to current year activities (Note 3a)	27,197	-
	27,286	89

Waterloo Wellington Local Health Integration Network

Notes to the financial statements

March 31, 2010

4. Related party transactions

The LHIN Shared Services Office (the "LSSO") and the Local Health Integration Collaborative (the "LHINC") are divisions of the Toronto Central LHIN and are subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO, on behalf of the LHINs is responsible for providing services to all the LHINs. The full costs of providing these services are billed to all the LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHINs at the year end are recorded as a receivable (payable) from (to) the LSSO. This is all done pursuant to the shared service agreement the LSSO has with all the LHINs.

The LHINC was formed in fiscal 2010 to strengthen relationships between and among health service providers, associations and the LHINs, and to support system alignment. The purpose of LHINC is to support the LHINs in:

- fostering engagement of the health service provider community in support of collaborative and successful integration of the health care system;
- their role as system manager;
- where appropriate, the consistent implementation of provincial strategy and initiatives;
- the identification and dissemination of best practices.

LHINC is a LHIN-led organization and accountable to the LHINs. LHINC is funded by the LHINs with support from the MOHLTC.

5. Deferred capital contributions

	2010	2009
	\$	\$
Balance, beginning of year	206,500	310,625
Capital contributions received during the year	323,674	54,250
Amortization for the year	(146,019)	(158,375)
	384,155	206,500

6. Commitments

The WW LHIN has commitments under various operating leases related to building and equipment. Lease renewals are likely. Minimum lease payments due in each of the next five years are as follows:

	\$
2011	241,328
2012	279,847
2013	285,892
2014	287,020
2015	288,182
Thereafter	1,521,471

The WW LHIN also has funding commitments to HSPs associated with accountability agreements. The actual amounts which will ultimately be paid are contingent upon actual WW LHIN funding received from the MOHLTC.

Waterloo Wellington Local Health Integration Network

Notes to the financial statements

March 31, 2010

7. Capital assets

			2010	2009
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office equipment, furniture and fixtures	338,622	106,444	232,178	50,907
Computer equipment	48,756	22,577	26,179	1,610
Web development	23,043	23,043	-	8,942
Leasehold improvements	677,347	551,549	125,798	145,041
	1,087,768	703,613	384,155	206,500

8. Budget figures

The budget figures reported in the Statement of financial activities reflect the initial budget at April 1, 2009 as approved by the LHIN Board. The figures have been reported for the purposes of these statements to comply with PSAB reporting requirements. During the year the government approved budget adjustments. The following reflects the adjustments for the WW LHIN during the year:

The final HSP funding budget of \$870,764,285 is derived as follows:

	\$
Initial HSP funding budget	858,018,770
Additional funding received during the year	12,745,515
Final HSP funding budget	870,764,285

The final LHIN general and administrative budget of \$4,030,745 is derived as follows:

	\$
Initial budget	4,269,038
Additional funding received during the year	85,381
Amount treated as capital contributions received during the year	(323,674)
Final budget	4,030,745

No budget was set for items appearing on the Statement of changes in net debt.

Waterloo Wellington Local Health Integration Network

Notes to the financial statements

March 31, 2010

9. Transfer payments to HSPs

The WW LHIN has authorization to allocate the funding of \$870,764,285 to the various HSPs in its geographic area. The WW LHIN approved transfer payments to the various sectors in fiscal 2010 as follows:

	2010	2009
	\$	\$
Operations of hospitals	532,644,311	513,191,841
Grants to compensate for municipal taxation - public hospitals	159,225	159,225
Long term care homes	138,689,922	133,531,737
Community care access centre	94,389,560	87,491,554
Community support services	15,474,635	13,467,645
Assisted living services in supportive housing	6,206,398	5,875,770
Community health centres	15,044,242	14,434,473
Community mental health programs	27,492,660	25,868,455
Specialty psychiatric hospitals	29,908,500	29,553,211
Addictions programs	8,479,238	7,482,113
Health infrastructure renewal fund	2,275,594	-
	870,764,285	831,056,024

10. Separate funding amounts were received by the WW LHIN from the MOHLTC for specific initiatives

a) E-Health

The WW LHIN received funding of \$600,000 (2009 - \$425,000) from the MOHLTC. These funds were used toward initiatives in support of its strategic E-Health Plan as defined in its Integrated Health Services Plan. E-Health expenses incurred during the year are as follows:

	2010	2009
	\$	\$
Salaries, benefits and consulting services	560,278	377,408
Other	39,722	47,592
	600,000	425,000

b) Emergency Department Lead

The WW LHIN received funding of \$75,000 (2009 - \$75,000) related to the Emergency Department Lead. Emergency Department Lead expenses incurred during the year are as follows:

	2010	2009
	\$	\$
Salaries, benefits and consulting services	72,909	70,000
Other	2,091	5,000
	75,000	75,000

Waterloo Wellington Local Health Integration Network

Notes to the financial statements

March 31, 2010

10. Separate funding amounts were received by the WW LHIN from the MOHLTC for specific initiatives (continued)

c) Emergency Department/Alternative Levels of Care Lead

The WW LHIN received funding of \$100,000 (2009 - \$33,300) related to the Emergency Department/Alternative Levels of Care Lead. Emergency Department/Alternative Levels of Care Lead expenses incurred during the year are as follows:

	2010	2009
	\$	\$
Salaries, benefits and consulting services	100,000	33,300
	100,000	33,300

d) Aboriginal Planning

The WW LHIN received funding of \$5,000 (2009 - \$5,000) related to Aboriginal Planning. Aboriginal Planning expenses incurred during the year are as follows:

	2010	2009
	\$	\$
Consulting services	-	5,000
Community engagement	5,000	-
	5,000	5,000

e) Ontario Diabetes Strategy

The WW LHIN received funding of \$25,000 (2009 - nil) related to the Ontario Diabetes Strategy. Ontario Diabetes Strategy expenses incurred during the year are as follows:

	2010	2009
	\$	\$
Salaries and benefits	25,000	-
	25,000	-

f) French Language Services

The WW LHIN received funding of \$15,163 (2009 - nil) related to French Language Services. French Language Services expenses incurred during the year are as follows:

	2010	2009
	\$	\$
Salaries and benefits	8,278	-
Other	6,885	-
	15,163	-

Waterloo Wellington Local Health Integration Network

Notes to the financial statements

March 31, 2010

10. Separate funding amounts were received by the WW LHIN from the MOHLTC for specific initiatives (continued)

g) *Diabetes Self-Management*

The WW LHIN received funding of \$35,000 (2009 - nil) related to Diabetes Self Management. Diabetes Self-Management expenses incurred during the year are as follows:

	2010	2009
	\$	\$
Consulting services	1,001	-
Other	15,350	-
	16,351	-

h) *Health Equity Impact Assessment*

The WW LHIN received funding of \$8,500 (2009 – nil) related to Health Equity Impact Assessment. No Health Equity Impact Assessment expenses were incurred during the year.

11. LHIN operations - general and administrative expenses

The Statement of financial activities presents expenses by function. The following classifies general and administrative expenses by object:

	2010	2009
	\$	\$
Salaries and benefits	2,702,925	2,785,968
Occupancy	210,273	226,971
Amortization	146,019	158,375
Shared Services	362,714	300,000
LHIN Collaborative	12,286	-
Public relations	93,775	66,755
Consulting services	158,181	305,216
Supplies	64,488	55,795
Board Chair per diems	82,250	81,900
All other Board members' per diems	34,100	39,200
Other governance costs	69,886	68,728
Mail, courier and telecommunications	69,097	116,108
Other	170,722	168,024
	4,176,716	4,373,040

12. Pension agreements

The WW LHIN makes contributions to the Hospitals of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 29 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2010 was \$237,232 (2009 - \$249,026) for current service costs and is included as an expense in the Statement of Financial Activities. The last actuarial valuation was completed for the plan on December 31, 2009. At that time, the plan was fully funded.

Waterloo Wellington Local Health Integration Network

Notes to the financial statements

March 31, 2010

13. Guarantees

The WW LHIN is subject to the provision of the *Financial Administration Act*. As a result, in the normal course of business, the WW LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the *Financial Administration Act* and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the WW LHIN pursuant to the terms of the *Local Health System Integration Act, 2006* and in accordance with s. 28 of the *Financial Administration Act*.

14. Comparative figures

Certain of the prior year's comparative amounts have been reclassified to conform with the presentation adopted by the current year.



Grant Thornton

Auditors' Report

Metrolinx

Grant Thornton LLP
Royal Bank Plaza
19th Floor, South Tower
200 Bay Street, Box 55
Toronto, ON
M5J 2P9

T (416) 366-0100
F (416) 360-4949
www.GrantThornton.ca

To the Members of
Metrolinx

We have audited the statement of financial position of **Metrolinx** as at March 31, 2010 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of Metrolinx's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of Metrolinx as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
June 18, 2010

Grant Thornton LLP

Chartered Accountants
Licensed Public Accountants

Metrolinx**Statement of Operations**

(Dollars in thousands)

Basis of presentation (Note 2)

Year Ended March 31

2010

2009

Revenues

Operating revenue	\$ 301,427	\$ 284,004
Contribution from the Province of Ontario	68,427	78,174
Contribution from the Government of Canada	77	-
Investment income	313	2,256
Amortization of deferred capital contributions	171,712	149,159
Gain (loss) on disposal of capital assets	7,219	(245)
	<u>549,175</u>	<u>513,348</u>

Expenses

Administrative services	15,185	12,805
Equipment maintenance	51,296	45,393
Facilities and track	53,110	48,618
Labour and benefits	137,408	123,363
Operations	134,670	145,391
Amortization of capital assets	169,528	146,891
Amortization of long term lease	327	507
Unrealized loss on foreign exchange contract	-	(2,145)
	<u>561,524</u>	<u>520,823</u>

Excess of expenses over revenues

\$ (12,349)	\$ (7,475)

See accompanying notes to the financial statements.

Metrolinx**Statement of Financial Position****(Dollars in thousands)****Basis of presentation (Note 2)**

March 31

2010

2009

Assets**Current**

Cash and cash equivalents	\$ 120,454	\$ 104,354
Receivables	41,189	29,686
Contributions due from Province of Ontario	59,480	-
Contributions due from Municipalities	20,000	20,264
Contributions due from Government of Canada	47,733	111,711
Spare parts and supplies	4,377	4,025
Prepaid expenses	5,434	8,095
	<u>298,667</u>	<u>278,135</u>
Funds being held for Province of Ontario (Note 5)	46,667	46,667
Long term receivable (Note 6)	800	1,600
Capital assets (Note 7)	3,803,277	2,741,073
Deposit on land	56,485	129,260
Advances on capital projects (Note 8)	47,421	-
Long term lease (Note 9)	29,515	29,842
	<u>\$ 4,282,832</u>	<u>\$ 3,226,577</u>

Liabilities**Current**

Payables and accruals	\$ 251,914	\$ 194,825
Unearned revenue in respect of tickets sold and not used	10,024	10,022
Due to the Province of Ontario	-	37,057
	<u>261,938</u>	<u>241,904</u>
Advance from Province of Ontario (Note 5)	46,667	46,667
Deferred capital contributions (Notes 10)	3,083,736	2,453,680
Pension plan top-up benefits payable (Note 12)	23,281	21,535
Other employee future benefits payable (Note 13)	41,777	38,599
	<u>3,457,399</u>	<u>2,802,385</u>

Net Assets

Net assets invested in capital assets (Note 14)	823,447	416,653
Net assets invested in long-term lease	29,515	29,842
Net assets held in reserves (Note 15)	26,332	26,332
Deficiency of net assets	(53,861)	(48,635)
	<u>825,433</u>	<u>424,192</u>
	<u>\$ 4,282,832</u>	<u>\$ 3,226,577</u>

Commitments (Note 16)

Contingencies (Note 17)

On behalf of the Board



Director



Director

See accompanying notes to the financial statements.

Metrolinx**Statement of Changes in Net Assets**

(Dollars in thousands)

Year Ended March 31

	Invested in Capital Assets (Note 14)	Invested in Long term Lease	Net assets Held in Reserves (Note 15)	Deficiency	Basis of presentation (Note 2)	
					Total 2010	Total 2009
Balance, beginning of year	\$ 416,653	\$ 29,842	\$ 26,332	\$ (48,635)	\$ 424,192	\$ 266,030
Excess of expenses over revenues	-	-	-	(12,349)	(12,349)	(7,475)
Amortization	(193)	(327)	-	520	-	-
Assets contributed by the Province of Ontario (Note 19 (b))	58,536	-	-	-	58,536	-
Land acquisitions, net of deposits	298,639	-	-	-	298,639	36,377
Disposal of land	(6,603)	-	-	6,603	-	-
Deposit on land	<u>56,415</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,415</u>	<u>129,260</u>
Balance, end of year	\$ <u>823,447</u>	\$ <u>29,515</u>	\$ <u>26,332</u>	\$ <u>(53,861)</u>	\$ <u>825,433</u>	\$ <u>424,192</u>

See accompanying notes to the financial statements.

Metrolinx**Statement of Cash Flows**

(Dollars in thousands)

Basis of presentation (Note 2)

Year Ended March 31

2010

2009

Increase (decrease) in cash and cash equivalents

Operating activities

Excess of expenses over revenues	\$ (12,349)	\$ (7,475)
Amortization of capital assets and long term lease	169,855	147,398
Gain (loss) on disposal of capital assets	(7,219)	245
Foreign exchange contract	-	(2,918)
Amortization of deferred capital contributions	(171,712)	(149,159)
Employee future benefits, net of payments	4,924	7,088
	<u>(16,501)</u>	<u>(4,821)</u>
Change in non-cash working capital		
Receivables	(11,503)	(10,149)
Contributions due from Province of Ontario	(59,480)	58,378
Contributions due from Municipalities	264	(15,766)
Contributions due from Government of Canada	63,978	7,871
Spare parts and supplies	(352)	(948)
Prepaid expenses	2,661	(140)
Payables and accruals	57,089	24,847
Unearned revenue in respect of tickets sold and not used	2	1,000
Due to Province of Ontario	(37,057)	37,136
	<u>(899)</u>	<u>97,408</u>

Investing activities

Long term receivable	800	(1,600)
Purchase of capital assets	(1,052,989)	(733,618)
Proceeds from sale of capital assets	16,200	2,023
Deposit on land	(56,415)	(127,585)
Advances on capital projects	(47,421)	-
	<u>(1,139,825)</u>	<u>(860,780)</u>

Financing activities

Grants received for purchase of land	355,056	165,637
Amounts received related to capital assets	801,768	696,096
	<u>1,156,824</u>	<u>861,733</u>

Net increase in cash and cash equivalents	16,100	98,361

Cash and cash equivalents, beginning of year	104,354	5,993

Cash and cash equivalents, end of year	\$ 120,454	\$ 104,354

Non-cash transaction:

Locomotives and other rolling stock contributed by the
Province of Ontario (Note 19 (b))

\$ 58,536	\$ -

See accompanying notes to the financial statements.

Metrolinx

Notes to the Financial Statements

(Dollars in thousands)

March 31, 2010

1. Nature of operations

Metrolinx is a Crown agency, reporting to the Minister of Transportation ("MTO"). It is a non-share capital corporation and is exempt from income taxes under Section 149(1) (d) of the Income Tax Act (Canada).

Metrolinx was created by sections of the *Greater Toronto Transportation Authority Act, 2006* which were proclaimed on August 24, 2006. On May 14, 2009, Bill 163 was proclaimed amending the *Greater Toronto Transportation Authority Act, 2006* and changing the title of the Act to the *Metrolinx Act, 2006*. As a result, the Greater Toronto Transit Authority (GO Transit) was dissolved and all of its assets, liabilities, rights and obligations have been assumed by Metrolinx effective May 14, 2009.

Metrolinx's mandate is to lead the coordination, planning, financing and development of an integrated multi-modal transportation network for the Greater Toronto and Hamilton Area. (GTHA). Taking a regional approach, Metrolinx will bring together the province, municipalities and local transportation authorities to produce long-term economically and environmentally sustainable transportation solutions.

GO Transit is a division of Metrolinx that operates an interregional public transit system consisting of integrated rail and bus corridors. The network of rail and bus services primarily serves communities across the Greater Toronto and Hamilton Area including the Cities of Toronto and Hamilton, and Regions of Halton, Peel, York, Durham as well as Simcoe County, Dufferin County, Wellington County and the cities of Barrie and Guelph and the Town of Bradford-West Gwillimbury.

2. Summary of significant accounting policies

Basis of presentation

These financial statements are prepared by management in accordance with Canadian generally accepted accounting principles. As indicated in Note 1, effective May 14, 2009 the operations of GO Transit were wound up into Metrolinx. The two entities were under the common control of the Province prior to the wind-up, accordingly these financial statements have been prepared based on the continuity of interests principle which requires the continuing entity, Metrolinx, to report the current and comparative records as if the two entities had been combined since inception. Accordingly, the current and comparative year financial statements include the entire year of operations for both Metrolinx and GO Transit.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Metrolinx**Notes to the Financial Statements**

(Dollars in thousands)

March 31, 2010

2. Summary of significant accounting policies (continued)**Cash and cash equivalents**

Cash and cash equivalents include cash on hand, balances with banks net of bank overdrafts and short term investments with maturities of three months or less.

Spare parts and supplies

Spare parts and supplies are carried at the lower of cost and replacement value. Cost is determined using the weighted-average method.

Amortization

Metrolinx provides for the amortization of the various classes of assets over their estimated useful lives on a straight-line basis as follows:

Buildings and equipment	
Shelters and ticket booths	5 years
Other buildings	20 years
Leasehold improvements	Lease Life
Locomotives	20 years
Other railway rolling stock	25 years
Improvements to railway right-of-way plant	20 years
Track work and installation	20 years
Buses including double decker buses	10 years
Parking lots	20 years
Enterprise software	7 years
Computer equipment and software	5 years
Grade separations	50 years
Sundry	
Furniture	12 years
Other	3-7 years

Construction-in-progress is comprised of direct construction and development costs. No amortization is recorded until construction is substantially completed and the assets are ready for productive use.

Long term lease

Long term lease represents the prepayment of the lease regarding Union Station. The amount is being amortized straight-line over 100 years, being the term of the lease plus one renewal period.

Metrolinx**Notes to the Financial Statements**

(Dollars in thousands)

March 31, 2010

2. Summary of significant accounting policies (continued)**Employee future benefits**

Metrolinx provides pension plan benefits through the multi-employer OMERS Pension Fund. The expense for the period equals the required contribution for the period.

Metrolinx provides a Top-Up pension plan benefit using the accrued benefit method which reflects the projected benefits for services rendered to date. Adjustments arising from employee benefit plan amendments, experience gains and losses and changes in assumptions are amortized to earnings over the estimated average remaining service lives of the members.

Metrolinx also provides other employee future benefits using the accrued benefit method which reflects the projected benefits for services rendered to date. Adjustments arising from employee benefit plan amendments, experience gains and losses and changes in assumptions are amortized to earnings over the estimated average remaining service lives of the members.

Commuter services revenue

Revenue is recognized when the transportation service is provided. Unearned amounts are reflected in the statement of financial position as unearned revenue.

Contributions

Metrolinx follows the deferral method of accounting for contributions. Unrestricted contributions, including operating grants are recognized as revenue in the period to which they relate.

Deferred capital contributions relate to funds received for the acquisition of capital assets. These deferred capital contributions are recognized as revenue over the same period as the amortization of the related capital asset.

Net assets held in reserves

Net assets held in reserves are internally restricted to provide a funding source for planned future obligations and to provide flexibility against uncertainties which may arise. All reserves are approved by Metrolinx's Board and are disclosed on the statement of financial position as equity.

The Municipal Capital and Operating Restructuring (MCOR) reserve was established to assist in funding large capital expenditures.

The Employment Obligation reserve was established to assist in funding general employment related obligations of Metrolinx.

Metrolinx

Notes to the Financial Statements

(Dollars in thousands)

March 31, 2010

2. Summary of significant accounting policies (continued)

The Self Insured Retention reserve was established to assist in funding any claims against the self-insured retention layer of Metrolinx's insurance program.

The Stabilization reserve was established to assist in funding fluctuations in operating and capital budgets of Metrolinx from year to year.

Classification of financial instruments

Cash and cash equivalents are classified as held for trading. Receivables, contributions due from Province of Ontario, contributions due from Municipalities, contributions due from Government of Canada and funds being held for Province of Ontario have been classified as loans and receivables. Payables and accruals, due to the Province of Ontario and advance from Province of Ontario have been classified as other financial liabilities.

Contracts to buy or sell a non-financial item

As permitted for not for profit organizations, Metrolinx has made an accounting policy choice not to apply Section 3855, Financial Instruments – Recognition and Measurement, to contracts to buy or sell a non-financial item including derivatives embedded therein. Contracts related to the diesel fuel purchases are therefore excluded from the application of Section 3855 and not recognized in the financial statements but disclosed in Note 3.

Adoption of new accounting standards

Effective April 1, 2009, Metrolinx adopted the following Canadian Institute of Chartered Accountants ("CICA") Handbook Sections:

- Section 4400, "Financial Statement Presentation", has been amended to permit a not for profit organization to present net assets invested in capital assets as a category of internally restricted net assets and clarification of presentation of revenue and expenses on a gross basis when the entity is acting as a principal in a transaction. Metrolinx has chosen to continue to disclose net assets invested in capital assets as a separate component of net assets.
- Section 4460, "Disclosure of Related Party Transactions", has been amended to align the definition of related parties to CICA section 3840, Related Party Transactions.
- Section 4470, "Disclosure of Allocated Expenses", establishes disclosure standards for a not for profit organization that classified its expenses by function and allocates its expenses to a number of functions to which the expenses relate.

There was no impact on the financial statements or additional disclosures required as a result of adopting the above Handbook sections.

Metrolinx**Notes to the Financial Statements**

(Dollars in thousands)

March 31, 2010

3. Financial instruments**Fair values**

The fair values of cash and cash equivalents, receivables, contributions due from Province of Ontario, contributions due from Municipalities, contributions due from Government of Canada, funds being held for Province of Ontario, payables and accruals and advance from Province of Ontario are assumed to approximate their carrying amounts because of their short term to maturity.

Credit risk

Metrolinx is subject to credit risk through its receivables. It is management's opinion that the risk is minimal as most of the receivables are from federal, provincial and municipal governments and organizations controlled by them.

Interest rate risk

Metrolinx does not have significant exposure to interest rate risk.

Other price risk

Metrolinx is exposed to changes in crude oil prices as a result of diesel fuel consumption. The potential fluctuations in crude oil prices could have a significant impact on the cost of providing transportation services. This risk is reduced, from time to time, through the use of diesel fuel forward purchase contracts to lock in firmly committed future operating costs for own use consumption. As at March 31, 2010, Metrolinx has seven fixed fee agreements in place to purchase 40.4 million litres of diesel fuel at prices ranging from \$0.6892 to \$0.7050 per litre. The excess fuel purchased beyond the committed amount is at market prices.

4. Capital disclosures

The capital structure of Metrolinx consists of net assets and deferred capital contributions.

Metrolinx's main objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide the appropriate level of services to its stakeholders.

Metrolinx is subject to restrictions in how it is to utilize its externally restricted deferred capital contributions. Metrolinx employs internal control processes to ensure the restrictions are met prior to the utilization of these resources and has been in compliance with these restrictions throughout the period.

Metrolinx manages its capital structure and makes adjustments to it in light of economic conditions and the risk characteristics of the underlying assets.

Metrolinx

Notes to the Financial Statements

(Dollars in thousands)

March 31, 2010

5. Funds being held for Province of Ontario

In 2007 the former Greater Toronto Transit Authority (GO Transit) received \$46,667 from the Province of Ontario for their contribution towards the Toronto Transit Commission ("TTC") participation in the GTA Farecard project. TTC has not yet met the requirements to receive this funding and consequently the cash held by Metrolinx and the obligation to the Province have been segregated on the statement of financial position.

6. Long term receivable

Receivable due from a municipality for the reimbursement of construction costs is payable over a five year period. Amounts due within one year are included in current receivables and the remaining balance is classified as long term receivable in one instalment of \$800 and is due in 2012.

7. Capital assets

			<u>2010</u>	<u>2009</u>
	<u>Cost</u>	<u>Accumulated</u>	<u>Net</u>	<u>Net</u>
		<u>Depreciation</u>	<u>Book Value</u>	<u>Book Value</u>
Land	\$ 707,971	\$ -	\$ 707,971	\$ 286,745
Buildings	424,000	227,937	196,063	176,198
Leasehold improvements	23,845	20,939	2,906	13,132
Locomotives and other railway rolling stock	979,254	231,040	748,214	649,370
Improvements to railway right-of-way plant	844,231	429,825	414,406	379,208
Track work and installation	371,703	97,624	274,079	257,179
Construction-in-progress	1,088,572	-	1,088,572	663,696
Buses	270,070	111,800	158,270	154,004
Parking lots	239,125	84,090	155,035	113,835
Computer equipment and software	41,998	23,498	18,500	17,647
Other	118,484	79,223	39,261	30,059
	<u>\$ 5,109,253</u>	<u>\$ 1,305,976</u>	<u>\$ 3,803,277</u>	<u>\$ 2,741,073</u>

Metrolinx**Notes to the Financial Statements**

(Dollars in thousands)

March 31, 2010

7. Capital assets (continued)	<u>2010</u>	<u>2009</u>
Construction-in-Progress includes the following:		
Rail Corridor Expansion	\$ 418,344	\$ 289,850
Union Station	108,265	91,730
Rail Fleet	127,963	56,857
PRESTO System	138,598	98,918
Light Rapid Transit and Bus Rapid Transit	50,969	-
Various	<u>244,433</u>	<u>126,341</u>
	<u>\$ 1,088,572</u>	<u>\$ 663,696</u>

8. Advances on capital projects

During the year, Metrolinx entered into Memorandum of Agreements (MOAs) with York Region Rapid Transit Corporation (YRRTC), The Regional Municipality of York (York Region), City of Toronto and the Toronto Transit Commission (TTC). The MOAs outline the projects, expected costs, and responsibilities of the parties involved. The MOAs also outline the definition of eligible costs and ownership rights of the projects specified in the agreements. The original MOAs were for the period April 1 to December 31, 2009 and costs were projected to be approximately \$213 million. The MOAs were extended until May 31, 2010 for the City of Toronto and the TTC and June 30, 2010 for YRRTC and York Region.

Pursuant to these agreements, advances were paid to the Region of York and to the Toronto Transit Commission to provide working capital totalling \$47,421 to fund projects being developed by the Region of York and Toronto Transit Commission on behalf of Metrolinx. The advanced funds are to be held in a separate account and any interest accrued will be applied against the project.

As at March 31, 2010, Metrolinx has expended approximately \$129.1 million in relation to these projects, including the following amounts which have been advanced for costs expected to be incurred to May 31 and June 30, 2010.

	<u>2010</u>	<u>2009</u>
Region of York	\$ 22,732	\$ -
Toronto Transit Commission	<u>24,689</u>	<u>-</u>
	<u>\$ 47,421</u>	<u>\$ -</u>

Metrolinx**Notes to the Financial Statements**

(Dollars in thousands)

March 31, 2010

9. Long term lease		<u>2010</u>		<u>2009</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Leasehold, Union Station	\$ <u>32,704</u>	\$ <u>3,189</u>	\$ <u>29,515</u>	\$ <u>29,842</u>

10. Deferred capital contributions

The changes in the deferred capital contributions for the year are as follows:

	<u>2010</u>	<u>2009</u>
Balance, beginning of year	\$ 2,453,680	\$ 1,906,743
Contributions received or receivable in the period for capital asset acquisitions		
Province of Ontario	739,919	603,214
Municipalities	24,409	32,657
Government of Canada	37,440	60,225
Amortization of deferred capital contributions	<u>(171,712)</u>	<u>(149,159)</u>
Balance, end of year	\$ <u>3,083,736</u>	\$ <u>2,453,680</u>

Metrolinx realized a shortfall in Municipal funding related to its capital program. The Province has provided funding to bridge the shortfall in the current year in the amount of \$50,868 (2009 - \$54,903) and the cumulative amount is \$174,801. The Province will work with its Municipal partners to address the funding shortfalls.

11. Pension contributions

Metrolinx provides pension benefits for substantially all of its permanent employees through participation in the Ontario Municipal Employees Retirement System (OMERS) Pension Fund. The amount expensed in pension contributions for the year ended March 31, 2010 is \$8,132 (2009 - \$6,441).

Metrolinx**Notes to the Financial Statements**

(Dollars in thousands)

March 31, 2010

12. Pension plan top-up benefits payable

With repatriation of the former GO Transit to the Province in 2002, bargaining and non-bargaining employees requested the Province to rectify the difference in pension benefits to be received by employees of GO Transit. When GO Transit was transferred from the Province to the Greater Toronto Services Board in 1999, the Provincial Plans were frozen and a new plan commenced under OMERS. It had been resolved that GO Transit was responsible for the pension obligation and accordingly GO Transit completed an actuarial valuation as of April 1, 2007. The pension expense recognized during the year is \$2,347 (2009 - \$2,657).

For the purpose of accounting for top-up benefits, Metrolinx has adopted the policy to recognize gains and losses in a year in excess of the minimum amortization (which is the portion of accumulated gains and losses which exceed 10% of the accrued benefit obligation, divided by the expected average remaining service life).

Information about Metrolinx's pension plan top-up is as follows:

	<u>2010</u>	<u>2009</u>
Accrued benefit obligation	\$ 30,998	\$ 17,486
Fair value of plan assets	<u>448</u>	<u>383</u>
Funded status - plan deficit	30,550	17,103
Unamortized net actuarial (loss) gain	<u>(7,269)</u>	<u>4,432</u>
Accrued benefit liability	\$ <u>23,281</u>	\$ <u>21,535</u>

Plan assets by asset category are as follows:

	<u>2010</u>	<u>2009</u>
Cash invested	21%	27%
Cash on deposit with Canada Revenue Agency	<u>79%</u>	<u>73%</u>
	<u>100%</u>	<u>100%</u>

Other information about Metrolinx's benefit plan is as follows:

	<u>2010</u>	<u>2009</u>
Employer Contributions	\$ 300	\$ --
Benefits paid	\$ 237	\$ 138

Metrolinx**Notes to the Financial Statements**

(Dollars in thousands)

March 31, 2010

12. Pension plan top-up benefits payable (continued)

The significant actuarial assumptions adopted in measuring Metrolinx's pension plan Top-up benefit obligations are as follows:

Discount rate	- 6.25% (2009 – 8.7%)
Rate of compensation increase	- 3 % (2009 – 3%)
Inflation per annum	- 2 % (2009 – 2%)
Expected average remaining service life	- 10 years (2009 – 10 years)

13. Other employee future benefits payable

Metrolinx provides post-retirement life and health benefits, Workplace Safety & Insurance Board ("WSIB") liabilities and retiree severance benefits. The plan is unfunded and requires nominal contributions from employees. Substantially all full time active employees are eligible for life and health benefits. A limited number of employees are eligible for severance benefits.

The measurement date of the plan assets and accrued benefit obligation is March 31 of each year. The most recent actuarial valuation of the other employee future benefits for funding purposes was as of March 31, 2008. The post-retirement non-pension benefits recognized during the period was \$5,129 (2009 - \$5,575).

For the purpose of accounting for post-retirement non-pension benefits, Metrolinx has adopted the policy to recognize gains and losses in a period in excess of the minimum amortization (which is the portion of accumulated gains and losses which exceed 10% of the accrued benefit obligation, divided by the expected average remaining service life).

Information about Metrolinx's post-retirement non-pension benefits is as follows:

	<u>2010</u>	<u>2009</u>
Accrued benefit obligation	\$ 49,391	\$ 33,137
Fair value of plan assets	<u>-</u>	<u>-</u>
Funded status - plan deficit	49,391	33,137
Unamortized net actuarial (loss) gain	<u>(7,614)</u>	<u>5,462</u>
Accrued benefit liability	\$ <u>41,777</u>	\$ <u>38,599</u>

Metrolinx**Notes to the Financial Statements**

(Dollars in thousands)

March 31, 2010

13. Other employee future benefits payable (continued)

Other information about Metrolinx's benefit plan is as follows:

	<u>2010</u>		<u>2009</u>
Employer contributions	\$ 1,951	\$	1,136
Benefits paid	\$ 1,951	\$	1,136

The significant actuarial assumptions adopted in measuring Metrolinx's Post-retirement non-pension benefit obligations are as follows:

Discount Rate for Post-retirement non-pension benefit	- 6.20% (2009 – 8.5%)
Discount Rate for WSIB liabilities and retiree severance benefits	- 5% (2009 – 7%)
Expected average remaining service life for Post-retirement non-pension benefit	- 14 years (2009 – 14 years)
Expected average remaining service life for WSIB liabilities	- 10 years (2009 – 10 years)
Expected average remaining service life for retiree severance benefits	- 9 years (2009 – 9 years)
Rate of compensation increase	- 3% (2009 – 3%)
Inflation per annum	- 2% (2009 – 2%)
Initial Weighted Average Health Care Trend Rate	- 6.85% (2009 – 6.98%)
Ultimate Weighted Average Health Care Trend Rate	- 4.5% (2009 – 4.5%)
Dental care benefits increase	- 4.5% (2009 – 4.5%)

14. Net assets invested in capital assets

	<u>2010</u>		<u>2009</u>
Capital assets	\$ 3,803,277	\$	2,741,073
Deposits on land	56,485		129,260
Advances on capital projects	47,421		-
Less deferred capital contributions used to purchase capital assets	<u>(3,083,736)</u>		<u>(2,453,680)</u>
	<u>\$ 823,447</u>	\$	<u>416,653</u>

Metrolinx**Notes to the Financial Statements**

(Dollars in thousands)

March 31, 2010

15. Net assets held in reserve

The net assets held in reserve as at both March 31, 2010 and 2009 are as follows:

MCOR	\$	21,051
Employment Obligation		889
Self Insured Retention		2,013
Stabilization		<u>2,379</u>
	\$	<u>26,332</u>

16. Commitments

a) The minimum lease payments for premises in each of the next five years are as follows:

2011	\$	3,178
2012		2,273
2013		2,116
2014		1,514
2015		685
Subsequent		<u>820</u>
	\$	<u>10,586</u>

b) Metrolinx has also committed approximately \$1,251,777 for various capital asset additions. In addition, the Toronto Transit Commission and York Region have committed approximately \$101,688 on projects they are implementing on behalf of Metrolinx.

c) A significant amount of the services provided by Metrolinx are operated and maintained by outside parties. These services are governed by the agreements with the Canadian National Railway Company ("CN"), Canadian Pacific Railway Company ("CP") and Bombardier Inc. and by a number of minor service agreements. Metrolinx has entered into the following major agreements for approximately \$120,000 per year:

- i) Master Operating Agreement with CN terminating on May 31, 2010. Negotiations on a new agreement are ongoing with CN. The existing agreement has been extended until such time as a new agreement is finalized.
- ii) Commuter Agreement with CP terminating December 31, 2010.
- iii) Equipment Maintenance Contract with Bombardier terminating on May 31, 2013.
- iv) Rail Crew Contract with Bombardier terminating May 31, 2013.

d) As at year-end, Metrolinx had outstanding letters of credit totalling \$2,098.

Metrolinx**Notes to the Financial Statements**

(Dollars in thousands)

March 31, 2010

16. Commitments (continued)

- e) On June 14, 2010, Metrolinx awarded a contract to Bombardier for the delivery of 182 Light Rail Vehicles. The base contract value is \$770,392 excluding taxes and escalation and delivery of the vehicles is expected between 2013 and 2020. Funding for the contract will be provided by the Province of Ontario through Metrolinx's capital budget. Payments will be made at prescribed milestones outlined in the contract.
 - f) Metrolinx's capital program for the March 31, 2011 fiscal year is approximately \$1.3 billion. Commitments will be entered into by Metrolinx throughout the year related to the capital program.
-

17. Contingencies

- a) Various lawsuits have been filed against Metrolinx for incidents which arose in the ordinary course of business. Management has reviewed these claims and the outcome of the lawsuits, now pending, is either not material or is not yet determinable.
 - b) Metrolinx has a disputed claim in the amount of \$3,100 with a landlord with respect to a leasing agreement. An accrual in the amount of \$1,200 has been made for the disputed amounts. Management believes that its interpretation of the lease and the methodology used to calculate the operating expenses is correct and that it will be successful in its current negotiation with the landlord. The negotiations are in their early stages and it is difficult to determine the outcome with certainty. As a result, the disputed amount has not been accrued in the financial statements.
-

18. Foreign exchange forward contract

In September 2005, in consultation with the Ontario Finance Authority (OFA), GO Transit awarded a contract to a US supplier in US dollars to purchase 27 diesel electric locomotives. At the same time, GO Transit entered into a contract with OFA to purchase the required US dollars to ensure budget certainty. The contract stated the purchase of \$28,112 US dollars at rates varying from 1.1322 to 1.1360. As of March 31, 2008 there was a change in the fair value of the economic hedge of \$2,918 which was recorded as an unrealized foreign exchange loss in the 2008 statement of operations. When the contract matured in the year ended March 31, 2009 the realized loss was \$773, resulting in a net foreign exchange gain on the contract for the period of \$2,145.

Metrolinx

Notes to the Financial Statements

(Dollars in thousands)

March 31, 2010

19. Related party transactions

Metrolinx had the following transactions with related parties during the year:

- a) The Ministry of Transportation charged Metrolinx \$4,602 (2009 - \$2,540) during the year for the provision of services provided and \$1,188 for land sold by the Ministry of Transportation. At March 31, 2010, payables and accruals included \$551 (2009 - \$969) owing to the Ministry of Transportation.
- b) During the year ended March 31, 2010 Metrolinx purchased 26 locomotives and 243 bi-level coaches for two dollars from Toronto Area Transit Operating Authority (TATO) that were previously on lease with Metrolinx. The transfer of these assets was treated as a contribution from the Province equivalent to the net book value of these assets maintained by TATO, that aggregated to \$58,536. TATO is a crown corporation reporting to Minister of Transportation, and is related to Metrolinx by virtue of their respective relationships with the Minister of Transportation.

During the year ended March 31, 2010, Metrolinx sold thirteen (March 31, 2009 - seven) locomotives purchased from TATO for a gain of \$2,300 (March 31, 2009 - \$1,381).

These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION



KPMG LLP
Chartered Accountants
Suite 3300 Commerce Court West
PO Box 31 Stn Commerce Court
Toronto ON M5L 1B2
Canada

Telephone (416) 777-8500
Fax (416) 777-8818
Internet www.kpmg.ca

AUDITORS' REPORT

To the Board of Directors of Metropolitan Toronto
Convention Centre Corporation and the Minister
of Tourism

We have audited the balance sheet of Metropolitan Toronto Convention Centre Corporation as at March 31, 2010 and the statements of operations, deficiency and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads 'KPMG LLP' with a long horizontal line underneath.

Chartered Accountants, Licensed Public Accountants

Toronto, Canada

May 21, 2010

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Balance Sheet

March 31, 2010, with comparative figures for 2009

	2010	2009
Assets		
Current assets:		
Cash	\$ 5,296,419	\$ 5,299,980
Cash committed for capital projects	3,307,000	244,228
Customer deposits	7,110,006	7,143,993
Accounts receivable	2,806,339	2,789,599
Inventories	384,053	412,768
Prepaid expenses	371,756	532,964
	19,275,573	16,423,532
Capital assets (note 4)	125,966,900	127,474,171
Employee future benefits (note 7)	1,453,000	498,700
	\$ 146,695,473	\$ 144,396,403

Liabilities, Deficiency and Contributed Surplus

Current liabilities:		
Accounts payable and accrued liabilities	\$ 4,734,836	\$ 4,114,886
Distribution payable	2,700,000	—
Deferred revenue	7,110,006	7,143,993
	14,544,842	11,258,879
Employee future benefits (note 7)	287,300	237,700
Deficiency	(10,987,374)	(9,950,881)
Contributed surplus (note 5)	142,850,705	142,850,705
	131,863,331	132,899,824
Commitments (note 6)		
	\$ 146,695,473	\$ 144,396,403

See accompanying notes to financial statements.

On behalf of the Board:

 Director

 Director

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Statement of Operations

Year ended March 31, 2010, with comparative figures for 2009

	2010	2009
Revenue:		
Food and beverage	\$ 16,796,682	\$ 22,982,249
Facility rentals	14,356,372	15,710,609
Parking	7,396,692	7,186,615
Other	8,938,107	9,958,145
	<u>\$ 47,487,853</u>	<u>\$ 55,837,618</u>
Gross operating profit	\$ 28,310,075	\$ 32,585,239
Operating expenses	19,065,403	21,310,136
Net operating income	9,244,672	11,275,103
Amortization, net of reallocation to operating expenses for parking garage of \$114,000 (2009 - \$115,027)	5,081,165	4,874,291
Net income	<u>\$ 4,163,507</u>	<u>\$ 6,400,812</u>

Statement of Deficiency

Year ended March 31, 2010, with comparative figures for 2009

	2010	2009
Deficiency, beginning of year	\$ (9,950,881)	\$ (11,351,693)
Net income	4,163,507	6,400,812
Distribution payment to Ontario Financing Authority	(2,500,000)	(5,000,000)
Distribution payable to Ontario Financing Authority	(2,700,000)	—
Deficiency, end of year	<u>\$ (10,987,374)</u>	<u>\$ (9,950,881)</u>

See accompanying notes to financial statements.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Statement of Cash Flows

Year ended March 31, 2010, with comparative figures for 2009

	2010	2009
Cash provided by (used in):		
Operations:		
Net income	\$ 4,163,507	\$ 6,400,812
Items not involving cash:		
Employee future benefits expense	(904,700)	(560,300)
Amortization	5,195,165	4,989,318
	8,453,972	10,829,830
Change in non-cash operating working capital:		
Accounts receivable	(16,740)	570,180
Inventories	28,715	13,267
Prepaid expenses	161,208	(284,234)
Accounts payable and accrued liabilities	619,950	(59,224)
	9,247,105	11,069,819
Financing:		
Distribution payment to Ontario Financing Authority	(2,500,000)	(5,000,000)
Investments:		
Additions to capital assets	(3,687,894)	(4,565,771)
Increase in cash	3,059,211	1,504,048
Cash, beginning of year	5,544,208	4,040,160
Cash, end of year	\$ 8,603,419	\$ 5,544,208
Represented by:		
Cash	\$ 5,296,419	\$ 5,299,980
Cash committed for capital projects	3,307,000	244,228
	\$ 8,603,419	\$ 5,544,208

See accompanying notes to financial statements.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements

Year ended March 31, 2010

The Metropolitan Toronto Convention Centre Corporation (the "Corporation") is a government business enterprise of the Ministry of Tourism of the Province of Ontario and incorporated as a Corporation without share capital under Bill 141, the Metropolitan Toronto Convention Centre Corporation Act, 1988. The Corporation is a Crown Agency under the same act and is exempt from income taxes.

The Corporation operates a convention facility for conventions, trade shows, consumer shows, corporate and food and beverage events and parking facilities.

1. Significant accounting policies:

(a) Revenue recognition:

Revenue from facility rentals, food and beverage sales and the use of the Corporation's parking facilities is recognized when services are provided. Cancellation fees are recognized when an event is cancelled.

(b) Inventories:

Inventories are recorded at the lower of cost and net realizable value.

(c) Capital assets:

Capital assets, which are financed by government grants, are shown net of applicable grants.

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimate undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2010

1. Significant accounting policies (continued):

Amortization is charged on a straight-line basis over the following estimated useful lives of the assets:

Building	50 years
Furniture, fixtures and computer equipment	3 - 10 years
Leasehold improvements	5 - 20 years

(d) Deferred revenue:

Deferred revenue represents customer deposits received for future use of the Corporation's facilities. Deposits are applied against the customer's billing.

(e) Financial instruments:

Under The Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 3855, Financial Instruments - Recognition and Measurement, financial instruments must be classified into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income; and available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired, at which time, the amounts would be recorded in net income.

The Corporation has designated its cash, cash committed for capital projects and customer deposits as held-for-trading, which is measured at fair value. Accounts receivable is classified as loans and receivables. Accounts payable and accrued liabilities and distribution payable are classified as other financial liabilities.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2010

1. Significant accounting policies (continued):

(f) Use of estimates:

The preparation of the financial statements requires management to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets, valuation allowances for receivables, and assets and obligations related to employee future benefits. Actual results could differ from those estimates.

2. Change in accounting policies:

Adoption of new financial instruments standards:

Effective March 31, 2010, the Corporation adopted CICA amended Section 3862, Financial Instruments - Disclosures ("Section 3862"), to include additional disclosure requirements about fair value measurement for financial instruments and liquidity risk disclosures. These amendments require disclosure of the three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. Fair value of financial assets and financial liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Financial assets and financial liabilities in Level 2 include valuations using inputs based on observable market data, either directly or indirectly other than quoted prices. Level 3 valuations are based on inputs that are not based on observable market data. The adoption of these standards did not have any impact on the classification and measurement of the Corporation's financial instruments or the liquidity risk disclosures. The new disclosures pursuant to this amended Section are included in note 8.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2010

3. Canadian accounting pronouncements issued but not yet effective:

In 2008, the Canadian Accounting Standards Board confirmed that Canadian profit-oriented publicly accountable entities will be required to adopt the International Financial Reporting Standards ("IFRS") for fiscal periods beginning on or after January 1, 2011. The Corporation's first IFRS financial statements will be for the year ending March 31, 2012 and will include the comparative period for March 31, 2011.

The Corporation is currently evaluating the accounting policy differences between Canadian generally accepted accounting principles and IFRS based on management's current understanding of IFRS. However, the financial reporting impact of the transition to IFRS has not yet been determined, but management anticipates that it is not material.

4. Capital assets:

			2010	2009
	Cost	Accumulated amortization	Net book value	Net book value
Building	\$ 218,705,112	\$ 56,576,470	\$ 162,128,642	\$ 165,987,119
Furniture, fixtures and computer equipment	24,662,169	18,447,994	6,214,175	6,116,448
Leasehold improvements	40,125,201	31,520,874	8,604,327	7,675,540
	283,492,482	106,545,338	176,947,144	179,779,107
Less government grants	85,914,604	34,934,360	50,980,244	52,304,936
	\$ 197,577,878	\$ 71,610,978	\$ 125,966,900	\$ 127,474,171

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2010

5. Contributed surplus:

	2010	2009
Contributed surplus, beginning and end of year	\$ 142,850,705	\$ 142,850,705

The contributed surplus balance was created as a result of the Ontario Financing Authority (the "OFA") issuing a release to the Corporation as at March 30, 2003 from all of its obligations under the temporary expansion financing.

The Corporation agreed to make a minimum distribution payment to the Province of Ontario annually in the amount of \$2,500,000 less any amount of payments in lieu of property taxes that it makes within that year and annually any such further amounts agreed to in writing by the Corporation and the OFA.

The Board of Directors has approved a distribution payment of \$5,200,000 for 2010 (2009 - \$5,000,000) to the OFA. The Corporation has remitted \$2,500,000 of this distribution at March 31, 2010, and the remaining \$2,700,000 was remitted subsequent to year end on May 14, 2010. Since the establishment of the distribution policy in fiscal year ended March 31, 2004, the total distribution amount is \$39,500,000 (2009 - \$34,300,000).

6. Commitments:

The Corporation is committed to minimum annual distributions to the OFA, as discussed in note 5, as well as minimum annual lease payments (including various estimates for executory costs) under various operating leases for facility rental premises, parking premises, office premises, vehicles, computer equipment and equipment, as follows:

2011	\$ 8,640,800
2012	5,923,000
2013	5,337,400
2014	5,045,500
2015	5,109,100
Thereafter - 25 years	127,728,200
	<u>\$ 157,784,000</u>

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2010

7. Employee future benefits:

The Corporation maintains a registered pension plan that provides a defined benefit component and a defined contribution component. Under the defined benefit component of the pension plan, contributions are made by employees at specified rates and by the sponsor in such amounts and at such times as determined by the consulting actuaries. The defined benefit component of the plan provides pension benefits based on the length of service and best average pensionable earnings. In addition, certain retired employees also receive health and other post-retirement benefits paid for by the Corporation.

The Corporation accrues its obligations under the defined benefit plans as the employees render the services necessary to earn the pension and other retirement benefits. The actuarial determination of the accrued benefit obligations for pensions and other retirement benefits uses the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors). The measurement date of the post-employment plans and retirement compensation agreement coincides with the Corporation's fiscal year, and the defined benefit plan measurement date is December 31. The most recent actuarial valuations of the benefit plans for funding purposes (and the next required valuations) are as follows:

- (i) Defined benefit registered pension plan - December 31, 2007 (December 31, 2010);
- (ii) Other post-employment plans - April 1, 2007 (April 1, 2010); and
- (iii) Retirement compensation agreement - March 31, 2010 (March 31, 2011).

Actuarial gains (losses) on plan assets arise from the difference between the actual return on plan assets for a period and the expected return on plan assets for that period. For the purpose of calculating the expected return on plan assets, those assets are valued at fair value. Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains (losses) are amortized over the average remaining service period of active employees.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2010

7. Employee future benefits (continued):

As shown in the following table, the Corporation has a deficit of \$2,957,200 (2009 - surplus of \$776,900) for its employee future benefit plans. The funding surplus is offset by unamortized net actuarial loss of \$4,122,900 (2009 - gain of \$515,900) and results in an employee future benefit asset of \$1,165,700 (2009 - \$261,000) recorded in the financial statements. Currently, there are 156 employees enrolled in the defined benefit plan and 172 employees enrolled in the defined contribution plan.

During 2005, the Corporation had closed the defined benefit component of the plan. All new eligible plan members must join the defined contribution component of the plan. The defined contribution portion of the plan is fully funded as of March 31, 2010.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2010

7. Employee future benefits (continued):

Information about the Corporation's pension plan and employee benefit arrangements are detailed in the table below:

	2010		2009	
	Pension plan	Employee benefits	Pension plan	Employee benefits
Plan assets:				
Market value, beginning of year	\$ 11,847,700	\$ 754,500	\$ 13,349,000	\$ 588,000
Actual gain (loss) on plan assets	3,018,000	(58,600)	(2,882,800)	(76,000)
Employer contributions	1,428,700	97,400	1,458,300	317,800
Employee contributions	233,500	—	221,800	—
Benefits paid	(636,600)	(75,800)	(298,600)	(75,300)
Market value, end of year	\$ 15,891,300	\$ 717,500	\$ 11,847,700	\$ 754,500
Plan obligation:				
Accrued benefit obligation, beginning of year	\$ 10,595,900	\$ 1,229,400	\$ 15,783,600	\$ 1,488,500
Current service cost	409,700	54,000	853,600	62,400
Employee contribution	233,500	—	221,800	—
Interest cost	982,900	109,200	1,002,600	88,400
Benefits paid	(636,600)	(75,800)	(298,600)	(75,300)
Actuarial losses (gains)	6,345,200	318,600	(6,967,100)	(334,600)
Accrued benefit obligation, end of year	\$ 17,930,600	\$ 1,635,400	\$ 10,595,900	\$ 1,229,400
Plan surplus (deficit):				
Market value less accrued benefit obligation, end of year	\$ (2,039,300)	\$ (917,900)	\$ 1,251,800	\$ (474,900)
Unamortized net actuarial (gain) loss	3,492,300	630,600	(753,100)	237,200
Accrued benefit asset (liability)	\$ 1,453,000	\$ (287,300)	\$ 498,700	\$ (237,700)
Benefit plan expense:				
Current service cost, net of employee contributions	\$ 409,700	\$ 54,000	\$ 853,600	\$ 62,400
Interest cost	982,900	109,200	1,002,600	88,400
Actual loss (gain) on plan assets	(3,018,000)	58,600	2,882,800	76,000
Actuarial losses (gains)	6,345,200	318,600	(6,967,100)	(334,600)
Net amortization	(4,245,400)	(383,900)	3,279,400	272,300
Net defined benefit plan expense	474,400	156,500	1,051,300	164,500
Defined contribution plan cost	438,400	—	372,800	—
Net benefit plan expense	\$ 912,800	\$ 156,500	\$ 1,424,100	\$ 164,500

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2010

7. Employee future benefits (continued):

The net accrued pension benefit asset of \$1,453,000 and the net accrued employee benefit liability of \$287,300 are included in the Corporation's balance sheet. Included in the net accrued employee benefit liability is a plan with an accrued employee benefit asset of \$468,700.

The percentage of the fair value of plan assets by major category is as follows:

	2010	2009
Canadian equity securities	35.3%	33.7%
Global equity securities	25.8%	24.6%
Fixed income securities	38.9%	41.7%

The significant assumptions used in accounting for the plans are as follows (weighted average):

	Pension benefit plan		Other benefit plan	
	2010	2009	2010	2009
Accrued benefit obligation:				
Discount rate	6.10%	9.00%	6.10%	9.00%
Rate of compensation increase	3.25%	4.00%	3.25%	4.00%
Benefit cost for the year:				
Discount rate	9.00%	6.00%	9.00%	6.00%
Expected long-term rate of return on plan assets	7.00%	7.00%	3.50%	3.50%
Rate of compensation increase	4.00%	4.00%	4.00%	3.50%

Assumed health care cost trend rates at March 31:

	2010	2009
Initial health care cost trend rate	9.0%	10.0%
Cost trend rate declines to	5.0%	5.0%
Year that the rate reaches the rate it is assumed to remain at	2014	2014

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2010

8. Financial instruments, risk management and capital management:

(a) Financial instruments:

The Corporation's financial assets and liabilities consist of cash, cash committed for capital projects, customer deposits, accounts receivable, accounts payable and accrued liabilities and distribution payable. The carrying values are equal to their fair value due to their short-term nature.

The financial instruments which are recorded at fair value on the balance sheet are categorized as Level 1 (quoted prices in active markets) in the fair value hierarchy.

There were no financial instruments categorized in Level 2 (valuation technique using observable market inputs) or in Level 3 (valuation technique using non-observable market inputs) as at March 31, 2010 and 2009.

There were no changes in categorization of financial assets and liabilities into the three levels in the fair value hierarchy during the year.

(b) Risk management:

The Corporation's activities expose it to a variety of financial risks: credit risk and liquidity risk. Risk management is the responsibility of the Corporation's management who identifies and evaluates financial risks. Material risks are monitored and discussed with the Audit Committee of the Board of Directors. The Corporation does not utilize derivative financial instruments.

(i) Credit risk:

Credit risk arises from cash and cash equivalents held with the banks and financial institutions and accounts receivable. The objective of managing counterparty credit risk is to prevent losses in financial assets. The Corporation assesses the quality of its counterparties, taking into account their creditworthiness and reputation, past experience and other factors.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2010

8. Financial instruments, risk management and capital management (continued):

(ii) Liquidity risk:

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Corporation's objective in managing liquidity risk is to maximize available cash reserves to meet its liquidity requirements in order to meet obligations as they come due. The Corporation has established a conservative investment policy to achieve this objective. The governance of this policy refers to the Corporation's power to invest surplus monies only in the following investments:

- (a) Canadian government securities (federal and provincial);
- (b) guaranteed investment certificates; and
- (c) deposit receipts, deposit notes and bankers' acceptance (Schedule A or B bank).

The policy also includes minimum quality requirements and recognized bond rating agencies pertaining to the above investments.

(c) Capital management:

As a government business enterprise, the Corporation's objective in managing capital is to safeguard the entity's ability to continue as a going concern and make distributions to the OFA.



Suite 200, Roberta Bondar Place, 70 Foster Drive, Sault Ste. Marie, Ontario P6A 6V8
Tel: (705) 945-6700 or 1-800-461-8329, Fax: (705) 945-6701. www.nohfc.com

Place Roberta Bondar, Bureau 200, 70, promenade Foster, Sault Ste. Marie (Ontario) P6A 6V8
Tél. (705) 945-6700 ou 1-800-461-8329, Téléc. (705) 945-6701. www.nohfc.com

Responsibility for Financial Reporting

The accompanying financial statements of the Northern Ontario Heritage Fund Corporation (NOHFC) have been prepared in accordance with generally accepted accounting principles (GAAP) in Canada, and are the responsibility of management. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 4, 2010.

Management is responsible for the integrity of the financial statements and maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The Board, through the Audit Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Audit Committee, comprised of members who are not employees/officers of the NOHFC, generally meets periodically with management and the Office of the Auditor General to satisfy itself that each group has properly discharged its respective responsibility.

The financial statements have been audited by the Office of the Auditor General of Ontario. The Auditors' responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's Report outlines other scope of the Auditor's examination and opinion.

A handwritten signature in dark ink, appearing to read "Melanie Muncaster".
Melanie Muncaster

Acting Executive Director
NOHFC

A handwritten signature in dark ink, appearing to read "Mike Murray".
Mike Murray, CGA

Manager, Financial Services
NOHFC

A handwritten signature in dark ink, appearing to read "David Petersson".
David Petersson, CGA

Senior Financial Consultant
NOHFC



Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Auditor's Report

To the Northern Ontario Heritage Fund Corporation
and to the Minister of Northern Development, Mines and Forestry

I have audited the balance sheet of the Northern Ontario Heritage Fund Corporation as at March 31, 2010 and the statements of revenue and expenses and net investment by the Province of Ontario and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Box 105, 15th Floor
20 Dundas Street West
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-326-3812

B.P. 105, 15^e étage
20, rue Dundas ouest
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-326-3812

www.auditor.on.ca

Toronto, Ontario
June 4, 2010

Gary R. Peall, CA
Deputy Auditor General
Licensed Public Accountant

NORTHERN ONTARIO HERITAGE FUND CORPORATION

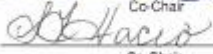
Balance Sheet
As at March 31, 2010

	2010 (\$000s)	2009 (\$000s)
Assets		
Cash and cash equivalents (Note 3)	220,073	228,283
Accrued interest	1,204	2,382
Advance to other Ministries	100	400
Receivable from the Province of Ontario	10,000	-
Loans receivable (Note 4)	43,627	42,671
	<u>275,004</u>	<u>273,736</u>
Patten Post Diversification Fund under administration (Note 5)	1,201	1,447
Duke Energy Fund under administration (Note 6)	241	237
	<u>276,446</u>	<u>275,420</u>
Liabilities		
Accounts payable	1,038	1,070
Patten Post Diversification Fund under administration (Note 5)	1,201	1,447
Duke Energy Fund under administration (Note 6)	241	237
	<u>2,480</u>	<u>2,754</u>
Net investment by the Province of Ontario	<u>273,966</u>	<u>272,666</u>
	<u>276,446</u>	<u>275,420</u>

Commitments (Note 9)

See accompanying notes to financial statements.

On behalf of the Board:


 Co-Chair

 Co-Chair


 Executive Director

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Statement of Revenue and Expenses and Net Investment by the Province of Ontario
For the Year Ended March 31, 2010

	2010 (\$000s)	2009 (\$000s)
Revenue		
Province of Ontario grant	80,000	70,000
Interest on cash and cash equivalents	2,499	8,015
Interest on loans receivable	1,930	1,155
	<u>84,429</u>	<u>79,170</u>
Expenses		
Grants	72,892	64,930
Credit and investment losses, net of recoveries (Note 7)	4,958	4,975
Administration (Note 8)	5,279	4,251
	<u>83,129</u>	<u>74,156</u>
Excess of revenue over expenses	1,300	5,014
Net investment by the Province of Ontario, beginning of year	<u>272,666</u>	<u>267,652</u>
Net investment by the Province of Ontario, end of year	<u><u>273,966</u></u>	<u><u>272,666</u></u>

See accompanying notes to financial statements.

NORTHERN ONTARIO HERITAGE FUND CORPORATION**Statement of Cash Flows
For the Year Ended March 31, 2010**

	2010 (\$000s)	2009 (\$000s)
Lending, investing and financial assistance activities		
Loan disbursements	(10,762)	(11,987)
Purchase of loans from Northern Ontario Grow Bonds Corporation	(1,693)	-
Loan repayments and recoveries	6,717	4,210
Grants and forgivable loans	(71,998)	(64,780)
Interest received on loans receivable	475	591
	<u>(77,261)</u>	<u>(71,966)</u>
Financing activities		
Cash contributions from the Province for:		
Lending and financial assistance activities	<u>70,000</u>	<u>70,000</u>
Operating activities		
Interest received on cash and cash equivalents	4,061	9,894
Administration costs	(5,310)	(4,060)
Advance to other Ministries	300	(400)
	<u>(949)</u>	<u>5,434</u>
Increase in cash and cash equivalents	(8,210)	3,468
Cash and cash equivalents, beginning of year	<u>228,283</u>	<u>224,815</u>
Cash and cash equivalents, end of year	<u><u>220,073</u></u>	<u><u>228,283</u></u>

See accompanying notes to financial statements.

NORTHERN ONTARIO HERITAGE FUND CORPORATION**Notes to Financial Statements
March 31, 2010**

1. NATURE OF THE BUSINESS

The Corporation was established, without share capital, on June 1, 1988 under the *Northern Ontario Heritage Fund Act*. The purpose of the Corporation is to fund infrastructure improvements and economic development opportunities in Northern Ontario by providing financial assistance by way of conditional contributions, forgivable performance loans, incentive term loans and loan guarantees. As an Ontario Crown agency, the Corporation is exempted from federal and provincial income taxes under the *Income Tax Act (Canada)*.

The Corporation partners with communities, businesses, entrepreneurs and youth across Northern Ontario to create jobs and strengthen the Northern economy. The Corporation delivers seven targeted programs as follows: Enterprises North Job Creation Program, Youth Internship and Co-op Program, Young Entrepreneur Program, Northern Energy Program, Emerging Technology Program, Entrepreneur Program and Infrastructure and Community Development Program.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The significant accounting policies used to prepare these statements are summarized below.

(a) Basis of Accounting

The financial statements have been prepared using the accrual method of accounting.

(b) Transactions with the Province of Ontario

The Province of Ontario contributes funds to finance the lending and financial assistance activities. The Province's investment is increased (reduced) by the excess (deficiency) of revenue over expenses.

(c) Cash and Cash Equivalents

Cash and cash equivalents consist primarily of funds on deposit in chartered banks and short-term investments on deposit with the Ontario Financing Authority, a related party.

(d) Provision for Credit Losses

Credit losses arise on loans receivable issued by the Corporation. In addition to specific write-offs and write-downs, a provision for credit losses is maintained in an amount considered adequate to absorb anticipated credit-related losses. The provision for losses on loans consists of provisions on specific loans and is deducted from loans receivable.

The amounts written off and written down in the year, net of realized recoveries of amounts written off and written down in prior years, and changes in provisions, are charged to credit losses in the Statement of Revenue and Expenses and Net Investment by the Province of Ontario.

NORTHERN ONTARIO HERITAGE FUND CORPORATION**Notes to Financial Statements
March 31, 2010**

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(e) Revenue Recognition**

Government grants are recognized when receivable. Interest income is recognized on the accrual basis.

(f) Grants and Forgivable Loans

Generally, loans are forgiven on condition that the borrower has met certain requirements after the loan is disbursed. The Corporation expenses grants and forgivable loans when disbursed, as historically the proponents have met all conditions. Recoveries of monies for which the conditions are not met are recognized in the year received.

(g) Use of Estimates

Preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.

(h) Financial Assets and Liabilities

CICA Handbook Section 3855 establishes standards for recognizing and measuring financial assets and financial liabilities. It requires that financial assets and liabilities be recognized on the Balance Sheet when the Corporation becomes party to the contractual provisions of a financial instrument. Under this standard, all financial instruments are required to be measured at fair value on initial recognition except certain related party transactions.

Measurement in subsequent periods depends on whether the financial instrument has been classified as held for trading, loans and receivables, held to maturity, available for sale or financial liabilities. Management determines the classification of financial assets and liabilities at initial recognition and the designations made for each financial instrument are indicated in the notes. A description of the various designation classifications follows:

The financial instruments classified as held for trading are measured at fair value with unrealized gains and losses recognized in net income. Section 3855 permits an entity to designate any financial instrument as held for trading on initial recognition or adoption of this standard, even if that instrument would not otherwise meet the definition of held for trading as specified in Section 3855. The Organization's financial instruments classified as held for trading are the cash and cash equivalents, accrued interest on investments, Patten Post Diversification Fund assets and Duke Energy Fund assets.

The financial assets classified as loans and receivables are measured at amortized cost. The Organization's financial instruments classified as loans and receivables include accrued interest on loans and loans receivable. Interest-free loans are discounted at the risk weighted rate assigned to similar loans to determine the present value of the loan. The difference between the face value of the loan and its present value is in substance, a grant, and is recognized as grants expense in the year when the loan is made. The amount of the loan discount is amortized to interest income over the interest free period.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements

March 31, 2010

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Held to maturity and available for sale financial assets would be measured at fair value, however, there are no financial instruments classified as held to maturity or available for sale.

Financial instruments classified as other financial liabilities include Accounts Payable. Other financial liabilities are measured at amortized cost.

3. CASH AND CASH EQUIVALENTS

The *Northern Ontario Heritage Fund Act* restricts investments to securities issued or guaranteed by the provinces, Canada, United States, United Kingdom, the International Bank for Reconstruction and Development and any Canadian Schedule I or II bank, and other investments as authorized by the Lieutenant Governor in Council. The Corporation, through an Investment Management Agreement with the Ontario Financing Authority, invests excess funds in securities as allowed by the Act.

Cash and cash equivalents consist of:

	2010 (\$000s)	2009 (\$000s)
Cash	9,664	21,247
Short-term investments	<u>210,409</u>	<u>207,036</u>
	<u>220,073</u>	<u>228,283</u>

Short-term investments consist of treasury bills (maturing within 365 days) which yielded 0.75% on average (2009 – 2.5%). All treasury bills are redeemable on demand.

4. LOANS RECEIVABLE

	2010 (\$000s)	2009 (\$000s)
Current	3,913	5,969
Long-term	50,902	54,622
Provision for credit losses on specific loans	(8,812)	(15,741)
Loan discount	<u>(2,376)</u>	<u>(2,179)</u>
	<u>43,627</u>	<u>42,671</u>

Generally, loans bear fixed interest rates ranging from 0% to 9.25% and are fully repayable within 20 years from the date disbursed.

NORTHERN ONTARIO HERITAGE FUND CORPORATION**Notes to Financial Statements
March 31, 2010****4. LOANS RECEIVABLE (CONTINUED)**

The changes in the provision for credit losses on specific loans are as follows:

	2010 (\$000s)	2009 (\$000s)
Balance, beginning of year	15,741	13,546
Loans written off in the year	(11,887)	(2,780)
Change in loan provision	5,054	4,975
Recoveries	(96)	-
Balance, end of year	<u>8,812</u>	<u>15,741</u>

The changes in the loan discount balances are as follows:

	2010 (\$000s)	2009 (\$000s)
Balance, beginning of year	2,179	2,741
Amount of loan discount charged	1,268	143
Amount amortized to interest on loans receivable	(1,071)	(705)
Balance, end of year	<u>2,376</u>	<u>2,179</u>

5. PATTEN POST DIVERSIFICATION FUND UNDER ADMINISTRATION

The Corporation is responsible for the administration of a Fund whose proceeds were received from Ontario Power Generation Incorporated. The objective of the Fund is to benefit communities that suffered economic hardship as a result of uranium mine closures in the Elliot Lake area. The Corporation is responsible for processing applications for funding according to established funding criteria until the balance in the fund is disbursed.

The activity of the Fund was as follows:

	2010 (\$000s)	2009 (\$000s)
Investment income	25	103
Disbursements to communities	(271)	(1,876)
Net results for the year	(246)	(1,773)
Fund balance, beginning of year	<u>1,447</u>	<u>3,220</u>
Fund balance, end of year	<u>1,201</u>	<u>1,447</u>

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements March 31, 2010

6. DUKE ENERGY FUND UNDER ADMINISTRATION

The Corporation is responsible for the administration of a Fund whose proceeds were received from Union Gas Limited, a Duke Energy Company, on July 15, 2005. The objective of the Fund is to benefit Northern Ontario through funding for job-training projects proposed by educational institutions located in Northern Ontario under NOHFC's Emerging Technologies program. The Corporation is responsible for processing applications for funding based on advice from Duke Energy Company and according to established funding criteria until the balance in the fund is disbursed.

The activity of the Fund was as follows:

	2010 (\$000s)	2009 (\$000s)
Investment income	4	9
Disbursements to communities	-	(36)
Net results for the year	4	(27)
Fund balance, beginning of year	237	264
Fund balance, end of year	241	237

7. CREDIT LOSSES

Credit losses shown in the Statement of Revenue and Expenses and Net Investment by the Province of Ontario are as follows:

	2010 (\$000s)	2009 (\$000s)
Loans written off in the year	11,887	2,780
Less: amounts provided for in previous years	(11,128)	(646)
	759	2,134
Change in provision on active loans	4,295	2,841
Change in loan provision	5,054	4,975
Less: recoveries	96	-
Credit and investment losses, net of recoveries	4,958	4,975

NORTHERN ONTARIO HERITAGE FUND CORPORATION**Notes to Financial Statements
March 31, 2010****8. ADMINISTRATION EXPENSES**

Details of administration expenses in the year are as follows:

	2010 (\$000s)	2009 (\$000s)
Salaries and benefits	1,751	1,459
Transportation and communications	306	440
Services	1,356	1,342
Management fees	1,449	646
Marketing	352	275
Supplies and equipment	38	89
Collection fees	27	-
	<u>5,279</u>	<u>4,251</u>

The Ministry of Government Services provides pension benefits for all of NOHFC's permanent staff through participation in the Public Service Pension Fund and the Ontario Public Service Employees' Union Pension Fund which are both multi-employer defined benefit pension plans established by the Province of Ontario. The costs of the pension plans, and other post-retirement non-pension benefits provided to eligible staff are paid by the Ministry and are not included in these financial statements.

9. COMMITMENTS

Funds committed but not disbursed as at March 31 are \$209,204,995 (2009: \$191,668,000). Subsequent to the March 31, 2010 year end, \$414,858 (2009: \$2,782,145) of the funds committed were rescinded by decision of the Board.

10. FUTURE ACCOUNTING PRONOUNCEMENTS

Recent changes announced by the Canadian Institute of Chartered Accounts (CICA) would require government organizations, such as the Corporation, to consider the needs of the users of their financial statements in determining whether standards in the CICA Public Sector Handbook (PSAB) or international financial reporting standards (IFRS) are the most appropriate basis of accounting to adopt. The Corporation is planning on adopting the PSAB standard for the fiscal year effective April 1, 2011.



480 University Avenue, Suite 300
Toronto, ON M5G 1V2
T 647.260.7100 F 647.260.7600
www.oahpp.ca

MANAGEMENT RESPONSIBILITY REPORT

Ontario Agency for Health Protection and Promotion (OAHPP) management is responsible for preparing the accompanying financial statements in conformity with Canadian generally accepted accounting principles for government as established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

In preparing these financial statements management selects appropriate accounting policies and uses its judgment and best estimates to report events and transactions as they occur. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects. Financial data included throughout this Annual Report is prepared on a basis consistent with that of the financial statements.

OAHPP maintains a system of internal accounting controls designed to provide reasonable assurance, at a reasonable cost, that assets are safeguarded and that transactions are executed and recorded in accordance with OAHPP policies for doing business.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control, and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit and Finance Standing Committee. The Committee meets at least four times annually to review audited and unaudited financial information. Ernst & Young LLP has full and free access to the Audit and Finance Standing Committee.

Management acknowledges its responsibility to provide financial information that is representative of OAHPP operations, is consistent and reliable, and is relevant for the informed evaluation of OAHPP activities.

A handwritten signature in black ink, appearing to read "Vivek Goel".

Vivek Goel
President and CEO

A handwritten signature in black ink, appearing to read "Norman Rees".

Norman Rees, CA
Chief Financial Officer

May 19, 2010

AUDITORS' REPORT

To the Members of
Ontario Agency for Health Protection and Promotion

We have audited the statement of financial position of **Ontario Agency for Health Protection and Promotion** as at March 31, 2010 and the statements of operations and changes in accumulated surplus, changes in net debt and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Canada,
May 19, 2010.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

Ontario Agency for Health Protection and Promotion

STATEMENT OF FINANCIAL POSITION

[in thousands of dollars]

As at March 31

	2010 \$	2009 \$
FINANCIAL ASSETS		
Cash	13,089	11,012
Restricted cash [note 4]	7,684	7,734
Accounts receivable	159	233
	20,932	18,979
LIABILITIES		
Accounts payable and accrued liabilities	13,619	12,702
Accrued benefit liability [note 8]	5,350	4,831
Deferred revenue – severance credits [note 6]	1,376	1,483
Deferred revenue – restricted funds [note 7]	210	153
Deferred revenue – other	766	141
	21,321	19,310
Net debt	(389)	(331)
NON-FINANCIAL ASSETS		
Prepaid expenses	651	592
Capital assets, net [note 5]	17,737	12,788
	18,388	13,380
Accumulated surplus	17,999	13,049
Commitments and contingencies [note 11]		

See accompanying notes

On behalf of the Board:



Director



Director

Ontario Agency for Health Protection and Promotion

STATEMENT OF OPERATIONS AND CHANGES IN
ACCUMULATED SURPLUS

[in thousands of dollars]

Year ended March 31

	2010		2009
	Budget	Actual	Actual
	[unaudited]		
	\$	\$	\$
			<i>[note 2]</i>
REVENUE			
Ministry of Health and Long-Term Care	122,326	120,827	43,475
Other grants	499	710	222
Public health laboratories transferred			
capital assets <i>[note 2]</i>	—	—	6,521
Miscellaneous recoveries	50	363	231
	122,875	121,900	50,449
EXPENSES <i>[note 10]</i>			
Public health laboratory program	95,584	95,272	24,174
Other public health programs	8,972	8,809	2,381
General and administration [2009 - including start-up]	13,411	12,869	10,845
	117,967	116,950	37,400
Operating surplus	4,908	4,950	13,049
Accumulated surplus, beginning of year	14,191	13,049	—
Accumulated surplus, end of year	19,099	17,999	13,049

See accompanying notes

Ontario Agency for Health Protection and Promotion

STATEMENT OF CHANGES IN NET DEBT

[in thousands of dollars]

Year ended March 31

	2010		2009
	Budget	Actual	Actual
	[unaudited]		
	\$	\$	\$
			<i>[note 2]</i>
Operating surplus	4,908	4,950	13,049
Acquisition of capital assets			
Purchased	(8,298)	(8,298)	(7,640)
Transferred	—	—	(6,521)
Amortization of capital assets	3,390	3,349	1,373
Increase in prepaid expenses	—	(59)	(592)
Increase in net debt	—	(58)	(331)
Net debt, beginning of year	(652)	(331)	—
Net debt, end of year	(652)	(389)	(331)

See accompanying notes

Ontario Agency for Health Protection and Promotion

STATEMENT OF CASH FLOWS

[in thousands of dollars]

Year ended March 31

	2010 \$	2009 \$
OPERATING TRANSACTIONS		
Operating surplus	4,950	13,049
Add (deduct) items not affecting cash		
Public health laboratories transferred capital assets	—	(6,521)
Amortization of capital assets	3,349	1,373
	8,299	7,901
Changes in non-cash operating items		
Decrease (increase) in accounts receivable	74	(233)
Increase in accrued benefit liability	519	4,831
(Decrease) increase in deferred revenue – severance credits	(107)	1,483
Increase in deferred revenue – restricted funds	57	153
Increase in deferred revenue – other	625	141
Increase in accounts payable and accrued liabilities	917	12,702
Increase in prepaid expenses	(59)	(592)
Decrease (increase) in restricted cash	50	(7,734)
Cash provided by operating transactions	10,375	18,652
CAPITAL TRANSACTIONS		
Acquisition of purchased capital assets	(8,298)	(7,640)
Cash applied to capital transactions	(8,298)	(7,640)
Net increase in cash during the year	2,077	11,012
Cash, beginning of year	11,012	—
Cash, end of year	13,089	11,012

See accompanying notes

Ontario Agency for Health Protection and Promotion**NOTES TO FINANCIAL STATEMENTS**

[in thousands of dollars]

March 31, 2010

1. DESCRIPTION OF THE ORGANIZATION

Ontario Agency for Health Protection and Promotion ["OAHPP"] was established under the Ontario Agency for Health Protection and Promotion Act, 2007 as a corporation without share capital. OAHPP's mandate is to enhance the protection and promotion of the health of Ontarians, contribute to efforts to reduce health inequities, provide scientific and technical advice and support to those working across sectors to protect and improve the health of Ontarians and to carry out and support activities such as population health assessment, public health research, surveillance, epidemiology, planning and evaluation.

Under the Ontario Agency for Health Protection and Promotion Act, 2007, OAHPP is primarily funded by the Province of Ontario.

2. TRANSFER OF THE PUBLIC HEALTH LABORATORIES

Pursuant to the Transfer Agreement dated November 25, 2008 with the Ministry of Health and Long-Term Care ["MOHLTC"] [the "Laboratories Transfer Agreement"], Ontario's public health laboratories ["PHL"] were transferred to OAHPP effective December 15, 2008. The financial statements for the year ended March 31, 2009 include financial transactions of the laboratories commencing December 15, 2008.

The Laboratories Transfer Agreement provided for the transfer to OAHPP of the:

- operations of the 12 public health laboratories;
- employees, with their existing collective agreements;
- equipment; and
- supply and other contracts.

As a result of this transfer, the transferred capital assets were recorded at their estimated fair market value of \$6,521 as of the date of transfer [note 5] with the offset recorded as PHL transferred capital assets revenue in the statement of operations and changes in accumulated surplus.

The MOHLTC provided OAHPP with funding of \$7,618 related to the liability assumed by OAHPP in connection with severance [note 6] and other credits [primarily accrued vacation pay] related to transferred employees. These funds were recorded as restricted cash [note 4]. The Laboratories Transfer Agreement provides for the drawdown of the funds when transferred employees cease employment with OAHPP.

Ontario Agency for Health Protection and Promotion**NOTES TO FINANCIAL STATEMENTS**

[in thousands of dollars]

March 31, 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for governments as established by the Public Sector Accounting Board ["PSAB"] of the Canadian Institute of Chartered Accountants.

Revenue recognition

Unrestricted contributions, which include transfers from MOHLTC, are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions, which include transfers from MOHLTC, are recognized as revenue in the period in which the related expenses are incurred.

Revenue from other sources is recognized when the goods have been sold or when the services have been rendered.

Capital assets

Capital assets are recorded at acquisition cost. Contributed capital assets are recorded at fair market value at date of contribution. Amortization is provided on a straight-line basis based upon the estimated useful service lives of the assets as follows:

Building service equipment	5-30 years
Other equipment	5-10 years
Furniture	5-20 years
Leasehold improvements	Over the term of the lease

Inventory and other supplies held for consumption

Inventory and other supplies held for consumption are expensed when acquired.

Employee future benefits

Contributions to multi-employer, defined benefit pension plans are expensed when contributions are due.

Ontario Agency for Health Protection and Promotion**NOTES TO FINANCIAL STATEMENTS**

[in thousands of dollars]

March 31, 2010

Other employee future benefits are non-pension benefits that are provided to certain employees and are accrued as the employees render the service necessary to earn these future benefits. The cost of these future benefits is actuarially determined using the projected unit credit method, prorated on service and management's best estimate of expected salary escalation and retirement ages of employees. Net actuarial gains and losses related to the employee future benefits are amortized over the average remaining service life of the related employee group. Employee future benefit liabilities are discounted using the average interest cost for the Province of Ontario's net new debt obligations with maturities that correspond to the duration of the liability.

Foreign currency translation

Revenue and expenses denominated in foreign currencies are translated into Canadian dollars at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate in effect at year end. Gains or losses arising from translation of short-term monetary assets are included in the statement of operations and changes in accumulated surplus.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

4. RESTRICTED CASH

[a] Restricted cash consists of the following:

	2010 \$	2009 \$
Ministry of Health and Long-Term Care [note 6]	7,474	7,581
Sheela Basrur Centre [note 7]	210	153
	7,684	7,734

Ontario Agency for Health Protection and Promotion

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2010

[b] The continuity of the MOHLTC restricted cash is as follows:

	2010		
	Severance credits	Other credits	Total
	\$	\$	\$
Restricted cash, beginning of year	6,219	1,362	7,581
Interest earned	30	6	36
Restricted cash draw down	(113)	(30)	(143)
Restricted cash, end of year	6,136	1,338	7,474

	2009		
	Severance credits	Other credits	Total
	\$	\$	\$
Restricted cash, beginning of year	6,250	1,368	7,618
Interest earned	—	—	—
Restricted cash draw down	(31)	(6)	(37)
Restricted cash, end of year	6,219	1,362	7,581

Ontario Agency for Health Protection and Promotion

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2010

5. CAPITAL ASSETS

Capital assets consist of the following:

	2010		
	Cost	Accumulated	Net
	\$	amortization	book
		\$	value
			\$
Building service equipment	337	51	286
Other equipment	16,850	3,764	13,086
Furniture	1,713	391	1,322
Leasehold improvements	3,559	516	3,043
	22,459	4,722	17,737
	2009		
	Cost	Accumulated	Net
	\$	amortization	book
		\$	value
			\$
Building service equipment	335	17	318
Other equipment	9,705	1,004	8,701
Furniture	1,098	110	988
Leasehold improvements	3,023	242	2,781
	14,161	1,373	12,788

6. DEFERRED REVENUE - SEVERANCE CREDITS

Deferred revenue – severance credits represents the difference between the restricted cash held for severance credits and the portion of the accrued benefit liability associated with service prior to the transfer of employees of the laboratories to OAHPP [note 8[b]].

Ontario Agency for Health Protection and Promotion

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2010

7. DEFERRED REVENUE – RESTRICTED FUNDS

Deferred revenue – restricted funds represent unspent externally restricted grants and donations in support of OAHPP objects.

Deferred revenue – restricted funds consist of the following:

	2010 \$	2009 \$
Sheela Basrur Centre <i>[note 4[a]]</i>	210	153
Deferred revenue as at March 31	210	153

The balance of \$210 [2009 - \$153] represents unspent funds held by OAHPP restricted for the Sheela Basrur Centre ["the Centre"] outreach programs. In addition to these funds, \$165 [2009 - \$156] is held by the Toronto Community Foundation for the benefit of the Centre and its programs.

Named after the late Dr. Sheela Basrur, a former Chief Medical Officer of Health for the Province of Ontario, the Centre was created to become a prominent provider of public health education and training.

8. EMPLOYEE FUTURE BENEFIT PLANS

[a] Multi-employer pension plan

Certain employees of OAHPP are members of the Ontario Public Service Employees Union ["OPSEU"] Pension Plan, the Healthcare of Ontario Pension Plan ["HOOPP"] or the Ontario Public Service Pension Plan ["PSPP"], which are multi-employer, defined benefit pension plans. These pension plans are accounted for as defined contribution plans. OAHPP contributions to the OPSEU Pension Plan, HOOPP and PSPP during the year amounted to \$1,712 [2009 - \$480], \$885 [2009 - \$199], and \$402 [2009 - \$92], respectively, and are included in expenses in the statement of operations and changes in accumulated surplus.

Ontario Agency for Health Protection and Promotion

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2010

[b] Severance credits

OAHPP assumed the non-pension post-employment defined benefit plan from the Government of Ontario as part of the PHL transfer. These defined benefit plans include a benefit of one week of salary for each year of service [to a maximum of half of an employee's annual salary] payable to certain employees upon termination or retirement from OAHPP. The latest actuarial valuation for the non-pension post-retirement defined benefit plan was performed as of December 15, 2008. OAHPP measures its accrued benefit obligation for accounting purposes as at March 31 of each year based on an extrapolation from the latest actuarial valuation.

The accrued benefit liability as at March 31, 2010 is calculated as follows:

	2010
	\$
Accrued benefit liability, beginning of year	4,831
Expense for the year	632
Benefits paid [note 4[b]]	(113)
Accrued benefit liability, end of year	5,350

The accrued benefit liability as at March 31, 2009 is calculated as follows:

	2009
	\$
Accrued benefit liability at December 15, 2008	4,672
Expense from December 15, 2008 to March 31, 2009	190
Benefits paid from December 15, 2008 to March 31, 2009 [note 4[b]]	(31)
Accrued benefit liability, end of year	4,831

The significant actuarial assumptions adopted in measuring OAHPP's accrued benefit obligation and expense are as follows:

	2010	2009
	%	%
Discount rate	5.30	5.30
Rate of compensation increase	3.50	3.50
Rate of inflation	2.50	2.50

Ontario Agency for Health Protection and Promotion

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2010

9. BUDGET FIGURES

The budget figures are based on the original approved MOHLTC transfer payments by program and one time payments for Pandemic H1N1 2009 virus expenditures, with the expenses adjusted for the funding for purchased capital asset acquisitions.

10. EXPENSES BY OBJECT

The expenses by object are as follows:

	2010 \$	2009 \$
Salaries and wages	48,688	15,184
Employee benefits <i>[note 8]</i>	10,470	2,679
Transportation and communication	3,864	797
Services	21,557	9,638
Supplies and minor equipment	29,022	7,729
Amortization of capital assets	3,349	1,373
	116,950	37,400

11. COMMITMENTS AND CONTINGENCIES

- [a] Under the Laboratories Transfer Agreement, MOHLTC is responsible for all obligations and liabilities in respect of the public health laboratories that existed as at the transfer date or which may arise thereafter and have a cause of action that existed prior to the transfer date.
- [b] OAHPP is a member of the Healthcare Insurance Reciprocal of Canada ["HIROC"]. HIROC is a pooling of the liability insurance risks of its members. All members of the pool pay annual deposit premiums which are actuarially determined and are expensed in the current year. These premiums are subject to further assessment for experience gains and losses, by the pool, for prior years in which OAHPP participated. To March 31, 2010, no assessments have been received.

Ontario Agency for Health Protection and Promotion**NOTES TO FINANCIAL STATEMENTS**

[in thousands of dollars]

March 31, 2010

[c] The committed future minimum annual payments under operating leases consist of the following:

	\$
2011	8,199
2012	8,514
2013	2,213
2014	1,896
2015	1,747
Thereafter	7,100

12. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2010 financial statements.

Ontario Capital Growth Corporation

Responsibility for Financial Reporting

The accompanying financial statements of the Ontario Capital Growth Corporation have been prepared in accordance with Canadian generally accepted accounting principles of the Canadian Institute of Chartered Accountants and are the responsibility of Management. The preparation of financial statements necessarily involves the use of estimates based on Management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to May 18, 2010.

Management maintains a system of internal controls designed to provide a reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provide for appropriate delegation of authority and segregation of responsibilities. The Ontario Internal Audit Division of the Ministry of Finance has the ability to independently evaluate the effectiveness of these internal controls on an ongoing basis and, as applicable, report its findings to Management and the Audit Committee of the Board of Directors.

The Board of Directors is responsible for ensuring that Management fulfills its responsibilities for financial reporting and internal controls. The Audit Committee assists the Board in carrying out these responsibilities. It meets periodically with Management, internal auditors and the external auditor, as applicable, to deal with issues raised by them and to review the financial statements before recommending approval by the Board of Directors.

The financial statements have been audited by a third-party auditor, Gordon Hardcastle, Chartered Accountant. The Auditor's responsibility is to express an opinion on whether OCGC's financial statements fairly represent OCGC's financial position in accordance with Canadian generally accepted accounting principles. The Auditor's Report, which appears on the following page, outlines the scope of the Auditor's examination and his opinion.

On behalf of Management:

A handwritten signature in black ink, appearing to read "John Marshall", with a large, stylized loop at the end.

John Marshall

President and Chief Executive Officer



P.O. Box 176 • 4154 Catherine Street
Dorchester, Ontario N9L 1G9
Telephone (519) 268-7774
1-800-787-2131
Facsimile (519) 268-8502
email: solutions@ghca.ca

ONTARIO CAPITAL GROWTH CORPORATION

AUDITOR'S REPORT

To the Directors of Ontario Capital Growth Corporation

I have audited the statement of financial position of Ontario Capital Growth Corporation as at March 31, 2010 and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads "Gordon Hardcastle". The signature is written in a cursive, flowing style.

Dorchester, Canada
May 18, 2010

Chartered Accountant
Licensed Public Accountant

ONTARIO CAPITAL GROWTH CORPORATION

Statement of Financial Position

March 31, 2010

	2010	2009
ASSETS		
Cash	\$ 806,735	\$ 12,105
Marketable securities (Note 4)	84,989,303	90,550,243
Accounts receivable (Note 3)	2,580,000	182,738
Investment in Ontario Venture Capital Fund LP (Note 5)	7,936,728	1,757,551
Investments in Ontario Emerging Technologies Fund (Note 6)	5,980,000	-
	\$ 102,292,766	\$ 92,502,637
LIABILITIES AND NET ASSETS		
Accounts payable (Note 3)	\$ 1,158,096	\$ 8,928
NET ASSETS		
General fund	101,134,670	92,493,709
LIABILITIES AND NET ASSETS	\$ 102,292,766	\$ 92,502,637

ON BEHALF OF THE BOARD



Director
 

A.P. Kelly

Director

ONTARIO CAPITAL GROWTH CORPORATION**Statement of Changes in Net Assets****Year Ended March 31, 2010**

	2010	2009
NET ASSETS - BEGINNING OF YEAR	\$ 92,493,709	\$ -
Net income for the year	8,640,961	92,493,709
NET ASSETS - END OF YEAR	\$ 101,134,670	\$ 92,493,709

See notes to financial statements

ONTARIO CAPITAL GROWTH CORPORATION**Statement of Revenues and Expenditures****Year Ended March 31, 2010**

	2010	2009
REVENUE		
Province of Ontario - OVCF (<i>Note 8</i>)	\$ -	\$ 92,249,261
Province of Ontario - OETF (<i>Note 9</i>)	9,560,000	-
Organizational revenue	-	182,738
Interest income	479,379	70,806
	10,039,379	92,502,805
EXPENSES		
Reimbursement to the Ministry of Research and Innovation (<i>Note 3</i>)	\$ 1,135,500	\$ -
Cash management fees	46,551	3,942
Professional fees	216,367	5,154
	1,398,418	9,096
NET INCOME FOR THE YEAR	\$ 8,640,961	\$ 92,493,709

ONTARIO CAPITAL GROWTH CORPORATION**Statement of Cash Flows****Year Ended March 31, 2010**

	2010	2009
OPERATING ACTIVITIES		
NET INCOME FOR THE YEAR	\$ 8,640,961	\$ 92,493,709
Changes in non-cash working capital:		
Accounts receivable	(2,397,262)	(182,738)
Accounts payable	1,149,168	8,928
	(1,248,094)	(173,810)
Cash flow from operating activities	7,392,867	92,319,899
INVESTING ACTIVITIES		
Marketable securities	5,560,940	(90,550,243)
Investment in Ontario Venture Capital Fund LP	(6,179,177)	(1,757,551)
Investments in Ontario Emerging Technologies Fund	(5,980,000)	-
Cash flow used by investing activities	(6,598,237)	(92,307,794)
INCREASE IN CASH FLOW	794,630	12,105
Cash - beginning of year	12,105	-
CASH - END OF YEAR	\$ 806,735	\$ 12,105

See notes to financial statements

ONTARIO CAPITAL GROWTH CORPORATION**Notes to Financial Statements****Year Ended March 31, 2010****1. DESCRIPTION OF BUSINESS**

The Ontario Capital Growth Corporation ("OCGC") is a corporation without share capital, established under the Ontario Capital Growth Corporation Act, 2008 (the "Act") which was proclaimed in force as of February 1st, 2009 as an agency of the Ministry of Research and Innovation ("MRI").

The legislative authority of the Corporation is set out in the Act. Under Section 4 of the Act, the objects of the Corporation are:

- (a) to receive, hold, administer and otherwise deal with the interest of the Government of Ontario in the limited partnership known as the Ontario Venture Capital Fund LP ("OVCF");
- (b) to receive, hold and deal with property, whether real or personal, in connection with the objects described in clause (a); and
- (c) to carry out the other objects that are prescribed by the regulations.

Under Section 1 of Ontario Regulation 278/09 (the "Regulations"), made under the Act, the following are prescribed as additional objects of the Corporation:

- (a) to acquire, manage and otherwise deal with a portfolio of businesses that the Corporation considers constitute emerging technologies businesses, which portfolio is known in english as the Ontario Emerging Technologies Fund ("OETF") and in French as Fonds ontarien de developpement des technologies emergentes; and
- (b) to receive, hold, invest, sell or otherwise deal with property, whether real or personal, in connection with objects described in clause 1(a).

As required by the Agency Establishment and Accountability Directive, OCGC and the MRI have entered into a Memorandum of Understanding which outlines the operational, administrative, financial and other relationships that exist between the OCGC and the MRI.

The OVCF is a joint initiative between Ontario and leading institutional investors. It is structured as a fund-of-funds that invests primarily in Ontario-based and Ontario-focused venture capital and growth funds, which in turn make investments in innovative, high-growth companies. OVCF was established to provide investment funding to venture capital and growth equity managers in Ontario capable of generating superior returns by investing in enterprises with a view to creating large globally competitive companies.

The OETF is structured as a direct co-investment fund that will only make investments into innovative high-potential companies alongside other qualified investor(s) with a proven track record of success. OETF is an initiative of the Government of Ontario to invest in: (1) clean technology; (2) digital media and information & communication technologies; and (3) life sciences.

The OCGC claims exemption from federal and provincial income taxes under paragraph 149(1)(d) of the Income Tax Act (Canada).

The OCGC operates in the same fiscal year, March 31, as the Government of Ontario.

(continues)

ONTARIO CAPITAL GROWTH CORPORATION**Notes to Financial Statements****Year Ended March 31, 2010**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, the more significant of which are summarized below.

Revenue recognition

OVCF funding received represents the monies transferred from the Ontario Financing Authority ("OFA") as described in Note 8.

Interest revenue is recognized as it is earned.

Organizational revenue represents a reimbursement of out of pocket expenses (including legal and other capital raising expenses) incurred in connection with the organization of the OVCF.

OETF funding received represents monies transferred from the MRI to OCGC. The revenue is recognized at the time a capital call is provided to MRI and all contractual requirements under the transfer agreement between MRI and OCGC have been met.

Expense categories

Cash management fees represent fees paid to the OFA for cash management and related services.

Professional fees relate to fees paid to third party service providers.

Reimbursement to Province of Ontario is for charges from the MRI as explained in Note 3.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Financial instruments

Effective February 1, 2009, the Corporation adopted the new recommendations of the Canadian Institute of Chartered Accountants (CICA) under sections 1530-Comprehensive income, 3250-Equity, 3855-Financial instruments – measurement and disclosure, 3861-Financial instruments – presentation and disclosure and 3865-Hedges. These new Handbook sections, which apply to years beginning on or after October 1, 2007 provide requirements for the recognition, measurement, presentation and disclosure of financial instruments. Section 1530 establishes standards for reporting and presenting comprehensive income, which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but are excluded from net income calculated in accordance with Canadian generally accepted accounting principles.

(continues)

ONTARIO CAPITAL GROWTH CORPORATION**Notes to Financial Statements****Year Ended March 31, 2010****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*Financial Instruments *(continued)*

Under section 3855, all financial instruments are classified into one of five categories: held for trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments are measured in the opening balance sheet of the year of adoption at fair value.

The following is a summary of the accounting model the Corporation has elected to apply to each of its significant categories of financial instruments:

Financial instrument	Classification
Cash	Held for trading
Marketable securities	Available-for-sale
Accounts receivable	Loans
Investment in Ontario Venture Fund LP	Available-for-sale
Investment in Ontario Emerging Technologies Fund	Available-for-sale
Accounts payable	Other financial liabilities

Subsequent measurement and treatment of any gain or loss on the financial instruments is recorded as follows:

- (a) Held for trading financial assets are measured at fair value at the balance sheet date with any gain or loss recognized immediately in net income. Interest and dividends earned from held for trading assets are also included in income for the period.
- (b) Loans and receivables are measured at amortized cost using the effective interest method. Any gain or loss is recognized in net income.
- (c) Available-for-sale financial assets that have quoted market prices in an active market are carried at fair value. Unrealized gains and losses are included in the statement of changes in net assets until realized through disposition or impairment.

Available-for-sale financial assets that do not have quoted market prices in an active market are carried at cost. Gains and losses are included in the statement of income when realized through disposition or impairment.

- (d) Other financial liabilities are measured at amortized cost using the effective interest method. Any gain or loss is recognized in net income.

(continues)

ONTARIO CAPITAL GROWTH CORPORATION**Notes to Financial Statements****Year Ended March 31, 2010****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*Investments - OETF

Investments made under the OETF will initially be recorded at cost. As part of the reporting process to the Province of Ontario, OCGC will be required to carry out periodic valuations of the individual investments to determine fair value. Fair value will be determined using procedures consistent with international private equity & venture capital valuation practices.

OCGC does not accrue interest income on venture debt unless the investee company is paying the stated interest on a regular basis.

3. RELATED PARTY TRANSACTIONS

The Corporation uses the services of the MRI to carry out certain of its operational services on a cost recovery basis. These expenses include but are not limited to staff salary and benefits, information technology assistance, rent, external legal services, website development including french language translation and accounting services.

Recognition and measurement of cost recoveries is subject to annual negotiations between OCGC and MRI which include the extent and scope of services to be approved for reimbursement. For each fiscal year, OCGC obtains confirmation from MRI prior to the release of the audited financial statements of the total expenses to be recovered.

	2010	2009
Salaries and benefits	\$ 728,669	\$ -
Office rental	44,800	-
Information and technology	25,200	-
External legal services	168,837	-
Other	167,994	-
	\$ 1,135,500	\$ -

As at March 31, 2010, accounts receivable included \$2,580,000 (2009 - \$Nil) due from MRI.

As at March 31, 2010, accounts payable included \$1,111,643 (2009 - \$Nil) due to MRI.

ONTARIO CAPITAL GROWTH CORPORATION**Notes to Financial Statements****Year Ended March 31, 2010****4. MARKETABLE SECURITIES**

	2010	2009
Province of Ontario, Treasury Bills, \$85,237,000, due dates ranging from April 7, 2010 to March 8, 2011, average yield of 0.5% per annum	\$ 84,989,303	\$ 90,550,243

The OCGC may temporarily invest any monies not immediately required to carry out its objects in:

- (a) debt obligations are guaranteed by the Government of Canada or a province of Canada; or
- (b) interest bearing accounts and short term certificates of deposits issued or guaranteed by a chartered bank, trust company, credit union or caisse populaire.

5. INVESTMENT IN ONTARIO VENTURE CAPITAL FUND LP

The investment in the OVCF is carried at cost based on the capital calls made by the LP. As the LP is not trading in the open market, the market value of the investment is not readily determinable.

6. INVESTMENTS IN ONTARIO EMERGING TECHNOLOGIES FUND

	2010	2009
Investments in Ontario Emerging Technologies Fund	\$ 5,980,000	\$ -

Investments in OETF can take the form of shares or convertible debt. All investments made have been made in accordance with the OETF guidelines.

7. OETF COMMITMENTS

	2010	2009
Investments approved at March 31, 2010 to be made subsequent to March 31, 2010 based on completion of closing documents or meeting certain pre-determined milestones.	\$ 5,200,000	\$ -
Subsequent to March 31, 2010, investments in three companies were approved; successful completion of closing documents is pending. Some of the approved investments are denominated in \$US.	5,590,000	
	\$ 10,790,000	\$ -

ONTARIO CAPITAL GROWTH CORPORATION**Notes to Financial Statements****Year Ended March 31, 2010****8. PROVINCE OF ONTARIO - OVCF**

In 2006, the Government of Ontario, as an initiative of MRI announced its intention to participate in a venture capital initiative with other institutions, such initiative involving the creation of the OVCF, an Ontario limited partnership.

As part of the implementation of the initiative and in order to ensure that it was carried out on a timely basis, at the direction of the Minister of Finance, the provincial commitment of \$90 million for the OVCF was invested by the OFA, in its own right and not as agent for MRI, as a limited partner in the Fund (Ontario's LP Interest), on an interim basis pending the establishment by MRI of the OCGC, to receive and hold the investment in substitution for the OFA and until such time as the interest in the Fund was assigned to the Corporation.

Further to the initiative, the OFA and MRI entered into a memorandum of understanding, dated as of June 4, 2008 in respect of the financial operation and administration of Ontario's LP Investment for the period that the OFA was the holder thereof and prior to the Assignment.

Pursuant to the Assignment Documents, Ontario's LP interest was assigned by the OFA to the OCGC on February 27, 2009. A summary of revenue and expenses incurred prior to the assignment is provided below.

	2010	2009
Funding provided by Province of Ontario	\$ -	\$ 90,000,000
Interest earned to February 27, 2009	-	2,148,641
Unrealized gain on Ontario Treasury Bills at February 27, 2009	-	145,855
Management and other fees incurred to February 27, 2009	-	(45,235)
	\$ -	\$ 92,249,261

During the year, new information became available that \$145,855 of the interest reported in the 2009 financial statements was actually unrealized gains on the Ontario Treasury Bills at February 27, 2009 and as such should have been included in revenue from the Province of Ontario. The comparative financial statements have been reclassified to increase Province of Ontario revenue by \$145,855 and decrease interest income by \$145,855. The reclassification results in no change to the net income reported in 2009.

ONTARIO CAPITAL GROWTH CORPORATION**Notes to Financial Statements****Year Ended March 31, 2010**

9. PROVINCE OF ONTARIO - OETF

On March 18, 2009, the Government of Ontario, as an initiative of MRI announced its intention to create a new venture capital fund to increase investment in green technology and other high-tech companies with a significant corporate footprint in Ontario. The creation of the OETF is in response to the challenges being experienced by companies in technology industries to raise the necessary capital to grow and compete internationally.

The OETF was launched in July of 2009 with a commitment from the Province of Ontario to provide funding of \$250 million. The OETF as a direct co-investment fund will only make investments into innovative high-potential companies alongside other qualified investor(s) with a proven track record of success. Investments will be in: (1) clean technology; (2) digital media and information & communication technologies; and (3) life sciences.

Operating expenses for the year funded by OETF transfer payments are within the allocated amount. During the year, OCGC request for OETF transfer payments were \$9,560,000 (2009 - \$Nil).

10. FINANCIAL INSTRUMENTS**Credit risk**

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Corporation's only accounts receivable is from the MRI and was collected in full subsequent to March 31, 2010. The Corporation is currently not exposed to any other credit risks.

Fair value

The Corporation's carrying value of cash and cash equivalents, accounts receivable, and accounts payable approximates its fair value due to the immediate or short term maturity of these instruments.

The fair value of investments under the OETF have been recorded at cost in the current year as the OCGC is not aware of events between the initial investment date and March 31, 2010 that would have a material effect on the value of the investments. This practice applies to new investments under the OETF during the initial holding period of approximately twelve months. Subsequent to the initial holding period, investments under the OETF will be recorded at fair value as described in the summary of significant accounting policies.

Currency risk

Currency risk is the risk to the Corporation's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Corporation is not currently exposed to foreign currency exchange risk.

Interest rate

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in interest rates. In seeking to minimize the risks from interest rate fluctuations, the Corporation manages exposure through its normal operating and financing activities. The Corporation is exposed to interest rate risk primarily through its short term investments. Risks from interest rate fluctuations are minimized due to the investments being for a weighted average duration of one year or less.

ONTARIO CAPITAL GROWTH CORPORATION**Notes to Financial Statements****Year Ended March 31, 2010**

11. CONTRACTUAL COMMITMENTS

The OCGC has the following contractual commitments:

- a) In accordance with a Financial Service Agreement between the Ontario Financing Authority ("OFA") and the OCGC, the OFA conducts investment and cash management services and activities for the OCGC. The OFA is the agency of the Province of Ontario responsible for providing financial and centralized cash management services for the government. The OCGC pays the OFA a fee for these services based on assets under management and reimburses for other related activities on a cost-recovery basis; and,
- b) Pursuant to the OVCF Limited Partnership Agreement, the OCGC is committed to making capital contributions upon notice of capital calls.
- c) In accordance with the contract between Northwater Capital Management Inc. ("Northwater") and OCGC, Northwater conducts due diligence services and activities to assess potential OETF co-investors.
- d) In accordance with the contract between Covington Capital Inc. ("Covington") and OCGC, Covington conducts due diligence services and activities to assess, monitor and exit OETF investments.

12. FUTURE ACCOUNTING CHANGE

The Corporation will be required to adopt the International Financial Reporting Standards ("IFRS") beginning in fiscal 2012. In preparation to meet the requirements, it will be taking the following steps to manage the transition to IFRS:

- (a) Develop an implementation of transition plan;
- (b) Commence activities to identify key issues and the likely impacts resulting from the adoption of IFRS; and,
- (c) Initiate analysis to reconfigure its accounting systems.

The Corporation is still in the early stages of these activities. Key elements include disclosure of the qualitative impact in the 2010 annual financial statements, the disclosures of the quantitative impact, if any, in the 2011 financial statements and the preparation of the 2012 financial statements in accordance with IFRS.



Management's Responsibility For Financial Statements

The accompanying financial statements of the Ontario Educational Communications Authority have been prepared in accordance with Canadian generally accepted accounting principles and are the responsibility of management. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 1, 2010.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. The Internal Audit Department independently evaluates the effectiveness of these internal controls on a periodic basis and reports its findings to management and to the Board of Directors.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal controls. The Board reviews and approves the financial statements. The Audit Committee of the Board meets periodically with management, Internal Audit, and the Office of the Auditor General of Ontario to discuss audit, internal control, accounting policy, and financial reporting matters.

The financial statements have been audited by the Office of the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's Report, which appears on the following page, outlines the scope of the Auditor General's examination and opinion.

On behalf of Management:

Lisa de Wilde
Chief Executive Officer



Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Auditor's Report

To The Ontario Educational Communications Authority
and the Minister of Education

I have audited the statement of financial position of The Ontario Educational Communications Authority as at March 31, 2010 as well as the statement of operations, the statement of changes in equity and the statement of cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Gary R. Peall, CA
Deputy Auditor General
Licensed Public Accountant

Box 105, 15th Floor
20 Dundas Street West
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-326-3812

B.P. 105, 15^e étage
20, rue Dundas ouest
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-326-3812

www.auditor.on.ca

Toronto, Ontario
June 1, 2010

Financial Statements

Statement of Financial Position

As of March 31, 2010

(\$000s)	2010	2009
Assets		
Current Assets		
Cash and short-term investments (note 3)	11,428	17,226
Accounts receivable (note 3)	906	826
Prepaid expenses	942	642
Inventories	150	211
	13,426	18,905
Broadcast rights and production costs (note 7)	17,162	17,511
Accrued pension asset (note 4)	1,110	-
Investments held for Capital Renewal (note 5)	5,692	7,757
Net Capital Assets (note 6)	19,719	22,301
Total Assets	57,109	66,474
Liabilities And Equity		
Current Liabilities		
Accounts payable and accrued liabilities	8,100	9,184
Deferred revenue (note 8)	1,374	1,064
	9,474	10,248
Non-Current Liabilities		
Deferred capital contributions (note 9)	16,052	19,364
Employee future benefits (note 4)	8,873	8,240
Asset retirement obligation (note 6)	1,136	1,075
Accrued pension liability (note 4)	-	430
	26,061	29,109
Equity		
Invested in broadcast rights and production costs	16,883	17,190
Invested in capital assets	8,101	9,538
Restricted – Accrued pension asset/(liability)	1,110	(430)
Unrestricted	(4,520)	819
	21,574	27,117
Total Liabilities and Equity	57,109	66,474

Commitments and Contingencies (notes 14 and 17)
See accompanying Notes to Financial Statements.

On behalf of the Board:



Chair



Director

Financial Statements

Statement of Operations

For the year ended March 31, 2010

(\$000s)	2010	2009
Revenues		
Government operating grants (note 10)	37,640	38,887
Independent Learning Centre (note 16)	9,984	9,068
Other earned revenue (note 12)	7,419	9,563
Government and corporate project funding (note 11)	1,879	2,867
Amortization of deferred capital contributions (note 9)	2,633	2,625
	59,555	63,010
Expenses		
Content and programming	26,260	25,397
Technical and production support services	13,452	12,726
Independent Learning Centre (note 16)	9,513	8,803
Management and general expenses	6,001	6,200
Cost of other earned revenue (note 12)	2,454	2,847
Amortization of capital assets and accretion expense	5,195	5,228
Employee future benefits (note 4)	2,223	2,018
	65,098	63,219
Deficiency of revenues over expenses	(5,543)	(209)

See accompanying Notes to Financial Statements

Financial Statements

Statement of Changes in Equity

For the year ended March 31, 2010

2010						2009
(\$000s)	Invested in Broadcast Rights and Production Costs	Invested in Capital Assets	Restricted Accrued Pension Asset / (Liability)	Unrestricted	Total	Total
Balance, beginning of year	17,190	9,538	(430)	819	27,117	28,351
Excess/(deficiency) of revenues over expenses	(10,121)	(2,526)	(1,485)	8,589	(5,543)	(209)
Invested in assets during the year	9,814	1,089	-	(10,903)	-	-
Pension contributions	-	-	3,025	(3,025)	-	-
Settlement with OFECA	-	-	-	-	-	(1,025)
Balance, end of year	16,883	8,101	1,110	(4,520)	21,574	27,117

See accompanying Notes to Financial Statements

Financial Statements

Statement of Cash Flows

For the year ended March 31, 2010

(\$000s)	2010	2009
Operating Activities		
Deficiency of revenues over expenses	(5,543)	(209)
Add/(deduct) non-cash items:		
Amortization of capital assets	5,134	5,169
Accretion expense	61	59
Amortization of deferred capital contributions	(2,633)	(2,625)
Amortization of broadcast rights and production costs	10,163	9,581
Pension expense	(1,540)	824
Post retirement benefits	633	1,148
(Gain)/Loss on disposal of capital assets	(36)	26
Net changes in non-cash working capital:		
Accounts receivable	(80)	293
Inventories	61	(89)
Prepaid expenses	(300)	(140)
Deferred revenue	310	216
Accounts payable and accrued liabilities	(1,084)	(503)
Cash provided by operating activities	5,146	13,750
Investing and Financing Activities		
Broadcast rights additions	(9,814)	(10,714)
Capital asset additions	(2,556)	(4,340)
Current year's deferred capital contributions	1,386	1,603
Proceeds from disposal of capital assets	40	44
Settlement with OFECA	-	(1,300)
Cash used in investing and financing activities	(10,944)	(14,707)
Net (decrease) in cash position during the year	(5,798)	(957)
Cash and short-term investments, beginning of year	17,226	18,183
Cash and short-term investments, end of year	11,428	17,226

See accompanying Notes to Financial Statements

Financial Statements

Notes to Financial Statements

March 31, 2010

1. AUTHORITY AND MANDATE

The Ontario Educational Communications Authority (the "Authority") is a Crown Corporation of the Province of Ontario that was created in June 1970 by the Ontario Educational Communications Authority Act. In accordance with the Act, the Authority's main objective is to initiate, acquire, produce, distribute, exhibit or otherwise deal in programs and materials in the educational broadcasting and communications fields. The Authority is licenced by the Canadian Radio-television and Telecommunications Commission ("CRTC") to broadcast English-language educational television programs. The broadcasting licence is subject to renewal by the CRTC and the current licence is for the period September 1, 2008 to August 31, 2015.

The Authority is a registered charitable organization which may issue income tax receipts for contributions. As a Crown Corporation of the Province of Ontario, the Authority is exempt from income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements of the Authority have been prepared by management in accordance with Canadian generally accepted accounting principles.

(b) Inventories

Maintenance supplies and media tapes are valued at cost where cost is determined on a first-in-first-out basis, net of an allowance for obsolescence.

(c) Capital Assets

Capital assets are recorded at cost less accumulated amortization. Capital assets are amortized on a straight line basis over the following terms beginning the year following acquisition:

Capital Assets

Building	30 years
Transmitters	17 years
Transmitter Monitoring Equipment	7 years
In House Technical Equipment	7 years
Leasehold Improvements	5 years
Computer Equipment	5 years
Office Furniture & Fixtures	15 years
Office Equipment	10 years
Vehicles	5 years

Financial Statements

(d) Revenue Recognition

1. Operating grants are recognized as revenue in the fiscal year in which they are received or receivable, with the exception that amounts relating to a future period are deferred and reported as revenue in that later period.
2. Revenues received in the year for special purposes are deferred until the related expenses have been incurred.
3. Revenue from grants and contributions restricted for the purchase of capital assets is deferred and amortized over the same period of use as the related capital asset.
4. Revenue from the licensing of program material is recognized when the program material is delivered.
5. Individual donations are recorded on a cash basis. Contributions from corporate sponsors are recognized when the contract is signed, except multi-year contributions that are recognized when the cash is received.
6. Revenue from sponsorship is recognized when the content is broadcast or webcast.
7. Student fees for courses and General Education Development testing are recognized as revenues at the time of registration.

(e) Employee Future Benefits

The Authority accrues its obligations under employee defined benefit pension plans and the related costs, net of plan assets. The following policies have been adopted:

1. The cost of pension benefits and other post retirement benefits is determined by independent actuaries based on management's best estimate assumptions using the projected benefits method prorated on service.
2. Past service costs and any transitional asset or obligation are amortized over the expected average remaining service period of active plan members.
3. Actuarial gains (losses) are recognized to the extent that they exceed 10% of the greater of the accrued benefit obligation and the fair value of plan assets. Amounts recognized are amortized over the expected average remaining service period of active plan members.
4. The expected return on plan assets is based on the fair value of plan assets.

(f) Broadcast Rights and Production Costs

Broadcast rights and production costs are accounted for as follows:

- Current events and network promotion programs produced by the Authority are expensed in the year the costs are incurred.
- All other programs produced by the Authority and programs licensed under co-production, pre-buy and acquisition contracts are recorded at cost less accumulated amortization. Amortization is calculated on a straight line basis over four years.

Financial Statements

(g) Financial Instruments

The Authority's financial instruments consist of cash, short-term investments including those held for capital renewal, accounts receivable, and accounts payable and accrued liabilities. Under Canadian generally accepted accounting principles financial instruments are classified into one of five categories – available-for-sale, held-for-trading, held-to-maturity, loans and receivables, or other financial liabilities. The Authority classifies its financial assets and liabilities as follows:

- Cash and short-term investments, including those held for capital renewal, are classified as held-for-trading and are measured at fair value. It is management's opinion that their carrying amounts approximate fair value because the investments are not exposed to significant interest rate, liquidity, credit, or currency risks (note 3).
- Accounts receivable are classified as loans and receivables and, due to their short-term maturities, it is Management's opinion that their carrying amount approximates fair value.
- Accounts payable and accrued liabilities are classified as other financial liabilities and, due to their short-term maturities, it is Management's opinion that their carrying amount approximates fair value.

(h) Asset Retirement Obligation

The Authority recognizes a liability for future decommissioning of its transmitter and low power repeat transmitter ("LPRT") facilities.

(i) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. CAPITAL DISCLOSURES AND FINANCIAL INSTRUMENTS

Capital Disclosures

In managing capital, the Authority focuses on its liquid resources – cash, short-term investments, and investments held for capital renewal. The Authority's objectives are to have, at the minimum:

- Cash and short-term investments on hand sufficient to meet obligations that are due within the next 45 days.
- Capital renewal investments sufficient to meet approved expenditures from the capital renewal fund for the current fiscal year.

The Authority believes that these levels of liquid resources provide the flexibility to deal with any unexpected adverse developments and to take advantage of opportunities that may arise.

As at March 31, 2010 the Authority met these objectives.

The Authority does not take any significant risks in its investing activities. An Order in Council dated March 9, 1990 limits the type of investments that the Authority may access. Consequently, it invests only in short-term, high-grade, Canadian and U.S. dollar debt instruments. The Authority is not subject to any externally imposed capital requirements.

Cash and Short-term investments (including those held for capital renewal)

The Authority's investment policy restricts short-term investments to securities issued by or guaranteed as to principal and interest by any province of Canada, the United Kingdom, and the United States of America or deposit receipts, deposit notes, certificates of deposit, acceptances and other similar instruments issued or endorsed by any chartered bank to which the Bank Act (Canada) applies. Consequently, the Authority is not exposed to significant interest rate, liquidity, or credit risks.

Financial Statements

Short-term investments, including those held for capital renewal, mature within 365 days, and had an average yield of 0.6% (2009 - 2.4%). U.S. dollar cash and short-term investments totalled \$128,000 (2009 - \$642,000) and were not large enough at any time during the year to expose the Authority to significant currency risks. These amounts were converted to Canadian dollars using an exchange rate of 0.99 (2009 - 1.22).

Accounts receivable

Given the amount of Authority's accounts receivable and past experience regarding payments, management believes that the Authority is not exposed to significant credit risk. Accounts receivable consist of the following amounts:

(\$000s)	2010	2009
ILC earned revenue, corporate donations, sales and licensing, tower rentals and transmitter maintenance fees	394	456
Private sector funding	253	70
Net receivable from OFECA	32	70
Others	227	230
	906	826

4. EMPLOYEE FUTURE BENEFITS

The pension and other post-employment benefit plans have the following components:

(a) Registered pension plans:

- Main Pension Plan - Most employees of the Authority are members of this plan, which consists of three elements – a non-contributory, defined benefit, best average earnings and years of service element; a contributory, defined contribution element; and a non-contributory, defined contribution element.
- Executive Pension Plan – Executives are members of this non-contributory, defined benefit, best average earnings and years of service plan.

(b) Supplementary retirement plan:

- Certain employees are members of this unregistered and non-contributory plan which funds the portion of pension entitlements in excess of the maximum allowed for registered pension plans under the federal Income Tax Act.

The pensions payable under the defined benefit plans are adjusted for inflation based on the consumer price index up to a maximum of 3% per year.

(c) Post-employment benefits plan:

- The Authority offers post-employment benefits such as health care, dental care, and life insurance on a shared cost basis.

The most recent actuarial valuation for funding purposes of the registered defined benefit pension plans was as of January 1, 2009, and the next valuation for funding purposes is no later than January 1, 2012.

On April 1, 2007 the French language network TFO became independent from the Authority and began to operate as the Ontario French-language Educational Communications Authority ("OFECA"). TFO employees formally became employees of OFECA effective July 1, 2007 and their compensation and benefits were charged to the OFECA effective April 1, 2007. The OFECA established its own pension plan as of July 1, 2007 and an actuarial report on the split of the Authority's pension plan assets and liabilities between continuing and transferring members was filed with the appropriate regulatory authorities. The necessary approvals were obtained in February 2009, and the transfers of assets to the OFECA having a market value of \$4,893,000 from the Defined Benefit part and \$2,713,000 from the Defined Contribution part were completed by November 2009.

Financial Statements

Information about the Authority's pension and other benefit plans is presented in the following table.

(\$000s)	Registered Pension Plans		Supplementary Retirement Plan		Post-employment Benefit Plan	
	2010	2009	2010	2009	2010	2009
Plan surplus/ (deficit) as of January 1:						
Accrued benefit obligation	(80,518)	(68,353)	(325)	(102)	(8,976)	(9,739)
Fair value of plan assets	<u>77,439</u>	<u>69,190</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	(3,079)	837	(325)	(102)	(8,976)	(9,739)
Balance of unamortized amounts as of January 1:						
Net transition (asset)/obligation	(4,023)	(4,857)	-	-	691	829
Past service cost	501	604	89	-	-	-
Actuarial (gains)/losses	7,117	3,080	73	(63)	(615)	636
Contributions – Jan 1 to Mar 31	594	-	-	-	27	34
Use of surplus – Jan 1 to Mar 31	-	(94)	-	-	-	-
Accrued pension asset/ (liability)	1,110	(430)	(163)	(165)	(8,873)	(8,240)

(\$000s)	Registered Pension Plans		Supplementary Retirement Plan		Post-employment Benefit Plan	
	2010	2009	2010	2009	2010	2009
Disclosed in the Statement of Financial Position as:						
Accrued pension asset/(liability)	1,110	(430)	-	-	-	-
Accounts payable and accrued liabilities	-	-	(163)	(165)	-	-
Employee future benefits	-	-	-	-	(8,873)	(8,240)
Expenses for the year:						
Defined benefit plan	1,485	458	99	41	633	1,148
Defined contribution plan*	364	366	6	5	-	-
Payments made by the Authority						
Benefit plan premiums	-	-	-	-	107	137
Pension plan contributions*	3,389	-	-	-	-	-
Termination benefits paid	-	-	107	-	-	-
Payments made from the plans						
Pension benefits paid	3,855	3,661	-	-	-	-
Termination benefits paid	1,841	2,144	-	-	-	-
Transfers to OFECA	7,606	-	-	-	-	-

Financial Statements

* As a result of the January 1, 2009 actuarial valuation, the Board of Directors, at its June 18, 2009 meeting, approved the payment of pension contributions retroactive to January 1, 2009. Total pension contributions to the Employee Plan and the Executive Plan of the Defined Benefit part was \$3,025,000. Total cash contributions of \$364,000 to the Defined Contribution part of the registered plans were expensed and allocated to major functional groups.

The significant assumptions adopted in measuring the accrued benefit obligations and pension expenses are as follows:

	Registered Pension Plans		Supplementary Retirement Plan		Post-employment Benefit Plan	
	2010	2009	2010	2009	2010	2009
Discount rate to determine the accrued benefit obligation	6.30%	7.30%	6.30%	7.30%	6.30%	7.30%
Discount rate to determine the benefit cost	7.30%	5.50%	7.30%	5.50%	7.30%	5.50%
Investment return	6.50%	6.50%	N/A	N/A	N/A	N/A
Pension indexation	2.50%	2.50%	2.50%	2.50%	-	-
Salary rate increase	3.50%	3.50%	3.50%	3.50%	N/A	N/A
Health cost rate increase	N/A	N/A	N/A	N/A	7.00%	7.00%
Dental cost rate increase	N/A	N/A	N/A	N/A	4.50%	4.50%
Average remaining service lifetime	11	11-12	12	6	11	11

The health cost rate increase assumption is expected to decrease to 5% by 2016.

Defined benefit plan assets as at January 1 measurement date consisted of:

	Percentage of Total Fair Value of Plan Assets	
	2010	2009
Asset category		
Equity securities	57%	54%
Debt securities	38%	46%
Real estate fund	5%	-

5. INVESTMENTS HELD FOR CAPITAL RENEWAL

To ensure that the Authority's technical capital assets keep pace with technological changes and can be maintained or replaced when needed, the Capital Renewal Fund was established in 1984. The Authority can set aside up to 2% of the funding received as contribution to the Capital Renewal Fund. Available funds were invested in short-term deposits that earned an average interest rate of 0.6% (2009 – 2.6%) during the fiscal year. The changes in the fund were as follows:

(\$000s)	2010	2009
Balance, beginning of year	7,757	6,078
Master Control rebuild project funding – Ministry of Education	(1,360)	1,628
Allocation of grants - Ministry of Education (notes 9 & 10)	-	753
Interest earned	28	107
Digital Conversion project funding – Ministry of Education	(733)	(745)
CRF drawing	-	(64)
	5,692	7,757

Financial Statements

6. NET CAPITAL ASSETS AND ASSET RETIREMENT OBLIGATION

Capital assets consist of the following:

	2010			2009
((\$000s))	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	186	-	186	186
Buildings	4,812	3,915	897	1,009
Transmitters	24,935	23,380	1,555	1,952
Transmitter monitoring equipment	4,834	4,509	325	432
In house technical equipment	30,480	20,608	9,872	10,325
Leasehold improvements	8,445	5,821	2,624	3,551
Computer equipment	8,107	5,393	2,714	3,226
Office furniture and fixtures	1,872	637	1,235	1,323
Office equipment	975	848	127	148
Vehicles	731	547	184	149
	85,377	65,658	19,719	22,301

Asset Retirement Obligation

The Authority recognized a liability for future decommissioning of its transmitter and low power repeat transmitter (LPRT) facilities. All LPRTs are situated on leased premises and, as these lease contracts may not be renewed, the Authority will recognize the full decommissioning expense by the end of the leases, most of which expire by 2012. In determining the fair value of its asset retirement obligations, the Authority discounted the associated cash flows at 5.8% as set out in the table below. The total undiscounted amount of the estimated future obligations is \$1,272,000 (2009 - \$1,273,000).

((\$000s))	2010	2009
Opening balance	1,075	1,016
Accretion expense	61	59
Closing balance	1,136	1,075

7. BROADCAST RIGHTS AND PRODUCTION COSTS

Broadcast rights and production costs consist of the following:

	2010			2009
((\$000s))	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Broadcast rights and completed productions	39,208	24,309	14,899	14,190
Work in progress	2,263	-	2,263	3,321
	41,471	24,309	17,162	17,511

Amortization expense for the year was \$10,163,000 (2009 - \$9,581,000) and is included in Content and Programming expense.

Financial Statements

8. DEFERRED REVENUE

(\$000s)	2010	2009
Corporate project funding (note 11)	338	414
Sponsorship revenue	284	284
Transmitter tower rental and maintenance	255	251
ILC - MED grant and provincial project funding (note 16)	406	105
Other	91	10
	1,374	1,064

Expenditures related to the above deferrals have been budgeted for the 2011 fiscal year.

9. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent contributions received for the purchase of capital assets and are recorded as revenue (amortization of deferred capital contributions) in the Statement of Operations when the related capital assets are amortized. The changes in the deferred contributions balance are as follows:

(\$000s)	2010	2009
Deferred capital contributions, beginning of year	19,364	18,707
Digital Conversion project funding *	565	2,039
Master Control rebuild project funding *	1,628	1,999
Air Pack/Mobile production unit project funding	-	400
Digital Conversion and Master Control rebuild project funding deferred from prior year	(2,899)	(2,016)
	(706)	2,422
Allocation of Ministry of Education grant (notes 5 & 10)	-	753
Interest earned	27	107
Capital assets funded by capital renewal fund	-	64
Amortization of deferred capital contributions to revenue	(2,633)	(2,625)
Capital renewal fund drawing	-	(64)
	(2,606)	(1,765)
Deferred capital contributions, end of year	16,052	19,364

* Digital Conversion project funding is for the purpose of replacing studio and post production equipment with digital equipment and to support a digital asset management installation. As of March 31, 2010, the total \$10.44 million funding that was committed by the provincial government to complete the project has been received.

The provincial government has also provided \$2 million in 2009 to rebuild the Master Control in digital.

10. GOVERNMENT OPERATING GRANTS

(\$000s)	2010	2009
Provincial		
Ministry of Education		
Base grant	36,040	37,640
Capital maintenance grant	1,600	2,000
Amount allocated for capital renewal (note 5)	-	(753)
	37,640	38,887

Financial Statements

11. GOVERNMENT AND CORPORATE PROJECT FUNDING

(\$000s)	2010	2009
Provincial project funding		
Ministry of Education (MED)		
Master Control rebuild	-	2,000
OFECA transition	-	1,000
Digital Conversion	600	850
Air Pack/Mobile production unit	-	400
Other MED project funding	-	237
Deferred capital contribution	706	(2,422)
	1,306	2,065
Corporate project funding		
Funding received during the year	497	785
Funding deferred from prior year (note 8)	414	431
Funding deferred to future year (note 8)	(338)	(414)
	573	802
	1,879	2,867

12. OTHER EARNED REVENUE AND COST

	2010			2009		
(\$000s)	Revenue	Cost	Net Revenue	Revenue	Cost	Net Revenue
Individual and corporate donations	5,180	2,263	2,917	5,596	2,377	3,219
Revenue from OFECA (note 18)	70	-	70	609	-	609
Tower rental and transmitter maintenance	1,430	-	1,430	1,481	-	1,481
Interest income and foreign exchange gain and loss	118	-	118	932	-	932
Sales and Licensing	278	191	87	397	470	(73)
Property tax rebate program for charities	276	-	276	319	-	319
Asset disposal	40	-	40	26	-	26
Others	27	-	27	203	-	203
	7,419	2,454	4,965	9,563	2,847	6,716

13. EXPENSES

a) Allocated Expenses

The Authority allocates certain general expenses to major activities on the following bases:

- Building cost – based on floor area occupied by the activity
- Cost of mailing, shipping and printing – based on usage

Financial Statements

Total general expenses allocated to major functional groups are as follows:

(\$000s)	2010	2009
Content and programming	1,438	1,497
Technical and production support services	725	808
Independent Learning Centre	622	638
Management and general	582	625
Cost of other earned revenue	90	113
	3,457	3,681

b) Expenses by Type

The Statement of Operations reports on expenses by activity. Expenses by type during the fiscal year are as follows:

(\$000s)	2010	2009
Salaries and wages	27,280	26,653
Employee benefits	6,827	4,670
Employee future benefits	2,223	2,018
Licences and other	8,419	8,494
Facilities	4,744	4,914
Transportation & Communication	2,531	2,606
Other services	6,676	7,540
Supplies and equipment	1,203	1,096
Amortization of capital assets	5,195	5,228
	65,098	63,219

14. COMMITMENTS

The Authority has entered into operating leases covering transmission facilities, offices, warehouses and equipment. Future lease payments are as follows:

Year ending March 31 (\$000s)	Head Office Space	Others	Total
2011	1,254	829	2,083
2012	1,254	395	1,649
2013	1,324	236	1,560
2014	1,373	126	1,499
2015	1,362	89	1,451
2016 and beyond	17,387	99	17,486
	23,954	1,774	25,728

The lease of head office space expires on August 31, 2027

Financial Statements

15. CONTRIBUTED MATERIALS AND SERVICES

The Authority benefits from the services of volunteers primarily in the Donations area. The Authority also receives contributions of materials for use mainly in fundraising activities. Due to the difficulty of determining their fair value, contributed materials and services are not recognized in the financial statements.

16. THE INDEPENDENT LEARNING CENTRE

Under the terms of an agreement with the Ministry of Education and the Ministry of Training, Colleges and Universities, the Independent Learning Centre (ILC) was transferred to the Authority in 2002.

The ILC provides a wide range of distance education courses, in English and in French that allow adults to earn secondary school diploma credits, upgrade their basic skills, or study for personal development. It also supports children who may not be able to access elementary day school programs. The General Education Development (GED) testing is also available through the ILC.

Funding for these activities includes a grant from the Ministry of Education and ILC earned revenues. The portion of the grant that has been identified for specific projects (course development) is deferred until the related expenses have been incurred.

(\$000s)	2010	2009
Activities were funded by:		
Ministry of Education ILC grant	6,421	6,421
Homework Help project	1,000	218
Funding deferred from prior year (note 8)	105	135
Funding deferred to future year (note 8)	(406)	(105)
ILC grant and project funding recognized	7,120	6,669
ILC earned revenues	2,864	2,399
Total ILC grant, project funding and earned revenue	9,984	9,068
Expenses during the year:		
Salaries and benefits	6,919	6,506
Transportation and communication	727	640
Services	744	587
Allocated general expenses (note 13)	622	638
Licences	358	343
Supplies, equipment and others	143	89
Total ILC expenses	9,513	8,803
ILC contribution to overhead	471	265

Direct expenses related to the funding deferred to future year have been budgeted for the 2011 fiscal year.

17. CONTINGENCIES

Contingencies refer to possible legal claims that have been made by or against the Authority, the ultimate outcome of which cannot be predicted with certainty. Management does not expect that the outcome of the claims against the Authority will have a material and adverse effect on its results and does not believe any provisions for losses are necessary at this time. No amounts have been recognized in the accounts for claims made by the Authority. Any settlements will be accounted for at the time of settlement.

Financial Statements

18. RELATED PARTY TRANSACTIONS

The Authority is a Crown Corporation of the Province of Ontario and is therefore a related party to other organizations that are controlled by or subject to significant influence by the Province. During 2010, the Authority received revenue for transmitter maintenance services and expense reimbursements from the Ontario French-language Educational Communications Authority (OFECA). Services related to master control and warehousing were discontinued and there were no reimbursements for satellite telecommunication expenses in 2010. In addition to its transactions with the OFECA, the Authority received sponsorship revenue from Provincial ministries and agencies, and revenue from Ontario school boards for Independent Learning Centre (ILC) course fees and sales of educational materials. These transactions were recorded at exchange amounts agreed to by the related parties.

Non-grant revenue received from related parties during the year are as follows:

(\$000s)	2010	2009
School boards	1,007	895
Provincial ministries	402	247
OFECA	70	609
Others	20	20
	1,499	1,771

In addition, OFECA reimbursed \$84,000 (2009 - \$240,000) to the Authority for satellite telecommunication, utilities and other charges.

Ontario Electricity Financial Corporation

Responsibility for Financial Reporting

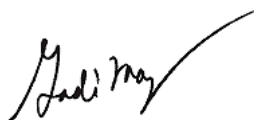
The accompanying financial statements of OEFC have been prepared in accordance with the recommendations of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants and are Management's responsibility. The preparation of financial statements necessarily involves the use of estimates based on Management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 11, 2010.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. The Ontario Internal Audit Division of the Ministry of Finance independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its findings to Management and the Audit Committee of the Board.

The Board is responsible for ensuring Management fulfills its responsibilities for financial reporting and internal controls. The Audit Committee assists the Board in carrying out these responsibilities. The Audit Committee periodically meets with Management, the internal auditors and the external auditors to deal with issues raised by them, and to review the financial statements before recommending Board approval.

The financial statements have been audited by the Auditor General of Ontario (the Auditor). The Auditor's responsibility is to express an opinion on whether OEFC's financial statements fairly present OEFC's financial position in accordance with accounting principles recommended for governments by the Canadian Institute of Chartered Accountants. The Auditor's Report, which appears on the following page, outlines the scope of the Auditor's examination and his opinion.

On behalf of Management:



Gadi Mayman
Vice-Chair and Chief Executive Officer

Auditor's Report

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Auditor's Report

To the Ontario Electricity Financial Corporation
and to the Minister of Finance

I have audited the statement of financial position of the Ontario Electricity Financial Corporation as at March 31, 2010 and the statements of revenue, expense and unfunded liability and cash flow for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Box 105, 15th Floor
20 Dundas Street West
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-326-3812

B.P. 105, 15^e étage
20, rue Dundas ouest
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-326-3812

www.auditor.on.ca

Toronto, Ontario
June 11, 2010

Jim McCarter, FCA
Auditor General
Licensed Public Accountant

Ontario Electricity Financial Corporation

Statement of Financial Position

For the year ended March 31, 2010 (\$ millions)

	2010	2009
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	\$ 8	\$ 3
Accounts receivable	341	315
Interest receivable	24	22
Current portion of notes receivable (Note 6)	625	785
	998	1,125
Payments-in-lieu of tax receivable (Note 10)	383	301
Due from Province of Ontario (Note 5)	1,484	840
Notes and loans receivable (Note 6)	12,155	11,893
Deferred debt costs	67	118
	\$ 15,087	\$ 14,277
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 226	\$ 182
Interest payable	446	481
Short-term notes payable (Note 7)	1,201	985
Current portion of long-term debt (Note 7)	1,253	2,319
	3,126	3,967
Long-term debt (Note 7)	24,913	24,286
Power purchase contracts (Note 9)	1,858	2,206
	29,897	30,459
Contingencies and guarantees (Note 11)	—	—
UNFUNDED LIABILITY (Notes 1, 3, 10)	(14,810)	(16,182)
	\$ 15,087	\$ 14,277

Approved on behalf of the Board:


Peter Wallace
Chair

Gadi Mayman
Vice-Chair and Chief Executive Officer*See accompanying notes to financial statements.*

Ontario Electricity Financial Corporation***Statement of Revenue, Expense and Unfunded Liability***

For the year ended March 31, 2010 (\$ millions)

	2010	2009
REVENUE		
Debt retirement charge (Notes 1, 10)	\$ 907	\$ 970
Payments-in-lieu of tax (Notes 1, 10)	516	830
Interest	746	789
Power supply contract recoveries (Note 9)	1,409	953
Net reduction of power purchase contracts (Note 9)	348	373
Electricity sector dedicated income (Note 5, 10)	644	-
Other	7	8
Total revenue	<u>\$ 4,577</u>	<u>\$ 3,923</u>
EXPENSE		
Interest - short-term debt	\$ 7	\$ 55
- long-term debt	1,617	1,678
Amortization of deferred charges	28	47
Power supply contract costs (Note 9)	1,409	953
Debt guarantee fee	138	141
Operating	6	6
Total expense	<u>3,205</u>	<u>2,880</u>
Excess of revenue over expense	1,372	1,043
Unfunded liability, beginning of year	<u>16,182</u>	<u>17,225</u>
Unfunded liability, end of year	<u>\$ 14,810</u>	<u>\$ 16,182</u>

See accompanying notes to financial statements.

Ontario Electricity Financial Corporation***Statement of Cash Flow***

For the year ended March 31, 2010 (\$ millions)

	2010	2009
CASH FLOWS USED IN OPERATING ACTIVITIES		
Excess of revenue over expense	\$ 1,372	\$ 1,043
Adjustments for:		
Payments-in-lieu of tax (Note 1, 10)	(82)	(116)
Net reduction of power purchase contracts (Note 9)	(348)	(373)
Electricity sector dedicated income (Note 5, 10)	(644)	–
Amortization of deferred charges	28	47
Other items	(61)	(87)
Cash provided from operations	<u>\$ 265</u>	<u>\$ 514</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term debt issues	\$ 1,941	\$ 3,475
Less long-term debt retired	2,319	3,883
Long-term debt (retired), net	(378)	(408)
Short-term debt issued (retired), net	216	(221)
Notes receivable (advance) repayment	(98)	115
Cash (required by) financing activities	<u>(260)</u>	<u>(514)</u>
 Increase in cash and cash equivalents	5	–
Cash and cash equivalents, beginning of year	3	3
 Cash and cash equivalents, end of year	<u><u>\$ 8</u></u>	<u><u>\$ 3</u></u>
 Interest on debt paid during the year and included in excess of revenue over expense	<u><u>\$ 1,659</u></u>	<u><u>\$ 1,771</u></u>

See accompanying notes to financial statements.

Notes to Financial Statements**1) Electricity Sector Reform**

Effective April 1, 1999, the *Electricity Act, 1998* (The Act), Ontario Hydro was continued as a corporation without share capital under the name "OEFC". It is exempt from federal and provincial income taxes under paragraph 149(1)(d) of the *Income Tax Act* (Canada).

OEFC is a Crown agency whose objects include managing the former Ontario Hydro's NUG contracts in the current market environment; providing financial assistance to the successor corporations of Ontario Hydro; entering into financial and other agreements relating to the supply of electricity in Ontario; and managing the debt and administering the assets, liabilities, rights and obligations of Ontario Hydro not transferred to other successor entities.

These other successor entities include:

- OPG, an electricity generation company;
- Hydro One, a regulated electricity transmission and distribution business;
- IESO, the regulated centralized independent system coordinator responsible for directing system operations and operating the electricity market; and
- ESA, which performs a regulatory function related to electrical inspections.

On April 1, 1999, the respective business units, including assets, liabilities, employees, rights and obligations of the former Ontario Hydro were transferred to OPG and Hydro One (and their subsidiaries) and the IESO for \$8.5 billion, \$8.6 billion and \$78.0 million respectively in exchange for debt payable to OEFC. On the same day, the Province exchanged equity of \$5,126 million and \$3,759 million in OPG and Hydro One respectively for debt payable to OEFC.

The opening stranded debt of \$20.9 billion at April 1, 1999 was composed of \$38.1 billion in liabilities assumed from the former Ontario Hydro less the value of assets transferred to OEFC at April 1, 1999, including \$17.2 billion in notes receivable. After receipt of \$1.5 billion in loans receivable and other assets, the opening unfunded liability stood at \$19.4 billion. As at April 1, 1999, the present value of future payments-in-lieu (PIL) of taxes and electricity sector dedicated income was estimated at \$13.1 billion. Subtracting the \$13.1 billion from stranded debt of \$20.9 billion resulted in a difference of \$7.8 billion, known as residual stranded debt.

The OEFC debt, liabilities and associated financing costs will be repaid from interest on notes receivable from the Province and successor entities, and, as provided under the Act, from dedicated electricity revenues in the form of PIL of corporate income, capital and property taxes made by the successor entities and municipal electric utilities. OEFC also receives the DRC to be paid by electricity consumers at a rate of 0.7 cents/kWh until the residual stranded debt is retired. The OFA, an agency of the Province responsible for borrowing and investing monies for the Province and other public bodies, provides day-to-day management services to OEFC.

On December 9, 2004, the *Electricity Restructuring Act, 2004* was passed, resulting in a combination of a fully regulated and competitive electricity sector with different generators receiving prices set through a variety of mechanisms. Electricity generated from OPG's nuclear and baseload hydro generation assets receive regulated prices, electricity from those generators with existing or new contracts receive prices as determined by their contracts, while other generation receives prices set in the electricity spot market. Consumers pay a blend of these costs including the pass-through of regulated prices for OPG's regulated plants, the full costs for existing and new contracts for generation and market prices for other generation facilities. The Act also created the OPA to ensure an adequate long-term supply of electricity.

2) Summary of Significant Accounting Policies

Basis of Accounting

As OEFC is a government organization, these financial statements are prepared in accordance with the recommendations of the PSAB of the Canadian Institute of Chartered Accountants.

Measurement Uncertainty

Uncertainty in the determination of the amount at which an item is recognized in the financial statements is known as measurement uncertainty. Such uncertainty exists when it is reasonably possible there could be a material variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used. Measurement uncertainty in these financial statements exists in the valuation of the power purchase contracts and the estimated defeasance date for OEFC's obligations. Estimates are based on the best information available at the time of preparation of the financial statements and will be updated annually to reflect new information as it becomes available.

Deferred Debt Costs

Deferred debt costs includes the unamortized amounts related to any foreign exchange gains or losses resulting from the translation of long-term debt issued in foreign currencies and discounts, premiums or commissions arising from the issuance of debt or the acquisition of debt prior to maturity. These costs are amortized to operations over the life of the underlying debt.

Revenue Recognition

Revenues are recognized in the period in which they are earned.

Foreign Currency Translation

Debt is composed of short-, medium- and long-term bonds, notes and debentures. Debt denominated in foreign currencies that has been hedged is recorded at the Canadian dollar equivalent using the rates of exchange established by the terms of the hedge agreements. Other foreign currency debt, liabilities and assets are translated to Canadian dollars at year-end rates of exchange and, in accordance with the recommendations of the PSAB of the Canadian Institute of Chartered Accountants, any exchange gains or losses are deferred and amortized over the remaining term to maturity.

Power Purchase Contracts

The liability for power purchase contracts was originally calculated by discounting estimated losses over the life of the contracts. Under the *Electricity Restructuring Act, 2004*, OEFC began receiving actual contract prices for power from electricity consumers, effective January 1, 2005, and will no longer incur losses on these power purchase contracts. At that time, the Ministry of Finance estimated that the bulk of the liability would be eliminated over 12 years as existing electricity contracts expire.

3) Going Concern

The OEFC is dependent on the Province to borrow funds to finance maturing debt and to cover any cash shortfalls in the Corporation, and on OPG repaying their outstanding notes receivable. It is also dependent on the government's long-term plan to defease the unfunded liability .

4) Cash and Cash Equivalents

Cash and cash equivalents includes cash on deposit and highly liquid investments recorded at cost, which approximates current market value.

5) Due from the Province

The Province has committed to dedicate the cumulative combined net income of OPG and Hydro One in excess of the Province's interest cost of its investment in its electricity subsidiaries to OEFC. Under these arrangements, the Province can recoup all costs associated with its investments in electricity subsidiaries on a cumulative basis before any income can be recognized by OEFC. For the year ended March 31, 2010, OPG and Hydro One earned an aggregate amount of \$1,249 million (2009 – \$435 million). After deducting the prior year's shortfall of \$85 million and the Province's \$520 million interest cost of its investment in these subsidiaries, there remains an amount of electricity sector dedicated income of \$644 million (2009 – Nil). The change in electricity sector dedicated income is largely due to earnings in OPG's segregated funds for nuclear liabilities, which amounted to \$830 million for the year ended March 31, 2010 (2009 – loss of \$48 million).

6) Notes and Loans Receivable

(\$ millions)					
	Maturity Date	Interest Rate	Interest Payable	March 31, 2010	March 31, 2009
The Province	2039–2041	5.85	Monthly	\$ 8,885	\$ 8,885
OPG	2010–2020	3.56 to 6.65	Semi-Annually	3,723	3,625
IESO	2011	Variable	Quarterly	78	78
				12,686	12,588
Less: Current portion of notes receivable				625	785
				12,061	11,803
Add: Loans receivable from NUGs (see Note 9)				94	90
				\$ 12,155	\$ 11,893

OEFC has agreed with OPG and the IESO not to sell notes owing from these successor entities without their prior approval.

OEFC has agreed to provide OPG financing for new generation project development in the form of 10-year notes on commercial terms and conditions. These agreements provide for up to \$400 million for OPG's interest in the Portlands Energy Centre, up to \$50 million for the Lac Seul project and up to \$1.0 billion in loans for the Niagara tunnel project. OEFC is finalising amendments to the Niagara tunnel loan agreement to increase the Niagara tunnel facility to \$1.6 billion. Under these agreements, \$540 million has been advanced for the Niagara Tunnel project, \$390 million for the Portlands Energy Centre and \$50 million for the Lac Seul project.

OEFC has agreed to provide to OPG a \$970 million line of credit to finance existing maturities, expiring on December 31, 2010. Under this agreement, \$530 million has been advanced.

Set out below is a summary by year of maturity of OPG's debt to OEFC:

<u>Fiscal Year</u>	<u>Amount</u> <u>(\$ millions)</u>
2010–11	\$ 625
2011–12	188
2012–13	400
2014–15	300
2016–17	320
2017–18	1,125
2018–19	260
2019–20	505
Total	\$ 3,723

The note receivable from the IESO was extended to mature on May 1, 2011, bearing interest at a floating rate equal to the yield on the Province's Treasury Bills plus 25 basis points to be reset every 90 days. In April 2010, OEFC provided a revolving credit facility to the IESO for up to \$60 million to April 30, 2013. The facility will be used for liquidity purposes and to temporarily fund corporate requirements.

Loans receivable from NUGs increased during the year by \$4 million to \$94 million (2009 – \$90 million), primarily due to interest, which has been added to the principal balance.

7) Debt

Debt at March 31, 2010, is set out below by maturity and by currency of repayment, expressed in Canadian dollars.

(\$ millions) Currency	Canadian Dollars	U.S. Dollars	Other Foreign	2010 Total	2009 Total
Maturing in:					
1 year	\$ 2,401	–	\$ 53	\$ 2,454	\$ 3,304
2 years	500	–	47	547	1,253
3 years	800	\$ 1,742	118	2,660	547
4 years	3,514	–	329	3,843	1,895
5 years	2,133	553		2,686	3,636
1–5 years	9,348	2,295	547	12,190	10,635
6–10 years	6,684	74	853	7,611	9,019
11–15 years	3,273	–	–	3,273	3,757
16–20 years	2,191	–	–	2,191	2,191
21–25 years	850	–	–	850	850
26–50 years	1,252	–	–	1,252	1,138
Total	\$ 23,598	\$ 2,369	\$ 1,400	\$ 27,367	\$ 27,590

The effective rate of interest on the debt portfolio was 5.91 per cent after considering the effect of derivative instruments used to manage interest rate risk (2009 – 6.14 per cent). The longest term to maturity is to June 2, 2039. Total foreign currency denominated debt at March 31, 2010 was \$3.8 billion, 100 per cent of which was fully hedged to Canadian funds (2009 – \$3.2 billion or 100 per cent). Bonds and notes payable are either held, or guaranteed as to principal and interest, by the Province as set out below:

(\$ millions)	March 31, 2010			March 31, 2009		
	Held by the Province	Guaranteed by the Province	Total	Held by the Province	Guaranteed by the Province	Total
Short-term debt	\$ 1,201	–	\$ 1,201	\$ 985	–	\$ 985
Current portion of long-term debt	1,253	–	1,253	2,319	–	2,319
Long-term debt	16,979	\$ 7,934	24,913	16,352	\$ 7,934	24,286
Total	\$ 19,433	\$ 7,934	\$ 27,367	\$ 19,656	\$ 7,934	\$ 27,590

Fair value of debt issued approximates amounts at which debt instruments could be exchanged in a current transaction between willing parties. In valuing OEFC's debt, fair value is estimated using discounted cash flows and other valuation techniques and is compared to public market quotations where available. These estimates are affected by the assumptions made concerning discount rates and the amount and timing of future cash flows.

The estimated fair value of OEFC debt at March 31, 2010, was \$31.4 billion (2009 – \$32.2 billion). This is higher than the book value of \$27.4 billion (2009 – \$27.6 billion) because current interest rates are generally lower than the interest rates at which the debt was issued and because of exchange rate movements. The fair value of debt does not reflect the effect of related derivative contracts.

8) Risk Management and Derivative Financial Instruments

OEFC employs various risk management strategies and operates within strict risk exposure limits to ensure exposure to risk is managed in a prudent and cost-effective manner. A variety of strategies are used including the use of derivative financial instruments ("derivatives"). Derivatives are financial contracts, the value of which is derived from underlying instruments. OEFC uses derivatives for the purpose of hedging and to minimize interest costs. Hedges are created primarily through swaps, which are legal arrangements under which OEFC agrees with another party to exchange cash flows based upon one or more notional amounts during a specified period. This allows OEFC to offset its existing obligations and thereby effectively convert them into obligations with more desirable characteristics. Other derivative instruments used by OEFC include forward foreign exchange contracts, forward rate agreements, futures and options.

Foreign exchange or currency risk is the risk foreign currency debt principal and interest payments and foreign currency transactions will vary in Canadian dollar terms due to fluctuations in foreign exchange rates. To manage currency risk, derivative contracts are used to convert foreign currency cash flows into Canadian dollar denominated cash flows. The current policy allows unhedged foreign currency debt principal, net of foreign currency holding, to reach a maximum of 5 per cent of total debt. At March 31, 2010, the actual unhedged level was 0.0 per cent of total debt (2009 – 0.0 per cent).

Net interest rate resetting risk is the exposure to changes in interest rates. Exposure to rate changes is reduced by entering into derivative contracts that convert floating interest payments to fixed interest payments. The current policy allows unhedged floating rate debt and fixed rate debt maturing within the next 12 months, net of liquid reserves, to reach a maximum of 35 per cent of total debt. At March 31, 2010, net interest rate resetting risk as a percentage of total debt was 16.4 per cent (2009 – 19.5 per cent).

Liquidity risk is the risk OEFC will not be able to meet its current short-term financial obligations. As explained in Note 3, OEFC is dependent on the Province to borrow funds to finance maturing debt and to cover any cash shortfalls in the Corporation, and on OPG repaying their outstanding notes receivable.

The table below presents a maturity schedule of OEFC's derivatives, by type, outstanding at March 31, 2010, based on the notional amounts of the contracts. Notional amounts represent the volume of outstanding derivative contracts and are not indicative of credit risk, market risk or actual cash flows.

Derivative Portfolio Notional Value

As at March 31, 2010 (\$ millions)

Maturity in years						6–10	Over 10	Total	March 2009
Fiscal year	2011	2012	2013	2014	2015	Years	Years		
Cross-currency swaps	\$ 98	\$ 90	\$ 1,957	\$ 634	\$ 553	\$ 1,618	–	\$ 4,950	\$ 4,782
Interest rate swaps	–	147	958	457	2,417	1,164	\$ 653	5,796	6,703
Forward foreign exchange contracts	147	–	–	–	–	–	–	147	162
Total	\$ 245	\$ 237	\$ 2,915	\$ 1,091	\$ 2,970	\$ 2,782	\$ 653	\$ 10,893	\$ 11,647

The use of derivatives introduces credit risk, which is the risk of a counterparty defaulting on contractual derivative obligations in which OEFC has an unrealized gain. The table below presents the credit risk associated with the derivative financial instrument portfolio, measured through the replacement value of derivative contracts, at March 31, 2010.

Credit Risk Exposure (\$ millions)	March 31, 2010	March 31, 2009
Gross credit risk exposure	\$ 333	\$ 479
Less: Netting	(333)	(428)
Net credit risk exposure	\$ 0	\$ 51

OEFC manages its credit risk exposure from derivatives by, among other things, dealing only with high credit quality counterparties and regularly monitoring compliance to credit limits. In addition, OEFC enters into contractual agreements ("master agreements") that provide for termination netting and, if applicable, payment netting with most of its counterparties. Gross credit risk exposure represents the loss OEFC would incur if every counterparty to which OEFC had credit risk exposure were to default at the same time, and the contracted netting provisions were not exercised or could not be enforced. Net credit risk exposure is the loss including the mitigating impact of these netting provisions

9) Power Supply Contracts

Power supply contracts include both power purchase contracts and power supply support agreements. Power purchase contracts and related loan agreements were entered into by the former Ontario Hydro with NUGs located in Ontario. As the legal continuation of the former Ontario Hydro, OEFC is the counterparty to these contracts. The contracts, expiring on various dates to 2048, provide for the purchase of power at prices in excess of future market price. Accordingly, a liability was recorded at \$4,286 million on a discounted cash-flow (DCF) basis when the former Ontario Hydro was continued as OEFC on April 1, 1999.

Under legislated reforms to the electricity market, OEFC began receiving actual contract prices for power from ratepayers effective January 1, 2005, and no longer incurs losses on these contracts. At that time, the Ministry of Finance estimated the bulk of the liability to be eliminated over 12 years as existing electricity contracts expire. As a result, the Corporation is amortizing the liability to revenue over that period.

In addition, effective January 1, 2009, OEFC entered into a support contract with OPG whereby OPG agreed to maintain the reliability and availability of Lambton and Nanticoke coal-fired stations following implementation of a greenhouse gas emissions-reduction strategy. Under the contract, OEFC agreed to ensure OPG would recover the actual costs of operating the stations after implementing this strategy. Any costs to OEFC under this agreement, which expires December 31, 2014, are fully recovered from ratepayers.

During the year ended March 31, 2010, OEFC's costs under power supply contracts totalled \$1,409 million, including purchases of power from NUGs of \$954 million (2009 – \$914 million) and OPG support contract costs of \$455 million (2009 – \$39 million). All of these costs were fully recovered from ratepayers.

Statement of Liability for Power Purchase Contracts (\$ millions)
As at March 31, 2010

	2010	2009
Liability, beginning of year	\$ 2,206	\$ 2,579
Amortization	(348)	(373)
Liability, end of year	\$ 1,858	\$ 2,206

10) Unfunded Liability

Pursuant to the Act, and consistent with the principles of electricity restructuring, the government has a long-term plan to retire OEFC liabilities from the electricity sector. The plan includes cash flows from the following sources as at April 1, 1999:

Notes receivable from the Province of \$8.9 billion, OPG of \$3.4 billion, Hydro One of \$4.8 billion and IESO for \$0.1 billion, for a total of \$17.2 billion as a result of the transfer of assets to successor companies;

PIL of corporate income, capital and property taxes made by OPG, Hydro One and municipal electric utilities;

DRC paid by ratepayers based on the consumption of electricity; and

Electricity Sector Dedicated Income Consistent with the government's commitment to keep electricity income in the electricity sector, the cumulative combined net income of OPG and Hydro One in excess of the Province's interest cost of its investment in its electricity subsidiaries will be allocated to retire OEFC's debt.

11) Contingencies and Guarantees

OEFC is involved in various legal actions arising out of the ordinary course and conduct of business, some of which relate to the former Ontario Hydro prior to the establishment of OEFC on April 1, 1999. For the majority of these claims, OPG or Hydro One is required to indemnify OEFC for any liability arising from these claims. For claims on which OEFC is provided no indemnification, the outcome and ultimate disposition of these legal actions is not determinable at this time. Accordingly, no provision is reflected in the financial statements, and settlements, if any, will be reflected in the period in which settlement occurs.

Subject to a \$10 million deductible, OEFC has agreed to indemnify Hydro One in respect of any adverse claim to title to any asset, right or thing transferred or intended to be transferred to the company at April 1, 1999, and any failure of the transfer order to transfer such assets, rights or things and with respect to payment to or from or other dealing with any equity account of Ontario Hydro, including certain related litigation. The Province has guaranteed any liability arising from these indemnifications. A similar indemnity provided to OPG was terminated as of May 31, 2006.

OEFC is contingently liable under guarantees given to third parties that have provided long-term financing to certain independent power producers in connection with the power purchase agreements described in Note 9. These guarantees total approximately \$36 million at March 31, 2010 (2009 – \$46 million).

12) Related Party Transactions

In the normal course of operations, OEFC has transactions with the following related parties, all of which have been disclosed in the notes to the financial statements. Each of the following entities is included in the Province's financial statements:

- a) Province of Ontario
- b) Ontario Power Generation Inc.
- c) Hydro One Inc.
- d) Independent Electricity System Operator
- e) Ontario Financing Authority

13) Comparative Figures

Certain of the prior year's comparative figures have been re-classified to conform to the financial statement presentation adopted for the 2009–10 fiscal year.

Ontario Energy Board

MANAGEMENT'S RESPONSIBILITY

The Ontario Energy Board's management is responsible for the integrity and fair presentation of the financial statements and other information presented in the annual report. The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The preparation of financial statements necessarily involves the use of management's judgment and best estimates, particularly when transactions affecting the current accounting period cannot be determined with certainty until future periods.

The Board maintains systems of internal accounting controls designed to provide reasonable assurance that reliable financial information is available on a timely basis and that the Board assets and liabilities are adequately accounted for and assets safeguarded.

The financial statements have been reviewed and approved by the Board's Management Committee. In addition the financial statements have been audited by the Auditor General of Ontario, whose report follows.



Allan Fogwill
Managing Director, Planning & Business Services
June 30, 2010



Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Auditor's Report

To the Ontario Energy Board

I have audited the statement of financial position of the Ontario Energy Board as at March 31, 2010 and the statements of operations and net assets and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Box 105, 15th Floor
20 Dundas Street West
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-326-3812

B.P. 105, 15^e étage
20, rue Dundas ouest
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-326-3812

www.auditor.on.ca

Toronto, Ontario
June 30, 2010

Gary R. Peall, CA
Deputy Auditor General
Licensed Public Accountant

Ontario Energy Board

STATEMENT OF FINANCIAL POSITION

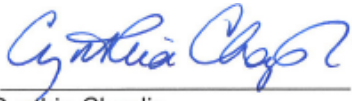
As at March 31, 2010

	2010 \$	2009 \$
ASSETS		
Current Assets:		
Cash	12,290,027	11,395,939
Accounts receivable	228,125	57,473
Regulatory process costs to be assessed	815,719	1,023,141
Deposits and prepaid expenses	352,766	231,373
Total Current Assets	13,686,637	12,707,926
Capital assets (note 5)	5,692,797	6,698,582
TOTAL ASSETS	19,379,434	19,406,508
LIABILITIES		
Current Liabilities:		
Deferred revenue (note 3b)	3,117,597	1,089,319
Accounts payable and accrued liabilities	4,334,567	4,888,566
Total Current Liabilities	7,452,164	5,977,885
Long-term Liabilities:		
Deferred revenue related to capital assets (note 3c)	3,138,642	3,882,463
Deferred rent inducement (note 8)	3,297,287	3,635,459
Pension liability (note 6b)	324,993	298,701
Total Long-term Liabilities	6,760,922	7,816,623
TOTAL LIABILITIES	14,213,086	13,794,508
Operating Reserve (note 4)	4,893,848	4,710,260
Net Assets:		
Unrestricted Net Assets (note 7)	-	704,240
Internally Restricted Net Assets (note 7)	272,500	197,500
TOTAL LIABILITIES, RESERVE AND NET ASSETS	19,379,434	19,406,508

See accompanying notes to financial statements

On behalf of the Management Committee:


 Howard Wetston
 Chair


 Cynthia Chaplin
 Vice-Chair

Ontario Energy Board

STATEMENT OF OPERATIONS AND NET ASSETS

Year Ended March 31, 2010

	2010 \$	2009 \$
REVENUES		
Recovery of Costs:		
General cost recovery (note 3a)	28,296,698	29,332,441
Amortization of deferred revenue related to capital assets	1,955,215	2,225,702
Regulatory process costs	1,218,034	1,593,956
Total Revenues from Recovery of Costs	31,469,947	33,152,099
Other Revenues:		
Interest income	71,287	380,657
Licence fees	365,398	356,265
Administrative penalties (note 7)	75,000	197,500
Miscellaneous income	7,607	9,389
Total Other Revenues	519,292	943,811
TOTAL REVENUES	31,989,239	34,095,910
EXPENSES		
Salaries and benefits	23,476,331	22,982,241
Consulting and professional	2,491,021	3,454,340
Premises	2,296,187	2,236,842
Meetings, training and travel	721,584	844,555
Information technology	622,653	624,854
Publications, media and publishing	533,551	699,729
Office and administration	521,937	830,147
Amortization	1,955,215	2,225,702
TOTAL EXPENSES	32,618,479	33,898,410
(DEFICIENCY) SURPLUS OF REVENUES OVER EXPENSES	(629,240)	197,500
Net Assets, beginning of period (note 7)	901,740	704,240
NET ASSETS, end of period	272,500	901,740

See accompanying notes to financial statements

Ontario Energy Board

STATEMENT OF CASH FLOWS

Year Ended March 31, 2010

	2010 \$	2009 \$
<i>Net inflow (outflow) of cash related to the following activities:</i>		
OPERATING		
Assessment billed	31,536,370	28,558,331
Regulatory process costs revenue	1,218,034	1,593,956
Other revenues	519,292	943,811
Expenses	(32,618,479)	(33,898,410)
Excess (Deficiency) of Revenues over Expenses	655,217	(2,802,312)
Adjustment for Non-cash Expenses:		
Amortization of capital assets paid by Board	1,955,215	2,225,702
Amortization of leasehold improvements paid by landlord	261,965	261,965
Net Adjustment for Non-cash Expenses	2,217,180	2,487,667
Changes in Non-cash Working Capital:		
Accounts receivable	(170,652)	2,737,056
Regulatory process costs to be assessed	207,422	499,395
Deposits and prepaid expenses	(121,393)	(39,044)
Deferred revenue	-	(7,850,435)
Operating Reserve	183,588	-
Accounts payable and accrued liabilities	(553,999)	(437,798)
Pension liability	26,292	68,400
Deferred rent inducement	(338,172)	(338,172)
Changes in Non-cash Operating Working Capital	(766,914)	(5,360,598)
Net Cash from Operating Activities	2,105,483	(5,675,243)
INVESTING		
Capital asset purchases	(1,211,395)	(1,034,693)
Net Cash Used in Investing Activities	(1,211,395)	(1,034,693)
NET CHANGE IN CASH	894,088	(6,709,936)
Cash, beginning of period	11,395,939	18,105,875
Cash, end of period	12,290,027	11,395,939

See accompanying notes to financial statements

Ontario Energy Board
Notes To The Financial Statements
March 31, 2010

1. Nature of the Corporation

The Ontario Energy Board (the "Board") is the regulator of Ontario's natural gas and electricity industries. The Board also provides advice on energy matters referred to it by the Minister of Energy and Infrastructure and the Minister of Natural Resources.

Effective August 1, 2003, and pursuant to the *Ontario Energy Board Act, 1998*, the Board was continued as a corporation without share capital empowered to fully recover its costs from natural gas and electricity industry participants.

As an agent of Her Majesty in right of Ontario, the Board is exempted from federal and provincial income taxes under the Income Tax Act and from goods and services taxes under the Excise Tax Act.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Significant accounting policies followed in the preparation of these financial statements include:

a) Revenue Recognition

Revenues received in the 2009-10 fiscal year that relate to subsequent years are not recognized as revenue and are deferred. Recognition of revenue related to the recovery of costs is matched to the expenses of the Board as follows:

- General cost recovery related to the expenses of the Board is recognized as revenue to the extent that they are in excess of regulatory process costs, amortization of deferred revenue related to capital assets, and other revenues. Revenue amounts assessed in excess of actual costs related to 2009-10 are referred to as a true-up (note 3b).
- Revenue from administrative penalties assessed against individual market participants under s. 112.5 of the OEB Act, 1998 is recognized in the year they are assessed provided that at the time ultimate collection is reasonably assured. Revenue from administrative penalties will not be used to reduce the general cost recovery as per the OEB Cost Assessment Model (note 7).
- Amortization of deferred revenue related to capital assets is recognized as revenue on the same basis that the underlying capital assets are amortized. Revenue related to capital asset expenditures is deferred because they have been billed in advance (note 3c).
- Regulatory process costs are recognized as revenue as related expenses are incurred.

Other revenues are recognized when received and receivable.

Ontario Energy Board
Notes To The Financial Statements
March 31, 2010

2. Significant Accounting Policies (Continued)

b) Capital Assets

Capital assets are recorded at cost less accumulated amortization. Amortization is calculated on a straight-line basis over the estimated useful lives of the assets, beginning in the fiscal year following the acquisition, as follows:

Office furniture and equipment	5 years
Computer equipment and related software	3 years
Audio visual equipment	3 years
Leasehold improvements	over term of lease

c) Financial Instruments

Under Canadian generally accepted accounting principles, all financial instruments are classified into one of the following five categories: held-for-trading, held to maturity, loans and receivables, available for sale financial assets, or other financial liabilities.

All financial instruments are required to be measured at fair value upon initial recognition except for certain related party transactions. After initial recognition, financial instruments should be measured at their fair values, except for financial assets classified as held to maturity or loans and receivables and other financial liabilities, which are measured at cost or amortized cost.

The Board has adopted the following classifications for financial assets and financial liabilities:

- Cash is classified as held for trading and recorded at fair value.
- Accounts receivable and regulatory process costs to be assessed are classified as loans and receivables and are valued at face value which approximates fair value given their short term maturities.
- Accounts payable and accrued liabilities are classified as other financial liabilities and are recorded at face value which approximates fair value given their short term maturities.

It is management's opinion that the Board is not exposed to significant interest rate, currency, liquidity or credit risk arising from its financial instruments due to their nature.

Ontario Energy Board
Notes To The Financial Statements
March 31, 2010

2. Significant Accounting Policies (Continued)

d) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles require that management make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and recoveries for the year. Actual amounts could differ from these estimates.

e) Employee Pension Plans

The Board's full-time employees participate in the Public Service Pension Fund (PSPF) which is a defined benefit pension plan for employees of the Province and many provincial agencies. The Province of Ontario, which is the sole sponsor of the PSPF, determines the Board's annual payments to the fund. Since the Board is not a sponsor of these funds, gains and losses arising from statutory actuarial funding valuations are not assets or obligations of the Board, as the sponsor is responsible for ensuring that the pension funds are financially viable. The Board's expense is limited to the required contributions to the Fund

The Board also established a supplementary unfunded pension plan for the Chair as described in note 6b. The Board accrues its obligations and the related cost under this supplemental unfunded pension plan. The actuarial liability and the current service cost is determined by independent actuaries using the projected benefit method, prorated on management's best estimate assumptions.

3. Industry Assessments for 2009-10

During the 2009-10 fiscal year, the natural gas and electricity industry participants were assessed estimated costs for the 2009-10 fiscal year based on budgeted amounts. Amounts assessed in excess of actual costs are a true-up and are reported as current deferred revenue. The 2009-10 true-up will be used to reduce the 2010-11 fiscal year assessment. The calculation of the general cost recovery, true-up and deferred revenue are outlined in the following tables.

a) 2009-10 General cost recovery

Salaries and benefits	\$23,476,331
Consulting and professional	2,491,021
Premises	2,296,187
Meetings, training and travel	721,584
Information technology	622,653
Publications, media and publishing	533,551
Office and administration	521,937
Amortization	1,955,215
Total expenses	\$32,618,479
Regulatory process costs, amortization of deferred revenue related to capital assets, and other revenues (excluding administrative penalties note 7)	(3,617,541)
Elimination of Ministry of Energy Grant (note 7)	(704,240)
General cost recovery at March 31, 2010	\$28,296,698

Ontario Energy Board
Notes To The Financial Statements
March 31, 2010

3. Industry Assessments for 2009-10 (Continued)

b) 2009-10 Current Deferred Revenue (2009-10 True-up)

General cost recovery (note 3a)	\$28,296,698	
2009-10 Capital expenditures paid by the OEB	<u>1,211,395</u>	
Total assessment (actual)		\$29,508,093
Total assessment (budget)		<u>32,625,690</u>
2009-10 Current Deferred Revenue (2009-10 True-up)		\$3,117,597

c) 2009-10 Deferred Revenue Related to Capital Assets

Revenues related to capital asset expenditures are deferred because they have been billed in advance with the exclusion of leasehold improvements paid by the landlord, which were not included in the assessments. As part of the leasehold inducements included in the lease agreement, the landlord paid for \$3,540,400 of leasehold improvements on behalf of the Board since the start of the lease on January 1, 2005.

Net book value of capital assets 2009-10	\$ 5,692,797
Leasehold improvements paid by landlord	(3,540,400)
<u>Accumulated amortization of leasehold improvements paid by landlord</u>	<u>986,245</u>
2009-10 Deferred revenue related to capital assets	<u>\$ 3,138,642</u>

4. Operating Reserve

As part of its self-financing status, the Board was allowed to establish an operating reserve up to 15% of the current annual assessment, which is adjusted on an annual basis. The operating reserve is to be used for cash flow management and to support working capital requirements. The Board is reducing the operating reserve to 12.5% in fiscal year 2010-11, and anticipates reducing the operating reserve to 10% in fiscal year 2011-12 as reflected in the 2010-2013 budget approved budget submission to the Ministry of Energy and Infrastructure.

2009-10 Operating reserve

Operating reserve as at March 31, 2009	\$4,710,260
Adjustment to the operating reserve	183,588
Operating reserve as at March 31, 2010	<u>\$4,893,848</u>

Ontario Energy Board
Notes To The Financial Statements
March 31, 2010

5. Capital Assets

	Cost	Accumulated amortization	Net book value 2010	Net book value 2009
Office furniture and equipment	\$2,507,325	\$2,161,001	\$346,324	\$714,258
Computer equipment and related software	8,044,258	5,979,923	2,064,335	2,487,531
Audio visual equipment	870,087	833,865	36,222	82,136
Leasehold improvements	4,408,093	1,162,177	3,245,916	3,414,657
	<u>\$15,829,763</u>	<u>\$10,136,966</u>	<u>\$5,692,797</u>	<u>\$6,698,582</u>

6. Employee Future Benefits

a) The Board's contribution to the Public Service Pension Plan for the 2009-10 fiscal year was \$1,310,165 (2009 - \$1,199,319) and is included in salaries and benefits costs on the Statement of Operations and Net Assets

b) The unfunded supplemental pension plan for the Board's Chair had an accrued total benefit obligation of \$406,227 (2009 - \$236,532) and an accrued benefit liability with respect to the Board of \$324,993 (2009 - \$298,701). The Board's expense for the year was \$26,292 (2009 - \$68,400) and is included in salaries and benefits costs. No benefits were paid during the year (2009 - \$0). The significant actuarial assumptions adopted at March 31, 2010 included a discount rate of 4.25% (2009 - 5.75%).

c) The Board is not responsible for the cost of employee post-retirement, non-pension benefits. These costs are the responsibility of the Province of Ontario, a related party.

7. Related Party Transactions and Net Assets

The Ministry of Energy provided a grant for one time transition funding of \$704,240 related to the substantial transfer of Ministry employees to the Board on March 29, 2004. With the approval of the Ministry of Energy and Infrastructure, the Board has eliminated the unrestricted net asset amount by operating at a deficit by reducing the general cost recovery by \$704,240 (note 3a) in fiscal year 2009-10.

The internally restricted net assets at March 31, 2010 represent revenue from administrative penalties of \$272,500 assessed against individual market participants under s. 112.5 of the *Ontario Energy Board Act, 1998*. According to the OEB Cost Assessment Model, revenue from administrative penalties will not be used to reduce payments under the general assessment. Revenue from administrative penalties is internally restricted by the Management Committee to support activities relating to consumer education, outreach and other activities in the public interest.

Ontario Energy Board
Notes To The Financial Statements
March 31, 2010

The changes in internally restricted net assets are as follows:

Balance, beginning of the year	\$197,500
Administrative penalties issued in 2009-10	75,000
Balance, end of the year	<u>\$272,500</u>

8. Deferred Rent Inducement and Operating Lease Commitments

The Board entered into a lease commitment for its office space during the 2004-05 fiscal year, which included various lease inducements. Deferred rent inducement represents the benefit of operating lease inducements which are being amortized on a straight-line basis over 15 years, being the term of the lease.

The changes in deferred rent inducements are as follows:

	2010	2009
Balance, beginning of the year	\$ 3,635,459	\$ 3,973,631
Less: Amortization of deferred rent inducement netted against premises expense	(338,172)	(338,172)
Balance, end of the year	<u>\$3,297,287</u>	<u>\$3,635,459</u>

The minimum annual payments under the operating lease for the remaining 10 years and in aggregate are as follows:

2011	\$2,300,770
2012	2,345,652
2013	2,396,313
2014	2,441,542
2015 and thereafter	<u>15,689,963</u>
	\$25,174,240

The Board is in the process of finalizing a short-term lease to accommodate office renovations that would commit the Board to additional payments totaling \$170,915 for four months in 2010-11.

Ontario Financing Authority

Responsibility for Financial Reporting

The accompanying Financial Statements of the OFA have been prepared in accordance with the recommendations of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants and are the responsibility of Management. The preparation of the Financial Statements necessarily involves the use of estimates based on Management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The Financial Statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 4, 2010.

Management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. An internal audit function independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its findings to Management and the Audit & Risk Management Committee of the Board.

The Board, through the Audit & Risk Management Committee, is responsible for ensuring Management fulfils its responsibilities for financial reporting and internal controls. The Audit & Risk Management Committee meets periodically with Management, the internal auditors and the external auditor to deal with issues raised by them and to review the financial statements before recommending approval by the Board.

The Financial Statements have been audited by the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion on whether the Financial Statements are fairly presented in accordance with the recommendations of PSAB of the Canadian Institute of Chartered Accountants. The Auditor's Report, which appears on the following page, outlines the scope of the Auditor's examination and opinion.

On behalf of Management:



Gadi Mayman
Chief Executive Officer

Auditor's Report

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Auditor's Report

To the Ontario Financing Authority
and to the Minister of Finance

I have audited the balance sheet of the Ontario Financing Authority as at March 31, 2010, and the statements of net income and retained earnings and cash flow for the year then ended. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2010 and the results of its operations and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

Box 105, 15th Floor
20 Dundas Street West
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-326-3812

B.P. 105, 15^e étage
20, rue Dundas ouest
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-326-3812

www.auditor.on.ca

Toronto, Ontario
June 4, 2010

Jim McCarter, FCA
Auditor General
Licensed Public Accountant

Ontario Financing Authority
Balance Sheet
As at March 31, 2010

(in thousands of dollars)	2010	2009
ASSETS		
Current assets		
Cash	\$ 2,156	\$ 965
Interest receivable – OMIC (Note 2)	2,029	2,029
Due from agencies and related parties (Note 8)	1,674	1,491
Due from the Province of Ontario	1,763	1,589
Current portion of loans receivable	5,156	-
Total current assets	12,778	6,074
Fixed assets (Note 3)	3,053	2,790
Loans receivable (Note 2)	73,865	79,021
Total assets	\$ 89,696	\$ 87,885
LIABILITIES AND RETAINED EARNINGS		
Current liabilities		
Accounts payable	\$ 1,722	\$ 1,530
Interest payable – OMIC (Note 2)	2,029	2,029
Due to the Province of Ontario-Recoveries	1,254	1,282
Current portion of long term debt	5,156	-
Total current liabilities	10,161	4,841
Long term debt (Note 2)	73,865	79,021
Deferred revenue (Note 4)	3,094	2,849
Retained earnings	2,576	1,174
Total liabilities and retained earnings	\$ 89,696	\$ 87,885

See accompanying notes to financial statements

Approved on behalf of the Board of Directors:



Peter Wallace
Chair



Gadi Mayman
Chief Executive Officer

Ontario Financing Authority
Statement of Net Income and Retained Earnings
For the year ended March 31, 2010

(in thousands of dollars)	2010	2009
REVENUE		
Cost recovery from the Province of Ontario (Note 5)	\$ 19,714	\$ 18,105
Interest revenue (Note 2)	8,996	8,482
Total revenue	28,710	26,587
EXPENSES		
Salaries, wages and benefits	18,160	16,662
Interest on long term debt (Note 2)	7,593	7,594
Administrative and general	5,416	5,540
Amortization of fixed assets (Note 4)	1,016	820
Sub Total	32,185	30,616
Less: cost recovery from Agencies & related parties (Note 8)	(4,877)	(4,918)
Total expenses	27,308	25,698
Net Income	1,402	889
Retained earnings, beginning of period	1,174	285
Retained earnings, end of period	\$ 2,576	\$ 1,174

See accompanying notes to financial statements

Ontario Financing Authority
Cash Flow Statement
For the year ended March 31, 2010

(in thousands of dollars)	2010	2009
Cash flows from operating activities		
Net income	\$ 1,402	\$ 889
Adjustment for amortization of fixed assets	1,016	820
Decrease in net interest receivable/payable	-	19
(Increase) in due from agencies & related parties	(183)	(437)
Decrease in due from the Province (net of accounts payable)	18	18
Increase/(decrease) in recoveries due to the Province	(28)	273
Increase in deferred revenue	245	1,463
Cash flows from operating activities	2,470	3,045
Cash flows from investing activities		
Purchase of capital assets	(1,279)	(2,301)
Cash flows used in investing activities	(1,279)	(2,301)
Increase in cash	1,191	744
Cash, beginning of year	965	221
Cash, end of year	\$ 2,156	\$ 965

See accompanying notes to financial statements

Ontario Financing Authority
Notes to Financial Statements
For the year ended March 31, 2010

BACKGROUND

The Ontario Financing Authority (the "OFA") was established as an agency of the Crown, on November 15, 1993, by the *Capital Investment Plan Act, 1993* (the "Act"). In accordance with the Act, the OFA:

- conducts borrowing, investment and financial risk management for the Province of Ontario;
- manages the Provincial debt;
- provides financial and centralized cash management services for the Province;
- advises ministries, Crown agencies and other public bodies on financial policies and projects;
- assists Crown agencies and other public bodies to borrow and invest money;
- acts at the direction of the Province in lending to certain public bodies;
- invests on behalf of some public bodies.

In addition, the OFA's objects include:

- providing such other financial services as are considered advantageous to the Province or any public body; and
- any additional objects as directed by the Lieutenant Governor in Council.

The OFA is a corporation established under the laws of Ontario. The OFA is exempt from federal and provincial income taxes under paragraph 149(1)(d) of the *Income Tax Act* (Canada).

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: Because the OFA is a government organization, these financial statements are prepared in accordance with the recommendations of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants

Cash: Cash includes cash on deposit and highly liquid investments with maturities of less than nine months. They are recorded at cost, which approximates current market value.

Fixed assets: Fixed assets are stated at cost. Amortization is provided using the straight-line method over the estimated useful life of the asset, as listed below.

Furniture and equipment	5 years
Computer hardware	3 years
Leasehold improvements	Term of lease plus one renewal period

Funding received from the Province and the Agencies for the acquisition of fixed assets is recorded as deferred revenue and amortized to cost recovery on the same basis as the fixed assets.

Measurement uncertainty: The preparation of these financial statements requires management to make estimates that are based on the best information available at the time of preparation of the financial statements and will be updated annually to reflect new information as it becomes available.

2. LONG TERM DEBT AND RELATED INTEREST

In accordance with the *Capital Investment Plan Act, 1993*, the Ontario Municipal Improvement Corporation (OMIC) assets and liabilities were transferred to the OFA on November 15, 1993. OMIC received loans from the Canada Pension Plan (CPP) which were used to make loans to municipalities and school boards under similar terms as its debt.

The maturities and average interest rates on both the outstanding loans receivable and outstanding debt are set out below:

<i>(in thousands of dollars)</i>		
Maturing in:	Principal Maturing	Average Interest Rate (%)
2010	\$ 5,156	10.86
2011	29,630	9.97
2012	44,235	9.22
Total	79,021	9.61
Less current portion	5,156	
	<u>\$ 73,865</u>	

Interest payable to CPP of \$2,029 is equal to the interest receivable from the municipalities and school boards.

The \$8,996 of interest revenue equals the \$7,593 interest expense on the CPP borrowings, plus \$1,397 interest rate spread charged on loans to related parties as explained in Note 6 plus interest earned on the balance of cash.

3. FIXED ASSETS

The net book value (NBV) of fixed assets is as follows:

<i>(in thousands of dollars)</i>				
	Cost	Accumulated Amortization	NBV March 31, 2010	NBV March 31, 2009
Furniture and equipment	\$ 1,030	\$ 398	\$ 632	\$ 729
Computer hardware	10,883	9,519	1,364	932
Leasehold improvements	1,686	629	1,057	1,129
Total	<u>\$ 13,599</u>	<u>\$ 10,546</u>	<u>\$ 3,053</u>	<u>\$ 2,790</u>

4. DEFERRED REVENUE

Deferred revenue represents the unamortized portion of the cost recovered from the Province and the Agencies for the acquisition of fixed assets and the amount of lease inducement to be amortized to operations over three years.

<i>(in thousands of dollars)</i>			
	Fixed Assets	Lease Inducement	Total
Balance, beginning of year	\$ 2,790	\$ 59	\$ 2,849
Additions	1,279	-	1,279
Amortization	(1,016)	(18)	(1,034)
Balance, end of year	\$ 3,053	\$ 41	\$ 3,094

The \$1.0 million amortization of deferred fixed assets revenue is included in the cost recovery from the Province of Ontario on the Statement of Net Income and Retained Earnings, while the \$18,000 amortization of deferred lease inducement is netted against administrative and general expense.

5. DEBT MANAGEMENT FOR THE PROVINCE

The OFA manages debt and investment on behalf of the Province, including the joint management of funds owned by Ontario Power Generation Inc. (OPG) under the *Ontario Nuclear Funds Agreement*. The Province, OPG and certain OPG subsidiaries entered into the agreement in March 2002 to set aside funds necessary to dispose of nuclear waste and used fuel and to decommission nuclear power stations. The agreement came into force on July 24, 2003.

Cost recovery from the Province for all debt management and investment activities for the year ended March 31, 2010 was \$19.7 million (2009 – \$18.1 million). The increase of \$1.6 million is due to greater demands on the OFA resulting in increased staffing and support costs (legal fees and IT support) in the Capital Markets Division for higher borrowing requirements and loans to public bodies, and increased staffing and accommodation costs for the Corporate and Electricity Finance Division, including the costs of advisory services related to asset management activities.

6. TRANSACTIONS WITH PUBLIC BODIES

The OFA provides financing to various public bodies on direction from the Province. As the OFA is directed by the Province to make these loans in furtherance of stated Provincial initiatives, and these loans are included in the Province's consolidated financial statements, these transactions are not reflected in these financial statements.

Funds for these loans are advanced to the OFA by the Province under credit facilities aggregating \$14.5 billion expiring from 2027 to 2037. Principal repayments received from public bodies by the OFA are forwarded to the Province. The interest rates charged to public bodies will be slightly higher than the rate charged on the advances from the Province to fund the loans ("the spread").

The OFA will generally retain the spread in order to recover the administrative costs of managing these loans. In some cases the rate charged to the borrower will be similar to the rate that would be charged on the loan by a commercial lender which would reflect the relative risk associated with the loan.

Funds are generally advanced by the OFA to public bodies under interim financing arrangements consisting of a number of promissory notes for terms not exceeding one year. The promissory notes are later converted to term debt and repayment terms are finalized. As of March 31, 2010, the principal amounts receivable by the OFA on behalf of the Province represent debentures, short term loans and lines of credit. In addition to the outstanding loans below, interest accrued on these loans amounted to \$53.4 million (March 2009 – \$38.8 million).

These are related party transactions, with the exception of those with the Corporation of the City of Windsor and the Government of Canada-Auto Sector.

<i>(in thousands of dollars)</i>		
	March 31, 2010	March 31, 2009
Centennial Centre of Science and Technology	\$ 3,500	\$ 4,000
Colleges of Applied Art and Technologies	70,677	24,827
Corporation of the City of Windsor	18,386	19,516
Government of Canada-Auto Sector	1,396,252	83,333
Niagara Parks Commission	6,500	-
Ontario Infrastructure Projects Corporation	100,000	100,000
Ontario Lottery and Gaming Corporation	187,840	256,372
Ontario Northland Transportation Commission	30,646	33,821
Ontario Power Authority	90,000	-
Royal Ontario Museum	48,840	56,840
School Boards	2,622,292	2,315,104
Total	\$ 4,574,933	\$ 2,893,813

Loans to Public Bodies:

The Centennial Centre of Science and Technology is a Crown agency of the Province under the *Centennial Centre of Science and Technology Act, 1990*. The loan was made to fund the construction of the Agents of Change project and bears interest at 4.346% and matures in March 2017.

Colleges of Applied Arts and Technology have been loaned \$71 million (2009 – \$25 million) for various campus projects including new and expanded student residences, computer equipment, parking facilities, and an energy saving capital project. These loans bear interest ranging from 0.6 to 6.37 per cent and mature from 2011 to 2040.

The Corporation of the City of Windsor is a municipality within the meaning of *the Municipal Act*. The financing provided is for the acquisition, design and construction of the Windsor Justice Facility, consisting of a provincial division courthouse and city police headquarters. This is a 20 year loan bearing interest at 6.41 per cent and maturing in March 2021. The outstanding balance is \$18.4 million (March 2009 – \$19.5 million)

The Government of Canada borrowed a total of \$4,577 million (March 2009 - \$83 million) to assist in providing funding to the Canadian auto sector. In July, loans of \$3,047 million were exchanged for equity and on December 18, 2009 and March 31, 2010, loans of \$134 million were repaid, leaving \$1,396 million in loans outstanding bearing floating interest rates ranging from 5 to 7 percent. Interest of \$61 million on outstanding loans was received as of March 31, 2010. Of the outstanding loans, \$535 million is scheduled to mature on June 12, 2017, \$365 million is scheduled to mature on July 10, 2015 and \$69 million is scheduled to mature on July 10, 2010. Loans of \$427 million which matured on June 29, 2009 remain outstanding. Further information will be received from the Government of Canada regarding the matured loans. Subsequent to the year-end, on April 20, 2010, additional loans of \$365 million were repaid.

The Niagara Parks Commission, a Crown agency of the Province, operating under *Niagara Parks Act 1990*, borrowed \$6.5 million (March 2009–Nil) to finance additional capital costs incurred for the redevelopment of phase I of Table Rock House in Queen Victoria Park, Niagara Falls. This is a seventeen-year amortization loan, bears interest at 5.07 per cent and matures in November 2026.

The IO has been provided a 10-year Revolving Credit Facility to a maximum amount of \$200 million. IO has drawn \$100 million (March 2009 – \$100 million) bearing interest at rates ranging from 2.12 to 4.63 per cent.

The Ontario Lottery and Gaming Corporation (OLG) is a Crown agency of the Province under the *Ontario Lottery and Gaming Corporation Act, 1999*, and has been provided a loan totaling \$188 million (2009-\$256 million) to fund several projects and bears interest at 2.4% and matures in February 2015.

The Ontario Northland Transportation Commission (ONTC) is a Crown agency of the Province under the *Ontario Northland Transportation Commission Act, 1990*. The ONTC total borrowing is comprised of amortization loans and an operating line of credit aggregating to \$31 million (March 2009 – \$34 million). Loans of \$18 million mature from 2010 to 2031 and bear interest rates ranging from 4.717 to 6.37 per cent. The operating line of credit of \$13 million bears floating interest rate ranging from 0.24 to 0.56 per cent.

The Ontario Power Authority was provided a maximum \$975 million credit facility to fund the Regulated Price Plan variance account. The credit facility expires on December 31, 2010. It had drawn \$90 million against this credit facility at interest rates ranging from 0.42 per cent to 0.50 per cent by March 31, 2010.

The Royal Ontario Museum (ROM) has borrowed \$49 million (March 2009, \$57 million) comprised of \$40 million at fixed rates ranging from 5.04 to 5.12 per cent and \$9 million at a floating rate currently at 0.59 per cent. All outstanding loans are scheduled to be repaid by March 2016.

School boards have been provided loans under various programs beginning in 2006. During the year ended March 31, 2010, school boards were provided with additional loans and made two semi-annual blended payments of principal and interest, leaving the total outstanding amount at \$2,622 million (March 2009 – \$ 2,315 million). These loans bear interest ranging from 3.59 to 5.384 per cent and mature from 2031 to 2034.

Committed Credit Facilities:

At the direction of the Province, the OFA has committed to finance a number of public bodies for which funds have not yet been advanced. The details are as follows:

The Canadore College of Applied Arts and Technology, a Crown Agency established under the *Ontario Colleges of Applied Arts and Technology Act, 2002*, was provided a non-revolving loan credit facility expiring on March 31, 2011 to finance the renovation of a Student Centre to a maximum of \$9 million during the construction period. The repayment date is to be no later than March 31, 2011.

The Deposit Insurance Corporation of Ontario (DICO) was provided a maximum \$250 million revolving credit facility expiring on Oct 31, 2013 to ensure DICO's capacity to address systemic difficulties in the credit union system or the failure of large institutions that require resources above those in the Deposit Insurance Reserve Fund which is currently valued at approximately \$97 million. All principal and interest is required to be repaid by December 31, 2024.

7. INVESTMENT MANAGEMENT FOR AGENCIES AND RELATED PARTIES

The OFA provides services to agencies, related parties and other public bodies including investment management services as listed below on a cost recovery basis amounting to \$183,000 for the year ended March 31, 2010 (March 2009 – \$153,000). Funds managed on behalf of these other public bodies were \$3.1 billion at March 31, 2010 (March 2009 – \$2.5 billion).

Algonquin Forestry Authority	Ontario Immigrant Investor Corporation
Deposit Insurance Corporation of Ontario	Ontario Realty Corporation
Infrastructure Ontario	Ontario Securities Commission
Northern Ontario Heritage Fund Corporation	Ontario Trillium Foundation
Ontario Capital Growth Corporation	Pension Benefits Guarantee Fund

8. DEBT MANAGEMENT FOR AGENCIES AND RELATED PARTIES

The OFA provides debt management services on a cost recovery basis to agencies and related parties as set out below:

Agencies:

Ontario Electricity Financial Corporation (OEFEC)

OEFEC is responsible for servicing and retiring the debt and certain other liabilities of the former Ontario Hydro. The OFA provides financial services and advice to OEFEC and manages its debt portfolio of approximately \$27.4 billion.

Infrastructure Ontario (IO)

The OFA provides financial services and advice to IO and manages its debt of \$2 billion including loans from the Province, a provincial agency and third parties.

Total costs recovered and amounts outstanding at March 31, 2010 from OEFC, IO and other related parties are set out in the table below:

<i>(in thousands of dollars)</i>		
	March 31, 2010	March 31, 2009
Costs Recovered:		
Agencies:		
OEFC	\$ 3,621	\$ 3,520
IO	1,073	1,245
Other (Note 7)	183	153
Total	\$ 4,877	\$ 4,918
Receivables:		
Agencies:		
OEFC	\$ 905	\$ 879
IO	268	311
Other (Note 7)	81	32
Related parties – Interest (Notes 2 and 6)	420	269
Total	\$ 1,674	\$ 1,491

9. FUTURE EMPLOYEE BENEFITS

The OFA provides pension benefits to its full-time employees through participation in the Public Service Pension Plan, which is a multi-employer defined benefit pension plan established by the Province of Ontario. The Ministry of Government Services (MGS) is responsible for funding the employer's contribution to the Pension Fund and accordingly, the OFA has no additional liability for these future costs. In addition, the cost of post-retirement, non-pension benefits is paid by MGS and is not reported in these financial statements.

10. CONTINGENCIES AND COMMITMENTS

At March 31, 2010, there were no claims under which the OFA would be financially liable. The Province continues to guarantee the term deposits issued by the Province of Ontario Savings Office prior to 2003.

11. COMPARATIVE FIGURES

Certain of the prior year's comparative figures have been reclassified to conform to the financial statement presentation adopted for the 2009–10 fiscal year.

Ontario French-language Educational Communications Authority (OFLECA)

Management's Report

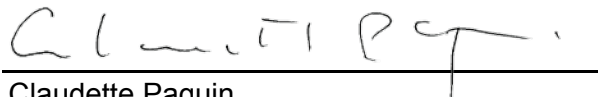
The financial statements of the Ontario French-language Educational Communications Authority (OFLECA) and the other financial information included in this annual report, are the responsibility of the Authority's management and have been examined and approved by its Board of Directors. These financial statements were prepared by management in accordance with Canadian generally accepted accounting principles and include some amounts that were based on management's best estimates using careful judgment. The selection of accounting principles and methods is management's responsibility.

The Authority maintains internal control systems designed to ensure that financial information is relevant and reliable and that assets are safeguarded.

Management recognizes its responsibility for conducting the Authority's affairs in a manner that complies with the requirements of applicable laws and accepted financial standards and principles and for maintaining proper standards of conduct in its activities.

The Board of Directors supervises the financial statements and other financial information through its audit committee, which is comprised solely of non-management directors.

This committee's role is to examine the financial statements and recommend them for approval to the Board of Directors, to examine the internal control and information protection systems and all other matters relating to the Authority's accounting and finances. In order to do so, the audit committee meets periodically with the external auditors, either with or without the Authority's management, to review respective audit plans and discuss the results of their examinations. This committee is responsible for recommending the appointment of external auditors or the renewal of their engagement.



Claudette Paquin
Chief Executive Officer



Johanne Joly, CMA
Chief Financial Officer

Toronto, Ontario
June 4, 2010



Raymond Chabot Grant Thornton

S.E.N.C.R.L./LLP
2505 St-Laurent
Ottawa, Ontario K1H 1E4

Tel.: 613 236-2211
Fax: 613 236-6104

www.rcgt.com

Auditors' Report

To the Board of Directors of the
Ontario French-language Educational Communications Authority

We have audited the statement of financial position of the Ontario French-language Educational Communications Authority as at March 31, 2010 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Raymond Chabot Grant Thornton LLP

Chartered Accountants,
Licensed Public Accountants

Ottawa, Ontario
June 4, 2010

Ontario French-language Educational Communications Authority (OFLECA) Operations

Year ended March 31, 2010

	<u>2010</u> \$	<u>2009</u> \$
REVENUE		
Contributions		
Government operating grants (Note 15)	15,956,946	16,149,297
Corporate and government funding (Note 16)	5,107,343	5,145,478
Other revenue (Note 17)	3,057,830	2,775,415
Amortization of deferred contributions - broadcast rights (note 13)	973,344	618,546
Amortization of deferred contributions - capital assets (Note 14)	2,634,393	2,228,663
	<u>27,729,856</u>	<u>26,917,399</u>
EXPENSES		
Content and programming	15,474,087	12,250,148
Production and technology	5,355,894	6,946,575
Administration	2,955,277	4,964,941
Amortization of capital assets	2,743,793	1,982,086
Employee future benefits (Note 10)	617,500	610,200
Write-down of capital assets	106,510	275,175
	<u>27,253,061</u>	<u>27,029,125</u>
Excess (deficiency) of revenue over expenses	<u>476,795</u>	<u>(111,726)</u>

The accompanying notes are an integral part of the financial statements and Note 5 provides other information on operations.

**Ontario French-language Educational
Communications Authority (OFLECA)
Changes in Net Assets**

Year ended March 31, 2010

	2010					2009
	Invested in Capital Assets	Invested in Broadcast Rights	Restricted Accrued Pension Asset	Internally Restricted - TVOntario Foundation	Unrestricted	Total
	\$	\$	\$	\$	\$	\$
BALANCE, BEGINNING OF YEAR	438,243	9,976,216	86,300	1,519,008		12,019,767
Excess (deficiency) of revenue over expenses	(109,400)	(4,750,858)	(491,500)		5,828,553	12,131,493
Net acquisition of capital assets	59,081				(59,081)	(111,726)
Net investment in broadcast rights		4,621,615			(4,621,615)	
Contributions to the pension plan			531,800		(531,800)	
BALANCE, END OF YEAR	387,924	9,846,973	126,600	1,519,008	616,057	12,019,767

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

Ontario French-language Educational Communications Authority (OFLECA) Cash Flows

Year ended March 31, 2010

	2010 \$	2009 \$
OPERATING ACTIVITIES		
Deficiency of revenue over expenses	476,795	(111,726)
Non-cash items		
Net changes in working capital items (Note 4)	(488,557)	232,954
Write-down of capital assets	106,510	275,175
Employee future benefits	85,700	98,900
Amortization of capital assets	2,743,793	1,982,086
Amortization of deferred contributions - capital assets	(2,634,393)	(2,228,663)
Amortization of deferred contributions - broadcast rights	(973,344)	(618,546)
Amortization of broadcast rights	5,724,202	5,505,415
Cash flows from operating activities	<u>5,040,706</u>	<u>5,135,595</u>
INVESTING ACTIVITIES		
Acquisition of capital assets	(1,175,904)	(5,115,779)
Acquisition of broadcast rights	(7,074,240)	(6,180,705)
Cash flows from investing activities	<u>(8,250,144)</u>	<u>(11,296,484)</u>
FINANCING ACTIVITIES		
Transition funds received	500,000	4,700,000
Grant - programming	2,000,000	
Capital grant	30,000	
Cash flows from financing activities	<u>2,530,000</u>	<u>4,700,000</u>
Net decrease in cash	<u>(679,438)</u>	<u>(1,460,889)</u>
Cash, beginning of year	7,177,944	8,638,833
Cash, end of year	<u>6,498,506</u>	<u>7,177,944</u>
CASH REPRESENTED BY		
Unrestricted cash	2,379,587	3,368,766
Cash restricted for capital assets renewal (Note 7)	1,759,458	1,759,458
Restricted cash - TVOntario Foundation (Note 8)	1,519,008	1,519,008
Cash restricted for the acquisition of broadcast rights	812,000	
Cash restricted for the acquisition of capital assets	28,453	530,712
	<u>6,498,506</u>	<u>7,177,944</u>

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

Ontario French-language Educational Communications Authority (OFLECA) Financial Position

March 31, 2010

	2010	2009
	\$	\$
ASSETS		
Current assets		
Cash	2,379,587	3,368,766
Accounts receivable (Note 6)	3,292,330	1,863,127
Prepaid expenses	251,813	296,746
	<u>5,923,730</u>	<u>5,528,639</u>
Restricted cash for capital renewal (Note 7)	1,759,458	1,759,458
Restricted cash - TVOntario Foundation (Note 8)	1,519,008	1,519,008
Restricted cash for the acquisition of broadcast rights	812,000	
Restricted cash for the acquisition of capital assets	28,453	530,712
Broadcast rights (Note 9)	12,849,754	11,499,716
Accrued pension assets (Note 10)	126,600	86,300
Capital assets (Note 11)	15,355,172	17,029,571
	<u><u>38,374,175</u></u>	<u><u>37,953,404</u></u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 12)	3,079,407	3,344,898
Deferred contributions	1,260,766	1,342,241
	<u>4,340,173</u>	<u>4,687,139</u>
Employee future benefits (Note 10)	967,500	841,500
Deferred contributions - broadcast rights (Note 13)	3,814,781	1,523,500
Deferred contributions - capital assets (Note 14)	16,755,159	18,881,498
	<u><u>25,877,613</u></u>	<u><u>25,933,637</u></u>
NET ASSETS		
Invested in capital assets	387,924	438,243
Invested in broadcast rights	9,846,973	9,976,216
Restricted - accrued pension asset	126,600	86,300
Internally restricted - TVOntario Foundation	1,519,008	1,519,008
Unrestricted	616,057	
	<u><u>12,496,562</u></u>	<u>12,019,767</u>
	<u><u>38,374,175</u></u>	<u><u>37,953,404</u></u>

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

On behalf of the Board,


 Chair of the Board


 Vice-President of the Board
and President of the Audit Committee

Ontario French-language Educational Communications Authority (OFLECA)

Notes to Financial Statements

March 31, 2010

1 - GOVERNING STATUTES AND PURPOSE OF THE AUTHORITY

The Ontario French-language Educational Communications Authority (the Authority) is a Crown corporation created by a decree on April 1st, 2007. The Authority, an independent French language broadcasting network, is a charitable organization and therefore exempt of income taxes. The Authority's main objectives are to provide French language educational broadcasting and telecommunications to the general public, to provide for the francophone community's interests and needs, and to develop the knowledge and skills of this community.

2 - ACCOUNTING CHANGES

On April 1, 2009, in accordance with the applicable transitional provisions, the Authority applied the changes made by the Canadian Institute of Chartered Accountants (CICA) to the introduction to accounting standards that apply only to not-for-profit organizations and to the 4400 Series as well as consequential amendments to other sections of the *CICA Handbook*. These changes, which are effective for the fiscal years beginning on or after January 1, 2009, principally affect the following items:

- Inclusion of not-for-profit organizations within the scope of Section 1540, "Cash Flow Statements";
- Elimination of the requirement to treat net assets invested in capital assets as a separate component of net assets;
- Amendments to clarify that revenues and expenses must be recognized and presented on a gross basis when the not-for-profit organization is acting as a principal in the transactions in question;
- Inclusion of additional guidance with respect to the appropriate use of the scope exemption in Section 4430, "Capital Assets Held by Not-for-profit Organizations", for smaller entities;
- Inclusion of standards on disclosures by a not-for-profit organization that classifies expenses by function and allocates expenses to a number of functions to which the expenses relate.

The changes only address disclosures and have no impact on the Authority's financial results.

3 - ACCOUNTING POLICIES

Basis of presentation

The financial statements are prepared using the historical cost method, except for certain financial instruments accounted for at fair market value. No information on the fair market value is presented when the carrying amount is a reasonable approximation of the fair market value.

Ontario French-language Educational Communications Authority (OFLECA) Notes to Financial Statements

March 31, 2010

3 - ACCOUNTING POLICIES (Continued)

Accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. These estimates are based on management's best knowledge of current events and actions that the Authority may undertake in the future. Actual results may differ from these estimates.

Revenue recognition

Contributions

The Authority follows the deferral method of accounting for contributions.

Under this method, contributions restricted for future period expenses are deferred and are recognized as revenue in the year in which the related expenses are incurred. 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.

Subscriptions

Revenue gained from signal subscriptions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Financial assets and liabilities

The Authority has chosen to apply the recommendations of Section 3861, "Financial Instruments – Disclosure and Presentation", of the *Canadian Institute of Chartered Accountants' Handbook* with respect to the presentation and disclosure of financial instruments.

On initial recognition, all financial assets and liabilities are measured and recognized at their fair value. Transaction costs from available-for-sale financial assets and held-to-maturity investments increase the carrying amount of the related financial assets. Regular-way purchases or disposals of financial assets are recognized at the transaction date.

Subsequently, financial assets and liabilities are measured and recognized as follows.

Held-for-trading financial assets

Cash is classified as a held-for-trading financial asset and is measured at fair value.

Ontario French-language Educational Communications Authority (OFLECA) Notes to Financial Statements

March 31, 2010

3 - ACCOUNTING POLICIES (Continued)

Loans and receivables and other financial liabilities

Accounts receivable are classified as loans and receivables. Accounts payable are classified as other financial liabilities. These financial instruments are measured at amortized cost using the effective interest method (including any impairment in the case of financial assets).

Impairment of long-lived assets

The Authority tests capital assets and broadcast rights for impairment when events or changes in situations indicate that the carrying amount may not be recoverable. The carrying amount of long-lived assets is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the assets. In such a case, an impairment loss is recognized and is measured at the amount by which the carrying amount of the long-lived assets exceeds their fair value.

Amortization

Capital assets are amortized over their estimated useful lives according to the straight-line method over the following periods:

	<u>Period</u>
Transmitters	17 years
Transmitter monitoring equipment	7 years
Technical equipment	7 years
Computer equipment	5 years
Office furniture and equipment	15 years
Leasehold improvements	Lease term of 10 years

Broadcast rights and production costs

Broadcast rights and production costs are accounted for as follows:

Current productions and promotional programs are recognized as expenses as costs are incurred.

All the other programs produced by the organization and under co-production, pre-purchase, and acquisition contracts are accounted for at cost and are amortized over a period of four years on a straight-line basis.

Pension and other post-retirement benefit plans

The Authority accrues its obligations under employee defined benefit plans, net of the fair value of plan assets. In order to do so, the organization has adopted the following policies:

Ontario French-language Educational Communications Authority (OFLECA) Notes to Financial Statements

March 31, 2010

3 - ACCOUNTING POLICIES (Continued)

- The actuarial determination of the accrued benefit obligations for pensions and other retirement benefits uses the projected benefit method prorated on service. This determination incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors;
- For the purpose of calculating the expected return on plan assets, those assets are valued at fair value;
- An actuarial gain (loss) arises from the difference between actual long-term rate of return on plan assets for a period and the expected long-term rate of return on plan assets for that period or from changes in actuarial assumptions used to determine the accrued benefit obligations. The excess of the net accumulated actuarial gain (loss) over 10% of the greater of the benefit obligations and the fair value of plan assets is amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the pension plan is 11 years. The average remaining service period of the active employees covered by the other retirement benefit plan is 15 years.

Foreign currency translation

Monetary assets and liabilities in foreign currency are translated at the exchange rate in effect at the balance sheet date, whereas other assets and liabilities are translated at the exchange rate in effect at the transaction date. Revenue and expenses in foreign currency are translated at the average rate in effect during the year, with the exception of revenue and expenses relating to non-monetary assets and liabilities, which are translated at the historical rate. Exchange gains or losses on financial assets and liabilities are recognized in operations.

Contributions received in the form of supplies and services

The Authority accounts for the contributions received in the form of supplies and services when the fair value of these contributions can be reasonably estimated, and when the organization should have obtained the supplies and services for its regular operations in another way.

Cash and cash equivalents

The policy of the Authority is to present investments with a term equal to or less than three months in cash and cash equivalents.

Excess financing

Government ministries can require the reimbursement of any excess funding. All such reimbursements will be accounted for in the financial year in which they occur.

Ontario French-language Educational Communications Authority (OFLECA)

Notes to Financial Statements

March 31, 2010

4 - INFORMATION INCLUDED IN CASH FLOWS

Changes in working capital items are as follows:

	2010	2009
	\$	\$
Accounts receivable	(1,429,203)	3,274,814
Prepaid expenses	44,933	(105,122)
Accounts payable and accrued liabilities	(265,491)	(4,338,238)
Deferred contributions	1,161,204	1,401,500
	<u>(488,557)</u>	<u>232,954</u>

5 - INFORMATION INCLUDED IN OPERATIONS

	2010	2009
	\$	\$
Amortization of broadcast rights	5,724,202	5,505,415
Exchange loss	22,454	17,244

6 - ACCOUNTS RECEIVABLE

	2010	2009
	\$	\$
Governments	2,545,290	1,431,263
Subscriptions	268,264	266,546
Others	478,776	165,318
	<u>3,292,330</u>	<u>1,863,127</u>

7 - INVESTMENTS HELD FOR CAPITAL RENEWAL

A portion of the funding received annually can be set aside to ensure that the Authority's technical capital assets keep pace with technological changes and can be maintained or replaced when needed.

8 - ALLOCATION OF FUNDS FROM THE TVONTARIO FOUNDATION

During the preceding year, the Authority decided to restrict contributions obtained from the dissolution of the TVOntario Foundation, which were received during a previous year. To this effect, these restricted funds may be used for purposes determined by the Board of directors from time to time, and only with the approval of the Board.

Ontario French-language Educational Communications Authority (OFLECA)

Notes to Financial Statements

March 31, 2010

9 - BROADCAST RIGHTS

	2010		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Broadcast rights and completed productions	22,821,993	13,749,386	9,072,607
Work in progress	3,777,147		3,777,147
	<u>26,599,140</u>	<u>13,749,386</u>	<u>12,849,754</u>

	2009		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Broadcast rights and completed productions	16,592,323	8,025,184	8,567,139
Work in progress	2,932,577		2,932,577
	<u>19,524,900</u>	<u>8,025,184</u>	<u>11,499,716</u>

10 - PENSION AND OTHER RETIREMENT BENEFIT PLANS

Description of pension and other retirement benefit plans

The Authority has a number of funded and unfunded defined benefit plans, as well as defined contribution plans, that provide pension, other retirement and post-employment benefits to most of its employees.

The pension plan to which most of the Authority's employees contribute is made up of two components. The first component consists of a defined benefit plan entirely funded by the Authority. According to this plan, pension benefits are based on the number of years of service and the employee's salary at the end of his or her career. Every year, the pension benefits are grossed-up in accordance with the rate of inflation, up to a maximum of 3%. The second component consists in defined contribution plan, with contributions paid by both the Authority and the participants.

Other retirement benefit plans are contributory health care, dental and life insurance plans.

Ontario French-language Educational Communications Authority (OFLECA)

Notes to Financial Statements

March 31, 2010

10 - PENSION AND OTHER RETIREMENT BENEFIT PLANS (Continued)

Total cash payments

Cash payments made for future employee benefits, consisting of cash contributed by the Authority to its funded pension plan, cash payments directly to beneficiaries on account for its unfunded other benefits plan, and cash contributed to its defined contribution plans, amounted to \$830,300 (\$654,800 in 2009).

Defined benefit plans

The Authority measures its accrued benefit obligations and the fair value of the plan assets as at March 31 of each year. The most recent actuarial evaluation of the pension plan, for funding purposes was as of July 1, 2007, and the next required evaluation will be as of July 1, 2010.

Reconciliation of the funded status of the benefit plan to amounts recorded in the financial statements

	2010	
	Pension benefit plan	Other benefit plans
	\$	\$
Accrued benefit obligations	7,063,600	1,018,500
Fair value of the plan assets	7,449,900	
Funded status of plans - plan surplus (deficit)	386,300	(1,018,500)
Unamortized actuarial gain (loss)	(259,700)	51,000
Accrued pension asset (liability)	126,600	(967,500)
	2009	
	Pension benefit plan	Other benefit plans
	\$	\$
Accrued benefit obligations	5,568,100	846,800
Fair value of the plan assets	5,557,500	
Funded status of plans - plan deficit	(10,600)	(846,800)
Unamortized actuarial gain	96,900	5,300
Accrued pension asset (liability)	86,300	(841,500)

Ontario French-language Educational Communications Authority (OFLECA)

Notes to Financial Statements

March 31, 2010

10 - PENSION AND OTHER RETIREMENT BENEFIT PLANS (Continued)

Plan asset components

At the measurement date, i.e. March 31 each year, the plan assets consist of the following:

	2010	2009
	%	%
Asset category		
Equity securities	62	58
Debt securities	36	37
Other	2	5
	<u>100</u>	<u>100</u>

Employee future benefit costs recognized in the year and benefits paid

	2010	2009
	Pension benefit plan	Other benefit plans
	\$	\$
Employee future benefits costs recognized	491,000	146,800
Benefits paid	117,900	6,600

	2010	2009
	Pension benefit plan	Other benefit plans
	\$	\$
Employee future benefits costs recognized	459,300	153,800
Benefits paid	14,800	2,900

Significant Assumptions

The significant assumptions used are as follows (weighted-average):

	2010	2009
	Pension benefit plan	Other benefit plans
	%	%
Accrued benefit obligations		
Discount rate	6.50	6.50
Rate of compensation increase	4.00	4.00
Benefit costs		
Discount rate	7.25	7.25
Expected long-term rate of return on plan assets	5.75	
Rate of compensation increase	4.00	4.00

Ontario French-language Educational Communications Authority (OFLECA)

Notes to Financial Statements

March 31, 2010

10 - PENSION AND OTHER RETIREMENT BENEFIT PLANS (Continued)

	2009	
	Pension benefit plan	Other benefit plans
	%	%
Accrued benefit obligations		
Discount rate	7.25	7.25
Rate of compensation increase	4.00	4.00
Benefit costs		
Discount rate	6.25	6.25
Expected long-term rate of return on plan assets	5.75	
Rate of compensation increase	4.00	4.00

Assumed health care cost trend rates are based on the following:

	2010	2009
Initial health care cost trend rate	9%	10%
Cost trend rate declines to	4.5%	5%
Year that the rate reaches the rate it is assumed to remain at	2030	2019

Defined contribution plan

The total expense recognized in relation with the defined contribution plan amounts to \$291,900 (\$140,600 in 2009).

11 - CAPITAL ASSETS

	2010		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Transmitters	118,714	118,714	
Transmitter monitoring equipment	910,683	798,477	112,206
Technical equipment	9,621,251	2,429,552	7,191,699
Computer equipment	4,528,478	1,616,577	2,911,901
Office furniture and equipment	1,092,297	124,469	967,828
Leasehold improvements	5,013,501	841,963	4,171,538
	<u>21,284,924</u>	<u>5,929,752</u>	<u>15,355,172</u>

Ontario French-language Educational Communications Authority (OFLECA)

Notes to Financial Statements

March 31, 2010

11 - CAPITAL ASSETS (Continued)

	2009		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Transmitters	118,714	118,714	
Transmitter monitoring equipment	878,992	782,416	96,576
Technical equipment	9,293,110	1,083,834	8,209,276
Computer equipment	4,236,250	817,620	3,418,630
Office furniture and equipment	1,059,454	52,744	1,006,710
Leasehold improvements	4,656,826	358,447	4,298,379
	<u>20,243,346</u>	<u>3,213,775</u>	<u>17,029,571</u>

12 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2010	2009
	\$	\$
Accounts payable	2,378,064	2,367,604
Accrued wages and benefits	573,242	805,709
Other	128,101	101,342
	<u>3,079,407</u>	<u>3,344,898</u>

13 - DEFERRED CONTRIBUTIONS - BROADCAST RIGHTS

	2010	2009
	\$	\$
Balance, beginning of year	1,523,500	1,111,046
Add:		
Projects related to broadcast rights	1,299,625	1,031,000
Grant - programming (Note 15)	1,965,000	
Less:		
Amortization	973,344	618,546
Balance, end of year	<u>3,814,781</u>	<u>1,523,500</u>

Ontario French-language Educational Communications Authority (OFLECA)

Notes to Financial Statements

March 31, 2010

14 - DEFERRED CONTRIBUTIONS - CAPITAL ASSETS

	2010	2009
	\$	\$
Balance, beginning of year	18,881,498	16,959,458
Add:		
Contributions deferred during the current year (Note 15)	508,054	4,150,703
Less:		
Amortization	2,634,393	2,228,663
Balance, end of year	16,755,159	18,881,498

15 - CONTRIBUTIONS - GOVERNMENT OPERATING GRANTS

	2010	2009
	\$	\$
Provincial		
Ministry of Education		
- Base grant	15,900,000	15,600,000
- Grant - programming	2,000,000	
- Transition funds	500,000	4,700,000
- Capital grant	30,000	
Less:		
Deferred contributions - broadcast rights (Note 13)	(1,965,000)	
Deferred contributions - capital assets (Note 14)	(508,054)	(4,150,703)
	15,956,946	16,149,297

16 - CONTRIBUTIONS - CORPORATE AND GOVERNMENT FUNDING

	2010	2009
	\$	\$
Provincial projects		
Ministry of Education		
- Early Reading and Early Math	232,938	286,275
- Subtitling	200,000	300,000
- Other	722,924	568,500
Project funding		2,210,418
Funds deferred from previous year	2,858,741	1,661,445
Funds deferred to future years	(1,802,260)	(2,858,741)
	2,212,343	2,167,897

Ontario French-language Educational Communications Authority (OFLECA)

Notes to Financial Statements

March 31, 2010

16 - CONTRIBUTIONS - CORPORATE AND GOVERNMENT FUNDING (Continued)

Federal Projects

Official Languages Program	2,605,000	2,550,000

Corporate Projects

Financing received during the year	290,000	137,411
Funds deferred from previous year	290,000	290,170
	<u>290,000</u>	<u>427,581</u>
	<u>5,107,343</u>	<u>5,145,478</u>

17 - OTHER REVENUE

	<u>2010</u>	<u>2009</u>
	\$	\$
Signal subscriptions	2,937,523	2,604,880
Sale of products	26,157	22,285
Sublease	77,830	53,708
Interest revenue	16,320	94,542
	<u>3,057,830</u>	<u>2,775,415</u>

18 - RELATED PARTY TRANSACTIONS BETWEEN AGENCIES

As sponsor of the Ontario French-language Educational Communications Authority Pension plan, the Authority has undertaken to pay certain costs of the pension plan, including compensation of employees, actuary fees and costs associated with the use of premises and other associated costs.

19 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES, AND FINANCIAL RISKS

Financial risk management objectives and policies

The Authority is exposed to various financial risks resulting from both its operations and its investment activities. The Authority's management manages financial risks.

The Authority does not enter into financial agreements including derivative financial instruments for speculative purposes.

Ontario French-language Educational Communications Authority (OFLECA) Notes to Financial Statements

March 31, 2010

19 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES, AND FINANCIAL RISKS (Continued)

Financial risks

The Authority's main financial risk exposure and its financial risk management policies are as follows.

Credit risk

The carrying amount on the balance sheet of the Authority's cash and accounts receivable, net of any applicable provisions for losses, represents the maximum amount exposed to credit risk.

The Authority's is exposed to concentration risk attributable to cash since it only trades with one financial institution.

Exchange risk

The Authority is exposed to exchange risk due to cash and receivables denominated in US dollars. As at March 31, 2010, cash in US dollars totalled USD \$60,105 (CAD \$59,138) (USD \$17,515 and CAD \$13,860 in 2009) and receivables totaled USD \$100,000 (CAD \$98,464) (\$0 in 2009).

The Authority does not enter into forward exchange contracts to cover its exchange risk exposure.

Liquidity risk

Liquidity risk management serves to maintain a sufficient amount of cash and cash equivalents. To ensure that the Authority has the necessary funds to fulfil its obligations, the Authority's management establishes budgets, but does not prepare cash flow forecasts.

20 - CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Authority's capital management objectives are:

- To ensure the Authority's ability to continue as a going concern;
- To fulfil its financial obligations.

The Authority manages its capital by seeking contributions from provincial and federal governments and by restricting a portion of its net assets for specific uses.

In order to maintain or adjust the capital structure, the Authority may adjust the amount of expenses forecasted for the realization of certain of its activities.

Ontario French-language Educational Communications Authority (OFLECA) Notes to Financial Statements

March 31, 2010

21 - COMMITMENTS

The Authority has entered into a operating lease agreement expiring in August 2017 which calls for lease payments of \$8,654,299 for the rental of office space. The minimum lease payments for the next five years are \$1,073,630 in 2011, \$1,111,180 in 2012, \$1,163,750 in 2013, \$1,201,300 in 2014 and \$1,201,300 in 2015. The lease contains a renewal option for two additional periods of five years, which the Authority may exercise by giving a nine-month notice. The Authority has entered into other operating lease agreements expiring in 2014 which call for monthly lease payments of \$104,167 for access to communications services. The minimum lease payments for the next four years are \$1,250,000 in 2011, 2012, 2013 and \$937,500 in 2014.

As at March 31, 2010, the Authority had committed an amount of \$1,193,349 in 2011 and \$28,745 in 2012 to acquire broadcasting rights.

22 - CONTINGENCIES

A lawsuit in the amount of approximately \$140,000 has been filed against the Authority as a result of unpaid invoices with a supplier. In the opinion of management, this lawsuit is without basis and accordingly, no provision has been recorded in this respect.

Greivances have been filed against the Authority on behalf of ex-employees for undeterminable amounts. In the opinion of management, these greivances are without basis, accordingly, no provision has been recorded in this respect.

23 - COMPARATIVE FIGURES

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

ONTARIO IMMIGRANT INVESTOR CORPORATION (OIIC)

Responsibility for Financial Reporting

Management and the Board of Directors are responsible for the financial statements presented. The financial statements have been prepared by management in accordance with the recommendations of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. The preparation of financial statements necessarily involves the use of estimates based on management's judgement. The financial statements have been properly prepared with reasonable limits of materiality and in light of information available up to June 18, 2010.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

These financial statements have been audited by the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles in Canada. The Auditor's Report, which appears on the following page, outlines the scope of the Auditor General's examination and his opinion.

On behalf of management



David Clifford
Vice-Chair



Ontario Immigrant Investor Corporation

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Auditor's Report

To the Ontario Immigrant Investor Corporation
and to the Minister of Economic Development and Trade

I have audited the balance sheet of the Ontario Immigrant Investor Corporation as at March 31, 2010 and the statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Box 105, 15th Floor
20 Dundas Street West
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-326-3812

B.P. 105, 15^e étage
20, rue Dundas ouest
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-326-3812

www.auditor.on.ca

Toronto, Ontario
June 18, 2010

A handwritten signature in black ink, appearing to read 'G. Peall'.

Gary R. Peall, CA
Deputy Auditor General
Licensed Public Accountant

Ontario Immigrant Investor Corporation

Balance Sheet

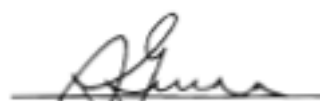
As at March 31, 2010

	2010 (\$ 000)	2009 (\$ 000)
ASSETS		
Cash	3,091	518
Investments (Note 3)	964,766	840,811
Deferred commission charges (Note 5)	31,293	26,665
	<u>999,150</u>	<u>867,994</u>
LIABILITIES AND RETAINED EARNINGS		
Liabilities		
Accounts payable	506	450
Repayable Provincial Allocations (Note 4)	929,681	818,401
	<u>930,187</u>	<u>818,851</u>
Retained Earnings	<u>68,963</u>	<u>49,143</u>
	<u>999,150</u>	<u>867,994</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:


Vice-Chair


Director

Ontario Immigrant Investor Corporation

Statement of Operations and Retained Earnings

For the Year Ended March 31, 2010

	2010 (\$ 000)	2009 (\$ 000)
Revenue		
Interest income	34,673	29,824
	<u>34,673</u>	<u>29,824</u>
Expenses (Note 6)		
Amortization of deferred commission charges (Note 5)	12,880	11,278
Investment management fee (Note 3)	1,973	1,613
	<u>14,853</u>	<u>12,891</u>
Net Income	19,820	16,933
Retained earnings, beginning of year	<u>49,143</u>	<u>32,210</u>
Retained earnings, end of year	<u>68,963</u>	<u>49,143</u>

See accompanying notes to financial statements.

Ontario Immigrant Investor Corporation

Statement of Cash Flows

For the Year Ended March 31, 2010

	2010 (\$ 000)	2009 (\$ 000)
Cash provided by (used in) operating activities		
Interest received	11	78
Investment Management Fees paid	(1,917)	(1,774)
	<u>(1,906)</u>	<u>(1,696)</u>
Cash (used in) provided by investing and financing activities		
Provincial allocations received net of commissions	234,719	224,580
Provincial allocations repaid	(140,430)	(21,528)
Provincial allocations refunded	(517)	(526)
	<u>93,772</u>	<u>202,526</u>
Investments matured	212,585	50,541
Investments purchased	(301,878)	(268,304)
	<u>(89,293)</u>	<u>(217,763)</u>
Net increase (decrease) in cash	2,573	(16,933)
Cash, beginning of year	<u>518</u>	<u>17,451</u>
Cash, end of year	<u>3,091</u>	<u>518</u>

See accompanying notes to financial statements.

Ontario Immigrant Investor Corporation

Notes to Financial Statements

March 31, 2010

1. Nature of Corporation

The Ontario Immigrant Investor Corporation was established as a corporation without share capital on April 30, 1999 pursuant to Ontario Regulation 279/99 made under the *Development Corporations Act*.

The Corporation was established in order to participate in a federal Immigrant Investor Program (IIP). Under the IIP, each participating province established a vehicle to receive and invest immigrant investor dollars for the purposes of creating or continuing employment in Canada in order to foster the development of a strong and viable economy. Each participating province, in turn, guarantees immigrant investors that their investment will be repaid after five years with no interest.

2. Significant Accounting Policies

(A) BASIS OF ACCOUNTING

The financial statements have been prepared by management in accordance with the recommendations of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

(B) REVENUE RECOGNITION

Accrued interest is recognized as earned and amounts not yet received are included in the carrying value of investments.

(C) FINANCIAL INSTRUMENTS

The carrying amount of cash and accounts payable approximates fair value due to the short-term maturities of these instruments. Investments are stated at cost plus accrued interest earned to date. The fair value of investments is disclosed in note 3. The repayable provincial allocations are carried at the amounts actually received and have not been discounted to reflect the interest-free nature, or fair value, of the debt.

Due to the nature of these financial instruments, it is management's opinion that the Corporation is not exposed to significant interest rate, currency or credit risks arising from its financial instruments.

(D) USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Ontario Immigrant Investor Corporation

Notes to Financial Statements

March 31, 2010

3. Investments

Investments are fixed income securities issued by the Province of Ontario, maturing within five years, with a weighted average yield of 3.71% (2009 – 4.01% as published last year). Their fair value, based on estimated market prices on March 31, 2010, was \$986 million (2009 – \$878 million). In general, zero-coupon bonds are purchased to align maturity dates to the Provincial Allocations repayment schedule provided in Note 4.

The investment portfolio is managed by the Ontario Financing Authority (OFA), a related party, in accordance with the terms and conditions set out in an agreement signed between the OFA, the Corporation and the Province. The OFA receives an investment management fee of 0.2% of the average par value of investments outstanding during the year for performing these services.

The Corporation is in the process of finalizing a new investment strategy which, in principal, would satisfy the requirements of the federal Immigrant Investor Program. Under the proposed investment strategy, the Corporation would invest funds with Infrastructure Ontario, which would use these funds for infrastructure projects.

4. Repayable Provincial Allocations

The Corporation incurs long-term obligations from funds received under the federal Immigrant Investor Program in accordance with the terms and conditions set out in an agreement signed in June 1999 between the federal Minister of Citizenship and Immigration and the Corporation. The agreement states that the federal Minister, as agent of the Corporation, receives funds from immigrant investors and transfers Ontario's share of the funds (Provincial Allocation) to the Corporation. The Corporation will repay any Provincial Allocations received without interest at expiry of the Allocation Period, being five years from the date the Provincial Allocation was originally received. An investor's application for permanent residence may be withdrawn by the Investor or denied by the federal government. If this happens, the Provincial Allocation pertaining to the Investor is due and refunded by the Corporation within 90 days of written notification from the investor for repayment. Funds received pertaining to applications still being processed by the federal government are also considered repayable within 90 days.

Pursuant to Order-in-Council 1243/99, the Province guarantees the repayment of the Provincial Allocations when due. The repayment schedule on Provincial Allocations is as follows:

	(\$ 000)
Due 90 days on request	3,448
Due fiscal year 2011	132,078
Due fiscal year 2012	88,999
Due fiscal year 2013	216,109
Due fiscal year 2014	240,386
Due fiscal year 2015	248,661
	<u>929,681</u>

Ontario Immigrant Investor Corporation

Notes to Financial Statements

March 31, 2010

5. Deferred Commission Charges

The Corporation pays a commission to intermediaries for introducing new immigrant investors who successfully apply for permanent residence in Ontario under the federal Immigrant Investor program. If the application for permanent residence is withdrawn by the immigrant investor or denied by the federal government, the Corporation recovers the commission in the year when this occurs. The commission is amortized to expense on a straight-line basis over the same period as the related Repayable Provincial Allocations, which is normally five years. Amortization begins in the fiscal year when the allocation related to the commission is received. The deferred charges represent the unamortized balance of the commissions.

	2010	2009
	(\$ 000)	(\$ 000)
Balance, beginning of year	26,665	21,211
Commissions paid	17,547	16,772
Commissions recovered	(39)	(40)
Amortization	(12,880)	(11,278)
Balance, end of year	<u>31,293</u>	<u>26,665</u>

6. Expenses

Administrative support including accommodation, financial, legal and human resource services are provided by the Ministry of Economic Development & Trade without charge.

7. Capital Disclosures

The Corporation defines its capital as the funds borrowed from immigrant investors recorded as Repayable Provincial Allocations.

Management's objective when managing its capital is to invest its resources in accordance with its investment policy in order to generate income which can be used to create or continue employment in Ontario.

The Corporation is not subject to any externally imposed capital requirement.

ONTARIO INFRASTRUCTURE PROJECTS CORPORATION (INFRASTRUCTURE ONTARIO)Responsibility for Financial Reporting

The accompanying consolidated financial statements of Infrastructure Ontario have been prepared in accordance with accounting principles for governments recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA) and, where applicable, the recommendations of the Accounting Standards Board (AcSB) of the CICA and are the responsibility of management.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The Board of Directors oversees management's responsibilities for financial reporting through the Audit Committee. The Audit Committee reviews the financial statements and recommends them to the Board for approval.

The financial statements have been audited by Hilborn Ellis Grant LLP. The Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's report outlines the scope of the Auditor's examination and opinion.

On behalf of management,



J. David Livingston
President and Chief Executive Officer



Chad McCleave
Chief Financial Officer



Hilborn Ellis Grant LLP
Chartered Accountants

Auditors' Report

To the Ontario Infrastructure Projects Corporation,
The Minister of Energy and Infrastructure,
and to the Minister of Finance

We have audited the balance sheet of **Ontario Infrastructure Projects Corporation** as at March 31, 2010 and the statements of operations and accumulated deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Hilborn Ellis Grant LLP

Toronto, Ontario
June 8, 2010

Chartered Accountants
Licensed Public Accountants

BALANCE SHEET
As at March 31, 2010

(in thousands of dollars)

ASSETS	March 31 2010	March 31 2009 (Notes 2 & 23)
Current assets		
Cash	\$ 3,278	\$ 4,118
Accounts receivable	35,422	29,578
Interest receivable	21,422	17,300
Current portion of debentures	115,170	91,693
Short-term investments (Note 4)	707,604	771,266
	882,896	913,955
Long-term assets		
Loans receivable (Note 5)		
- construction advances	577,625	314,701
- debentures	1,635,202	1,334,489
- deferred cost on concessionary loans	(110,555)	(119,764)
Project receivables (Note 6)	67,900	77,955
Deferred project costs (Note 7)	25,805	17,260
Long-term investments (Note 8)	246,375	203,005
Debt issue costs (Note 9)	6,560	5,983
Deferred costs on hedging	3,958	6,883
Capital assets (Note 10)	4,336	4,553
	2,457,206	1,845,065
Total assets	\$ 3,340,102	\$ 2,759,020
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 11,191	\$ 15,481
Interest payable	26,790	24,501
Deferred revenue	8,299	3,238
Commercial paper (Note 11)	669,804	444,689
	716,084	487,909
Long-term debt (Notes 12 and 22)		
Infrastructure renewal bonds	\$ 1,250,000	\$ 1,250,000
OIPC bonds	350,000	-
Province of Ontario loan	1,000,000	1,000,000
Ontario Clean Water Agency loan	120,000	120,000
OFA Revolving Credit loan	100,000	100,000
	2,820,000	2,470,000
Total liabilities	3,536,084	2,957,909
Accumulated deficit	(195,982)	(198,889)
Total liabilities and accumulated deficit	\$ 3,340,102	\$ 2,759,020

Approved on behalf of the Board:

Director



Director



STATEMENT OF OPERATIONS AND ACCUMULATED DEFICIT**For the year ended March 31, 2010**

(in thousands of dollars)

	March 31 2010	March 31 2009 (Notes 2 & 23)
Loan program revenue		
Investment interest	\$ 10,862	\$ 28,874
Loan interest	45,786	46,284
Amortization deferred concession costs	12,218	8,842
Grant from Ministry of Energy and Infrastructure	4,785	6,013
	<u>73,651</u>	<u>90,013</u>
Loan program expense		
Interest expense (Note 13)	63,617	85,352
Concession costs	3,009	10,738
Salaries and benefits	3,336	3,428
Administration and general	3,313	3,364
	<u>73,275</u>	<u>102,882</u>
Loan program net income (loss)	<u>\$ 376</u>	<u>\$ (12,869)</u>
Project delivery revenue		
Project revenue	56,441	72,498
Grant from Ministry of Energy and Infrastructure	5,130	4,813
	<u>61,571</u>	<u>77,311</u>
Project delivery expense		
OFA revolving credit facility interest	3,625	3,324
Project advisory costs	33,177	48,558
Salaries and benefits	16,175	17,285
Administration and general	6,063	7,323
	<u>59,040</u>	<u>76,490</u>
Project delivery net income	<u>\$ 2,531</u>	<u>\$ 821</u>
Total revenues	<u>\$ 135,222</u>	<u>\$ 167,324</u>
Total expenses	<u>132,315</u>	<u>179,372</u>
Net income (loss) from operations, as restated	<u>2,907</u>	<u>(12,048)</u>
Accumulated deficit, beginning of year, as previously stated	<u>(199,209)</u>	<u>(186,340)</u>
Adjustment for change in accounting policy (Note 2)	<u>320</u>	<u>(501)</u>
Accumulated deficit as restated	<u>(198,889)</u>	<u>(186,841)</u>
Accumulated deficit, end of year (Note 14)	<u>\$ (195,982)</u>	<u>\$ (198,889)</u>

STATEMENT OF CASH FLOWS
For the year ended March 31, 2010
(in thousands of dollars)

	March 31 2010	March 31 2009 (Notes 2 & 23)
OPERATING ACTIVITIES		
Net income (loss) from operations	\$ 2,907	\$ (12,048)
Items not requiring a current cash outlay:		
Concession costs	3,009	10,738
Amortization of deferred concession costs	(12,218)	(8,842)
Other amortization	(10,374)	(7,002)
	(16,676)	(17,154)
Changes in non-cash items:		
Increase in accounts and interest receivables	(9,966)	(17,913)
(Decrease) increase in accounts and interest payables	(2,001)	5,073
Decrease (increase) in project receivables and deferred project costs	6,571	(37,174)
Cash used in operating activities	(22,072)	(67,168)
FINANCING ACTIVITIES		
New debt issued	576,732	424,658
Net decrease in investments	20,292	243,018
Redemption of Ontario Opportunity Bonds	-	(323,032)
Cash from financing activities	597,024	344,644
INVESTING ACTIVITIES		
New loans issued	(678,806)	(366,109)
Loans receivable repayments	103,911	90,542
Acquisition of capital assets	(897)	(1,788)
Cash used in investing activities	(575,792)	(277,355)
Net (decrease) increase in cash	(840)	121
Cash, beginning of the year	4,118	3,997
Cash, end of the year	\$ 3,278	\$ 4,118

NOTES TO FINANCIAL STATEMENTS**For the year ended March 31, 2010**(tabular amounts in thousands of dollars)

BACKGROUND

On November 7, 2005, the government established the Ontario Infrastructure Projects Corporation (Infrastructure Ontario) to implement Ontario's major infrastructure projects using alternative financing and procurement (AFP) methods.

On July 17, 2006 pursuant to the Ontario Infrastructure Projects Corporation Act, 2006 ("OIPC Act") Infrastructure Ontario and the Ontario Strategic Infrastructure Financing Authority (OSIFA) were amalgamated and continued as a corporation without share capital under the name of Ontario Infrastructure Projects Corporation.

Infrastructure Ontario is a Crown agency and reports to the Minister of Energy and Infrastructure (MEI). Pursuant to the OIPC Act, the objects of Infrastructure Ontario include the following:

- To provide financing for municipalities, universities and other public bodies in the Province of Ontario as may be specified by regulation.
- To obtain funding to finance its activities.
- To provide on a cost effective and timely manner, project and contract management of large complex infrastructure projects in the province of Ontario assigned to the corporation by the Minister.
- Where requested by the Minister, provide financial and execution advice in respect of assets or interests of the Government and implement or assist in the implementation of transactions in respect of such assets or interests.
- To undertake any additional objects as directed by the Lieutenant Governor in Council.

As a Crown corporation, Infrastructure Ontario is exempt from federal and provincial income taxes under paragraph 149(1)(d) of the Income Tax Act of Canada. Infrastructure Ontario has been added to Schedule A of the Canada Ontario Reciprocal Taxation Agreement and is exempt from the Goods and Services Tax.

1. SIGNIFICANT ACCOUNTING POLICIES**Basis of accounting**

These financial statements are prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) as recommended in the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants (CICA).

Management estimates

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from these estimates.

Key areas where management has made estimates are in the percentage of completion on project revenues and costs. Actual results could differ from these and other estimates, the impact of which would be recorded in future periods.

NOTES TO FINANCIAL STATEMENTS (continued)**For the year ended March 31, 2010**

(tabular amounts in thousands of dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)**Revenue recognition**Grants

Infrastructure Ontario receives grant revenue from the MEI in relation to in-year corporate expenses. The grant is recorded as unearned revenue until the corporate expenses have been incurred. Once the corporate expenses are incurred, the grant is recognized as revenue.

Fees for Services

Infrastructure Ontario provides professional services under either cost based or fixed price contracts. For cost based contracts, revenue is recorded as costs are incurred. Revenue from fixed price contracts is recorded using the percentage-of-completion method. Percentage of completion is calculated based on a ratio of cost incurred to total estimated costs for projects that have reached the construction phase. Losses, if any, on fixed price contracts are recognized during the period they are identified.

Project Advisory

Revenue relating to reimbursable costs for fixed price contracts are recorded when the projects reach the construction phase. All other recoverable costs are recognized as revenue when incurred.

Loan Program

Interest on investments and loans receivable are recognized using the effective interest rate method.

Deferred Project Costs

Deferred project costs represent direct and overhead costs attributable to projects that have not yet reached the construction phase. The pre-construction costs include legal advisors, technical advisors, staff costs and administrative overhead and interest.

Loans receivable

Loans receivable are stated at their estimated net realizable value. Loans with concessionary terms are discounted using Infrastructure Ontario's cost of borrowing to determine the present value of the loan. The difference between the face value of the loan and its present value is, in substance, a grant. Only the 2003-04 program loans were issued with concessionary terms.

Loans with concessionary terms are recorded at face value discounted by the amount of the grant portion. The grant portion is recognized as a concession cost at the date of issuance of the loan and amortized to match the underlying interest subsidy, over the term of the loan.

Hedge accounting

Infrastructure Ontario is exposed to interest rate fluctuations during the period between the issuance of long term debt and providing financing to public bodies. To manage this interest rate risk, Infrastructure Ontario utilizes financial instruments with similar characteristics to a hedge. Infrastructure Ontario purchases Province of Ontario bonds with similar terms to its long term debt. Infrastructure Ontario has formally documented its risk management objective and strategy, including relationships between the hedging instrument and the hedged item.

The hedging instruments are classified under long-term investments. Gains and losses resulting from hedging activities are deferred and amortized to operations on a straight line basis over the term of the underlying debt, with maturities ranging from June 2013 to June 2039.

Infrastructure Ontario has chosen not to adopt hedge accounting for its interest rate swaps as described in note 3.

NOTES TO FINANCIAL STATEMENTS (continued)**For the year ended March 31, 2010**(tabular amounts in thousands of dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)**Short-term investments**

Short-term investments include money market securities and bonds with maturities of less than twelve months. Short-term investments are recorded at cost, which approximates market.

Debt issue costs

Debt issue costs incurred on the sale of Infrastructure Renewal Bonds & Province of Ontario Bonds are being amortized on a straight line basis over the life of the bond issues.

Capital assets

Capital assets are stated at cost less accumulated amortization. Amortization is provided using the straight-line method over the estimated useful life of the assets beginning in the fiscal year of acquisition, with a half-year provision in the year of acquisition and half-year in the year of disposal. The estimated useful lives of the assets are as follows: computer equipment 3 years, furniture and fixtures 10 years and leasehold improvements 10 years.

2. CHANGE IN ACCOUNTING POLICY

During fiscal 2010 the organization changed its accounting policy for the treatment of project revenue and cost recognition to recognize revenues and costs using the percentage of completion method for certain projects. The policy is described in the accounting policies note 1 Fees for Services. In previous years the project revenue and costs were recognized as incurred under a full cost recovery model. Management judges that the new policy is preferable because it results in a more transparent treatment of the income or loss for individual projects and assists management in developing the pricing models for new projects.

The effect of the change in accounting policy has been applied retrospectively with the following effects.

The 2009 opening balances were restated as follows: accumulated deficit increased by \$501 thousand, project receivables decreased by \$19,698 thousand and deferred project costs increased by \$19,197 thousand.

The 2009 comparative figures have been restated as follows: project receivables were decreased by \$13,702 thousand, deferred project costs were increased by \$17,260 thousand, deferred revenue was increased by \$3,238 thousand, project delivery revenue was increased by \$2,759 thousand, project advisory costs were increased by \$1,848 thousand, Ontario Financing Authority ("OFA") revolving interest expense was decreased by \$98 thousand, project salaries and benefits were increased by \$211 thousand and project administration and general was decreased by \$23 thousand and net loss from operations was reduced by \$821 thousand. The cumulative effect on the 2009 closing accumulated deficit is a decrease of \$320 thousand.

NOTES TO FINANCIAL STATEMENTS (continued)**For the year ended March 31, 2010**

(tabular amounts in thousands of dollars)

3. RISK MANAGEMENT AND DERIVATIVE FINANCIAL INSTRUMENTS

Infrastructure Ontario employs various risk management strategies and operates within strict risk exposure limits to ensure exposure to risk is managed in a prudent and cost effective manner. A variety of strategies are used, including the use of derivative financial instruments ("derivatives"). Infrastructure Ontario does not use derivatives for speculative purposes.

Derivatives are financial contracts, the value of which is derived from underlying instruments. Infrastructure Ontario, being both a borrower and a lender, uses derivatives to create cash flow hedges for instruments with differing maturity dates. The hedges are created through interest rate swaps, which are legal contracts under which Infrastructure Ontario agrees with another party to exchange cash flows based on one or more notional amounts using stipulated reference interest rates for a specified period. Swaps allow Infrastructure Ontario to offset its existing loan receivables and debt obligations and thereby effectively convert them into instruments with more desirable characteristics. Infrastructure Ontario has swapped certain of its fixed rate loan receivables and fixed rate debt portfolio into floating rate instruments. Swap interest charges are netted against Loan Program revenue.

All swap transactions have been completed with the OFA as the contracting party. The OFA has the option at certain dates within the swap period to reset an individual swap and a cash settlement or receipt may result, however the resetting does not affect the effectiveness of the swap transaction. The OFA, as intermediary, has entered into concurrent contracts with third party financial institutions under the same terms and bears the credit risk of the swap transactions.

The table below presents a maturity schedule of Infrastructure Ontario's derivatives, outstanding as at March 31, 2010, based on the notional amounts of the contracts. The notional amounts of interest rate swaps represent the amount to which the fixed and floating rates are applied in order to calculate the exchange of cash flows. The notional amounts are not recorded in the Balance Sheet. They represent the volume of outstanding derivative contracts and are not indicative of credit risk, market risk or actual cash flows of such instruments. The mark to market totals are based on calculations prepared by the OFA and reflect the March 31, 2010 interest rate swap curve values.

Maturity in fiscal year	Within 1 Year	2 to 5 Years	6 to 10 Years	11 to 15 Years	Over 15 Years	Notional Value Total	Mark to Market Total
Debt	\$ -	\$ 276,914	\$ 681,946	\$ -	\$ 295,911	\$1,254,771	\$1,211,457
Loans Receivable	\$ 102,009	\$,970	\$ 425,526	\$ 375,577	\$ 280,050	\$1,610,132	\$1,566,461

NOTES TO FINANCIAL STATEMENTS (continued)**For the year ended March 31, 2010**

(tabular amounts in thousands of dollars)

4. SHORT-TERM INVESTMENTS

Short-term investments of \$708 million (2009 - \$771 million) include money market investments with maturities of less than 12 months, recorded at cost. As at March 31, 2010 the interest rates on these investments ranged from 0.2% to 0.4%.

5. LOANS RECEIVABLE

Infrastructure Ontario assumed the concessionary loan program for municipalities and the infrastructure renewal loan program on the date of amalgamation with OSIFA.

As of March 31, 2010, construction advances of \$578 million are receivable from municipalities, universities, and other public bodies. The interest rate on these construction loans, is one half of the average of Prime and 30 day Bankers' Acceptances on the concessionary program and 30 day Bankers' Acceptances plus ten basis points on the infrastructure renewal program.

A total of \$1,750 million in debentures receivable is due from municipalities, universities and other public bodies, with terms ranging from 5 to 40 years.

	<u>2010</u>		<u>2009</u>	
Construction Advances				
Concessionary loan program	\$ 1,300		\$ 10,068	
Infrastructure renewal loan program	576,325		304,633	
	<u>\$ 577,625</u>		<u>\$ 314,701</u>	
		Interest %		Interest %
Concessionary loan program				
Maturity within 5 years	\$ 49,170	1.87 - 3.03	\$ 1,553	1.87 - 2.31
6 to 10 years	126,883	2.06 - 2.71	186,412	2.06 - 2.71
11 to 15 years	136,170	2.28 - 2.95	66,303	2.28 - 2.67
16 to 20 years	317,238	2.36 - 2.87	407,144	2.36 - 2.95
Greater than 20 years	76,449	2.52 - 3.05	77,175	2.52 - 3.05
	<u>705,910</u>		<u>738,587</u>	
Infrastructure renewal loan program				
6 to 10 years	44,587	3.15 - 5.07	16,135	3.15 - 5.07
11 to 15 years	196,732	3.58 - 5.20	123,543	4.00 - 5.20
16 to 20 years	119,156	4.25 - 5.26	50,203	4.47 - 5.26
Greater than 20 years	367,868	4.44 - 5.89	338,322	4.54 - 5.89
	<u>316,119</u>	4.73 - 5.91	<u>159,392</u>	4.78 - 5.91
	<u>1,044,462</u>		<u>687,595</u>	
Total debentures	1,750,372		1,426,182	
Less: portion due within one year	115,170		91,693	
Long-term portion of debentures	<u>\$1,635,202</u>		<u>\$ 1,334,489</u>	

NOTES TO FINANCIAL STATEMENTS (continued)**For the year ended March 31, 2010**

(tabular amounts in thousands of dollars)

5. LOANS RECEIVABLE (continued)**Deferred Costs on Concessionary Loans**

	2010	2009
Deferred costs on concessionary loans, beginning of year	\$ 119,764	\$ 117,866
Concession costs current year	3,009	10,738
Amortization concession costs	(12,218)	(8,842)
Deferred costs on concessionary loans, end of year	<u>\$ 110,555</u>	<u>\$ 119,764</u>

The organization has no significant credit risk with the current loan portfolio. Infrastructure Ontario has an intercept mechanism with the Province of Ontario which allows for funds owing to a Borrower from the Province to be redirected to Infrastructure Ontario.

Certain loans to public bodies are subject to restrictive covenants on assets and the borrower may be required to provide security agreements and loan insurance. Management actively reviews the credit performance of each Borrower and has determined no provision is required at year end.

6. PROJECT RECEIVABLES

Project recoveries are recognized either when the expense occurs or on a percentage-of-completion method (as described in Note 1). Certain project recoveries, including interest costs to finance the receivables, will not be billed until the completion of the project. Project receivables are due from various Ontario Ministries.

7. DEFERRED PROJECT COSTS

Deferred project costs represent the accumulation of project expenses incurred for projects that have not yet reached the construction phase. Once the project reached the milestone, revenue and its related expense will be recognized in that fiscal year.

8. LONG-TERM INVESTMENTS

Long-term investments consist of \$246 million (2009 - \$203 million) of bonds utilized as hedging instruments as described in Note 1, which are carried at cost. As at March 31, 2010 the interest rates on these investments ranged from 2.5% to 6.1% and maturities from November 2010 to June 2039.

9. DEBT ISSUE COSTS

	Cost	Accumulated Amortization	Net 2010	Net 2009
Infrastructure Renewal Bonds	\$ 8,604	\$ 3,533	\$ 5,071	\$ 5,983
Province of Ontario Bonds	1,525	36	1,489	-
Total	<u>\$ 10,129</u>	<u>\$ 3,569</u>	<u>\$ 6,560</u>	<u>\$ 5,983</u>

10. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2010	Net 2009
Computer equipment	\$ 3,001	\$ 2,128	\$ 873	\$ 1,151
Furniture and fixtures	911	343	568	660
Leasehold improvements	4,040	1,145	2,895	2,742
Total	\$ 7,952	\$ 3,616	\$ 4,336	\$ 4,553

11. COMMERCIAL PAPER

Infrastructure Ontario issues notes under a commercial paper program. The funds are used for short-term funding requirements including cash management, financing assets and general operating requirements. The program is authorized to issue a maximum of \$750 million for terms of up to one year. During the year, interest on the notes ranged from 0.26% to 0.30%. As of March 31, 2010, maturities ranged from April 2010 to June 2010.

12. LONG TERM DEBT**Infrastructure Renewal Bonds**

Infrastructure Ontario assumed \$650 million of Infrastructure Renewal Bonds, on the date of amalgamation with OSIFA. The bonds bear interest at 4.60% per annum and mature on June 1, 2015.

On April 19, 2007, Infrastructure Ontario issued \$300 million of Infrastructure Renewal Bonds. The bonds bear interest at 4.70% per annum and mature on June 1, 2037.

On August 26, 2008, Infrastructure Ontario issued \$300 million of Infrastructure Renewal Bonds. The bonds bear interest at 3.95% per annum and mature on June 3, 2013.

OIPC Bonds

Infrastructure Ontario has issued various bonds totaling \$350 million to the Province of Ontario for the purpose of funding its loan program. These bonds are subordinated obligations of Infrastructure Ontario and will rank behind all other existing and future unsubordinated obligations and unsecured public debt of Infrastructure Ontario. The bonds bear interest from 2.97% to 4.73% per annum and maturities range from September 2014 to June 2039. Interest is paid semi-annually on these bonds until maturity.

Ontario Clean Water Agency Loan

The Ontario Clean Water Agency (OCWA), an agency of the Province of Ontario, has provided a twenty-year subordinated loan of \$120 million to Infrastructure Ontario in exchange for a promissory note which matures on March 1, 2023. The interest on the note is reset monthly, with the interest rate set at four basis points below the average one month Canadian Dollar Offered Rate, payable quarterly. During the year, interest on the loan ranged from 0.36% to 0.60%.

Province of Ontario Loan

The Province of Ontario has provided Infrastructure Ontario with a fifty-year subordinated loan of \$1 billion in exchange for a promissory note which matures on March 31, 2053. The interest on the note is reset quarterly at the Province's three-month treasury bill rate and payable quarterly. During the year, interest on the loan ranged from 0.22% to 0.42%.

The OCWA and Province of Ontario loans provide: (i) credit protection to investors in unsubordinated debt such as Infrastructure Renewal Bonds and Commercial Paper (ii) a

liquidity backstop for Infrastructure Ontario's financing needs; and (iii) a stable long-term capital base that enables Infrastructure Ontario to achieve a high credit rating.

OFA Revolving Credit Facility

The Ontario Financing Authority (OFA), an agency of the Province of Ontario has provided Infrastructure Ontario with a subordinated revolving credit facility of up to \$200 million to provide working capital for AFP projects. Advances are to be repaid upon completion of individual AFP projects. The credit facility must be repaid in full by June 23, 2016. As at March 31, 2010, Infrastructure Ontario has utilized \$100 million (2009 - \$100 million) on this line of credit, with interest at the Province's cost of funds for borrowings with a similar term. Interest charges range from 2.1% to 4.6%, with maturities from September 2010 to February 2013.

13. INTEREST EXPENSE

	2010	2009
Province of Ontario loan	\$ 2,850	\$ 18,776
Infrastructure Renewal Bonds	55,816	51,926
Ontario Opportunity Bonds	-	1,404
Commercial Paper	1,705	10,136
Ontario Clean Water Agency loan	456	3,110
OIPC Bonds	2,790	-
	\$ 63,617	\$ 85,352

14. FINANCIAL RESTRUCTURING PLAN

A proposal has been submitted to MEI, which recommends a remission of approximately \$200 million on the Province of Ontario loan. This would reduce Infrastructure Ontario's obligation on the loan to approximately \$800 million. If approved, the remission will be recorded as grant revenue and a reduction in the Province of Ontario Loan.

15. RELATED PARTY TRANSACTIONS

In addition to the loans from, the OCWA, the Province of Ontario and the OFA, Infrastructure Ontario receives a grant from MEI to cover the current operating costs shortfall on the loan program and corporate expenses. In 2010, the total grant was \$ 9.9 million (2009 - \$10.8 million).

Project costs and recoveries are also undertaken with various Ontario Crown Agencies and Ministries, including the Ministry of Health and Long Term Care, the Ministry of the Attorney General, the Ministry of Children and Youth Services, the Ministry of Government Services, the Ministry of Community Safety and Correctional Services, the Ministry of Transportation and Ontario Power Generation.

Infrastructure Ontario has also incurred costs for services of the OFA of \$1.1 million (2009 - \$1.2 million).

NOTES TO FINANCIAL STATEMENTS (continued)**For the year ended March 31, 2010**

(tabular amounts in thousands of dollars)

16. FUTURE EMPLOYEE BENEFITS

The organization provides pension benefits to certain of its full-time employees through participation in the Public Service Pension Plan, which is a multi employer defined benefit plan established by the Province of Ontario. The cost of the pension plan of \$189 thousand (2009 - \$198 thousand) is based on formulas set by the Ontario Pension Board. In addition, for these employees the cost of post-retirement, non-pension employee benefits is paid by Management Board Secretariat and is not included in the financial statements.

The organization provides a defined contribution pension plan for all other full-time employees. The organization contributes 5% of the employee's base salary and up to an additional 2.5% of the employee's base salary as a matching contribution to amounts paid to the plan by the employee. The cost of this plan in the year was \$866 thousand (2009 - \$794 thousand).

17. FINANCIAL INSTRUMENTS

The carrying amounts for cash, accounts receivable, short-term investments, accounts payable and accrued liabilities and interest payable approximate their fair values because of the short-term maturity of these instruments.

The organization earns interest on loan receivables, short and long-term investments and pays interest on short and long-term debt. To the extent that these financial instruments mature or reprice at different points in time, the organization is exposed to interest rate risk. Management actively manages the maturities of these financial assets and liabilities to mitigate this risk including utilizing interest rate swap arrangements as detailed in note 3.

18. CONTINGENCIES

Infrastructure Ontario, in the ordinary course and conduct of its business, may be exposed to various legal proceedings. At March 31, 2010, Infrastructure Ontario was not aware of any such proceedings in process.

19. COMMITMENTS

On February 10, 2006, the Province announced that the infrastructure renewal loan program would now be open for applications from all municipalities on a continuous basis. The loan program was also expanded to help Ontario universities and other public bodies.

Program Year	Approved <u>Financing</u>	<u>Issued</u>
2004 - 2005	\$ 553 million	\$ 464 million
2005 - 2006	384 million	252 million
2006 - 2007	48 million	40 million
2007 - 2008	449 million	375 million
2008 - 2009	609 million	368 million
2009 - 2010	<u>618 million</u>	<u>294 million</u>
	<u>\$ 2,661 million</u>	<u>\$ 1,793 million</u>

NOTES TO FINANCIAL STATEMENTS (continued)**For the year ended March 31, 2010**

(tabular amounts in thousands of dollars)

20. TRUST FUNDS UNDER ADMINISTRATION

Infrastructure Ontario administers funds as an agent of the Ministry of Children and Youth Services relating to the Roy McMurtry Youth Centre project. The administered funds are a result of an arrangement that enabled Infrastructure Ontario to make the final construction payment to the construction consortium on behalf of the ministry. As of March 31, 2010, the funds under administration are \$2.6 million, which represents the holdback on the payment to the construction consortium. Infrastructure Ontario acts as trustee for this account as specified in the agreement. As such, these funds are excluded from the financial statements of this organization.

21. ECONOMIC DEPENDENCE

Infrastructure Ontario is dependent on the Province of Ontario for the provision of funds to cover operating costs, finance project costs until recovery and to support the concessionary loans provided to municipalities. Based on the Province's support in providing a multi-year commitment for public infrastructure projects and providing a fifty-year loan, Infrastructure Ontario is considered a going concern.

22. SUBSEQUENT EVENTS

Subsequent to year end, Infrastructure Ontario issued OIPC bonds to the Province of Ontario totaling \$275 million for the purpose of funding its loan program. The bonds bear interest from 4.42% to 4.96% per annum and maturities range from June 2020 to June 2039. Interest is paid semi-annually on these bonds until maturity.

23. COMPARATIVE FIGURES

The comparative figures have been restated to reflect the current presentation.

**Ministry of
Municipal Affairs
and Housing**Ontario Mortgage and
Housing Corporation777 Bay Street, 2nd Floor
Toronto ON M5G 2E5
Tel: (416) 585-6731
Fax: (416) 585-7330**Ministère des
Affaires municipales
et du Logement**Société ontarienne
d'hypothèques et de logement777, rue Bay, 2^e étage
Toronto ON M5E 2E5
Tél: (416) 585-6731
Télécopieur: (416) 585-7330**Ontario****Ontario Mortgage and
Housing Corporation****Société ontarienne
d'hypothèques et de logement****Management's Responsibility For Financial Statements**

The accompanying financial statements of the Ontario Mortgage and Housing Corporation have been prepared in accordance with Canadian generally accepted accounting principles and are the responsibility of management. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 4, 2010.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. An internal audit function independently evaluates the effectiveness of these internal controls on a periodic basis and reports its findings to management and to the Board of Directors.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal controls. The Board of Directors reviews and approves the financial statements.

The financial statements have been audited by the Office of the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's Report, which appears on the following page, outlines the scope of the Auditor General's examination and opinion.

On behalf of Management:

Susan Gillespie
Chief Executive Officer



Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Auditor's Report

To the Ontario Mortgage and Housing Corporation
and to the Minister of Municipal Affairs and Housing

I have audited the statement of financial position of Ontario Mortgage and Housing Corporation as at March 31, 2010 and the statement of operations and accumulated deficit for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2010, and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Box 105, 15th Floor
20 Dundas Street West
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-326-3812

B.P. 105, 15^e étage
20, rue Dundas ouest
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-326-3812

www.auditor.on.ca

Toronto, Ontario
June 4, 2010

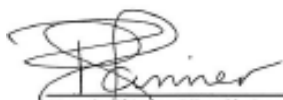
Gary R. Peall, CA
Deputy Auditor General
Licensed Public Accountant

ONTARIO MORTGAGE AND HOUSING CORPORATION
Statement of Financial Position
As at March 31

	2010	2009
	(thousands of dollars)	
ASSETS		
Cash	727	968
Accrued Interest from Universities and Colleges	275	294
Due from Province of Ontario	11,975	12,663
Investments in Properties (Note 2)	17,079	19,134
	30,056	33,059
Non-Profit Housing Fund (Note 3)	923,680	1,369,181
	953,736	1,402,240
LIABILITIES		
Accounts Payable and Accrued Liabilities	12,699	13,647
Current Portion of Long-Term Debt (Note 4)	51,982	49,374
Long-Term Debt (Note 4)	640,986	692,968
	705,667	755,989
Non-Profit Housing Fund (Note 3)	923,680	1,369,181
ACCUMULATED DEFICIT	(675,611)	(722,930)
	953,736	1,402,240

CONTINGENT LIABILITIES (Note 5)

On behalf of the Board


Pamela Skinner, Vice Chair


Susan Gillespie, Chief Executive Officer

See accompanying notes to financial statements

ONTARIO MORTGAGE AND HOUSING CORPORATION
Statement of Operations and Accumulated Deficit
For the year Ended March 31

	2010	2009
	(thousands of dollars)	
Revenues:		
Subsidies from Province:		
Debt Service Obligations	95,946	96,296
Interest Differential in Non-Profit Housing Fund (Note 3)	16,467	16,888
Bursary Program (Note 6)	1,405	1,443
Environmental Remediation (Note 5b)	65	211
Interest received from Student Housing	1,138	1,209
Miscellaneous	14	22
Total Revenues	115,035	116,069
Expenses:		
Debentures Interest:		
Devolved Properties	47,725	50,887
Interest Differential in Non-Profit Housing Fund (Note 3)	16,467	16,888
Student Housing	1,138	1,209
Amortization Expenses - Chippewa Properties	-	55
Bursary Program (Note 6)	1,405	1,443
Environmental Remediation (Note 5b)	65	211
Miscellaneous	14	17
Total Expenses	66,814	70,710
Excess of Revenues over Expenses (Note 7)	48,221	45,359
Loss on Transfer of Remaining Property (Note 2b)	(902)	-
Accumulated Deficit, Beginning of Year	(722,930)	(768,289)
Accumulated Deficit, End of Year	(675,611)	(722,930)

See accompanying notes to financial statements

ONTARIO MORTGAGE AND HOUSING CORPORATION
Notes to Financial Statements
March 31, 2010

NATURE OF OPERATIONS

Under the *Social Housing Reform Act 2000*, the Corporation transferred, for no consideration, ownership of public housing units to Local Housing Corporations (“LHCs”) which are controlled by Municipal Services Managers. The Corporation retained its Investment in Student Housing and certain other assets, and responsibility for administering the Corporation’s debts, the Non-Profit Housing Fund (“NPHF”), and contingent liabilities. The Ontario Ministry of Municipal Affairs and Housing (“the Ministry”) provides the Corporation with subsidies to cover its debt service payments and other expenses.

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). Significant accounting policies followed by the Corporation are summarized below:

i. Revenue

Subsidies from the Province are accounted for as revenue, and revenue is recognized when the related expenses are incurred.

ii. Financial Instruments

The Corporation’s financial instruments are classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale, or other financial liabilities. The classification and method of measurement adopted for the Corporation’s financial instruments, including amounts held in the NPHF, are as follows:

- Cash is classified as held-for-trading and is measured at fair value.
- Accrued Interest from Universities and Colleges, amounts due from the Province of Ontario (“the Province”), and Interest Receivable (NPHF – note 3) are classified as loans and receivables and are measured at cost, which due to their short-term nature, approximates their fair values.
- Investments in Properties, Loans to the Province (NPHF – note 3), and Mortgages to Universities and Colleges (NPHF – note 3) are classified as loans and receivables and are measured at amortized cost. Their fair values are disclosed in note 9.
- Accounts Payable and Accrued Liabilities, and Interest Payable (NPHF – note 3) are classified as other financial liabilities and are measured at cost, which due to their short-term nature, approximates their fair value.

ONTARIO MORTGAGE AND HOUSING CORPORATION

Notes to Financial Statements

March 31, 2010

- Long-Term Debt, which consists of loans from the Province and Canada Mortgage and Housing Corporation debentures (note 4), and Canada Pension Plan Investment Fund Debentures (NPHF – note 3) are classified as other financial liabilities and are measured at amortized cost. Their fair values are disclosed in note 9.

iii. Accumulated Deficit

The Accumulated Deficit that resulted from the transfer of properties to LHC's for no consideration is reduced each year by an amount equal to the portion of the subsidy from the Province required to cover principle payments on the Corporation's long-term debt.

iv. Statement of Cash Flows

A statement of cash flows has not been included in these financial statements because the information it would provide is readily apparent from the other financial statements and accompanying notes.

v. Change in Accounting Policy

Effective April 1, 2009 the Corporation adopted the Canadian Institute of Chartered Accountants ("CICA") amendments to section 1000 of the CICA Handbook. These amendments clarified the criteria for recognition of an asset and liability, removing the ability to recognize assets or liabilities solely on the basis of matching of revenue and expense items. Adoption of these recommendations had no effect on the financial statements for the year ended March 31, 2010.

2. INVESTMENTS IN PROPERTIES

The Corporation's investments in properties are as follows:

	2010	2009
	(thousands of dollars)	
(a) Student Housing	17,079	18,232
(b) Provincial Housing	0	902
	17,079	19,134

ONTARIO MORTGAGE AND HOUSING CORPORATION

Notes to Financial Statements

March 31, 2010

(a) Student Housing

This investment represents funds advanced to universities and colleges to cover building costs for student accommodation projects. Each advance is associated with a specific long-term debt obligation of the Corporation and each educational institution makes semi-annual payments to the Corporation equal to the payments on the Corporation's corresponding long-term debt. When the debt is fully repaid, title to the properties will be transferred to the respective institutions.

	2010	2009
	(thousands of dollars)	
Original Cost	35,115	35,115
Less: Accumulated Capital Repayments	18,036	16,883
	17,079	18,232

(b) Provincial Housing

Effective January 1, 2001, ownership of most of the Corporation's investment in properties was transferred, for no consideration, to LHCs. During the year, the last provincial housing property was transferred to a municipality, for no consideration. This transfer created a loss of approximately \$902,000 which is included in the Statement of Operations and Accumulated Deficit.

The funds advanced to cover the cost of this project continue to be associated with a specific long-term debt obligation of the Corporation and the Corporation receives a subsidy from the Province equal to the annual payment on this debt.

	2010	2009
	(thousands of dollars)	
Original Cost	1,262	1,262
Less: Accumulated Capital Repayments	360	360
Less: Transfer of Remaining Property	902	-
	-	902

ONTARIO MORTGAGE AND HOUSING CORPORATION

Notes to Financial Statements

March 31, 2010

3. NON-PROFIT HOUSING FUND

The Province authorized the Corporation to borrow funds from the Canada Pension Plan ("CPP") Investment Fund and loan the funds as mortgages to non-profit housing corporations and universities and colleges to build, acquire or lease housing units. The CPP funds were borrowed from 1989 to 1992 and are repayable 20 years from the date of issuance of the debentures. Interest is payable semi-annually at various rates based on individual debentures – weighted average rate of 10.0% (2009 – 10.3%).

The majority of the CPP funds were initially loaned to non-profit housing corporations. However, during 1993-2000, these loans were refinanced in the private sector and, because the debentures could not be repaid ahead of their maturity dates, the funds were loaned to the Province. The CPP debentures have corresponding loans receivable with the same maturity dates and the Fund will be wound up in July 2012 when all loans receivable and debentures have matured.

The maturity dates of the remaining debentures are as follows:

Debenture No.	Amount	Maturity Date
(thousands of dollars)		
CP-11	188,605	4-April-2010
CP-12	267,561	3-May-2010
CP-13	65,000	5-Jun-2010
CP-14	167,573	5-Jul-2010
CP-15	8,862	2-Aug-2010
CP-16	60,919	2-Nov-2010
CP-17	35,937	4-Dec-2010
CP-18	30,000	9-May-2011
CP-19	32,000	6-Jun-2011
CP-20	7,000	5-Jun-2012
CP-21	23,900	10-Jul-2012
	887,357	

ONTARIO MORTGAGE AND HOUSING CORPORATION

Notes to Financial Statements

March 31, 2010

As of March 31, the Fund consisted of:

	2010	2009
	(thousands of dollars)	
Assets		
Cash	1,404	1,406
Loans to Province of Ontario	734,823	1,157,212
Mortgages to Universities and Colleges	152,534	166,128
Interest Receivable	34,919	44,435
	923,680	1,369,181
Liabilities and Fund Balance		
Canada Pension Plan Investment Fund		
Current Portion	794,457	435,983
Long-Term Portion	92,900	887,357
Interest Payable	36,287	45,803
Fund Balance	36	38
	923,680	1,369,181

The interest rates on the mortgages to universities and colleges are the same as those payable on the Corporation's corresponding debentures. However, the interest rates on the loans to the Province reflect the lower rates in effect at the time they were made and as such the interest payments are not sufficient to service the debentures. The Corporation receives an interest differential subsidy from the Ministry to cover the shortfall.

Details of the transactions related to the fund balance are as follows:

	2010	2009
	(thousands of dollars)	
Balance – Beginning of the Year	38	32
Interest Earned – Loans, Mortgages, Bank	112,454	119,095
Interest Differential Subsidy from the Ministry	16,467	16,888
Interest Paid on CPP Debentures	(128, 923)	(135,977)
Balance – End of Year	36	38

ONTARIO MORTGAGE AND HOUSING CORPORATION

Notes to Financial Statements

March 31, 2010

4. LONG TERM DEBT

Long term debt is comprised of the following:

	2010	2009
	(thousands of dollars)	
Canada Mortgage and Housing Corporation	619,615	663,557
Loans Repayable to the Province	73,353	78,785
	692,968	742,342
Less: Current Portion	51,982	49,374
	640,986	692,968

The Corporation borrowed funds from the Canada Mortgage and Housing Corporation ("CMHC") and received capital funds from the Province to finance investments in real property – now devolved to the LHCs. The capital funds provided by the Province have been reclassified as Loans Repayable to the Province, with interest and principal payments being made to the Ontario Ministry of Finance. The interest expense is included in the Statement of Operations and Accumulated Deficit and is off-set by the subsidy from the Ontario Ministry of Municipal Affairs and Housing.

Interest on both the CMHC debt and the Loans Repayable to the Province are payable at various rates based on individual agreements – the weighted average rates are 6.4% and 7% respectively (2009 – 6.6% and 7.1% respectively). Interest expense for March 31, 2010 totaled \$48.3 million (2009 – \$52.1million), \$5.5 million (2009 – \$6.0 million) of which was paid to the Province.

Scheduled payments of principal and interest over the next five years are as follows:

	CMHC Debentures	Loans Repayable to Province	Total
	(thousands of dollars)		
2011	89,202	10,949	100,151
2012	88,033	10,766	98,799
2013	87,820	10,700	98,520
2014	86,732	10,482	97,214
2015	84,550	10,181	94,731

ONTARIO MORTGAGE AND HOUSING CORPORATION

Notes to Financial Statements

March 31, 2010

5. CONTINGENT LIABILITIES

- a) The Corporation previously entered into loan insurance agreements with CMHC pertaining to mortgage loans on projects funded under various provincially-funded non-profit housing programs administered by the Ministry. Under these agreements, CMHC has insured mortgage loans made by lenders approved under the National Housing Act for the purpose of purchasing, improving, constructing or altering housing units. While the insurance is provided by CMHC, the Corporation is liable to CMHC for any net costs, including any environmental liabilities, incurred as a result of loan defaults on projects funded by the Province.

The Ministry will reimburse any costs incurred by the Corporation. As of March 31, 2010, there were \$7.4 billion (2009 – \$7.7 billion) of mortgage loans outstanding on provincially funded projects. To date, there have been no claims for defaults on the insured mortgage loans.

- b) Under the *Social Housing Reform Act*, the Corporation retained the liability for cleaning up environmentally contaminated sites within the former public housing portfolio. Although the total cost of potential remediation is unknown, the Corporation will be reimbursed by the Ministry for costs incurred. Cumulative expenditures for site remediation to March 31, 2010 are \$1,993,248 (2009 – \$1,928,000).

The Corporation had three outstanding claims as at March 31, 2010: the multi-year Regent Park commitment, one site in the Regional Municipality of York, and one site in the City of Kenora.

Regent Park, formerly owned by the Corporation, is being re-developed by the Toronto Community Housing Corporation (TCHC). Based on the redevelopment plan prepared by TCHC, it is expected to take 12 to 15 years for the redevelopment of Regent Park and environmental remediation may be required at each stage of redevelopment. The estimated remediation cost of Regent Park is expected to be \$2.2 million.

At the Regional Municipality of York (“the Region”) site, formerly owned by the Corporation, the Region is currently investigating options for remediation. There has been no claim for payment. The Region’s estimated remediation cost is expected to be \$1 million.

At the City of Kenora site, formerly owned by the Corporation, the City of Kenora is currently investigating options for remediation. The estimated remediation cost is expected to be \$55,000.

The Corporation may spend up to \$1,250,000 in 2010-11 for environmental remediation.

ONTARIO MORTGAGE AND HOUSING CORPORATION

Notes to Financial Statements

March 31, 2010

6. BURSARY PROGRAM

The Dr. Albert Rose Bursary program is primarily funded by the Province but may also receive additional funding from municipal service managers and other sources. The program offers financial assistance to rent-geared-to-income tenants in Ontario who wish to acquire a post-secondary education.

7. EXCESS OF REVENUES OVER EXPENSES

The subsidies from the Province include amounts intended to cover the interest and principal payments on the Corporation's long-term debt. The interest is included in the Corporation's expenses and the excess of revenues over expenses represents the principal payments.

8. RELATED PARTY TRANSACTIONS

The Corporation is controlled by the Province and is therefore a related party to other organizations that are controlled by or subject to significant influence by the Province. Transactions with related parties were:

a) Loans to Ontario Colleges

As of March 31, 2010, the outstanding balance due from colleges with respect to Student Housing loans (note 2) was \$899,000 (2009 - \$939,000) and Non-Profit Housing Fund mortgages (note 3) was \$28,333,000 (2009 - \$28,333,000). Total interest and principle payments received from colleges for both programs was \$2,751,000 (2009 - \$2,751,000).

b) Administrative Expenses

The Ministry provides administrative services to the Corporation at no charge. The Corporation does not have any payroll expense as all personnel are Ministry's employees and are paid by the Ministry.

9. FAIR VALUE OF FINANCIAL INSTRUMENTS

Information about the Corporation's financial instruments and risks is as follows.

The Corporation is not exposed to significant credit risk as amounts classified as loans and receivables are due primarily from the Province and publicly-funded Ontario colleges and universities.

ONTARIO MORTGAGE AND HOUSING CORPORATION

Notes to Financial Statements

March 31, 2010

The carrying amounts of short-term financial instruments approximate fair values.

Long-term financial instruments consist of Investments in Properties (note 2), loans from the Province, CMHC debentures (note 4), and CPP debentures in the NPHF (note 3). The estimated fair values of the Investments in Properties, the CMHC debentures, and the CPP debentures in the NPHF are based on the future cash flows associated with each instrument discounted using an interest rate based on the market prices at March 31, 2010 for debt instruments with similar characteristics. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates. Consequently, the fair value estimates are not necessarily indicative of the amount these instruments would trade for in actual market transactions.

At March 31, 2010 the estimated fair value of: Investments in Properties (note 2) approximated its book value of \$17.1 million (2009 – \$19.1 million); CMHC debentures (note 4) exceeded their aggregate book value by \$102 million (2009 – \$132 million); and CPP debentures in the NPHF (note 3) exceeded their aggregate book value by \$26 million (2009 – \$192 million). The Corporation is controlled by the Province, therefore, the fair value of loans receivable from the Province (note 3) – \$735 million (2009 – \$1.157 billion) and loans repayable to the Province (note 4) - \$73.4 million at March 31, 2010 (2009 – \$78.8 million) has not been calculated.

10. CAPITAL DISCLOSURES

The Corporation considers cash to be its capital. In managing capital, the Corporation's objectives are to ensure that sufficient cash is on hand to service its debts and pay its expenses. In this regard, the Ministry ensures the Corporation's objectives are met by providing sufficient subsidies, as well as administrative services at no charge to the Corporation.

The Corporation's investments in properties and non-profit housing fund loans are each associated with specific debt obligations of the Corporation. Interest and principle payments received from the investments and loans are used to service the associated debts.

As at March 31, 2010 the Corporation has met its capital objectives and is not subject to any externally imposed capital requirements.

ONTARIO MORTGAGE AND HOUSING CORPORATION

Notes to Financial Statements

March 31, 2010

11. ACCOUNTING POLICY TRANSITION

In 2009, Public Sector Accounting Board issued the Exposure Draft for “Financial Reporting by Certain Government Organizations”. The Exposure Draft proposes that organizations classified as an Other Government Organizations adopt either Public Sector Accounting Handbook or International Financial Reporting Standards (“IFRS”) for publicly accountable entities as the primary source of Canadian generally accepted accounting principles beginning on or after January 1, 2011. Taking into consideration the nature of the organization and its users, the Corporation has determined that Public Sector Accounting standards are a more suitable accounting standard to follow. The Corporation will closely monitor the adoption of related changes to ensure it is in compliance with the necessary disclosure requirements but the impact on its financial statements are not expected to be significant.

12. COMPARATIVE FIGURES

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

This publication is available in English and French. CD-ROM copies in either language may be obtained from:

ServiceOntario Publications

Telephone: (416) 326-5300

Toll-free: 1-800-668-9938

TTY Toll-free: 1-800-268-7095

Website: www.serviceontario.ca/publications

For electronic access, visit the Ministry of Finance website at www.fin.gov.on.ca

Le présent document est publié en français et en anglais.

On peut en obtenir une version sur CD-ROM dans l'une ou l'autre langue auprès de :

Publications ServiceOntario

Téléphone : 416 326-5300

Sans frais : 1 800 668-9938

Téléimprimeur (ATS) sans frais : 1 800 268-7095

Site Web : www.serviceontario.ca/publications

Pour en obtenir une version électronique, il suffit de consulter le site Web du ministère des Finances à www.fin.gov.on.ca

© Queen's Printer for Ontario, 2010

ISSN 0381-2375 (Print)

ISSN 1913-5556 (Online)