



Ministry *of* Finance

**PUBLIC
ACCOUNTS
of
ONTARIO**

2011–2012

**FINANCIAL STATEMENTS OF
GOVERNMENT ORGANIZATIONS**

Volume 2a

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**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 Economic Development and Trade
Ontario Capital Growth Corporation
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
Hydro One Inc.
Independent Electricity System Operator
Ontario Energy Board
Ontario Power Authority
Ontario Power Generation Inc.

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 Racing Commission
Ontario Securities Commission
Pension Benefits Guarantee Fund
Provincial Judges Pension Fund
Revenue remissions

Ministry of Government Services
Ontario Pension Board

Ministry of Infrastructure
Ontario Infrastructure and Lands Corporation
General Real Estate Portfolio
Toronto Waterfront Revitalization Corporation

**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
- Forest Renewal Trust

Ministry of Northern Development and Mines

- Northern Ontario Heritage Fund Corporation
- Ontario Northland Transportation Commission

Ministry of Tourism and Culture

- Metropolitan Toronto Convention Centre Corporation
- Niagara Parks Commission
- Ontario Council for the Arts
- Ontario Place Corporation
- Ontario Science Centre
- Ontario Tourism Marketing Partnership Corporation
- Ontario Trillium Foundation
- Ottawa Convention Centre
- Royal Ontario Museum

Ministry of Transportation

- Metrolinx

A GUIDE TO PUBLIC ACCOUNTS

1. SCOPE OF THE PUBLIC ACCOUNTS

The 2011-2012 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 the details of payments made by ministries to vendors and transfer payment recipients that are not deemed to be prohibited by the *Freedom of Information and Protection of Privacy Act*.

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, 2011 to March 31, 2012. 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



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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 judgment.

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 Independent Auditor's Report outlines the scope of his examination and expresses his opinion on the financial statements of the company.

Randy Jackiw

Chief Executive Officer

Erich Beifuss

Chief Financial Officer

June 21, 2012



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

Independent Auditor's Report

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

I have audited the accompanying financial statements of Agricorp, which comprise the balance sheet as at March 31, 2012, and the statements of operations and fund balances, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Agricorp as at March 31, 2012 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

Toronto, Ontario
June 21, 2012

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AGRICORP

Balance Sheet

As at March 31, 2012, with comparative figures for 2011

(\$ thousands)	General Fund	Production Insurance	2012	2011
Assets				
Cash	105	388	493	1,080
Investments (note 6)	3,553	688,380	691,933	630,825
Accounts receivable (note 5)	7,885	3,690	11,575	12,562
Funds under administration (note 4)	54,355	-	54,355	57,241
Prepaid expenses	782	-	782	629
Accrued pension asset (note 12)	4,304	-	4,304	4,401
Capital assets (note 7)	3,215	-	3,215	1,099
Total assets	74,199	692,458	766,657	707,837

Liabilities and Fund Balances

Accounts payable and accrued liabilities	5,072	851	5,923	4,711
Unearned premiums and revenue (note 10)	6,863	17,317	24,180	27,767
Provision for claims	-	416	416	345
Funds under administration (note 4)	54,355	-	54,355	57,241
Total liabilities	66,290	18,584	84,874	90,064
Fund balances	7,909	673,874	681,783	617,773
Total liabilities and fund balances	74,199	692,458	766,657	707,837

Commitments and contingencies (note 13)

See accompanying notes to financial statements.

Approved on Behalf of the Board:




AGRICORP

Statement of Operations and Fund Balances

Year ended March 31, 2012, with comparative figures for 2011

(\$ thousands)	General Fund	Production Insurance	2012	2011
Revenue:				
Operating funding - Ontario and Canada (note 9)	44,112	-	44,112	38,676
Premiums from producers	-	50,317	50,317	52,446
Funding - Ontario and Canada	-	76,829	76,829	80,175
Sales, consulting and other services	916	-	916	7,633
Investment income	47	24,099	24,146	18,300
Total revenue	45,075	151,245	196,320	197,230
Expenses:				
Claims	-	82,667	82,667	14,844
Reinsurance (note 11)	-	15,172	15,172	18,230
Administration	45,003	-	45,003	46,234
Bad debts (recovery)	-	(32)	(32)	3
Total expenses	45,003	97,807	142,810	79,311
Excess of revenue over expenses	72	53,438	53,510	117,919
Change in fair value of assets classified as available-for-sale	-	10,500	10,500	676
Fund balances, beginning of year	7,837	609,936	617,773	499,178
Fund balances, end of year	7,909	673,874	681,783	617,773

See accompanying notes to financial statements.

AGRICORP

Statement of Cash Flows

Year ended March 31, 2012, with comparative figures for 2011

(\$ thousands)	General Fund	Production Insurance	2012	2011
Cash provided by operating activities:				
Excess of revenue over expenses	72	53,438	53,510	117,919
Item not requiring an outlay of cash:				
Amortization of capital assets	1,608	-	1,608	1,173
	1,680	53,438	55,118	119,092
Changes in non-cash working capital:				
Accounts receivable	(2,150)	3,137	987	(1,737)
Prepaid expenses	(153)	-	(153)	390
Accrued pension asset	97	-	97	(1,104)
Accounts payable and accrued liabilities	577	635	1,212	(1,613)
Unearned premiums and revenue	2,375	(5,962)	(3,587)	6,765
Provision for claims	-	71	71	(14,618)
	746	(2,119)	(1,373)	(11,917)
Financing activities:				
(Increase) decrease in investments	1,215	(51,823)	(50,608)	(108,037)
Investing activities:				
Purchase of capital assets	(3,724)	-	(3,724)	(605)
(Decrease) in cash	(83)	(504)	(587)	(1,467)
Cash, beginning of year	188	892	1,080	2,547
Cash, end of year	105	388	493	1,080

See accompanying notes to financial statements.

AGRICORP

Notes to Financial Statements

Year ended March 31, 2012

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: 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 programs

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 and Ontario Risk Management Program (RMP) 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, and are held in segregated accounts in funds under administration.

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. Under an agreement with OMAFRA, the Corporation's primary obligations include registration of farm businesses, collection of registration fees, and forwarding the fees net of an administrative charge to Ontario's accredited General Farm Organizations (GFO).

AGRICORP

Notes to Financial Statements, continued

Year ended March 31, 2012

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 of the accounting policies summarized 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 unsegregated 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 lives of the assets as follows:

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

(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) Revenue recognition:

Under the General Fund, the Corporation accounts for government funding under the deferral method of accounting. Government funding used for the purchase of capital assets is deferred and amortized into revenue on the same basis and at rates corresponding to those of the related capital assets. All remaining government funding is recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

AGRICORP

Notes to Financial Statements, continued

Year ended March 31, 2012

2. Significant accounting policies (continued):

Sales, consulting and other services revenue is recognized as services are performed, collection of the relevant receivable is probable and persuasive evidence of an arrangement exists.

Production insurance government funding and production insurance producer premiums are recognized as revenue in the year in which the related crops are harvested.

(e) Financial instruments:

The Corporation's financial instruments consist of cash, short term investments, longterm 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 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 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.

AGRICORP

Notes to Financial Statements, continued

Year ended March 31, 2012

2. Significant accounting policies (continued):

(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. Future accounting policy changes:

The Public Sector Accounting Board (PSAB) has issued new accounting standards for government not-for-profit organizations. Agricornp would be classified as a Government NPO (GNPO) as its accounts are consolidated with those of the Province of Ontario and meets the criteria to be a GNPO. PSAB will allow GNPOs to choose either the Public Sector Accounting (PSA) Handbook or the PSA Handbook supplemented by the inclusion of the 4200 series of standards from the Canadian Institute of Chartered Accountants (CICA) Handbook – Accounting into the PSA Handbook as Sections PS 4200 to PS 4270. These standards are effective for fiscal years commencing on or after January 1, 2012. The Corporation plans to select PSA plus the 4200 series of the PSA Handbook and will first report under these standards in its financial statements for the year ending March 31, 2013. The Corporation is currently in the process of evaluating the potential impact of adopting these changes.

4. Funds under administration:

The Corporation provides administration services on a cost recovery basis to process and disburse 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/or Provincial governments and all funds are segregated in accounts under administration by program 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. Due to the nature of these programs that the Corporation administers, it does not recognize program revenue or expenses or receivables or payables for them.

AGRICORP

Notes to Financial Statements, continued

Year ended March 31, 2012

4. Funds under administration (continued):

(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 enrollment 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) Risk Management Program, pilot (RMP pilot):

RMP pilot came into effect August 16, 2007 and expires on March 31, 2013. The program provides Ontario grain and oilseed producers with commodity-specific price support based on cost of production for the 2007, 2008, 2009 and 2010 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) Risk Management Program (RMP):

RMP was launched as a permanent program effective April, 2011 and extended to additional sectors. RMP helps producers offset losses caused by low commodity prices and rising production costs. As with the RMP pilot, RMP is fully funded by Ontario and is an advance against Ontario's share of AgriStability program costs and reduces its share of AgriStability payments. RMP includes the following plans:

RMP: Grains and Oilseeds (RMP-GO)

The program provides Ontario grain and oilseed producers with commodity specific price support based on cost of production. To participate, producers must pay premiums, provide a premises identification number and participate in both AgriStability and Production Insurance, if available for their crop. For the 2011 program year, these requirements (including the payment of premiums) were waived.

AGRICORP

Notes to Financial Statements, continued

Year ended March 31, 2012

4. Funds under administration (continued):

RMP for Livestock (RMP-LS)

RMP-LS includes individual plans for cattle, hogs, sheep and veal. The program provides producers with commodity specific price support based on cost of production. To participate, producers must pay premiums, provide a premises identification number and participate in AgriStability. For the 2011 program year, the requirements to pay premiums and participate in AgriStability were waived.

RMP: Self-Directed Risk Management Program - Edible Horticulture (RMP-SDRM)

Under the terms of the program, edible horticulture producers deposit into the program account a percentage of their eligible net sales and a matching contribution is also made into the account by the Ontario government. Funds can be withdrawn to cover risks to the farm business, such as a reduction in income or other farm-related expenses or losses. To participate, producers must provide a premises identification number and participate in AgriStability. For the 2011 program year, these requirements were waived and producers were not required to make a deposit into the program account in order to receive the benefit.

(d) Self Directed Risk Management Program (SDRM):

The current SDRM program delivery agreement between the Corporation and OMAFRA came into effect April 1, 2007 and expires on March 31, 2013. Under the terms of the program, producers deposit into the program account a percentage of their 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.

(e) General Top Up Program (GTUP):

GTUP was established under the Canada-Ontario Implementation Agreement and expired on March 31, 2008. Under the terms of the agreement, producers that participate in CAIS and received a payment under that program are eligible for a top-up payment based on a fixed percentage of their 2003 and 2004 CAIS government benefits.

AGRICORP

Notes to Financial Statements, continued

Year ended March 31, 2012

4. Funds under administration (continued):

(f) Plum Pox Program (PPV):

The program delivery agreement between OMAFRA and the Corporation came into effect April 1, 2008 and expired on December 31, 2011. The Plum Pox Program 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 was 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 assisted commercial tender fruit growers with the asset loss incurred when trees were removed as part of the plum pox control measures. Canada and Ontario agreed to share overall program costs based on funds available for agricultural assistance at each level of government.

(g) Farm Business Registration (FBR):

In accordance with the Farm Registration and Organizations Funding Act, 1993, farmers in Ontario whose gross farm income is equal to or greater than \$7,000 are required to register their 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 the GFO of their choice. The Corporation collects the fee from the producer and remits it, less an administrative charge, to the GFO of the producer's choice.

The following summarizes the transactions related to the funds under administration for the year ended March 31, 2012:

(\$ thousands)	Opening balance 2012	Federal funding	Provincial funding	Other	Payments	Closing balance 2012
AgriStability	50,881	35,852	17,889	5,334	(64,750)	45,206
RMP pilot	1,213	-	1,401	(808)	(1,785)	21
RMP-GO	-	-	671	22	(673)	20
RMP-LS	-	-	76,600	1,734	(73,028)	5,306
RMP-SDRM	-	-	19,773	1,990	(20,669)	1,094
SDRM	2,266	-	-	(650)	(1,447)	169
GTUP	2,202	-	-	113	(66)	2,249
PPV	64	1,310	873	(86)	(2,158)	3
Other	615	-	-	(269)	(59)	287
Total	57,241	37,162	117,207	7,380	(164,635)	54,355

AGRICORP

Notes to Financial Statements, continued

Year ended March 31, 2012

5. Accounts receivable:

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

(\$ thousands)	2012	2011
Government funding - Canada	5,908	5,848
Government funding - Ontario	3,519	4,205
Other	2,148	2,509
Total	11,575	12,562

AGRICORP

Notes to Financial Statements, continued

Year ended March 31, 2012

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.

(a) Portfolio profile:

Investments, at carrying amount and fair value, are as follows:

(\$ thousands)	2012	2011
Short-term	116,504	123,447
Long-term:		
Government of Canada	25,149	53,632
Province of Ontario	180,417	133,554
Other provincial governments	231,888	174,714
Provincial utilities	45,783	37,707
Financial institutions	92,192	107,771
Total investments	691,933	630,825

(b) Maturity profile of the investment portfolio:

(\$ thousands)	2012	2011
<1 Year	116,504	123,447
1-3 Years	258,003	241,973
3-5 Years	174,430	167,640
>5 Years	142,996	97,765
Total investments	691,933	630,825

AGRICORP

Notes to Financial Statements, continued

Year ended March 31, 2012

7. Capital assets:

(\$ thousands)			2012	2011
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and fixtures	1,198	1,073	125	64
Computer hardware	7,338	6,546	792	447
Computer software	9,879	7,654	2,225	393
Leasehold improvements	1,909	1,836	73	195
	20,324	17,109	3,215	1,099

8. Financial instruments:

(a) Fair value of financial assets and financial liabilities:

The carrying value of cash, short-term investments, accounts receivable and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of the instruments.

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

(b) Interest rate risk:

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

Fluctuations in interest rates have a direct impact on the market valuation of the Corporation's fixed income securities portfolio. The average return on investments is 4.16% (2011 – 4.41%). 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.

(c) 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.

AGRICORP

Notes to Financial Statements, continued

Year ended March 31, 2012

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 cost to administer SDRM is funded by the Federal Government and/or Ontario, depending on the program year. The costs to administer the RMP Pilot, RMP-GO, RMP-LS and RMP-SDRM programs are funded by Ontario. The costs to administer PPV (detection surveys) are funded by the Federal Government.

10. Unearned premiums and revenue:

Unearned premiums represent premiums of \$17.3 million (2011 - \$23.3 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 premiums received. Unearned revenue includes operating funding related primarily to the unamortized value of capital assets of \$3.2 million (2011 - \$1.1 million) and other unearned amounts of \$3.7 million (2011 - \$3.4 million).

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 to mitigate losses for 2011 PI claims in excess of \$373 million to a maximum of \$545 million. As actual claims for the 2011 crop year were less than the minimum threshold, no reinsurance payments were received by the Corporation.

The Corporation signed an agreement in December, 2011 whereby it would purchase reinsurance through a number of carriers for the 2012 crop year. The amount being purchased under this agreement is to mitigate losses between 13% and 19% of insured liability, subject to a maximum of \$3.67 billion (2011 - \$2.9 billion).

AGRICORP

Notes to Financial Statements, continued

Year ended March 31, 2012

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)	2012	2011
Accrued benefit asset:		
Balance, beginning of year	24,581	18,318
Current service cost	2,611	1,780
Interest cost	1,710	1,385
Employee contributions	1,449	1,383
Benefits paid	(726)	(592)
Actuarial loss	10,807	2,307
Balance, end of year	40,432	24,581
Plan assets:		
Fair value, beginning of year	24,204	18,090
Actual return on plan assets	370	2,242
Employer contributions	2,686	3,081
Employee contributions	1,449	1,383
Benefits paid	(726)	(592)
Fair value, end of year	27,983	24,204
Funded status:		
Plan deficit	(12,449)	(377)
Unamortized actuarial loss	16,805	4,843
Unamortized transitional obligation	(52)	(65)
Accrued pension asset	4,304	4,401

AGRICORP

Notes to Financial Statements, continued

Year ended March 31, 2012

12. Pension plan (continued):

The significant actuarial assumptions adopted in measuring the accrued pension obligations of the Corporation are as follows:

	2012	2011
	%	%
Discount rate to determine accrued benefit obligation	4.5	6.0
Discount rate to determine benefit cost	6.0	6.5
Expected long-term rate of return on plan assets	6.5	6.5
Rate of compensation increase	4.0	4.0

The net benefit plan expense is as follows:

(\$ thousands)		
Current services cost	2,611	1,780
Interest cost	1,710	1,385
Expected return on plan assets	(1,684)	(1,293)
Amortization of transitional obligation	(13)	(13)
Amortization of actuarial loss	159	118
Net benefit plan expense	2,783	1,977

The percentage of total fair value of plan assets by category is as follows:

Security Type	% of plan	% of plan
Canadian equities	33.4	36.7
US equities	17.5	16.8
International equities	12.9	11.4
Bonds	27.0	32.6
Real estate fund	4.0	-
Cash and equivalents	5.2	2.5
Total fund	100.0	100.0

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 underfunded by approximately \$2.2 million on a going concern basis and had a solvency and wind-up surplus of \$0.3 million. The next actuarial valuation is expected to be completed as of January 1, 2013.

AGRICORP

Notes to Financial Statements, continued

Year ended March 31, 2012

13. Commitments and contingencies:

(i) Lease commitments:

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

(\$ thousands)

2013	2,815
2014	1,852
2015	1,748
2016	1,732
	<u>8,147</u>

(ii) 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 \$180,000 (2011- \$226,000). In addition, the Corporation rents its head office location from the Ontario Realty Corporation for a total cost for the year of \$1.6million (2011- \$1.3 million). The Corporation earned revenue of \$55.5 million (2011- \$50.4 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. The Corporation ensures that it has sufficient capital and working capital through appropriate delivery agreements with its funding partners.

AGRICORP

Notes to Financial Statements, continued

Year ended March 31, 2012

16. Board remuneration and salary disclosure:

Total remuneration to members of the Board of Directors was \$31,227 during calendar 2011 (2010- \$37,240).

The Public Sector Salary Disclosure Act, 1996, requires the Corporation to disclose employees paid an annual salary in excess of \$100,000. The complete disclosure for the Corporation is included in the "Public Sector Salary Disclosure 2012: Crown Agencies" listing on the Government of Ontario website:

<http://www.fin.gov.on.ca/en/publications/salarydisclosure/2012/crown12a.html>

For the 2011 calendar year, the amounts paid to the five employees with the highest annual salaries are:

Name	Position	Salary	Taxable Benefits
Beifuss, Erich	Chief Financial Officer	\$ 162,912	\$ 602
Jackiw, Randy	Chief Executive Officer	184,359	10,119
LaRose, Doug	Chief Information Officer	185,037	682
Meneray, Debra	Senior Director, Program Delivery	145,523	549
Sayer, Greg	Senior Counsel and Director Legal Services	157,817	595

The taxable benefit for the Chief Executive Officer is comprised mainly of a taxable benefit for a vehicle, provided under the terms of his employment contract, and is an "allowable special consideration" under the government directives.

The Agricultural Research Institute of Ontario

Management's Responsibility for Financial Reporting

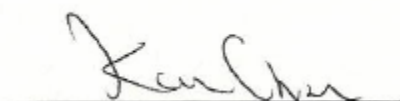
The accompanying financial statements of the Agricultural Research Institute of Ontario (ARIO) have been prepared in accordance with Canadian generally accepted accounting principles. Management is responsible for the accuracy, integrity, and objectivity of the information contained in the financial 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 June 13, 2012.

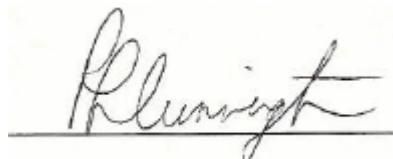
In discharging its responsibility for the integrity of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and proper records are maintained.

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, CA
Comptroller



Chartered Accountants
and Business Advisors

People Count.

INDEPENDENT AUDITOR'S REPORT

To the members of: Agricultural Research Institute of Ontario

Report on the Financial Statements

We have audited the accompanying financial statements of Agricultural Research Institute of Ontario, which comprise the statement of financial position as at March 31, 2012 and the statements of revenues and expenditures and changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Agricultural Research Institute of Ontario as at March 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

RLB LLP

Guelph, Ontario
June 13, 2012

Chartered Accountants
Licensed Public Accountants

STATEMENT 1

**AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2012**

A S S E T S

	2012 (schedule 1)	2011 (restated)
CURRENT		
Cash	\$ 2,985,161	\$ 1,280,423
Temporary investments	7,507,811	8,080,181
Accounts receivable	<u>158,133</u>	<u>349,951</u>
	10,651,105	9,710,555
CAPITAL ASSETS UNDER CONSTRUCTION (note 11)	8,490,842	2,141,659
CAPITAL ASSETS (notes 4 and 11)	<u>59,297,015</u>	<u>57,843,553</u>
	<u>\$ 78,438,962</u>	<u>\$ 69,695,767</u>

L I A B I L I T I E S

CURRENT		
Accounts payable and accruals	\$ 1,408,607	\$ 1,577,973
Holdbacks payable	371,442	537,419
Unclaimed expenditures	4,539,720	4,739,236
Deferred revenue	<u>27,787</u>	<u>1,559</u>
	6,347,556	6,856,187
DEFERRED CAPITAL FUNDED CONTRIBUTIONS (notes 5 and 11)	18,435,508	7,755,932
DEFERRED CAPITAL CONTRIBUTIONS (note 6)	<u>36,295,592</u>	<u>38,349,547</u>
	<u>61,078,656</u>	<u>52,961,666</u>

N E T A S S E T S

FUND BALANCES	3,319,226	2,693,021
CONTRIBUTED ASSETS (note 7)	<u>14,041,080</u>	<u>14,041,080</u>
	<u>17,360,306</u>	<u>16,734,101</u>
	<u>\$ 78,438,962</u>	<u>\$ 69,695,767</u>

see accompanying notes

STATEMENT 2

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO
STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2012

	2012 (schedule 2)	2011 (restated)
REVENUES		
Research		
Grants - provincial (note 9)	\$ 1,850,000	\$ 1,850,000
Grants - other	0	100,000
Intellectual property	<u>1,127,014</u>	<u>1,077,756</u>
	<u>2,977,014</u>	<u>3,027,756</u>
Property		
Grants - provincial - minor capital (notes 9 and 11)	2,336,708	3,790,905
Rental income - provincial	351,750	317,440
Rental income - private industry	663,377	668,774
Operations and maintenance - provincial	321,576	386,859
Operations and maintenance - private industry	11,580	3,000
Transfer payments - payments in lieu of taxes (note 9)	550,000	250,000
Payments in lieu of taxes	119,975	65,430
Amortization of deferred capital contribution (note 11)	<u>2,184,898</u>	<u>2,119,624</u>
	<u>6,539,864</u>	<u>7,602,032</u>
Other		
Investment income	<u>188,736</u>	<u>386,636</u>
	<u>9,705,614</u>	<u>11,016,424</u>
EXPENDITURES		
Research		
Research project\program	1,961,654	3,137,516
Intellectual property	<u>661,501</u>	<u>575,538</u>
	<u>2,623,155</u>	<u>3,713,054</u>
Property		
Payments in lieu of taxes	750,641	723,609
Minor capital (note 11)	2,859,945	4,069,761
Operations and maintenance	807,916	603,617
Amortization of capital assets (note 11)	<u>2,184,898</u>	<u>2,119,624</u>
	<u>6,603,400</u>	<u>7,516,611</u>
Other		
Other expenses	2,617	7,538
Write down of investments	<u>0</u>	<u>200</u>
	<u>2,617</u>	<u>7,738</u>
	<u>9,229,172</u>	<u>11,237,403</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENDITURES for the year	476,442	(220,979)
NET AMOUNT TRANSFERRED FROM UNCLAIMED EXPENDITURES	199,516	1,215,922
UNREALIZED DEPRECIATION OF INVESTMENTS	<u>(49,753)</u>	<u>0</u>
	<u>626,205</u>	<u>994,943</u>
FUND BALANCES, beginning of year	16,734,101	15,928,678
ADJUSTMENT TO OPENING FUND BALANCES (note 11)	<u>0</u>	<u>(189,520)</u>
ADJUSTED FUND BALANCES, beginning of year	<u>16,734,101</u>	<u>15,739,158</u>
FUND BALANCES, end of year	<u>\$ 17,360,306</u>	<u>\$ 16,734,101</u>

see accompanying notes

STATEMENT 3

**AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2012**

	2012	2011
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Excess (shortfall) of revenue over expenditures for the year	\$ 476,442	\$ (220,979)
Items not requiring an outlay of cash		
Amortization	2,184,898	2,119,624
Unrealized depreciation of investments	(49,753)	0
Deferred capital contributions	(2,053,955)	(2,069,786)
Adjustment to opening fund balances	0	(189,520)
	<u>557,632</u>	<u>(360,661)</u>
Changes in non-cash working capital		
Accounts receivable	191,818	55,666
Temporary investments	572,370	805,917
Accounts payable and accruals	(169,366)	282,106
Deferred capital funded contributions	10,679,576	6,613,581
Holdbacks payable	(165,977)	65,436
Deferred revenue	26,229	(21,653)
	<u>11,692,282</u>	<u>7,440,392</u>
CASH USED IN INVESTING ACTIVITIES		
Additions to capital assets	(3,638,361)	(5,310,719)
Capital assets under construction	(6,349,183)	(1,014,122)
	<u>(9,987,544)</u>	<u>(6,324,841)</u>
NET INCREASE IN CASH for the year	1,704,738	1,115,551
NET CASH, beginning of year	<u>1,280,423</u>	<u>164,872</u>
NET CASH, end of year	<u>\$ 2,985,161</u>	<u>\$ 1,280,423</u>

see accompanying notes

**AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2012**

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 various 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. 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 trust 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 Research Program (New Directions)
- Food Safety Research Program (Food Safety)
- Infrastructure

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, 2012**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) CAPITAL ASSETS

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

Buildings and components	- 25 to 40 years straight line
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(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. Significant areas requiring the use of management estimates and assumptions relate to the valuation of accounts receivable and accruals, and the useful life of capital assets. 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 accruals, holdbacks payable and deferred revenue. 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 accruals, holdbacks payable and deferred revenue 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, 2012**

4. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2012	Net 2011
Land:				
Simcoe railway line	\$ 9,793	\$ 0	\$ 9,793	\$ 9,793
Regional campuses	3,095,900	0	3,095,900	3,095,900
Research Stations	10,945,180	0	10,945,180	10,945,180
	<u>14,050,873</u>	<u>0</u>	<u>14,050,873</u>	<u>14,050,873</u>
Buildings:				
Regional campuses	34,432,429	6,304,559	28,127,870	27,421,242
Research Stations	21,652,263	4,533,991	17,118,272	16,371,438
	<u>56,084,692</u>	<u>10,838,550</u>	<u>45,246,142</u>	<u>43,792,680</u>
	<u>\$ 70,135,565</u>	<u>\$ 10,838,550</u>	<u>\$ 59,297,015</u>	<u>\$ 57,843,553</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.

During the year, capital additions with a carrying value of \$1,400,000 (2011 - \$2,408,730) were contributed to the organization by lessees who have long-term leases with the organization. Carrying value is determined as the cost of the contributed assets to the contributors which approximates fair value due to the relatively short period between the date of purchase by the contributor and the asset being contributed to the organization.

5. DEFERRED CAPITAL FUNDED CONTRIBUTIONS

The organization received funding to construct various capital funded projects. The funding sources are Federal \$1,382,500 (2011 - \$0), Provincial \$13,684,424 (2011 - \$5,347,202) and Industry \$3,368,585 (2011 - \$2,408,730)

6. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized portion of the net book value of the buildings transferred to ARIO from the Government of Ontario in 2007.

7. CONTRIBUTED ASSETS

Contributed assets of \$14,041,080 (2011 - \$14,041,080) are recorded in the Infrastructure Fund and represent the cost of the land transferred to ARIO from the Government of Ontario.

**AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2012**

8. ARIO RESEARCH FUND

	Seed Royalty	Technology Royalty	Unpledged Equity	Total 2012	Total 2011
Revenue					
Intellectual property	\$ 834,324	\$ 292,690	\$ 0	\$ 1,127,014	\$ 1,077,756
Investment income	34,166	43,452	5	77,623	135,215
	<u>868,490</u>	<u>336,142</u>	<u>5</u>	<u>1,204,637</u>	<u>1,212,971</u>
Expenses	645,988	17,766	364	664,118	583,076
Investment write-down	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>200</u>
Net surplus (deficit) for the year	222,502	318,376	(359)	540,519	629,695
Fund balance, beginning of year	1,187,985	1,491,177	0	2,679,162	2,049,467
Amounts transferred in	0	0	395	395	0
Unrealized depreciation of investments	<u>(8,421)</u>	<u>(10,804)</u>	<u>0</u>	<u>(19,225)</u>	<u>0</u>
Fund balance, end of year	<u>\$ 1,402,066</u>	<u>\$ 1,798,749</u>	<u>\$ 36</u>	<u>\$ 3,200,851</u>	<u>\$ 2,679,162</u>

9. GRANTS RECEIVED FROM THE PROVINCIAL GOVERNMENT

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

	2012	2011
New Directions Research Program	\$ 1,350,000	\$ 1,350,000
Food Safety Research Program	<u>500,000</u>	<u>500,000</u>
	<u>1,850,000</u>	<u>1,850,000</u>
Minor capital	4,750,000	5,250,000
Elora Livestock Environmental and Energy Complex	6,000,000	1,000,000
Payments in lieu of taxes	<u>550,000</u>	<u>250,000</u>
	<u>\$ 13,150,000</u>	<u>\$ 8,350,000</u>

The following Provincial Government capital transfer payment grants have been partially capitalized as Deferred Capital Funded Contributions and partially recognized as Revenues as follows:

	2012	2011
Minor capital:		
Funding received	\$ 4,750,000	\$ 5,250,000
Capitalized- Deferred Capital Funding Contribution	<u>(2,413,292)</u>	<u>(1,459,095)</u>
Net revenue	<u>\$ 2,336,708</u>	<u>\$ 3,790,905</u>
Elora Livestock Environmental and Energy Complex:		
Funding received	\$ 6,000,000	\$ 1,000,000
Capitalized- Deferred Capital Funding Contribution	<u>(6,000,000)</u>	<u>(1,000,000)</u>
Net revenue	<u>\$ 0</u>	<u>\$ 0</u>

10. CAPITAL DISCLOSURES

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

	2012	2011
Fund balances, being capital	<u>\$ 17,360,306</u>	<u>\$ 16,734,101</u>

**AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2012**

10. CAPITAL DISCLOSURES (continued)

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.

During the current year, the organization determined that funding received in prior years and the related costs incurred toward capital projects should have, respectively, been deferred capital contributions and additions to capital assets. As a result, prior year's figures were adjusted by the following amounts:

Increase in capital assets under construction	\$ 163,177
Increase in capital assets	5,258,094
Increase in deferred capital funded contributions	5,605,932
Decrease in grants - provincial - minor capital	(1,459,095)
Increase in amortization of deferred capital contribution	49,838
Decrease in minor capital	(1,459,095)
Increase in amortization of capital assets	44,979
Decrease in opening fund balance - Infrastructure	(189,520)

12. NEW FUNDING AGREEMENT

The Agricultural Research Institute of Ontario (ARIO), Her Majesty the Queen in right of Ontario as represented by the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA) and the Integrated Grain Processors Co-operative Inc. (IGPC) have jointly signed an agreement whereby, pursuant to a Capital Grant Agreement completed in June 2006 between OMAFRA and IGPC, IGPC agreed to contribute to a research and development fund in exchange for the capital grant support provided by OMAFRA through the Ontario Ethanol Growth Fund. IGPC has agreed to contribute \$280,000 annually for 10 years (for a total of \$2,800,000) starting in April 2012 and ending with the final payment in April 2021. These funds are to be paid directly to ARIO, and deposited into a fund whose objectives are to support research that will:

- Enable continuous improvement in the biobased alternative renewable fuels and bioproducts industry products and processes.
- Promote agricultural value-added opportunities in the alternative renewable fuels industry in Ontario.
- Assist biobased alternative renewable fuels production facilities in Ontario to be major participants in the worldwide markets.
- Create a platform for a wider biobased economy.

13. FUNDS TRANSFER

Funds in the amount of \$537,544 are being transferred from the Alternative Renewable Fuels (ARF) Research Program to the New Directions Research Program to more accurately match the source and purpose of the funds received in ARF to the expenditures incurred in several research projects administered through the New Directions and Alternative Renewable Fuels Plus Research Program during the period of September 2009 to the current year. These research projects were undertaken with a combined focus and effort of the two research programs.

Schedule 1

**Agricultural Research Institute of Ontario
Research Trust Funds
Schedule of Financial Position
As at March 31, 2012**

	ARIO	Infrastructure	ARF	VMAP	New Directions	Food Safety	Eliminations	March 31, 2012 Total (statement 1)
	\$	\$	\$	\$	\$	\$	\$	\$
ASSETS								
CURRENT ASSETS								
Cash	2,985,161							2,985,161
Temporary investments	7,507,811							7,507,811
Due from ARIO		3,323,776	42,680		2,312,657	877,344	(6,556,457)	0
Accounts receivable	143,318	7,342			5,445	2,028		158,133
	10,636,290	3,331,118	42,680	0	2,318,102	879,372	(6,556,457)	10,651,105
CAPITAL ASSETS UNDER CONSTRUCTION (note 11)		8,490,842						8,490,842
CAPITAL ASSETS (notes 4 and 11)	9,793	59,287,222						59,297,015
	10,646,083	71,109,182	42,680	0	2,318,102	879,372	(6,556,457)	78,438,962
LIABILITIES								
CURRENT LIABILITIES								
Due to other research trust funds	6,556,457						(6,556,457)	0
Accounts payable and accruals	888,775	95,914	2,680		333,103	88,135		1,408,607
Holdbacks payable					343,702	27,740		371,442
Unclaimed expenditures			40,000		3,693,282	806,438		4,539,720
Deferred revenue		27,787						27,787
	7,445,232	123,701	42,680	0	4,370,087	922,313	(6,556,457)	6,347,556
DEFERRED CAPITAL FUNDED CONTRIBUTIONS (notes 5 and 11)		18,435,508						18,435,508
DEFERRED CAPITAL CONTRIBUTIONS (note 6)		36,295,592						36,295,592
	7,445,232	54,854,801	42,680	0	4,370,087	922,313	(6,556,457)	61,078,656
FUND BALANCES CONTRIBUTED ASSETS (note 7)	3,200,851	2,213,301	0	0	(2,051,985)	(42,941)		3,319,226
		14,041,080						14,041,080
	3,200,851	16,254,381	0	0	(2,051,985)	(42,941)	0	17,360,306
	10,646,083	71,109,182	42,680	0	2,318,102	879,372	(6,556,457)	78,438,962

see accompanying notes

Agricultural Research Institute of Ontario
Research Trust Funds
Schedule of Revenues and Expenditures
For the year ended March 31, 2012

Schedule 2

	ARIO (note 8) \$	Infrastructure \$	ARF \$	VMAP \$	New Directions \$	Food Safety \$	March 31, 2012 Total (statement 2) \$
REVENUE							
Research							
Grants - provincial (note 9)					1,350,000	500,000	1,850,000
Intellectual property	1,127,014						1,127,014
	1,127,014	0	0	0	1,350,000	500,000	2,977,014
Property							
Grants - provincial - minor capital (notes 9 and 11)		2,336,708					2,336,708
Rental income - provincial		351,750					351,750
Rental income - private industry		663,377					663,377
Operations and maintenance - provincial		321,576					321,576
Operations and maintenance - private industry		11,580					11,580
Transfer payments - payments in lieu of taxes (note 9)		550,000					550,000
Payments in lieu of taxes		119,975					119,975
Amortization of deferred capital contribution (note 11)		2,184,898					2,184,898
	0	6,539,864	0	0	0	0	6,539,864
Other							
Investment income	77,623	51,297	9,874	95	34,004	15,843	188,736
	1,204,637	6,591,161	9,874	95	1,384,004	515,843	9,705,614
EXPENDITURES							
Research							
Research project/program			57,788	12,003	1,358,482	533,381	1,961,654
Intellectual property	661,501						661,501
	661,501	0	57,788	12,003	1,358,482	533,381	2,623,155
Property							
Payments in lieu of taxes		750,641					750,641
Minor capital (note 11)		2,859,945					2,859,945
Operations and maintenance		807,916					807,916
Amortization of capital assets (note 11)		2,184,898					2,184,898
	0	6,603,400	0	0	0	0	6,603,400
Other expenses	2,617						2,617
	664,118	6,603,400	57,788	12,003	1,358,482	533,381	9,229,172
EXCESS (SHORTFALL) OF REVENUE OVER EXPENDITURES	540,519	(12,239)	(47,914)	(11,908)	25,522	(17,538)	476,442
NET AMOUNT TRANSFERRED FROM UNCLAIMED EXPENDITURES			57,437		10,640	131,439	199,516
UNREALIZED DEPRECIATION OF INVESTMENTS	(19,225)	(15,127)			(11,221)	(4,180)	(49,753)
	521,294	(27,366)	9,523	(11,908)	24,941	109,721	626,205
FUND BALANCES, beginning of year	2,679,162	16,281,747	528,021	12,303	(2,614,470)	(152,662)	16,734,101
INTER FUND TRANSFER (note 13)	395		(537,544)	(395)	537,544		0
FUND BALANCES, end of year	3,200,851	16,254,381	0	0	(2,051,985)	(42,941)	17,360,306

see accompanying notes

Algonquin Forestry Authority
Financial Statements
March 31, 2012

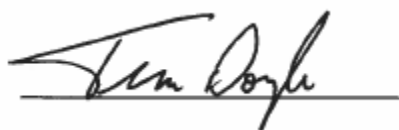
Management's Responsibility for Financial Information

Management and the Board of Directors of the Algonquin Forestry Authority are responsible for the financial statements and all other information presented in this Annual Report. 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.

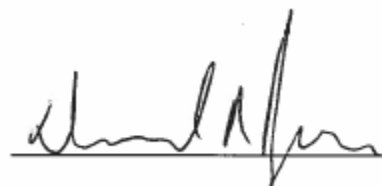
The Algonquin Forestry Authority is dedicated to the highest standards of integrity in its business. To safeguard the Authority's assets, the Authority has a sound and dynamic set of internal financial controls and procedures that balance benefits and costs. Management has developed and maintains financial and management controls, information systems and management practices to provide reasonable assurance of the reliability of financial information in accordance with the *Algonquin Forestry Authority Act*.

The Board of Directors ensures that Management fulfills its responsibilities for financial information and internal control. The Board of Directors meets regularly to oversee the financial activities of the Authority and at least annually to review the financial statements and the external auditors' report thereon, and recommends them to the Minister of Natural Resources for approval.

The financial statements have been examined 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. The Independent Auditor's Report outlines the scope of the Auditor's examination and opinion.



Tim Doyle, C.A.
Treasurer



Daniel R. Janke, MBA
General Manager



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

Independent Auditor's Report

To the Members, Algonquin Forestry Authority,
and to the Minister of Natural Resources

I have audited the accompanying financial statements of the Algonquin Forestry Authority, which comprise the statement of financial position as at March 31, 2012, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Algonquin Forestry Authority as at March 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Gary Peall, CA
Deputy Auditor General
Licensed Public Accountant

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Toronto, Ontario
June 28, 2012

ALGONQUIN FORESTRY AUTHORITY

Statement of Financial Position

March 31, 2012, with comparative information for 2011

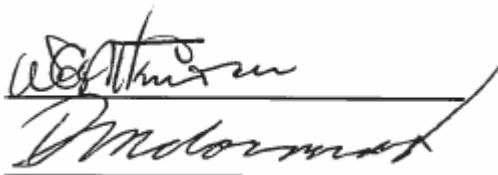
	2012	2011
Assets		
Current assets:		
Cash	\$ 2,542,566	\$ 1,533,402
Accounts receivable	6,243,238	8,248,468
Inventory	503,739	360,606
Prepaid expenses	1,962	1,962
	<u>9,291,505</u>	<u>10,144,438</u>
Capital assets (note 3)	389,035	401,592
	<u>\$ 9,680,540</u>	<u>\$ 10,546,030</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,038,722	\$ 1,808,165
Contractors' performance holdbacks	72,656	111,485
Due to Consolidated Revenue Fund	156,461	460,137
Deferred contributions (note 4)	436,818	405,032
	<u>1,704,657</u>	<u>2,784,819</u>
Obligation for employee future benefits (note 5)	441,287	418,771
Deferred capital contributions (note 6)	178,726	155,460
	<u>2,324,670</u>	<u>3,359,050</u>
Net assets:		
Restricted - Forest Renewal Fund (notes 7 and 8)	2,500,000	2,500,000
Invested in capital assets (note 9)	210,309	246,132
Unrestricted - General Fund	4,645,561	4,440,848
	<u>7,355,870</u>	<u>7,186,980</u>
	<u>\$ 9,680,540</u>	<u>\$ 10,546,030</u>

See accompanying notes to financial statements.

On behalf of the Board:



Director

Director

ALGONQUIN FORESTRY AUTHORITY

Statement of Operations

Year ended March 31, 2012, with comparative information for 2011

	General Fund	Forest Renewal Fund	2012 Total	2011 Total
Revenue:				
Product sales	\$ 16,395,977	\$ -	\$ 16,395,977	\$ 16,903,332
Forest renewal activity	-	1,266,834	1,266,834	897,695
Standing timber sales	113,188	-	113,188	36,623
Other (note 10)	2,191,443	244,655	2,436,098	2,836,447
	18,700,608	1,511,489	20,212,097	20,674,097
Expense:				
Direct program costs	13,967,255	1,466,474	15,433,729	16,292,568
Crown timber stumpage charges	2,005,179	-	2,005,179	1,705,741
Public access road maintenance	431,156	-	431,156	291,039
Operations planning	143,499	-	143,499	131,683
Wood measurement	39,897	-	39,897	40,561
	16,586,986	1,466,474	18,053,460	18,461,592
Operating income	2,113,622	45,015	2,158,637	2,212,505
Administrative and other:				
Salaries and benefits	1,351,049	206,369	1,557,418	1,643,872
Amortization of capital assets	159,016	39,453	198,469	233,091
Office supplies and other	94,901	89	94,990	94,736
Office rent	41,870	12,710	54,580	54,071
Directors' allowances	26,238	-	26,238	29,920
Insurance	16,010	6,416	22,426	22,352
Staff travel and training	15,208	2,031	17,239	16,982
Public relations	17,240	-	17,240	16,458
Consulting, legal and miscellaneous	1,147	-	1,147	1,230
	1,722,679	267,068	1,989,747	2,112,712
Excess (deficiency) of revenue over expenses before the undernoted	390,943	(222,053)	168,890	99,793
Recovery of penalties and interest on GST assessment	-	-	-	34,262
Excess (deficiency) of revenue over expenses	\$ 390,943	\$ (222,053)	\$ 168,890	\$ 134,055

See accompanying notes to financial statements.

ALGONQUIN FORESTRY AUTHORITY

Statement of Changes in Net Assets

Year ended March 31, 2012, with comparative information for 2011

	Invested in Capital Assets	Restricted - Forest Renewal Fund	Unrestricted - General Fund	2012 Total	2011 Total
Balance, beginning of year	\$ 246,132	\$ 2,500,000	\$ 4,440,848	\$ 7,186,980	\$ 7,052,925
Interfund transfer (note 8)	-	182,600	(182,600)	-	-
Excess (deficiency) of revenue over expenses (note 9)	(135,335)	(182,600)	486,825	168,890	134,055
Investment in capital assets (note 9)	99,512	-	(99,512)	-	-
Balance, end of year	\$ 210,309	\$ 2,500,000	\$ 4,645,561	\$ 7,355,870	\$ 7,186,980

See accompanying notes to financial statements.

ALGONQUIN FORESTRY AUTHORITY

Statement of Cash Flows

Year ended March 31, 2012, with comparative information for 2011

	2012	2011
Cash flows from operating activities:		
Excess (deficiency) of revenue over expenses	\$ 168,890	\$ 134,055
Adjustments for:		
Amortization of capital assets	198,469	233,091
Amortization of deferred capital contributions	(63,134)	(45,854)
Gain on sale of capital assets	(250)	(29,634)
Obligations for employee future benefits	22,516	(38,377)
	326,491	253,281
Change in non-cash working capital:		
Accounts receivable	2,005,230	(2,260,004)
Inventory	(143,133)	(2,557)
Prepaid expenses	-	3,185
Accounts payable and accrued liabilities	(769,443)	619,509
Contractors' performance holdbacks	(38,829)	50,300
Due to Consolidated Revenue Fund	(303,676)	276,685
Deferred contributions	31,786	238,395
	1,108,426	(821,206)
Cash flows from financing activities:		
Capital contributions received	86,400	107,325
Cash flows from investing activities:		
Acquisition of capital assets	(185,912)	(288,073)
Proceeds on sale of capital assets	250	29,634
	(185,662)	(258,439)
Increase (decrease) in cash	1,009,164	(972,320)
Cash, beginning of year	1,533,402	2,505,722
Cash, end of year	\$ 2,542,566	\$ 1,533,402

See accompanying notes to financial statements.

ALGONQUIN FORESTRY AUTHORITY

Notes to Financial Statements

Year ended March 31, 2012

Algonquin Forestry Authority (the "Authority") is a Crown Agency which was established by the Ontario Government on January 4, 1975 under the Algonquin Forestry Authority Act, 1974. The Authority is responsible for forest management in Algonquin Provincial Park and operates on a not-for-profit basis. The Authority is exempt from income taxes under the Income Tax Act and is responsible for forest management in Algonquin Provincial Park.

1. Significant accounting policies:

(a) Basis of accounting:

The Authority's financial statements are prepared in accordance with Canadian generally accepted accounting principles.

(b) Fund accounting:

The General Fund accounts for the Authority's revenue generating and administrative activities. The Forest Renewal Fund accounts for the forest management activities, including silvicultural work.

(c) Revenue recognition:

Revenue from product sales and forest renewal charges are recognized when the wood is delivered, and the customer takes ownership and assumes risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed and determinable.

The Authority accounts for contributions, which include government grants, under the deferral method of accounting as follows:

Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of a period are accrued. Grants relating to future periods are deferred and recognized in the subsequent period when the related activity occurs.

Unrestricted contributions are recognized as revenue when received or receivable if the amounts can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the period in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on the same basis and at rates corresponding to those of the related capital assets.

Sundry other income is recognized when earned.

ALGONQUIN FORESTRY AUTHORITY

Notes to Financial Statements (continued)

Year ended March 31, 2012

1. Significant accounting policies:(continued)

(d) Inventories:

Inventories, which consist of harvested wood not yet delivered to customers, are measured at the lower of cost and net realizable value with cost being determined on the first-in, first-out basis. Cost includes all acquisition costs incurred in bringing inventory to its present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

(e) Capital assets:

Capital assets are stated at cost. Amortization is provided on the straight-line basis over their estimated useful lives, using the following annual rates:

Asset	Rate
Automotive equipment	25%
Portable steel structures	20%
Data processing equipment	20%
Technical equipment	10%
Furniture and fixtures	10%
Trailers	10%
Leasehold improvements	10%

The cost of bridges and access roads is amortized over the estimated number of operating seasons for which the bridges and roads are to be used, with a maximum amortization period of 10 years. Forest renewal assets are amortized on the same basis and at the same rates as the assets mentioned above.

(f) Financial instruments:

The Authority accounts for its financial assets and liabilities in accordance with Canadian generally accepted accounting principles. The financial instruments are classified into one of 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 statement of financial position at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost.

ALGONQUIN FORESTRY AUTHORITY

Notes to Financial Statements (continued)

Year ended March 31, 2012

1. Significant accounting policies:(continued)

(f) Financial instruments:(continued)

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 the statement of operations; available-for-sale financial instruments are measured at fair value with unrealized changes in fair value recorded in the statement of changes in net assets until the investment is derecognized or impaired at which time the amounts would be recorded in the statement of operations.

In accordance with the Canadian generally accepted accounting principles, the Authority has undertaken the following:

- (i) Designated cash as held-for-trading, being measured at fair value.
- (ii) Accounts receivable are classified as loans and receivables, which are measured at amortized cost.
- (iii) Accounts payable and accrued liabilities and contractors' performance holdbacks are classified as other financial liabilities, which are measured at amortized cost.

No financial statement recognition is given to embedded derivatives or non-financial contracts with derivative characteristics.

The Authority also complies with CICA 3861, "Financial Instruments - Disclosure and Presentation", for the presentation and disclosure of financial instruments and non-financial derivatives.

The Authority has selected to account for transactions as at the trade date.

(g) Employee future benefits:

The Authority provides termination benefits to qualifying employees. The Authority accrues its obligations under this benefit plan as the employees render the services necessary to earn the benefit.

ALGONQUIN FORESTRY AUTHORITY

Notes to Financial Statements (continued)

Year ended March 31, 2012

1. Significant accounting policies:(continued)

(g) Employee future benefits:(continued)

Defined contribution plan accounting is applied to a multi-employer defined benefit plan for which the Authority has insufficient information to apply defined benefit plan accounting.

(h) 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 disclosures of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant items subject to such estimates and assumptions include determination of the allowance for doubtful accounts receivable. Actual results could differ from those estimates. These estimates are reviewed periodically and as adjustments become necessary, they are reported in the statement of operations in the year in which they become known.

2. Future accounting policy changes:

The Public Sector Accounting Board ("PSAB") has issued new accounting standards for government not-for-profit organizations. The Authority would be classified as a Government NPO ("GNPO") as its accounts are consolidated with those of the Province of Ontario and meets the criteria to be a GNPO. PSAB will allow GNPOs to choose either the Public Sector Accounting ("PSA") Handbook or the PSA Handbook supplemented by the inclusion of the 4200 series of standards from the Canadian Institute of Chartered Accountants ("CICA") Handbook - Accounting into the PSA Handbook as Sections PS 4200 to PS 4270. These standards are effective for fiscal years commencing on or after January 1, 2012. The Organization will be selecting PSA plus the 4200 series of the PSA Handbook and will first report under these standards in its financial statements for the year ending March 31, 2013. The Authority is currently in the process of evaluating the potential impact of adopting these changes.

ALGONQUIN FORESTRY AUTHORITY

Notes to Financial Statements (continued)

Year ended March 31, 2012

3. Capital assets:

			2012	2011
	Cost	Accumulated amortization	Net book value	Net book value
Bridges and access roads	\$ 5,346,800	\$ 5,344,864	\$ 1,936	\$ 26,725
Portable steel structures	654,578	440,192	214,386	201,445
Forest renewal assets	354,180	323,239	30,941	63,411
Automotive equipment	385,164	261,766	123,398	84,148
Technical equipment	199,564	186,760	12,804	15,411
Data processing equipment	149,267	146,675	2,592	5,703
Furniture and fixtures	83,358	82,213	1,145	2,201
Leasehold improvements	44,803	43,392	1,411	1,846
Trailers	13,690	13,268	422	702
	\$ 7,231,404	\$ 6,842,369	\$ 389,035	\$ 401,592

4. Deferred contributions:

Deferred contributions represent unspent resources received from the Ministry of Natural Resources in the current period and which relate to expenses of future periods. Changes in the deferred contributions balance are as follows:

	2012	2011
Public access road maintenance:		
Balance, beginning of year	\$ 175,598	\$ 166,637
Add: contributions received in the year	300,000	300,000
Less: amount spent in the year	(158,899)	(291,039)
Balance, end of year	316,699	175,598
Other park-related projects:		
Balance, beginning of year	229,434	-
Add: contributions received in the year	-	229,434
Less: amount spent in the year	(109,315)	-
Balance, end of year	120,119	229,434
	\$ 436,818	\$ 405,032

ALGONQUIN FORESTRY AUTHORITY

Notes to Financial Statements (continued)

Year ended March 31, 2012

5. Employee future benefits:

(a) Multi-employer pension plan:

The Authority's full-time employees participate in the Public Service Pension Fund (PSPF) which is a defined benefit pension plan for certain employees of the Province and many provincial agencies. The Province of Ontario, which is the sole sponsor of the PSPF, determines the Authority's annual payments to the PSPF. As the sponsor is responsible for ensuring that the pension funds are financially viable, any surpluses or unfunded liabilities arising from the statutory actuarial funding valuations are not assets or obligations of the Authority. The Authority's annual payments of \$110,243 (2011 - \$150,607) are included in salaries and benefits in the Statement of Operations.

(b) Termination benefits:

The Authority provides termination benefits to qualifying employees. All full-time employees qualify for a severance payment equal to one week of salary for each year of continuous service with the Authority, to a maximum of one-half of the employees' annual salary. The total obligation for severance payments vested amounts to \$441,287 (2011 - \$418,771) at year end.

(c) Non-pension post-retirement benefits:

The cost of other non-pension post-retirement benefits is the responsibility of the Province, a related party, and accordingly is not accrued or included in the Statement of Operations.

6. Deferred capital contributions:

Deferred capital contributions related to capital assets represent the unamortized amount of grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2012	2011
Balance, beginning of year	\$ 155,460	\$ 93,989
Additional contributions received	86,400	107,325
Less amounts amortized to revenue	(63,134)	(45,854)
	<u>\$ 178,726</u>	<u>\$ 155,460</u>

ALGONQUIN FORESTRY AUTHORITY

Notes to Financial Statements (continued)

Year ended March 31, 2012

7. Forest renewal fund:

Effective April 1, 2002, the Authority renewed its 20 year agreement with the Ministry of Natural Resources, a related party, to perform forest management activities, including silvicultural work. Funding, on a cost recovery basis, for these activities is derived from stumpage charges levied under the Crown Forest Sustainability Act and grants from the Forestry Futures Fund.

The agreement also requires the Authority to maintain a minimum balance of \$1,500,000 in the Forest Renewal Fund.

8. Interfund transfer:

The Board of Directors has approved, by resolution, that any loss incurred in the Forest Renewal Fund resulting from forest renewal activity expenses exceeding revenue, net of related capital asset amortization, during the year which cannot be funded by the Forest Renewal Fund without causing the Forest Renewal Fund balance to fall below \$2,500,000 shall be funded by the General Fund.

9. Investment in capital assets:

(a) Investment in capital assets is calculated as follows:

	2012	2011
Capital assets	\$ 389,035	\$ 401,592
Amounts financed by:		
Deferred contributions	(178,726)	(155,460)
	\$ 210,309	\$ 246,132

ALGONQUIN FORESTRY AUTHORITY

Notes to Financial Statements (continued)

Year ended March 31, 2012

9. Investment in capital assets: (continued)

(b) Change in net assets invested in capital assets is calculated as follows:

	2012	2011
Deficiency of revenues over expenses:		
Amortization of deferred contributions related to capital assets	\$ 63,134	\$ 45,854
Amortization of capital assets	(198,469)	(233,091)
	\$ (135,335)	\$ (187,237)
Net change in investment in capital assets:		
Purchase of capital assets	\$ 185,912	\$ 288,073
Amounts funded by:		
Deferred contributions	(86,400)	(107,325)
	\$ 99,512	\$ 180,748

10. Road maintenance funding:

Included in General Fund Other Revenue is revenue of \$1.71 million (2011 - \$1.81 million) received by the Authority pursuant to an agreement with the Ontario Ministry of Natural Resources. The purpose of the agreement is to provide the Authority with reimbursement of road construction and maintenance costs on eligible primary and secondary forest access roads where access to those roads is not limited to the forest industry. A portion of the Ministry funding was passed on to the Authority's customers through a rebate allocated on the basis of sales volumes. In fiscal year 2012, \$436,700 (2011 - \$424,600) was passed on to the Authority's customers.

11. Remuneration of appointments:

Total remuneration of the Board members of the Authority was approximately \$11,700 during the fiscal year (2011 - \$13,700).

ALGONQUIN FORESTRY AUTHORITY

Notes to Financial Statements (continued)

Year ended March 31, 2012

12. Financial instruments:

Unless otherwise noted, it is management's opinion that the Authority is not exposed to significant interest, currency or credit risks arising from its financial instruments. The fair value of the Authority's financial instruments approximate their carrying values, unless otherwise noted.

13. Capital management:

The Authority defines net assets as capital. The Authority manages its capital to have sufficient resources to satisfy its liabilities as they become due and to provide the services for which it is constituted in a consistent and quality manner. The Ministry of Natural Resources requires the Authority to maintain a minimum balance of \$1,500,000 (2011 - \$1,500,000) in the Forest Renewal Fund and the Authority has complied with this requirement.

14. Available credit facilities:

As part of its financial arrangements, the Authority has negotiated a line of credit in the amount of \$1,000,000 with its banker. The line of credit is unsecured and any amount drawn down bears interest at the bank's prime rate minus .50%.

15. Comparative figures:

Certain 2011 comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

Cancer Care Ontario

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June 20, 2012

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, 2012, 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,



Michael Sherar, PhD
President and CEO



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



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

Independent Auditor's Report

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

I have audited the accompanying financial statements of Cancer Care Ontario, which comprise the statement of financial position as at March 31, 2012, and the statements of operations, changes in fund balances, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Cancer Care Ontario as at March 31, 2012 and its financial performance 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

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www.auditor.on.ca

Toronto, Ontario
June 20, 2012

Cancer Care Ontario

Statement of financial position

(In thousands of dollars)

March 31

2012

2011

Assets**Current**

Cash and cash equivalents (Note 3)	\$ 117,484	\$ 155,804
Short-term investments (Note 4)	122,111	80,982
Receivables and prepaids (Note 5)	<u>28,878</u>	<u>20,253</u>
	<u>268,473</u>	<u>257,039</u>

Capital assets (Note 6)

<u>134,148</u>	<u>103,488</u>
\$ 402,621	\$ 360,527

Liabilities**Current**

Accounts payable and accrued liabilities (Note 7)	\$ 208,573	\$ 190,280
Deferred operating grants (Note 8(a))	<u>4,861</u>	<u>6,546</u>
	<u>213,434</u>	<u>196,826</u>

Deferred contributions related to capital assets (Note 8(b))	140,464	115,930
Post-retirement benefits other than pension plan (Note 9(b))	<u>3,195</u>	<u>3,314</u>
	<u>357,093</u>	<u>316,070</u>

Fund balances

Endowment	1,288	2,317
Internally and externally restricted	4,485	10,005
General – unrestricted	36,136	26,669
Investment in capital assets	<u>3,619</u>	<u>5,466</u>
	<u>45,528</u>	<u>44,457</u>

\$ 402,621	\$ 360,527
-------------------	-------------------

Commitments (Note 15)

Contingencies (Note 16)

Guarantees (Note 18)

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, 2012

	Restricted		General		Total	
	2012	2011	2012	2011	2012	2011
Revenue						
Ministry of Health and Long-Term Care	\$ -	\$ -	\$ 844,437	\$ 778,657	\$ 844,437	\$ 778,657
Capital contributions from Ministry of Health and Long-Term Care for Integrated Cancer Programs	-	-	9,597	11,216	9,597	11,216
Net investment income (Note 11)	31	25	4,200	2,488	4,231	2,513
Amortization of deferred contributions related to capital assets (Note 8(b))	-	-	23,957	30,981	23,957	30,981
Other (Note 12)	3,465	5,914	9,419	7,156	12,884	13,070
	<u>3,496</u>	<u>5,939</u>	<u>891,610</u>	<u>830,498</u>	<u>895,106</u>	<u>836,437</u>
Expenses						
Integrated Cancer Programs						
Services	3,694	88	312,417	292,398	316,111	292,486
Drugs	-	-	219,309	218,983	219,309	218,983
Surgical services – hospitals	-	-	66,675	51,101	66,675	51,101
Salaries and benefits	1,762	2,954	63,174	59,348	64,936	62,302
Chronic kidney disease services	-	-	51,643	46,073	51,643	46,073
Screening services	-	-	50,369	40,498	50,369	40,498
Amortization of capital assets	-	51	25,715	32,351	25,715	32,402
Medical services	24	69	25,662	13,948	25,686	14,017
Purchased services	1,212	2,296	21,099	21,715	22,311	24,011
Hospital systemic therapy services	-	-	15,344	13,747	15,344	13,747
Other operating (Note 13)	216	703	11,734	10,561	11,950	11,264
Capital contributions to						
Integrated Cancer Programs	-	-	11,737	14,027	11,737	14,027
Pension (Note 9(a))	-	-	5,102	4,686	5,102	4,686
Occupancy costs	5	61	3,893	3,531	3,898	3,592
Consulting services	12	136	2,780	4,049	2,792	4,185
Professional fees	1	4	324	401	325	405
Post-retirement benefits other than pension plan (Note 9(b))	-	-	121	130	121	130
Loss on disposal of capital assets	-	435	11	92	11	527
	<u>6,926</u>	<u>6,797</u>	<u>887,109</u>	<u>827,639</u>	<u>894,035</u>	<u>834,436</u>
Excess (deficiency) of revenue over expenses	\$ (3,430)	\$ (858)	\$ 4,501	\$ 2,859	\$ 1,071	\$ 2,001

See accompanying notes to the financial statements.

Cancer Care Ontario**Statement of changes in fund balances**

(In thousands of dollars)

Year ended March 31, 2012

	<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>2012</u>		<u>2011</u>	
Fund balances, beginning of year	\$ 2,317	\$ 10,005	\$ 26,669	\$ 5,466	\$ 44,457		\$ 42,456	
Excess (deficiency) of revenue over expenses	-	(3,430)	4,501	-	1,071		2,001	
Net change in investment in capital assets (Note 10)	-	555	1,292	(1,847)	-		-	
Interfund transfers (Note 14)	<u>(1,029)</u>	<u>(2,645)</u>	<u>3,674</u>	<u>-</u>	<u>-</u>		<u>-</u>	
Fund balances, end of year	<u>\$ 1,288</u>	<u>\$ 4,485</u>	<u>\$ 36,136</u>	<u>\$ 3,619</u>	<u>\$ 45,528</u>		<u>\$ 44,457</u>	

See accompanying notes to the financial statements.

Cancer Care Ontario

Statement of cash flows

(In thousands of dollars)

Year ended March 31

2012

2011

Increase (decrease) in cash and cash equivalents

Operating

Excess of revenue over expenses	\$ 1,071	\$ 2,001
Amortization of capital assets	25,715	32,402
Amortization of deferred contributions related to capital assets	(23,957)	(30,981)
Loss on disposal of capital assets	11	527
Benefit expense related to post-retirement benefits other than pension plan	121	130
Post-retirement benefits other than pension plan paid	(240)	(172)
	<u>2,721</u>	<u>3,907</u>
Change in non-cash operating working capital		
Receivables and prepaids	(8,625)	16,659
Accounts payable and accrued liabilities	18,293	54,403
Deferred operating grants	(1,685)	(30,888)
	<u>7,983</u>	<u>40,174</u>
	<u>10,704</u>	<u>44,081</u>

Investing

Proceeds from maturity of investments	83,422	50,302
Purchase of investments	(124,551)	(51,160)
Purchase of capital assets	(56,393)	(38,936)
Proceeds on disposal of capital assets	7	61
	<u>(97,515)</u>	<u>(39,733)</u>

Financing

Amounts received related to capital assets	<u>48,491</u>	<u>45,125</u>
(Decrease) increase in cash and cash equivalents	(38,320)	49,473
Cash and cash equivalents, beginning of year	<u>155,804</u>	<u>106,331</u>
Cash and cash equivalents, end of year	<u>\$ 117,484</u>	<u>\$ 155,804</u>

See accompanying notes to the financial statements.

Cancer Care Ontario

Notes to the financial statements

(In thousands of dollars)

March 31, 2012

Nature of operations

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, screening, diagnosis, treatment, research, education and palliative care. 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. The Organization and the Ministry of Health and Long-Term Care ("MOHLTC") entered into a Memorandum of Understanding ("MOU"), effective December 2, 2009. The Organization is primarily funded by the Province of Ontario through the MOHLTC.

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

The Organization supports the provincial government's Ontario Wait Time and Access to Care ("ATC") Strategies. The ATC program is comprised of information technology and information management initiatives with a strategic focus on improving access, quality and efficiency of patient care and tracking patients as they move across the continuum of care. The mandate of the ATC program is the development and implementation of information strategies and information systems to support improved access to care, ongoing operation of information systems, data analysis and reporting.

In June 2009, the MOHLTC formally transferred to the Organization the provincial oversight and co-ordination of the Chronic Kidney Disease ("CKD") Program. The mandate of the CKD program is to develop and implement a provincial CKD strategy that will lead to measurable and sustained improvement in CKD care across the province. This includes improved strategies for vascular access and home dialysis, implementation of a patient-based funding model and earlier detection and better disease management.

Cancer Care Ontario

Notes to the financial statements

(In thousands of dollars)

March 31, 2012

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 externally and internally restricted resources, primarily related to research. These funds include donations and grants which either have specific restrictions placed on their use by the donor, or have been internally restricted by the Board of Directors.

The General Fund accounts for the Organization's MOHLTC and other funded programs. This fund reports unrestricted resources and restricted grants from the MOHLTC and others.

Contributions

The Organization follows the deferral method of accounting for restricted contributions related to MOHLTC 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.

Cancer Care Ontario

Notes to the financial statements

(In thousands of dollars)

March 31, 2012

1. Significant accounting policies (continued)

Capital assets

Capital assets are recorded at cost. All capital assets are amortized on a straight-line basis at rates based on the estimated useful lives of the assets.

Therapeutic and other technical equipment is amortized over periods ranging from 4 years to 9 years; office furniture, equipment and software are amortized over periods ranging from 3 years to 5 years; and leasehold improvements are amortized over the 5 year term of the leases.

Third party and internal labour costs are capitalized under software in connection with the development of information technology projects.

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

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.

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. Significant items subject to such estimates and assumptions include the carrying amount of capital assets, accruals for drug expenditures and post retirement benefits other than pension plan. Actual results could differ from those estimates.

Cancer Care Ontario

Notes to the financial statements

(In thousands of dollars)

March 31, 2012

1. Significant accounting policies (continued)

Future accounting changes

Effective January 1, 2012, government organizations currently applying Not-For-Profit accounting standards in Part V of the Canadian Institute of Chartered Accountants (CICA) Handbook will be required to comply with the Public Sector Accounting (PSA) Standards. The standards are applicable to all government not-for-profit organizations. Government not-for-profit organizations maintain the option to adopt PSA standards with or without the not-for-profit sections. The Organization has decided to adopt PSA standards with the not-for-profit sections for the fiscal year beginning April 1, 2012.

2. 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.

3. Cash and cash equivalents – restricted

Cash and cash equivalents includes \$407 (2011 - \$404) which is restricted, as it relates 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 funds are subject to externally imposed restrictions and are not available for general use.

Cancer Care Ontario

Notes to the financial statements

(In thousands of dollars)
March 31, 2012

4. Investments	2012	2011		
Guaranteed Investment Certificate, interest at 1.89%, redeemable on demand, maturing September 5, 2013	\$ 60,082	\$ -		
Guaranteed Investment Certificates, interest at 1.85%, maturing September 5, 2012	41,820	-		
Guaranteed Investment Certificates, interest at 1.6%, maturing December 21, 2012	10,125	-		
Guaranteed Investment Certificates, interest at 1.71%, maturing April 2, 2012	10,084	-		
Guaranteed Investment Certificates, interest at 2.1%, maturing March 3, 2012	-	10,226		
Guaranteed Investment Certificates, interest at 2.26%, maturing March 5, 2012	-	30,693		
Guaranteed Investment Certificate, interest at 2.05%, maturing March 5, 2012	-	40,063		
	<u>\$ 122,111</u>	<u>\$ 80,982</u>		
5. Receivables and prepaids	2012	2011		
Accounts receivable	\$ 5,838	\$ 4,225		
Due from MOHLTC	21,305	14,818		
Prepaids	<u>1,735</u>	<u>1,210</u>		
	<u>\$ 28,878</u>	<u>\$ 20,253</u>		
6. Capital assets	2012	2011		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Therapeutic and other technical equipment	\$ 279,430	\$ 174,531	\$ 104,899	\$ 90,149
Office furniture, equipment, and leasehold improvements	8,992	5,449	3,543	3,507
Software	<u>32,942</u>	<u>7,236</u>	<u>25,706</u>	<u>9,832</u>
	<u>\$ 321,364</u>	<u>\$ 187,216</u>	<u>\$ 134,148</u>	<u>\$ 103,488</u>

The cost of capital assets include software, and deposits for therapeutic equipment of \$33,034 (2011 - \$20,573). Amortization of these amounts will commence when the asset is available for use.

At the beginning of 2012, the Organization reviewed the estimate of the useful lives of its capital assets. The impact of changes in the estimated useful lives is accounted for on a prospective basis. The impact of adjustments to management's estimates of remaining asset useful lives was a decrease in amortization expense of \$12,474.

Cancer Care Ontario

Notes to the financial statements

(In thousands of dollars)

March 31, 2012

7. Accounts payable and accrued liabilities	<u>2012</u>	<u>2011</u>
Trade payables	\$ 138,672	\$ 63,980
Accrued liabilities and other	39,341	63,955
Payable to MOHLTC and other	30,153	61,941
Pension escrow	407	404
	<u>\$ 208,573</u>	<u>\$ 190,280</u>

8. Deferred contributions

a) Deferred operating grants

Deferred operating grants represent unspent resources related to MOHLTC 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>2012</u>	<u>2011</u>
Balance, beginning of year	\$ 6,546	\$ 37,434
Amounts received during the year	99,389	45,697
Amounts recognized as revenue	(5,068)	(3,268)
Amounts returned to MOHLTC	(65,853)	(11,376)
Amounts reclassified to accounts payable and accrued liabilities	<u>(30,153)</u>	<u>(61,941)</u>
Balance, end of year	<u>\$ 4,861</u>	<u>\$ 6,546</u>

b) Deferred contributions related to capital assets

Deferred contributions related to capital assets represent the unamortized 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>2012</u>	<u>2011</u>
Balance, beginning of year	\$ 115,930	\$ 101,786
Amounts received related to capital assets	48,491	45,125
Amount recognized as revenue	<u>(23,957)</u>	<u>(30,981)</u>
Balance, end of year	<u>\$ 140,464</u>	<u>\$ 115,930</u>

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

	<u>2012</u>	<u>2011</u>
Unamortized capital contributions used to purchase capital assets	\$ 130,529	\$ 98,022
Unspent contributions	<u>9,935</u>	<u>17,908</u>
Balance, end of year	<u>\$ 140,464</u>	<u>\$ 115,930</u>

Cancer Care Ontario

Notes to the financial statements

(In thousands of dollars)

March 31, 2012

9. 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 \$5,102 (2011 - \$4,686) 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 \$240 (2011 - \$172).

During the year, the Organization increased its accrued benefit obligation by \$65 (2011 – decreased by \$95) based on the most recent actuarial valuation for the post-retirement benefits other than pension plan dated March 31, 2010. The next valuation will take place as at March 31, 2013.

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

	<u>2012</u>	<u>2011</u>
Accrued benefit obligation	\$ (2,921)	\$ (2,856)
Unamortized actuarial gain	(858)	(1,114)
Unamortized net transitional obligation	<u>584</u>	<u>656</u>
Net accrued benefit liability	\$ <u>(3,195)</u>	\$ <u>(3,314)</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>2012</u>	<u>2011</u>
Discount rate	3.75%	4.5%
Drug cost trend rate	8% in 2012 to 5% in 2018 and after	8.5% in 2011 to 5% in 2018 and after
Hospital, dental and other medical costs trend rate	4% per annum	4% per annum

Cancer Care Ontario

Notes to the financial statements

(In thousands of dollars)

March 31, 2012

10. Investment in capital assets	<u>2012</u>	<u>2011</u>
Capital assets	\$ 134,148	\$ 103,488
Amounts financed by deferred capital contributions (Note 8 b))	<u>(130,529)</u>	<u>(98,022)</u>
	\$ <u>3,619</u>	\$ <u>5,466</u>

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

Purchase of capital assets	\$ 56,393	\$ 38,936
Deferred contributions related to capital assets	(56,464)	(33,193)
Amortization of deferred contributions related to capital assets	23,957	30,981
Amortization of capital assets	(25,715)	(32,402)
Disposal of capital assets	<u>(18)</u>	<u>(588)</u>
	\$ <u>(1,847)</u>	\$ <u>3,734</u>

11. Net investment income

Net investment income earned on the Endowment Fund resources in the amount of \$31 (2011 - \$25) is included in the Restricted Fund.

12. Other revenue	<u>2012</u>	<u>2011</u>
General Fund		
eHealth Ontario	\$ 3,290	\$ 503
Canadian Partnership Against Cancer	3,122	2,527
Public Health Ontario	2,333	2,284
Salary recovery	143	392
Other income	<u>531</u>	<u>1,450</u>
	\$ <u>9,419</u>	\$ <u>7,156</u>
Restricted Fund		
Grants	\$ 3,465	\$ 5,694
Donations	<u>-</u>	<u>220</u>
	\$ <u>3,465</u>	\$ <u>5,914</u>

Cancer Care Ontario**Notes to the financial statements**

(In thousands of dollars)

March 31, 2012

13. Other operating expenses	<u>2012</u>	<u>2011</u>
Restricted Fund		
Travel	\$ 79	\$ 82
General office	69	394
Education and publications	32	136
Equipment	31	59
Other expenses	<u>5</u>	<u>32</u>
	\$ <u>216</u>	\$ <u>703</u>
General Fund		
Equipment	\$ 5,322	\$ 4,262
General office	2,261	1,903
Education and publications	2,095	1,960
Patient service	800	800
Travel	751	873
Other expenses	<u>505</u>	<u>763</u>
	\$ <u>11,734</u>	\$ <u>10,561</u>
14. Interfund transfer	<u>2012</u>	<u>2011</u>
Transfer to the General Fund from Endowment	\$ 1,029	\$ -
Transfer to the General Fund from the Restricted Fund	<u>2,645</u>	<u>12,890</u>
	\$ <u>3,674</u>	\$ <u>12,890</u>

Transfers to the General Fund from the Endowment and Restricted Funds represent the release of externally and internally restricted reserves approved by the Organization's Board of Directors.

15. Commitments

- a) The Organization leases space, and computer and office equipment. Under the terms of the leases, future repayments in aggregate and over each of the next five years are estimated as follows for the years ending March 31:

2013	\$ 4,943
2014	3,125
2015	2,803
2016	2,718
2017	2,680
Subsequently	<u>967</u>
	\$ <u>17,236</u>

- b) The Organization has committed \$4,796 (2011 - \$24,101) for the purchase of equipment, which is net of deposits disclosed in Note 6.

Cancer Care Ontario

Notes to the financial statements

(In thousands of dollars)

March 31, 2012

16. Contingencies

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 no distributions declared by HIROC as of March 31, 2012.

17. 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 4. Investments consist of guaranteed investment certificates with a fixed interest rate that in management's estimation is at market.

Credit risk

Credit risk arises from cash and cash equivalents and investments held with financial institutions and credit exposures on outstanding receivables. Cash and cash equivalents and term investments are held at major financial institutions minimizing any potential exposure to credit risk. It is management's opinion that the risk related to receivables is minimal as most of the receivables are from federal and provincial governments and organizations controlled by them.

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of financial instruments will fluctuate due to changes in market interest rates. The Organization currently is only exposed to interest rate risk from its investments. The Organization does not expect fluctuations in market interest rates to have a material impact on its financial performance and does not use derivative instruments.

Cancer Care Ontario

Notes to the financial statements

(In thousands of dollars)

March 31, 2012

18. Guarantees

a) Director/officer indemnification

The Organization's General By-Laws contain 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 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 Landlords under the Organization's leases of premises; indemnification of the MOHLTC 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 CPIA and the related 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 payments under such indemnifications, and no amount has been accrued in the accompanying financial statements with respect to the contingent aspect of these indemnities.

19. Comparative figures

Certain comparative figures have been reclassified to conform to 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, 2012 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 June 7, 2012.

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 the 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 black ink, reading 'Marguerite Jackson'.

Marguerite Jackson
Chief Executive Officer
Toronto, Canada
June 7, 2012

A handwritten signature in black ink, reading 'Tony Saini'.

Tony Saini
Director, Corporate and Public Affairs



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Education Quality and Accountability Office

We have audited the accompanying financial statements of the Education Quality and Accountability Office, which comprise the statement of financial position as at March 31, 2012, the statements of operations and accumulated surplus, changes in net financial assets, and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Education Quality and Accountability Office as at March 31, 2012, and its results of 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 horizontal line underneath.

Chartered Accountants, Licensed Public Accountants

June 7, 2012
Toronto, Canada

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

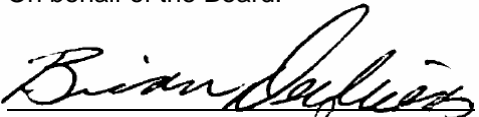
Statement of Financial Position

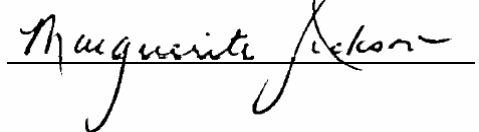
March 31, 2012, with comparative figures for 2011

	2012	2011
Financial Assets		
Current assets:		
Cash	\$ 3,672,633	\$ 2,998,377
Board restricted fund (note 3)	5,560,594	4,993,718
Accounts receivable (note 4)	478,018	925,453
	<u>9,711,245</u>	<u>8,917,548</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	3,172,697	2,733,289
Deferred revenue	2,175,404	2,124,287
	<u>5,348,101</u>	<u>4,857,576</u>
Net financial assets	4,363,144	4,059,972
Non-Financial Assets		
Prepaid expenses (note 5)	709,949	605,589
Capital assets (note 6)	487,501	370,265
	<u>1,197,450</u>	<u>975,854</u>
Accumulated surplus	<u>\$ 5,560,594</u>	<u>\$ 5,035,826</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, 2012, with comparative figures for 2011

	2012 Budget (Unaudited)	2012 Actual	2011 Actual
Revenue:			
Ministry of Education:			
Base allocation payments (note 2)	\$ 32,814,053	\$ 32,857,743	\$ 32,875,158
Other	—	524,768	459,698
	32,814,053	33,382,511	33,334,856
Expenses:			
Service and rental	15,923,626	16,505,943	16,872,258
Salaries and wages	12,421,412	12,077,453	12,036,804
Transportation and communication	3,963,899	3,738,685	3,372,364
Supplies and equipment	505,798	535,662	593,732
	32,814,735	32,857,743	32,875,158
Annual surplus	(682)	524,768	459,698
Accumulated surplus, beginning of year	5,035,826	5,035,826	4,576,128
Accumulated surplus, end of year	\$ 5,035,144	\$ 5,560,594	\$ 5,035,826

See accompanying notes to financial statements.

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Statement of Changes in Net Financial Assets

Year ended March 31, 2012, with comparative figures for 2011

	2012 Budget (Unaudited)	2012 Actual	2011 Actual
Annual surplus	\$ (682)	\$ 524,768	\$ 459,698
Acquisition of capital assets	247,591	(315,379)	(150,666)
Amortization of capital assets	—	198,143	380,478
	247,591	(117,236)	229,812
Acquisition of prepaid expenses	—	(709,949)	(605,589)
Use of prepaid expenses	—	605,589	387,209
	—	(104,360)	(218,380)
Increase in net financial assets	246,909	303,172	471,130
Net financial assets, beginning of year	4,059,972	4,059,972	3,588,842
Net financial assets, end of year	\$ 4,306,881	\$ 4,363,144	\$ 4,059,972

See accompanying notes to financial statements.

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Statement of Cash Flows

Year ended March 31, 2012, with comparative figures for 2011

	2012	2011
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 524,768	\$ 459,698
Amortization of capital assets which does not affect cash	198,143	380,478
	722,911	840,176
Change in non-cash operating working capital:		
Accounts receivable	447,435	(766,329)
Accounts payable and accrued liabilities	439,408	(383,809)
Deferred revenue	51,117	(26,651)
Prepaid expenses	(104,360)	(218,380)
	1,556,511	(554,993)
Financing activities:		
Acquisition of capital assets	(315,379)	(150,666)
Investing activities:		
Additions to board restricted fund	(566,876)	(545,556)
Increase (decrease) in cash	674,256	(1,251,215)
Cash, beginning of year	2,998,377	4,249,592
Cash, end of year	\$ 3,672,633	\$ 2,998,377

See accompanying notes to financial statements.

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Notes to Financial Statements

Year ended March 31, 2012

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, 2012

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, 2012

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 and accumulated surplus is noted below:

	2012	2011
Gross base allocation payments	\$ 32,908,860	\$ 32,848,507
Allocation from (to) deferred revenue	(51,117)	26,651
Ministry of Education - base allocation payments	\$ 32,857,743	\$ 32,875,158

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.

	2012	2011
Balance, beginning of year	\$ 4,993,718	\$ 4,448,162
Appropriation of other income	451,237	467,841
Interest income earned on funds	115,639	77,715
Balance, end of year	\$ 5,560,594	\$ 4,993,718

4. Accounts receivable:

Included in accounts receivable is a transfer payment in the amount of nil (2011 - \$620,000) due from the Ministry of Education.

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Notes to Financial Statements (continued)

Year ended March 31, 2012

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:

	2012	2011
Prepaid expenses	\$ 131,715	\$ 105,879
Prepaid secondees	578,234	499,710
	<u>\$ 709,949</u>	<u>\$ 605,589</u>

6. Capital assets:

			2012	2011
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment	\$ 1,937,960	\$ 1,481,923	\$ 456,037	\$ 324,247
Furniture and fixtures	251,191	219,727	31,464	46,018
	<u>\$ 2,189,151</u>	<u>\$ 1,701,650</u>	<u>\$ 487,501</u>	<u>\$ 370,265</u>

Amortization of capital assets recorded in the current year amounts to \$198,143 (2011 - \$380,478).

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 2013 is \$494,280.

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Notes to Financial Statements (continued)

Year ended March 31, 2012

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.



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777, rue Bay, bureau 701
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Télé: (416) 586 - 4363
Courriel: info@ehealthontario.on.ca
Site Web: www.ehealthontario.on.ca

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 managements' 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 Ernst and Young 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 Auditor's Report outlines the scope of the Auditors' examination and opinion.



Chief Financial Officer
Angela Young

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
eHealth Ontario

We have audited the accompanying financial statements of **eHealth Ontario**, which comprise the statement of financial position as at March 31, 2012, and the statements of operations and changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

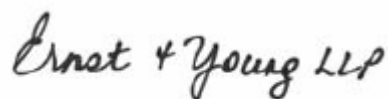
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **eHealth Ontario** as at March 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Licensed Public Accountants

Toronto, Canada,
July 25, 2012.

eHealth Ontario

STATEMENT OF FINANCIAL POSITION

[in thousands of dollars]

As at March 31

	2012 \$	2011 \$
ASSETS		
Current		
Cash	41,219	42,730
Prepaid expenses	9,704	5,921
Due from Ministry of Health and Long-Term Care <i>[note 3[c]]</i>	5,950	—
HST and other receivables	3,107	3,693
Total current assets	59,980	52,344
Capital assets, net <i>[note 4]</i>	88,907	64,418
	148,887	116,762
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	58,446	47,615
Due to Ministry of Health and Long-Term Care <i>[note 3[b]]</i>	1,534	4,729
Total current liabilities	59,980	52,344
Deferred capital contributions <i>[note 5]</i>	88,907	64,418
Total liabilities	148,887	116,762
Commitments and contingencies <i>[note 6]</i>		
Net assets	—	—
	148,887	116,762

See accompanying notes

On behalf of the Board:



Greg A. Reed
President and Chief Executive Officer
and Board member



Raymond V. Hession
Chair of the Board of Directors

eHealth Ontario**STATEMENT OF OPERATIONS AND
CHANGES IN NET ASSETS***[in thousands of dollars]*

Year ended March 31

	2012 \$	2011 \$
REVENUE		
Government grants <i>[note 3(a)]</i>	369,157	318,121
Amortization of deferred capital contributions <i>[note 5]</i>	15,784	11,559
	384,941	329,680
EXPENSES		
Development and delivery	189,406	147,184
Technology services	139,121	137,076
Shared services	28,390	26,527
Enabling technology	12,240	7,334
	369,157	318,121
Amortization of capital assets <i>[note 4]</i>	15,784	11,559
	384,941	329,680
Excess of revenue over expenses for the year	—	—
Net assets, beginning of year	—	—
Net assets, end of year	—	—

See accompanying notes

eHealth Ontario

STATEMENT OF CASH FLOWS

[in thousands of dollars]

Year ended March 31

	2012 \$	2011 \$
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	—	—
Add (deduct) items not involving cash		
Amortization of deferred capital contributions	(15,784)	(11,559)
Amortization of capital assets	15,784	11,559
	—	—
Net change in non-cash working capital balances related to operations		
Prepaid expenses	(3,783)	(2,179)
HST and other receivables	586	(3,674)
Accounts payable and accrued liabilities	12,005	19,698
Due to/from Ministry of Health and Long-Term Care	(9,145)	3,560
Cash (used in) provided by operating activities	(337)	17,405
INVESTING ACTIVITIES		
Purchase of capital assets	(41,447)	(34,715)
Cash used in investing activities	(41,447)	(34,715)
FINANCING ACTIVITIES		
Contributions used to fund capital assets	40,273	39,246
Cash provided by financing activities	40,273	39,246
Net (decrease) increase in cash during the year	(1,511)	21,936
Cash, beginning of year	42,730	20,794
Cash, end of year	41,219	42,730

See accompanying notes

eHealth Ontario**NOTES TO FINANCIAL STATEMENTS***[in thousands of dollars]*

March 31, 2012

1. NATURE OF OPERATIONS

eHealth Ontario is designated as an operational service agency established under the Ontario Regulation made under the Development Corporations Act (O. Reg. 43/02). Subsection 2(3) of O. Reg. 43/02 provides that eHealth Ontario is, for all 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.

The following are the objects of eHealth Ontario:

- [a] to provide eHealth Ontario services and related support for the effective and efficient planning, management and delivery of health care in Ontario;
- [b] to develop eHealth Ontario 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 and the Ministry of Health and Long-Term Care [the "Ministry"] entered into a Memorandum of Understanding and Transfer Payment Agreement, effective April 1, 2009. The Transfer Payment Agreement expired on March 31, 2011 and an Accountability Agreement with the Ministry was signed on March 31, 2011 for a one-year term. Effective April 1, 2012, eHealth Ontario and the Ministry entered into a new Accountability Agreement for a three-year period ending March 31, 2015.

eHealth Ontario is funded by the Province of Ontario through 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.

As a Crown agency, eHealth Ontario is exempt from income taxes.

eHealth Ontario**NOTES TO FINANCIAL STATEMENTS***[in thousands of dollars]*

March 31, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations, unless otherwise directed to specific accounting recommendations of the Public Sector Accounting Standards Board ["PSAB"] of the Canadian Institute of Chartered Accountants [the "CICA"].

The significant accounting policies are summarized as follows:

Revenue recognition

eHealth Ontario follows the deferral method of accounting for contributions. Contributions are recognized when received, or when receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. 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.

Allocation of expenses

The costs of each function include the costs of personnel and other expenses that are directly related to the function. General support and other costs are included in shared services expenses.

Capital assets

Capital assets are recorded at cost, net of accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Computer hardware	3 to 5 years
Computer software	3 to 10 years
Furniture and office equipment	5 years
Leasehold improvements	Over the term of the respective leases

Capital assets 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 changes in net assets.

Internal labour costs are capitalized in connection with the development of information technology projects.

eHealth Ontario**NOTES TO FINANCIAL STATEMENTS***[in thousands of dollars]*

March 31, 2012

Employee future benefits

Contributions to a defined contribution plan are expensed when due.

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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Future changes in accounting policies

In December 2010, PSAB amended The Introduction to Public Sector Accounting Standards to direct government not-for-profit organizations to follow either the CICA Public Sector Accounting Handbook with Sections PS 4200 to PS 4270 or the CICA Public Sector Accounting Handbook without these sections. These standards are effective for fiscal years beginning on or after January 1, 2012. eHealth Ontario will adopt the new standards in fiscal 2013 and is currently evaluating the impact of adopting these standards.

eHealth Ontario

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2012

3. GOVERNMENT OF ONTARIO

[a] Funding from the Ministry recognized as revenue is calculated as follows:

	2012 \$	2011 \$
Funding for eHealth Ontario operating/capital expenditures	256,616	228,065
Funding for transfer payments to eHealth Ontario partners	153,864	133,839
Total funding	410,480	361,904
Amounts used to fund capital assets and recorded as deferred capital contributions <i>[note 5]</i>	(40,273)	(39,246)
Interest earned during the year repayable to the Ministry	484	404
Interest earned and funding not used recorded as due to Ministry <i>[note 3[b]]</i>	(1,534)	(4,941)
Amount recognized as revenue	369,157	318,121

[b] The amount due to the Ministry consists of the following:

	2012 \$	2011 \$
Interest earned and funding not used	1,534	4,941
Funding receivable	—	(212)
	1,534	4,729

[c] Due from the Ministry consists of amounts due from the Ministry's I&IT Health Services Cluster related to the purchase of certain hardware and software on their behalf by eHealth Ontario and labour costs related to services provided by eHealth Ontario.

eHealth Ontario

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2012

4. CAPITAL ASSETS

	2012		
	Cost	Accumulated	Net
	\$	amortization	book
		\$	value
			\$
Computer hardware	67,617	43,474	24,143
Computer software	51,336	25,355	25,981
Furniture and office equipment	4,971	3,646	1,325
Leasehold improvements	3,565	3,428	137
Work-in-process	37,321	—	37,321
	164,810	75,903	88,907

	2011		
	Cost	Accumulated	Net
	\$	amortization	book
		\$	value
			\$
Computer hardware	58,633	37,853	20,780
Computer software	32,500	27,315	5,185
Furniture and office equipment	4,441	3,097	1,344
Leasehold improvements	3,492	3,070	422
Work-in-process	36,687	—	36,687
	135,753	71,335	64,418

eHealth Ontario

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2012

There are assets included in capital assets that have been purchased and not placed into use and therefore have not been amortized for the year. The net book value of these assets is as follows:

	2012 \$	2011 \$
Computer hardware	—	7,035
Computer software	—	42
Work-in-process	37,321	36,687
	37,321	43,764

In the current year, certain computer hardware and software no longer in use with a total cost of \$11,216, accumulated amortization of \$9,624 and a net book value of \$21 [2011 - \$217] was written off and included in amortization of capital assets. Impairment charges of \$1,571 [2011 – nil] related to the write down of work-in-process in connection with projects that have been redefined were also recognized during the year and included in amortization of capital assets.

5. DEFERRED CAPITAL CONTRIBUTIONS

	2012 \$	2011 \$
Balance, beginning of year	64,418	36,731
Contributions used to fund capital asset purchases <i>[note 3[a]]</i>	40,273	39,246
Amortization	(15,784)	(11,559)
Balance, end of year	88,907	64,418

eHealth Ontario**NOTES TO FINANCIAL STATEMENTS***[in thousands of dollars]*

March 31, 2012

6. COMMITMENTS AND CONTINGENCIES

- [a] eHealth Ontario has various multi-year contractual commitments for services. Payments required on these commitments are as follows:

	\$
2013	59,145
2014	48,153
2015	35,845
2016	10,334
2017	9,640
2018 and thereafter	18,596
	181,713

- [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:

	\$
2013	4,814
2014	5,087
2015	4,070
2016	3,457
2017	1,214
2018 and thereafter	167
	18,809

- [c] eHealth Ontario has entered into transfer payment agreements with eHealth Ontario partners that require future payments once defined eligibility requirements have been met. Total payments in connection with these contracts are approximately \$219 million, of which \$150 million is expected to be paid in fiscal 2013. These payments are payable over the period ending March 31, 2014.

eHealth Ontario**NOTES TO FINANCIAL STATEMENTS***[in thousands of dollars]*

March 31, 2012

- [d] eHealth Ontario has contractual commitments related to development projects that require future payments once defined deliverables have been provided. Total payments in connection with these contracts are approximately \$46 million.
- [e] In the normal course of operations, eHealth Ontario is subject to various claims and potential claims. Management has recorded its best estimate of the potential liability related to these claims where potential liability is likely and able to be estimated. In other cases, the ultimate outcome of the claims cannot be determined at this time.

eHealth Ontario has been served with a statement of claim for a proposed class action proceeding for breach of contract related to the rescinding of performance awards in connection with fiscal 2011. The potential losses, if any, related to this claim are not able to be determined at this time.

Any additional losses related to claims will be recorded in the year during which the liability is able to be estimated or adjustments to any amount recorded are determined to be required. Any adjustments to the amounts recorded related to claims will be recorded in the year during which the adjustments to the amounts recorded are determined to be required.

7. EMPLOYEE FUTURE BENEFITS

eHealth Ontario has a defined contribution pension plan for its employees. eHealth Ontario's contributions to this plan during the year amounted to \$3,176 [2011 - \$2,782].

8. SUPPLEMENTAL CASH FLOW INFORMATION

The change in accounts payable and accrued liabilities related to the purchase of capital assets for the year ended March 31, 2012 of \$1,174 [2011 - \$4,531] has been excluded from the statement of cash flows.

FOREST RENEWAL TRUST

Forest Renewal Trust Financial Statements for the year ended March 31, 2012 were not available at the time of printing. When available, they will be posted to the website: www.fin.gov.on.ca/en/.



Power to Ontario. On Demand.

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 Canadian public sector accounting standards. 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 16, 2012.

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 Auditors' Report, which follows, outlines the scope of their examination and their opinion.

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

On behalf of management,

A handwritten signature in black ink, appearing to read "Paul Murphy".

Paul Murphy
President and Chief Executive Officer
Toronto, Canada
February 16, 2012

A handwritten signature in black ink, appearing to read "Ted Leonard".

Ted Leonard
Vice President, Finance
Chief Financial Officer and Treasurer
Toronto, Canada
February 16, 2012

Independent Auditors' Report

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

We have audited the accompanying financial statements of IESO, which comprise the statements of financial position as at December 31, 2011, December 31, 2010, January 1, 2010, the statements of operations and accumulated deficit, remeasurement gains and losses, change in net debt and cash flows for the years ended December 31, 2011 and December 31, 2010, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

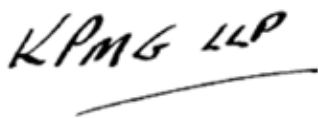
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable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

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

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of IESO as at December 31, 2011, December 31, 2010, January 1, 2010, and its results of operations, its change in net debt and its cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with Canadian public sector accounting standards.



Chartered Accountants, Licensed Public Accountants

February 16, 2012

Waterloo, Canada

Statements of Financial Position

As at (in thousands of Canadian dollars)	December 31, 2011	December 31, 2010	January 1, 2010
	\$	\$	\$
FINANCIAL ASSETS			
Cash and cash equivalents	5,626	8,609	8,990
Accounts receivable	14,135	15,755	13,500
Long-term investments (Note 4)	24,341	21,816	18,204
TOTAL FINANCIAL ASSETS	44,102	46,180	40,694
LIABILITIES			
Accounts payable and accrued liabilities (Note 5)	20,142	22,440	20,423
Accrued interest on debt	325	161	66
Rebates due to market participants (Note 6)	3,517	10,193	4,324
Short-term debt (Note 7)	32,000	2,000	–
Long-term debt (Note 7)	78,200	78,200	78,200
Accrued pension liability (Note 8)	54,928	67,866	71,821
Accrued liability for employee future benefits other than pension (Note 8)	64,541	60,222	56,468
TOTAL LIABILITIES	253,653	241,082	231,302
NET DEBT	(209,551)	(194,902)	(190,608)
NON-FINANCIAL ASSETS			
Net tangible capital assets (Note 9)	87,902	88,542	86,423
Prepaid expenses	3,103	3,769	3,693
TOTAL NON-FINANCIAL ASSETS	91,005	92,311	90,116
ACCUMULATED DEFICIT			
Accumulated deficit from operations (Note 6)	(118,172)	(102,591)	(100,492)
Accumulated remeasurement losses	(374)	–	–
ACCUMULATED DEFICIT	(118,546)	(102,591)	(100,492)

On behalf of the Board:



Tim O'Neill
Chair
Toronto, Canada



William Museler
Director
Toronto, Canada

Statements of Operations and Accumulated Deficit

For the year ended December 31 (in thousands of Canadian dollars)	2011	2011	2010
	Budget \$	Actual \$	Actual \$
WHOLESALE MARKET OPERATIONS			
System fees	117,335	112,903	116,890
Other revenue (Note 10)	2,900	3,494	2,958
Interest and investment income (Note 4)	50	1,403	2,378
Wholesale market operation revenues	120,285	117,800	122,226
Wholesale market operation expenses (Note 11)	122,901	116,290	108,271
Wholesale market operations annual surplus/(deficit)	(2,616)	1,510	13,955
MARKET PENALTIES AND FINES			
Revenue from penalties and fines	–	39	5
Customer education expenses	300	219	243
Market penalties and fines annual deficit	(300)	(180)	(238)
SMART METERING PROGRAM			
Smart metering program expenses (Note 11)	18,022	16,911	15,816
Smart metering program annual deficit	(18,022)	(16,911)	(15,816)
ANNUAL DEFICIT	(20,938)	(15,581)	(2,099)
ACCUMULATED DEFICIT FROM OPERATIONS, BEGINNING OF PERIOD	(102,591)	(102,591)	(100,492)
ACCUMULATED DEFICIT FROM OPERATIONS, END OF PERIOD	(123,529)	(118,172)	(102,591)

Statement of Remeasurement Gains and Losses

For the year ended December 31 (in thousands of Canadian dollars)

2011

	\$
ACCUMULATED REMEASUREMENT GAIN, BEGINNING OF PERIOD	–
UNREALIZED GAINS / (LOSSES) ATTRIBUTABLE TO:	
Foreign exchange – derivatives	2
Foreign exchange – other	46
Portfolio investments (Note 4)	(422)
NET REMEASUREMENT LOSSES FOR THE PERIOD	(374)
ACCUMULATED REMEASUREMENT LOSSES, END OF PERIOD	(374)

Statements of Change in Net Debt

For the year ended December 31 (in thousands of Canadian dollars)

	2011 Budget \$	2011 Actual \$	2010 Actual \$
ANNUAL DEFICIT	(20,938)	(15,581)	(2,099)
CHANGE IN NON-FINANCIAL ASSETS			
Acquisition of tangible capital assets	(27,710)	(14,787)	(17,773)
Amortization of tangible capital assets	16,018	15,427	15,654
Decrease/(Increase) in prepaid expenses	(231)	666	(76)
TOTAL CHANGE IN NON-FINANCIAL ASSETS	(11,923)	1,306	(2,195)
NET REMEASUREMENT GAINS/(LOSSES) FOR THE PERIOD	1,300	(374)	–
INCREASE IN NET DEBT	(31,561)	(14,649)	(4,294)
NET DEBT, BEGINNING OF PERIOD	(194,902)	(194,902)	(190,608)
NET DEBT, END OF PERIOD	(226,463)	(209,551)	(194,902)

Statements of Cash Flows

For the year ended December 31 (in thousands of Canadian dollars)

	2011	2010
	\$	\$
OPERATING TRANSACTIONS		
Annual deficit	(15,581)	(2,099)
	(15,581)	(2,099)
Changes in non-cash items:		
Amortization	15,427	15,654
Pension expense	14,316	11,461
Other employee future benefits expense	6,125	5,523
Change in fair value of long-term investments	–	(1,060)
	35,868	31,578
Changes in non-cash balances related to operations:		
Change in accounts payable and accrued liabilities	(585)	1,627
Change in accounts receivable	1,620	(2,255)
Change in rebates due to market participants	(6,676)	5,869
Change in prepaid expenses	666	(76)
	(4,975)	5,165
Other:		
Contribution to pension fund	(27,254)	(15,416)
Payment of employee future benefits	(1,806)	(1,769)
	(29,060)	(17,185)
Cash provided by (applied to) operating transactions	(13,748)	17,459
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	(14,787)	(17,773)
Change in accounts payable and accrued liabilities	(1,547)	485
Cash applied to capital transactions	(16,334)	(17,288)
INVESTING TRANSACTIONS		
Purchase of long-term investments	(2,947)	(2,552)
Cash applied to investing transactions	(2,947)	(2,552)
FINANCING TRANSACTIONS		
Issue debt	30,000	2,000
Cash provided by financing transactions	30,000	2,000
DECREASE IN CASH AND CASH EQUIVALENTS	(3,029)	(381)
CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD	8,609	8,990
Unrealized foreign exchange gain	46	–
CASH AND CASH EQUIVALENTS – END OF PERIOD	5,626	8,609

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 (SME), 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;

- 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 and approval. The submission may be made only with the approval or deemed approval of the IESO business plan by the Minister of Energy (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 Canadian public sector accounting standards and reflect the following significant accounting policies:

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.

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.

Interest and investment income represents realized interest income and investment gains or losses on cash, cash equivalents, short-term investments and long-term investments.

c) Financial instruments

The IESO records cash and cash equivalents, investment portfolio, and foreign currency exchange forward contracts at fair value. While held by the IESO, the cumulative change in fair value of these financial instruments is recorded in accumulated surplus as remeasurement gains and losses and is included in the value of the respective financial instrument shown in the statements of financial position and the statement of remeasurement gains and losses. Upon disposition of the financial instrument, the cumulative remeasurement gains and losses are reclassified to the statements of operations and all other gains and losses associated with the disposition of the financial instrument are recorded in the statements of operations. Transaction costs are charged to operations as incurred.

Cash and cash equivalents comprise cash, term deposits and other short-term, highly-rated investments with original maturity dates of less than 90 days.

The IESO records accounts receivable, accounts payable and debt at amortized cost.

d) Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts directly attributable to the acquisition, construction, development or betterment of the asset. The IESO capitalizes applicable interest as part of the cost of tangible capital assets.

e) Assets under construction

Assets under construction 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 assets under construction are transferred to tangible capital assets when the asset under construction is deemed to be ready for use.

f) Amortization

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

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

Class	Estimated Average Service Life 2011	Estimated Average Service Life 2010
Facilities	39	38
Market systems and applications	4 to 10	5 to 11
Infrastructure and other assets	4 to 7	4 to 7
Meter data management/repository	11	11

Gains and losses on sales or premature retirements of tangible capital assets are charged to operations.

The estimated service lives of tangible capital 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 2010.

g) Pension, other post-employment benefits and compensated absences

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 the expected rate of return on plan assets 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 the average value of assets over five years 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 cost of plan amendments in the period. 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. Actuarial gains/(losses) are 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 12 years (2010 – 11 years).

The IESO sick pay benefits accumulate but do not vest. The IESO accrues sick pay benefits based on the expectation of future utilization.

h) 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. Items on the statements of financial position denominated in foreign currency are translated to Canadian dollars at the rate of exchange as of the financial statements date. The cumulative unrealized foreign currency exchange gains and losses of items continuing to be recognized on the statements of financial position are recorded in accumulated deficit as remeasurement gains and losses and shown in the statements of financial position and the statement of remeasurement gains and losses. Upon settlement of the item denominated in a foreign currency, the cumulative remeasurement gains and losses are reclassified to the statements of operations and all other gains and losses associated with the disposition of the financial instrument are recorded in the statements of operations.

i) Use of estimates

The preparation of the financial statements in conformity with Canadian public sector accounting standards 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. The IESO's accounts which involve a greater degree of uncertainty include the carrying values of tangible capital assets, rebates to market participants, accrued pension liability, and accrual for employee future benefits other than pensions. Actual results could differ from those estimates.

3. TRANSITION TO PUBLIC SECTOR ACCOUNTING STANDARDS

Effective January 1, 2011, the IESO adopted Canadian public sector accounting standards (PSAB) with a transition date of January 1, 2010.

The adoption of PSAB has been accounted for by retroactive application with restatement of prior periods subject to the requirements in Section PS 2125, *First-time Adoption by Government Organizations*, unless otherwise stated.

The following outlines the accounting policies in areas which changed as a result of the IESO's adoption of PSAB:

Change to financial statement presentation

The IESO's adoption of PSAB includes early adoption of Section PS 1201, *Financial Statement Presentation*. The following is a summary of the significant differences for the IESO between, the December 31, 2010, as previously reported and restated financial statements:

The statement of financial position, as at December 31, 2010, has been restated, segregating financial and non-financial assets as well as the net debt (liabilities less financial assets) of the IESO; and accumulated deficit at the statement of financial position date.

The statement of operations, loss and accumulated deficit for the year ended December 31, 2010 has been replaced by the statement of operations and accumulated deficit and the statement of remeasurement gains and losses. The statements of operations and accumulated deficit report both revenue and expenses by the functions of the IESO.

A statement of remeasurement gains and losses has been presented. It represents the unrealized gains and losses associated with foreign exchange and changes in value for financial instruments recorded at fair value. It also includes realized gains and losses reclassified to the statements of operations when the asset or liability is settled.

The statements of change in net debt have been presented. It represents the acquisition, amortization and disposition of tangible capital assets as well as other significant items that explain the difference between the operating surplus or deficit for the accounting period and the change in net debt in the period.

The statement of cash flows as at December 31, 2010 have been restated, segregating capital and investing transactions.

Change to financial instruments

The IESO elected the early adoption of Section PS 3450, *Financial Instruments*, commencing in the 2011 fiscal year.

Previously the IESO classified long-term investments as "held for trading" and these were recorded at fair value with gains and losses recorded in the statement of operations at the financial statement date.

Under PSAB, long-term investments continue to be recorded at fair value. The unrealized change in fair value is recognized in the statement of remeasurement gains and losses. Once the asset or liability is settled, the cumulative remeasurement gain or loss is recorded on the statement of operations.

In transitioning to this section, the IESO is not required to restate prior period balances.

Change to foreign currency exchange

The IESO elected the early adoption of Sections PS 2601, *Foreign Currency Translation*, commencing in the 2011 fiscal year.

Previously foreign currency exchange gains and losses measured in relation to the exchange rate at the date of the item's initial recognition is recorded in the statement of operations.

Under PSAB, an unrealized foreign exchange gain or loss that arises prior to settlement is recognized in the statement of remeasurement gains and losses. In the period of settlement, the cumulative remeasurement gain or loss would be recorded on the statement of operations.

In transitioning to this section, the IESO is not required to restate prior period balances.

Change to pension and other post-employment benefits

Previously the discount rate used to value these liabilities was based on the market value of high quality corporate bond yields as at the measurement date. Under PSAB, the discount rate used to value liabilities by the IESO is based on the expected rate of return on plan assets as at the measurement date.

Previously the cumulative unamortized net actuarial gain or loss in excess of 10% of the greater of the projected benefit obligation and the market-related value of plan assets was amortized over the expected average remaining service life of the employees covered by the plan. Under PSAB, the total actuarial gains and losses are amortized over the expected average remaining service life of the employees covered by the plan.

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

On transition, the IESO elected to recognize all accumulated unamortized actuarial gains and losses as of the transition date in accumulated deficit. At January 1, 2010 the unrecognized actuarial loss for pension benefits was \$72,847 thousand and the unrecognized actuarial loss for OPEB was \$5,275 thousand.

Previously past service costs resulting from plan amendments related to prior period employee services were amortized over estimated average remaining service life of employees. Section PS 3250, *Retirement Benefits*, states that past service costs would be accounted for as an expense in the period of the plan amendment. At the transition date, the IESO had \$2,323 thousand and \$172 thousand in unrecognized past service costs relating to pension and OPEB, respectively. These amounts were recognized in accumulated deficit.

This total unrecognized actuarial loss and past service costs restated to accumulated deficit as a result of the transition to PSAB was \$80,617 thousand.

Change in compensated absences

In the transition to PSAB, Section PS 3255, *Post Employment Benefits, Compensated Absences and Termination Benefits*, the IESO estimated a liability for accumulating sick pay benefits as of the transition date. Prior to the adoption of this section, the IESO did not have a liability recorded for accumulating sick pay benefits.

At January 1, 2010 the accrual for accumulated sick pay benefits resulted in a liability of \$350 thousand.

Change to intangible assets

Previously the IESO reported computer software as intangible assets. In the transition to PSAB, computer software falls under the scope of section PS 3150, *Tangible Capital Assets*, and is reported in net tangible assets in the statements of financial position.

At January 1, 2010, \$6,685 thousand of intangible assets were reclassified to net tangible capital assets.

Comparative figures

The following tables present the reconciliation of account balances and transactions from the CICA reporting framework to the PSAB standard.

A detailed reconciliation of the IESO's restated statement of financial position as at the transition date is as follows:

As at (in thousands of Canadian dollars)	Note	January 1, 2010 (as reported)	January 1, 2010 adjustments	January 1, 2010 (as restated)
		\$	\$	\$
FINANCIAL ASSETS				
Cash and cash equivalents		8,990	—	8,990
Accounts receivable		13,500	—	13,500
Long-term investments		18,204	—	18,204
TOTAL FINANCIAL ASSETS		40,694	—	40,694
LIABILITIES				
Accounts payable and accrued liabilities	A	20,073	350	20,423
Accrued interest on debt		66	—	66
Rebates due to market participants		4,324	—	4,324
Long-term debt		78,200	—	78,200
Accrued pension liability	B	—	71,821	71,821
Accrued liability for employee future benefits other than pension	C	51,021	5,447	56,468
TOTAL LIABILITIES		153,684	77,618	231,302
NET DEBT		(112,990)	(77,618)	(190,608)
NON-FINANCIAL ASSETS				
Net tangible capital assets		79,738	6,685	86,423
Intangible assets		6,685	(6,685)	—
Prepaid pension costs	B	3,349	(3,349)	—
Prepaid expenses		3,693	—	3,693
TOTAL NON-FINANCIAL ASSETS		93,465	(3,349)	90,116
ACCUMULATED DEFICIT				
Accumulated deficit from operations		(19,525)	(80,967)	(100,492)
ACCUMULATED DEFICIT		(19,525)	(80,967)	(100,492)

A detailed reconciliation of the IESO's restated statement of financial position as at December 31, 2010 is as follows:

As at (in thousands of Canadian dollars)	Note	December 31, 2010 (as reported)	December 31, 2010 adjustments	December 31, 2010 (as restated)
		\$	\$	\$
FINANCIAL ASSETS				
Cash and cash equivalents		8,609	–	8,609
Accounts receivable		15,755	–	15,755
Long-term investments		21,816	–	21,816
TOTAL FINANCIAL ASSETS		46,180	–	46,180
LIABILITIES				
Accounts payable and accrued liabilities	A	22,090	350	22,440
Accrued interest on debt		161	–	161
Rebates due to market participants		10,193	–	10,193
Short-term debt		2,000	–	2,000
Long-term debt		78,200	–	78,200
Accrued pension liability	B	–	67,866	67,866
Accrued liability for employee future benefits other than pension	C	56,399	3,823	60,222
TOTAL LIABILITIES		169,043	72,039	241,082
NET DEBT		(122,863)	(72,039)	(194,902)
NON-FINANCIAL ASSETS				
Net tangible capital assets		81,698	6,844	88,542
Intangible assets		6,844	(6,844)	–
Prepaid pension costs	B	3,073	(3,073)	–
Prepaid expenses		3,769	–	3,769
TOTAL NON-FINANCIAL ASSETS		95,384	(3,073)	92,311
ACCUMULATED DEFICIT				
Accumulated deficit from operations		(27,479)	(75,112)	(102,591)
ACCUMULATED DEFICIT		(27,479)	(75,112)	(102,591)

A detailed reconciliation of accumulated deficit as at December 31, 2010 and January 1, 2010 is as follows:

As at (in thousands of Canadian dollars)	December 31, 2010	January 1, 2010
Accumulated deficit from operations (as reported)	(27,479)	(19,525)
PSAB transition item – unrecognized actuarial losses	(78,122)	(78,122)
PSAB transition item – past service costs	(2,495)	(2,495)
PSAB transition item – accumulated sick pay benefits	(350)	(350)
Change in pension expense	4,231	–
Change in OPEB expense	1,624	–
Accumulated deficit from operations (as restated)	(102,591)	(100,492)

A detailed reconciliation of the IESO's restated statement of operations for the year ended December 31, 2010 is as follows:

For the year ended (in thousands of Canadian dollars)	Note	December 31, 2010 (as reported)	December 31, 2010 adjustments	December 31, 2010 (as restated)
		\$	\$	\$
WHOLESALE MARKET OPERATIONS				
System fees		116,890	–	116,890
Other revenue		2,958	–	2,958
Interest and investment income		2,378	–	2,378
Wholesale market operations revenues		122,226	–	122,226
Wholesale market operation expenses	D	114,126	(5,855)	108,271
Wholesale market operations annual surplus		8,100	5,855	13,955
MARKET PENALTIES AND FINES				
Revenue from penalties and fines		5	–	5
Customer education expenses		243	–	243
Market penalties and fines annual deficit		(238)	–	(238)
SMART METERING PROGRAM				
Smart metering program expenses		15,816	–	15,816
Smart metering program annual deficit		(15,816)	–	(15,816)
ANNUAL DEFICIT		(7,954)	5,855	(2,099)
ACCUMULATED DEFICIT FROM OPERATIONS, BEGINNING OF PERIOD		(19,525)	(80,967)	(100,492)
ACCUMULATED DEFICIT FROM OPERATIONS, END OF PERIOD		(27,479)	(75,112)	(102,591)

Explanatory notes to the reconciliation

A) Accrual for Accumulated Sick Pay Benefits

(in thousands of Canadian dollars)	December 31, 2010	January 1, 2010
Accounts payable and accrued liabilities (as reported)	22,090	20,073
PSAB transition item for sick pay benefits	350	350
Accounts payable and accrued liabilities (as restated)	22,440	20,423

B) Prepaid Pension Costs and Accrued Pension Liability

(in thousands of Canadian dollars)	December 31, 2010	January 1, 2010
Prepaid pension costs (as reported)	(3,073)	(3,349)
PSAB transition item – unrecognized actuarial loss	72,847	72,847
PSAB transition item – past service cost	2,323	2,323
Change in pension expense	(4,231)	–
Accrued pension liability (as restated)	67,866	71,821

C) Accrued Liability for Employee Future Benefits Other than Pension

(in thousands of Canadian dollars)	December 31, 2010	January 1, 2010
Accrued liability for employee future benefits other than pension (as reported)	56,399	51,021
PSAB transition item – unrecognized actuarial loss	5,275	5,275
PSAB transition item – past service cost	172	172
Change in OPEB expense	(1,624)	–
Accrued liability for employee future benefits other than pension (as restated)	60,222	56,468

D) Wholesale Market Operation Expenses

(in thousands of Canadian dollars)	December 31, 2010
Wholesale market operation expenses (as reported)	114,369
Change in pension expense	(4,231)
Change in OPEB expense	(1,624)
Wholesale market operation expenses (as restated)	108,514

4. 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 \$24,341 thousand (2010 – \$21,816 thousand). As at December 31, the market value allocation of these long-term investments was 58.8% equity securities and 41.2% debt securities (2010 – 60.8% and 39.2% respectively).

Balanced Portfolio of Pooled Funds

As at December 31 (in thousands of Canadian dollars)	2011	2010
	\$	\$
Opening balance	21,816	17,931
Purchase of investments	2,947	2,825
Change in fair value	(422)	1,060
Closing balance	24,341	21,816

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at December 31 (in thousands of Canadian dollars)	2011	2010
	\$	\$
Relating to tangible capital assets	2,175	3,722
Relating to operations	17,967	18,718
	20,142	22,440

6. REBATES DUE TO MARKET PARTICIPANTS AND ACCUMULATED DEFICIT

In 2011, the IESO recognized \$11,617 thousand in rebates to market participants of system fees (2010 – \$10,193 thousand), due to net operating surplus in 2011 and 2010 and changes in accounting due to the transition to PSAB. \$8,100 thousand of rebates recognized in 2011 were paid to market participants during the year and as at December 31, 2011 rebates due to market participants were \$3,517 thousand (2010 – \$10,193 thousand). The IESO's approved regulatory deferral account balance is maintained at a maximum of \$5.0 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)	2011	2010
	\$	\$
Regulatory deferral account (a)	5,000	10,643
Accumulated market penalties and fines (b)	954	1,134
Smart metering entity – accumulated deficit (c)	(58,624)	(41,713)
PSAB transition items (d)	(65,876)	(72,655)
Accumulated deficit – end of year	(118,546)	(102,591)

a) Approved Regulatory Deferral Account

As at December 31 (in thousands of Canadian dollars)	2011	2010
	\$	\$
Accumulated surplus – beginning of year	10,643	5,000
Revenues (before rebates due to market participants)	129,417	132,419
Rebates due to market participants	(11,617)	(10,193)
Wholesale market operation expenses	(116,290)	(108,271)
Increase in accumulated remeasurement gain	(374)	–
Recovery of PSAB transition items	(6,779)	(8,312)
Accumulated surplus – end of year	5,000	10,643

b) Accumulated Market Penalties and Fines

	2011	2010
	\$	\$
Accumulated surplus – beginning of year	1,134	1,372
Revenue from penalties and fines	39	5
Customer education expenses	(219)	(243)
Accumulated surplus – end of year	954	1,134

c) Smart Metering Entity – Accumulated Deficit

As at December 31 (in thousands of Canadian dollars)	2011	2010
	\$	\$
Accumulated deficit – beginning of year	(41,713)	(25,897)
Smart metering program expenses	(16,911)	(15,816)
Accumulated deficit – end of year	(58,624)	(41,713)

The IESO has been performing its role as SME under the interim SME licence initially issued by the OEB on September 14, 2007, with extensions of various lengths granted since that date.

The OEB has granted the IESO the SME licence for a five-year term, which extends the IESO's duties as the SME to January 2016.

As of February 16, 2012, the IESO's smart meter service fees to recover these expenses have not yet been established.

d) PSAB Transition Items – Accumulated Deficit

As at December 31 (in thousands of Canadian dollars)	2011	2010
	\$	\$
Accumulated deficit – beginning of year	(72,655)	–
Accumulated pension actuarial loss at January 1, 2010 transition	–	(72,847)
Pension past service costs at January 1, 2010 transition	–	(2,323)
Accumulated OPEB actuarial loss at January 1, 2010 transition	–	(5,275)
OPEB past service costs at January 1, 2010 transition	–	(172)
Accumulated sick pay benefit accrual at January 1, 2010 transition	–	(350)
Recovery of PSAB transition items	6,779	8,312
Accumulated deficit – end of year	(65,876)	(72,655)

The IESO includes a portion of the accumulated deficit resulting from the PSAB transition items in the annual proposed expenditures to the OEB for recovery through system fees.

7. DEBT

Note payable to Ontario Electricity Finance Corporation (OEFC)

In May 2011, the IESO entered into a two-year note payable with the OEFC. The note payable is unsecured, bears interest at a fixed rate of 2.245% per annum and is repayable in full on May 1, 2013. Interest accrues daily and is payable in arrears semi-annually in May and November of each year. As at December 31, 2011, the note payable to the OEFC was \$78.2 million (December 31, 2010 – \$78.2 million).

For the year ended December 31, 2011, the interest expense on the note payable was \$1,501 thousand (2010 – \$611 thousand)

Credit facility

The IESO has an unsecured credit facility agreement with the OEFC, which will make available to the IESO an amount up to \$110.0 million. Advances up to \$60.0 million are payable at a variable interest rate equal to the Province of Ontario's cost of borrowing for a 30 day term plus 0.25% per annum, with repayments and interest payments due monthly. Advances above \$60.0 million and up to \$110.0 million are payable at a variable interest rate equal to the Province of Ontario's cost of borrowing for a 30 day term plus 0.50% per annum, with repayments and interest payments due monthly. The credit facility expires April 30, 2013. As at December 30, 2011, \$32.0 million was drawn on the credit facility (December 31, 2010 – \$2.0 million).

For the year ended December 31, 2011, the interest expense on the credit facility was \$210 thousand (2010 – \$20 thousand).

8. 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.

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

(in thousands of Canadian dollars)	2011 Pension Benefits	2010 Pension Benefits	2011 Other Benefits	2010 Other Benefits
	\$	\$	\$	\$
Accrued benefit obligation	388,808	374,597	67,091	63,022
Fair value of plan assets	306,055	293,615	–	–
Funded status	(82,753)	(80,982)	(67,091)	(63,022)
Employer contribution after measurement date	8,679	2,066	469	466
Unrecognized actuarial loss	19,146	11,050	2,081	2,334
Accrued pension liability recognized in the statement of financial position	(54,928)	(67,866)	(64,541)	(60,222)

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:

	2011	2010
Canadian equity securities	18.6%	21.4%
Foreign equity securities	36.6%	36.7%
Canadian debt securities	44.9%	41.4%
Cash equivalents	1.1%	0.5%
Forward foreign exchange contracts	(1.2%)	–
	100.0%	100.0%

Principal assumptions used to calculate benefit obligations are determined at the end of the period and are as follows:

	2011 Pension Benefits	2010 Pension Benefits	2011 Other Benefits	2010 Other Benefits
Discount rate at end of the period	6.50%	6.50%	6.50%	6.50%
Rate of compensation increase	4.00%	4.00%	4.00%	4.00%

The assumed hospital and drug cost was 10.0% per year for 2011, 2012, and 2013 grading down 0.5% per year to 5.0% in 2023. Dental costs are assumed to be 4.5% per year.

Summary of benefit costs and plan contributions are as follows:

(in thousands of Canadian dollars)	2011 Pension Benefits	2010 Pension Benefits	2011 Other Benefits	2010 Other Benefits
	\$	\$	\$	\$
Benefit cost	14,316	11,461	6,125	5,523
Employer contributions	27,254	15,416	1,806	1,769
Plan participants' contributions	3,139	3,008	–	–
Benefits paid	17,214	15,428	1,806	1,769

The most recent actuarial valuation of the registered pension plan for funding purposes was at January 1, 2011, and the date of the next required valuation is January 1, 2014.

Principal assumptions used to calculate benefit costs are determined at the beginning of the period and are as follows:

	2011 Pension Benefits	2010 Pension Benefits	2011 Other Benefits	2010 Other Benefits
Discount rate at the beginning of the period	6.50%	6.75%	6.50%	6.75%
Expected return on plan assets	6.50%	6.75%	–	–
Rate of compensation increase	4.00%	4.00%	4.00%	4.00%
Rate of indexing	2.50%	2.50%	2.50%	2.50%

9. TANGIBLE CAPITAL ASSETS

Net tangible capital assets consist of the following:

Tangible Capital Asset Costs

(in thousands of Canadian dollars)	As at December 31, 2010	Additions	Disposals	As at December 31, 2011
	\$	\$	\$	\$
Facilities	50,087	237	(501)	49,823
Market systems and applications	235,549	24,013	(19,836)	239,726
Infrastructure and other assets	88,473	1,240	(40,388)	49,325
Meter data management/repository	19,241	5,802	–	25,043
Total cost	393,350	31,292	(60,725)	363,917

Accumulated Amortization

(in thousands of Canadian dollars)	As at December 31, 2010	Amortization Expense	Disposals	As at December 31, 2011
	\$	\$	\$	\$
Facilities	(15,198)	(1,327)	501	(16,024)
Market systems and applications	(216,715)	(8,574)	19,836	(205,453)
Infrastructure and other assets	(82,501)	(2,997)	40,388	(45,110)
Meter data management/repository	(7,338)	(2,529)	–	(9,867)
Total accumulated amortization	(321,752)	(15,427)	60,725	(276,454)

Net Book Value

(in thousands of Canadian dollars)	As at December 31, 2010	As at December 31, 2011
	\$	\$
Facilities	34,889	33,799
Market systems and applications	18,834	34,273
Infrastructure and other assets	5,972	4,215
Meter data management/repository	11,903	15,176
Total net book value	71,598	87,463
Assets under construction	16,944	439
Net tangible capital assets	88,542	87,902

There were no adjustments to management's estimates of remaining asset service lives in 2011 (2010 was a decrease in amortization expense of \$8,645 thousand).

Interest capitalized to construction-in-progress during 2011 was \$235 thousand (2010 – \$73 thousand).

10. OTHER REVENUE

In its administration of the IESO-administered markets, the IESO directs the investment of market funds in highly-rated short-term investments 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 recognized investment income earned in the market settlement accounts of \$587 thousand in 2011 (2010 – \$nil).

11. EXPENSES BY OBJECT

Expenses by object comprise of the following:

(in thousands of Canadian dollars)	Wholesale market operations 2011	Wholesale market operations 2010	Smart metering program 2011	Smart metering program 2010
	\$	\$	\$	\$
Labour	78,060	70,737	2,327	1,852
Computer services, support and equipment	7,857	8,052	65	45
Contract services and consultants	6,651	5,756	10,913	11,759
Telecommunications	2,775	2,674	11	3
Other costs	7,281	6,476	3	6
Amortization	12,898	13,954	2,529	1,700
Interest expense and financing charges	768	622	1,063	451
Total expenses	116,290	108,271	16,911	15,816

12. 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 market 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.

On April 25, 2011, the Ontario Energy Board (OEB) approved 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 \$126.0 million and capital expenditures in the amount of \$21.5 million. Included within the approved revenue requirements was the continuing recovery of the estimated PSAB transition items for pension and OPEB over the expected average remaining service life of the employees covered by the plan.

In its 2011 rate application, the IESO requested to retain \$13.1 million in its approved regulatory deferral account. On April 25, 2011, the OEB approved retention of \$5.0 million within its approved regulatory deferral account. The difference, of \$8.1 million, was recognized in 2011 through a reduction in system fees revenue.

The IESO submitted its proposed 2012 – 2014 Business Plan to the Minister for approval and as of February 16, 2012, the Minister has not issued his approval.

The IESO submitted an application for an interim fee for 2012 to the OEB and on December 20, 2011 the OEB approved the requested interim usage fee of \$0.822/MWh.

13. RELATED PARTY TRANSACTIONS

The Province of Ontario is a related party as it is the controlling entity of the IESO. OEFC, OPA, OEB, Hydro One and Ontario Power Generation Inc. (OPG) are related parties of the IESO, through the common control of the Province of Ontario. Transactions between these parties and the IESO were as follows:

The IESO holds a note payable and an unsecured credit facility agreement with the OEFC (Note 7). Interest payments made by the IESO in 2011 for the note payable was \$1,364 thousand (2010 – \$514 thousand) and for the credit facility was \$183 thousand (2010 – \$18 thousand). As of December 31, 2011 the IESO had an accrued interest payable balance with the OEFC of \$325 thousand (2010 – \$161 thousand).

The IESO performs system studies for the OPA in support of their Power System Planning requirements. In addition, the IESO also provides support to the OPA's Demand Response program. In 2011, the IESO invoiced the OPA \$660 thousand (2010 – \$450 thousand) for services associated with these programs. As of December 31, 2011 the IESO had a net receivable balance with the OPA of \$70 thousand (2010 – \$198 thousand).

Under the *Ontario Energy Board Act, 1998*, the IESO incurs registration and licence fees. The total of the transactions with the OEB were \$515 thousand in 2011 (2010 – \$488 thousand).

The IESO performed connection assessment and approvals and technical feasibility studies for Hydro One in 2011. The IESO invoiced Hydro One \$127 thousand in 2011 (2010 – \$418 thousand). The IESO procures short circuit studies as part of connection assessments and approvals and meter services on IESO owned interconnected revenue meters from Hydro One. In 2011, the IESO incurred costs of \$134 thousand (2010 – \$138 thousand) for these services. As of December 31, 2011 the IESO had a net payable balance with Hydro One of \$42 thousand (2010 – \$41 thousand).

In 2011, the IESO performed connection assessment and approvals for OPG; administered telecommunication services to market participants to connect to the real time market systems and performed technical feasibility studies. In 2011, OPG was invoiced \$64 thousand (2010 – \$410 thousand). As of December 31, 2011 the IESO had a net receivable balance with OPG of \$12 thousand (2010 – \$124 thousand).

14. 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.

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. The reasonably possible currency risks associated with these exposures were not material as at December 31, 2011.

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, 2011.

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, 2011 would have resulted in a change for the year (before the impact of adjustments to the approved regulatory deferral account (Note 6) of approximately \$4.3 million (2010 – \$4.0 million). The fair values of all financial instruments measured at fair value are derived from quoted prices (unadjusted) in active markets for identical assets.

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 statements of financial position. The IESO manages credit risk associated with cash equivalents (which amounted to \$5.6 million as at December 31, 2011) through approved management policy which limits investments to investment grade investments with counterparty-specific limits of no more than \$20.0 million. Accounts receivable as at December 31, 2011 included no material items past due and substantially all of the balance was collected as at January 20, 2012. As at December 31, 2011, the Canadian bond fund in which the IESO invests comprised of investment grade securities.

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.

15. COMMITMENTS AND CONTINGENCIES

Operating commitments

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

As at December 31 (thousands of Canadian dollars)

	\$
2012	1,747
2013	1,701
2014	1,625
2015	1,599
2016	1,632

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.



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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

June 5, 2012

Michelle Seguin
Chief Administrative Officer
and Vice President

June 5, 2012



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

Independent Auditor's Report

To Legal Aid Ontario
and to the Attorney General of Ontario

I have audited the accompanying financial statements of Legal Aid Ontario, which comprise the balance sheet as at March 31, 2012, and the statements of operations and changes in net accumulated deficit and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, these financial statements present fairly, in all material respects, the financial position of Legal Aid Ontario as at March 31, 2012 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 5, 2012

Jim McCarter, FCA
Auditor General
Licensed Public Accountant

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Legal Aid Ontario Balance Sheet

March 31	2012	2011
	(\$000's)	(\$000's)

ASSETS

Current

Cash and cash equivalents (Note 2)	\$ 9,866	\$ 6,568
Short-term investments (Note 4)	12,131	16,589
Prepaid expenses	1,382	1,271
Client accounts receivable (Note 3(a))	13,458	11,475
Other receivables (Note 3(b))	11,725	13,789

	\$ 48,562	\$ 49,692
--	-----------	-----------

Long-term client accounts receivable (Note 3(a))

	25,918	22,222
--	--------	--------

Capital assets (Note 5)

	4,785	5,124
--	-------	-------

	\$ 79,265	\$ 77,038
--	-----------	-----------

LIABILITIES AND NET DEFICIT

Accounts payable and accrued liabilities (Note 6)

	\$ 87,715	\$ 83,965
--	-----------	-----------

Deferred capital contributions (Note 7)

	-	21
--	---	----

Deferred grants and contributions (Note 8)

	4,736	5,000
--	-------	-------

Accrued pension benefit (Note 12)

	616	569
--	-----	-----

	\$ 93,067	\$ 89,555
--	-----------	-----------

Net Deficit

Net accumulated deficit (Note 1(c))

	\$ (18,587)	\$ (17,620)
--	-------------	-------------

Invested in capital assets (Note 9)

	4,785	5,103
--	-------	-------

	\$ 79,265	\$ 77,038
--	-----------	-----------

On behalf of the Board:



Chair

Legal Aid Ontario Statement of Operations

For the year ended March 31

	2012 (\$000's)	2011 (\$000's)
REVENUE		
Total Government Funding (Note 1(a))	\$ 335,709	\$ 320,810
The Law Foundation of Ontario	19,101	13,397
Client contributions	15,433	18,114
Client and other recoveries	358	521
Investment income (Note 4)	327	268
Miscellaneous income	730	461
TOTAL REVENUE	\$ 371,658	\$ 353,571
EXPENSES		
Client Programs		
Certificate Program		
Criminal - Big Cases	\$ 22,715	\$ 23,160
Criminal - Others	86,063	80,775
Sub-total	108,778	103,935
Family	50,633	49,250
Immigration and refugee	21,875	18,768
Other civil	5,803	5,459
Sub-total	187,089	177,412
Settlement conferences	144	105
Family law offices	5,058	4,092
Criminal law offices	789	652
Refugee law office	1,177	1,172
Nishnawbe-Aski legal services corporation	1,729	1,479
Sub-total	195,986	184,912
Duty Counsel Program		
Duty counsel fees and disbursements	44,782	42,791
Expanded duty counsel	1,145	940
Sub-total	45,927	43,731
Clinic Program and Special Services		
Clinic law services (Note 10)	67,064	65,204
Student legal aid societies	3,433	3,295
Clinic information management project	265	-
Sub-total	70,762	68,499
Service Innovation Projects		
Other	507	682
Sub-total	507	682

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

2012 2011
(\$000's) (\$000's)

EXPENSES (continued)**Program Support**

Regional operations	1,595	1,693
District/Area office services	11,521	10,601
Client service center	5,347	4,678

Sub-total	18,463	16,972
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TOTAL CLIENT PROGRAMS

	\$ 331,645	\$ 314,796
--	------------	------------

Service Provider Support

Research facility	3,312	3,480
Lawyers services and payments	1,903	1,795

Sub-total	5,215	5,275
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Administrative and Other Costs

Provincial office	29,722	25,856
Amortization expense	2,160	3,757
Bad debt expense	4,201	12,479

Sub-total	36,083	42,092
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TOTAL EXPENDITURES

	\$ 372,943	\$ 362,163
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Deficiency of revenue over expenses for the year

	\$ (1,285)	\$ (8,592)
--	------------	------------

Legal Aid Ontario

Statement of Changes in Net Accumulated Deficit

For the year ended March 31, 2012

	Invested in capital assets (Note 9)	Accumulated deficit (Note 1(c))	2012 Total (\$000's)	2011 Total (\$000's)
Net accumulated deficit, beginning of year	\$ 5,103	\$ (17,620)	\$ (12,517)	\$ (3,925)
Deficiency of revenue over expenses	(2,139)	854	(1,285)	(8,592)
Investment in capital assets	1,821	(1,821)	-	-
Net accumulated deficit, end of year	\$ 4,785	\$ (18,587)	\$ (13,802)	\$ (12,517)

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

Legal Aid Ontario Statement of Cash Flows

For the year ended March 31

	2012	2011
	(\$000's)	(\$000's)

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

Deficiency of revenue over expenses for the year	\$ (1,285)	\$ (8,592)
Adjustments to reconcile deficiency of revenue over expenses to net cash provided by operating activities:		
Amortization of capital assets	2,160	3,757
Amortization of deferred capital contributions	(21)	(232)
Employer pension contributions	(2,349)	(2,251)
Pension expense	2,396	1,407
Changes in non-cash working capital balances:		
Client accounts receivable	(1,983)	1,887
Other receivable	2,064	(2,377)
Prepaid expenses	(111)	(19)
Accounts payable and accrued liabilities	3,750	(12,234)
Accrued interest on investments	(42)	(30)
Deferred grants and contributions	(264)	(580)
Long-term client accounts receivable	(3,696)	972
	<u>\$ 619</u>	<u>\$ (18,292)</u>

INVESTING ACTIVITIES

Purchase of capital assets	\$ (1,821)	\$ (648)
Redemption of investments	4,500	5,500
	<u>\$ 2,679</u>	<u>\$ 4,852</u>

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

	3,298	(13,440)
--	-------	----------

Cash and cash equivalents, beginning of year

	6,568	20,008
--	-------	--------

Cash and cash equivalents, end of year

	\$ 9,866	\$ 6,568
--	----------	----------

Legal Aid Ontario

Summary of Significant Accounting Policies

March 31, 2012

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, 2012

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 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 within 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 for the acquisition of capital assets, represents the unamortized portion of contributions used for the acquisition of capital assets and any unspent amounts. 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 five 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, 2012

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.

FUTURE CHANGES IN ACCOUNTING POLICIES

In September 2010, the Public Sector Accounting Board (PSAB) released the accounting standards impacting future financial reporting for government organizations. As a result, under these standards, government not-for-profit organizations can apply public sector rules contained in the Public Sector Accounting (PSA) handbook with or without the PS4200 series standards. The Corporation's Board of Directors has elected to use the PS4200 series standards. These standards are effective for the fiscal year beginning April 1, 2012. The Corporation is currently evaluating the impact of these standards.

Legal Aid Ontario Notes to Financial Statements

March 31, 2012

1. Government Funding

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 most recent 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 recognized from the Province were allocated as follows:

	2012 (\$000's)		2011 (\$000's)
Contributions	\$ 335,688	\$	320,578
Amortization of deferred capital contributions (Note 7)	21		232
	\$ 335,709	\$	320,810

Included in the transfer payment of \$335.7 million is an additional \$15.0 million (2011 - \$15.0 million) received from the Province as part of a governmental LAO Revitalization initiative that will result in a total of \$60.0 million in additional permanent funding being provided to LAO by 2013.

- (b) Included in contributions from the Province of Ontario for the year ended March 31, 2012 is an amount of \$53.8 million (2011 - \$53.1 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, Immigration and Refugee 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, 2012

2. Cash and Cash Equivalents

The Corporation has an operating line of credit in the amount of \$5.0 million to cover temporary bank overdrafts. This facility remained unused at March 31, 2012. The credit facility bears interest at the prime rate and is unsecured.

3. Accounts Receivable

(a) Client Accounts Receivable

	2012 (\$000's)	2011 (\$000's)
Total Client accounts receivable	\$ 86,205	\$ 87,082
Less: Allowance for bad debts	(46,829)	(53,385)
Client accounts receivable (net)	<u>\$ 39,376</u>	<u>\$ 33,697</u>
Represented by		
Current client accounts receivable	13,458	11,475
Long-term client accounts receivable	25,918	22,222
	<u>\$ 39,376</u>	<u>\$ 33,697</u>

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.

(b) Other receivables

Other receivables are mainly comprised of amounts due from the Law Foundation of Ontario, Canada Revenue Agency and both the Federal and Provincial governments for protocol cases. A portion of Legal Aid's revenue is received from the Law Foundation of Ontario and this receivable represents the outstanding amount at year end. Amounts due from Canada Revenue Agency represents HST refunds outstanding as at year end. Protocol legal cases are administered by Legal Aid on behalf of both the Federal Department of Justice (DOJ) and the Ontario Ministry of the Attorney General (MAG); these receivables represent the outstanding amounts at year end.

	2012 (\$000's)	2011 (\$000's)
The Law Foundation of Ontario	\$ 1,559	\$ 2,364
HST receivables	5,206	6,135
MAG protocol cases receivables	2,684	2,785
DOJ protocol cases receivables	1,492	1,742
Other receivables	784	763
	<u>\$ 11,725</u>	<u>\$ 13,789</u>

Legal Aid Ontario
Notes to Financial Statements
(Continued)

March 31, 2012

4. Investments

	2012 (\$000's)	2011 (\$000's)
	Fair Value	Fair Value
Guaranteed investment certificates	\$ 12,000	\$ 16,500
Accrued interest	131	89
	\$ 12,131	\$ 16,589

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, 2012 are in compliance with the statutory requirements. The Corporation earned total investment income of \$ 0.327 million in 2012 (2011 - \$0.268 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 \$12.0 million (2011 - \$16.5 million) invested in guaranteed investment certificates, bearing interest rates of 1.20% (2011 - 0.50% and 1.15%) and maturing on April 8, 2012 and September 14, 2012 (2011 - April 8, 2011 and September 16, 2011).

(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, 2012

5. Capital Assets

	2012		2011	
	(\$000's)		(\$000's)	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and office equipment	\$ 891	\$ 576	\$ 1,015	\$ 558
Computer hardware and software	2,537	887	14,627	13,858
Custom-designed software	39	36	39	23
Enterprise-wide software	15,628	15,628	15,628	14,904
Leasehold improvements	4,535	1,718	7,871	4,713
	\$ 23,630	\$ 18,845	\$ 39,180	\$ 34,056
Net book value		\$ 4,785		\$ 5,124

6. Accounts Payable and Accrued Liabilities

	2012	2011
	(\$000's)	(\$000's)
Legal accounts - accruals for billings received but not paid	\$ 21,610	\$ 18,699
- estimate of work performed but not yet billed	57,303	56,186
Rent inducements	1,357	1,569
Trade and other payables	6,477	6,685
Vacation pay	968	826
	\$ 87,715	\$ 83,965

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 \$57.3 million (2011 - \$56.2 million).

Legal Aid Ontario

Notes to Financial Statements

(Continued)

March 31, 2012

7. Deferred Capital Contributions

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

	2012 (\$000's)	2011 (\$000's)
Balance, beginning of year	\$ 21	\$ 253
Amortization of deferred capital contributions (Note 1(a))	(21)	(232)
Balance, end of year	\$ -	\$ 21

8. Deferred Grants and Contributions

The corporation has received the following funds from The Law Foundation of Canada for future projects:

	Deferred Contributions (\$000's)	Deferred Grants (\$000's)	Total (\$000's)
Balance March 31, 2011	\$ 5,000	\$ -	\$ 5,000
Allocated to specific projects	(3,250)	3,250	-
Amounts recognized as revenue	-	(264)	(264)
Balance March 31, 2012	\$ 1,750	\$ 2,986	\$ 4,736

9. Changes in Net Assets Invested in Capital Assets

	2012 (\$000's)	2011 (\$000's)
Balance, beginning of year	\$ 5,103	\$ 7,980
Amortization	(2,160)	(3,757)
Amortization of deferred contributions	21	232
Purchase of capital assets	1,821	648
Balance, end of year	\$ 4,785	\$ 5,103
Represented by		
Capital assets (Note 5)	\$ 4,785	\$ 5,124
Deferred capital contributions (Note 7)	-	(21)
	\$ 4,785	\$ 5,103

Legal Aid Ontario Notes to Financial Statements (Continued)

March 31, 2012

10. Clinic Law Services

The Corporation provides funding to community clinics enabling them to provide poverty law 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 funding to community clinics consists of direct funding transfers and the cost of centrally provided support services.

	2012 (\$000's)	2011 (\$000's)
Payments to and on behalf of clinics	\$ 67,064	\$ 65,204

11. 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, 2012 management estimates that a potential \$50.4 million (2011 - \$49.7 million) could still be incurred on certificates issued on or before March 31, 2012 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)
2013	\$ 1,786	\$ 2,273	\$ 4,059
2014	1,514	2,054	3,568
2015	1,380	1,962	3,342
2016	1,249	1,867	3,116
2017	1,123	1,779	2,902
Thereafter	1,624	2,637	4,261
	\$ 8,676	\$ 12,572	\$ 21,248

Legal Aid Ontario

Notes to Financial Statements

(Continued)

March 31, 2012

11. 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 \$5 thousand, depending on when the event of the claim occurred and the nature of the claim.

12. Pensions

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

Defined Contribution Component

The defined contribution component of the plan covers 741 (2011 - 694) 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 \$2.176 million (2011 - \$2.028 million).

Defined Benefit Component

The defined benefit component of the plan covers five (2011 - 7) 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 latest actuarial valuation was performed as of January 2011. The Corporation makes pension contributions to this component of the plan in amounts recommended by the actuary.

The significant actuarial assumptions adopted in measuring the accrued benefit obligation and expense for the period are as follows:

	<u>2012</u>	<u>2011</u>
Accrued benefit obligation as of March 31:		
Discount rate	4.00%	5.60%
Rate of compensation increase	4.00%	4.00%
Benefit expense for year ended March 31:		
Discount rate	5.60%	5.75%
Expected long-term rate of return on plan assets	5.00%	6.00%
Rate of compensation increase	4.00%	4.00%

Legal Aid Ontario
Notes to Financial Statements
(Continued)

March 31, 2012

12. Pensions (continued)

The reconciliation of the funded status of the defined benefit component of the plan to the amounts recorded in the financial statements of the Corporation is as follows:

	2012 (\$000's)	2011 (\$000's)
Accrued benefit obligation	\$ 3,735	\$ 3,276
Fair value of plan assets	3,233	3,341
Funded status plan surplus (deficiency)	(502)	65
Balance of unamortized amounts	970	232
Accrued benefit asset	468	297
Pension expense	1	10
Pension contributions		
Employees	13	20
Corporation	173	104
Pension benefits paid	349	67

Supplementary Executive 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, 2012.

The significant actuarial assumptions adopted in measuring the accrued benefit obligation and expense for the period are as follows:

	2012	2011
Discount rate	5.00%	6.00%
Inflation	2.50%	3.00%

The Corporation's pension expense for the year was \$0.218 million (2011 - \$(0.631) million income); the pension accrued benefit obligation as at March 31, 2012 was \$1.114 million (2011 - \$0.650 million); and the accrued benefit liability as at March 31, 2012 was \$1.084 million (2011 - \$0.866 million). During the year, the Corporation made no payments to the plan (2011 - \$0.119).

Legal Aid Ontario
Notes to Financial Statements
(Continued)

March 31, 2012

13. Contingency Reserve

Section 66(4) of the Legal Aid Services Act, 1998, requires the Corporation to maintain a contingency reserve fund as prescribed by section 6 of Ontario Regulation 107/99. This fund was established on April 1, 1999 with a balance of \$20 million which was funded by the Corporation. 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. During fiscal 2011, with the approval of the Attorney General, the Corporation withdrew \$10 million from the fund which was applied against the accumulated deficit. The Corporation's 2011/12 business plan makes provision for the replenishment of the fund in future years.

	2012	2011
	(\$000's)	(\$000's)
Balance, beginning of year	\$ -	\$ 10,000
Transfer to accumulated surplus	-	(10,000)
	\$ -	\$ -

Capital Management

In managing capital, the Corporation focuses on liquid resources available for operations. The Corporation's objective is to have sufficient liquid resources to continue operating despite adverse financial events and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of its cash flows and actual operating results compared to the budget. As at March 31, 2012, the Corporation has met its objective of having sufficient liquid resources to meet its current obligations.

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Central LHIN

Management's Responsibility for the Financial Statements

May 29, 2012

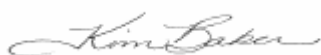
The management of the Central Local Health Integration Network is responsible for the preparation and for the integrity and objectivity of the accompanying financial statements and the notes thereto. Management believes that the financial statements present fairly the Central Local Health Integration Network's financial position as at March 31, 2012 and the statements of financial operations, 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, 2012 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



Karin Dschankilic
Senior Director, Performance, Contracts and Allocations



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Independent Auditor's Report

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

We have audited the accompanying financial statements of the Central Local Health Integration Network (the "LHIN"), which comprise the statement of financial position as at March 31, 2012, and the statements of operations, changes in net debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

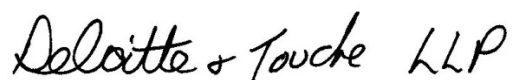
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the LHIN as at March 31, 2012, and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 29, 2012

Central Local Health Integration Network

Statement of financial position as at March 31, 2012

	2012	2011
	\$	\$
Financial assets		
Cash	783,009	774,718
Due from Ministry of Health and Long-Term Care ("MOHLTC")	1,864,300	5,048,235
Accounts receivable	31,412	25,974
	2,678,721	5,848,927
Liabilities		
Accounts payable and accrued liabilities	290,049	490,967
Due to Health Service Providers ("HSPs")	1,864,300	5,048,235
Due to Ministry of Health and Long-Term Care ("MOHLTC") (Note 3)	445,234	349,029
Due to the LHIN Shared Services Office (Note 4)	98,795	2,152
Deferred capital contributions (Note 5)	167,740	203,312
	2,866,118	6,093,695
Commitments (Note 6)		
Net debt	(187,397)	(244,768)
Non-financial assets		
Prepaid expenses	19,657	41,456
Capital assets (Note 7)	167,740	203,312
	187,397	244,768
Accumulated surplus	-	-

Approved by the Board



Director



Director

Central Local Health Integration Network

Statement of operations
year ended March 31, 2012

		2012	2011
	Budget (Unaudited - Note 8)	Actual	Actual
	\$	\$	\$
Revenue			
MOHLTC funding			
HSP transfer payments (Note 9)	1,730,059,133	1,824,986,446	1,760,411,514
LHIN Operations and Programs			
Operations of LHIN	4,409,616	4,107,734	4,288,477
Emergency Room/Alternative Level of Care ("ER - ALC") Funding (Note 10a)	100,000	100,000	100,000
Primary Care Lead (Note 10b)	43,750	15,625	-
Aboriginal Initiative (Note 10c)	10,000	728	127
Behavioural Supports Ontario (Note 10d)	57,000	31,373	-
Emergency Department Lead (Note 10e)	75,000	72,000	54,000
French Language Services (Note 10f)	-	-	40,631
French Language Health Services (Note 10g)	106,000	93,321	18,459
Critical Care Lead (Note 10h)	75,000	72,229	72,750
E-Health Ontario funding (Note 10i)	350,000	338,122	294,090
Amortization of deferred capital contributions (Note 5)	90,000	81,541	123,021
Total LHIN Operations and Programs	5,316,366	4,912,673	4,991,555
	1,735,375,499	1,829,899,119	1,765,403,069
Expenses			
Transfer payments to HSPs (Note 9)	1,730,059,133	1,824,986,446	1,760,411,514
Operations			
General and administrative (Note 11)	4,409,616	4,107,734	4,288,477
ER - ALC funding (Note 10a)	100,000	100,000	100,000
Primary Care Lead (Note 10b)	43,750	15,625	-
Aboriginal Initiative (Note 10c)	10,000	728	127
Behavioural Supports Ontario (Note 10d)	57,000	31,373	-
Emergency Department Lead (Note 10e)	75,000	72,000	54,000
French Language Services (Note 10f)	-	-	40,631
French Language Health Services (Note 10g)	106,000	93,321	18,459
Critical Care Lead (Note 10h)	75,000	72,229	72,750
E-Health (Note 10i)	350,000	338,122	294,090
Amortization of capital assets	90,000	81,541	123,021
	1,735,375,499	1,829,899,119	1,765,403,069
Annual surplus	-	-	-
Opening accumulated surplus	-	-	-
Closing accumulated surplus	-	-	-

Central Local Health Integration Network

Statement of changes in net debt
year ended March 31, 2012

		2012	2011
	Budget (Unaudited - Note 8)	Actual	Actual
	\$	\$	\$
Annual surplus	-	-	-
Acquisition of capital assets	25,000	45,969	121,145
Amortization of capital assets	(90,000)	(81,541)	(123,021)
Change in other non-financial assets	-	(21,799)	37,224
Decrease in net debt	(65,000)	(57,371)	35,348
Opening net debt	244,768	244,768	209,420
Closing net debt	179,768	187,397	244,768

Central Local Health Integration Network

Statement of cash flows year ended March 31, 2012

	2012	2011
	\$	\$
Operating transactions		
Annual surplus	-	-
Less items not affecting cash		
Amortization of capital assets	(81,541)	(123,021)
Amortization of deferred capital contributions (Note 5)	81,541	123,021
	-	-
Changes in non-cash operating items		
Increase/(decrease) in due from MOHLTC	3,183,935	(1,945,166)
Decrease/(increase) in accounts receivable	(5,438)	40,659
Decrease in accounts payable and accrued liabilities	(200,918)	(188,955)
Increase in due to the MOHLTC	96,205	348,648
(Decrease)/ increase in due to HSPs	(3,183,935)	1,945,166
Increase in due to the LHIN Shared Services Office	96,643	2,152
Decrease in due from LHIN Shared Services Office	-	3,643
(Decrease) in deferred revenue	-	(54,042)
Increase/ (decrease) in prepaid expenses	21,799	(37,224)
	8,291	114,881
Capital transaction		
Acquisition of capital assets	(45,969)	(121,145)
Financing transaction		
Deferred capital contributions received (Note 5)	45,969	121,145
Net increase in cash	8,291	114,881
Cash, beginning of year	774,718	659,837
Cash, end of year	783,009	774,718

Central Local Health Integration Network

Notes to the financial statements

March 31, 2012

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 mandate of the LHIN is 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 health service providers.

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 have flowed through the LHIN's financial statements. Throughout the years, funding payments authorized by the LHIN to Health Service Providers, are recorded in the LHIN's Financial Statements as revenue from the MOHLTC and as transfer payment expenses to Health 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 and expenses in the fiscal year that the events giving rise to the revenues or expenses occur, and the revenues and expenses are earned or incurred and 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 by the Province of Ontario in accordance with the Ministry-LHIN Performance Agreement ("MLPA"), which describes budgetary arrangements established by the MOHLTC. The Financial Statements reflect funding arrangements approved by the MOHLTC. The LHIN cannot authorize payments in excess of the budgetary allocation set by the MOHLTC. Due to the nature of the Performance Agreement, the LHIN is economically dependent on the MOHLTC.

Effective April 1, 2007, the LHIN assumed responsibility to authorize transfer payments to Health Service Providers. The transfer payment amounts are based on the terms of the Health Service Provider Accountability Agreements with the LHIN, including any amendments made throughout the year. During the year, the LHIN authorizes the transfer of cash to the Health Service Providers. The cash associated with the transfer payment flows directly from the MOHLTC and does not flow through the LHIN bank account.

The LHIN Financial Statements do not include any MOHLTC managed programs, under which the Health Service Provider is directly accountable to the MOHLTC.

Central Local Health Integration Network

Notes to the financial statements

March 31, 2012

2. Significant accounting policies (continued)

eHealth Ontario Funding

The LHIN is also funded by eHealth Ontario in accordance with the eHealth Ontario - LHIN Transfer Payment Agreement ("TPA"), which describes budget arrangements established by eHealth Ontario. These financial statements reflect agreed funding arrangements approved by eHealth Ontario. The LHIN cannot authorize an amount in excess of the budget allocation set by eHealth Ontario.

Government transfers

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the transfer is authorized and all eligibility criteria have been met, except when and to the extent that the transfer gives rise to an obligation and a liability is recorded.

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.

Deferred capital contributions

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. The amount recorded as revenue in the Statement of Financial Activities is consistent with the amortization expense of the related capital asset.

Capital assets

Capital assets are recorded at cost. Cost includes the purchase price of the asset and other acquisition costs such as design, construction, and duties. 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

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, 2012

3. Funding repayable to the MOHLTC and eHealth Ontario

In accordance with the MLPA, the LHIN is required to be in a balanced position at year end. Revenue has only been recognized to the extent that eligible expenditures have been incurred. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

In accordance with the TPA, 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 eHealth Ontario.

Funding repayable to the MOHLTC and eHealth is as follows:

			2012	2011
	Funding received	Revenue recognized	Repayable	Repayable
	\$	\$	\$	\$
Transfer payments to HSPs	1,824,986,446	1,824,986,446	-	-
LHIN operations	4,409,616	4,107,734	301,882	-
eHealth	400,000	338,122	61,878	-
Special program funding	466,750	385,276	81,474	349,029
	1,830,262,812	1,829,817,578	445,234	349,029

4. Related party transactions

In accordance with the Memorandum of Understanding between the MOHLTC and the LHIN, LHINs are required to centrally source and share services for Legal Services, Audit Services, HR Services, IM & IT Infrastructure Development and Management and Management of Recorded Information. The LHINs accordingly formed the LHIN Shared Services Office ("LSSO") as a division of the Toronto Central LHIN. The cost of providing these services is allocated and charged to the LHINs. Any portion of the LSSO operating under paid by the LHIN at year end is recorded as a payable to the LSSO.

The LHIN Collaborative (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 cost of providing these services is allocated and charged to the LHINs. Any portion of the LHINC operating costs overpaid (or under paid) by the LHINs at year end, are recorded as a receivable (payable) from (to) the LHINC.

During the year, the LHIN made payments to LSSO and LHINC of \$501,995(2011 - \$409,523).

5. Deferred capital contributions

	2012	2011
	\$	\$
Balance, beginning of year	203,312	205,188
Capital contributions received during the year	45,969	121,145
Amortization for the year	(81,541)	(123,021)
Balance, end of year	167,740	203,312

Central Local Health Integration Network

Notes to the financial statements

March 31, 2012

6. Commitments

The LHIN has commitments under various operating leases as follows:

	Office space	Equipment	Total
	\$	\$	
2013	236,767	7,633	244,400
2014	255,784	7,633	263,417
2015	272,876	-	272,876
2016	290,293	-	290,293
2017 and after	24,312	-	24,312

The LHIN enters into accountability agreements with Health Service Providers which include planned funding targets. The actual funding provided by the LHIN is contingent on the MOHLTC providing the funding.

7. Capital assets

			2012	2011
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office furniture and fixtures	360,539	261,093	99,446	98,988
Computer equipment	124,229	99,774	24,455	54,574
Leasehold improvements	58,567	14,728	43,839	49,750
	543,335	375,595	167,740	203,312

8. Budget figures

Budget amounts have been reported in the Statement of Financial Operations to comply with PSAB reporting requirements and reflect the initial budget at April 1, 2011. The budgets were approved by the Government of Ontario.

	\$
LHIN total budget	1,735,375,499
Less Health Service Provider Budget (a)	(1,730,059,133)
LHIN Operating Budget (b)	5,316,366

Central Local Health Integration Network

Notes to the financial statements

March 31, 2012

8. Budget figures (continued)

a) Health Service Provider Budget

	\$
Initial HSP Budget	1,730,059,133
Adjustments due to announcements made during the year	94,927,313
	<u>1,824,986,446</u>
The total budget by sector is as follows:	
Hospitals	1,135,136,035
Long Term Care Homes	311,945,250
Community Care Access Centres	229,474,894
Community Support Services	71,997,394
Community Health Centres	8,500,437
Community Mental Health and Addictions	67,932,436
Total budget	<u>1,824,986,446</u>

b) LHIN Operating Budget

	\$
Initial budget as reported on the statement of operations	5,316,366
Additional funding received in-year:	
Funding for capital asset purchased transferred to deferred capital contributions	(25,000)
Closing budget	<u>5,291,366</u>

9. Transfer payments to Health Service Providers

The LHIN authorized transfer payments of \$1,824,986,446(2011 - \$1,760,411,514) to the following sectors:

	2012	2011
	\$	\$
Hospitals	1,135,136,035	1,106,535,927
Long Term Care Homes	311,945,250	296,523,547
Community Care Access Centres	229,474,894	214,073,634
Community Support Services	71,997,394	69,137,969
Community Health Centres	8,500,437	7,666,837
Community Mental Health and Addictions	67,932,436	66,473,600
	<u>1,824,986,446</u>	<u>1,760,411,514</u>

Central Local Health Integration Network

Notes to the financial statements

March 31, 2012

10. Operations of LHIN

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

The LHIN received funding of \$100,000 (2011 - \$100,000) for the Emergency Response - Alternate Level of Care project. The following are the expense details:

	2012	2011
	\$	\$
Salaries and benefits	98,130	97,646
Accommodation and administration	599	895
Supplies and other	1,271	1,459
	100,000	100,000

b) Primary Care LHIN Lead

The LHIN received one time funding of \$43,750(2011 - Nil) to support Primary Care LHIN Lead. Expenses incurred during the year are as follows:

	2012	2011
	\$	\$
Consulting services	15,625	-
	15,625	-

c) Aboriginal initiative

The LHIN received net funding of \$10,000(2011 - \$7,000) related to the Aboriginal Planning initiative. Expenses incurred during the year are as follows:

	2012	2011
	\$	\$
Accommodation and administration	-	74
Supplies and other	728	53
	728	127

d) Behavioural Supports Ontario

The LHIN received one time funding of \$57,000(2011 - \$Nil) to support the Behavioural Supports Ontario program. Expenses incurred during the year are as follows:

	2012	2011
	\$	\$
Salaries and benefits	26,265	-
Accommodation and administration	5,108	-
	31,373	-

Central Local Health Integration Network

Notes to the financial statements

March 31, 2012

10. Operations of LHIN (continued)

e) Emergency department (ED) lead project

The LHIN received funding of \$ 75,000 (2011 - \$75,000) related to the ED Lead project. ED Lead project expenses incurred during the year are as follows:

	2012	2011
	\$	\$
Consulting services	72,000	54,000
	72,000	54,000

f) French Language Services

The LHIN did not receive funding in fiscal years 2012 or 2011 to support Francophone community engagement activities. \$40,631 of funding received in fiscal 2010 was spent on this initiative in fiscal year 2011.

	2012	2011
	\$	\$
Public relations	-	39,680
Accommodation and administration	-	951
	-	40,631

g) French Language Health Services

The LHIN received funding of \$106,000 (2011 - \$31,455) to support the implementation of French Language Health Services. Expenses incurred during the year are as follows:

	2012	2011
	\$	\$
Salaries and benefits	91,421	17,695
Accommodation and administration	1,900	764
	93,321	18,459

h) Critical Care LHIN Lead

The LHIN received one time funding of \$75,000 (2011 - \$75,000) to support Critical Care LHIN Lead. Expenses incurred during the year are as follows:

	2012	2011
	\$	\$
Consulting services	72,000	72,750
Accommodation and administration	229	-
	72,229	72,750

Central Local Health Integration Network

Notes to the financial statements

March 31, 2012

10. Operations of LHIN (continued)

i) E-health

The LHIN received funding of \$350,000 (2011 - \$600,000) from eHealth Ontario specifically related to the e-health projects. E-health expenses incurred during the year are as follows

	2012	2011
	\$	\$
Salaries and benefits	314,247	272,591
Consulting services	19,320	-
Accommodation and administration	4,555	17,172
Supplies and other	-	4,327
	338,122	294,090

11. General and administrative expenses

The Statement of Operations presents the expenses by function. The following table classifies the general and administrative expenses by object:

	2012	2011
	\$	\$
Salaries and benefits	3,010,986	3,159,718
Occupancy	187,505	242,485
Shared services	501,995	409,523
Public relations	54,548	104,408
Consulting services	15,000	53,798
Professional Services	18,996	13,660
Supplies	70,770	43,871
Board expenses (see below)	94,441	142,069
Mail, courier and telecommunications	45,368	37,939
Other	108,125	81,006
	4,107,734	4,288,477

Board expenses included in general operating expenses above include per diem costs and other Board expenses as follows:

	Budget 2012	2012	2011
	\$	\$	\$
Board Chair per diem expense	40,000	40,100	41,725
Other Board members per diem expense	50,000	22,800	47,445
Governance costs and travel	59,300	31,541	52,899
	149,300	94,441	142,069

Central Local Health Integration Network

Notes to the financial statements

March 31, 2012

12. Pension agreements

The LHIN makes contributions to the Healthcare 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 2012 was \$274,515 (2011 - \$243,135) for current service costs and is included as an expense in the Statement of Financial Operations. The last actuarial valuation was completed for the plan as of December 31, 2011. 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. Comparative figures

Certain comparative numbers have been reclassified to conform to the current year presentation.

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Central East LHIN

Management's Responsibility for the Financial Statements

March 31, 2012

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



Marco Aguila CHRP
Manager, Corporate Services



Deloitte & Touche LLP
5140 Yonge Street
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Independent Auditor's Report

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

We have audited the accompanying financial statements of the Central East Local Health Integration Network (the "LHIN"), which comprise the statement of financial position as at March 31, 2012, and the statements of financial activities, changes in net debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility


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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the LHIN as at March 31, 2012, and the results of its financial activities, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 23, 2012

Central East Local Health Integration Network

Statement of financial position
as at March 31, 2012

	2012	2011
	\$	\$
Financial assets		
Cash	537,963	1,008,629
Due from Ministry of Health and Long Term Care ("MOHLTC")	3,093,800	13,911,183
Accounts receivable	273,858	37,840
	3,905,621	14,957,652
Liabilities		
Accounts payable and accrued liabilities	338,210	531,482
Due to Health Service Providers ("HSP")	3,093,800	13,911,183
Due to MOHLTC and E-Health Ontario (Note 3b, 3c)	509,300	541,295
Deferred capital contributions (Note 5)	237,523	315,287
	4,178,833	15,299,247
Net debt	(273,212)	(341,595)
Commitments (Note 6)		
Non-financial assets		
Prepaid expenses	35,689	26,308
Capital assets (Note 7)	237,523	315,287
	273,212	341,595
Accumulated surplus	-	-

Approved by the Board

 Director

 Director

Central East Local Health Integration Network

Statement of financial activities

year ended March 31, 2012

		2012	2011
	Budget (Unaudited) (Note 8)	Actual	Actual
	\$	\$	\$
Revenue			
Ministry of Health and Long Term Care ("MOHLTC") funding			
Health Service Provider ("HSP") transfer payments (Note 8)	1,976,494,761	2,129,743,201	2,042,808,997
Operations of LHIN	4,772,730	4,693,700	4,659,791
Emergency Department ("ED") Lead (Note 10a)	-	75,000	75,000
Emergency Room/Alternative Level of Care ("ER/ALC") (Note 10b)	-	100,000	100,000
Aboriginal Planning (Note 10c)	-	20,000	20,000
E-Health (Note 10d)	-	600,000	632,000
Critical Care (Note 10e)	-	75,000	75,000
French Language Services (Note 10f)	-	106,000	170,116
Aboriginal Health Transition (Note 10 g)	-	-	47,202
Behavioural Supports Ontario Pilot (Note 10 h)	-	750,000	-
Primary Care (Note 10 i)	-	43,750	-
Amortization of deferred capital contributions (Note 5)	-	156,794	166,962
	1,981,267,491	2,136,363,445	2,048,755,068
Funding repayable to the MOHLTC (Note 3a)	-	(509,300)	(541,295)
	1,981,267,491	2,135,854,145	2,048,213,773
Expenses			
Transfer payments to HSPs (Note 9)	1,976,494,761	2,129,743,201	2,042,808,997
General and administrative (Note 11)	4,772,730	4,821,126	4,748,677
ED Lead (Note 10a)	-	72,161	69,290
ER/ALC (Note 10b)	-	100,000	96,714
Aboriginal Planning (Note 10c)	-	3,882	-
E-Health (Note 10d)	-	422,449	356,450
Critical Care (Note 10e)	-	72,000	72,000
French Language Services (Note 10f)	-	49,290	51,665
Aboriginal Health Transition (Note 10g)	-	-	9,980
Behavioural Supports Ontario Pilot (Note 10 h)	-	551,905	-
Primary Care (Note 10 i)	-	18,131	-
	1,981,267,491	2,135,854,145	2,048,213,773
Annual surplus and closing accumulated surplus	-	-	-

Central East Local Health Integration Network

Statement of changes in net debt
year ended March 31, 2012

	Budget (Unaudited) (Note 8)	2012	2011
		\$	\$
Annual surplus	-	-	-
Acquisition of tangible capital assets	-	(79,030)	(112,939)
Amortization of tangible capital assets	-	156,794	166,962
Change in other non-financial assets	-	(9,381)	22,824
Increase in net debt	-	68,383	76,847
Opening net debt	-	(341,595)	(418,442)
Closing net debt	-	(273,212)	(341,595)

Central East Local Health Integration Network

Statement of cash flows year ended March 31, 2012

	2012	2011
	\$	\$
Operating transactions		
Annual surplus	-	-
Less items not affecting cash		
Amortization of capital assets	156,794	166,962
Amortization of deferred capital contributions (Note 5)	(156,794)	(166,962)
	-	-
Changes in non-cash operating items		
Increase (decrease) in due from MOHLTC	10,817,383	(12,377,683)
(Decrease) increase in accounts receivable	(236,018)	1,154,624
(Decrease) in accounts payable and accrued liabilities	(193,272)	(891,883)
(Decrease) increase in due to HSPs	(10,817,383)	12,377,683
(Decrease) increase in due to the MOHLTC	(31,995)	187,026
(Decrease) Increase in prepaid expenses	(9,381)	22,824
	(470,666)	472,591
Capital transactions		
Acquisition of tangible capital assets	(79,030)	(112,939)
Financing transactions		
Capital contributions received (Note 5)	79,030	112,939
Net increase (decrease) in cash	(470,666)	472,591
Cash, beginning of year	1,008,629	536,038
Cash, end of year	537,963	1,008,629

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2012

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 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 ("CE 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 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.

The LHIN is funded by the Province of Ontario in accordance with the Ministry LHIN Performance Agreement ("MLPA"), 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's financial statements do not include any MOHLTC managed programs.

The CELHIN is also funded by eHealth Ontario in accordance with the eHealth Ontario – LHIN Transfer Payment Agreement ("TPA"), which describes budget arrangements established by eHealth Ontario. These financial statements reflect agreed funding arrangements approved by eHealth Ontario. The CELHIN cannot authorize an amount in excess of the budget allocation set by eHealth Ontario.

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 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:

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2012

2. Significant accounting policies (continued)

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.

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, 2012.

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, 2012

2. Significant accounting policies (continued)

Segment disclosures

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 TPA, the CELHIN 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 or to eHealth Ontario, respectively.

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

			2012	2011
	Funding received	Eligible expenses	Excess funding	Excess funding
	\$	\$	\$	\$
Transfer payments to HSPs	2,129,743,201	2,129,743,201	-	-
LHIN operations	4,850,494	4,821,126	29,367	78,076
ER/ALC	100,000	100,000	-	3,286
ED/Lead	75,000	72,161	2,839	5,710
Critical Care	75,000	72,000	3,000	3,000
E-Health	600,000	422,449	177,551	275,550
Aboriginal Planning	20,000	3,882	16,118	20,000
French Language Services	106,000	49,290	56,710	118,451
Aboriginal Health Transition	-	-	-	37,222
Behavioural Supports	-	-	-	-
Ontario	750,000	551,905	198,095	-
Primary Care Lead	43,750	18,131	25,619	-
	2,136,363,445	2,135,854,145	509,300	541,295

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2012

3. Funding repayable to the MOHLTC (continued)

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

	2012	2011
	\$	\$
Due to MOHLTC, beginning of year	541,295	354,269
Recovery by MOHLTC during the year	(541,295)	(354,269)
Funding repayable to the MOHLTC related to current year activities (Note 3a)	331,749	541,295
Due to MOHLTC, end of year	331,749	541,295

c) The amount due to the eHealth Ontario at March 31 is made up as follows:

	2012	2011
	\$	\$
Due to eHealth Ontario, beginning of year	-	-
Paid to eHealth Ontario during year	-	-
Funding repayable to the eHealth Ontario related to current year activities (Note 3a)	177,551	-
Due to eHealth Ontario, end of year	177,551	-

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

	2012	2011
	\$	\$
Balance, beginning of year	315,287	369,310
Capital contributions received during the year	79,030	112,939
Amortization for the year	(156,794)	(166,962)
Balance, end of year	237,523	315,287

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2012

6. Commitments

The LHIN has commitments under various operating leases related to building and equipment. Lease renewals are likely. Minimum lease payments due to 2017 are as follows:

	\$
2013	236,537
2014	232,949
2015	228,331
2016	133,193
2017	-
	<u>831,010</u>

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

	\$
2013	2,088,200,455
2014	<u>2,088,200,455</u>

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

7. Capital assets

			2011	2010
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office furniture and fixtures	521,361	420,080	101,281	81,686
Computer equipment	268,615	244,260	24,355	68,137
Web development	36,100	28,507	7,593	-
Leasehold improvements	668,028	563,734	104,294	165,464
	<u>1,494,104</u>	<u>1,256,581</u>	<u>237,523</u>	<u>315,287</u>

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, 2011. 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 \$2,129,743,201 is made up of the following:

	\$
Initial HSP funding budget	1,976,494,761
Adjustment due to announcements made during the year	<u>153,248,440</u>
Total HSP funding budget	<u>2,129,743,201</u>

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2012

8. Budget figures (continued)

The total revised operating budget of \$6,542,480 is made up of the following:

	\$
Initial budget as represented on the statement of financial activities	4,772,730
Additional funding received for one time initiatives:	
ER/ALC	100,000
ED/Lead	75,000
Critical Care	75,000
E-Health	600,000
Aboriginal Planning	20,000
French Language Services	106,000
Behavioural Supports Ontario Pilot Project	750,000
Primary Care	43,750
Total budget	6,542,480

9. Transfer payments to HSPs

The LHIN has authorization to allocate the funding of \$2,129,743,201 (2011 - \$2,042,808,997) to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors in 2012 as follows:

	2012	2011
	\$	\$
Health Infrastructure Renewal Fund	-	3,271,065
Operation of hospitals	1,252,096,815	1,206,183,380
Grants to compensate for municipal taxation - public hospitals	283,200	286,275
Long term care homes	410,848,439	387,840,154
Community care access centres	227,764,449	217,505,556
Community support services	32,615,566	29,881,514
Assisted living services in supportive housing	13,809,205	13,675,055
Community health centres	20,843,048	19,816,160
Community mental health addictions program	57,930,372	54,169,878
Specialty psychiatric hospitals	112,077,447	108,726,800
Acquired brain injury	1,450,060	1,428,560
Grants to compensate for municipal taxation - psychiatric hospitals	24,600	24,600
	2,129,743,201	2,042,808,997

The 2010/11 allocation represents the approved LHIN allocation to support grants for public and specialty psychiatric hospitals in 2010/11 under the 2010/11 Health Infrastructure Renewal Fund (HIRF), and in accordance with 2010/11 HIRF Guidelines which the ministry has provided to LHINs. In 2011/12, HIRF grants were allocated as Ministry managed funds.

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2012

10. Separate funding amounts were received by the CELHIN from the MOHLTC and eHealth Ontario for specific initiatives

a) ED Lead

The LHIN received funding of \$75,000 (2011 - \$75,000) related to the ED Lead project. ED Lead expenses incurred during the year are as follows:

	2012	2011
	\$	\$
Consulting services	72,000	69,290
Other	161	-
	72,161	69,290

b) ER/ALC

The LHIN received funding of \$100,000 (2011 - \$100,000) related to the ER/ALC project. ER/ALC expenses incurred during the year consist of \$93,570 (2011 - \$96,714) of salaries & benefits and \$6,430 (2011 - \$nil) of other expenses.

c) Aboriginal Planning

The LHIN received funding of \$20,000 (2011 - \$20,000) related to the Aboriginal Planning project. Aboriginal Planning project expenses incurred during the year consist of \$nil (2011 - \$nil) of consulting fees and \$3,882 (2011 - \$nil) of other expenses.

d) E-Health

The LHIN received funding of \$600,000 (2011 - \$632,000) related to the E-Health project. E-Health project expenses incurred during the year are as follows:

	2012	2011
	\$	\$
Consulting services	20,006	19,301
Salaries and benefits	290,314	308,718
Meetings	18,468	-
Supplies and other	93,661	28,431
	422,449	356,450

e) Critical Care

The LHIN received funding of \$75,000 (2011 - \$75,000) related to the Critical Care project. Critical Care project expenses incurred during the year consist of \$72,000 of consultant expenses (2011 - \$72,000).

f) French Language Services

The LHIN received funding of \$106,000 (2011 - \$170,116) related to the French Language project. French Language project expenses incurred during the year consist of \$49,290 of salaries and benefits (2011 - \$51,665).

g) Aboriginal Health Transition Funding

The LHIN received funding of \$nil (2011 - \$47,202) related to the Aboriginal Health Transition Funding project. Aboriginal Health Transition Funding project expense (recovery) incurred during the year consist of \$ nil of meeting expenses (2011 - \$9,980).

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2012

1\$. Separate funding amounts were received by the CELHIN from the MOHLTC and eHealth Ontario for specific initiatives (continued)

h) Behavioural Supports Ontario Pilot Project

The LHIN received funding of \$750,000 (2011 - \$nil) related to the Behavioural Supports Ontario Pilot Project. Behavioural Supports Ontario Pilot Funding Project expenses incurred during the year consist of \$150,296 of consulting expenses (2011 - \$nil), \$ 223,720 (2011 - \$nil) of salaries & benefits, \$74,326 (2011 - \$nil) of meeting expenses and \$ 103,563 (2011 - \$nil) of other expenses.

i) Primary Care

The LHIN received funding of \$43,750 (2011 - \$nil) related to the Primary Care project. Primary Care project expenses incurred during the year consist of \$18,000 (2011 - \$nil) of consulting fees and \$131 (2011 - \$nil) of meeting expenses.

1% General and administrative expenses

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

	2012	2011
	\$	\$
Salaries and benefits	3,441,389	3,328,839
Occupancy	282,431	382,055
Amortization	156,794	166,962
Shared services	501,995	409,495
Community engagement	88,617	73,075
Consulting services	57,418	71,891
Supplies	98,524	106,584
Board member expenses	103,146	120,625
Mail, courier and telecommunications	2,211	1,670
Other	88,601	87,481
	4,821,126	4,748,677

Included in general and administrative expenses are board per diems and expenses as follows:

	2012 Budget	2012	2011
	\$	\$	\$
Board chair per diem expense	50,000	50,957	41,300
Other board members per diem expense	100,000	25,419	58,947
CRA accrual historical expense	-	-	(12,729)
Governance costs and travel	70,000	26,770	33,106
Total expenses	220,000	103,146	120,625

1& Pension agreements

The LHIN makes contributions to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 33 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 2012 was \$270,985 (2011 - \$258,290) 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 at of December 31, 2011. At that time, the plan was fully funded.

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2012

1' . 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*.

1(. Comparative figures

Certain comparative figures have re-classified to conform to the current year presentation.

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Central West LHIN

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



Brock Hovey
Senior Director, Performance Contract and Allocation

May 29, 2012



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Independent Auditor's Report

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

We have audited the accompanying financial statements of Central West Local Health Integration Network, which comprise the statement of financial position as at March 31, 2012, and the statements of financial activities, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

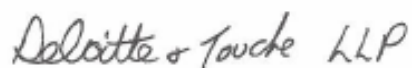
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable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

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

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Central West Local Health Integration network as at March 31, 2012 and the results of its financial activities, changes in its net debt and its cash flows for the years then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in dark ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

Chartered Accountants
Licensed Public Accountants
May 23, 2012

Central West Local Health Integration Network

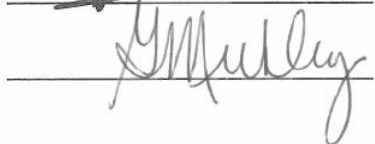
Statement of financial position as at March 31, 2012

	2012	2011
	\$	\$
Financial assets		
Cash	682,145	977,784
Accounts receivable		
Ministry of Health and Long-Term Care ("MOHLTC") -		
Health Service Providers ("HSP")	969,400	857,535
Other	112,881	95,258
	1,764,426	1,930,577
Liabilities		
Accounts payable and accrued liabilities	382,700	461,931
Due to MOHLTC and eHealth Ontario (Note 3b and 3c)	436,291	641,291
Due to HSP	969,400	857,535
Due to the LHIN Shared Services Office (Note 4)	1,056	8,469
Deferred capital contributions (Note 5)	145,133	188,537
	1,934,580	2,157,763
Commitments (Note 6)		
Net debt	(170,154)	(227,186)
Non-financial assets		
Prepaid expenses	25,021	38,649
Capital assets (Note 7)	145,133	188,537
	170,154	227,186
Accumulated surplus	-	-

Approved by the Board



Director



Director

Central West Local Health Integration Network

Statement of financial activities
year ended March 31, 2012

		2012	2011
	Budget (Unaudited - Note 8)	Actual	Actual
	\$	\$	\$
Revenue			
MOHLTC funding			
Health Service Provider ("HSP") transfer payments (Note 9a)	749,300,340	809,798,292	759,377,113
Health Infrastructure Renewal Fund (HIRF) (Note 9b)	-	-	1,020,195
Operations of LHIN	4,401,928	4,362,188	4,234,790
eHealth (Note 10a)	-	400,000	600,000
eHealth Infrastructure Blueprint (Note 10b)	-	-	175,000
eHealth Privacy (note 10b)	-	-	157,000
eHealth Oversight Development (Note 10b)	-	-	50,000
French Language Services (note 10c)	106,000	106,000	64,762
ER/ALC Performance Lead (Note 10d)	-	100,000	100,000
Emergency Department Lead (Note 10e)	-	75,000	75,000
Aboriginal Health (Note 10f)	7,500	7,500	7,500
Behavioural Support Planning (Note 10g)	-	57,000	-
Primary Care Lead (Note 10h)	-	18,750	-
Critical Care Lead (Note 10i)	-	75,000	75,000
Amortization of deferred capital contributions (Note 5)	-	50,184	63,622
	753,815,768	815,049,914	765,999,982
Funding repayable to the MOHLTC (Note 3a)	-	(436,291)	(641,291)
	753,815,768	814,613,623	765,358,691
Expenses			
Transfer payments to HSPs (Note 9a)	749,300,340	809,798,292	759,377,113
Transfer payments to HSPs (HIRF) (Note 9b)	-	-	1,020,195
General and administrative (Note 11)	4,401,928	4,208,913	4,173,327
eHealth (Note 10a)	-	252,925	394,063
eHealth Physician-Patient Portal (Note 10b)	-	-	45,448
eHealth Privacy (Note 10b)	-	-	34,122
French Language Services (note 10c)	106,000	89,632	64,762
ER/ALC Performance Lead (Note 10d)	-	89,192	100,000
Emergency Department Lead (Note 10e)	-	72,788	70,161
Aboriginal Health (Note 10f)	7,500	-	7,500
Behavioural Support Planning (Note 10g)	-	17,881	-
Primary Care Lead (Note 10h)	-	12,000	-
Critical Care Lead (Note 10i)	-	72,000	72,000
	753,815,768	814,613,623	765,358,691
Annual surplus	-	-	-
Opening accumulated surplus	-	-	-
Closing accumulated surplus	-	-	-

Central West Local Health Integration Network

Statement of changes in net debt
year ended March 31, 2012

	2012	2011
	\$	\$
Annual surplus	-	-
Acquisition of capital assets	(6,780)	(167,138)
Amortization of capital assets	50,184	63,622
Change in other non-financial assets	13,628	(20,684)
Decrease (increase) in net debt	57,032	(124,200)
Opening net debt	(227,186)	(102,986)
Closing net debt	(170,154)	(227,186)

Central West Local Health Integration Network

Statement of cash flows year ended March 31, 2012

	2012	2011
	\$	\$
Operating transactions		
Annual surplus	-	-
Less items not affecting cash		
Amortization of capital assets	(50,184)	(63,622)
Amortization of deferred capital contributions (Note 5)	50,184	63,622
Changes in non-cash operating items		
(Increase) decrease in accounts receivable - MOHLTC	(111,865)	957,773
(Decrease) increase in due to the MOHLTC and eHealth Ontario	(205,000)	462,505
Increase (decrease) in due to HSP's	111,865	(844,272)
Increase in accounts receivable - other	(17,623)	(78,458)
(Decrease) increase in prepaid expenses	13,628	(20,684)
Decrease in accounts payable	(79,231)	(438,881)
(Decrease) increase in due to the LHIN Shared Services Office	(7,413)	7,153
	(295,639)	45,136
Capital transaction		
Acquisition of capital assets	(6,780)	(167,138)
Financing transaction		
Increase in deferred capital contributions (Note 5)	6,780	167,138
Net increase (decrease) in cash	(295,639)	45,136
Cash, beginning of year	977,784	932,648
Cash, end of year	682,145	977,784

Central West Local Health Integration Network

Notes to the financial statements

March 31, 2012

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 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.

The LHIN is funded by the Province of Ontario in accordance with the Ministry LHIN Performance Agreement ("MLPA"), 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. The cash associated with the transfer payment does not flow through the LHIN bank account. 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 for the year ended March 31, 2012.

The LHIN statements do not include any MOHLTC managed programs.

The LHIN is also funded by eHealth Ontario in accordance with the eHealth Ontario – LHIN Transfer Payment Agreement ("TPA"), which describes budget arrangements established by eHealth Ontario. These financial statements reflect agreed funding arrangements approved by eHealth Ontario. The LHIN cannot authorize an amount in excess of the budget allocation set by eHealth Ontario.

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.

Central West Local Health Integration Network

Notes to the financial statements

March 31, 2012

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.

Funding payments to HSPs 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 HSPs are expensed in the LHIN's financial statements for the year ended March 31, 2012.

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:

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 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.

Central West Local Health Integration Network

Notes to the financial statements

March 31, 2012

2. Significant accounting policies (continued)

Segment disclosures

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 and eHealth Ontario

In accordance with the MLPA and TPA, 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 and eHealth Ontario, respectively.

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

			2012	2011
	Revenue	Expenses	Surplus	Surplus
	\$	\$	\$	\$
Transfer Payments to HSP's	809,798,292	809,798,292	-	-
LHIN Operations (Note 11)	4,362,188	4,158,729	203,459	125,085
Capital contribution (Note 11)	50,184	50,184	-	-
eHealth (Note 10a)	400,000	252,925	147,075	205,937
eHealth Infrastructure Blueprint (Note 10b)	-	-	-	175,000
eHealth Physician-Patient Portal (Note 10b)	-	-	-	(45,448)
eHealth Privacy (Note 10b)	-	-	-	122,878
eHealth Oversight Development (Note 10b)	-	-	-	50,000
French Language Services (Note 10c)	106,000	89,632	16,368	-
ER/ALC Performance Lead (Note 10d)	100,000	89,192	10,808	-
Emergency Department Lead (Note 10e)	75,000	72,788	2,212	4,839
Aboriginal Health (Note 10f)	7,500	-	7,500	-
Behavioural Support Planning (Note 10g)	57,000	17,881	39,119	-
Primary Care Lead (Note 10i)	18,750	12,000	6,750	-
Critical Care Lead (Note 10j)	75,000	72,000	3,000	3,000
	815,049,914	814,613,623	436,291	641,291

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

	2012	2011
	\$	\$
Due to MOHLTC, beginning of year	641,291	178,786
Funding repaid to MOHLTC prior year	(641,291)	(169,882)
Adjustment to prior years initiatives and operations	-	(8,904)
Funding repayable to the MOHLTC related to current year activities (Note 3a)	289,216	641,291
Due to MOHLTC, end of year	289,216	641,291

Central West Local Health Integration Network

Notes to the financial statements

March 31, 2012

c. The amount due to eHealth Ontario at March 31 is made up as follows:

	2012	2011
	\$	\$
Due to eHealth Ontario, beginning of year	-	-
Funding repayable to eHealth Ontario related to current year activities (Note 3a)	147,075	-
Due to eHealth Ontario, end of year	147,075	-

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

	2012	2011
	\$	\$
Balance, beginning of year	188,537	85,021
Capital contributions received during the year	6,780	167,138
Amortization for the year	(50,184)	(63,622)
Balance, end of year	145,133	188,537

6. Commitments

The LHIN has commitments under various operating leases related to building and equipment ending in 2015. Lease renewals are likely. Minimum lease payments due in each of the next three years are as follows:

	\$
2013	225,779
2014	220,835
2015	92,014
	538,628

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 2011 accountability agreements, and are as follows:

	\$
2013	646,533,466
2014	646,533,466

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, 2012

7. Capital assets

			2012	2011
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office furniture and fixtures	284,229	254,385	29,844	44,410
Computer equipment	34,426	34,426	-	-
Leasehold improvements	703,568	588,279	115,289	144,127
	1,022,223	877,090	145,133	188,537

8. Budget figures

The budgets were approved by the Government of Ontario. The budget figures reported in the statement of financial activities reflect the final budget at April 30, 2011. 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 \$809,938,616 is made up of the following:

	\$
Initial HSP funding budget	749,300,340
Adjustment due to announcements made during the year	60,638,276
Total HSP funding budget	809,938,616

The \$140,324 difference between the final budget of \$809,938,616 and the actual expenses of \$809,798,292 relates to unanticipated delays in implementation of new initiatives.

The total operating budget, excluding HSP funding, is made up of the following:

	\$
Initial budget	4,401,928
In Year Surplus returned to MOHLTC	(32,960)
Aboriginal Funding	7,500
French Language Services	106,000
Adjustment due to announcements made during the year	
eHealth PMO	600,000
ER/ALC Performance Lead	100,000
ED LHIN Lead	75,000
Behavioural Support Planning	57,000
Primary Care Lead	43,750
Primary Care Lead In Year Surplus returned to MOHLTC	(25,000)
Critical Care Lead	75,000
Amount treated as capital contributions made during the year	(6,780)
Total budget	5,401,438

Central West Local Health Integration Network

Notes to the financial statements

March 31, 2012

9. a) Transfer payments to HSPs

The LHIN approved transfer payments to the various sectors in 2012 as follows:

	2012	2011
	\$	\$
Operation of Hospitals	516,703,101	482,506,910
Grants to compensate for Municipal Taxation - Public Hospitals	99,450	99,450
Long-Term Care Homes	148,451,157	140,517,555
Community Care Access Centres	89,894,131	81,483,492
Community Support Services	8,280,728	8,788,645
Assisted Living Services in Supportive Housing	6,265,236	5,445,343
Community Health Centres	9,933,667	7,241,947
Community Mental Health Addictions Program	30,170,822	33,293,771
	809,798,292	759,377,113

b) Health Infrastructure Renewal Fund (HIRF)

The LHIN has authorized to allocate funding of \$0 (2011 - \$1,020,195) to support public hospital infrastructure renewal projects that are minor capital in nature. In 2012, HIRF was distributed through an individual agreement between the public hospital and the Ministry of Health and Long-term Care.

10. Specific initiatives

Separate funding amounts were received by the Central West LHIN from the MOHLTC and eHealth Ontario for specific initiatives.

a) eHealth

The LHIN received funding of \$400,000 (2011 - \$600,000) related to supporting the eHealth PMO office. eHealth expenses incurred during the year are as follows:

	2012	2011
	\$	\$
Salaries and benefits	245,954	395,846
Staff travel	2,556	1,784
Communication expense	529	2,178
Local Health HSP Getting Ready Project	-	50,806
Consulting	25	61,540
Accommodation	3,600	-
Staff development	-	6,482
Meeting expenses	261	427
Funding returned from William Osler Meditech project	-	(125,000)
	252,925	394,063

Central West Local Health Integration Network

Notes to the financial statements

March 31, 2012

10. Specific initiatives (continued)

b) eHealth Projects

The LHIN received no funding in 2012 (2011 - \$382,000) related to specific technology initiatives. There were no expenditures incurred.

c) French Language Services

The LHIN received base funding of \$106,000 and one time funding of \$0 (2011 - \$4,000 related to the French Language Services initiative. Expenses incurred during the year of \$89,632 (2011 - \$64,762) consist of salary and benefits of \$76,847 for the French Language Coordinator and \$12,785 in meeting and administration expenses.

d) ER/ALC Performance Lead

The LHIN received funding of \$100,000 (2011 - \$100,000) related to the ER/ALC Performance Lead initiative. ER/ALC expenses incurred during the year of \$89,192 (2011 - \$100,000) related to salaries and benefits.

e) Emergency Department Lead

The LHIN received funding of \$75,000 (2011 - \$75,000) related to the Emergency Department Lead project. Emergency Department Lead expenses of \$72,788 (2011 - \$70,161) consist of \$72,000 (2011 - \$69,000) for consulting fees and \$788 (2011 - \$1,161) related to development and travel expenses.

f) Aboriginal Health

The LHIN received funding of \$7,500 (2011 - \$7,500) related to the Aboriginal Health project. Aboriginal Health project expenses incurred during the year consist of \$0 (2011 - \$7,500). Development of the community engagement strategy will resume in 2012-13.

g) Behavioural Support Planning

The LHIN received funding for Behavioural Support Planning of \$ 57,000 (2011 - \$Nil). Behavioural Support Planning expenses of \$17,881 consist of \$12,925 in salaries and \$4,956 in meeting expenses.

h) Primary Care Lead

The LHIN received funding of \$43,750 (2011 - \$Nil) related to the Primary Care Lead project. This was reduced by the Q3 surplus forecast for a net revenue of \$18,750 (funding of \$43,750 less recovery of \$25,000). Primary Care Lead expenses incurred during the year consist of \$12,000 (2011 - \$Nil) for consulting fees.

i) Critical Care Lead

The LHIN received funding of \$75,000 (2011 - \$75,000) related to the Critical Care Lead project. Critical Care Lead expenses incurred during the year consist of \$72,000 (2011 - \$72,000) for consulting fees.

Central West Local Health Integration Network

Notes to the financial statements

March 31, 2012

11. General and administrative expenses

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

	2012	2011
	\$	\$
Salaries and benefits	2,643,710	2,569,791
Occupancy	255,406	224,681
Amortization	50,184	63,621
Shared services	475,025	359,495
LHIN Collaborative	26,971	50,000
2010/11 deficit adjustment	-	21,097
Consulting services	249,072	333,396
Supplies	74,857	84,971
Board Chair remuneration	60,900	77,175
Board member remuneration	78,650	69,525
Board expenses	30,690	39,457
Mail, courier and telecommunications	41,386	65,094
Other	222,062	215,024
	4,208,913	4,173,327

12. 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 2012 was \$228,377 (2011 - \$251,586) 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 at December 31, 2011. 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*.

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 Canadian public sector accounting standards. In preparing these financial statements, management selects appropriate accounting policies and uses its judgment 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 audit 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 Finance and 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 Finance and 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.



Chantale LeClerc

Chief Executive Officer



Suzanne Dionne

*Senior Director
Health System Accountability*

April 2012



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Independent Auditor's Report

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

We have audited the accompanying financial statements of the Champlain Local Health Integration Network (the "LHIN"), which comprise the statement of financial position as at March 31, 2012, and the statements of financial activities, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of LHIN as at March 31, 2012, and the results of its financial activities, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 30, 2012

Champlain Local Health Integration Network


Statement of financial position as at March 31, 2012

	2012	2011
	\$	\$
Financial assets		
Cash	620,281	1,779,686
Accounts receivable - MOHLTC Transfer Payments for Health Service Providers	3,119,497	9,344,145
Accounts receivable - other	196,995	102,008
	3,936,773	11,225,839
Liabilities		
Accounts payable and accrued liabilities	375,630	1,256,266
Due to Health Service Providers	3,119,497	9,344,145
Due to MOHLTC (Note 3b))	334,839	567,756
Due to e-Health Ontario (Note 3c))	104,224	-
Due to the LHIN Shared Services Office (Note 4)	10,689	65,384
Deferred capital contributions (Note 5)	151,480	258,218
	4,096,359	11,491,769
Net debt	(159,586)	(265,930)
Commitments (Note 14)		
Non-financial assets		
Prepaid expenses	8,106	7,712
Capital assets (Note 6)	151,480	258,218
	159,586	265,930
Accumulated surplus	-	-

Approved by the Board



Dr. Wilbert Keon, Board Chair



Johanne Lacombe, Audit Committee Chair

Champlain Local Health Integration Network

Statement of financial activities
year ended March 31, 2012

	2012	2011
Initial budget (Unaudited - Note 7)	Actual	Actual
\$	\$	\$
Revenue		
MOHLTC funding		
HSP transfer payments (Note 8)	2,321,036,000	2,445,101,016
LHIN Operations (Note 9)	5,267,690	5,260,649
eHealth (Note 10)	-	600,000
eHealth - Alternate Level of Care / RMR (Note 10)	-	98,300
eHealth - Physician Demonstration Program (Note 10)	-	-
eHealth - Implementation and Adoption (Note 10)	-	-
Emergency Department Physician Leader (Note 11)	-	75,000
Aboriginal Engagement (Note 11)	35,000	35,000
Emergency Room / Alternate Level of Care (Note 11)	-	100,000
French Language Services (Note 11)	106,000	106,000
Patient Flow Performance Improvement (Note 11)	-	-
FLHS Réseau des services de sante en francais (Note 11)	993,837	993,837
Orléans Health Hub (Note 11)	-	14,800
Behavioural Supports Ontario Note 11)	-	57,000
Primary Care LHIN Lead Pilot Program (Note 11)	-	43,750
Critical Care (Note 11)	-	75,000
Amortization of deferred capital contributions (Note 5)	-	113,778
	2,327,438,527	2,452,674,130
Funding repayable to the MOHLTC and eHealth Ontario (Note 3b and 3c)	-	(439,063)
	2,327,438,527	2,452,235,067
Expenses		
Transfer payments to HSPs (Note 8)	2,321,036,000	2,445,101,016
LHIN Operations (Note 9)	5,267,690	5,123,365
eHealth (Note 10)	-	495,776
eHealth - Alternate Level of Care / RMR (Note 10)	-	70,846
eHealth - Physician Demonstration Program (Note 10)	-	-
eHealth - Implementation and Adoption (Note 10)	-	-
Emergency Department Physician Leader (Note 11)	-	73,380
Aboriginal Engagement (Note 11)	35,000	21,126
Emergency Room / Alternate Level of Care (Note 11)	-	100,000
French Language Services (Note 11)	106,000	81,762
Patient Flow Performance Improvement (Note 11)	-	-
FLHS Réseau des services de sante en francais (Note 11)	993,837	914,732
Orléans Health Hub (Note 11)	-	1,177
Behavioural Supports Ontario Note 11)	-	57,000
Primary Care LHIN Lead Pilot Program (Note 11)	-	14,284
Critical Care	-	66,825
Amortization	-	113,778
	2,327,438,527	2,452,235,067
Annual and accumulated surplus	-	-

Champlain Local Health Integration Network

Statement of changes in net debt
year ended March 31, 2012

		2012	2011
	Initial budget (Unaudited - Note 7)	Actual	Actual
	\$	\$	\$
Annual surplus	-	-	-
Acquisition of capital assets	-	(7,040)	(30,813)
Amortization of capital assets	-	113,778	127,130
Increase in prepaid expenses	-	(394)	(520)
Decrease in net debt	-	106,344	95,797
Opening net debt	-	(265,930)	(361,727)
Closing net debt	-	(159,586)	(265,930)

Champlain Local Health Integration Network

Statement of cash flows year ended March 31, 2012

	2012	2011
	\$	\$
Operating transactions		
Annual surplus	-	-
Non-cash items		
Amortization of capital assets	113,778	127,130
Amortization of deferred capital contributions (Note 5)	(113,778)	(127,130)
Changes in non-cash working capital		
Decrease in accounts receivable - MOHLTC HSP	6,224,648	686,015
Accounts receivable - MOHLTC Other Programs	-	255,000
Increase in accounts receivable - Other	(94,987)	(101,958)
Increase in prepaid expenses	(394)	(520)
Decrease in accounts payable and accrued liabilities	(880,636)	449,466
Decrease in due to MOHLTC HSP	(6,224,648)	(686,015)
Increase in due to e-Health Ontario	104,224	-
Decrease in due to MOHLTC	(232,917)	154,532
Increase in due to LHIN Shared Services Office	(54,695)	11,906
	(1,159,405)	768,426
Capital transaction		
Acquisition of capital assets	(7,040)	(30,813)
Financing transaction		
Capital contributions received (Note 5)	7,040	30,813
Net change in cash	(1,159,405)	768,426
Cash, beginning of year	1,779,686	1,011,260
Cash, end of year	620,281	1,779,686

Champlain Local Health Integration Network

Notes to the financial statements

March 31, 2012

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 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.champlainhin.on.ca.

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.

The LHIN is funded by the Province of Ontario in accordance with the Ministry-LHIN Performance Agreement ("MLPA"), 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. 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 LHIN statements do not include any Ministry managed programs.

The LHIN is also funded by eHealth Ontario in accordance with the eHealth Ontario – LHIN Transfer Payment Agreement ("TPA"), which describes budget arrangements established by eHealth Ontario. These financial statements reflect agreed funding arrangements approved by eHealth Ontario. The LHIN cannot authorize an amount in excess of the budget allocation set by eHealth Ontario.

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.

Champlain Local Health Integration Network

Notes to the financial statements

March 31, 2012

2. Significant accounting policies (continued)

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.

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

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.

Champlain Local Health Integration Network

Notes to the financial statements

March 31, 2012

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. Significant items subject to such estimates and assumptions include valuation of accrued liabilities and useful lives of the capital assets. Actual results could differ from those estimates.

3. Funding repayable to the MOHLTC and eHealth Ontario

In accordance with the MLPA, 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 TPA, 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 eHealth Ontario.

- a) The amount repayable to the MOHLTC and eHealth Ontario is related to the current year activities in the following programs:

	Funding received	Eligible expenses	Excess funding
	\$	\$	\$
Transfer payments to HSPs	2,445,101,016	2,445,101,016	-
LHIN Operations	5,260,649	5,123,365	137,284
Amortization	113,778	113,778	-
e-Health	600,000	495,776	104,224
e-Health Alternative Level of Care Resource Matching and Referral	98,300	70,846	27,454
Emergency Department Physician Leader	75,000	73,380	1,620
Aboriginal Engagement	35,000	21,126	13,874
Emergency Room/Alternate Level of Care	100,000	100,000	-
French Language Services	106,000	81,762	24,238
FLHS Reseau des services de sante en francais	993,837	914,732	79,105
Orléans Family Health Hub	14,800	1,177	13,623
Behavioural Supports Ontario	57,000	57,000	-
Primary Care LHIN Lead Pilot Program	43,750	14,284	29,466
Critical Care LHIN Leader	75,000	66,825	8,175
	2,452,674,130	2,452,235,067	439,063

- b) The amount due to the MOHLTC at March 31 consists of:

	2012	2011
	\$	\$
Due to MOHLTC, beginning of year	567,756	413,224
Amount recovered during the year	(567,756)	(413,224)
Funding repayable to the MOHLTC related to current year activities	334,839	567,756
Due to MOHLTC, end of year	334,839	567,756

Champlain Local Health Integration Network

Notes to the financial statements

March 31, 2012

3. Funding repayable to the MOHLTC and eHealth Ontario (continued)

c) The amount due to eHealth Ontario at March 31 consists of:

	2012	2011
	\$	\$
Funding repayable to the eHealth Ontario related to		
current year activities	104,224	-
Due to eHealth Ontario, end of year	104,224	-

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 are 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.

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

	2012	2011
	\$	\$
Balance, beginning of year	258,218	354,535
Capital contributions Ministry	7,040	30,813
Amortization for the year	(113,778)	(127,130)
Balance, end of year	151,480	258,218

Champlain Local Health Integration Network

Notes to the financial statements

March 31, 2012

6. Capital assets

			2012
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Computer equipment	121,187	112,553	8,634
Computer software	33,762	33,762	-
Office equipment	155,029	142,016	13,013
Furniture and fixtures	390,982	337,376	53,606
Leasehold improvements	1,179,693	1,103,466	76,227
	1,880,653	1,729,173	151,480
			2011
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Computer equipment	117,432	105,171	12,261
Computer software	33,762	33,762	-
Office equipment	151,744	127,246	24,498
Furniture and fixtures	390,982	302,000	88,982
Leasehold improvements	1,179,693	1,047,216	132,477
	1,873,613	1,615,395	258,218

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	2,321,036,000	124,065,016	2,445,101,016
LHIN operations	5,267,690	-	5,267,690
e-Health programs	-	698,300	698,300
Other programs	1,134,837	365,550	1,500,387
	2,327,438,527	125,128,866	2,452,567,393

Champlain Local Health Integration Network

Notes to the financial statements

March 31, 2012

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 2012 and 2011 as follows:

	2012	2011
	\$	\$
Operation of Hospitals		
Operations	1,638,135,652	1,587,744,527
Hospital InfraStructure Renewal Fund (Capital)	-	5,301,268
Grants to compensate for Municipal Taxation		
Public Hospitals	355,650	355,650
Long-Term Care Homes	316,966,954	299,838,122
Community Care Access Centres	195,498,510	178,160,210
Community Support Services	32,138,674	34,488,180
Acquired Brain Injury	1,868,661	1,875,348
Assisted Living Services in Supportive Housing	14,087,359	7,953,568
Community Health Centres	52,930,579	50,108,083
Community Mental Health Addictions Program	63,850,660	62,185,509
Addictions Program	20,854,792	19,122,970
Specialty Psychiatric Hospitals	107,823,200	122,430,317
Grants to compensate for Municipal Taxation		
Psychiatric Hospitals	28,425	28,425
	2,444,539,116	2,369,592,177
Long-Term Care Homes prior year settlements	561,900	569,262
	2,445,101,016	2,370,161,439

Beginning in fiscal 2012, the Ministry of Health and Long Term Care transferred funding for the Hospital InfraStructure Renewal Fund (Capital) directly to Champlain LHIN Hospitals as part of a Ministry Managed Program. In fiscal 2012, hospitals in the Champlain LHIN received \$2,604,844 as part of this initiative.

Champlain Local Health Integration Network

Notes to the financial statements

March 31, 2012

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:

	2012	2011
	\$	\$
Program based		
Salary and benefits	3,628,783	3,746,831
Consulting and LHIN-based projects	22,060	5,731
Other program costs	303,951	325,258
	3,954,794	4,077,820
Occupancy	425,243	351,384
LHIN Shared services	475,025	359,495
LHIN Collaborative	26,971	50,000
Governance per diems	74,525	97,361
Office equipment and supplies	149,695	178,773
Other	17,112	67,346
	5,123,365	5,182,179
Amortization	113,778	127,130
	5,237,143	5,309,309

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:

	2012	2011
	\$	\$
Chair per diems	34,475	58,150
Other Board member per diems	40,050	39,211
Other	35,924	53,395
	110,449	150,756

10. e-Health and related programs

The MOHLTC has provided the LHIN with e-Health funding since fiscal 2008; however, in 2011-12, the LHIN received the funding directly from e-Health Ontario. 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:

	2012	2011
	\$	\$
Salary and benefits	458,176	487,620
Consulting	15,000	5,263
Other program costs	22,600	24,447
	495,776	517,330

Champlain Local Health Integration Network

Notes to the financial statements

March 31, 2012

10. e-Health and related programs (continued)

Alternate Level of Care Resource Matching and Referral

RM&R is an electronic information and referral system that matches patient/clients to the earliest available services that best meet their individual needs. RM&R improves the patient/client experience and is designed to ensure all individuals have equitable access to safe and high quality services.

11. Other programs

Emergency Department Physician Leader

Since fiscal 2008 the MOHLTC has worked closely with the LHINs, Ontario hospitals and healthcare 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.

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 2011, the MOHLTC provided \$106,000 base funding to establish a dedicated FLHS resource to support the implementation of French language services.

FLHS Réseau des services en français

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 2011, the LHIN hired a dedicated FLHS resource, the French Language Services Advisor to support the implementation of FLS in the Champlain region. The Réseau des services de santé en français de l'Est de l'Ontario was formally designated by MOHLTC as the French Language Health Planning Entity (FLHPE) for the Champlain and South East LHINs. The accountability agreement that was signed by the two LHINs and the Entity, gives the parameters of the work plans that are in the process of development. The LHIN will be seeking the advice of the Entity to ensure that the planning and integration activities reflect the needs and priorities of francophone communities.

Champlain Local Health Integration Network

Notes to the financial statements

March 31, 2012

11. Other programs (continued)

Orléans Family Health Hub

The Orléans Family Health Hub will be a comprehensive primary care facility co-locating on one centrally located site a Family Health Team and a number of health services. When completed, the Orléans Family Health Hub will provide many benefits for the residents of Orléans including minimizing the need for travel and multiple visits to health professionals and improved coordination of care. The Champlain LHIN will take on the initial project management for the revised Orléans Family Health Hub project up to the point where a revised master plan and business case can be prepared and submitted to the Ministry Capital Branch.

Behavioural Supports Ontario Project

The Champlain LHIN received close to \$3,785,300 in annualized funding to develop and implement a system of supports for older adults with responsive and challenging behaviours resulting from dementia or mental health problems. This project is part of the larger provincial initiative (Behavioural Supports in Ontario [BSO] Project) with a total investment of \$40,000,000. The LHIN created an eight point action plan which detailed the priority uses for the enhanced funding and set the path for enhancements to coordination and integration across the system, creating over 40 FTE positions by year end.

Primary Care LHIN Lead Pilot Program

The LHIN received funds late in fiscal 2011-12 for a Primary Care Physician Lead who has a mandate to facilitate linkages between the primary care sector and the LHIN and lead specific initiatives with primary care in an effort to improve health system outcomes within the Champlain region. These initiatives will help to advance health system integration and contribute to improvements in LHIN performance measures.

Critical Care LHIN Leader

The Critical Care project, which began in 2011-12, includes a review of the needs of our rural, community, and tertiary-level critical care programs in our region. This incorporates an understanding of operational processes with other programs such as Emergency Medical Services (paramedics) and CritiCall. Priorities to-date have included planning for Ventilator Assisted Pneumonia (VAP) and Central Line Infection Prevention (CLI) Toolkit updates, Surge Capacity Protocol updates, the Extramural Critical Care Response Team, Life or Limb policy, Ventilator Stock Pile, scorecards and quality measures.

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 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 by the LHIN to HOOPP for fiscal 2012 was \$351,726 (2011 - \$346,372) 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, 2011. 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*.

Champlain Local Health Integration Network

Notes to the financial statements

March 31, 2012

14. Commitments

The LHIN has commitments under various operating leases expiring at various dates to 2015 related to office space and equipment. Lease renewals are likely; however, there are no commitments extending beyond 2015 at this time. Minimum lease payments due in each of the next three years are as follows:

	\$
2013	385,410
2014	380,641
2015	188,914
	954,966

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:

2013	2,405,862,999
2014	2,090,747,145

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 agreements with hospitals that have been extended to June 30, 2012, long term care providers that extend until March 31, 2013 and community sector providers that extend until March 31, 2014. Current community sector agreements do not specify financial commitments for 2014.

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
Director, Corporate Services and Controller

April 27, 2012



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Independent Auditor's Report

To the Members of the Board of Directors of the
Erie St. Clair Local Health Integration Network

We have audited the accompanying financial statements of Erie St. Clair Local Health Integration Network, which comprise the statement of financial position as at March 31, 2012, and the statements of financial activities, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Erie St. Clair Local Health Integration network as at March 31, 2012 and the results of its financial activities, changes in net debt and its cash flows for the years then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

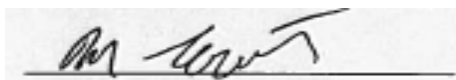
Chartered Accountants
Licensed Public Accountants
May 22, 2012

Erie St. Clair Local Health Integration Network

Statement of financial position
as at March 31, 2012

	2012	2011
	\$	\$
Financial assets		
Cash	493,712	849,512
Due from Ministry of Health and Long-Term Care ("MOHLTC") (Note 7)	1,463,700	4,331,253
Accounts receivable	218,198	58,627
Due from the LHIN Shared Services Office (Note 3)	2,729	6,499
	2,178,339	5,245,891
Liabilities		
Accounts payable and accrued liabilities	701,947	854,497
Due to MOHLTC (Note 10b)	25,205	55,755
Due to Health Service Providers ("HSPs") (Note 7)	1,463,700	4,331,253
Due to the LHIN Shared Services Office (Note 3)	-	4,386
Deferred capital contributions (Note 4)	33,489	67,490
	2,224,341	5,313,381
Commitments (Note 13)		
Net debt	(46,002)	(67,490)
Non-financial assets		
Prepaid expenses	12,513	-
Capital assets (Note 5)	33,489	67,490
Accumulated surplus	-	-

Approved by the Board



Director



Director

Erie St. Clair Local Health Integration Network

Statement of financial activities
year ended March 31, 2012

		2012	2011
	Budget (Unaudited - Note 6)	Actual	Actual
	\$	\$	\$
Revenue			
MOHTLC funding			
HSP transfer payments (Note 7)	987,148,856	1,063,512,111	1,004,975,091
Operations of LHIN	4,558,920	4,565,173	4,486,383
Emergency Department Lead (Note 9a)	75,000	75,000	75,000
Critical Care Lead (Note 9b)	75,000	75,000	75,000
Behavioural Supports Ontario Fund (Note 9c)	-	57,000	-
Primary Care Lead (Note 9d)	-	43,750	-
French Language Health Planning Entities Fund (Note 9e)	425,533	425,533	144,424
Diabetes Fund (Note 9f)	-	-	35,000
French Language Services Fund (Note 9g)	-	-	35,558
E-Health (Note 9h)	510,000	700,700	1,287,000
Amortization of deferred capital contributions (Note 4)	25,000	34,001	44,574
	992,818,309	1,069,488,268	1,011,158,030
Funding repayable to the MOHLTC (Note 10)	-	(53,379)	(87,005)
	992,818,309	1,069,434,889	1,011,071,025
Expenses			
Transfer payments to HSPs (Note 7)	987,148,856	1,063,512,111	1,004,975,091
General and administrative (Note 8)	4,583,920	4,589,726	4,530,957
Emergency Department Lead (Note 9a)	75,000	75,000	75,000
Critical Care Lead (Note 9b)	75,000	71,825	51,000
Behavioural Supports Ontario Fund (Note 9c)	-	47,494	-
Primary Care Lead (Note 9d)	-	12,500	-
French Language Health Planning Entities Fund (Note 9e)	425,533	425,533	144,424
Diabetes Fund (Note 9f)	-	-	3,750
French Language Services Fund (Note 9g)	-	-	3,803
E-Health (Note 9h)	510,000	700,700	1,287,000
	992,818,309	1,069,434,889	1,011,071,025
Annual surplus and closing accumulated surplus	-	-	-

Erie St. Clair Local Health Integration Network

Statement of changes in net debt
year ended March 31, 2012

		2012	2011
	Budget (Unaudited - Note 6)	Actual	Actual
	\$	\$	\$
Annual surplus	-	-	-
Prepaid expenses incurred	-	(12,513)	12,347
Acquisition of capital assets	-	-	(47,460)
Amortization of capital assets	25,000	34,001	44,574
Decrease in net debt	25,000	21,488	9,461
Opening net debt	(67,490)	(67,490)	(76,951)
Closing net debt	(42,490)	(46,002)	(67,490)

Erie St. Clair Local Health Integration Network

Statement of cash flows

year ended March 31, 2012

	2012	2011
	\$	\$
Operating transactions		
Annual surplus	-	-
Less items not affecting cash		
Amortization of capital assets	34,001	44,574
Amortization of deferred capital contributions (Note 4)	(34,001)	(44,574)
Changes in non-cash operating items		
Decrease (increase) in due from MOHLTC	2,867,553	(1,031,767)
Increase in accounts receivable	(159,571)	(58,627)
Decrease (increase) in due from LHIN Shared Services Office	3,770	(1,499)
(Decrease) increase in accounts payable and accrued liabilities	(152,550)	247,284
(Decrease) increase in due to MOHLTC	(30,550)	40,842
(Increase) decrease in due to HSPs	(2,867,553)	1,031,767
(Decrease) increase in due to LHIN Shared Services Office	(4,386)	4,386
(Increase) decrease in prepaid expenses	(12,513)	12,347
	(355,800)	244,733
Capital transactions		
Acquisition of capital assets	-	(47,460)
Financing transactions		
Increase in deferred capital contributions (Note 4)	-	47,460
Net (decrease) increase in cash	(355,800)	244,733
Cash, beginning of year	849,512	604,779
Cash, end of year	493,712	849,512

Erie St. Clair Local Health Integration Network

Notes to the financial statements

March 31, 2012

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, 2012.

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.

The LHIN is funded by the Province of Ontario in accordance with the Ministry-LHIN Performance Agreement ("MLPA"), 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.

The LHIN is also funded by eHealth Ontario in accordance with the eHealth Ontario – LHIN Transfer Payment Agreement ("TPA"), which describes budget arrangements established by eHealth Ontario. These financial statements reflect agreed funding arrangements approved by eHealth Ontario. The LHIN cannot authorize an amount in excess of the budget allocation set by eHealth Ontario.

Erie St. Clair Local Health Integration Network

Notes to the financial statements

March 31, 2012

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.

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.

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.

Erie St. Clair Local Health Integration Network

Notes to the financial statements

March 31, 2012

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:

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

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") 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

	2012	2011
	\$	\$
Balance, beginning of year	67,490	64,604
Capital contributions received during the year	-	47,460
Amortization for the year	(34,001)	(44,574)
Balance, end of year	33,489	67,490

Erie St. Clair Local Health Integration Network

Notes to the financial statements

March 31, 2012

5. Capital assets

			2012	2011
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office equipment	472,325	472,325	-	2,205
Computer equipment	108,598	89,461	19,137	37,567
Leasehold improvements	596,550	582,198	14,352	27,718
	1,177,473	1,143,984	33,489	67,490

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, 2011. 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 \$1,063,512,111 is derived as follows:

	\$
Initial budget	987,148,856
Adjustment due to announcements made during the year	76,363,255
Final HSP funding budget	1,063,512,111

The final LHIN budget, excluding the HSP funding, of \$5,888,777 is derived as follows:

	\$
Initial budget	5,644,453
Additional funding received during the year	244,324
Amount treated as capital contributions made during the year	-
Final LHIN operations budget	5,888,777

Erie St. Clair Local Health Integration Network

Notes to the financial statements

March 31, 2012

7. Transfer payments to HSPs

The LHIN has authorization to allocate funding of \$1,063,512,111 (2011 - \$1,004,975,091) to various HSPs in its geographic area. The LHIN approved transfer payments to various sectors in 2012 as follows:

	2012	2011
	\$	\$
Operation of hospitals	672,534,639	638,504,780
Health infrastructure renewal fund - hospitals	-	2,025,299
Grants to compensate for municipal taxation - public hospitals	167,625	163,650
Long-term care homes	179,903,526	168,841,929
Community care access centres	121,378,126	111,133,672
Community support services	17,267,639	16,085,420
Assisted living services in supportive housing	6,887,151	5,633,306
Community health centres	24,056,526	23,327,102
Community mental health addictions programs	10,079,591	9,590,687
Community mental health programs	31,237,288	29,669,246
	1,063,512,111	1,004,975,091

The LHIN receives money from the MOHLTC and in turn allocates it to the HSPs. As at March 31, 2012, an amount of \$1,463,700 (2011 - \$4,331,253) 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.

8. General and administrative expenses

The Statement of financial activities presents the expenses by function. The following classifies general and administrative expenses by object:

	2012	2011
	\$	\$
Salaries and benefits	3,312,882	3,040,178
Occupancy	257,874	290,583
Amortization	34,001	44,574
Shared services	365,025	359,495
Public relations	60,512	68,825
Consulting services	148,407	148,601
Supplies	35,693	37,859
Board Chair per diems	22,400	55,650
Board member per diems	37,900	58,675
Board member expenses	19,142	67,052
Mail, courier and telecommunications	59,719	57,503
LHIN collaborative	28,219	50,028
Other	207,952	251,934
	4,589,726	4,530,957

Erie St. Clair Local Health Integration Network

Notes to the financial statements

March 31, 2012

9. Programs

a) *Emergency Department Lead*

The MOHLTC provided the LHIN with \$75,000 (2011 - \$75,000) to hire a LHIN representative for emergency department planning. Dr. David Ng incurred operating expenses totaling \$75,000 (2011 - \$75,000).

b) *Critical Care Lead*

The MOHLTC provided the LHIN with \$75,000 (2011 - \$75,000) to hire a LHIN representative for critical care planning. Dr. Eli Malus incurred operating expenses totaling \$71,825. Unused funding of \$3,175 is repayable to the Ministry of Health and Long-Term Care.

c) *Behavioural Supports Ontario Fund*

The MOHLTC provided the LHIN with \$57,000 (2011 - \$nil) to develop programs specifically attributed to behavioural supports as guided by the Ministry. The LHIN incurred operating expenses totaling \$47,494. Unused funding of \$9,506 is repayable to the Ministry of Health and Long-Term Care.

d) *Primary Care Lead*

The MOHLTC provided the LHIN with \$43,750 (2011 - \$nil) to hire a LHIN representative for primary care planning. Dr. Martin Lees incurred operating expenses totaling \$12,500. Unused funding of \$31,250 is repayable to the Ministry of Health and Long-Term Care.

e) *French Language Health Planning Entity*

The MOHLTC provided the LHIN with \$425,533 (2011 - \$144,424) to establish and fund a new entity on behalf of the Southwest and Erie St. Clair LHINs. All funds were expended.

f) *Diabetes*

The MOHLTC provided the LHIN with \$nil (2011 - \$35,000) to produce a Self-Management toolkit and incurred operating expenses totaling \$nil (2011 - \$3,750).

g) *French Language Services*

The MOHLTC provided the LHIN with \$72,500 in 2010 to enhance French Language services information, of which \$35,558 was deferred to 2011. The LHIN incurred operating expenses totaling \$3,803 in 2011 resulting in unused funding of \$31,755 which was repayable to the Ministry of Health and Long-Term Care.

h) *E-Health*

eHealth Ontario provided \$700,700 (2011 - \$1,287,000) to the LHIN. The LHIN had a contract and retained services of the Consolidated Health Information Services ("CHIS") during 2012 and 2011 for the entire allotment of funding.

Erie St. Clair Local Health Integration Network

Notes to the financial statements

March 31, 2012

10. Funding repayable to the MOHLTC and eHealth Ontario

In accordance with the MLPA, 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 TPA, 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 eHealth Ontario.

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

			2012	2011
	Funding received	Eligible expenses	Funding excess	Funding excess
	\$	\$	\$	\$
Transfer payments to HSPs	1,063,512,111	1,063,512,111	-	-
LHIN operations	4,565,173	4,555,725	9,448	-
French Language Health Planning	425,533	425,533	-	-
BSO Fund	57,000	47,494	9,506	-
Critical Care Lead Fund	75,000	71,825	3,175	24,000
Primary Care Lead Fund	43,750	12,500	31,250	-
Emergency Department Lead	75,000	75,000	-	-
Diabetes Fund	-	-	-	31,250
French Language Services Fund	-	-	-	31,755
E-Health	700,700	700,700	-	-
	1,068,753,567	1,068,700,188	53,379	87,005

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

	2012	2011
	\$	\$
Due to MOHTLC, beginning of year	55,755	14,913
Funding repayable to the MOHLTC related to current year activities (Note 10a)	53,379	87,005
Amounts repaid to MOHLTC during the year	(83,929)	(46,163)
Due to MOHLTC, end of year	25,205	55,755

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 25 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 2012 was \$216,662 (2011 - \$213,717) 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 as at December 31, 2011. At that time, the plan was fully funded.

Erie St. Clair Local Health Integration Network

Notes to the financial statements

March 31, 2012

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. The LHIN had the following funding commitments as of March 31, 2012.

	\$
2013	251,058,315

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 four years are as follows:

	\$
2013	192,804
2014	180,204
2015	156,804
2016	91,469

14. Comparative figures

Certain comparative figures have been reclassified to conform to the current year presentation.

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Hamilton Niagara Haldimand Brant **LHIN**

Management's Responsibility for the Financial Statements

March 31, 2012

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.



Donna Cripps
Chief Executive Officer



Patricia Cicarelli
Director, Finance



Deloitte & Touche LLP
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Independent Auditor's Report

To the Members of the Board of Directors of the
Hamilton Niagara Haldimand Brant
Local Health Integration Network

We have audited the accompanying financial statements of Hamilton Niagara Haldimand Brant Local Health Integration Network, which comprise the statements of financial position as at March 31, 2012, and the statements of financial activities, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility


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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Hamilton Niagara Haldimand Brant Local Health Integration Network, as at March 31, 2012 and the results of its financial activities, its changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

The image shows 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 30, 2012

Hamilton Niagara Haldimand Brant Local Health Integration Network

Statement of financial position
as at March 31, 2012

	2012	2011
	\$	\$
Financial assets		
Cash	1,136,961	1,869,146
Accounts receivable - e-Health funding	200,000	-
HST receivable	32,298	49,796
Accounts receivable - other	92,991	-
Due from MOHLTC to Health Service Providers ("HSPs") (Note 9)	5,292,440	11,338,713
	6,754,690	13,257,655
Liabilities		
Accounts payable and accrued liabilities	853,210	1,077,030
Due to the MOHLTC (Note 3b)	635,488	851,197
Due to HSPs from MOHLTC (Note 9)	5,292,440	11,338,713
Due to the LHIN Shared Services Office (Note 4)	-	4,089
Deferred capital contributions (Note 5)	155,301	311,967
	6,936,439	13,582,996
Commitments (Note 6)		
Net debt	(181,749)	(325,341)
Non-financial assets		
Prepaid expenses	26,448	13,374
Capital assets (Note 7)	155,301	311,967
Accumulated surplus	-	-

Approved by the Board

 Director

 Director

Hamilton Niagara Haldimand Brant Local Health Integration Network

Statement of financial activities
year ended March 31, 2012

		2012	2011
	Budget (Unaudited) (Note 8)	Actual	Actual
	\$	\$	\$
Revenue			
MOHLTC / E-Health funding			
HSPs transfer payments (Note 9)	2,517,047,040	2,673,146,753	2,600,261,574
Operations of LHIN	5,174,872	5,174,872	5,174,872
E-Health (Note 10a)	600,000	600,000	600,000
E-Health-Physician Demonstration Project (Note 10a)	-	-	200,000
Residents First (Note 10b)	-	-	498,500
ER/ALC Performance Lead (Note 10c)	-	100,000	100,000
French Language Services (Note 10d)	-	106,000	74,670
French Language Planning Entity (Note 10d)	-	411,693	152,924
Emergency Dept LHIN LEAD (Note 10e)	-	75,000	75,000
Critical Care LHIN LEAD (Note 10f)	-	75,000	75,000
Aboriginal Planning (Note 10h)	37,500	37,500	37,500
Behavioural Support Ontario (Note 10i)	-	750,000	-
Primary Care LHIN Lead (Note 10g)	-	43,750	-
Amortization of deferred capital contributions (Note 5)	-	156,666	185,756
	2,522,859,412	2,680,677,234	2,607,435,796
Funding repayable to the MOHLTC (Note 3a)		(747,488)	(851,197)
	2,522,859,412	2,679,929,746	2,606,584,599
Expenses			
Transfer payments to HSPs (Note 9)	2,517,047,040	2,673,146,753	2,600,261,574
General and administrative (Note 11)	5,174,872	5,219,538	4,863,116
E-Health (Note 10a)	600,000	600,000	600,000
E-Health-Physician Demonstration Project (Note 10a)	-	-	200,000
Residents First (Note 10b)	-	-	162,855
ER/ALC Performance Lead (Note 10c)	-	100,000	100,000
French Language Services (Note 10d)	-	106,000	60,516
French Language Planning Entity (Note 10d)	-	151,822	152,924
Emergency Dept LHIN LEAD (Note 10e)	-	73,900	74,364
Critical Care LHIN LEAD (Note 10f)	-	73,896	72,167
Aboriginal Planning (Note 10h)	37,500	37,500	37,083
Behavioural Support Ontario (Note 10i)	-	407,837	-
Primary Care LHIN Lead (Note 10g)	-	12,500	-
	2,522,859,412	2,679,929,746	2,606,584,599
Annual surplus and closing accumulated surplus	-	-	-

Hamilton Niagara Haldimand Brant Local Health Integration Network

Statement of changes in net debt
year ended March 31, 2012

		2012	2011
	Budget (Unaudited) (Note 8)	Actual	Actual
	\$	\$	\$
Annual surplus	-	-	-
Change in other non-financial assets	-	(13,074)	3,619
Acquisition of capital assets	-	-	(16,105)
Amortization of capital assets	-	156,666	185,756
Decrease in net debt	-	143,592	173,270
Opening net debt	-	(325,341)	(498,611)
Closing net debt	-	(181,749)	(325,341)

Hamilton Niagara Haldimand Brant Local Health Integration Network

Statement of cash flows
year ended March 31, 2012

	2012	2011
	\$	\$
Operating transactions		
Annual surplus	-	-
Add items not affecting cash		
Amortization of capital assets	156,666	185,756
Less items not affecting cash		
Amortization of deferred capital contributions (Note 5)	(156,666)	(185,756)
Changes in non-cash operating items		
(Increase) decrease in accounts receivable - other	(92,991)	6,634
(Increase) decrease in accounts receivable - MOHLTC / e-Health	(200,000)	35,000
Decrease (increase) in HST receivable	17,498	(49,796)
Decrease (increase) in due from MOHLTC to HSPs	6,046,273	(9,963,913)
(Decrease) increase in accounts payable and accrued liabilities	(223,820)	521,754
(Decrease) increase in due to the MOHLTC	(215,709)	796,334
(Decrease) increase in due to HSPs from MOHLTC	(6,046,273)	9,963,913
(Decrease) increase in due to the LHIN Shared Services Office	(4,089)	9,057
(Increase) decrease in prepaid expenses	(13,074)	3,619
	(732,185)	1,322,602
Capital investment		
Acquisition of capital assets	-	(16,105)
Financing transaction		
Capital contributions received (Note 5)	-	16,105
Net change in cash	(732,185)	1,322,602
Cash, beginning of year	1,869,146	546,544
Cash, end of year	1,136,961	1,869,146

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements

March 31, 2012

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 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.

The LHIN is funded by the Province of Ontario in accordance with the Ministry – LHIN Performance Agreement ("MLPA"), which describes budget arrangements established by the Ministry of Health and Long-Term Care ("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. Commencing April 1, 2007, all funding payments to LHIN managed HSPs 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 for the year ended March 31, 2012.

The LHIN statements do not include any MOHLTC managed programs.

The LHIN is also funded by eHealth Ontario in accordance with the eHealth Ontario – LHIN Transfer Payment Agreement ("TPA"), which describes budget arrangements established by eHealth Ontario. These financial statements reflect agreed funding arrangements approved by eHealth Ontario. The LHIN cannot authorize an amount in excess of the budget allocation set by eHealth Ontario.

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, 2012

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:

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.

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements

March 31, 2012

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. Funding repayable to the MOHLTC/eHealth Ontario

In accordance with the MLPA, 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 and eHealth Ontario.

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

			2012	2011
	Funding	Eligible	Excess	Excess
	Received	Expenses	Funding	Funding
	\$	\$	\$	\$
Transfer payments to HSPs	2,673,146,753	2,673,146,753	-	-
LHIN operations	5,331,538	5,219,538	112,000	497,512
Behavioural Supports Ontario	750,000	407,837	342,163	-
E-Health	600,000	600,000	-	-
French Language Planning Entity	411,693	151,822	259,871	-
French Language Services	106,000	106,000	-	14,154
ER/ALC Performance Lead	100,000	100,000	-	-
Emergency Dept. LHIN LEAD	75,000	73,900	1,100	636
Critical Care LHIN LEAD	75,000	73,896	1,104	2,833
Primary Care Lead	43,750	12,500	31,250	-
Aboriginal Planning	37,500	37,500	-	417
E-Health-Physician Demonstration	-	-	-	-
Residents First	-	-	-	335,645
	2,680,677,234	2,679,929,746	747,488	851,197

- b) The amount due to the MOHLTC/eHealth Ontario at March 31, 2012 is made up as follows:

	2012	2011
	\$	\$
Due to MOHLTC, beginning of year	851,197	54,863
Funding repayable related to current year activities to the MOHLTC (Note 3a)	747,488	851,197
Amount recovered by the MOHLTC during the year	(963,197)	(54,863)
Due to MOHLTC, end of year	635,488	851,197

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements

March 31, 2012

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

	2012	2011
	\$	\$
Balance, beginning of year	311,967	481,618
Capital contributions received during the year	-	16,105
Amortization for the year	(156,666)	(185,756)
Balance, end of year	155,301	311,967

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:

	\$
2013	157,275
2014	163,313
2015	172,786
2016	172,786
2017	172,786
Thereafter	172,786

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.

7. Capital assets

			2012	2011
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office equipment, furniture and fixtures	129,581	129,581	-	80,613
Computer equipment	471,438	431,725	39,713	1,278
Leasehold improvements	572,444	456,856	115,587	230,076
	1,173,463	1,018,162	155,301	311,967

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements

March 31, 2012

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, 2011. 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 \$2,673,146,753 is derived as follows:

	\$
Initial budget	2,517,047,040
Adjustment due to announcements made during the year	156,099,713
Final budget	2,673,146,753

The final LHIN general and administrative budget of \$7,373,815 is derived as follows:

	\$
Initial budget	
LHIN operations	5,174,872
E-Health	600,000
Aboriginal Planning	37,500
Additional funding received during the year for	
Stabilization increase	-
French Language Planning Entity	411,693
French Language Services Coordinator	106,000
ER/ALC Performance Lead	100,000
Emergency Dept. LHIN LEAD	75,000
Critical Care LHIN LEAD	75,000
Primary Care Lead	43,750
Behavioural Support Ontario	750,000
Final budget	7,373,815

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements

March 31, 2012

9. Transfer payments to HSPs

The LHIN has authorization to allocate funding of \$2,673,146,753 (2011 - \$2,600,261,574) to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors in 2012 as follows:

	2012	2011
	\$	\$
Operation of hospitals	1,815,165,386	1,781,194,426
Capital contributions - Health Infrastructure Renewal Fund	-	5,119,191
Grants to compensate for municipal taxation - public hospitals	458,100	458,100
Long term care homes	434,978,512	411,353,925
Community care access centres	259,534,247	248,141,094
Community support services	42,481,395	41,210,576
Acquired brain injury	6,612,526	6,429,869
Assisted living services in supportive housing	25,735,425	24,178,932
Community health centres	23,113,795	20,909,757
Community mental health addictions program	65,067,367	61,265,704
	2,673,146,753	2,600,261,574

The LHIN receives money from the MOHLTC which it in turn allocates to the HSPs. As of March 31, 2012 an amount of \$5,292,440(2011 - \$11,338,713) 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. Other funding initiatives

a) E-Health

During fiscal 2012, the Hamilton Niagara Haldimand Brant LHIN received funding in the amount of \$600,000(2011 - \$800,000). \$600,000 of these funds were used toward initiatives in support of the Project Management Office for 2012 update of the E-Health strategic plan and \$nil (2011 - \$200,000) were used for the Physician Demonstration Project

b) Residents First

During fiscal 2012, the Hamilton Niagara Haldimand Brant LHIN received funding, on behalf of all the LHINs, in the amount of \$nil(2011 - \$498,500) for all Residents First initiatives throughout the province. As directed by the MOHLTC, these funds were used to support training of staff that would result in performance improvement in Long-Term Care homes and help to reduce pressures on the Emergency Departments. Residents First supports long-term care homes in Ontario in providing an environment for their residents that enhances their quality of life and facilitates comprehensive and lasting change by strengthening the long-term care sector's capacity for quality improvement.

c) ER/ALC Performance Lead

During fiscal 2012, the Hamilton Niagara Haldimand Brant LHIN received funding in the amount of \$100,000 (2011 - \$100,000). These funds were used to support the activities of the ER/ALC Coordinator.

d) French Language Services

During fiscal 2012, the Hamilton Niagara Haldimand Brant LHIN received funding in the amount of \$517,693 (2011 - \$227,594). Of this amount, \$106,000 was used to support the French Language Services Coordinator role (2011 - \$74,670) and \$411,693 was included in the initial allocation for the French Language Planning Entity (2011 - \$152,924).

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements

March 31, 2012

10. Other funding initiatives (continued)

e) Emergency Department LHIN LEAD

During fiscal 2012, the Hamilton Niagara Haldimand Brant LHIN received funding in the amount of \$75,000 (2011 - \$75,000). These funds were used toward initiatives in support of Emergency Department LHIN LEAD activities.

f) Critical Care LHIN LEAD

During fiscal 2012, the Hamilton Niagara Haldimand Brant LHIN received funding in the amount of \$75,000 (2011 - \$75,000). These funds were used toward initiatives in support of Critical Care LHIN LEAD activities.

g) Primary Care LHIN LEAD

During fiscal 2012, the Hamilton Niagara Haldimand Brant LHIN received funding in the amount of \$43,750 (2011 - \$nil). These funds were used toward initiatives in support of Primary Care LHIN LEAD activities.

h) Aboriginal Planning

During fiscal 2012, the Hamilton Niagara Haldimand Brant LHIN received funding in the amount of \$37,500 (2011 - \$37,500). These funds were used to support Aboriginal Planning activities.

	2012	2011
	\$	\$
Travel	2,298	487
Salaries and benefits	12,229	32,349
Community Engagement	19,942	-
Meeting expenses	3,031	4,247
	37,500	37,083

i) Behavioural Supports Ontario (BSO) Initiative

The Ministry of Health and Long-Term Care provided one time funds of \$750,000 (2011 - \$nil) to the LHIN to support the successful implementation of the local action plan for the BSO project under our transfer payments to our HSPs. The BSO project was created to enhance services for Ontarians with behaviours associated with complex and challenging mental health, dementia or other neurological conditions wherever they live, at home, in long-term care or elsewhere.

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements

March 31, 2012

11. General and administrative expenses

The Statement of financial activities presents the expenses by function. The following classifies general and administrative expenses by object:

	2012	2011
	\$	\$
Salaries and benefits	3,727,382	3,384,397
Board Chair per diems	20,650	60,725
Directors' per diems	62,200	62,550
Board expenses	17,994	24,383
Travel	36,470	46,389
Consulting services	200,057	47,968
Banking services		
Community forums and communication	47,418	51,717
Supplies, equipment, maintenance, other	84,816	248,715
Occupancy costs	363,890	341,021
Amortization	156,666	185,756
Shared services	501,995	409,495
General and administrative expenses	5,219,538	4,863,116
E-Health	600,000	600,000
E-Health-Physician Demonstration Project	-	200,000
Residents First	-	162,855
ER/ALC Performance Lead	100,000	100,000
French Language Services	106,000	60,516
French Language Planning Entity	151,822	152,924
Emergency Dept. LHIN LEAD	73,900	74,364
Critical Care LHIN LEAD	73,896	72,167
Primary Care LHIN LEAD	12,500	-
Aboriginal Planning	37,500	37,083
Behavioural Supports Ontario	407,837	-
	6,782,993	6,323,025
Reconciliation to MOHLTC approved budget		
General and administrative and initiatives expenses	6,782,993	6,323,025
Less: amortization	(156,666)	(185,756)
Add: due to MOHLTC	747,488	851,197
Add: purchase of tangible capital assets	-	16,105
	7,373,815	7,004,571

12. Pension agreements

The LHIN makes contributions to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of 35 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 2012 was \$293,761 (2011- \$245,987) 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 as at December 31, 2011. At that time, the plan was fully funded.

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements

March 31, 2012

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 comparative numbers have been changed to conform to the current year presentation.

Mississauga Halton LHIN

700 Dorval Drive, Suite 500
Oakville, ON
L6K 3V3
Tel: 905-337-7131
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Management's Responsibility for the Financial Statements

March 31, 2012

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



Narendra Shah
Chief Operating Officer



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

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

Independent Auditor's Report

To the Members of the Board of Directors of the
Mississauga Halton Local Health Integration Network

We have audited the accompanying financial statements of Mississauga Halton Local Health Integration Network, which comprise the statement of financial position as at March 31, 2012, and the statements of financial activities, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility


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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Mississauga Halton Local Health Integration Network as at March 31, 2012 and the results of its financial activities, changes in its net debt and its cash flows for the years then ended in accordance with Canadian public sector accounting standards.

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
June 6, 2012

Mississauga Halton Local Health Integration Network

Statement of financial position
as at March 31, 2012

	2012	2011
	\$	\$
Financial assets		
Cash	740,319	1,591,470
Accounts receivable	62,090	75,545
Accounts receivable Ministry of Health and Long-Term Care ("MOHLTC")		
transfer payments to Health Service Providers ("HSPs") (Note 3)	1,129,429	3,949,134
Due from other Local Health Integration Network ("LHIN")	60,000	-
	1,991,838	5,616,149
Liabilities		
Accounts payable and accrued liabilities	425,062	747,472
Accounts payable HSPs transfer payments (Note 3)	1,129,429	3,949,134
Due to MOHLTC/eHealth Ontario (Note 4b)	437,462	931,842
Due to the LHIN Shared Services Office (Note 5)	2,537	1,784
Deferred capital contributions (Note 6)	21,386	67,176
	2,015,876	5,697,408
Commitments (Note 7)		
Net debt	(24,038)	(81,259)
Non-financial assets		
Prepaid expenses	2,652	14,083
Capital assets (Note 8)	21,386	67,176
	24,038	81,259
Accumulated surplus	-	-

Approved by the Board



Graeme Goebelle, FCA
Chair



Ron Haines, FCA
Vice Chair

Mississauga Halton Local Health Integration Network

Statement of financial activities
year ended March 31, 2012

	Budget (Unaudited - Note 9)	2012 Actual	2011 Actual
	\$	\$	\$
Revenue			
MOHLTC/eHealth Ontario Funding			
HSP transfer payments (Note 3)	1,224,369,624	1,326,123,484	1,249,033,864
LHIN Operation	4,332,293	4,332,293	4,323,097
Emergency Department (ED) Lead (Note 11a)	-	75,000	75,000
ER/ALC Performance Lead (Note 11b)	-	100,000	100,000
French Language Health Services (Note 11c)	106,000	106,000	110,000
Critical Care Lead (Note 11d)	-	75,000	75,000
Aboriginal Engagement (Note 11e)	5,000	5,000	5,000
Primary Care Lead (Note 11f)	-	43,750	-
Behavioural Supports Ontario (BSO) Initiative (Note 11g)	-	57,000	-
eHealth Project Management Office (PMO) (Note 11h)	-	475,000	600,000
Other eHealth Project Initiatives (Note 11i)	-	-	700,000
Amortization of deferred capital contributions (Note 6)	-	45,790	51,045
	1,228,812,917	1,331,438,317	1,255,073,006
Funding repayable to the MOHLTC/ eHealth Ontario (Note 4a)	-	(437,462)	(931,842)
	1,228,812,917	1,331,000,855	1,254,141,164
Expenses			
Transfer payments to HSPs (Note 3)	1,224,369,624	1,326,123,484	1,249,033,864
General and administrative expense LHIN operation (Note 10)	4,332,293	4,144,335	4,092,219
Emergency Department (ED) Lead (Note 11a and 12)	-	72,361	69,435
ER/ALC Performance Lead (Note 11b)	-	98,812	98,072
French Language Health Services (Note 11c)	106,000	63,291	108,000
Critical Care Lead (Note 11d and 12)	-	72,000	42,000
Aboriginal Engagement (Note 11e)	5,000	4,987	3,717
Primary Care Lead (Note 11f and 12)	-	18,157	-
Behavioural Supports Ontario (BSO) Initiative (Note 11g)	-	39,822	-
eHealth Project Management Office (PMO) (Note 11h & 12)	-	363,606	478,423
Other eHealth Project Initiatives (Note 11i & 12)	-	-	215,434
	1,228,812,917	1,331,000,855	1,254,141,164
Annual surplus and closing accumulated surplus	-	-	-

Mississauga Halton Local Health Integration Network

Statement of changes in net debt
year ended March 31, 2012

	Budget (Unaudited - Note 9)	2012 Actual	2011 Actual
	\$	\$	\$
Annual surplus	-	-	-
Change in prepaid expenses	-	11,431	(11,419)
Acquisition of capital assets	-	-	(9,196)
Amortization of capital assets	-	45,790	51,045
Decrease in net debt	-	57,221	30,430
Opening net debt	-	(81,259)	(111,689)
Closing net debt	-	(24,038)	(81,259)

Mississauga Halton Local Health Integration Network

Statement of cash flows
year ended March 31, 2012

	2012	2011
	\$	\$
Operating transactions		
Annual surplus	-	-
Add item not affecting cash		
Amortization of capital assets	45,790	51,045
Less items not affecting cash		
Amortization of deferred capital contributions (Note 6)	(45,790)	(51,045)
Changes in non-cash operating items		
Decrease (increase) in accounts receivable	13,455	(63,947)
Decrease in due from MOHLTC	-	35,000
(Increase) decrease in due from other LHIN	(60,000)	48,697
Decrease in due from the LHIN Shared Services Office	-	3,554
Decrease in accounts receivable MOHLTC		
transfer payments to HSPs	2,819,705	10,134,066
(Decrease) increase in accounts payable and accrued liabilities	(322,410)	58,280
Decrease in accounts payable HSPs transfer payments	(2,819,705)	(10,134,066)
(Decrease) increase in due to MOHLTC/eHealth Ontario	(494,380)	703,179
Increase in due to the LHIN Shared Services Office	753	1,784
Decrease (increase) in prepaid expenses	11,431	(11,419)
	(851,151)	775,128
Capital transaction		
Acquisition of capital assets	-	9,196
Financing transaction		
Capital contributions received (Note 6)	-	(9,196)
Net (decrease) increase in cash	(851,151)	775,128
Cash, beginning of year	1,591,470	816,342
Cash, end of year	740,319	1,591,470

Mississauga Halton Local Health Integration Network

Notes to the financial statements

March 31, 2012

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 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.

The LHIN is funded by the Province of Ontario in accordance with the Ministry – LHIN Performance Agreement ("MLPA"), 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 Health Service Providers ("HSPs"). The cash associated with the transfer payment does not flow through the LHIN bank account. Commencing April 1, 2007, all funding payments to LHIN managed HSPs 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 for the year ended March 31, 2012.

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.

The LHIN statements do not include any MOHLTC managed programs.

The LHIN is also funded by eHealth Ontario in accordance with the eHealth Ontario – LHIN Transfer Payment Agreement ("TPA"), which describes budget arrangements established by eHealth Ontario. These financial statements reflect agreed funding arrangements approved by eHealth Ontario. The LHIN cannot authorize an amount in excess of the budget allocation set by eHealth Ontario.

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:

Mississauga Halton Local Health Integration Network

Notes to the financial statements

March 31, 2012

2. Significant accounting policies (continued)

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.

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. As directed by the ministry, there are circumstances when funding received by the HSP is used to pay expenses for which the related services have not yet to be performed. These amounts are recorded by the HSP as payable to the MOHLTC/LHIN at period end.

Deferred capital contributions

Any amounts received that are used to fund expenditures that are recorded as capital assets in the operation of the LHIN, 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, 2012

2. Significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles for government as established by PSAB 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

In fiscal 2012, the LHIN had authorization to allocate funding of \$1,326,123,484 to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors in fiscal 2012 as follows:

	2012	2011
	\$	\$
Operation of hospitals	914,017,075	862,703,401
Health Infrastructure Renewal Fund (HIRF)*	-	1,630,268
Long term care homes	182,575,414	170,596,423
Community care access centres	130,122,602	126,131,374
Community support services	30,702,861	24,147,634
Assisted living services in supportive housing	29,776,140	27,394,185
Community mental health	28,360,394	26,489,024
Addictions program	4,665,952	4,325,800
Acquired brain injury	5,903,046	5,615,755
	1,326,123,484	1,249,033,864

*Health Infrastructure Renewal Funding (HIRF) agreements were signed between the Ministry and each Hospital in Fiscal 2012. Since this agreement moved the responsibility for funding HIRF back to the Ministry and left the LHINs with an advisory role only, the approved payments for 2012 exclude the Ministry HIRF allocation.

The LHIN receives money from the MOHLTC which it in turn allocates to the HSPs. As at March 31, 2012, an amount of \$1,129,429 (2011 - \$3,949,134) was receivable from the MOHLTC and \$1,129,429 (2011 - \$3,949,134) was payable to the HSPs. These amounts have been reflected as revenue and expenses with the LHIN's financial activities and are included above.

Hospitals are required to obtain LHIN approval to defer revenue and the related deliverables to subsequent fiscal years. The LHIN monitors the actual results against the funded deliverables to ensure that the performance requirements are met. In addition, Hospitals are allowed to retain surplus funding in specific instances as prescribed by the Business Oriented New Development (BOND) Policy, or as directed by the LHIN for system wide integration.

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, 2012

4. Funding repayable to the MOHLTC/eHealth Ontario

In accordance with the MLPA, 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 and eHealth Ontario.

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

			2012	2011
	Funding Received	Eligible Expenses	Excess Funding	Excess Funding
	\$	\$	\$	\$
Transfer payments to HSPs	1,326,123,484	1,326,123,484	-	-
LHIN operations	4,378,083	4,144,335	233,748	281,923
ED Lead	75,000	72,361	2,639	5,565
ER/ALC Performance Lead	100,000	98,812	1,188	1,928
French Language Health Services	106,000	63,291	42,709	2,000
Critical Care Lead	75,000	72,000	3,000	33,000
Aboriginal engagement	5,000	4,987	13	1,283
Primary Care Lead	43,750	18,157	25,593	-
BSO Initiative	57,000	39,822	17,178	-
eHealth	475,000	363,606	111,394	121,577
Other E-Health Project Initiatives	-	-	-	484,566
	1,331,438,317	1,331,000,855	437,462	931,842

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

	2012	2011
	\$	\$
Due to MOHLTC/eHealth Ontario, beginning of year	931,842	228,663
Funding repayable to the MOHLTC/eHealth Ontario related to current year activities (Note 4a)	437,462	931,842
Amount recovered by the MOHLTC during the year	(931,842)	(228,663)
Due to MOHLTC/eHealth Ontario, end of year	437,462	931,842

Mississauga Halton Local Health Integration Network

Notes to the financial statements

March 31, 2012

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.

The Local Health Integration Network Collaborative ("LHINC") became a division of the Toronto Central LHIN in fiscal 2010. LHINC was formed to foster engagement of the LHINs' HSP community and encourage collaborative integration of the health care system to all LHINs. LHINC is subject to the same policies, guidelines and directives as the LSSO and Toronto Central LHIN.

MH LHIN has also entered into various shared service agreements with respect to the eHealth initiative as a shared responsibility to the Central West LHIN, Hospitals and the Mississauga Halton Community Care Access Centre.

6. Deferred capital contributions

	2012	2011
	\$	\$
Balance, beginning of year	67,176	109,025
Capital contributions received during the year	-	9,196
Amortization for the year	(45,790)	(51,045)
Balance, end of year	21,386	67,176

7. Commitments

The LHIN has commitments under various operating leases related to building and equipment extending to 2016. Other lease renewals are likely. Minimum lease payments due in each of the next four years are as follows:

	\$
2013	219,099
2014	254,037
2015	239,563
2016	179,672

The LHIN also has funding commitments to all HSPs associated with accountability agreements allocating planning targets for future fiscal years. The actual amounts which will ultimately be paid are contingent upon actual LHIN funding received from the MOHLTC.

Mississauga Halton Local Health Integration Network

Notes to the financial statements

March 31, 2012

8. Capital assets

			2012	2011
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office equipment, furniture and fixtures	146,718	128,397	18,321	37,047
Computer equipment	36,675	33,610	3,065	7,409
Web development	68,160	68,160	-	22,720
Leasehold improvements	880,162	880,162	-	-
	1,131,715	1,110,329	21,386	67,176

9. Budget figures

Health Service Providers

The initial funding budget figures reported in the Statement of Financial Activities reflect the opening base as at April 1, 2011 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 \$1,326,123,484 as at March 31, 2012 is made up of the following:

	\$
Initial HSP funding budget as at April 1, 2011	1,224,369,624
Adjustments due to announcements made during the year	101,753,860
Final HSP funding budget	1,326,123,484

LHIN Operations

Mississauga Halton Local Health Integration Network

Notes to the financial statements

March 31, 2012

The final operating budget from MOHLTC and eHealth Ontario of \$5,269,043 as at March 31, 2012 is made up of the following:

	\$
Initial budget as at April 1, 2011	
LHIN operations	4,332,293
French Language Services	106,000
Aboriginal engagement	5,000
Additional funding received during the year for	
Base increase in LHIN operation	-
ED Lead	75,000
ER/ALC Performance Lead	100,000
Critical Care Lead	75,000
Primary Care Lead	43,750
Behaviour Service Ontario	57,000
eHealth PMO	475,000
Final budget	5,269,043

Mississauga Halton Local Health Integration Network

Notes to the financial statements

March 31, 2012

10. General and administrative expenses LHIN operation

The Statement of Financial Activities presents the expenses by function. The following classifies general and administrative expenses by object:

	2012	2011
	\$	\$
Salaries and benefits	3,035,664	2,952,972
Shared services	481,240	404,926
LHIN Collaborative	26,975	50,000
Staff travel	11,542	15,801
Communication	20,658	34,015
Accommodation	129,656	138,422
Advertising	15,009	12,565
Professional fees	16,420	15,950
Consulting fees	-	3,432
Equipment rentals	23,877	28,321
Insurance	17,030	17,010
Other meeting expenses	27,715	34,005
Board Chair's per diem expenses	48,650	56,875
Other Board members' per diem expenses	29,800	71,425
Other governance costs and travel	37,805	48,965
Printing and translation	12,626	9,319
Staff development	34,452	17,118
IT equipment	63,811	59,367
Office supplies and purchased equipment	47,500	51,003
Amortization	45,790	51,045
Other services	18,115	19,683
	4,144,335	4,092,219

The above objects and their comparative figures have been restated to conform to the MOHLTC provincial reporting format and guidelines.

11. Other funding initiatives

a) Emergency Department (ED) Lead

The Ministry of Health and Long-Term Care provided \$75,000 (2011 - \$75,000) of one-time funding to support the compensation of the Emergency Department LHIN Lead and other miscellaneous consulting expenses to the LHIN. During the year, \$72,361 (2011 - \$69,435) of expenses were incurred.

b) ER/ALC Performance Lead

The Ministry of Health and Long-Term Care provided one-time funding of \$100,000 (2011 - \$100,000) relating to the LHIN ER/ALC Performance Lead initiative. The one-time funding to assist the LHIN in achieving its ER/ALC outcomes and advance the implementation of a standard performance management approach for the ER/ALC strategy such that the LHIN and MOHLTC can monitor progress regularly. During the year, \$98,812 (2011 - \$98,072) of expenses were incurred.

Mississauga Halton Local Health Integration Network

Notes to the financial statements

March 31, 2012

11. Other funding initiatives (continued)

c) *French Language Health Services*

The Ministry of Health and Long-Term Care provided base funding of \$106,000 (2011 - \$110,000 includes one-time) to support the francophone community needs within the LHIN. During the year, \$63,291 (2011 - \$108,000) of expenses were incurred.

d) *Critical Care Lead*

The Ministry of Health and Long-Term Care provided one-time funding of \$75,000 (2011 - \$75,000) to support the compensation of the Critical Care Lead and other miscellaneous consulting expenses. The funding will advance the implementation of a comprehensive Critical Care Strategy, which is designed to improve access, quality and system integration. During the year, \$72,000 (2011 - \$42,000) of expenses were incurred.

e) *Aboriginal Engagement*

The Ministry of Health and Long-Term Care provided base operational funding of \$5,000 (2011 - \$5,000) to the LHIN for the purposes of engaging the Aboriginal population and organizations in the Mississauga Halton LHIN. During the year, \$4,987 (2011 - \$3,717) of expenses were incurred.

f) *Primary Care Lead*

The Ministry of Health and Long-Term Care will provide up to \$75,000 of one-time funding amount over the two fiscal years 2012 and 2013 to support the Primary Care Lead Pilot Project in the LHIN. The Primary Care Lead's role is to advance primary care services to support timely, accessible and effective primary care and prevent unnecessary emergency department visits. The funding allocation for fiscal year 2012 was \$43,750 (2011- \$nil). During the year, \$18,157 (2011- \$nil) of expenses were incurred.

g) *Behavioural Supports Ontario (BSO) Initiative*

The Ministry of Health and Long-Term Care provided one time funds of \$57,000 (2011 - \$nil) to the LHIN to support the successful implementation of the local action plan for the BSO project under our transfer payments to our health service providers. The BSO project was created to enhance services for Ontarians with behaviours associated with complex and challenging mental health, dementia or other neurological conditions wherever they live, at home, in long-term care or elsewhere. During the year, \$39,822 (2011 - \$nil) of expenses were incurred.

h) *eHealth*

The eHealth office of the Ministry of Health and Long-Term Care provided one-time funding of \$475,000 (2011 - \$600,000) to the LHIN. The funds were used to cover the operational and project costs associated with eHealth Ontario activities. During the year, \$363,606 (2011 - \$478,423) of expenses were incurred.

i) *Other eHealth Project Initiatives*

The eHealth office of the Ministry of Health and Long-Term Care provided one-time funding of \$nil (2011 - \$700,000) to the LHIN. Last fiscal 2011, these funds were used to support various initiatives such as Physician eReferral, Physician-Patient Electronic Communications, LHIN eHealth Governance Development Project and LHIN Information Technology Infrastructure (IS/IT) Blueprint and Shared IS/IT Service Model. With no funding received for this current fiscal, no expenses were incurred (2011 - \$215,434).

Mississauga Halton Local Health Integration Network

Notes to the financial statements

March 31, 2012

12. Consulting fees - other funding initiatives

Consulting services are the provision of expertise or strategic advice that is presented for consideration and decision-making as defined by the Broader Public Sector Procurement Directive set by the Ministry of Finance. The amount of consulting expenses in other funding initiatives that were procured through consultants were the following:

	2012	2011
	\$	\$
eHealth (PMO) and other eHealth initiatives	-	111,834
ED Lead	72,361	69,435
Critical Care Lead	72,000	42,000
Primary Care Lead	18,157	-
	162,518	223,269

13. Pension agreements

The LHIN makes contributions to the Healthcare 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 2012 was \$262,701 (2011 - \$294,425) 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 at December 31, 2011. 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 comparative numbers have been reclassified to conform to the current year presentation.

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North East **LHIN** **RLISS** du Nord-Est

March 31, 2012


Management's Responsibility for the Financial Statements

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.



Louise Paquette
CEO



Ryan Jeffers
Controller/Corporate Services Manager



Deloitte & Touche LLP
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Independent Auditor's Report

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

We have audited the accompanying financial statements of the North East Local Health Integration Network (the "LHIN"), which comprise the statement of financial position as at March 31, 2012, and the statements of financial activities, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

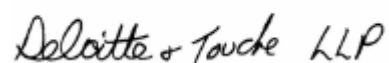
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of LHIN as at March 31, 2012, and the results of its financial activities, change in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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
June 12, 2012


North East Local Health Integration Network

Statement of financial position as at March 31, 2012

	2012	2011
	\$	\$
Financial assets		
Cash	360,696	813,944
Due from the LHIN Shared Services Office (Note 3)	466	1,632
Accounts receivable	16,431	67,719
HST Receivable	39,867	109,806
Due from MOHLTC-Health Service Providers ("HSP") (Note 7)	7,992,935	20,697,997
	8,410,395	21,691,098
Liabilities		
Accounts payable and accrued liabilities	358,087	633,563
Due to MOHLTC & eHealth Ontario(10b, 10c)	76,904	360,216
Due to Health Service Providers ("HSP") (Note 7)	7,992,935	20,697,997
Deferred capital contributions (Note 4)	165,466	226,144
	8,593,392	21,917,920
Commitments (Note 13)		
Net debt	(182,997)	(226,822)
Non-financial assets		
Prepaid expenses	17,531	678
Capital assets (Note 5)	165,466	226,144
	182,997	226,822
Accumulated surplus	-	-

Approved by the Board





Director

Director

North East Local Health Integration Network

Statement of financial activities
year ended March 31, 2012

		2012	2011
	Budget (Unaudited) (Note 6)	Actual	Actual
	\$	\$	\$
Revenues			
MOHLTC funding			
HSP transfer payments (Note 7)	1,305,521,545	1,380,862,148	1,334,539,486
Operations of LHIN	5,002,882	5,002,882	4,919,443
e-Health (Note 9a)	-	600,000	600,000
e-Health Project Funding	-	-	110,000
Behavioural Support Ontario (Note 9b)	-	72,000	-
French Language Health Service (Note 9c)	296,800	296,800	209,900
Francophone Community Engagement	-	-	186,400
Réseau du mieux-être francophone du Nord de l'Ontario (Note 9d)	796,159	802,973	229,040
Emergency Department Lead (Note 9e)	-	75,000	75,000
Critical Care Lead (Note 9f)	-	75,000	75,000
Aboriginal Engagement (Note 9g)	100,000	100,000	100,000
Aboriginal Health Transfer Fund	-	-	146,590
Emergency Room/Alternate Level of Care (Note 9h)	-	100,000	100,000
Primary Care Lead (Note 9i)	-	43,750	-
Amortization of deferred capital contributions (Note 4)	60,676	60,678	72,485
	1,311,778,062	1,388,091,231	1,341,363,344
In year surplus recovered by MOHLTC (Note 10)	-	(31,750)	-
Funding repayable to MOHLTC and eHealth Ontario (Note 10)	-	(76,904)	(360,216)
	1,311,778,062	1,387,982,577	1,341,003,128
Expenses			
Transfer payments to HSPs (Note 7)	1,305,521,545	1,380,862,148	1,334,539,486
General and administrative (Note 8)	5,002,882	5,002,882	4,706,974
e-Health (Note 9a)	-	539,451	600,000
e-Health Project Funding	-	-	76,977
Behavioural Support Ontario (Note 9b)	-	72,000	-
French Language Health Service (Note 9c)	296,800	296,800	171,738
Francophone Community Engagement	-	-	118,681
Réseau du mieux-être francophone du Nord de l'Ontario (Note 9d)	796,159	786,618	229,040
Emergency Department Lead (Note 9e)	-	72,000	69,000
Critical Care Lead (Note 9f)	-	72,000	72,157
Aboriginal Engagement (Note 9g)	100,000	100,000	100,000
Aboriginal Health Transfer Fund	-	-	146,590
Emergency Room/Alternate Level of Care (Note 9h)	-	100,000	100,000
Primary Care Lead (Note 9i)	-	18,000	-
Amortization of capital assets	60,676	60,678	72,485
	1,311,778,062	1,387,982,577	1,341,003,128
Annual surplus and closing accumulated surplus	-	-	-

North East Local Health Integration Network

Statement of changes in net debt
year ended March 31, 2012

	2012	2011
	\$	\$
Annual surplus	-	-
Acquisition of tangible capital assets	-	(83,439)
Amortization of tangible capital assets	60,678	72,485
Increase in prepaid expenses	(16,853)	(678)
Decrease (increase) in net debt	43,825	(11,632)
Opening net debt	(226,822)	(215,190)
Closing net debt	(182,997)	(226,822)

North East Local Health Integration Network

Statement of cash flows year ended March 31, 2012

	2012	2011
	\$	\$
Operating transactions		
Annual surplus	-	-
Items not affecting cash		
Amortization of capital assets	60,678	72,485
Amortization of deferred capital contributions (Note 4)	(60,678)	(72,485)
Changes in non-cash working capital		
Decrease in due from the LHIN Shared Service Office	1,166	3,337
Decrease (Increase) in accounts receivable	51,288	(67,719)
Decrease (Increase) in HST Receivable	69,939	(109,806)
Decrease (Increase) in due from MOHLTC-Health Service Providers	12,705,062	(16,584,656)
Decrease in due from MOHLTC-Other	-	235,000
Increase in prepaid expenses	(16,853)	(678)
Decrease in accounts payable and accrued liabilities	(275,476)	(8,149)
(Decrease) Increase in due to MOHLTC & eHealth Ontario	(283,312)	63,224
(Decrease) Increase in due to Health Service Providers	(12,705,062)	16,584,656
	(453,248)	115,209
Capital transaction		
Acquisition of capital assets	-	(83,439)
Financing transaction		
Increase in deferred capital contributions (Note 4)	-	83,439
Net (decrease) increase in cash	(453,248)	115,209
Cash, beginning of year	813,944	698,735
Cash, end of year	360,696	813,944

North East Local Health Integration Network

Notes to the financial statements

March 31, 2012

1. Description of business

The North East 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 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 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.

The LHIN is funded by the Province of Ontario in accordance with Ministry-LHIN Performance Agreement ("MLPA"), 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. The cash associated with the transfer payment does not flow through the LHIN bank account. 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 for the year ended March 31, 2012.

The LHIN statements do not include any MOHLTC managed programs.

The LHIN is also funded by eHealth Ontario in accordance with the eHealth Ontario – LHIN Transfer Payment Agreement ("TPA"), which describes budget arrangements established by eHealth Ontario. These financial statements reflect agreed funding arrangements approved by eHealth Ontario. The LHIN cannot authorize an amount in excess of the budget allocation set by eHealth Ontario.

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, 2012

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 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.

Segment disclosures

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.

North East Local Health Integration Network

Notes to the financial statements

March 31, 2012

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

	2012	2011
	\$	\$
Balance, beginning of year	226,144	215,190
Capital contributions received	-	83,439
Amortization	(60,678)	(72,485)
Balance, end of year	165,466	226,144

5. Capital assets

			2012	2011
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Furniture and fixtures	134,743	96,140	38,603	51,471
Computer equipment	96,622	96,622	-	1,278
Leasehold improvements	985,125	858,262	126,863	173,395
	1,216,490	1,051,024	165,466	226,144

North East Local Health Integration Network

Notes to the financial statements

March 31, 2012

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, 2011. 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 \$1,380,862,148 is made up of the following:

	\$
Initial HSP Funding budget	1,305,521,545
Adjustment due to announcements made during the year	75,340,603
	<u>1,380,862,148</u>

The total operating budget of \$7,168,405 is made up of the following:

Initial budget	6,195,841
Additional funding received during the year	972,564
Total budget	<u>7,168,405</u>
Amortization of deferred capital contributions	60,678
	<u>1,388,091,231</u>

7. Transfer payments to HSPs

The LHIN has authorization to allocate the funding of \$1,380,862,148 to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors as follows:

	2012	2011
	\$	\$
Operation of Hospitals	931,799,098	920,963,491
Grants to compensate for Municipal Taxation -		
Public Hospitals	239,625	231,975
Long Term Care Homes	201,330,568	182,523,879
Community Care Access Centres	115,762,445	106,197,563
Community Support Services	25,759,201	25,190,467
Acquired Brain Injury	2,424,099	2,170,491
Assisted Living Services in Supportive Housing	14,043,889	11,098,349
Community Health Centres	16,736,495	15,775,767
Community Mental Health	51,687,216	49,947,087
Substance Abuse & Gambling Problem	21,079,512	20,440,417
	<u>1,380,862,148</u>	<u>1,334,539,486</u>

The LHIN receives funding from the MOHLTC and eHealth Ontario and in turn allocates it to the HSPs. As at March 31, 2012, an amount of \$7,992,935 (2011 - \$20,697,997) was receivable from the 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.

North East Local Health Integration Network

Notes to the financial statements

March 31, 2012

8. General and administrative expenses

The statement of financial activities presents the expenses by function; the following classifies these same expenses by object:

	2012	2011
	\$	\$
Salaries and wages	3,147,545	2,671,788
HOOPP	277,710	252,040
Other benefits	324,458	279,041
Staff travel	178,767	190,375
Governance travel	18,524	55,156
Communications	66,264	93,224
Accommodation	195,058	171,625
Advertising	46,969	18,092
Banking	-	5
Consulting fees	50,659	67,270
Equipment rentals	18,997	16,085
Board Chair per diems	21,375	68,738
Other Governance per diems	17,510	29,532
Insurance	16,337	17,307
LHIN Shared Services Office	382,525	409,495
LHIN Collaborative	26,971	50,000
Other meeting expenses	44,154	36,987
Other governance expenses	36,440	40,991
Printing and translation	55,895	68,855
Staff development	18,896	20,778
IT equipment	20,895	40,544
Office supplies and equipment	24,995	59,254
Other	11,938	49,792
	5,002,882	4,706,974

9. a) e-Health expense

eHealth Ontario provided \$600,000 to the LHIN. The LHIN has 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 \$539,451.

b) Behavioural Support Ontario (BSO)

The LHIN received \$72,000 from the Ministry of Health and Long-Term Care to support the BSO project to enhance health care for Ontarians with behaviours associated with complex and challenging mental health, dementia or other neurological conditions. The total amount of funds spent on this initiative was \$72,000

c) French Language Health Services (FLHS)

The LHIN received \$296,800 from the Ministry of Health and Long-Term care to support French Language Health Services programs. With these funds the LHIN employs three full-time staff to work on this file. In addition the funds were used to cover travel and other staff related costs. The total amount of expenses incurred related to FLHS was \$296,800.

North East Local Health Integration Network

Notes to the financial statements

March 31, 2012

9. d) **Réseau du mieux-être francophone du Nord de l'Ontario**

The LHIN received \$802,973 from the Ministry of Health and Long-Term Care to fund the operation of the Réseau du mieux-être francophone du Nord l'Ontario. Total funds flowed in 2011/12 were \$786,618.

e) **Emergency Department Lead (ED Lead)**

The Ministry of Health and Long Term Care provided the LHIN \$75,000 in one-time funding to pay the LHIN ED Lead \$6,000 per month plus expenses, the LHIN contracted an area physician as the ED Lead; total monies paid out in 2011/12 are \$72,000.

f) **Critical Care Lead (CC Lead)**

The Ministry of Health and Long Term Care provided the LHIN \$75,000 in one-time funding to pay the LHIN CC Lead \$6,000 per month plus expenses, the LHIN contracted an area physician as the CC Lead; total monies paid out in 2011/12 are \$72,000.

g) **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 within the North East LHIN. The total amount of expenses paid using this funding was \$100,000.

h) **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.

i) **Primary Care Lead (PC Lead)**

The Ministry of Health and Long Term Care provided the LHIN \$43,750 in one-time funding to pay the LHIN PC Lead \$6,000 per month plus expenses to support the Primary Care LHIN Lead Pilot Program. The LHIN contracted an area physician as the PC Lead; total monies paid out in 2011/12 are \$18,000.

North East Local Health Integration Network

Notes to the financial statements

March 31, 2012

10. Funding repayable to the MOHLTC and eHealth Ontario

In accordance with the MLPA, 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 TPA, the LHIN is required to be in a balanced position at year-end. Thus, any funding received in excess of expense incurred, is required to be returned to eHealth Ontario.

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

	Funding received	Eligible expenses	Excess funding
	\$	\$	\$
Transfer payments to HSPs	1,380,862,148	1,380,862,148	-
LHIN operations	5,002,882	5,002,882	-
Amortization of capital assets	60,678	60,678	-
E-Health	600,000	539,451	60,549
Behavioural Support Ontario	72,000	72,000	-
French Language Health Service	296,800	296,800	-
Réseau du mieux-être francophone du Nord l'Ontario	802,973	786,618	16,355
Emergency Department Lead	75,000	72,000	3,000
Critical Care Lead	75,000	72,000	3,000
Aboriginal Engagement	100,000	100,000	-
Emergency Room/Alternate Level of Care	100,000	100,000	-
Primary Care Lead	43,750	18,000	25,750
	1,388,091,231	1,387,982,577	108,654

- b. The amount due to the MOHLTC is made up of the following components:

	2012	2011
	\$	\$
Opening balance	360,216	296,992
In-Year funds repayable to MOHLTC	31,750	14,500
Funding recovered by the MOHLTC	(391,966)	(164,902)
Funding allowed to be carried into 2011	-	(146,590)
Funding repayable to the MOHLTC (Note 10A)	16,355	360,216
Closing balance	16,355	360,216

- c. The amount due to eHealth Ontario is made up of the following components:

	2012	2011
	\$	\$
Opening balance	-	-
In-Year funds repayable to eHealth Ontario	-	-
Funding recovered by eHealth Ontario	-	-
Funding repayable to the eHealth Ontario (Note 10A)	60,549	-
Closing balance	60,549	-

North East Local Health Integration Network

Notes to the financial statements

March 31, 2012

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 39 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 2012 was \$348,703 (2011 - \$312,327) 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 at December 31, 2011. 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 extending to 2016. Minimum lease payments due in each of the next four years are as follows:

	\$
2013	218,289
2014	205,680
2015	160,786
2016	40,197

The LHIN also has funding commitments to HSPs associated with accountability agreements. As of March 31, 2012 the LHIN had signed Accountability Agreements with all Hospitals for the next year 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.

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North Simcoe Muskoka LHIN

RLISS de Simcoe Nord Muskoka

Management's Responsibility for the Financial Statements

March 31, 2012

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



Matthew Little
Controller

June 29, 2012

Date

June 29, 2012

Date



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Independent Auditor's Report

To the Members of the Board of Directors of the
North Simcoe Muskoka Local Health Integration Network

We have audited the accompanying financial statements of the North Simcoe Muskoka Local Health Integration Network (the "LHIN"), which comprise the statement of financial position as at March 31, 2012, and the statements of financial activities, changes in net debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

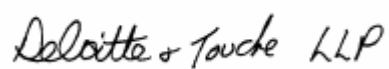
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of North Simcoe Muskoka LHIN as at March 31, 2012, and the results of its financial activities, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 28, 2012

North Simcoe Muskoka Local Health Integration Network

Statement of financial position
as at March 31, 2012

	2012	2011
	\$	\$
Financial assets		
Cash	1,290,161	683,181
Due from Ministry of Health and Long-Term Care ("MOHLTC") regarding Health Service Provider ("HSP") transfer payments	264,800	2,876,506
HST receivable	135,703	98,141
Due from LHIN Shared Services Office (Note 4)	7,500	-
	1,698,164	3,657,828
Liabilities		
Accounts payable and accrued liabilities	1,079,374	645,108
Due to MOHLTC/e-Health Ontario (Note 3b)	344,942	68,382
Due to HSPs	264,800	2,876,506
Due to the LHIN Shared Services Office and LHIN Collaborative (Note 4)	-	36,779
Deferred revenue	24,022	31,053
Deferred capital contributions (Note 5)	182,551	190,392
	1,895,689	3,848,220
Commitments (Note 6)		
Net debt	(197,525)	(190,392)
Non-financial assets		
Prepaid expenses	14,974	-
Capital assets (Note 7)	182,551	190,392
Accumulated surplus	-	-

Approved by the Board


Chair


Vice-Chair

North Simcoe Muskoka Local Health Integration Network

Statement of financial activities
year ended March 31, 2012

		2012	2011
	Budget (Unaudited - Note 8)	Actual	Actual
	\$	\$	\$
Revenue			
MOHLTC/e-Health Ontario funding			
HSP transfer payments (Note 9)	726,114,053	782,876,927	736,024,967
HSP capital payments (Note 10)	-	-	1,757,249
Operations of LHIN	4,370,155	4,301,188	4,306,193
LHIN Operations Special Funding (Note 11)	3,359,514	2,908,814	1,765,084
Amortization of deferred capital contributions (Note 5)	-	76,807	84,036
	733,843,722	790,163,736	743,937,529
Funding repayable to the MOHLTC/e-Health Ontario (Note 3a)	-	(344,942)	(205,600)
	733,843,722	789,818,794	743,731,929
Expenses			
Transfer payments to HSPs (Note 9)	726,114,053	782,876,927	736,024,967
Capital payments to HSPs (Note 10)	-	-	1,757,249
General operating expenses (Note 12)	4,370,155	4,376,785	4,367,337
LHIN Operations Special Funded Initiatives (Note 11)	3,359,514	2,565,082	1,582,376
	733,843,722	789,818,794	743,731,929
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, 2012

		2012	2011
	Budget (Unaudited - Note 8)	Actual	Actual
	\$	\$	\$
Annual surplus	-	-	-
Acquisition of capital assets	-	(68,966)	(63,963)
Amortization of capital assets	-	76,807	84,036
Change in other non-financial assets	-	(14,974)	-
(Increase) decrease in net debt	-	(7,133)	20,073
Opening net debt	-	(190,392)	(210,465)
Closing net debt	-	(197,525)	(190,392)

North Simcoe Muskoka Local Health Integration Network

Statement of cash flows
year ended March 31, 2012

	2012	2011
	\$	\$
Operating transactions		
Annual surplus	-	-
Less items not affecting cash		
Amortization of capital assets	76,807	84,036
Amortization of deferred capital contributions (Note 5)	(76,807)	(84,036)
	-	-
Changes in non-cash operating items		
Increase in prepaid expenses	(14,974)	-
Decrease (increase) in due from MOHLTC ("HSP's")	2,611,706	(2,125,472)
(Increase) decrease in due from LHIN Shared Services Office	(7,500)	11,964
Increase in HST receivable	(37,562)	(98,141)
Increase (decrease) in accounts payable and accrued liabilities	434,266	(353,293)
Increase in due to the MOHLTC / e-Health Ontario	276,560	19,219
(Decrease) increase in due to HSPs	(2,611,706)	2,312,472
(Decrease) increase in due to the LHIN Shared Services Office and LHIN Collaborative Office	(36,779)	36,641
Decrease in deferred revenue	(7,031)	(32,804)
	606,980	(229,414)
Capital Investment		
Acquisition of capital assets	(68,966)	(63,963)
Financing transactions		
Capital contributions received (Note 5)	68,966	63,963
Net increase (decrease) in cash	606,980	(229,414)
Cash, beginning of year	683,181	912,595
Cash, end of year	1,290,161	683,181

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2012

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 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.

The LHIN is funded by the Province of Ontario in accordance with Ministry-LHIN Performance Agreement ("MLPA"), 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. The cash associated with the transfer payment does not flow through the LHIN bank account. 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 for the year ended March 31, 2012.

The LHIN statements do not include any MOHLTC managed programs.

The LHIN is also funded by eHealth Ontario in accordance with the eHealth Ontario – LHIN Transfer Payment Agreement ("TPA"), which describes budget arrangements established by eHealth Ontario. These financial statements reflect agreed funding arrangements approved by eHealth Ontario. The LHIN cannot authorize an amount in excess of the budget allocation set by eHealth Ontario.

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, 2012

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.

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 public sector accounting standards 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.

Segmented disclosures

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.

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2012

3. Funding repayable to the MOHLTC/eHealth Ontario

In accordance with the MLPA, 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 TPA, 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 eHealth Ontario.

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

			2012	2011
	Funding received	Eligible expenses	Excess Funding	Excess Funding
	\$	\$	\$	\$
LHIN operations	4,377,995	4,376,785	1,210	22,892
Aboriginal Planning	30,000	30,000	-	-
Behavioural Supports Ontario, Coordination and Reporting Office	500,000	419,218	80,782	-
Behavioural Supports Ontario, Service Redesign	750,000	583,727	166,273	-
Critical Care Lead	75,000	73,695	1,305	2,250
e-Health Project Management Office	600,000	576,148	23,852	10,505
Emergency Department LHIN Lead	75,000	75,000	-	3,845
Entite de planification des services de sante en francais #4 Centre Sud-Ouest	654,064	586,233	67,831	-
Emergency Room/Alternative Level of Care Performance Lead	100,000	100,000	-	-
Francophone Community Engagement	-	-	-	43,217
French Language Health Services	106,000	102,311	3,689	13,280
Ontario LHINs Privacy Project	-	-	-	100,473
Primary Care LHIN Lead	18,750	18,750	-	-
www.ufirst.ca - Physician and Specialist eReferral System	-	-	-	9,138
	7,286,809	6,941,867	344,942	205,600

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

	2012	2011
	\$	\$
Due to MOHLTC, beginning of year	68,382	49,163
Funding repaid to MOHLTC during the current year	(68,382)	(186,381)
Funding repayable to the MOHLTC/eHealth Ontario related to current year activities (Note 3a)	344,942	205,600
Due to MOHLTC/eHealth Ontario, end of year	344,942	68,382

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2012

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 LHINs at 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

	2012	2011
	\$	\$
Balance, beginning of year	190,392	210,465
Capital contributions received during the year	68,966	63,963
Amortization for the year	(76,807)	(84,036)
Balance, end of year	182,551	190,392

6. Commitments

The LHIN has commitments under various operating leases expiring at dates up to 2015 related to building and equipment. Lease renewals are likely. Minimum lease payments due over the remaining terms of these leases are as follows:

	\$
2013	182,659
2014	179,694
2015	179,694

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2012

6. Commitments (continued)

The LHIN also has funding commitments to certain HSPs associated with accountability agreements. Minimum annual commitments to HSPs for fiscal 2013, based on the current accountability agreements are as follows:

	\$
Operation of hospitals	370,073,503
Grants to compensate for municipal taxation - public hospitals	77,625
Long term care homes	120,837,244
Community care access centres	74,272,517
Community support services	11,526,135
Assisted living services in supportive housing	5,950,678
Community health centres	8,737,760
Community mental health	22,668,261
Addictions program	3,969,783
Specialty psychiatric hospitals	103,775,200
Grants to compensate for municipal taxation - psychiatric hospitals	23,400
Acquired brain injury	1,145,214
	723,057,320

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

7. Capital assets

			2012	2011
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office furniture and equipment	488,361	368,658	119,703	137,982
Computer equipment	151,240	145,415	5,825	13,210
Leasehold improvements	969,056	912,033	57,023	39,200
	1,608,657	1,426,106	182,551	190,392

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, 2011. 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 \$782,887,033 is made up of the following:

	\$
Initial budget	726,114,053
Adjustment due to announcements made during the year	56,772,980
	782,887,033

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2012

8. Budget figures (continued)

The total revised operating budget of \$7,278,969 is made up of the following:

	\$
Initial operating budget as reported on the statement of financial activities	7,729,669
Adjust for funding changes made during the year:	
eHealth - Ontario LHINs Privacy Project	(217,000)
Primary Care LHIN Lead	(25,000)
Behavioural Support Services	(150,000)
ALC Recourse Matching and Referral Business Transformation Initiative	(58,700)
Revised operating budget	7,278,969

9. Transfer payments to HSPs

The LHIN has authorization to allocate funding of \$782,876,927 (2011 - \$736,024,967) to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors in fiscal 2012 as follows:

	2012	2011
	\$	\$
Operation of hospitals	410,003,430	384,229,083
Grants to compensate for municipal taxation - public hospitals	77,625	77,625
Long term care homes	127,716,175	118,110,631
Community care access centres	82,889,476	76,378,367
Community support services	12,737,994	12,081,422
Assisted living services in supportive housing	6,073,700	5,668,756
Community health centres	8,979,736	7,587,106
Community mental health	23,293,380	22,594,107
Addictions program	4,084,914	3,910,662
Specialty psychiatric hospitals	105,859,683	104,218,594
Grants to compensate for municipal taxation - psychiatric hospitals	23,400	23,400
Acquired brain injury	1,137,414	1,145,214
	782,876,927	736,024,967

10. Capital payments to HSPs

The 2010/11 allocation represents the approved LHIN allocation to support grants for public and specialty psychiatric hospitals in 2010/11 under the 2010/11 Health Infrastructure Renewal Fund (HIRF), and in accordance with 2010/11 HIRF Guidelines which the ministry has provided to LHINs.

In 2011/12, HIRF grants were allocated as Ministry managed funds.

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2012

11. LHIN operations special funding

The LHIN received operational funding for special initiatives during the year as follows:

	2012	2011
	\$	\$
Aboriginal Planning	30,000	30,000
Behavioural Supports Ontario		
Coordination and Reporting Office	500,000	-
Behavioural Supports Ontario Service Redesign	750,000	-
Behavioural Support Systems	-	75,000
Critical Care LHIN Lead	75,000	75,000
e-Health Project Management Office	600,000	600,000
Emergency Department LHIN Lead	75,000	75,000
Emergency Room/Alternate Level of Care Performance Lead	100,000	100,000
Entite de planification des services de sante en francais #4 Centre Sud-Ouest	654,064	201,557
Francophone Community Engagement	-	63,857
French Language Health Services	106,000	74,670
Information & Community Technology - e-Health Framework	-	220,000
Ontario LHINs Privacy Project	-	166,000
Primary Care LHIN Lead	18,750	-
www.ufirst.ca - Physician and Specialist eReferral System	-	84,000
	2,908,814	1,765,084

a) *Aboriginal Planning*

The LHIN received funding of \$30,000 (2011 - \$30,000) related to the Aboriginal Planning initiative. Aboriginal Planning expenses incurred during the year are as follows:

	2012	2011
	\$	\$
Special project expenditures	30,000	30,000

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2012

11. LHIN operations special funding (continued)

b) *Behavioural Supports Ontario, Coordination and Reporting Office*

The LHIN received funding of \$500,000 (2011 - \$Nil) related to Behavioural Supports Ontario, Coordination and Reporting Office. Expenses incurred during the year for this initiative are as follows:

	2012	2011
	\$	\$
Salaries and benefits	223,553	-
Occupancy	8,782	-
Advertising and public relations	25,005	-
Consulting services	80,000	-
Other services	37,092	-
Supplies, equipment and licences	21,890	-
Travel	10,377	-
Mail, courier and telecommunications	12,519	-
	419,218	-

c) *Behavioural Supports Ontario, Service Redesign*

The LHIN received funding of \$750,000 (2011 - \$Nil) related to Behavioural Supports Ontario, Service Redesign. Expenses incurred during the year for this initiative are as follows:

	2012	2011
	\$	\$
Salaries and benefits	225,164	-
Occupancy	8,121	-
Advertising and public relations	20,471	-
Consulting services	193,255	-
Other services	72,329	-
Supplies, equipment and licences	47,674	-
Travel	14,911	-
Mail, courier and telecommunications	1,802	-
	583,727	-

d) *Critical Care LHIN Lead*

The LHIN received funding of \$75,000 (2011 - \$75,000) related to the Critical Care Lead initiative. Critical Care Lead expenses incurred during the year are as follows:

	2012	2011
	\$	\$
Consulting services	73,695	72,750

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2012

11. LHIN operations special funding (continued)

e) *e-Health Project Management Office*

The LHIN received funding of \$600,000 (2011 - \$600,000) related to the e-Health Project Management Office initiative. E-Health expenses incurred during the year are as follows:

	2012	2011
	\$	\$
Salaries and benefits	440,333	436,360
Occupancy	15,998	26,102
Shared services	37,502	47,933
Consulting services	19,679	14,640
Other services	27,445	14,108
Supplies, equipment and licences	21,466	35,026
Travel	5,965	7,644
Mail, courier and telecommunications	7,760	7,682
	576,148	589,495

f) *Emergency Department LHIN Lead*

The LHIN received funding of \$75,000 (2011 - \$75,000) related to the Emergency Department Lead initiative. Emergency Department Lead expenses incurred during the year are as follows:

	2012	2011
	\$	\$
Consulting services	75,000	71,155

g) *Emergency Room/Alternate Level of Care Performance Lead*

The LHIN received funding of \$100,000 (2011 - \$100,000) related to the Emergency Room/Alternate Level of Care Performance Lead initiative. Expenses incurred during the year for this project are as follows:

	2012	2011
	\$	\$
Salaries and benefits	100,000	97,877
Other services	-	730
Travel	-	642
Mail, courier and telecommunications	-	751
	100,000	100,000

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2012

11. LHIN operations special funding (continued)

h) *Entite de planification des services de sante en francais #4 Centre Sud-Ouest*

The LHIN received funding of \$654,064 (2011 - \$201,557) related to the Entite de planification des services de sante en francais #4 Centre Sud-Ouest. Expenses incurred during the year for this initiative are as follows:

	2012	2011
	\$	\$
Special project expenditures	586,233	201,557

i) *Francophone Community Engagement*

The LHIN received funding of \$Nil (2011 - \$63,857) related to Francophone Community Engagement. Expenses incurred during the year for this initiative are as follows:

	2012	2011
	\$	\$
Salaries and benefits	-	14,347
Other services	-	6,293
	-	20,640

j) *French Language Health Services*

The LHIN received funding of \$106,000 (2011 - \$74,670) related to French Language Health Services. Expenses incurred during the year are as follows:

	2012	2011
	\$	\$
Salaries and benefits	87,150	56,989
Occupancy	5,333	-
Other services	2,542	139
Supplies, equipment and licences	1,620	2,898
Travel	4,630	984
Mail, courier and telecommunications	1,036	380
	102,311	61,390

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2012

11. LHIN operations special funding (continued)

k) *Information and Community Technology - e-Health Framework*

The LHIN received funding of \$Nil (2011 - \$220,000) related to the Information and Community Technology - e-Health Framework Project. Expenses incurred during the year for this project are as follows:

	2012	2011
	\$	\$
Consulting services	-	220,000

l) *Ontario LHINs Privacy Project*

The LHIN received funding of \$Nil (2011 - \$166,000) related to the e-Health Ontario LHINs Privacy Project. Expenses incurred during the year for this project are as follows:

	2012	2011
	\$	\$
Consulting services	-	65,527

m) *Primary Care LHIN Lead*

The LHIN received funding of \$18,750 (2011 - \$Nil) related to the Primary Care LHIN Lead. Expenses incurred during the year for this strategy are as follows:

	2012	2011
	\$	\$
Consulting Services	18,750	-

n) www.ufirst.ca - Physician and Specialist eReferral System

The LHIN received funding of \$Nil (2011 - \$84,000) related to the www.ufirst.ca - Physician and Specialist eReferral System Project. Expenses incurred during the year for this project are as follows:

	2012	2011
	\$	\$
Consulting services	-	74,862

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2012

12. General operating expenses

The Statement of Financial Activities presents the expenses by function, the following classifies general operating expenses, by object:

	2012	2011
	\$	\$
Salaries and benefits	2,792,133	2,921,819
Occupancy	127,826	169,660
Amortization	76,807	84,036
Shared services	464,493	394,562
Advertising and public relations	3,007	7,676
Consulting services	99,200	287,225
Other services	495,112	223,799
Supplies, equipment and licences	82,494	63,873
Board expenses	143,526	119,634
Travel	41,077	48,833
Mail, courier and telecommunications	51,110	46,220
	4,376,785	4,367,337

Board expenses included in general operating expenses above include per diem costs and other Board expenses as follows:

	Budget	2012 Actual	2011 Actual
	\$	\$	\$
Board Chair per diem cost	50,400	55,825	54,600
Directors per diem cost	62,400	55,325	40,600
Board expenses	35,000	32,376	24,434
	147,800	143,526	119,634

13. Pension agreements

The LHIN makes contributions to the Healthcare 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 2012 was \$269,099 (2011 - \$258,386) 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, 2011. At that time, the plan was fully funded.

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2012

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 comparative figures have been reclassified to conform to the current year presentation.

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North West **LHIN**

Management's Responsibility for the Financial Statements

March 31, 2012

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
CEO



Chris Weislo
Controller



Deloitte & Touche LLP
5140 Yonge Street
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Independent Auditor's Report

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

We have audited the accompanying financial statements of North West Local Health Integration Network, which comprise the statement of financial position as at March 31, 2012, and the statement of financial activities, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

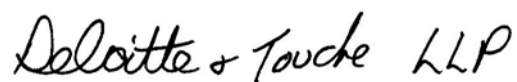
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable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

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

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of North West Local Health Integration network as at March 31, 2012 and the results of its financial activities, changes in its net debt and its cash flows for the years then ended in accordance with Canadian public sector accounting standards.

The image shows 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 29, 2012

North West Local Health Integration Network

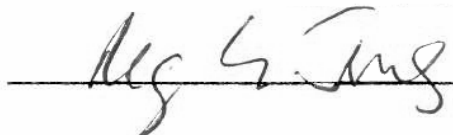
Statement of financial position as at March 31, 2012

	2012	2011
	\$	\$
Financial assets		
Cash	770,616	668,646
Due from Ministry of Health and Long Term Care ("MOHLTC")		
Health Service Provider ("HSP") transfer payments (Note 9)	993,674	5,149,305
Accounts receivable	103,835	102,093
	1,868,125	5,920,044
Liabilities		
Accounts payable and accrued liabilities	517,592	571,855
Due to HSPs (Note 9)	993,674	5,149,305
Due to MOHLTC and eHealth Ontario (Note 3)	340,467	203,112
Due to the LHIN Shared Services Office (Note 4)	16,392	1,784
Deferred capital contributions (Note 5)	301,096	389,100
	2,169,221	6,315,156
Commitments (Note 6)		
Net debt	(301,096)	(395,112)
Non-financial assets		
Capital assets (Note 7)	301,096	389,100
Prepaid expenses	-	6,012
Accumulated surplus	-	-

Approved by the Board



Director



Director

North West Local Health Integration Network

Statement of financial activities
year ended March 31, 2012

		2012	2011
	Budget (Unaudited) (Note 8)	Actual	Actual
	\$	\$	\$
Revenue			
MOHLTC funding			
HSPs transfer payments (Note 9)	566,779,083	606,341,278	587,667,411
Operations of LHIN	5,031,192	5,011,567	4,806,240
Aboriginal Community Engagement (Note 11)	160,000	160,000	160,000
Emergency Department ("ED") LHIN Lead (Note 13)	-	75,000	75,000
Critical Care ("CC") LHIN Lead (Note 16)	-	75,000	75,000
Emergency Room/Alternative Level of Care ("ER/ALC") Performance Lead (Note 14)	-	100,000	100,000
Primary Care ("PC") LHIN Lead (Note 17)	-	43,750	-
French Language Health Services (Note 15)	106,000	106,000	74,670
Bahavioural Supports Initiative ("BSO") (Note 18)	-	72,000	-
E-Health (Note 12)	-	600,000	760,000
Amortization of deferred capital contributions (Note 5)	-	107,629	110,465
	572,076,275	612,692,224	593,828,786
Funding repayable to the MOHLTC (Note 3)	-	(297,252)	(203,112)
Funding repayable to eHealth Ontario (Note 3)	-	(43,215)	-
In year surplus recovered by MOHLTC (Note 3)	-	(110,000)	(78,000)
	572,076,275	612,241,757	593,547,674
Expenses			
Transfer payments to HSPs (Note 9)	566,779,083	606,341,278	587,667,411
General and administrative (Note 10)	5,031,192	4,874,919	4,733,985
Aboriginal Community Engagement (Note 11)	160,000	131,173	150,374
E-Health (Note 12)	-	556,785	760,000
ED LHIN Lead (Note 13)	-	75,000	75,000
CC LHIN Lead (Note 16)	-	74,528	75,000
Emergency Room/Alternative Level of Care ("ER/ALC") Performance Lead (Note 14)	-	8,827	22,000
Primary Care ("PC") LHIN Lead (Note 17)	-	13,337	-
French Language Health Services (Note 15)	106,000	102,938	63,904
BSO (Note 18)	-	62,972	-
	572,076,275	612,241,757	593,547,674
Annual surplus and closing accumulated surplus	-	-	-

North West Local Health Integration Network

Statement of changes in net debt
year ended March 31, 2012

	2012	2011
	\$	\$
Annual surplus	-	-
Decrease in prepaid expenses	6,012	591
Acquisition of capital assets	(19,625)	(399,953)
Amortization of capital assets	107,629	110,465
Decrease (increase) in net debt	94,016	(288,897)
Opening net debt	(395,112)	(106,215)
Closing net debt	(301,096)	(395,112)

North West Local Health Integration Network

Statement of cash flows year ended March 31, 2012

	2012	2011
	\$	\$
Operating transactions		
Annual surplus	-	-
Less items not affecting cash		
Amortization of capital assets	107,629	110,465
Amortization of deferred capital contributions (Note 5)	(107,629)	(110,465)
Changes in non-cash operating items		
Decrease (increase) in due from MOHLTC - HSPs transfer payments	4,155,631	(4,593,949)
Decrease in due from MOHLTC - Internal LHIN		
Project Funding	-	90,000
Decrease in due from HNHB LHIN	-	12,057
Increase in accounts receivable	(1,742)	(102,093)
Decrease in accounts payable and accrued liabilities	(54,263)	(492,715)
(Decrease) increase in due to HSPs	(4,155,631)	4,593,949
Increase (decrease) in due to MOHLTC and eHealth Ontario	137,355	(907,423)
Increase (decrease) in due to LHIN Shared Services Office	14,608	(187)
Decrease in prepaid expenses	6,012	591
	101,970	(1,399,770)
Capital transactions		
Acquisition of capital assets	(19,625)	(399,953)
Financing transactions		
Increase in deferred capital contributions (Note 5)	19,625	399,953
Net increase (decrease) in cash	101,970	(1,399,770)
Cash, beginning of year	668,646	2,068,416
Cash, end of year	770,616	668,646

North West Local Health Integration Network

Notes to the financial statements

March 31, 2012

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 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.

The LHIN is funded by the Province of Ontario in accordance with Ministry-LHIN Performance Agreement ("MLPA"), 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. The cash associated with the transfer payment does not flow through the LHIN bank account. 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 for the year ended March 31, 2012.

The LHIN statements do not include any MOHLTC managed programs.

The LHIN is also funded by eHealth Ontario in accordance with the eHealth Ontario – LHIN Transfer Payment Agreement ("TPA"), which describes budget arrangements established by eHealth Ontario. These financial statements reflect agreed funding arrangements approved by eHealth Ontario. The LHIN cannot authorize an amount in excess of the budget allocation set by eHealth Ontario.

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.

North West Local Health Integration Network

Notes to the financial statements

March 31, 2012

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 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:

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.

Segmented information

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 for 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.

North West Local Health Integration Network

Notes to the financial statements

March 31, 2012

3. Funding repayable to the MOHLTC and eHealth Ontario

In accordance with the MLPA, 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 TPA, 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 eHealth Ontario.

The amount repayable to the MOHLTC and eHealth Ontario related to the current year activities is made up of the following components:

			2012	2011
	Revenue	Expenses	Surplus	Surplus
	\$	\$	\$	\$
Transfer payments to HSPs	606,341,278	606,341,278	-	-
LHIN operations	5,119,117	4,874,840	244,277	182,720
Aboriginal Community Engagement	160,000	131,173	28,827	9,626
E-Health	600,000	556,785	43,215	-
ED LHIN Lead	75,000	75,000	-	-
Critical Care ("CC") LHIN Lead	75,000	74,528	472	-
ER/ALC Performance Lead	100,000	8,827	91,173	78,000
PC LHIN Lead	43,750	13,337	30,413	-
French Language Health Services	106,000	102,938	3,062	10,766
BSO Strategy	72,000	62,972	9,028	-
	612,692,145	612,241,678	450,467	281,112

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

	2012	2011
	\$	\$
Due to MOHLTC, beginning of year	203,113	1,110,536
Funding repaid to MOHLTC	(203,113)	(1,110,536)
Funding repayable to the MOHLTC related to current year activities	407,252	281,112
In year surplus recovered by MOHLTC	(110,000)	(78,000)
Due to MOHLTC, end of year	297,252	203,112

The amount due to eHealth Ontario at March 31 is made up as follows:

	2012
	\$
Due to eHealth Ontario beginning of year	-
Funding repaid to eHealth Ontario	-
Funding repayable to eHealth Ontario related to current year activities	43,215
In year surplus recovered by eHealth Ontario	-
Due to eHealth Ontario end of year	43,215

North West Local Health Integration Network

Notes to the financial statements

March 31, 2012

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 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 LHINs.

5. Deferred capital contributions

	2012	2011
	\$	\$
Balance, beginning of year	389,100	99,613
Capital contributions received during the year	19,625	399,952
Amortization for the year	(107,629)	(110,465)
Balance, end of year	301,096	389,100

6. Commitments

The LHIN has commitments under various operating leases related to building and equipment extending to 2016. Lease renewals are likely. Minimum lease payments due in each of the next five years are as follows:

	\$
2013	308,287
2014	253,855
2015	251,716
2016	80,154
2017	9,752
	903,764

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

	\$
2013	285,146,970

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

North West Local Health Integration Network

Notes to the financial statements

March 31, 2012

7. Capital assets

			2012	2011
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office furniture and fixtures	316,711	265,478	51,233	47,377
Computer equipment	108,174	95,436	12,738	25,477
Leasehold improvements	684,628	447,503	237,125	316,246
Web development	7,250	7,250	-	-
	1,116,763	815,667	301,096	389,100

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. 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 \$606,341,278 is derived as follows:

	\$
Initial HSP funding budget	566,779,083
Adjustment due to announcements made during the year	39,562,195
Final HSP funding budget	606,341,278

The final LHIN budget, excluding the HSP funding, of \$6,243,317 is derived as follows:

	\$
Initial budget	5,297,192
Additional funding received during the year	
E-Health	600,000
ED LHIN Lead	75,000
Critical Care Lead	75,000
ER/ALC Performance Lead	100,000
Primary Care Lead	43,750
Behavioural Support Initiative (BSO)	72,000
Amount treated as capital contributions made during the year	(19,625)
Final budget	6,243,317

North West Local Health Integration Network

Notes to the financial statements

March 31, 2012

9. Transfer payments to HSPs

The LHIN has authorization to allocate funding of \$606,341,278 to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors as follows:

	2012	2011
	\$	\$
Operation of hospitals	420,030,397	408,839,069
Health Infrastructure Renewal Fund	-	3,600,688
Grants to compensate for municipal taxation - public hospitals	105,375	104,250
Long term care homes	68,511,429	63,272,414
Community care access centres	42,902,747	39,768,960
Community support services	14,070,995	12,860,141
Acquired brain injury	1,817,347	1,790,490
Assisted living services in supportive housing	7,290,866	6,495,038
Community health centres	8,269,886	8,078,314
Community mental health program	30,733,101	30,639,650
Addictions program	12,609,135	12,218,397
	606,341,278	587,667,411

The LHIN receives funding from the MOHLTC and in turn allocates it to the HSPs. As at March 31, 2012, an amount of \$993,674 (2011 - \$5,149,305) was receivable from the MOHLTC, and \$993,674 (2011 - \$5,149,305) 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.

10. General and administrative expenses

The Statement of financial activities presents expenses by function. The following classifies general and administrative expenses by object:

	2012	2011
	\$	\$
Salaries and benefits	3,001,129	2,761,176
Occupancy	237,024	217,535
Amortization	107,629	110,465
Equipment and maintenance	45,325	64,571
Shared services	475,025	359,497
Public relations and community forums	10,526	11,680
Professional fees	14,500	21,520
Travel	150,039	131,757
Staff development and recruitment	122,724	142,565
Consulting services	381,910	461,446
LHIN collaborative	26,971	50,000
Supplies, printing and office	82,018	92,712
Other board member per diems	58,400	74,265
Board chair per diems	23,945	39,725
Other governance and travel costs	68,002	126,520
Mail, courier and telecommunications	69,752	68,551
	4,874,919	4,733,985

North West Local Health Integration Network

Notes to the financial statements

March 31, 2012

11. Aboriginal Community Engagement

The Ministry of Health and Long-Term Care provided \$160,000 (2011 - \$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 2012, \$131,173 (2011 - \$150,374) of expenses were incurred.

12. eHealth Ontario

eHealth Ontario provided \$600,000 (2011 - \$760,000) to the LHIN. 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, \$556,785 (2011 - \$760,000) of expenses were incurred.

13. Emergency Department LHIN Lead

The Ministry of Health and Long-Term Care provided \$75,000 (2011 - \$75,000) in one-time funding to support the compensation of the North West LHIN Emergency Department (ED) LHIN Lead. During the year, \$75,000 of expenses were incurred (2011 - \$75,000).

14. ER/ALC Performance Lead

The Ministry of Health and Long-Term Care provided one-time funding in the amount of \$100,000 (2011 - \$100,000) to support the compensation of the LHIN ER/ALC Performance Lead in 2011/12. During the year, \$8,827 (2011 - \$22,000) of expenses were incurred.

15. French Language Health Services

The Ministry of Health and Long-Term Care approved one-time funding of \$106,000 (2011 - \$74,670) to support the LHIN in its French Language Services activities. During the year, \$102,938 (2011 - \$63,904) of expenses were incurred.

16. Critical Care Lead

The Ministry of Health and Long-Term Care provided one-time funding in the amount of \$75,000 (2011 - \$75,000) to support the compensation of the LHIN Critical Care Lead in 2011/12. During the year, \$74,528 (2011 - \$75,000) of expenses were incurred.

17. Primary Care Lead

The Ministry of Health and Long-Term Care provided one-time funding in the amount of \$43,750 (2011 - \$Nil) to support the compensation of the LHIN Primary Care Lead in 2011/12. During the year, \$13,337 (2011 - \$Nil) of expenses were incurred.

18. Behavioural Supports Initiative (BSO)

The Ministry of Health and Long-Term Care provided one-time funding in the amount of \$72,000 (2011 - \$Nil) to support the compensation of the LHIN BSO Initiative in 2011/12. During the year, \$62,972 (2011 - \$Nil) of 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 32 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 2012 was \$286,504 (2011 - \$204,724) 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, 2011. At that time, the plan was fully funded.

North West Local Health Integration Network

Notes to the financial statements

March 31, 2012

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. Comparative figures

Certain comparative figures have been reclassified to conform to the current year presentation.

South East **LHIN**
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March 31, 2012

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
South East Local Health Integration Network



Paula Heinemann
Director, Corporate Services / Controller
South East Local Health Integration Network



Deloitte & Touche LLP
5140 Yonge Street
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Toronto ON M2N 6L7
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Independent Auditor's Report

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

We have audited the accompanying financial statements of the South East Local Health Integration Network (the "LHIN"), which comprise the statement of financial position as at March 31, 2012, and the statements of financial activities, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

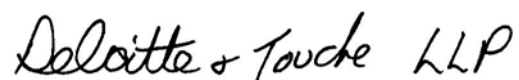
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of LHIN as at March 31, 2012, and the results of its financial activities, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 28, 2012

South East Local Health Integration Network

Statement of financial position

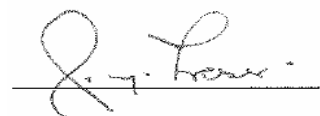
as at March 31, 2012

	2012	2011
	\$	\$
Financial assets		
Cash	1,674,708	1,373,084
Accounts receivable (Note 3)	57,001	65,589
	1,731,709	1,438,673
Liabilities		
Accounts payable and accrued liabilities (Note 4)	1,121,742	815,436
Due to MOHLTC and eHealth Ontario (Note 5)	347,744	302,497
Due to the LHIN Shared Services Office (Note 7)	-	19,552
Deferred capital contributions (Note 8)	505,585	621,198
Obligations under capital lease (Note 16)	290,568	315,807
	2,265,639	2,074,490
Net debt	(533,930)	(635,817)
Non-financial assets		
Prepaid expenses	28,345	14,619
Capital assets (Note 9)	505,585	621,198
	533,930	635,817
Accumulated surplus	-	-

Approved by the Board:



Wynn Turner
Board Chair



Ian Fraser
Audit Committee Chair

South East Local Health Integration Network

Statement of financial activities
year ended March 31, 2012

		2012	2011
	Budget (unaudited) (Note 10)	Actual	Actual
	\$	\$	\$
Revenue			
MOHLTC funding			
HSP transfer payments (Note 11)	984,696,442	1,070,700,326	1,017,913,350
Operations of LHIN (Notes 5, 10 and 12)	4,782,269	4,778,389	4,302,588
e-Health (Note 6a)	-	600,000	1,325,000
Emergency Department (Note 6b)	-	75,000	75,000
Aboriginal Initiative (Note 6c)	15,000	15,000	15,000
ER/ALC Initiative (Note 6d)	-	100,000	100,000
French Language Services Initiative (Note 6e)	106,000	106,000	110,000
Critical Care Initiative (Note 6f)	-	75,000	75,000
Primary Care Initiative (Note 6g)	-	43,750	-
Behavioural Support Ontario (Note 6h)	-	750,000	-
Amortization of deferred capital contributions (Note 8)	-	119,491	147,905
	989,599,711	1,077,362,956	1,024,063,843
Funding repayable to the MOHLTC and eHealth Ontario (Note 5a)	-	(347,744)	(302,497)
	989,599,711	1,077,015,212	1,023,761,346
Expenses			
Transfer payments to HSPs (Note 11)	984,696,442	1,070,700,326	1,017,913,350
General and administrative (Note 12)	4,782,269	4,895,501	4,447,604
e-Health (Note 6a)	-	569,907	1,039,120
Emergency Department (Note 6b)	-	66,110	73,937
Aboriginal Initiative (Note 6c)	15,000	15,000	15,000
ER/ALC Initiative (Note 6d)	-	100,000	100,000
French Language Services Initiative (Note 6e)	106,000	102,844	99,310
Critical Care Initiative (Note 6f)	-	72,912	73,025
Primary Care Initiative (Note 6g)	-	18,985	-
Behavioural Support Ontario (Note 6h)	-	473,627	-
	989,599,711	1,077,015,212	1,023,761,346
Annual surplus and closing accumulated surplus	-	-	-

South East Local Health Integration Network

Statement of changes in net debt
year ended March 31, 2012

	2012	2011
	\$	\$
Annual surplus	-	-
Acquisition of capital assets	(3,878)	(479,682)
Amortization of capital assets	119,491	147,905
Increase in prepaid expenses	(13,726)	(8,695)
Decrease (increase) in net debt	101,887	(340,472)
Opening net debt	(635,817)	(295,345)
Closing net debt	(533,930)	(635,817)

South East Local Health Integration Network

Statement of cash flows year ended March 31, 2012

	2012	2011
	\$	\$
Operating transactions		
Annual surplus	-	-
Less items not affecting cash		
Amortization of capital assets	119,491	147,905
Amortization of deferred capital contribution (Note 8)	(119,491)	(147,905)
Changes in non-cash operating items		
Decrease (increase) in accounts receivable	8,588	(65,589)
Decrease in due from LHIN Shared Services Office	-	1,895
Increase in prepaid expenses	(13,726)	(8,695)
Increase (decrease) in accounts payable and accrued liabilities	306,306	(38,712)
Increase in due to MOHLTC and eHealth Ontario	45,247	173,750
Increase (decrease) in due to the LHIN Shared Services Office	(19,552)	19,552
	326,863	82,201
Capital transaction		
Acquisition of capital assets	(3,878)	(479,682)
Financing transactions		
Increase in deferred capital contributions (Note 8)	3,878	479,682
Increase in obligations under capital lease	-	319,178
Repayment of obligations under capital lease	(25,239)	(3,371)
	(21,361)	795,489
Net change in cash	301,624	398,008
Cash, beginning of year	1,373,084	975,076
Cash, end of year	1,674,708	1,373,084

South East Local Health Integration Network

Notes to the financial statements

March 31, 2012

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 a Performance Agreement with the Ministry of Health and Long-Term Care ("MOHLTC"), which provides the framework for LHIN accountabilities and activities.

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 489,600 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.

The LHIN is funded by the Province of Ontario in accordance with the Ministry-LHIN Performance Agreement ("Performance Agreement"), 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. 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, 2012.

The LHIN statements do not include any Ministry managed programs.

The LHIN is also funded by eHealth Ontario in accordance with the eHealth Ontario – LHIN Transfer Payment Agreement ("TPA"), which describes budget arrangements established by eHealth Ontario. These financial statements reflect agreed funding arrangements approved by eHealth Ontario. The LHIN cannot authorize an amount in excess of the budget allocation set by eHealth Ontario.

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.

South East Local Health Integration Network

Notes to the financial statements

March 31, 2012

2. Significant accounting policies (continued)

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.

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
Infrastructure/Web developments	3 years
Leasehold improvements	Life of lease

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.

South East Local Health Integration Network

Notes to the financial statements

March 31, 2012

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. Significant items subject to such estimates and assumptions include valuation of accrued liabilities and useful lives of the capital assets. Actual results could differ from those estimates.

3. Accounts receivable

The LHIN at March 31, 2012 has accounts receivable of \$57,001 which primarily represent HST receivable for the last quarter of the fiscal year.

4. Accounts payable and accrued liabilities

At March 31, 2012 the LHIN has accounts payable and accrued liabilities valued at \$1,121,742. This amount represents \$441,023 in accounts payable and \$680,719 in accrued liabilities.

5. Funding repayable to the MOHLTC and eHealth Ontario

In accordance with the Performance Agreement, 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 TPA, 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 eHealth Ontario.

In accordance with the accounting policy related to deferred capital contributions (Note 2) the LHIN has recognized the amortization of deferred capital contributions of \$119,491 (2011 - \$147,905) 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 2012 after adjustments was \$4,782,269 as detailed in Note 10.

(a) The amount repayable to the MOHLTC is made up of the following components:

			2012
	Funding received	Related expenses	Excess funding
	\$	\$	
Transfer payments to HSPs	1,070,700,326	1,070,700,326	-
LHIN operations	4,897,880	4,895,501	2,379
E-Health	600,000	569,907	30,093
Emergency department initiative	75,000	66,110	8,890
Aboriginal initiative	15,000	15,000	-
ER/ALC Initiative	100,000	100,000	-
French Language Services Initiative	106,000	102,844	3,156
Critical Care Initiative	75,000	72,912	2,088
Primary Care Initiative	43,750	18,985	24,765
Behavioural Support Ontario	750,000	473,627	276,373
	1,077,362,956	1,077,015,212	347,744

South East Local Health Integration Network

Notes to the financial statements

March 31, 2012

5. Funding repayable to the MOHLTC and eHealth Ontario (continued)

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

	2012	2011
	\$	\$
Opening balance	302,497	128,747
Funding repaid during the year	(302,497)	(128,747)
One-time funding repayable to the MOHLTC	315,272	299,608
LHIN Operations funding repayable to MOHLTC	2,379	2,889
Closing balance	317,651	302,497

(c) The amount due to the eHealth Ontario at March 31 is made up as follows:

	2012	2011
	\$	\$
Due to eHealth Ontario, beginning of year	-	-
Paid to eHealth Ontario during year	-	-
Funding repayable to the eHealth Ontario related to current year activities (Note 5a)	30,093	-
Due to eHealth Ontario, end of year	30,093	-

6. a) e-Health Initiative

During fiscal 2012, the LHIN received funding in the amount of \$600,000 (\$1,325,000 in 2011 from MOHLTC - \$600,000 for Project Management Office, \$450,000 for Implementation and adoption and \$275,000 for Provincial Coordinator) from the eHealth Ontario for Project Management Office. 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 \$30,093 (\$285,880 in 2011) at year end, are repayable to eHealth Ontario (MOHLTC in 2011).

	2012	2011
	\$	\$
Expenses		
Salaries and benefits	308,860	488,322
Consulting services	126,775	388,309
Travel	15,308	22,667
Meeting expenses	3,345	11,306
Accommodations	-	17,077
Shared services	-	31,956
Other	115,619	79,483
	569,907	1,039,120

South East Local Health Integration Network

Notes to the financial statements

March 31, 2012

6. (continued)

b) Emergency Department Initiative

During fiscal 2012, the LHIN received funding in the amount of \$75,000 (\$75,000 in 2011) 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 \$8,890 (\$1,063 in 2011) at year end, are repayable to the MOHLTC.

	2012	2011
	\$	\$
Expenses		
Salaries and benefits	63,300	67,500
Travel	-	2,155
Other	2,810	4,282
	66,110	73,937

c) Aboriginal Initiative

During fiscal 2012, the LHIN received funding in the amount of \$15,000 (\$15,000 in 2011) 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".

	2012	2011
	\$	\$
Expense		
Other	15,000	15,000
	15,000	15,000

d) ER/ALC Initiative

During fiscal 2012, the LHIN received funding in the amount of \$100,000 (\$100,000 in 2011) from the MOHLTC. These funds were used in support of the ER/ALC Strategy.

	2012	2011
	\$	\$
Expense		
Salaries and benefits	100,000	100,000
	100,000	100,000

Actual expenditures incurred as part of the ER/ALC Initiative activities were in excess of the \$100,000 funding provided by the MOHLTC. The total of actual expenses is \$147,100 (\$136,754 in 2011). The overage of \$47,100 (\$36,754) has been funded through LHIN Operations base.

	2012	2011
	\$	\$
Expenses		
Salaries and benefits	135,594	126,593
Travel	5,762	7,068
Meeting expenses	1,366	433
Other	4,378	2,660
	147,100	136,754

South East Local Health Integration Network

Notes to the financial statements

March 31, 2012

6. (continued)

e) French Language Services Initiative

During fiscal 2012, the LHIN received funding in the amount of \$106,000 (\$110,000 in 2011) from the MOHLTC. These funds were used in support of the French Language Services Strategy. Unspent funds, amounting to \$3,156 (10,690 in 2011) at year end, are repayable to the MOHLTC.

	2012	2011
	\$	\$
Expenses		
Salaries and benefits	82,663	62,345
Consulting services	-	11,535
Travel	4,564	4,377
Meeting expenses	113	-
Accommodations	-	4,269
Shared services	-	7,989
Other	15,504	8,795
	102,844	99,310

f) Critical Care Initiative

During fiscal 2012, the LHIN received funding in the amount of \$75,000 (\$75,000 in 2011) from the MOHLTC. These funds were used in support of the Critical Care Strategy. Unspent funds, amounting to \$2,088 (\$1,975 in 2011) at year end, are repayable to the MOHLTC.

	2012	2011
	\$	\$
Expenses		
Salaries and benefits	72,000	72,000
Travel	912	1,025
	72,912	73,025

g) Primary Care Initiative

During fiscal 2012, the LHIN received in-year funding in the amount of \$43,750 (Nil in 2011) from the MOHLTC. These funds were used toward planning and engagement with Primary Health Care providers in support of the Integrated Health Services Plan "Priority for Change." Unspent funds, amounting to \$24,765 (Nil in 2011) at year end, are repayable to the MOHLTC.

	2012	2011
	\$	\$
Expenses		
Salaries and benefits	18,000	-
Travel	970	-
Other	15	-
	18,985	-

South East Local Health Integration Network

Notes to the financial statements

March 31, 2012

6. (continued)

h) Behavioural Support Ontario (BSO)

During fiscal 2012, the LHIN received in-year funding of \$750,000 (Nil in 2011) as an Early Adopter LHIN to implement the BSO framework. The BSO Project was created to enhance services for Ontarians in support of the Integrated Health Services Plan. Unspent funds, amounting to \$276,373 (Nil in 2011) at year end, are repayable to the MOHLTC.

	2012	2011
	\$	\$
Expenses		
Salaries and benefits	303,586	-
Consulting services	26,350	-
Travel	3,528	-
Meeting expenses	6,715	-
Other	133,448	-
	473,627	-

7. 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 are 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.

South East Local Health Integration Network

Notes to the financial statements

March 31, 2012

8. Deferred capital contributions

	2012	2011
	\$	\$
Balance, beginning of year	621,198	289,421
Capital contributions received during the year	3,878	479,682
Amortization for the year	(119,491)	(147,905)
Balance, end of year	505,585	621,198

9. Capital assets

			2012	2011
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office equipment	408,007	200,719	207,288	279,064
Computer equipment	122,406	110,667	11,739	19,756
Leasehold improvements	358,197	71,639	286,558	322,378
	888,610	383,025	505,585	621,198

10. 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, 2011. 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 \$1,070,700,326 is made up of the following:

	\$
Initial HSP funding budget	984,696,442
Adjustment due to announcements made during the year	86,003,884
Total HSP funding budget	1,070,700,326

The total operating budget of \$4,782,269 is made up of the following:

	\$
Initial budget	4,782,269
Additional funding received during the year	-
Total budget	4,782,269

South East Local Health Integration Network

Notes to the financial statements

March 31, 2012

11. Transfer payments to HSPs

The LHIN has authorization to allocate the funding of \$1,070,700,326 to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors as follows:

	2012	2011
	\$	\$
Operation of Hospitals	703,298,709	676,287,800
Grants to compensate for Municipal Taxation - Public Hospitals	190,725	190,725
Long-Term Care Homes	170,862,497	157,270,059
Community Care Access Centres	102,084,846	96,933,755
Community Support Services	29,121,695	27,468,705
Assisted Living Services in Supportive Housing	2,043,566	2,003,991
Community Health Centres	22,200,869	18,371,448
Community Mental Health Addictions Program	40,897,419	39,386,867
	1,070,700,326	1,017,913,350

12. 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:

	2012	2011
	\$	\$
Program based		
Salaries	3,546,649	3,220,198
Consulting and LHIN-based projects	46,194	66,270
	3,592,843	3,286,468
Shared services	435,080	317,153
Collaborative	26,971	50,000
Other (details listed below)	205,855	198,604
Occupancy	212,698	118,505
Office equipment and supplies	132,588	106,674
Board per diem	71,400	132,270
Public relations	52,123	40,756
Mail, courier and telecommunications	46,452	49,269
	4,776,010	4,299,699
Amortization	119,491	147,905
	4,895,501	4,447,604

South East Local Health Integration Network

Notes to the financial statements

March 31, 2012

12. General and administrative expenses (continued)

(b) The breakdown of "Other" general and administrative expenses listed in the table above are:

	2012	2011
	\$	\$
Training and development	52,829	45,876
Travel	111,507	124,462
Recruitment	10,622	2,089
Insurance	17,768	17,640
Other miscellaneous	13,129	8,537
	205,855	198,604

(c) The total expenses related to governance is as follows, and are included in the expenses listed in Note 12(a) above:

	2012	2011
	\$	\$
Board chair per diems	34,500	86,025
All other per diems	36,900	46,245
Total per diems	71,400	132,270
Other administrative costs	53,797	98,885
Total governance expenditures	125,197	231,155
Overhead - salaries, benefits, accommodations and shared services	153,519	151,253
Total governance related costs	278,716	382,408

(d) The total occupancy and shared service costs are reduced in Note 12(a) above, due to partial cost sharing with ancillary funded projects for project staff who utilize office space and or shared services during the year. Reference Note 6 related to additional accommodations and shared services cost allocation.

13. Pension agreements

The LHIN makes contributions to the Healthcare 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 2012 was \$279,712 (2011 - \$261,295) 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, 2011. 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*.

South East Local Health Integration Network

Notes to the financial statements

March 31, 2012

15. Commitments

The LHIN has commitments under various operating leases related to building and equipment. Minimum lease payments due under the building lease as follows:

	\$
2013	224,064
2014	224,064
2015	224,064
2016	224,064
2017	224,064
Thereafter	877,584
	<u>1,997,904</u>

The LHIN also has funding commitments to HSPs associated with accountability agreements. As of March 31, 2012, the LHIN had signed Performance Agreements with all Hospitals and Community Agencies for the next one to three years dependent upon the specific sector. The actual amounts which will ultimately be paid are contingent upon actual LHIN funding received from MOHLTC.

16. Obligations under capital lease

The LHIN has a lease under the provision of capital lease of leasehold improvements with a total carrying value in these statements of \$255,342. The cost of this lease is included in property, plant and equipment and the related liabilities are included in long-term debt to reflect the effective acquisition and financing of these items. The lease on the building expires in February, 2021.

The present value of future minimum rentals are as follows:

	\$
2013	40,456
2014	40,456
2015	40,456
2016	40,456
2017	40,456
Thereafter	158,453
Future minimum lease payments	360,733
Less: amount representing interest	(70,165)
Present value of future minimum rentals	<u>290,568</u>

South East Local Health Integration Network

Notes to the financial statements

March 31, 2012

16. Obligations under capital lease (continued)

Principal payments required on this long-term debt for the next five years are as follows:

	\$
2013	26,530
2014	27,887
2015	29,314
2016	30,814
2017	32,390
Thereafter	143,633
	<u>290,568</u>

South West LHIN

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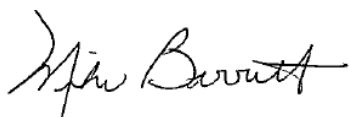
Management Responsibility Report

The management of the South West 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.



Michael Barrett
Chief Executive Officer



Lisa M Johnson
Manager of Corporate Services

June 15, 2012



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Independent Auditor's Report

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

We have audited the accompanying financial statements of South West Local Health Integration Network, which comprise the statement of financial position as at March 31, 2012, and the statements of financial activities, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of South West Local Health Integration network as at March 31, 2012 and the results of its financial activities, changes in its net debt and its cash flows for the years then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

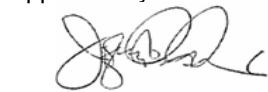
Chartered Accountants
Licensed Public Accountants
May 23, 2012

South West Local Health Integration Network

Statement of financial position as at March 31, 2012

	2012	2011
	\$	\$
Financial assets		
Cash	325,816	525,094
Due from Ministry of Health and Long-Term Care ("MOHLTC")		
Health Service Provider ("HSP") transfer payments (Note 9)	2,025,893	37,412,887
Due from the LHIN Shared Services Office (Note 4)	-	3,736
HST Receivable	45,355	65,468
Accounts receivable	16,490	1,421
	2,413,554	38,008,606
Liabilities		
Accounts payable and accrued liabilities	308,018	581,241
Due to Health Service Providers ("HSPs") (Note 9)	2,025,893	37,412,887
Due to MOHLTC (Note 3b)	48,082	28,518
Due to eHealth Ontario (Note 3c)	62,791	-
Due to the LHIN Shared Services Office (Note 4)	7,440	7,631
Deferred capital contributions (Note 5)	267,754	409,415
	2,719,978	38,439,692
Commitments (Note 6)		
Net debt	(306,424)	(431,086)
Non-financial assets		
Prepaid expenses	38,670	21,671
Capital assets (Note 7)	267,754	409,415
Accumulated surplus	-	-

Approved by the Board



Director



Director

South West Local Health Integration Network

Statement of financial activities

year ended March 31, 2012

		2012	2011
	Budget (unaudited) (Note 8)	Actual	Actual
		\$	\$
Revenue			
MOHLTC funding			
HSP transfer payments (Note 9)	2,059,417,457	2,169,260,125	2,096,400,627
Operations of LHIN	5,153,419	5,146,833	5,099,732
Aboriginal Planning (Note 10a)	35,000	35,000	4,702
French Language Services (Note 10b)	106,000	106,000	10,000
Critical Care (Note 10c)	75,000	75,000	75,000
Emergency Department ("ED") Lead (Note 10d)	75,000	62,132	51,817
Emergency Room/Alternative Level of Care ("ER/ALC") Performance Lead (Note 10e)	100,000	88,008	100,000
Primary Care Lead (Note 10f)	-	18,750	-
Behavioural Support (BSO) (Note 10g)	-	57,000	-
E-Health (Note 10h)	600,000	892,297	940,795
Amortization of deferred capital contributions (Note 5)	141,782	158,851	149,628
	2,065,703,658	2,175,899,996	2,102,832,301
Funding repayable to eHealth Ontario (Note 3a)	-	(62,791)	-
Funding repayable to the MOHLTC (Note 3a)	-	(49,207)	(33,220)
	2,065,703,658	2,175,787,998	2,102,799,081
Expenses			
Transfer payments to HSPs (Note 9)	2,059,417,457	2,169,260,125	2,096,400,627
General and administrative (Note 11)	5,295,201	5,294,857	5,237,266
Aboriginal Planning (Note 10a)	35,000	21,466	4,702
French Language Services (Note 10b)	106,000	87,247	9,318
Critical Care (Note 10c)	75,000	73,831	74,643
ED Lead (Note 10d)	75,000	62,132	38,810
ER/ALC Performance Lead (Note 10e)	100,000	88,008	97,676
Primary Care Lead (Note 10f)	-	16,091	-
Behavioural Support (BSO) (Note 10g)	-	54,735	-
E-Health (Note 10h)	600,000	829,506	936,039
	2,065,703,658	2,175,787,998	2,102,799,081
Annual surplus and closing accumulated surplus	-	-	-

South West Local Health Integration Network

Statement of changes in net debt
year ended March 31, 2012

		2012	2011
	Budget (unaudited) (Note 8)	Actual	Actual
		\$	\$
Annual surplus	-	-	-
Change in prepaid expenses	-	(16,999)	(21,671)
Acquisition of capital assets	-	(17,190)	(54,899)
Amortization of capital assets	-	158,851	149,628
Decrease in net debt	- -	124,662	73,058
Opening net debt	-	(431,086)	(504,144)
Closing net debt	-	(306,424)	(431,086)

South West Local Health Integration Network

Statement of cash flows
year ended March 31, 2012

	2012	2011
	\$	\$
Operating transactions		
Annual surplus	-	-
Less items not affecting cash		
Amortization of capital assets	158,851	149,628
Amortization of deferred capital contributions (Note 5)	(158,851)	(149,628)
Changes in non-cash operating items		
Decrease in due from MOHLTC HSP transfer payments	35,386,994	(21,030,493)
Decrease in due from MOHLTC	-	107,000
Decrease in due from LHIN Shared Services Office	3,736	(393)
(Increase) decrease in accounts receivable	(15,069)	4,947
Increase (decrease) in HST receivable	20,113	(65,468)
(Decrease) increase in accounts payable and accrued liabilities	(273,223)	4,499
Increase in due to HSPs	(35,386,994)	21,030,493
Increase (decrease) in due to MOHLTC	19,564	(145,138)
Increase in due to eHealth Ontario	62,791	-
(Decrease) increase in due to LHIN Shared Services Office	(191)	7,631
Decrease in deferred revenue	-	(72,000)
Increase in prepaid expenses	(16,999)	(21,671)
	(199,278)	(180,593)
Capital transaction		
Acquisition of capital assets	(17,190)	(54,899)
Financing transaction		
Deferred capital contributions received (Note 5)	17,190	54,899
Net decrease in cash	(199,278)	(180,593)
Cash, beginning of year	525,094	705,687
Cash, end of year	325,816	525,094

South West Local Health Integration Network

Notes to the financial statements

March 31, 2012

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 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.

The LHIN is funded by the Province of Ontario in accordance with the Ministry-LHIN Performance Agreement ("MLPA"), 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.

The LHIN is also funded by eHealth Ontario in accordance with the eHealth Ontario – LHIN Transfer Payment Agreement ("TPA"), which describes budget arrangements established by eHealth Ontario. These financial statements reflect agreed funding arrangements approved by eHealth Ontario. The LHIN cannot authorize an amount in excess of the budget allocation set by eHealth Ontario.

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.

South West Local Health Integration Network

Notes to the financial statements

March 31, 2012

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

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, 2012

3. Funding repayable to the MOHLTC and eHealth Ontario

In accordance with the MLPA, 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 TPA, 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 eHealth Ontario.

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

			2012	2011
	Funding	Eligible expenses	Funding excess	Funding excess
	\$	\$	\$	\$
Transfer payments to HSPs	2,169,260,125	2,169,260,125	-	-
LHIN operations	5,146,833	5,136,006	10,827	12,095
Aboriginal Planning	35,000	21,466	13,534	-
French Language Services	106,000	87,247	18,753	682
Behavioural Support	57,000	54,735	2,265	-
E-Health	892,297	829,506	62,791	4,756
Critical Care Lead	75,000	73,831	1,169	356
ED Lead	62,132	62,132	-	13,007
Primary Care Lead	18,750	16,091	2,659	-
ER/ALC Lead	88,008	88,008	-	2,324
	2,175,741,145	2,175,629,147	111,998	33,220

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

	2012	2011
	\$	\$
Due to MOHLTC, beginning of year	28,518	173,656
Funding repaid to MOHLTC	(28,518)	(173,656)
Funding receivable from the MOHLTC related to current year activities (Note 10a)	(1,125)	(4,702)
Funding repayable to the MOHLTC related to current year activities (Note 3a)	49,207	33,220
Due to MOHLTC, end of year	48,082	28,518

South West Local Health Integration Network

Notes to the financial statements

March 31, 2012

3. Funding repayable to the MOHLTC and eHealth Ontario (continued)

c) The amount due to the eHealth Ontario at March 31 is made up as follows:

	2012
	\$
Due to eHealth Ontario, beginning of year	-
Paid to eHealth Ontario during year	-
Funding repayable to the eHealth Ontario related to current year activities (Note 3a)	62,791
Due to eHealth, end of year	62,791

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 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.

5. Deferred capital contributions

	2012	2011
	\$	\$
Balance, beginning of year	409,415	504,144
Capital contributions received during the year (Note 8)	17,190	54,899
Amortization for the year	(158,851)	(149,628)
Balance, end of year	267,754	409,415

6. Commitments

The LHIN has commitments under various operating leases extending to 2015 related to building and equipment. Lease renewals are likely. Minimum lease payments due in each of the next three years are as follows:

	\$
2013	261,894
2014	202,500
2015	84,375

South West Local Health Integration Network

Notes to the financial statements

March 31, 2012

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:

	\$
2013	2,121,499,628

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

7. Capital assets

			2012	2011
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Computer equipment	139,868	95,733	44,135	60,686
Leasehold improvements	1,464,863	1,318,512	146,351	244,713
Office equipment, furniture and fixtures	218,003	140,735	77,268	104,016
Web development	21,998	21,998	-	-
	1,844,732	1,576,978	267,754	409,415

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, 2011. 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 \$2,169,260,125 is derived as follows:

	\$
Initial budget	2,059,417,457
Adjustment due to announcements made during the year	109,842,668
Final HSP funding budget	2,169,260,125

The final LHIN budget, excluding HSP funding, of \$6,707,041 is derived as follows:

	\$
Initial budget	6,286,201
Additional funding received during the year	403,650
Amount treated as capital contributions during the year	17,190
Final LHIN operating budget	6,707,041

South West Local Health Integration Network

Notes to the financial statements

March 31, 2012

9. Transfer payments to HSPs

The LHIN has authorization to allocate funding of \$2,169,260,125 to various HSPs in its geographic area. The LHIN approved transfer payments to various sectors in 2012 as follows:

	2012	2011
	\$	\$
Operation of hospitals	1,569,651,483	1,528,366,263
Grants to compensate for municipal taxation - public hospitals	451,500	451,500
Long term care homes	293,210,720	276,650,300
Community care access centres	179,155,370	170,394,969
Community support services	37,367,473	34,953,026
Assisted living services in supportive housing	17,324,750	16,619,916
Community health centres	15,433,606	12,404,709
Community mental health addictions program	56,665,223	56,559,944
	2,169,260,125	2,096,400,627

The LHIN receives funding from the MOHLTC and in turn allocates it to the HSPs. As at March 31, 2012, an amount of \$2,025,893 (2011 - \$37,412,887) 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.

10. Programs

a) Aboriginal planning

The MOHLTC provided the LHIN with \$35,000 (2011 - \$34,992) related to aboriginal planning. The LHIN incurred operating expenses totaling \$21,466 (2011 - \$4,702). The LHIN has setup a payable to the MOHLTC for the remaining balance of \$13,534.

b) French language services

The MOHLTC provided the LHIN with \$106,000 (2011 - \$10,000) related to French Language Services funding. The LHIN incurred operating expenses totaling \$87,247 (2011 - \$9,318). The LHIN has setup a payable to the MOHLTC for the remaining balance of \$18,753.

c) Critical care lead

The MOHLTC provided the LHIN with \$75,000 (2011 - \$75,000) related to Critical Care initiatives. The LHIN incurred operating expenses totaling \$73,831 (2011 - \$74,643). The LHIN has setup a payable to the MOHLTC for the remaining balance of \$1,169.

d) ED lead

The MOHLTC provided the LHIN with \$75,000 (2011 - \$75,000) related to Emergency Department initiatives. The MOHLTC collected from the LHIN, \$13,072 as an in year recovery. The LHIN incurred operating expenses totaling \$62,132 (2011 - \$38,810). The LHIN has setup a receivable from the MOHLTC for \$204 to cover these operating expenses.

e) ER/ALC lead

The MOHLTC provided the LHIN with \$100,000 (2011 - \$100,000) related to emergency room management strategy funding. The MOHLTC collected from the LHIN, \$12,912 as an in year recovery. The LHIN incurred operating expenses totaling \$88,008 (2011 - \$97,676). The LHIN has setup a receivable from the MOHLTC for \$920 to cover these operating expenses.

South West Local Health Integration Network

Notes to the financial statements

March 31, 2012

10. Programs (continued)

f) Primary care lead

The MOHLTC provided the LHIN with \$43,750 (2011 - \$0) related to Primary Care initiatives. The MOHLTC collected from the LHIN, \$25,000 as an in year recovery. The LHIN incurred operating expenses totaling \$16,091 (2011 - \$0). The LHIN has setup a payable to the MOHLTC for the remaining balance of \$2,659.

g) Behavioural support (BSO)

The MOHLTC provided the LHIN with \$57,000 (2011 - \$0) related to behavioural support planning. The LHIN incurred operating expenses totaling \$54,735 (2011 - \$0). The LHIN has setup a payable to the MOHLTC for the remaining balance of \$2,265.

h) eHealth Ontario

The LHIN entered into a transfer payment agreement with eHealth Ontario provided \$902,900 (2011 - \$942,000) to the LHIN \$600,000 related to PMO and \$302,900 related to Southwest Physicians Interface with Regional EMRs (SPIRE). The LHIN incurred operating expenses of \$829,506 (2011 - \$936,039) and capital expenses of \$10,603 (2011 - \$1,205) have been recorded as capital assets and the related funding has been recorded as deferred capital contributions. The LHIN has setup a payable to eHealth Ontario for the remaining balance of \$62,791 (\$45,337 for PMO and \$17,454 for SPIRE).

11. General and administrative expenses

The statement of financial activities presents the expenses by function; the following classifies general and administrative expenses by object:

	2012	2011
	\$	\$
Salaries and benefits	3,522,153	3,242,761
Occupancy (Note 12)	207,850	205,399
Amortization	158,851	149,628
Shared services	451,995	359,495
LHIN Collaborative	50,000	50,000
Public relations	105,639	50,986
Consulting and Project expenses	183,184	801,032
Supplies	45,676	36,413
Board chair per diem	42,423	24,275
Board member per diem	54,435	54,017
Board member expenses	89,251	49,004
Mail, courier and telecommunications	67,790	59,604
Other	315,610	154,652
	5,294,857	5,237,266

12. Recovered expenditures

The LHIN had an agreement with the Southwest Community Care Access Centre ("CCAC") to introduce a Chronic Disease Prevention and Management ("CDPM") Project. The CCAC paid the cost of accommodations and initial office set-up on behalf of the CDPM to the LHIN.

This contract expired March 31, 2011. During the prior fiscal year, amounts received for accommodations decreased occupancy expense by \$58,200 to \$205,399 from \$263,947 and is included in the statement of financial activities.

South West Local Health Integration Network

Notes to the financial statements

March 31, 2012

13. Pension agreements

The LHIN makes contributions to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 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 2012 was -\$292,146 (2011 - \$262,137) 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 at December 31, 2011. As 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 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 comparative figures have been reclassified to conform to the current year presentation

Toronto Central LHIN

March 31, 2012

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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.



Camille Orridge
Chief Executive Officer



Raj Krishnapillai
Senior Director of Finance



Deloitte & Touche LLP
5140 Yonge Street
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Toronto ON M2N 6L7
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Independent Auditor's Report

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

We have audited the accompanying financial statements of the Toronto Central Local Health Integration Network (the "LHIN"), which comprise the statement of financial position as at March 31, 2012, and the statements of financial activities, changes in net debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

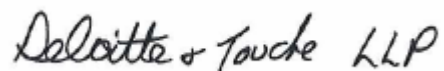
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the LHIN as at March 31, 2012, and the results of its financial activities, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in dark ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.


Chartered Accountants
Licensed Public Accountants
June 6, 2012

Toronto Central Local Health Integration Network

Statement of financial position
as at March 31, 2012

	2012	2011
	\$	\$
Financial assets		
Cash	392,175	1,618,218
Due from Local Health Integration Networks ("LHINs") (Note 3)	301,836	190,390
Due from Ministry of Health and Long-Term Care ("MOHLTC") regarding HSP transfer payments	13,537,634	59,651,414
HST receivable	574,623	322,081
	14,806,268	61,782,103
Liabilities		
Accounts payable and accrued liabilities	1,383,215	2,192,348
Due to HSPs	13,537,634	59,651,414
Due to MOHLTC (Note 4b)	1,297	30,837
Deferred capital contributions (Note 5)	1,640,726	465,091
	16,562,872	62,339,690
Net debt	1,756,604	557,587
Non-financial assets		
Prepaid expenses	115,878	92,496
Capital assets (Note 6)	1,640,726	465,091
	1,756,604	557,587
Accumulated surplus	-	-

Approved by the Board

 Director

 Director

Toronto Central Local Health Integration Network

Statement of financial activities year ended March 31, 2012

		2012	2011
	Budget (Unaudited - Note 7)	Actual	Actual
	\$	\$	\$
Revenue			
Ministry of Health and Long-Term Care ("MOHLTC") funding	5,818,921	5,559,386	5,773,491
Ministry of Health and Long-Term Care ("MOHLTC") funding to LHINC	670,000	670,000	670,000
Health Service Provider ("HSP") transfer payments (Note 8)	4,264,645,757	4,506,874,309	4,364,963,326
E-Health (Note 9)	600,000	600,000	710,000
Emergency Department ("ED") Leads (Note 10)	75,000	75,000	75,000
Aboriginal Health Transition Planning (Note 11)	27,500	27,500	49,600
Emergency Room and Alternate Level of Care ("ER/ALC") (Note 12)	100,000	100,000	100,000
Critical Care (Note 13)	75,000	75,000	75,000
Resources Matching Referrals (Note 14)	-	387,000	200,000
French Language Health Services (Note 15)	106,000	106,000	141,400
French Planning Entities (Note 16)	568,713	568,713	192,178
Primary Care Lead (Note 17)	-	21,875	-
Behaviour Support Ontario (Note 18)	-	57,000	-
Amortization of deferred capital contributions (Note 5)	-	482,142	363,948
Amounts recovered/recoverable from the LHINs to LHINC	650,000	354,558	683,000
Amounts recovered/recoverable from the LHINs to LSSO	5,032,924	4,756,393	4,823,435
	4,278,369,815	4,520,714,876	4,378,820,378
Funding repayable to the MOHLTC (Note 4a)	-	(1,297)	(30,837)
	4,278,369,815	4,520,713,579	4,378,789,541
Expenses			
Transfer payments to HSPs (Note 8)	4,264,645,757	4,506,874,309	4,364,963,326
General and administrative (Note 19)	5,818,921	5,700,352	5,785,344
LHIN Shared Services Office expense (Note 20)	5,032,924	5,096,272	5,174,815
LHIN Collaborative (Note 21)	1,320,000	1,024,558	1,353,000
E-Health (Note 9)	600,000	600,000	710,000
Emergency Department ("ED") Leads (Note 10)	75,000	75,000	75,000
Aboriginal Health Transition Planning (Note 11)	27,500	27,500	49,600
Emergency Room and Alternate Level of Care (ER/ALC) (Note 12)	100,000	100,000	100,000
Critical Care (Note 13)	75,000	75,000	75,000
Resources Matching Referrals (Note 14)	-	387,000	200,000
French Language Health Services (Note 15)	106,000	106,000	111,278
French Planning Entities (Note 16)	568,713	568,713	192,178
Primary Care Lead (Note 17)	-	21,875	-
Behaviour Support Ontario (Note 18)	-	57,000	-
	4,278,369,815	4,520,713,579	4,378,789,541
Annual surplus and closing accumulated surplus	-	-	-

Toronto Central Local Health Integration Network

Statement of changes in net debt
year ended March 31, 2012

	2012	2011
	\$	\$
Annual surplus	-	-
Acquisition of capital assets	(1,657,777)	(45,431)
Amortization of capital assets	482,142	363,948
Change in other non-financial assets	(23,382)	(40,995)
(Increase) decrease in net debt	(1,199,017)	277,522
Opening net debt	(557,587)	(835,109)
Closing net debt	(1,756,604)	(557,587)

Toronto Central Local Health Integration Network

Statement of cash flows year ended March 31, 2012

	2012	2011
	\$	\$
Operating transactions		
Annual surplus	-	-
Less: items not affecting cash		
Amortization of capital assets	482,142	363,948
Amortization of deferred capital contributions (Note 5)	(482,142)	(363,948)
	-	-
Changes in non-cash operating items		
Increase in due from LHINs	(111,446)	(157,218)
Increase in HST receivable	(252,542)	(322,080)
Decrease (increase) in due from MOHLTC regarding HSP transfer payments	46,113,780	(57,317,715)
(Decrease) increase in accounts payable and accrued liabilities	(809,133)	102,764
(Decrease) increase in due to HSPs	(46,113,780)	57,317,715
Decrease in due to MOHLTC	(29,540)	(15,233)
Decrease in deferred revenue	-	(66,700)
Increase in prepaid expenses	(23,382)	(40,995)
	(1,226,043)	(499,462)
Capital transaction		
Acquisition of capital assets	(1,657,777)	(45,431)
Financing transaction		
Increase in deferred capital contributions (Note 5)	1,657,777	45,431
Net change in cash	(1,226,043)	(499,462)
Cash, beginning of year	1,618,218	2,117,680
Cash, end of year	392,175	1,618,218

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2012

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.

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.

The LHIN is funded by the Province of Ontario in accordance with the Ministry-LHIN Performance Agreement ("MLPA"). These financial statements reflect the terms of the MLPA related to this funding.

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. Commencing April 1, 2007, all funding payments to LHIN managed HSPs 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 for the year ended March 31, 2012.

The LHIN financial statements do not include any MOHLTC managed programs.

The LHIN is also funded by eHealth Ontario in accordance with the eHealth Ontario – LHIN Transfer Payment Agreement ("TPA"), which describes budget arrangements established by eHealth Ontario. These financial statements reflect the terms of the agreement.

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.

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2012

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 the LHIN Shared Services Office (the "LSSO") and LHIN Collaborative (the "LHINC") which are its 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 public sector accounting standards 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, 2012

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 LHINs at 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.

4. Funding repayable to the MOHLTC

In accordance with the MLPA and the TPA, 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 and eHealth Ontario respectively.

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

			2012	2011
	Funding received	Eligible expenses	Excess funding	Excess funding
	\$	\$	\$	\$
Transfer payments to HSPs	4,506,874,309	4,506,874,309	-	-
LHIN operations	5,701,649	5,700,352	1,297	715
LHINC	670,000	670,000	-	-
E-Health	600,000	600,000	-	-
ED Leads	75,000	75,000	-	-
Aboriginal Health Transition				
Planning	27,500	27,500	-	-
ER/ALC	100,000	100,000	-	-
Critical Care Leads	75,000	75,000	-	-
ALC Resources Matching	387,000	387,000	-	-
Primary Care lead	21,875	21,875	-	-
Behaviour Support Ontario	57,000	57,000	-	-
FLHS	106,000	106,000	-	30,122
French Planning Entities	568,713	568,713	-	-
	4,515,264,046	4,515,262,749	1,297	30,837

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2012

4. Funding repayable to the MOHLTC (continued)

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

	2012	2011
	\$	\$
Due to MOHLTC, beginning of year	(30,837)	(46,070)
MOHLTC payment	30,837	46,070
Funding repayable to the MOHLTC related to current year activities (Note 4a)	(1,297)	(30,837)
Due to MOHLTC, end of year	(1,297)	(30,837)

5. Deferred capital contributions

	2012	2011
	\$	\$
Balance, beginning of year	465,091	783,608
Capital contributions received during the year	1,657,777	45,431
Amortization for the year	(482,142)	(363,948)
Balance, end of year	1,640,726	465,091

6. Capital assets

			2012	2011
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office furniture and fixtures	338,896	251,686	87,210	-
Computer equipment	3,631,532	2,081,539	1,549,993	460,393
Leasehold improvements	1,261,883	1,258,360	3,523	4,698
	5,232,311	3,591,585	1,640,726	465,091

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, 2011. 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 \$ 4,506,874,309 is made up of the following:

	\$
Initial HSP Funding budget	4,264,645,757
Adjustment due to announcements made during the year	242,228,552
Total HSP Funding budget	4,506,874,309

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2012

7 Budget figures (continued)

The total operating budget, excluding HSP Funding, of \$7,837,009 is made up of the following:

	\$
Initial operating budget	7,371,134
Additional funding received during the year for	
Resources Matching Referrals (Note 14)	387,000
Primary Care Lead (Note 17)	21,875
Behaviour Support Ontario (Note 18)	57,000
Revised operating budget	7,837,009

8. Transfer payments to HSPs

The LHIN has authorization to allocate funding of \$ 4,506,874,309 (2011 - \$4,364,963,326) to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors in fiscal 2012 as follows:

	2012	2011
	\$	\$
Operation of hospitals	3,469,916,380	3,402,000,919
Grants to compensate for municipal taxation - public hospitals	747,300	743,250
Long-term care homes	251,359,885	237,332,764
Community care access centre	210,048,791	205,621,957
Community support services	74,769,503	44,287,376
Assisted living services in supportive housing	44,829,549	43,964,652
Community health centres	81,843,270	77,213,192
Community mental health addictions program	104,420,160	93,891,490
Addictions program	26,545,666	24,420,104
Specialty psychiatric hospital	242,349,255	235,443,072
Grants to compensate for municipal taxation - psychiatric hospitals	44,550	44,550
	4,506,874,309	4,364,963,326

9. E-Health

The LHIN received funding of \$ 600,000 (2011 - \$710,000) related to the E-Health project. E-Health expenses incurred during the year are as follows:

	2012	2011
	\$	\$
Salaries and benefits	445,889	512,047
Translation services	-	1,463
Consulting services	-	92,750
Other	154,111	103,740
	600,000	710,000

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2012

10. Emergency Department ("ED") leads

The LHIN received funding of \$ 75,000 (2011 - \$75,000) related to the ED Leads project. ED Leads expenses incurred during the year are as follows:

	2012	2011
	\$	\$
Salaries and benefits	3,000	1,400
Consulting services	72,000	69,000
Other	-	4,600
	75,000	75,000

11. Aboriginal Health Transition Planning

The LHIN received funding of \$ 27,500 (2011 - \$49,600) related to the Aboriginal Health Transition Planning Project. Aboriginal Health Transition Planning expenses incurred during the year are as follows:

	2012	2011
	\$	\$
Salaries and benefits	18,459	44,146
Other	9,041	5,454
	27,500	49,600

12. Emergency Room and Alternate Level of Care (ER/ALC)

During the year, the LHIN was provided funding of \$ 100,000 (2011 - \$100,000) from the MOHLTC for the ER/ALC program. The LHIN incurred \$ 100,000 (2011 - \$100,000) ER/ALC expenses related to salaries and benefits.

13. Critical Care (CC) leads

During the year, the LHIN received funding of \$ 75,000 (2011 - \$75,000) related to the Critical Care Leads project. CC Leads expenses incurred during the year are as follows,

	2012	2011
	\$	\$
Salaries and benefits	1,269	1,869
Consulting services	72,000	72,750
Other	1,731	381
	75,000	75,000

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2012

14. Resources Matching Referrals Leads (ALC RMR)

During the year, the LHIN was provided funding of \$ 387,000 (2011 - \$200,000) from the MOHLTC for the RMR project. RMR expenses incurred during the year are as follows:

	2012	2011
	\$	\$
Salaries and benefits	330,717	199,985
Other	56,283	15
	387,000	200,000

15. French Language Health Services (FLHS)

During the year, the LHIN was provided funding of \$ 106,000 (2011 - \$141,400) from the MOHLTC for the French Language Health Services program. FLHS expenses incurred during the year as follows:

	2012	2011
	\$	\$
Salaries and benefits	85,105	46,369
Translation services	17,461	29,554
Consulting services	-	5,750
Other	3,434	29,605
	106,000	111,278

16. French Planning Entities

During the year, the LHIN was provided funding of \$ 568,713 (2011 - \$192,178) from the MOHLTC for the French Planning Entities and the funds were flowed directly to "Entité de planification pour les services de santé en français de Toronto Centre".

17. Primary Care Lead

During the year, the LHIN received new funding of \$ 21,875 from the MOHLTC for the Primary Care Lead program. The expenses incurred during the year as follows:

	\$
Salaries and benefits	6,670
Computer charges	4,788
Consulting services	6,250
Other	4,167
	21,875

18. Behaviour Support Ontario

During the year, the LHIN received new funding of \$ 57,000 from the MOHLTC for the Behaviour Support Ontario (BSO) program. BSO expenses of \$57,000 incurred during the year consisted of salaries and benefits.

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2012

19. General and administrative expenses

The Statement of Financial Activities presents the expenses by function, the following classifies general and administrative expenses by object:

	2012	2011
	\$	\$
Salaries and benefits	3,969,929	4,519,036
Occupancy	236,159	258,548
Amortization	142,264	12,568
Shared services	539,499	305,695
LHINC	26,971	50,000
Public affairs and communications	13,470	9,256
Consulting services	56,726	220,914
Translation services	15,257	9,393
Professional services	12,819	23,645
Supplies	78,409	66,626
Computer expenses	330,366	16,640
Governance	48,356	55,866
Mail, courier and telecommunications	42,911	48,697
Other	187,216	188,460
	5,700,352	5,785,344

The following lists the Board Chair and Directors per diem costs as well as their travel and expenses which are included in governance expense in the general and administrative expenses above.

		2012	2011
	Budget	Actual	Actual
	\$	\$	\$
Board Chair per diem cost	54,600	22,050	22,475
Directors per diem cost	103,500	25,825	32,100
Board travel and expenses	6,900	481	1,291
	165,000	48,356	55,866

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2012

20. Common LHIN services expenses

The Statement of Financial Activities presents the common LHIN services expenses by function, the following classifies the same expenses by object.

During the year, LSSO received additional funding from the LHINs for IT-related projects, which is allocated to computer expenses and capital additions for the year.

	2012	2011
	\$	\$
Salaries	1,727,135	1,556,568
Benefits	210,956	222,066
Supplies	23,690	29,620
Telecommunications	17,717	17,312
Recruitment and staff development	16,853	10,294
Computer expense	944,843	508,995
Consulting fees	173,494	606
Professional services	21,050	15,099
Meeting expenses	7,479	4,806
Amortization	339,879	351,380
Occupancy	160,499	180,770
Other	38,582	59,673
Shared services	2,066,587	2,577,121
Total common LHIN services expenses	5,748,764	5,534,310
Less: inter-entity transactions eliminated on combination	(652,492)	(359,495)
	5,096,272	5,174,815

21. 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.

			2012	2011
	LHINs	MOHLTC	Total	Total
	\$	\$	\$	\$
Salaries	229,933	407,999	637,932	989,745
Benefits	53,108	94,237	147,345	242,422
Supplies	3,269	5,800	9,069	2,274
Telecommunications	7,618	13,518	21,136	38,677
Recruitment and staff development	1,269	2,252	3,521	3,825
Computer expense	3,625	6,433	10,058	6,734
Consulting fees	10,946	19,424	30,370	16,547
Meeting expenses	154	271	425	25,432
Occupancy	33,915	60,179	94,094	70,640
Other	4,916	8,722	13,638	6,704
Shared services	28,835	51,165	80,000	-
	377,588	670,000	1,047,588	1,403,000
Less: inter-entity transactions eliminated on combination	(23,030)	-	(23,030)	(50,000)
	354,558	670,000	1,024,558	1,353,000

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2012

22. Pension agreements

The LHIN makes contributions to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 64 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 2012 was \$ 438,200 (2011 - \$467,710) 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, 2011. At that time, the plan was fully funded.

23. 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.

24. Commitments

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

	\$
2013	621,799
2014	639,851
2015	658,390
2016	334,090
2017	-

The LHIN also has funding commitments to some HSPs associated with accountability agreements for fiscal 2013 and 2014. The actual amounts which will ultimately be paid are contingent upon actual LHIN funding received from the MOHLTC.

25. Comparative figures

Certain comparative figures have been reclassified to conform to the current year presentation.

Toronto Central Local Health Integration Network

Combined statement of financial position and financial activities by division - Schedule 1
year ended March 31, 2012

	2012	2011	2012	2011	2012	2011	2012	2011
	Toronto Central		Shared Services Office		Collaborative		Total	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Financial assets								
Cash	419,490	936,490	(178,472)	457,810	151,157	223,918	392,175	1,618,218
Due from LSSO/LHINC/TC LHIN*	61,398	111,506	60,237	-	-	-	121,635	111,506
Due from Local Health Integration Network ("LHIN")	-	-	301,836	157,390	-	33,000	301,836	190,390
Due from Ministry of Health and Long-Term Care ("MOHLTC")	-	-	-	-	-	-	-	-
Due from MOHLTC regarding HSP transfer payments	13,537,634	59,651,414	-	-	-	-	13,537,634	59,651,414
HST receivable	208,723	90,033	364,894	226,367	1,006	5,681	574,623	322,081
	14,227,245	60,789,443	548,495	841,567	152,163	262,599	14,927,903	61,893,609
Liabilities								
Accounts payable and accrued liabilities	663,865	1,160,887	624,214	695,426	95,136	336,035	1,383,215	2,192,348
Due to LSSO/LHIN/TC LHIN*	55,967	-	-	184,498	65,668	(72,992)	121,635	111,506
Due to HSPs	13,537,634	59,651,414	-	-	-	-	13,537,634	59,651,414
Deferred capital contributions	284,525	45,430	1,356,201	419,661	-	-	1,640,726	465,091
Due to Ministry of Health and Long-Term Care ("MOHLTC")	1,297	30,837	-	-	-	-	1,297	30,837
	14,543,288	60,888,568	1,980,415	1,299,585	160,804	263,043	16,684,507	62,451,196
Net debt	(316,043)	(99,125)	(1,431,920)	(458,018)	(8,641)	(444)	(1,756,604)	(557,587)
Non-financial assets								
Prepaid expenses	31,518	53,695	75,719	38,357	8,641	444	115,878	92,496
Capital assets	284,525	45,430	1,356,201	419,661	-	-	1,640,726	465,091
Accumulated surplus	-	-	-	-	-	-	-	-

* Amounts due from/to the LHIN Shared Services Office, due from/to the LHINC and due from/to TC LHIN are 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, 2012

	2012			2011			2012			2011		
	Toronto Central Operations			Shared Services Office			Collaborative			Total		
	Budget	Actual	Actual	Budget	Actual	Actual	Budget	Actual	Actual	Total	Total	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue												
Amounts recovered/recoverable from the LHINs	-	-	-	5,032,924	5,408,885	5,182,930	650,000	377,588	733,000	5,786,473	5,915,930	
MOHLTC funding	5,818,921	5,559,386	5,773,491	-	-	-	670,000	670,000	670,000	6,229,386	6,443,491	
HSP transfer payments (Note 8)	4,264,645,757	4,506,874,309	4,364,963,326	-	-	-	-	-	-	4,506,874,309	4,364,963,326	
E-Health funding (Note 9)	600,000	600,000	710,000	-	-	-	-	-	-	600,000	710,000	
Emergency Department ("ED") Leads (Note 10)	75,000	75,000	75,000	-	-	-	-	-	-	75,000	75,000	
Aboriginal Health Transition Planning (Note 11)	27,500	27,500	49,600	-	-	-	-	-	-	27,500	49,600	
Emergency Room and Alternate Level of Care (ER/ALC) (Note 12)	100,000	100,000	100,000	-	-	-	-	-	-	100,000	100,000	
Critical Care (Note 13)	75,000	75,000	75,000	-	-	-	-	-	-	75,000	75,000	
Resources Matching Referrals (Note 14)	-	387,000	200,000	-	-	-	-	-	-	387,000	200,000	
French Language Health Services (Note 15)	106,000	106,000	141,400	-	-	-	-	-	-	106,000	141,400	
French Planning Entities (Note 16)	568,713	568,713	192,178	-	-	-	-	-	-	568,713	192,178	
Primary Care Lead (Note 17)	-	21,875	-	-	-	-	-	-	-	21,875	-	
Behaviour Support Ontario (Note 18)	-	57,000	-	-	-	-	-	-	-	57,000	-	
Amortization of deferred capital contributions (Note 5)	-	142,263	12,568	-	339,879	351,380	-	-	-	482,142	363,948	
	4,272,016,891	4,514,594,046	4,372,292,563	5,032,924	5,748,764	5,534,310	1,320,000	1,047,588	1,403,000	4,521,390,398	4,379,229,873	
Funding surplus repayable to the MOHLTC (Note 4(a))	-	(1,297)	(30,837)	-	-	-	-	-	-	(1,297)	(30,837)	
	4,272,016,891	4,514,592,749	4,372,261,726	5,032,924	5,748,764	5,534,310	1,320,000	1,047,588	1,403,000	4,521,389,101	4,379,199,036	
Expenses												
General and administrative (Note 19)	5,818,921	5,700,352	5,785,344	-	-	-	-	-	-	5,700,352	5,785,344	
Common LHIN Services* (Note 20)	-	-	-	5,032,924	5,748,764	5,534,310	-	-	-	5,748,764	5,534,310	
LHIN Collaborative** (Note 21)	-	-	-	-	-	-	1,320,000	1,047,588	1,403,000	1,047,588	1,403,000	
Transfer payments to HSPs (Note 8)	4,264,645,757	4,506,874,309	4,364,963,326	-	-	-	-	-	-	4,506,874,309	4,364,963,326	
E-Health (Note 9)	600,000	600,000	710,000	-	-	-	-	-	-	600,000	710,000	
Emergency Department ("ED") Leads (Note 10)	75,000	75,000	75,000	-	-	-	-	-	-	75,000	75,000	
Aboriginal Health Transition Planning (Note 11)	27,500	27,500	49,600	-	-	-	-	-	-	27,500	49,600	
Emergency Room and Alternate Level of Care (ER/ALC) (Note 12)	100,000	100,000	100,000	-	-	-	-	-	-	100,000	100,000	
Critical Care (Note 13)	75,000	75,000	75,000	-	-	-	-	-	-	75,000	75,000	
Resources Matching Referrals (Note 14)	-	387,000	200,000	-	-	-	-	-	-	387,000	200,000	
French Language Health Services (Note 15)	106,000	106,000	111,278	-	-	-	-	-	-	106,000	111,278	
French Planning Entities (Note 16)	568,713	568,713	192,178	-	-	-	-	-	-	568,713	192,178	
Primary Care Lead (Note 17)	-	21,875	-	-	-	-	-	-	-	21,875	-	
Behaviour Support Ontario (Note 18)	-	57,000	-	-	-	-	-	-	-	57,000	-	
	4,272,016,891	4,514,592,749	4,372,261,726	5,032,924	5,748,764	5,534,310	1,320,000	1,047,588	1,403,000	4,521,389,101	4,379,199,036	
Annual surplus and closing accumulated surplus	-	-	-	-	-	-	-	-	-	-	-	

* These amounts will be adjusted by \$652,492 for Toronto Central LHIN transactions. These numbers reflect LSSO operations on behalf of all 14 LHINs (Note 20).

** These amounts will be adjusted by \$23,030 for Toronto Central LHIN transactions. These numbers reflect LHINC operations on behalf of all 14 LHINs (Note 21).

Local Health Integration Network

Local Shared Services Office

Schedule of financial position and financial activities - Schedule II
year ended March 31, 2012

	2012	2011
	\$	\$
Financial assets		
Cash	(178,472)	457,810
Due from LHINs	301,836	157,390
HST receivable	364,894	226,367
	488,258	841,567
Liabilities		
Accounts payable and accrued liabilities	624,214	695,426
Due to TC LHIN*	(55,967)	98,762
Due to LHINC*	(4,270)	85,736
Deferred capital contribution	1,356,201	419,661
	1,920,178	1,299,585
Net debt	(1,431,920)	(458,018)
Non-financial assets		
Prepaid expenses	75,719	38,357
Capital assets	1,356,201	419,661
Accumulated surplus	-	-

	Budget (Unaudited)	2012 Actual	2011 Actual
	\$	\$	\$
Revenue			
Amounts recovered/recoverable from the LHINs	5,032,924	5,408,885	5,182,930
Amortization of deferred capital contributions	-	339,879	351,380
	5,032,924	5,748,764	5,534,310
Expenses			
Common LHIN Services	5,032,924	5,748,764	5,534,310
Annual surplus	-	-	-

* Amounts due to TC LHIN and LHINC are eliminated upon combination.

Local Health Integration Network LHIN Collaborative (LHINC)

Schedule of financial position and financial activities - Schedule III
year ended March 31, 2012

	2012	2011
	\$	\$
Financial assets		
Cash	151,157	223,918
Due from Local Health Integration Network ("LHIN")	-	33,000
HST receivable	1,006	5,681
Due from LSSO*	-	85,736
	152,163	348,335
Liabilities		
Accounts payable and accrued liabilities	95,136	336,035
Due to TC LHIN*	65,668	12,744
	160,804	348,779
Net debt	(8,641)	(444)
Non-financial assets		
Prepaid expenses	8,641	444
Accumulated surplus	-	-

	Budget (Unaudited)	2012 Actual	2011 Actual
	\$	\$	\$
Revenue			
Amounts recovered/recoverable from the LHINs	650,000	377,588	733,000
MOHLTC funding	670,000	670,000	670,000
	1,320,000	1,047,588	1,403,000
Expenses			
Collaborative LHIN expenses	1,320,000	1,047,588	1,403,000
Annual surplus	-	-	-

* Amounts due from the LHIN Shared Services office and due to TC LHIN are eliminated upon combination.

Waterloo Wellington LHIN

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Management's Responsibility for the Financial Statements


March 31, 2012

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 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.



Bruce Lauckner
Chief Executive Officer



Zeynep Danis
Director, Business Management



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Independent Auditor's Report

To the Members of the Board of Directors of the
Waterloo Wellington Local Health Integration Network

We have audited the accompanying financial statements of Waterloo Wellington Local Health Integration Network, which comprise the statement of financial position as at March 31, 2012, and the statements of financial activities, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Waterloo Wellington Local Health Integration network as at March 31, 2012 and the results of its financial activities, changes in its net debt and its cash flows for the years then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

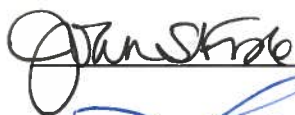
Chartered Accountants
Licensed Public Accountants
June 7, 2012

Waterloo Wellington Local Health Integration Network

Statement of financial position
as at March 31, 2012

	2012	2011
	\$	\$
Financial assets		
Cash	561,984	1,042,057
Other receivables	248,340	49,732
	810,324	1,091,789
Liabilities		
Accounts payable and accrued liabilities	734,616	1,076,709
Due to Ministry of Health and Long-Term Care (Note 3b)	101,479	33,086
Due to eHealth Ontario (Note 3c)	1,660	-
Due to the Local Health Integration Networks Shared Services Office (Note 4)	-	8,934
Deferred capital contributions (Note 5)	288,192	290,752
	1,125,947	1,409,481
Commitments (Note 6)		
Net debt	(315,623)	(317,692)
Non-financial assets		
Prepaid expenses	27,431	26,940
Capital assets (Note 7)	288,192	290,752
Accumulated surplus	-	-

Approved by the Board



Board Chair



Finance and Audit Committee Chair

Waterloo Wellington Local Health Integration Network

Statement of financial activities
year ended March 31, 2012

		2012	2011
	Budget (Unaudited) (Note 8)	Actual	Actual
	\$	\$	\$
Revenue			
Ministry of Health and Long-Term Care funding			
Health Service Providers transfer payments (Note 9)	904,863,389	979,769,095	920,425,127
Local Health Integration Network operations - general and administrative	4,419,719	4,344,784	4,478,487
eHealth (Note 10a)	-	600,000	600,000
Emergency Department Lead (Note 10b)	-	75,000	75,000
Emergency Department/Alternative Levels of Care Lead (Note 10c)	-	100,000	100,000
Aboriginal Planning (Note 10d)	-	5,000	5,000
French Language Services (Note 10e)	-	106,000	50,537
Health Equity Impact Assessment (Note 10f)	-	-	-
Critical Care Lead (Note 10g)	-	75,000	75,000
Primary Care Lead (Note 10h)	-	21,875	-
Behavioural Supports Ontario (Note 10i)	-	57,000	-
Amortization of deferred capital contributions (Note 5)	-	77,495	105,306
	909,283,108	985,231,249	925,914,457
Funding repayable to Ministry of Health and Long-Term Care (Note 3b)	-	(101,479)	(31,608)
Funding repayable to eHealth Ontario (Note 3c)	-	(1,660)	-
	909,283,108	985,128,110	925,882,849
Expenses			
Transfer payments to Health Service Providers (Note 9)	904,863,389	979,769,095	920,425,127
Local Health Integration Network operations - general and administrative (Note 11)	4,419,719	4,344,398	4,554,707
eHealth (Note 10a)	-	598,340	600,000
Emergency Department Lead (Note 10b)	-	73,710	75,000
Emergency Department/Alternative Levels of Care Lead (Note 10c)	-	100,000	100,000
Aboriginal Planning (Note 10d)	-	5,000	5,000
French Language Services (Note 10e)	-	106,000	46,537
Health Equity Impact Assessment (Note 10f)	-	-	1,478
Critical Care Lead (Note 10g)	-	56,153	75,000
Primary Care Lead (Note 10h)	-	18,414	-
Behavioural Supports Ontario (Note 10i)	-	57,000	-
	909,283,108	985,128,110	925,882,849
Annual surplus and closing accumulated surplus	-	-	-

Waterloo Wellington Local Health Integration Network

Statement of changes in net debt
year ended March 31, 2012

	Budget (Unaudited) (Note 8)	2012	2011
		\$	\$
Annual surplus	-	-	-
Change in prepaid expenses	-	(491)	(26,940)
Acquisition of capital assets	-	(74,935)	(11,903)
Amortization of capital assets	-	77,495	105,306
Decrease in net debt	-	2,069	66,463
Opening net debt	-	(317,692)	(384,155)
Closing net debt	-	(315,623)	(317,692)

Waterloo Wellington Local Health Integration Network

Statement of cash flows
year ended March 31, 2012

	2012	2011
	\$	\$
Operating activities		
Annual surplus	-	-
Less: items not affecting cash		
Amortization of capital assets	77,495	105,306
Amortization of deferred capital contributions (Note 5)	(77,495)	(105,306)
	-	-
Changes in non-cash operating items		
Decrease in due from Ministry of Health and Long-Term Care	-	43,500
Decrease in due from Local Health Integration Networks Shared Services Office	-	1,233
(Increase) in other receivables	(198,608)	(49,732)
(Decrease) increase in accounts payable and accrued liabilities	(342,093)	49,324
Increase in due to Ministry of Health and Long-Term Care	68,393	5,800
Increase in due to eHealth Ontario	1,660	-
(Decrease) increase in due to Local Health Integration Networks Shared Services Office	(8,934)	8,934
(Decrease) in deferred revenue	-	(46,537)
(Increase) in prepaid expenses	(491)	(26,940)
	(480,073)	(14,418)
Acquisition of capital assets	(74,935)	(11,903)
Financing activity		
Capital contributions received (Note 5)	74,935	11,903
Net (decrease) in cash	(480,073)	(14,418)
Cash, beginning of year	1,042,057	1,056,475
Cash, end of year	561,984	1,042,057

Waterloo Wellington Local Health Integration Network

Notes to the financial statements

March 31, 2012

Description of business

The Waterloo Wellington 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 Waterloo Wellington 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 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 all of the County of Wellington, the Region of Waterloo, and the City of Guelph. The LHIN also contains part of Grey County, which is split with the South West and the North Simcoe Muskoka LHINs. The LHIN enters into service accountability agreements with health service providers.

The LHIN is funded by the Province of Ontario in accordance with the Ministry LHIN Performance Agreement ("MLPA"), 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 Health Service Providers ("HSPs"), effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSPs 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.

Commencing April 1, 2007, all funding payments to LHIN managed 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, 2012.

The LHIN statements do not include any Ministry managed programs

The LHIN is also funded by eHealth Ontario in accordance with the eHealth Ontario-LHIN Transfer Payment Agreement ("TPA"), which describes budget arrangements established by eHealth Ontario. These financial statements reflect agreed funding arrangements approved by eHealth Ontario. The LHIN cannot authorize an amount in excess of the budget allocation set by eHealth Ontario.

Waterloo Wellington Local Health Integration Network

Notes to the financial statements

March 31, 2012

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.

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 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, 2012

Significant accounting policies (continued)

Segment disclosures

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.

Funding repayable to the MOHLTC and eHealth Ontario

In accordance with the MLPA, 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 TPA, 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 eHealth Ontario.

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

			2012	2011
	Funding received	Eligible expenses	Excess funding	Excess funding
	\$	\$	\$	\$
Transfer payments to HSPs	979,769,095	979,769,095	-	-
LHIN operations	4,422,279	4,344,398	77,881	29,086
eHealth	600,000	598,340	1,660	-
Critical Care Lead	75,000	56,153	18,847	-
Emergency Department Lead	75,000	73,710	1,290	-
Emergency Department/Alternative Levels of Care Lead	100,000	100,000	-	-
Aboriginal Planning	5,000	5,000	-	-
Ontario Diabetes Strategy	-	-	-	-
French Language Services	106,000	106,000	-	4,000
Diabetes Self-Management	-	-	-	-
Health Equity Pilot	-	-	-	(1,478)
Primary Care Lead	21,875	18,414	3,461	-
Behavioural Supports Onatrio	57,000	57,000	-	-
	985,231,249	985,128,110	103,139	31,608

Waterloo Wellington Local Health Integration Network

Notes to the financial statements

March 31, 2012

Funding repayable to the MOHLTC and eHealth Ontario (continued)

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

	2012	2011
	\$	\$
Due to MOHLTC, beginning of year	33,086	27,286
Paid to MOHLTC during year	(33,086)	(25,808)
Funding repayable to the MOHLTC related to current year activities (Note 3a)	101,479	31,608
Due to MOHLTC, end of year	101,479	33,086

c) The amount due to the eHealth Ontario at March 31 is made up as follows:

	2012	2011
	\$	\$
Due to eHealth Ontario, beginning of year	-	-
Paid to eHealth Ontario during year	-	-
Funding repayable to the eHealth Ontario related to current year activities (Note 3a)	1,660	-
Due to eHealth Ontario, end of year	1,660	-

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 2011 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.

Waterloo Wellington Local Health Integration Network

Notes to the financial statements

March 31, 2012

Deferred capital contributions

	2012	2011
	\$	\$
Balance, beginning of year	290,752	384,155
Capital contributions received during the year	74,935	11,903
amortization for the year	(77,495)	(105,306)
	288,192	290,752

Commitments

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

	\$
2013	344,459
2014	348,558
2015	352,762
2016	370,137
2017	346,740
Thereafter	1,062,823

The LHIN also has funding commitments to HSPs associated with accountability agreements. The actual amounts which will ultimately be paid are contingent upon actual LHIN funding received from the MOHLTC.

Capital assets

			2012	2011
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office equipment, furniture and fixtures	338,622	206,103	132,519	182,348
Computer equipment	48,756	38,748	10,008	20,016
Web development	23,043	23,043	-	-
Leasehold improvements	764,184	618,519	145,665	88,387
	1,174,605	886,413	288,192	290,751

Waterloo Wellington Local Health Integration Network

Notes to the financial statements

March 31, 2012

Budget figures

The budget figures reported in the Statement of financial activities reflect the initial budget at April 1, 2011 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 \$979,769,095 is derived as follows:

	\$
Initial budget	904,863,389
Additional funding received during the year	74,905,706
Final budget	979,769,095

The final LHIN general and administrative and specific initiatives budget of \$4,344,784 is derived as follows:

	\$
Initial budget	4,419,719
Additional funding received during the year	-
Amount treated as capital contributions made during the year	(74,935)
Final budget	4,344,784

No budget was set for items appearing on the Statement of changes in net debt.

Transfer payments to HSPs

The LHIN has authorization to allocate the funding of \$979,769,095 to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors in fiscal 2012 as follows:

	2012	2011
	\$	\$
Operations of hospitals	594,171,803	562,147,855
Grants to compensate for municipal taxation - public hospitals	159,225	159,225
Long term care homes	164,685,974	147,875,383
Community care access centre	109,085,432	101,024,036
Community support services	17,937,579	16,998,689
Assisted living services in supportive housing	5,882,562	6,241,198
Community health centres	16,998,621	16,579,197
Community mental health programs	31,014,019	28,419,993
Specialty psychiatric hospitals	30,633,800	30,209,100
Addictions programs	9,200,080	8,803,304
Health infrastructure renewal fund	-	1,967,147
Total	979,769,095	920,425,127

Waterloo Wellington Local Health Integration Network

Notes to the financial statements

March 31, 2012

10. Separate funding amounts were received by the LHIN from the MOHLTC and eHealth Ontario for specific initiatives

a) eHealth

The LHIN received funding of \$600,000 (2011 - \$600,000) from eHealth Ontario. These funds were used toward initiatives in support of its strategic eHealth Plan as defined in its Integrated Health Services Plan. eHealth expenses incurred during the year are as follows:

	2012	2011
	\$	\$
Salaries, benefits and consulting services	506,220	506,893
Other	92,120	93,107
	598,340	600,000

b) Emergency Department Lead

The LHIN received funding of \$75,000 (2011 - \$75,000) related to the Emergency Department Lead. Emergency Department Lead expenses incurred during the year are as follows:

	2012	2011
	\$	\$
Salaries, benefits and consulting services	72,000	74,030
Other	1,710	970
	73,710	75,000

c) Emergency Department/Alternative Levels of Care Lead

The LHIN received funding of \$100,000 (2011 - \$100,000) 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:

	2012	2011
	\$	\$
Salaries, benefits and consulting services	100,000	100,000

d) Aboriginal Planning

The LHIN received funding of \$5,000 (2011 - \$5,000) related to Aboriginal Planning. Aboriginal Planning expenses incurred during the year are as follows:

	2012	2011
	\$	\$
Community engagement	5,000	5,000

Waterloo Wellington Local Health Integration Network

Notes to the financial statements

March 31, 2012

10. Separate funding amounts were received by the LHIN from the MOHLTC and eHealth Ontario for specific initiatives (continued)

e) French Language Services

The LHIN received funding of \$106,000 (2011 - \$50,537) related to French Language Services. French Language Services expenses incurred during the year are as follows:

	2012	2011
	\$	\$
Salaries, benefits and consulting services	76,304	17,610
Other	29,696	28,927
	106,000	46,537

f) Health Equity Impact Assessment

The LHIN received funding of \$nil (2011 - \$ nil) related to Health Equity Impact Assessment. No Health Equity Impact Assessment expenses were incurred during the year.

	2012	2011
	\$	\$
Other	-	1,478

g) Critical Care Lead

The LHIN received funding of \$75,000 (2011 - \$75,000) related to Critical Care Lead. Critical Care Lead expenses incurred during the year are as follows:

	2012	2011
	\$	\$
Salaries, benefits and consulting services	54,000	75,000
Other	2,153	-
	56,153	75,000

h) Primary Care Lead

The LHIN received funding of \$21,875 (2011 - \$ nil) related to the Primary Care Lead. Primary Care Lead expenses incurred during the year are as follows:

	2012	2011
	\$	\$
Salaries, benefits and consulting services	18,000	-
Other	414	-
	18,414	-

Waterloo Wellington Local Health Integration Network

Notes to the financial statements

March 31, 2012

10. Separate funding amounts were received by the LHIN from the MOHLTC and eHealth Ontario for specific initiatives (continued)

i) Behavioural Supports Ontario

The LHIN received funding of \$57,000 (2011 - \$ nil) related to the Behavioural Supports Ontario. Behavioural Supports Ontario expenses incurred during the year are as follows:

	2012	2011
	\$	\$
Salaries, benefits and consulting services	57,000	-

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:

	2012	2011
	\$	\$
Salaries and benefits	2,761,302	2,949,762
Occupancy	295,412	317,182
Amortization	77,494	105,306
Shared Services	465,989	379,155
LHIN Collaborative	26,971	45,000
Public relations	53,964	64,715
Consulting services	232,828	107,370
Supplies	85,433	81,998
Board Chair per diems	68,450	80,805
All other board members' per diems	47,700	35,100
Other governance costs	34,700	45,674
Mail, courier and telecommunications	64,657	62,038
Other	129,498	280,603
	4,344,398	4,554,708

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 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 2012 was \$267,312 (2011 - \$281,497) 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, 2011. At that time, the plan was fully funded.

Waterloo Wellington Local Health Integration Network

Notes to the financial statements

March 31, 2012

13. Guarantees

The LHIN is subject to the provision 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 comparative figures have been reclassified to conform to the current year presentation.



June 28, 2012

Management's Responsibility for Financial Information

Metrolinx Management and the Board of Directors are responsible for the financial statements and all other information presented in these financial statements. The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by the Canadian Institute of Chartered Accountants. Where appropriate, the financial statements include amounts based on management's best estimates and judgements.

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 Committee.

The Metrolinx Board of Directors, through the Audit Committee, assures that management fulfills its responsibilities for financial information and internal control. This Committee reviews the financial statements and the external auditors' report.

The financial statements have been examined by Deloitte & Touche LLP, Metrolinx's appointed external auditor. The external auditor'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's examination and opinion.

For the fiscal year ended March 31, 2012, Metrolinx's Board of Directors, through the Audit Committee, was responsible for assuring that management fulfilled its responsibilities for financial reporting and internal control. The Committee meets regularly with management, the internal auditor and Deloitte & Touche LLP to satisfy itself that each group has discharged its respective responsibility. The Committee reviews the financial statements before recommending approval by the Board of Directors. Deloitte & Touche LLP had direct and full access to the Audit Committee, with and without the presence of management, to discuss their audit and their findings as to the integrity of Metrolinx's financial reporting and the effectiveness of the system of internal controls.

Bruce McCuaig
President and Chief Executive Officer

Robert Siddall, CA
Chief Financial Officer



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Independent Auditor's Report

To the Members of Metrolinx

We have audited the accompanying financial statements of Metrolinx, which comprise the statement of financial position as at March 31, 2012, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Metrolinx as at March 31, 2012, and the results of its operations, changes in its net assets 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
June 26, 2012

Metrolinx

Statement of financial position as at March 31, 2012

(In thousands of dollars)

	2012	2011 (Note 22)
	\$	\$
Assets		
Current assets		
Cash and cash equivalents (Note 5)	220,422	158,432
Accounts receivable (Note 8)	83,318	167,094
Contributions due from Province of Ontario	96,387	21,332
Contributions due from Municipalities	750	2,736
Contributions due from Government of Canada	27,625	49,153
Spare parts and supplies	3,198	3,699
Prepaid expenses	11,168	9,799
	442,868	412,245
Funds being held for Province of Ontario (Note 6)	46,667	46,667
Capital assets (Note 7)	6,533,278	4,913,254
Deposits on land (Note 9)	58,659	33,185
Advances on capital projects (Note 9)	197,054	72,843
Long-term lease (Note 10)	28,861	29,188
	7,307,387	5,507,382
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 5)	399,450	365,118
Unearned revenue in respect of tickets sold and not used	5,588	9,299
	405,038	374,417
Advance from Province of Ontario (Note 6)	46,667	46,667
Deferred capital contributions (Note 11)	5,072,782	3,821,176
Pension plan top-up benefits liability (Note 13)	30,064	26,464
Other employee future benefits liability (Note 14)	50,610	45,631
	5,605,161	4,314,355
Commitments (Note 18)		
Contingencies (Note 19)		
Net assets		
Net assets invested in capital assets (Note 15)	1,716,211	1,198,107
Net assets invested in long-term lease	28,861	29,188
Net assets internally restricted (Note 16)	26,332	26,332
Deficiency of net assets	(69,178)	(60,600)
	1,702,226	1,193,027
	7,307,387	5,507,382

On behalf of the Board



Director



Director

Metrolinx

Statement of operations year ended March 31, 2012

(In thousands of dollars)

	2012	2011 (Restated - Note 17)
	\$	\$
Revenue		
Operating revenue (Note 17)	354,918	326,593
Contribution from the Province of Ontario	99,678	97,137
Contribution from the Government of Canada	151	177
Investment income	1,622	1,150
Amortization of deferred capital contributions (Note 11)	245,770	220,607
Gain (loss) on disposal of capital assets	1,130	(781)
	703,269	644,883
Expenses		
Supplies and services (Note 7 (b))	29,535	34,123
Equipment maintenance	60,511	55,044
Facilities and track	69,891	58,865
Labour and benefits	173,020	150,411
Rail and bus operations (Note 17)	141,595	136,510
Amortization of capital assets	253,024	220,823
Amortization of long term lease	327	327
	727,903	656,103
Excess of expenses over revenue	(24,634)	(11,220)

Metrolinx

Statement of changes in net assets year ended March 31, 2012

(In thousands of dollars)

					2012	2011 (Note 22)
	Invested in capital assets (Note 15)	Invested in long-term lease	Internally restricted net assets (Note 16)	Deficiency	Total	Total
	\$	\$	\$	\$	\$	\$
Balance, beginning of year	1,198,107	29,188	26,332	(60,600)	1,193,027	825,433
Excess of expenses over revenues				(24,634)	(24,634)	(11,220)
Amortization (net of amortization to revenue)	(8,501)	(327)	-	8,828	-	-
Assets contributed by the Province of Ontario (Note 20 (c))	-	-	-	-	-	2,006
Land acquisitions, net of deposits	505,793	-	-	-	505,793	343,793
Disposal of land	(6,250)	-	-	6,250	-	-
Disposal of TATO assets	(978)	-	-	978	-	-
Deposits on land	28,040	-	-	-	28,040	33,015
Balance, end of year	1,716,211	28,861	26,332	(69,178)	1,702,226	1,193,027

Metrolinx

Statement of cash flows year ended March 31, 2012

(In thousands of dollars)

	2012	2011 (Note 22)
	\$	\$
Operating activities		
Excess of expenses over revenues	(24,634)	(11,220)
Amortization of capital assets and long-term lease	253,351	221,150
(Gain) loss on disposal of capital assets	(1,130)	781
Amortization of deferred capital contributions	(245,770)	(220,607)
Employee future benefits, net of payments	8,578	7,037
	(9,605)	(2,859)
 Change in non-cash working capital		
Accounts receivable	83,776	(125,906)
Contributions due from Province of Ontario	(75,055)	38,148
Contributions due from Municipalities	1,986	17,264
Contributions due from Government of Canada	21,528	(1,420)
Spare parts and supplies	501	678
Prepaid expenses	(1,369)	(4,365)
Accounts payables and accrued liabilities	34,332	113,204
Unearned revenue in respect of tickets sold and not used	(3,711)	(725)
	52,383	34,019
 Investing activities		
Long-term receivable	-	800
Additions to capital assets	(1,806,115)	(1,228,996)
Proceeds from sale of capital assets	9,605	3,158
Deposits on land	(28,040)	(33,015)
Advances on capital projects	(197,054)	(72,843)
	(2,021,604)	(1,330,896)
 Financing activities		
Grants received for purchase of land	533,833	376,808
Deferred capital contributions received or receivable	1,497,378	958,047
	2,031,211	1,334,855
 Net increase in cash and cash equivalents	61,990	37,978
Cash and cash equivalents, beginning of year	158,432	120,454
Cash and cash equivalents, end of year	220,422	158,432
 Non-cash transaction		
Assets contributed by the Province of Ontario (Note 20 (c))	-	2,006

Metrolinx

Notes to the financial statements

March 31, 2012

(In thousands of dollars)

1. Nature of operations

Metrolinx is a Crown agency, reporting to the Minister of Transportation of Ontario ("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. 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.

During 2011, Metrolinx assumed responsibility to construct and operate a rail service between Pearson International Airport and Union Station. A separate operating division has been created to support the delivery of the project as at April 1, 2011.

A separate operating division has also been created on June 30, 2011 to implement and operate the PRESTO fare system.

2. Summary of significant accounting policies

Basis of presentation

These financial statements are prepared by management in accordance with Canadian generally accepted accounting principles under the Canadian Institute of Chartered Accountants (CICA) Handbook - Part V.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks net of bank overdrafts and highly liquid short-term investments with maturities of three months or less at the time of purchase.

Spare parts and supplies

Spare parts and supplies are carried at the lower of cost and net realizable value. Cost is determined using the weighted-average method.

Capital assets

Capital assets are recorded at cost. The cost of a capital asset includes all costs directly related to the acquisition, construction, development or betterment of the capital asset. Salaries, wages and associated employee benefits for staff directly involved in the acquisition, development or construction of a capital asset are included in the cost of the capital asset.

Metrolinx has adopted a whole property approach in capitalizing and amortizing its buildings, rail equipment and bus equipment. Under this approach, all components attached to the building structure (lighting, elevators, air conditioning, etc.) are amortized over a composite service life of the property as a whole.

If the development or construction of a capital asset is terminated or deferred indefinitely before completion, the costs capitalized to date are expensed, unless there is an alternative use for the capital asset or unless recovery of those costs from a third party can be reasonably estimated and collection is likely based on related agreements.

Metrolinx

Notes to the financial statements

March 31, 2012

(In thousands of dollars)

2. Summary of significant accounting policies (continued)

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 (including shelters and ticket booths)	5-20 years
Leasehold improvements	Lease life
Locomotives and other railway rolling stock	20-25 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
Computer equipment and software	5-10 years
Grade separations	50 years
Other (including furniture and equipment)	3-12 years

Work-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.

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 calculated by 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 calculated by 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.

Metrolinx

Notes to the financial statements

March 31, 2012

(In thousands of dollars)

2. Summary of significant accounting policies (continued)

Internally restricted net assets

Internally restricted net assets 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 the Board of Directors and are disclosed on the statement of financial position as net assets.

Classification of financial instruments

Cash and cash equivalents are classified as held for trading. Accounts receivable, 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. Accounts payable and accrued liabilities and advance from Province of Ontario have been classified as other financial liabilities.

Held for trading items are measured at fair value, with changes in their fair value recognized in the statement of operations in the current period. Loans and receivables are measured at amortized cost, using the effective interest method, net of any impairment. Other financial liabilities are measured at amortized cost, using the effective interest method.

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.

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. The items subject to the most significant estimates are unearned revenue, amortization of capital assets, certain accrued liabilities, pension plan top-up benefits payable and other employee future benefits payable.

Future accounting policy

In December 2010, the Canadian Institute of Chartered Accountants ("CICA") issued a new accounting framework applicable to Not-for-Profit Organizations. Effective for fiscal years beginning on or after January 1, 2012, government Not-for-Profit Organizations must adopt Public Sector Accounting (PSA) Standards as their new underlying accounting framework and will have to choose between (a) the Not-for-Profit accounting standards which are incorporated into the CICA PSA Handbook; or (b) the CICA PSA Handbook without the Not-for-Profit accounting standards. Metrolinx will apply the Not-for-Profit accounting standards which are incorporated into the CICA PSA Handbook for its fiscal year beginning on April 1, 2012. The impact of transitioning to these new standards is currently being assessed.

Metrolinx

Notes to the financial statements

March 31, 2012

(In thousands of dollars)

3. Financial instruments

Fair values

The fair values of cash and cash equivalents, accounts receivable, contributions due from Province of Ontario, contributions due from municipalities, contributions due from Government of Canada, funds being held for Province of Ontario, accounts payable and accrued liabilities and advance from Province of Ontario approximate their carrying amounts because of their short term nature.

Other accounts noted on the statement of financial position, such as spare parts and supplies, prepaid expenses, capital assets, deposit on land, advances on capital projects, long term lease, unearned revenue, deferred capital contributions, pension plan top-up benefits payable and other employee future benefits payable are not financial instruments.

Metrolinx has elected to follow the disclosure requirements of Section 3861 "Financial Instruments - Disclosure and Presentation" of the CICA Handbook.

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, 2012, Metrolinx does not have any forward purchase contracts in place.

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.

5. PRESTO Farecard E-purse balances

The balance of funds held on PRESTO farecards E-purse in the amount of \$5,669 (2011 - \$1,634) has been included in Cash and cash equivalents. The E-purse balance is held on behalf of the farecard owner and therefore a liability has been included in Accounts payable and accrued liabilities.

6. 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.

Metrolinx

Notes to the financial statements

March 31, 2012

(In thousands of dollars)

7. Capital assets

a)

			2012	2011
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Land	1,554,642	-	1,554,642	1,104,078
Buildings	529,098	271,844	257,254	255,016
Leasehold improvements	27,662	23,317	4,345	4,585
Locomotives and other railway rolling stock	1,276,714	331,464	945,250	898,621
Improvements to railway right-of-way plant	1,338,210	531,443	806,767	740,542
Track work and installation	533,279	132,162	401,117	289,213
Work-in-progress	1,949,021	-	1,949,021	1,091,274
Buses	290,961	152,030	138,931	143,291
Parking lots	321,880	109,358	212,522	161,960
Computer equipment and software	288,143	75,018	213,125	170,099
Other	144,149	93,845	50,304	54,575
	8,253,759	1,720,481	6,533,278	4,913,254

Work-in-progress includes the following:

	2012	2011
	\$	\$
Rail corridor expansion	549,689	282,732
Union Station	196,122	139,177
Rail fleet	250,584	111,998
PRESTO System	129,758	61,086
Light Rapid Transit and Bus Rapid Transit	466,879	220,033
Various	355,989	276,248
	1,949,021	1,091,274

- b) Included in supplies and services on the statement of operations in 2011 are costs related to design and development of tangible capital assets that were not completed as planned. In 2011, Metrolinx deferred the design and construction of the new signaling system in the Union Station Rail Corridor. A portion of the cost incurred for this project is for elements not usable in the future and has been written off from Work-in-progress.

Metrolinx

Notes to the financial statements

March 31, 2012

(In thousands of dollars)

8. Accounts receivable

a) Accounts receivable is composed of the following:

	2012	2011
	\$	\$
Recoverable HST	54,351	80,355
Recoverable PRESTO costs	14,430	17,929
Sunk project costs recoverable from TTC	-	52,984
Other receivables	14,537	15,826
	83,318	167,094

b) Included in accounts receivable is \$ Nil (2011- \$52,984) related to the design of the Light Rapid Transit (LRT) corridors in the City of Toronto. Based on a memorandum of understanding (MOU) dated March 31, 2011 between the City of Toronto, Metrolinx and the Province of Ontario, these projects were deferred at that time. The MOU provides for the recovery from the City of Toronto of expenditures relating to the design of the surface portion of the Eglinton LRT, the Finch West LRT and Sheppard East LRT. Accordingly, these costs were reclassified from Work-in-progress to accounts receivable as at March 31, 2011. Some design costs related to changes in the Eglinton LRT design had also been written off from work-in-progress. During 2012, Metrolinx and the City of Toronto agreed to resume the projects subject to approval by the Metrolinx Board of Directors. The Metrolinx Board of Directors approved the resumption of the project on April 25, 2012 subject to approval by the Ministry of Transportation. The amount previously recorded in accounts receivable has been reclassified back to work-in-progress.

9. Advances on capital projects

Metrolinx has 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. The MOA with YRRTC and York Region was extended until March 31, 2011. A Master Agreement with YRRTC and York Region was signed April 14, 2011 and covers both past and future eligible costs of constructing the bus rapidway. The MOA with the City of Toronto and the TTC was extended until the earlier of September 30, 2012 and the date on which Metrolinx, TTC and the City finalize definitive legal agreements.

Pursuant to these agreements, advances were paid to the Region of York and to the Toronto Transit Commission to provide working capital for Deposits on land totalling \$47,509 (2011 - \$30,520) and other project costs totalling \$197,054 (2011 - \$72,843) to fund projects being developed by the Region of York and Toronto Transit Commission on behalf of Metrolinx. The Deposits on land referred to above relate to obtaining, in the future, perpetual easements required for the operation of the York Region bus rapidway and the City of Toronto LRT corridors. The advances on capital projects are to be held in a separate account and any interest accrued will be applied against the project.

Metrolinx

Notes to the financial statements

March 31, 2012

(In thousands of dollars)

9. Advances on capital projects (continued)

As at March 31, 2012, Metrolinx has expended approximately \$782.6 million (2011 - \$346.3 million) in relation to these projects, including the following amounts which have been advanced for costs expected to be incurred to September 30, 2012 and deposits related to future perpetual easements.

	2012	2011
	\$	\$
Region of York	188,679	78,768
Toronto Transit Commission	55,884	24,595
	244,563	103,363

10. Long-term lease

			2012	2011
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Leasehold, Union Station	32,704	3,843	28,861	29,188

11. Deferred capital contributions

The changes in the deferred capital contributions for the year are as follows:

	2012	2011
	\$	\$
Balance, beginning of year	3,821,176	3,083,736
Contributions received or receivable in the period for capital asset acquisitions		
Province of Ontario	1,456,546	904,263
Municipalities	30,223	29,179
Government of Canada	10,607	24,605
Amortization of deferred capital contributions	(245,770)	(220,607)
Balance, end of year	5,072,782	3,821,176

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 \$181,845 (2011 - \$25,155) and the cumulative amount is \$381,801. The Province will work with its municipal partners to address the funding shortfalls.

12. 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 expended in pension contributions for the year ended March 31, 2012 is \$12,576 (2011 - \$9,409).

Metrolinx

Notes to the financial statements

March 31, 2012

(In thousands of dollars)

13. Pension plan top-up benefits liability

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. GO Transit completed an actuarial valuation as of April 1, 2010. The expense for the year has been determined using the projected unit credit method pro-rated on service, applied in conformity with Section 3461 of the CICA Handbook. The pension expense recognized during the year is \$4,001 (2011 - \$3,485).

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:

	2012	2011
	\$	\$
Accrued benefit obligation	48,423	36,345
Fair value of plan assets	732	734
Funded status - plan deficit	47,691	35,611
Unamortized net actuarial loss	(17,627)	(9,147)
Accrued benefit liability	30,064	26,464

Details of the accrued benefit obligation are as follows:

	2012	2011
	\$	\$
Accrued benefit obligation, beginning of year	36,345	30,998
Current service cost	1,165	1,009
Interest cost on accrued benefit obligation	2,145	1,991
Benefit payments	(405)	(315)
Actuarial loss on accrued benefit obligation	9,173	2,662
Accrued benefit obligation, end of year	48,423	36,345

Details of the pension expense are as follows:

	2012	2011
	\$	\$
Current service cost	1,165	1,009
Interest cost on accrued benefit obligation	2,145	1,991
Actual return on plan assets	(2)	(1)
Actuarial gain on obligation	9,173	2,662
Expected return vs. actual return on plan assets	2	1
Amortization of loss vs. actual loss in year on obligation	(8,482)	(2,177)
	4,001	3,485

Metrolinx

Notes to the financial statements

March 31, 2012

(In thousands of dollars)

13. Pension plan top-up benefits liability (continued)

Plan assets by asset category are as follows:

	2012	2011
	%	%
Cash invested	18	25
Cash on deposit with Canada Revenue Agency	82	75
	100	100

Other information about Metrolinx's benefit plan is as follows:

	2012	2011
	\$	\$
Employer contributions	400	600
Benefits paid	405	315

The significant actuarial assumptions adopted in measuring Metrolinx's pension plan top-up benefit obligations are as follows:

Discount rate	4.4% (2011 - 5.75%)
Rate of compensation increase	3% (2011 - 3%)
Inflation per annum	2% (2011 - 2%)
Expected average remaining service life	8 years (2011 - 8 years)

14. Other employee future benefits liability

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 was as of March 31, 2011. The valuation was performed in accordance with the standards of the Canadian Institute of Actuaries. The financial statement items resulting from the valuation have been determined in accordance with Section 3461 of the CICA Handbook. The post-retirement non-pension benefits recognized during the period were \$6,741 (2011 - \$5,647).

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:

	2012	2011
	\$	\$
Accrued benefit obligation	88,689	62,622
Fair value of plan assets	-	-
Funded status - plan deficit	88,689	62,622
Unamortized net actuarial loss	(38,079)	(16,991)
Accrued benefit liability	50,610	45,631

Metrolinx

Notes to the financial statements

March 31, 2012

(In thousands of dollars)

14. Other employee future benefits liability (continued)

Details of the accrued benefit obligation are as follows:

	2012	2011
	\$	\$
Accrued benefit obligation, beginning of year	62,622	49,391
Current service cost	2,294	2,601
Interest on accrued benefit obligation	3,698	2,924
Benefit payments	(2,009)	(1,781)
Actuarial loss on accrued benefit obligation	22,084	9,487
Accrued benefit obligation, end of year	88,689	62,622

Details on the post-retirement non-pension benefits expense are as follows:

	2012	2011
	\$	\$
Current service cost	2,294	2,601
Interest cost on accrued benefit obligation	3,698	2,924
Actuarial loss on obligation	22,084	9,487
Amortization of loss vs. actual loss in year on obligation	(21,335)	(9,365)
	6,741	5,647

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	4.4% (2011 - 5.8%)
Discount rate for WSIB liabilities	4% (2011 - 5.5%)
Discount rate for retiree severance benefits	3.7% (2011 - 4.6%)
Expected average remaining service life for post-retirement non-pension benefit	14 years (2011 - 14 years)
Expected average remaining service life for WSIB liabilities	10 years (2011 - 10 years)
Expected average remaining service life for retiree severance benefits	8 years (2011 - 9 years)
Rate of compensation increase	3% (2011 - 3%)
Inflation per annum	2% (2011 - 2.25%)
Initial Weighted Average Health Care Trend Rate	6.7% (2011 - 6.7%)
Ultimate Weighted Average Health Care Trend Rate	4.3% (2011 - 4.2%)
Dental care benefits increase	4% (2011 - 4%)

Metrolinx

Notes to the financial statements

March 31, 2012

(In thousands of dollars)

15. Net assets invested in capital assets

	2012	2011
	\$	\$
Capital assets	6,533,278	4,913,254
Deposits on land	58,659	33,185
Advances on capital projects	197,056	72,844
Less deferred capital contributions used to purchase capital assets	(5,072,782)	(3,821,176)
	1,716,211	1,198,107

16. Internally restricted net assets

The internally restricted net assets are as follows:

	2012	2011
	\$	\$
MCOR	21,051	21,051
Employment obligation	889	889
Self insured retention	2,013	2,013
Stabilization	2,379	2,379
	26,332	26,332

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.

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.

17. Operating revenue

Commencing 2012, the operating revenue is being stated net of fare integration charges of \$7,479 (2011 - \$7,247). The fare integration charges were previously included in rail and bus operations expenses. Accordingly, the comparative figures for 2011 operating revenue and rail and bus operations expenses have been restated to conform to the current year's presentation.

Metrolinx

Notes to the financial statements

March 31, 2012

(In thousands of dollars)

18. Commitments

- a) The minimum operating lease payments in each of the next five years are as follows:

	\$
2013	15,567
2014	15,724
2015	13,600
2016	13,080
2017	12,833
Subsequent	12,304
	83,108

- b) Metrolinx has also committed approximately \$3.8 billion for various capital asset additions/projects.
- 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") Bombardier Inc., PNR Rail Works Inc. ("PNR") and Toronto Terminals Railway Ltd. ("TTR") and by a number of minor service agreements. Metrolinx has entered into the following major agreements for approximately \$126,000 per year:
- i) Master Operating Agreement with CN terminating on May 31, 2016.
 - ii) Commuter Agreement with CP terminating on December 31, 2014.
 - iii) Equipment Maintenance Contract with Bombardier terminating on May 31, 2013.
 - iv) Rail Crew Contract with Bombardier terminating on May 31, 2013.
 - v) Routine Track and Signal Maintenance contract with PNR terminating on June 30, 2016.
 - vi) Rail Corridor management Service Agreement with TTR terminating on June 30, 2015.
- d) As at year-end; Metrolinx had outstanding letters of credit totalling \$309 (2011 - \$338).

19. Contingencies

Various lawsuits have been filed against Metrolinx for incidents which arose in the ordinary course of business. Management has reviewed these claims and made provisions as appropriate. Where the outcome of a claim is not yet determinable, any settlement will be recorded when it is determined that a claim is likely to be settled and the amount is determinable.

20. Related party transactions and balances

Metrolinx had the following transactions with related parties during the year:

- a) The Ontario Ministry of Transportation, Ontario Assessment Review Board, Infrastructure Ontario, Ontario Realty Corporation and Northland Ontario charged Metrolinx \$1,794 (2011 - \$1,639), \$27 (2011 - \$Nil), \$2,771 (2011 - \$Nil), \$401 (2011 - \$536) and \$10,409 (2011 - \$21,374) respectively during the year for the provision of services provided by these organizations. At March 31, 2012, accounts payable and accrued liabilities included \$865 (2011 - \$437) and \$3,265 (2011 - \$Nil) owing to the Ontario Ministry of Transportation and Infrastructure Ontario respectively.
- b) During the year ended March 31, 2010, the Ontario Ministry of Transportation charged Metrolinx \$1,188 for land sold by the Ontario Ministry of Transportation. During the year ended March 31, 2011 the amount had been adjusted to \$3 to bring it down to the net book value of this asset maintained by the Ontario Ministry of Transportation at the time of sale. At March 31, 2012, accounts receivable included \$Nil (2011 - \$1,185) owing by the Ontario Ministry of Transportation in this respect.

Metrolinx

Notes to the financial statements

March 31, 2012

(In thousands of dollars)

20. Related party transactions and balances (continued)

- c) During the year ended March 31, 2011, Metrolinx purchased land for two dollars from the Ontario Ministry of Transportation. The transfer was treated as a contribution from the Province equivalent to the net book value of this asset maintained by the Ministry that amounted to \$2,006.

The transactions in 20 a) are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Contributions of capital assets from the Province are recorded at the carrying amount.

Balances due from/to the Province of Ontario are separately disclosed on the statement of financial position. Amounts are non-interest bearing with no specified terms of repayments.

21. Guarantees

In the normal course of business, Metrolinx enters into agreements that meet the definition of a guarantee.

- (a) In the normal course of business, Metrolinx has entered into agreements that include indemnities in favour of third parties such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, information technology agreements and service agreements. These indemnification agreements may require Metrolinx to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated.
- (b) Indemnity has been provided to all directors and or officers of Metrolinx including, but not limited to, all costs to settle suits or actions due to association with Metrolinx, subject to certain restrictions. Metrolinx has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The term of the indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as a trustee, director or officer of Metrolinx. The maximum amount of any potential future payment cannot be reasonably estimated.

The nature of these indemnification agreements prevents Metrolinx from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability which stems from the unpredictability of future events and the unlimited coverage offered to counterparties.

Historically, Metrolinx has not made any significant payments under such or similar indemnification agreements and therefore no amount has been recorded with respect to these agreements.

22. Comparative figures

Certain of the prior year's comparative figures have been reclassified to conform to the current year's presentation.

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