



Ministry *of* Finance

PUBLIC ACCOUNTS *of* **ONTARIO**

2012–2013

**FINANCIAL STATEMENTS OF
GOVERNMENT ORGANIZATIONS**

Volume **2a**



Ministry *of* Finance

PUBLIC ACCOUNTS *of* ONTARIO

2012–2013

**FINANCIAL STATEMENTS OF
GOVERNMENT ORGANIZATIONS**

Volume 2a

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Ministry of Agriculture and Food/Rural Affairs

- AgriCorp
- Agricultural Research Institute of Ontario
- Ontario Racing Commission

Ministry of the Attorney General

- Legal Aid Ontario
- The Public Guardian and Trustee for the Province of Ontario

Ministry of Economic Development, Trade and Employment/Research and Innovation

- 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 the Environment

- Ontario Clean Water Agency

Ministry of Finance

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

Ministry of Government Services

- Ontario Pension Board

Ministry of Infrastructure

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

PUBLIC ACCOUNTS, 2012-2013

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, Culture and Sport

- 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 THE PUBLIC ACCOUNTS

1. SCOPE OF THE PUBLIC ACCOUNTS

The 2012-2013 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 (including sales tax) 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, 2012 to March 31, 2013. They are presented in the same detail as the approved, audited financial statements and as nearly as possible in the same form. The statements have been presented in the order shown in the Table of Contents. In addition, a listing is provided which groups the crown corporations, boards and commissions by ministerial responsibility.

GOVERNMENT ORGANIZATIONS

AGRICORP

Management's responsibility for financial reporting

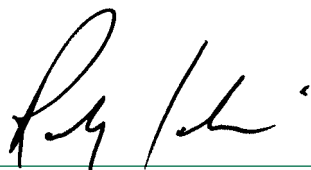
The accompanying financial statements and the financial information in the annual report have been prepared by management. The financial statements have been prepared in accordance with Canadian public sector accounting standards. Management is responsible for the accuracy, integrity, and objectivity 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 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 19, 2013



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 and Food

I have audited the accompanying financial statements of Agricorp, which comprise the statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, and the statements of operations and fund balances, and cash flows for the years ended March 31, 2013 and March 31, 2012, and the statement of remeasurement gains and losses for the year ended March 31, 2013, 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

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits 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, 2013, March 31, 2012 and April 1, 2011 and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012, and its remeasurement gains and losses for the year ended March 31, 2013 in accordance with Canadian public sector accounting standards.

Gary Peall, CPA, CA, LPA
Acting Auditor General

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Toronto, Ontario
June 19, 2013

AGRICORP

Statements of financial position

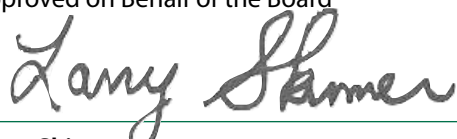
March 31, 2013, March 31, 2012 and April 1, 2011

(\$ thousands)	General Fund	Production Insurance	March 31, 2013	March 31, 2012	April 1, 2011
Assets				(note 4)	(note 4)
Cash	714	1,429	2,143	493	1,080
Investments (note 7)	5,917	696,951	702,868	691,933	630,825
Accounts receivable (note 6)	6,553	6,568	13,121	13,850	15,356
Funds under administration (note 5)	69,942	–	69,942	54,355	57,241
Prepaid expenses	952	–	952	782	629
Accrued pension asset (note 13)	4,543	–	4,543	2,618	2,160
Capital assets (note 8)	3,323	–	3,323	3,215	1,099
Total assets	91,944	704,948	796,892	767,246	708,390
Liabilities and Fund Balances					
Accounts payable and accrued liabilities	5,683	106	5,789	6,512	5,264
Unearned premiums and revenue (note 11)	8,142	25,560	33,702	24,180	27,767
Provision for claims	–	1,674	1,674	416	345
Funds under administration (note 5)	69,942	–	69,942	54,355	57,241
Total liabilities	83,767	27,340	111,107	85,463	90,617
Fund balances	8,177	657,651	665,828	681,783	617,773
Accumulated remeasurement gains	–	19,957	19,957	–	–
Total liabilities and fund balances	91,944	704,948	796,892	767,246	708,390

Commitments and contingencies (note 14)

See accompanying notes to financial statements.

Approved on Behalf of the Board


 Larry Skinner
 Chair


 Randy Jackiw
 Chief Executive Officer

AGRICORP

Statements of operations and fund balances

Years ended March 31, 2013 and 2012

(\$ thousands)	General Fund	Production Insurance	2013	2012
Revenue				(note 4)
Operating funding – Ontario and Canada (note 10)	46,308	–	46,308	43,593
Premiums from producers	–	52,769	52,769	50,317
Funding – Ontario and Canada	–	81,153	81,153	76,829
Sales, consulting and other services	958	–	958	916
Investment income	76	20,709	20,785	24,146
Total revenue	47,342	154,631	201,973	195,801
Expenses				
Claims	–	131,246	131,246	82,667
Reinsurance (note 12)	–	19,520	19,520	15,172
Administration	47,074	–	47,074	44,484
Bad debts (recovery)	–	23	23	(32)
Total expenses	47,074	150,789	197,863	142,291
Excess of revenue over expenses	268	3,842	4,110	53,510
Change in fair value of assets	–	–	–	10,500
Fund balances, beginning of year as restated	7,909	673,874	681,783	617,773
Adjustment on adoption of the financial instruments standard (note 3)	–	(20,065)	(20,065)	–
Fund balances, end of year	8,177	657,651	665,828	681,783

See accompanying notes to financial statements.

AGRICORP**Statement of remeasurement gains and losses****Year ended March 31, 2013**

(\$ thousands)	2013
Accumulated remeasurement gains, beginning of year	–
Adjustment on adoption of the financial instruments standard (note 3)	20,065
	20,065
Unrealized losses:	
Attributed to portfolio investments	(108)
Net remeasurement losses for the year	(108)
Accumulated remeasurement gains, end of year	19,957

See accompanying notes to financial statements.

AGRICORP

Statements of cash flows

Years ended March 31, 2013 and 2012

(\$ thousands)	General Fund	Production Insurance	2013	2012
				(note 4)
Cash provided by operating activities				
Excess of revenue over expenses	268	3,842	4,110	53,510
Items not requiring an outlay of cash				
Amortization of capital assets	2,589	–	2,589	1,608
	2,857	3,842	6,699	55,118
Changes in non-cash working capital				
Accounts receivable	3,607	(2,878)	729	1,506
Prepaid expenses	(170)	–	(170)	(153)
Accrued pension asset	(1,925)	–	(1,925)	(458)
Accounts payable and accrued liabilities	22	(745)	(723)	1,248
Unearned premiums and revenue	1,279	8,243	9,522	(3,587)
Provision for claims	–	1,258	1,258	71
	2,813	5,878	8,691	(1,373)
Financing activities				
Increase in investments	(2,364)	(8,571)	(10,935)	(61,108)
Unrealized gains (losses) on investments	–	(108)	(108)	10,500
Capital activities				
Purchase of capital assets	(2,697)	–	(2,697)	(3,724)
Increase (decrease) in cash	609	1,041	1,650	(587)
Cash, beginning of year	105	388	493	1,080
Cash, end of year	714	1,429	2,143	493

See accompanying notes to financial statements.

AGRICORP

Notes to the financial statements

Years ended March 31, 2013 and 2012

1. Nature of operations

The AgriCorp Act, 1996 established AgriCorp as a provincial crown corporation without share capital, on January 1, 1997. As an agency of the Ontario government, AgriCorp's mandate is to deliver government and non-government business risk management programs to Ontario's agriculture industry on behalf of the Ontario Ministry of Agriculture and Food and Ministry of Rural Affairs (OMAF and MRA).

These initiatives can be segregated into non-entitlement Program - Production Insurance and Entitlement Programs.

Non-entitlement program

Production Insurance was established in 1966 and currently operates pursuant to the *Crop Insurance Act (Ontario, 1996)*. For over 100 commercially grown crops in Ontario, Production Insurance provides insured producers 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 5, are administered by AgriCorp on behalf of OMAF and MRA, the federal government, or other organizations. The rules regarding payments to customers are determined by the programs and in formal agreements with AgriCorp. The funds paid out under these programs flow from either Ontario or Canada or both through AgriCorp to qualified applicants, and are held in segregated accounts in funds under administration.

Other

AgriCorp 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 OMAF and MRA, AgriCorp's primary obligations include registration of farm businesses, collection of registration fees, and disbursement of the fees net of an administrative charge to Ontario's Accredited Farm Organizations (AFO).

2. Significant accounting policies

Effective April 1, 2012, AgriCorp adopted Canadian Public Sector Accounting ("PSA") Standards. AgriCorp has also elected to apply the 4200 standards for Government Not-for-Profit Organizations. These are the first financial statements prepared in accordance with PSA.

In accordance with the transitional provisions in PSA, AgriCorp has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is April 1, 2011 and all comparative information provided has been presented by applying PSA.

A summary of transitional adjustments recorded is provided in note 4.

AGRICORP

Notes to the financial statements, continued

Years ended March 31, 2013 and 2012

(a) Basis of accounting

The financial statements of AgriCorp have been prepared by management in accordance with Canadian PSA. 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.

AgriCorp 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) Employee future benefits

AgriCorp provides defined retirement and other future benefits for substantially all retirees and employees. These future benefits include pension plan and accumulated sick leave.

(i) Pension plan

AgriCorp sponsors a contributory defined benefit registered pension plan for all full time and eligible part time employees. AgriCorp 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.

(ii) Accumulated sick leave

AgriCorp provides a non-vested sick leave benefit to all full time and part time employees. Employees are granted 6 days of sick leave per year and are eligible to accumulate up to 30 days of sick leave. Employees are not paid for unused sick leave.

(d) Revenue recognition

Under the General Fund, AgriCorp 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 the financial statements, continued

Years ended March 31, 2013 and 2012

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

AgriCorp's financial instruments consist of cash, short term investments, long term investments, accounts receivable, accounts payable and accrued liabilities, and a provision for claims.

Financial instruments are recorded at fair value on initial recognition. All financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations. Any unrealized gain or loss on investments is adjusted through the statement of remeasurement gains and losses.

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations.

The Standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- (i) Level 1 – Unadjusted quoted market prices in active markets for identical assets or liabilities;
- (ii) Level 2 – Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- (iii) Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

(f) Use of estimates

The preparation of financial statements in conformity with PSA 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 amounts of accounts receivable, capital assets, accounts payable and accrued liabilities, unearned premiums and revenue, provision for claims and accrued pension asset. Actual results could differ from those estimates.

AGRICORP

Notes to the financial statements, continued

Years ended March 31, 2013 and 2012

3. Change in accounting policy

On April 1, 2012, AgriCorp adopted PSA PS 3450 - Financial Instruments. The standard was adopted prospectively from the date of adoption. The new standard provides comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments.

Under PS 3450, all financial instruments are included on the statements of financial position and are measured either at fair value or amortized cost based on the characteristics of the instrument and AgriCorp's accounting policy choices (note 2).

In accordance with the provisions of this new standard, AgriCorp reflected the following adjustment at April 1, 2012:

A decrease of \$20,065,000 to fund balances and an increase of \$20,065,000 to accumulated remeasurement gains (losses) is due to the unrealized gain of AgriCorp's investments previously classified as available-for-sale being reclassified to accumulated remeasurement gains (losses).

4. Transitional adjustments

AgriCorp issued financial statements dated March 31, 2012 using generally accepted accounting principles prescribed by the CICA handbook - Part V - Pre-changeover Accounting Standards. The adoption of PSA standards for Government Not-For-Profit Organizations resulted in adjustments to the previously reported assets, liabilities, net assets and cash flows of AgriCorp as set out in the following notes and tables:

(a) Net assets

The following table summarizes the impacts of the transition to PSA Standards on AgriCorp's net assets:

(\$ thousands)	March 31, 2012	April 1, 2011
Net assets as previously reported under Canadian generally accepted accounting principles	681,783	617,773
Transition adjustment to recognize liability for accumulated sick leave	(589)	(553)
Transition adjustment to recognize net unamortized actuarial pension plan losses as an offset to prior period service costs	(1,686)	(2,241)
Increase to government funding related to electing to recognize all cumulative actuarial gains and losses and past service costs	2,275	2,794
Restated to PSA standards	681,783	617,773

AgriCorp has elected to recognize all cumulative actuarial gains and losses and past service costs in opening net assets. Pre-changeover Accounting Standards required that the discount rate be equal to the yield on high quality corporate bonds. AgriCorp has chosen to discount these liabilities using its expected return on plan assets. The change in the discount rate resulted in changes to net assets noted above and changes to excess of revenue over expenses noted below.

AGRICORP

Notes to the financial statements, continued

Years ended March 31, 2013 and 2012

(b) Statement of operations

As a result of the above noted elections and the retrospective application of PSA Standards, AgriCorp recorded the following adjustments to excess of revenue over expenses for the year ended March 31, 2012:

(\$ thousands)	
Excess of revenue over expenses as previously reported under Canadian generally accepted accounting principles, March 31, 2012	53,510
Increase to employee future benefit expense as a result of electing to recognize accumulated sick leave	(36)
Decrease to pension expense as a result of recognizing net actuarial losses as an offset to prior period service costs	555
Decrease to government funding related to electing to recognize all cumulative actuarial gains and losses and past service costs	(519)
Restated to PSA standards	53,510

The changes AgriCorp effected as outlined above resulted in a change in its accounting for pension expense and sick pay under PSA. The change in accounting resulted in a retroactive increase to these costs.

In keeping with AgriCorp's cost recovery model of funding, OMAF and MRA and Canada agreed to a retroactive increase in funding revenue equal to the increase in expense relating to the transitional adjustment. Accordingly, there was no impact on the accumulated surplus reported for the April 1, 2011 transition date or the March 31, 2012 comparative period.

5. Funds under administration

AgriCorp provides administration services on a cost recovery basis to process and disburse payments to producers enrolled in business risk management and non-business risk management agricultural programs. These programs are generally administered on behalf of OMAF and MRA for producers in Ontario, and cover joint Canada-Ontario programs, Canada-only programs, and Ontario-only programs. Individual program delivery agreements are in place for each program. Program payments are calculated according to program requirements and the program delivery agreements. Funding is provided by Canada and/or Ontario 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 AgriCorp administers, it does not recognize program revenue or expenses or receivables or payables for them.

AGRICORP

Notes to the financial statements, continued

Years ended March 31, 2013 and 2012

(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. Producers 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 participant's production margin for specified prior years. A program benefit is paid based on the participant's selected level of coverage and when current production margin falls below the set reference margin. AgriStability provides coverage for margin declines greater than 15% for program years up to and including 2012.

Effective for program year 2013, the Growing Forward 2 agreement on agricultural policy has resulted in a simplified program, with one level of coverage available. A program benefit is paid to the participant when the participant's current production margin declines by more than 30% below the lower of the reference margin or the average adjusted expenses.

AgriStability is cost shared by Canada and Ontario at a basis of 60% and 40% respectively.

(b) Risk Management Program pilot (RMP pilot)

RMP pilot came into effect August 16, 2007 and expired on March 31, 2013. The program provided 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 was fully funded by Ontario and was an advance against Ontario's share of AgriStability program costs and reduced its share of AgriStability payments.

(c) Risk Management Program (RMP)

RMP was launched by the Ontario government as a permanent program effective April, 2011 and extended to additional sectors. RMP helps producers offset losses caused by low commodity prices and fluctuating production costs. 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.

RMP for Livestock (RMP-LS)

RMP for Livestock 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.

AGRICORP

Notes to the financial statements, continued

Years ended March 31, 2013 and 2012

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 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 make a deposit into their SDRM account, provide a premises identification number and participate in AgriStability.

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

SDRM program delivery agreement between OMAF and MRA and AgriCorp came into effect April 1, 2007 and expired on March 31, 2013. Under the terms of the program, producers deposited into the program account a percentage of their eligible net sales and a matching contribution was also made into the account by Canada and/or Ontario. Claims were paid out of the program account to participants, but the total payment amount for a program year could 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 participated in CAIS and received a payment under that program were eligible for a top-up payment based on a fixed percentage of their 2003 and 2004 CAIS government benefits.

(f) Plum Pox Program (PPV)

The program delivery agreement between OMAF and MRA and AgriCorp 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 is a multi-year plan to carry out plum pox detection surveys and other activities to help contain or eradicate the plum pox virus in Ontario. In addition, the program assists commercial tender fruit growers with the asset loss incurred when trees are removed as part of the plum pox control measures. Canada and Ontario have agreed to share overall program costs based on funds available for agricultural assistance at each level of government.

(g) Canada-Ontario Apples and Tender Fruit Weather Risk Mitigation Strategy Initiative (ATM)

The ATM program came into effect January 7, 2013 under an agreement between OMAF and MRA and AgriCorp that expires on March 31, 2014. The program provides a one-time payment to qualifying apple and tender fruit producers to support and encourage them to develop a weather risk mitigation strategy. ATM is fully funded by Ontario.

AGRICORP

Notes to the financial statements, continued

Years ended March 31, 2013 and 2012

(h) Canada-Ontario Forage and Livestock Transportation Assistance Initiative (COFLTAI)

The COFLTAI program came into effect December 14, 2012 under an agreement between OMAF and MRA and AgriCorp that expires on March 31, 2014. The program will cover a portion of the extraordinary costs of transporting feed to Ontario livestock producers who faced severe forage shortages for their breeding herds, or transporting breeding herds to areas with surplus feed. This is an AgriRecovery program and is cost shared by Canada and Ontario at a basis of 60% and 40% respectively.

(i) Farm Business Registration (FBR)

In accordance with the Farm Registration and Organizations Funding Act, 1993, farm businesses 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, the farm business pays a reduced property tax rate on agricultural land (25% versus 100%), and is granted membership in an AFO of their choice. AgriCorp collects the fee from the producer and remits it, less an administrative charge, to the chosen AFO.

(j) Other programs

AgriCorp administers several other programs that are in the process of being wound down on behalf of OMAF and MRA and the federal government. These programs continue to be funded by OMAF and MRA and the federal government in accordance with each program delivery agreement.

The following summarizes the transactions related to the funds under administration:

Year ended March 31, 2013

(\$ thousands)	Opening balance 2013	Federal funding	Provincial funding	Other	Payments	Closing balance 2013
AgriStability	45,206	35,504	18,400	8,542	(49,764)	57,888
RMP-GO	20	-	805	35	(797)	63
RMP-LS	5,306	-	90,492	(346)	(90,010)	5,442
RMP-SDRM	1,094	-	21,463	2,533	(21,469)	3,621
GTUP	2,249	-	-	227	(103)	2,373
ATM	-	-	1,644	-	(1,644)	-
Other	480	-	2	234	(161)	555
Total	54,355	35,504	132,806	11,225	(163,948)	69,942

In 2013, RMP Pilot, SDRM and PPV are classified under "Other".

AGRICORP

Notes to the financial statements, continued

Years ended March 31, 2013 and 2012

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

6. Accounts receivable

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

(\$ thousands)	March 31, 2013	March 31, 2012	April 1, 2011
Government funding – Canada	9,032	8,882	9,143
Government funding – Ontario	3,787	4,665	5,560
Other	2,193	2,169	2,545
	15,012	15,716	17,248
Less Allowance for doubtful accounts	(1,891)	(1,866)	(1,892)
Total	13,121	13,850	15,356

AGRICORP

Notes to the financial statements, continued

Years ended March 31, 2013 and 2012

7. Investments

Legislation restricts AgriCorp'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)	March 31, 2013	March 31, 2012	April 1, 2011
Short-term	230,926	116,504	123,447
Long-term bonds			
Government of Canada	12,749	25,149	53,632
Province of Ontario	142,046	180,417	133,554
Other provincial governments	207,072	231,888	174,714
Provincial utilities	54,583	45,783	37,707
Financial institutions	55,492	92,192	107,771
	471,942	575,429	507,378
Total investments	702,868	691,933	630,825

(b) Maturity profile of the investment portfolio

(\$ thousands)	March 31, 2013	March 31, 2012	April 1, 2011
<1 Year	230,926	116,504	123,447
1-3 Years	227,962	258,003	241,973
3-5 Years	168,460	174,430	167,640
>5 Years	75,520	142,996	97,765
Total	702,868	691,933	630,825

(c) Fair value hierarchy

The fair market value of all investments was determined using Level 1 information (note 2e i).

AGRICORP

Notes to the financial statements, continued

Years ended March 31, 2013 and 2012

8. Capital assets

Year ended March 31, 2013

(\$ thousands)	Cost	Accumulated amortization	March 31, 2013 Net book value
Furniture and fixtures	1,212	1,113	99
Computer hardware	8,146	7,070	1,076
Computer software	11,718	9,625	2,093
Leasehold improvements	1,945	1,890	55
Total	23,021	19,698	3,323

Year ended March 31, 2012

(\$ thousands)	Cost	Accumulated amortization	March 31, 2012 Net book value
Furniture and fixtures	1,198	1,073	125
Computer hardware	7,338	6,546	792
Computer software	9,879	7,654	2,225
Leasehold improvements	1,909	1,836	73
Total	20,324	17,109	3,215

April 1, 2011

(\$ thousands)	Cost	Accumulated amortization	April 1, 2011 Net book value
Furniture and fixtures	1,060	996	64
Computer hardware	6,607	6,160	447
Computer software	7,025	6,632	393
Leasehold improvements	1,908	1,713	195
Total	16,600	15,501	1,099

AGRICORP

Notes to the financial statements, continued

Years ended March 31, 2013 and 2012

9. Financial instruments risk management

(a) Fair value of financial assets and financial liabilities

The carrying values 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 AgriCorp's cash flows, financial position and its operations.

Fluctuations in interest rates have a direct impact on the market valuation of AgriCorp's fixed income securities portfolio. The average return on investments is 3.95% (2012 was 4.16%).

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 Production Insurance 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. AgriCorp 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 on balances receivable arises from the possibility that the entities which owe funds to AgriCorp may not fulfill their obligation. Collectability is reviewed regularly and an allowance for doubtful accounts is established to recognize the impairment risks identified.

Credit risk on investment securities arises from AgriCorp's positions in term deposits, corporate debt securities and government bonds. Legislation restricts the types of investments AgriCorp may hold to high grade Canadian debt instruments and investments approved by the Ministry of Finance which significantly reduces credit risk.

10. Operating funding – Ontario and Canada

The governments of Canada and Ontario have agreed to share the costs of administering Production Insurance, AgriStability, COFLTAI and GTUP at the rate of 60% and 40% respectively. The costs to administer RMP-GO, RMP-LS, RMP-SDRM and ATM programs are funded by Ontario.

11. Unearned premiums and revenue

Unearned premiums represent premiums of \$25.6 million (March 31, 2012 – \$17.3 million; April 1, 2011 – \$23.3 million) paid in advance to Production Insurance 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 \$3.3 million (March 31, 2012 – \$3.2 million; April 1, 2011 – \$1.1 million) and other unearned amounts of \$4.8 million (March 31, 2012 – \$3.7 million; April 1, 2011 – \$3.4 million).

AGRICORP

Notes to the financial statements, continued

Years ended March 31, 2013 and 2012

12. Reinsurance agreement

AgriCorp has an ongoing program of reinsurance with a number of insurance carriers. This program provides for the reinsuring companies to assume Production Insurance losses based on negotiated thresholds. AgriCorp purchased reinsurance to mitigate losses for 2012 Production Insurance claims in excess of \$460 million to a maximum of \$672 million. As actual claims for the 2012 crop year were less than the minimum threshold, no reinsurance payments were received by AgriCorp.

AgriCorp signed an agreement in December, 2012 whereby it purchased reinsurance through a number of carriers for the 2013 crop year. The amount purchased under this agreement is to mitigate a fixed percentage of losses between 13% and 19% of insured liability, subject to a maximum of \$4.21 billion (2012 - \$3.67 billion).

13. Pension plan

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

(\$ thousands)	March 31, 2013	March 31, 2012
Accrued benefit obligation		
Balance, beginning of year	26,680	22,045
Current service cost	2,183	2,136
Interest cost	1,798	1,776
Employee contributions	1,561	1,449
Benefits paid	(993)	(726)
Actuarial loss (gain)	(223)	-
Balance, end of year	31,006	26,680

(\$ thousands)	March 31, 2013	March 31, 2012
Plan assets		
Fair value, beginning of year	29,298	24,205
Actual return on plan assets	1,099	1,684
Employer contributions	3,857	2,686
Employee contributions	1,561	1,449
Benefits paid	(993)	(726)
Fair value, end of year	34,822	29,298

AGRICORP

Notes to the financial statements, continued

Years ended March 31, 2013 and 2012

(\$ thousands)	March 31, 2013	March 31, 2012	April 1, 2011
Funded status			
Plan deficit	3,816	2,618	2,160
Unamortized actuarial loss	727	-	-
Accrued pension asset	4,543	2,618	2,160

The significant actuarial assumptions adopted in measuring the accrued benefit obligations of AgriCorp are as follows:

	March 31, 2013 %	March 31, 2012 %
Discount rate to determine accrued benefit obligation	6.5%	6.5%
Discount rate to determine benefit cost	6.5%	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)	2013	2012
Current services cost	2,183	2,136
Interest cost	1,798	1,776
Expected return on plan assets	(2,048)	(1,684)
Net benefit plan expense	1,933	2,228

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

	March 31, 2013 %	March 31, 2012 %	April 1, 2011 %
Security type	% of plan	% of plan	% of plan
Canadian equities	34.0	33.4	36.7
US equities	17.6	17.5	16.8
International equities	11.2	12.9	11.4
Bonds	25.9	27.0	32.6
Real estate	4.7	4.0	-
Cash and cash equivalents	6.2	5.2	2.5
Other	0.4	-	-
Total fund	100.0	100.0	100.0

AGRICORP

Notes to the financial statements, continued

Years ended March 31, 2013 and 2012

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

The most recent pension plan actuarial valuation was as of January 1, 2013 and at that time, the plan had a going concern actuarial surplus of \$0.9 million and had a solvency and wind up deficiency of \$7.3 million. These estimates are determined under the provisions of Section 76 of the Regulations to the Pension Benefits Act, 1990 (Ontario). The next actuarial valuation is expected to be completed as of January 1, 2014.

14. Commitments and contingencies

(a) Lease commitments

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

(\$ thousands)	
2014	2,704
2015	1,729
2016	1,712
2017	144
	<u>6,289</u>

(b) Contingencies

During the normal course of business, certain claims or program payments may be denied by AgriCorp. As a result, various claims or proceedings have been, or may be, initiated against AgriCorp. 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 AgriCorp or on its results of operations.

15. Related party transactions

AgriCorp has entered into several agreements to acquire services from OMAF and MRA. The cost for administrative, legal and audit services amounted to \$213,000 (2012 – \$180,000). In addition, AgriCorp rents its head office location from the Ontario Realty Corporation for a total cost for the year of \$1.6 million (2012 – \$1.6 million). AgriCorp earned revenue of \$58.6 million (2012 – \$55.2 million) from OMAF and MRA as its share of Production Insurance premium and operating funding.

AGRICORP

Notes to the financial statements, continued

Years ended March 31, 2013 and 2012

16. Board remuneration and salary disclosure

Total remuneration to members of the Board of Directors was \$33,647 during calendar 2012 (2011 – \$31,227).

The Public Sector Salary Disclosure Act, 1996, requires AgriCorp to disclose employees paid an annual salary in excess of \$100,000. The complete disclosure for AgriCorp is included in the “Public Sector Salary Disclosure 2013: Crown Agencies” listing on the Government of Ontario website:

http://www.fin.gov.on.ca/en/publications/salarydisclosure/pssd/pdf/crown_2012.pdf

For the 2012 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	\$ 163,647	\$ 606
Jackiw, Randy	Chief Executive Officer	184,363	9,349
LaRose, Doug	Chief Information Officer	185,852	688
Meneray, Debra	Senior Director, Program Delivery	146,528	557
Sayer, Greg	Senior Counsel and Director Legal Services	158,949	602

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 judgment, 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, 2013.

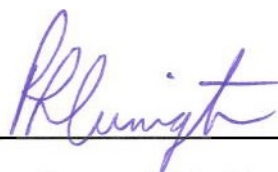
In discharging its responsibility for the integrity of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and proper records are maintained.

The financial statements have been examined by RLB LLP, independent external auditors appointed by the Ontario Ministry of Agriculture and Food 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, CPA, CA
Comptroller



Chartered Accountants
and Business Advisors

People Count.

INDEPENDENT AUDITOR'S REPORT

To the members of: Agricultural Research Institute of Ontario

We have audited the accompanying financial statements of Agricultural Research Institute of Ontario, which comprise the statement of financial position as at March 31, 2013 and the statements of revenues and expenditures and changes in fund balances, remeasurement losses 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.

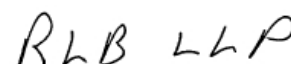
We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Agricultural Research Institute of Ontario as at March 31, 2013 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Comparative Information

Without modifying our opinion, we draw attention to note 3 to the financial statements, which describes that Agricultural Research Institute of Ontario adopted Canadian public sector accounting standards on April 1, 2011. These standards were applied retroactively by management to the comparative information in these financial statements, including the statements of financial position as at March 31, 2012 and April 1, 2011, and the statements of revenues and expenditures and changes in fund balances, remeasurement losses and cash flows for the year ended March 31, 2012 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

Handwritten signature of RLB LLP in black ink.

Guelph, Ontario
June 13, 2013

Chartered Accountants
Licensed Public Accountants

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2013

	2013 (schedule 1)	2012
ASSETS		
CURRENT		
Cash	\$ 3,985,879	\$ 2,985,161
Investments	12,327,500	7,507,811
Accounts receivable	<u>172,045</u>	<u>158,133</u>
	16,485,424	10,651,105
CAPITAL ASSETS UNDER CONSTRUCTION	24,790,842	8,490,842
CAPITAL ASSETS (note 7)	<u>57,375,167</u>	<u>59,297,015</u>
	<u>\$ 98,651,433</u>	<u>\$ 78,438,962</u>
LIABILITIES		
CURRENT		
Accounts payable and accruals	\$ 1,520,026	\$ 1,408,607
Holdbacks payable	417,773	371,442
Unclaimed expenditures	2,882,327	4,539,720
Deferred revenue	<u>3,065</u>	<u>27,787</u>
	4,823,191	6,347,556
DEFERRED CAPITAL FUNDED CONTRIBUTIONS (note 8)	37,063,396	18,435,508
DEFERRED CAPITAL CONTRIBUTIONS (note 9)	<u>34,242,104</u>	<u>36,295,592</u>
	<u>76,128,691</u>	<u>61,078,656</u>
NET ASSETS		
FUND BALANCES	8,542,270	3,319,226
ACCUMULATED REMEASUREMENT LOSSES	(56,811)	0
CONTRIBUTED ASSETS (note 6)	<u>14,037,283</u>	<u>14,041,080</u>
	<u>22,522,742</u>	<u>17,360,306</u>
	<u>\$ 98,651,433</u>	<u>\$ 78,438,962</u>

See notes to the financial statements

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO

STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED MARCH 31, 2013

	2013 (schedule 2)	2012
REVENUES		
Research		
Grants - provincial (note 11)	\$ 3,500,000	\$ 1,850,000
Grants - other	280,000	0
Intellectual property	1,085,306	1,127,014
	<u>4,865,306</u>	<u>2,977,014</u>
Property		
Grants - provincial - minor capital (note 11)	3,218,581	2,336,708
Rental income - provincial	865,909	673,326
Rental income - private industry	661,289	674,957
Transfer payments - payments in lieu of taxes	750,000	550,000
Payments in lieu of taxes	252,175	119,975
Amortization of deferred capital contribution	2,393,613	2,184,898
	<u>8,141,567</u>	<u>6,539,864</u>
Other		
Investment income	271,241	138,983
	<u>13,278,114</u>	<u>9,655,861</u>
EXPENDITURES		
Research		
Research project\program	1,948,406	1,961,654
Intellectual property	731,496	661,501
	<u>2,679,902</u>	<u>2,623,155</u>
Property		
Payments in lieu of taxes	797,685	750,641
Minor capital	3,058,824	2,859,945
Operations and maintenance	772,330	807,916
Amortization of capital assets	2,393,613	2,184,898
	<u>7,022,452</u>	<u>6,603,400</u>
Other	<u>10,110</u>	<u>2,617</u>
	<u>9,712,464</u>	<u>9,229,172</u>
EXCESS OF REVENUE OVER EXPENDITURES for the year	3,565,650	426,689
NET AMOUNT TRANSFERRED FROM UNCLAIMED EXPENDITURES	<u>1,657,393</u>	<u>199,516</u>
	5,223,043	626,205
FUND BALANCES, beginning of year	17,360,306	16,734,101
ACCUMULATED REMEASUREMENT LOSSES	(56,811)	0
LAND TRANSFERRED TO TOWNSHIP OF ALFRED (note 6)	<u>(3,796)</u>	<u>0</u>
FUND BALANCES, end of year	<u>\$ 22,522,742</u>	<u>\$ 17,360,306</u>

See notes to the financial statements

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO
STATEMENT OF REMEASUREMENT LOSSES
FOR THE YEAR ENDED MARCH 31, 2013

	2013	2012
ACCUMULATED REMEASUREMENT LOSSES, beginning of year	\$ 0	\$ 0
Adjustment upon adoption of financial instruments section (note 4)	0	0
Unrealized losses attributable to temporary investments	(56,811)	0
Amounts reclassified to the statement of operations:		
Disposition of long-term investments	<u>0</u>	<u>0</u>
Net remeasurement losses for the year	<u>(56,811)</u>	<u>0</u>
ACCUMULATED REMEASUREMENT LOSSES, end of year	<u>\$ (56,811)</u>	<u>\$ 0</u>

See notes to the financial statements

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2013

	2013	2012
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Excess of revenue over expenditures for the year	\$ 3,565,650	\$ 426,689
Items not requiring an outlay of cash		
Amortization	2,393,613	2,184,898
Deferred capital contributions	(2,053,488)	(2,053,955)
Accumulated remeasurement losses	<u>(56,811)</u>	<u>0</u>
	3,848,964	557,632
Changes in non-cash working capital		
Accounts receivable	(13,912)	191,818
Investments	(4,819,689)	572,370
Accounts payable and accruals	111,419	(169,366)
Deferred capital funded contributions	18,627,888	10,679,576
Holdbacks payable	46,331	(165,977)
Deferred revenue	<u>(24,722)</u>	<u>26,229</u>
	<u>17,776,279</u>	<u>11,692,282</u>
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Additions to capital assets	(475,563)	(3,638,361)
Proceeds on transfer of land	2	0
Capital assets under construction	<u>(16,300,000)</u>	<u>(6,349,183)</u>
	<u>(16,775,561)</u>	<u>(9,987,544)</u>
NET INCREASE IN CASH for the year	1,000,718	1,704,738
CASH, beginning of year	<u>2,985,161</u>	<u>1,280,423</u>
CASH, end of year	<u>\$ 3,985,879</u>	<u>\$ 2,985,161</u>

See notes to the financial statements

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED MARCH 31, 2013**

1. NATURE OF BUSINESS

The Agricultural Research Institute of Ontario (ARIO) is a non-profit corporate body reporting directly to the Ministry of Agriculture and Food (OMAF), formerly the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA). ARIO is a non-profit organization within the meaning of the Income Tax Act (Canada) and is exempt from income taxes. 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.

Funding for programs supported by ARIO is available from various sources. The Ontario Government, through the Ministry of Agriculture and Food, is the primary source of funding. The Ontario Government also provides funding for the open 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 and Food, 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 current research trust funds managed by the secretariat to ARIO are as follows:

- Agricultural Research Institute of Ontario (ARIO)
- Alternative Renewable Fuels (ARF)
- 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 public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board ("PSAB for Government NPOs") 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.

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) FINANCIAL INSTRUMENTS

Measurement of financial instruments

The organization initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments, which are measured at fair value. Changes in fair value are recognized in the statement of remeasurement losses.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accruals, holdbacks payable, unclaimed expenditures, deferred revenue, deferred capital funded contributions and deferred capital contributions.

The organization's financial assets measured at fair value include the investments.

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. If an impairment has occurred, the carrying amount of financial assets measured at amortized cost is reduced to the greater of the discounted future cash flows expected or the proceeds that could be realized from the sale of the financial asset. The amount of the write-down is recognized in the statement of revenues and expenditures. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of revenues and expenditures.

Transaction costs

The organization recognizes its transaction costs in expenditures in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

(c) UNCLAIMED EXPENDITURES

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

(d) CAPITAL ASSETS

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

Buildings and components	- 25 to 40 years straight line

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED MARCH 31, 2013**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(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) 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.

(h) USE OF ESTIMATES

The preparation of financial statements in accordance with PSAB for Government NPOs 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. FIRST TIME ADOPTION OF PUBLIC SECTOR ACCOUNTING STANDARDS

The Public Sector Accounting Board (PSAB) issued new standards for government (public sector) not-for-profit organizations. For years beginning on or after January 1, 2012, government NPOs have a choice of applying:

1. Public sector accounting standards including PS 4200 to 4270 for government not-for-profit organizations; or
2. Public sector accounting standards.

The Institute has chosen to follow Public Sector Accounting standards including PS 4200 to 4270 for government not-for-profit organizations.

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2013

3. FIRST TIME ADOPTION OF PUBLIC SECTOR ACCOUNTING STANDARDS (continued)

Effective April 1, 2012, the Institute adopted the requirements of the new accounting framework, Canadian Public Sector Accounting Standards for Not-for-Profit Organizations (PSAB for Government NPOs). These are the Institute's first financial statements prepared in accordance with this framework and the transitional provisions of Section 2125, First-time Adoption by Government Organizations have been applied. Section 2125 requires retroactive application of the accounting standards with certain elective exemptions and mandatory exemptions. The accounting policies set out in the Summary of Significant Accounting Policies have been applied in preparing the financial statements for the year ended March 31, 2013, the comparative information presented in these financial statements for the year ended March 31, 2012 and in the preparation of an opening statement of financial position at the date of transition of April 1, 2011, with the exception of PS 2601 - *Foreign Currency Translation* and PS 3450 - *Financial Instruments*, which have been applied with an effective date of April 1, 2012 (see note 4 - Change in Accounting Policy).

The Institute issued financial statements for the year ended March 31, 2011 using generally accepted accounting principles prescribed by the CICA Handbook - Accounting Part V - Pre-changeover Accounting Standards. The adoption of PSAB for Government NPOs resulted in no adjustments to the previously reported assets, liabilities, net assets, excess of revenue over expenditures and cash flows for the Institute.

The following table reflects the opening statement of financial position to PSAB for Government NPOs at the date of transition:

	Balance as at March 31, 2011 based on previous financial statements	Changes in fund balances	Balance as at April 1, 2011 based on PSAB for Government NPOs financial statements
A S S E T S			
CURRENT			
Cash	\$ 1,280,423	\$ 0	\$ 1,280,423
Investments	8,080,181	0	8,080,181
Accounts receivable	<u>349,951</u>	<u>0</u>	<u>349,951</u>
	9,710,555	0	9,710,555
CAPITAL ASSETS UNDER CONSTRUCTION	2,141,659	0	2,141,659
CAPITAL ASSETS	<u>57,843,553</u>	<u>0</u>	<u>57,843,553</u>
	<u>\$ 69,695,767</u>	<u>\$ 0</u>	<u>\$ 69,695,767</u>

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2013

3. FIRST TIME ADOPTION OF PUBLIC SECTOR ACCOUNTING STANDARDS (continued)

LIABILITIES

CURRENT

Accounts payable and accruals	\$ 1,577,973	\$ 0	\$ 1,577,973
Holdbacks payable	537,419	0	537,419
Unclaimed expenditures	4,739,236	0	4,739,236
Deferred revenue	<u>1,559</u>	<u>0</u>	<u>1,559</u>
	6,856,187	0	6,856,187

DEFERRED CAPITAL FUNDED
CONTRIBUTIONS

7,755,932	0	7,755,932

DEFERRED CAPITAL
CONTRIBUTIONS

<u>38,349,547</u>	<u>0</u>	<u>38,349,547</u>
<u>52,961,666</u>	<u>0</u>	<u>52,961,666</u>

NET ASSETS

FUND BALANCES

<u>16,734,101</u>	<u>0</u>	<u>16,734,101</u>
<u>\$ 69,695,767</u>	<u>\$ 0</u>	<u>\$ 69,695,767</u>

4. CHANGE IN ACCOUNTING POLICY

On April 1, 2012, the Institute adopted Public Accounting Standards PS 3450 - *Financial Instruments*, PS 2601 - *Foreign Currency Translation* and PS 1201 - *Financial Statement Presentation*. The standards were adopted prospectively from the date of adoption. The new standards provide comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments and foreign currency transactions.

Under PS 3450, all financial instruments, including derivatives, are included on the statement of financial position and are measured either at fair value or amortized cost based on the characteristics of the instrument and the Institute's accounting policy choices (see note 2 - Summary of Significant Accounting Policies).

There were no adjustments when adopting the new standards.

5. FINANCIAL INSTRUMENTS

(a) Fair value

For certain of the Institute's financial instruments, the carrying amounts of cash, accounts receivable and accounts payable and accruals, approximate fair value due to the short term maturity of these financial instruments.

PS3450, Financial Instruments - Disclosures requires disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013

5. FINANCIAL INSTRUMENTS (continued)

(a) Fair value (continued)

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities.
Level 2	Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3	Inputs that are not based on observable market data.

The Institute's financial instruments are all classified as Level 1 as at March 31, 2013 and 2012, and April 1, 2011.

There were no transfers in or out of Level 1 for the years ended March 31, 2013 and 2012.

(b) Associated risks

(i) Market price risk

Market price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. As all of the Institute's financial instruments are carried at fair value with fair value changes recognized in the statement of remeasurement losses, all changes in market conditions will directly affect the increase (decrease) in accumulated remeasurement losses. Market price risk is managed by the Investment Manager through construction of a diversified portfolio of instruments traded on various markets and across various industries.

A 1% increase (decrease) in the value of the investments would increase (decrease) the asset value and the change in unrealized gains in investments by \$123,275 (2012 - \$75,078). The price of the investments is affected by changes in market values, foreign exchange rates and interest rates impacting the underlying financial instruments held within the individual investments managed by the Investment Manager.

(ii) Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Institute's cash flows, financial position and income. Interest rate changes have an indirect impact on the investment assets in the Institute. The Institute uses investment diversification to manage this risk.

(iii) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

All of the Institute's fixed income securities are considered to be readily realizable as they can be quickly liquidated at amounts close to their fair value in order to meet liquidity requirements.

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2013

5. FINANCIAL INSTRUMENTS (continued)

(b) Associated risks (continued)

(iv) Foreign currency risk

Foreign currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Institute is not exposed to significant foreign currency risk.

(v) Credit risk

Credit risk is the risk that a customer or counterpart may be unable or unwilling to meet a commitment that it has entered into with ARIO. The Institute is not exposed to significant credit risk.

6. CONTRIBUTED ASSETS

Contributed assets of \$14,037,283 (2012 - \$14,041,080) are recorded in the Infrastructure Fund and represent the cost of the land transferred to ARIO from the Government of Ontario.

During the year, 0.61 acres of land was transferred to the municipality of Alfred for \$2 and a loss on transfer/disposal of \$3,796, which is less than the estimated fair market value of \$73,600, was recognized.

7. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2013	Net 2012
Land:				
Simcoe railway line	\$ 9,793	\$ 0	\$ 9,793	\$ 9,793
Regional campuses	3,092,104	0	3,092,104	3,095,900
Research Stations	<u>10,967,029</u>	<u>0</u>	<u>10,967,029</u>	<u>10,945,180</u>
	<u>14,068,926</u>	<u>0</u>	<u>14,068,926</u>	<u>14,050,873</u>
Buildings:				
Regional campuses	34,500,493	7,797,244	26,703,249	28,127,870
Research Stations	<u>22,037,912</u>	<u>5,434,920</u>	<u>16,602,992</u>	<u>17,118,272</u>
	<u>56,538,405</u>	<u>13,232,164</u>	<u>43,306,241</u>	<u>45,246,142</u>
	<u>\$ 70,607,331</u>	<u>\$ 13,232,164</u>	<u>\$ 57,375,167</u>	<u>\$ 59,297,015</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 and Food on an annual basis.

During the year, capital additions with a carrying value of \$72,294 (2012 - \$1,400,000) 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.

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2013

8. DEFERRED CAPITAL FUNDED CONTRIBUTIONS

Deferred capital contributions relating to construction of capital funded projects represents the amount of grants and other restricted funding received by the Institute for construction projects.

	2013	2012
Balance, beginning of the year	\$ 18,435,508	\$ 7,755,932
Less amortization for the year	(340,125)	(130,943)
Add contributions received for capital purposes	<u>18,968,013</u>	<u>10,810,519</u>
Balance, end of the year	<u>\$ 37,063,396</u>	<u>\$ 18,435,508</u>

The funding sources are as follows:

	2013	2012
Federal	\$ 1,347,500	\$ 1,382,500
Provincial	32,335,236	13,684,424
Industry	<u>3,380,660</u>	<u>3,368,584</u>
	<u>\$ 37,063,396</u>	<u>\$ 18,435,508</u>

9. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized amount of the net book value of the buildings transferred to ARIIO from the Government of Ontario in 2007. The amortization of capital contributions is recorded as revenue in the statement of revenues and expenditures. The changes in the deferred capital contributions are as follows:

	2013	2012
Balance, beginning of the year	\$ 36,295,592	\$ 38,349,547
Less amortization for the year	<u>(2,053,488)</u>	<u>(2,053,955)</u>
Balance, end of the year	<u>\$ 34,242,104</u>	<u>\$ 36,295,592</u>

10. ARIIO RESEARCH FUND

	Seed Royalty	Technology Royalty	Unpledged Equity	Total 2013	Total 2012
Revenue					
Intellectual property	\$ 929,967	\$ 155,339	\$ 0	\$ 1,085,306	\$ 1,127,014
Investment income	<u>51,720</u>	<u>64,049</u>	<u>360</u>	<u>116,129</u>	<u>58,398</u>
	981,687	219,388	360	1,201,435	1,185,412
Expenses	<u>723,281</u>	<u>17,929</u>	<u>396</u>	<u>741,606</u>	<u>664,118</u>
Net surplus (deficit) for the year	258,406	201,459	(36)	459,829	521,294
Fund balance, beginning of year	1,402,066	1,798,749	36	3,200,851	2,679,557
Remeasurement losses	<u>(6,980)</u>	<u>(8,409)</u>	<u>0</u>	<u>(15,389)</u>	<u>0</u>
Fund balance, end of year	<u>\$ 1,653,492</u>	<u>\$ 1,991,799</u>	<u>\$ 0</u>	<u>\$ 3,645,291</u>	<u>\$ 3,200,851</u>

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013
11. GRANTS RECEIVED FROM THE PROVINCIAL GOVERNMENT

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

	2013	2012
New Directions Research Program	\$ 3,000,000	\$ 1,350,000
Food Safety Research Program	<u>500,000</u>	<u>500,000</u>
	3,500,000	1,850,000
Minor capital	4,500,000	4,750,000
Elora Livestock Environmental and Energy Complex	16,214,300	6,000,000
Payments in lieu of taxes	<u>750,000</u>	<u>550,000</u>
	<u>\$ 24,964,300</u>	<u>\$ 13,150,000</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:

	2013	2012
Minor capital:		
Funding received	\$ 4,500,000	\$ 4,750,000
Capitalized - Deferred Capital Funding Contribution	<u>(1,281,419)</u>	<u>(2,413,292)</u>
Net revenue	<u>\$ 3,218,581</u>	<u>\$ 2,336,708</u>
Elora Livestock Environmental and Energy Complex:		
Funding received	\$ 16,214,300	\$ 6,000,000
Capitalized- Deferred Capital Funding Contribution	<u>(16,214,300)</u>	<u>(6,000,000)</u>
Net revenue	<u>\$ 0</u>	<u>\$ 0</u>

12. CORRESPONDING FIGURES

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

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED MARCH 31, 2013**

13. FUNDING AGREEMENTS WITH THIRD PARTIES

- (a) 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 effective June 2006 between OMAFRA and IGPC, whereby 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 being paid directly to ARIO to be used to support research priorities in the agri-food sector in Ontario.
- (b) Her Majesty the Queen in right of Ontario as represented by the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA) and Kawartha Ethanol Inc. have signed a Capital Grant Agreement effective August 1, 2008 between OMAFRA and Kawartha Ethanol Inc. whereby Kawartha Ethanol Inc. 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. Kawartha Ethanol Inc. has agreed to contribute \$98,000 annually for 10 years (for a total of \$980,000) starting April 2013 and ending with the final payment in April 2022. These funds are to be paid directly to ARIO to be used to support research priorities in the agri-food sector in Ontario.

Agricultural Research Institute of Ontario
Research Trust Funds
Schedule of Financial Position
As at March 31, 2013

Schedule 1

	ARIO	Infrastructure	ARF	New Directions	Food Safety	Eliminations	March 31, 2013 Total (page 5)
	\$	\$	\$	\$	\$	\$	\$
ASSETS							
CURRENT ASSETS							
Cash	3,985,879						3,985,879
Investments	12,327,500						12,327,500
Due from ARIO		6,614,636		4,209,679	1,028,604	(11,852,919)	0
Accounts receivable	101,359	62,728		6,395	1,563		172,045
	16,414,738	6,677,364	0	4,216,074	1,030,167	(11,852,919)	16,485,424
CAPITAL ASSETS UNDER CONSTRUCTION (note 7)		24,790,842					24,790,842
CAPITAL ASSETS (note 7)	9,793	57,365,374					57,375,167
	16,424,531	88,833,580	0	4,216,074	1,030,167	(11,852,919)	98,651,433
LIABILITIES							
CURRENT LIABILITIES							
Due to other research trust funds	11,852,919					(11,852,919)	0
Accounts payable and accruals	926,321	93,702		408,910	91,093		1,520,026
Holdbacks payable				333,690	84,083		417,773
Unclaimed expenditures				2,502,088	380,239		2,882,327
Deferred revenue		3,065					3,065
	12,779,240	96,767	0	3,244,688	555,415	(11,852,919)	4,823,191
DEFERRED CAPITAL FUNDED CONTRIBUTIONS (note 8)		37,063,396					37,063,396
DEFERRED CAPITAL CONTRIBUTIONS (note 9)		34,242,104					34,242,104
	12,779,240	71,402,267	0	3,244,688	555,415	(11,852,919)	76,128,691
FUND BALANCES	3,660,680	3,417,146	0	986,097	478,347		8,542,270
ACCUMULATED REMEASUREMENT LOSSES	(15,389)	(23,116)		(14,711)	(3,595)		(56,811)
CONTRIBUTED ASSETS (note 6)		14,037,283					14,037,283
	3,645,291	17,431,313	0	971,386	474,752	0	22,522,742
	16,424,531	88,833,580	0	4,216,074	1,030,167	(11,852,919)	98,651,433

See notes to the financial statements

**Agricultural Research Institute of Ontario
Research Trust Funds
Schedule of Revenues and Expenditures
For the year ended March 31, 2013**

Schedule 2

	ARIO (note 10) \$	Infrastructure \$	ARF \$	New Directions \$	Food Safety \$	March 31, 2013 Total (page 6) \$
REVENUE						
Research						
Grants - provincial (note 11)				3,000,000	500,000	3,500,000
Grants - other				280,000		280,000
Intellectual property	1,085,306					1,085,306
	<u>1,085,306</u>	<u>0</u>	<u>0</u>	<u>3,280,000</u>	<u>500,000</u>	<u>4,865,306</u>
Property						
Grants - provincial - minor capital (note 11)		3,218,581				3,218,581
Rental income - provincial		865,909				865,909
Rental income - private industry		661,289				661,289
Transfer payments - payments in lieu of taxes		750,000				750,000
Payments in lieu of taxes		252,175				252,175
Amortization of deferred capital contribution		2,393,613				2,393,613
	<u>0</u>	<u>8,141,567</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>8,141,567</u>
Other						
Investment income	116,129	84,729		55,126	15,257	271,241
	<u>1,201,435</u>	<u>8,226,296</u>	<u>0</u>	<u>3,335,126</u>	<u>515,257</u>	<u>13,278,114</u>
EXPENDITURES						
Research						
Research project/program			40,000	1,488,238	420,168	1,948,406
Intellectual property	731,496					731,496
	<u>731,496</u>	<u>0</u>	<u>40,000</u>	<u>1,488,238</u>	<u>420,168</u>	<u>2,679,902</u>
Property						
Payments in lieu of taxes		797,685				797,685
Minor capital		3,058,824				3,058,824
Operations and maintenance		772,330				772,330
Amortization of capital assets		2,393,613				2,393,613
	<u>0</u>	<u>7,022,452</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,022,452</u>
Other expenses	10,110					10,110
	<u>741,606</u>	<u>7,022,452</u>	<u>40,000</u>	<u>1,488,238</u>	<u>420,168</u>	<u>9,712,464</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENDITURES	459,829	1,203,844	(40,000)	1,846,888	95,089	3,565,650
NET AMOUNT TRANSFERRED FROM UNCLAIMED EXPENDITURES			40,000	1,191,194	426,199	1,657,393
	<u>459,829</u>	<u>1,203,844</u>	<u>0</u>	<u>3,038,082</u>	<u>521,288</u>	<u>5,223,043</u>
FUND BALANCES, beginning of year	3,200,851	16,254,381		(2,051,985)	(42,941)	17,360,306
ACCUMULATED REMEASUREMENT LOSSES	(15,389)	(23,116)		(14,711)	(3,595)	(56,811)
LAND TRANSFERRED TO TOWNSHIP OF ALFRED (note 6)		(3,796)				(3,796)
FUND BALANCES, end of year	<u>3,645,291</u>	<u>17,431,313</u>	<u>0</u>	<u>971,386</u>	<u>474,752</u>	<u>22,522,742</u>

See notes to the financial statements

Algonquin Forestry Authority
Year ended March 31, 2013

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 Canadian public sector accounting standards and, where appropriate, include amounts based on Management's best estimates and judgements.

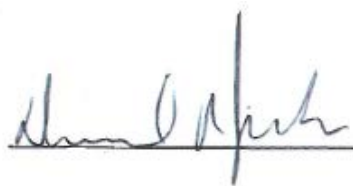
The Algonquin Forestry Authority is dedicated to the highest standards of integrity in its business. To safeguard the Authority's assets, the Authority has a sound and dynamic set of internal financial controls and procedures that balance benefits and costs. Management has developed and maintains financial 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 statements of financial position as March 31, 2013, March 31, 2012 and April 1, 2011, and the statements of operations, changes in net assets and cash flows for the years ended March 31, 2013 and March 31, 2012, 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

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits 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 in my audits 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, 2013, March 31, 2012 and April 1, 2011 and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian public sector accounting standards.

Susan Klein, CPA, CA, LPA
Acting Deputy Auditor General

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Toronto, Ontario
June 26, 2013

ALGONQUIN FORESTRY AUTHORITY

Statements of Financial Position

March 31, 2013, March 31, 2012 and April 1, 2011

	March 31, 2013	March 31, 2012	April 1, 2011
Assets			
Current assets:			
Cash	\$ 1,523,614	\$ 2,542,566	\$ 1,533,402
Accounts receivable (note 2)	7,543,495	6,243,238	8,248,468
Inventories held for sale	376,230	503,739	360,606
Prepaid expenses	1,962	1,962	1,962
	9,445,301	9,291,505	10,144,438
Capital assets (note 3)	334,458	389,035	401,592
	\$ 9,779,759	\$ 9,680,540	\$ 10,546,030
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 1,537,628	\$ 1,038,722	\$ 1,808,165
Contractors' performance holdbacks	75,931	72,656	111,485
Due to Consolidated Revenue Fund (note 14)	375,967	156,461	460,137
Deferred contributions (note 4)	274,636	436,818	405,032
	2,264,162	1,704,657	2,784,819
Obligation for employee future benefits (note 5)	436,356	441,287	418,771
Deferred capital contributions (note 6)	115,591	178,726	155,460
	2,816,109	2,324,670	3,359,050
Net assets:			
Restricted - Forest Renewal Fund (notes 7 and 8)	2,500,000	2,500,000	2,500,000
Invested in capital assets (note 9)	218,867	210,309	246,132
Unrestricted - General Fund	4,244,783	4,645,561	4,440,848
	6,963,650	7,355,870	7,186,980
	\$ 9,779,759	\$ 9,680,540	\$ 10,546,030

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

ALGONQUIN FORESTRY AUTHORITY

Statements of Operations

Years ended March 31, 2013 and 2012

	General Fund	Forest Renewal Fund	2013 Total	2012 Total
Revenue:				
Product sales	\$ 15,619,773	\$ -	\$ 15,619,773	\$ 16,395,977
Forest renewal activity	-	1,255,078	1,255,078	1,266,834
Standing timber sales	242,860	-	242,860	113,188
Other (note 10)	2,307,865	355,128	2,662,993	2,436,098
	18,170,498	1,610,206	19,780,704	20,212,097
Expenses:				
Direct program costs	14,054,908	1,691,020	15,745,928	15,433,729
Crown timber stumpage charges	1,895,588	-	1,895,588	2,005,179
Public access road maintenance	440,590	-	440,590	431,156
Operations planning	128,972	-	128,972	143,499
Wood measurement	32,672	-	32,672	39,897
	16,552,730	1,691,020	18,243,750	18,053,460
Operating income	1,617,768	(80,814)	1,536,954	2,158,637
Administrative and other:				
Salaries and benefits	1,402,447	133,083	1,535,530	1,557,418
Amortization of capital assets	146,953	21,333	168,286	198,469
Office supplies and other	91,670	96	91,766	94,990
Office rent	41,612	12,920	54,532	54,580
Directors' allowances	27,409	-	27,409	26,238
Insurance	16,014	6,255	22,269	22,426
Staff travel and training	15,682	1,873	17,555	17,239
Public relations	10,509	-	10,509	17,240
Consulting, legal and miscellaneous	1,318	-	1,318	1,147
	1,753,614	175,560	1,929,174	1,989,747
Excess (deficiency) of revenue over expenses	\$ (135,846)	\$ (256,374)	\$ (392,220)	\$ 168,890

See accompanying notes to financial statements.

ALGONQUIN FORESTRY AUTHORITY

Statements of Changes in Net Assets

Years ended March 31, 2013 and 2012

March 31, 2013		Invested in Capital Assets	Restricted - Forest Renewal Fund	Unrestricted - General Fund	Total
Balance, beginning of year	\$	210,309 \$	2,500,000 \$	4,645,561 \$	7,355,870
Deficiency of revenue over expenses (note 9)		(105,151)	(235,041)	(52,028)	(392,220)
Interfund transfer (note 8)		-	235,041	(235,041)	-
Investment in capital assets (note 9)		113,709	-	(113,709)	-
Balance, end of year	\$	218,867 \$	2,500,000 \$	4,244,783 \$	6,963,650

March 31, 2012		Invested in Capital Assets	Restricted - Forest Renewal Fund	Unrestricted - General Fund	Total
Balance, beginning of year	\$	246,132 \$	2,500,000 \$	4,440,848 \$	7,186,980
Excess (deficiency) of revenue over expenses (note 9)		(135,335)	(182,600)	486,825	168,890
Interfund transfer (note 8)		-	182,600	(182,600)	-
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

See accompanying notes to financial statements.

ALGONQUIN FORESTRY AUTHORITY

Statements of Cash Flows

Years ended March 31, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Excess (deficiency) of revenue over expenses	\$ (392,220)	\$ 168,890
Adjustments for:		
Amortization of capital assets	168,286	198,469
Amortization of deferred capital contributions	(63,135)	(63,134)
Gain on sale of capital assets	(20,677)	(250)
Obligation for employee future benefits	(4,931)	22,516
	(312,677)	326,491
Change in non-cash working capital:		
Accounts receivable	(1,300,257)	2,005,230
Inventories held for sale	127,509	(143,133)
Accounts payable and accrued liabilities	498,906	(769,443)
Contractors' performance holdbacks	3,275	(38,829)
Due to Consolidated Revenue Fund	219,506	(303,676)
Deferred contributions	(162,182)	31,786
	(925,920)	1,108,426
Cash flows from financing activities:		
Capital contributions received	-	86,400
Cash flows from capital activities:		
Acquisition of capital assets	(113,709)	(185,912)
Proceeds on sale of capital assets	20,677	250
	(93,032)	(185,662)
Increase (decrease) in cash	(1,018,952)	1,009,164
Cash, beginning of year	2,542,566	1,533,402
Cash, end of year	\$ 1,523,614	\$ 2,542,566

See accompanying notes to financial statements.

ALGONQUIN FORESTRY AUTHORITY

Notes to Financial Statements

Years ended March 31, 2013 and 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.

On April 1, 2012, the Authority adopted Canadian generally accepted accounting principles for government not-for-profit organizations as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants. These are the first financial statements prepared in accordance with PSAB standards.

In accordance with the transitional provisions in Public Sector Accounting Standards, the Authority has adopted the changes retrospectively. The transition date is April 1, 2011 and all comparative information provided has been presented by applying public sector accounting standards. There were no transitional adjustments.

1. Significant accounting policies:

(a) Basis of accounting:

The Authority's financial statements are prepared by management in accordance with Canadian Public Sector Accounting Standards including the 4200 standards for government not-for-profit organizations.

(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.

ALGONQUIN FORESTRY AUTHORITY

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

1. Significant accounting policies: (continued)

(c) Revenue recognition: (continued)

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.

Other income is recognized when earned.

(d) Inventories held for sale:

Inventories held for sale, 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.

ALGONQUIN FORESTRY AUTHORITY

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

1. Significant accounting policies: (continued)

(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's financial assets and financial liabilities are accounted for as follows:

- Cash is subject to an insignificant risk of change in value so carrying value approximates fair value.
- Accounts receivable are recorded at amortized cost less any amount for valuation allowance. Valuation allowances are made to reflect accounts receivable at the lower of amortized cost and the net recoverable value, when collectability and risk of loss exists. Changes in valuation allowances are recognized in the Statement of operations.
- Accounts payable and accrued liabilities, Contractors' performance holdbacks and Due to Consolidated Revenue Fund are recorded at cost.

The Authority does not use derivative financial instruments.

ALGONQUIN FORESTRY AUTHORITY

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

1. Significant accounting policies: (continued)

(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.

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) Measurement uncertainty:

The preparation of financial statements in conformity with Canadian public sector accounting standards 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. Accounts receivable:

	March 31, 2013	March 31, 2012	April 1, 2011
Trade	\$ 7,299,897	\$ 5,929,401	\$ 8,214,911
Other	281,512	351,751	138,957
	7,581,409	6,281,152	8,353,868
Less allowance for doubtful accounts	(37,914)	(37,914)	(105,400)
	\$ 7,543,495	\$ 6,243,238	\$ 8,248,468

ALGONQUIN FORESTRY AUTHORITY

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

3. Capital assets:

March 31, 2013	Cost	Accumulated amortization	Net book value
Bridges and access roads	\$ 5,346,800	\$ 5,345,832	\$ 968
Portable steel structures	654,578	503,326	151,252
Forest renewal assets	326,271	309,680	16,591
Automotive equipment	419,643	265,457	154,186
Technical equipment	199,564	189,367	10,197
Data processing equipment	149,267	149,267	-
Furniture and fixtures	83,358	83,212	146
Leasehold improvements	44,803	43,826	977
Trailers	13,690	13,549	141
	\$ 7,237,974	\$ 6,903,516	\$ 334,458

March 31, 2012	Cost	Accumulated amortization	Net book value
Bridges and access roads	\$ 5,346,800	\$ 5,344,864	\$ 1,936
Portable steel structures	654,578	440,192	214,386
Forest renewal assets	354,180	323,239	30,941
Automotive equipment	385,164	261,766	123,398
Technical equipment	199,564	186,760	12,804
Data processing equipment	149,267	146,675	2,592
Furniture and fixtures	83,358	82,213	1,145
Leasehold improvements	44,803	43,392	1,411
Trailers	13,690	13,268	422
	\$ 7,231,404	\$ 6,842,369	\$ 389,035

ALGONQUIN FORESTRY AUTHORITY

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

3. Capital assets (continued):

April 1, 2011	Cost	Accumulated amortization	Net book value
Bridges and access roads	\$ 5,346,800	\$ 5,320,075	\$ 26,725
Portable steel structures	568,178	366,733	201,445
Forest renewal assets	354,180	290,769	63,411
Automotive equipment	285,652	201,504	84,148
Technical equipment	199,564	184,153	15,411
Data processing equipment	149,267	143,564	5,703
Furniture and fixtures	83,358	81,157	2,201
Leasehold improvements	44,803	42,957	1,846
Trailers	13,690	12,988	702
	\$ 7,045,492	\$ 6,643,900	\$ 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:

	2013	2012
Public access road maintenance:		
Balance, beginning of year	\$ 316,699	\$ 175,598
Add: contributions received in the year	300,000	300,000
Less: amount spent in the year	(342,063)	(158,899)
Balance, end of year	274,636	316,699
Other park-related projects:		
Balance, beginning of year	120,119	229,434
Less: amount spent in the year	(120,119)	(109,315)
Balance, end of year	-	120,119
	\$ 274,636	\$ 436,818

ALGONQUIN FORESTRY AUTHORITY

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 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 \$132,533 (2012 - \$110,243) 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 vested severance payments amounts to \$436,356 (2012 - \$441,287) at year end.

(c) Non-pension post-retirement benefits:

The cost of other non-pension post-retirement benefits is the responsibility of the Province of Ontario, 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 other revenue in the statement of operations.

	2013	2012
Balance, beginning of year	\$ 178,726	\$ 155,460
Additional contributions received	-	86,400
Less amounts amortized to revenue	(63,135)	(63,134)
Balance, end of year	\$ 115,591	\$ 178,726

ALGONQUIN FORESTRY AUTHORITY

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 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:

	March 31, 2013	March 31, 2012	April 1, 2011
Capital assets	\$ 334,458	\$ 389,035	\$ 401,592
Amounts financed by:			
Deferred contributions	(115,591)	(178,726)	(155,460)
	\$ 218,867	\$ 210,309	\$ 246,132

ALGONQUIN FORESTRY AUTHORITY

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

9. Investment in capital assets (continued):

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

	2013	2012
Deficiency of revenues over expenses:		
Amortization of deferred contributions related to capital assets	\$ 63,135	\$ 63,134
Amortization of capital assets	(168,286)	(198,469)
	\$ (105,151)	\$ (135,335)
Net change in investment in capital assets:		
Purchase of capital assets	\$ 113,709	\$ 185,912
Amounts funded by:		
Deferred contributions	-	(86,400)
	\$ 113,709	\$ 99,512

10. Road maintenance funding:

Included in General Fund Other Revenue is revenue of \$1.65 million (2012 - \$1.71 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 2013, \$ 413,600 (2012 - \$436,700) was passed on to the Authority's customers and is netted in product sales in the Statement of Operations.

11. Remuneration of appointments:

Total remuneration of the Board members of the Authority was approximately \$11,500 during the fiscal year (2012 - \$11,700).

ALGONQUIN FORESTRY AUTHORITY

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

12. Financial risks and concentration of credit risk:

(a) Liquidity risks:

Liquidity risk is the risk that the Authority will be unable to fulfil its obligations on a timely basis or at a reasonable cost. The Authority manages its liquidity risk by monitoring its operating requirements. The Authority prepares budget and cash forecasts to ensure it has sufficient funds to fulfil its obligations. There has been no change to the risk exposures from 2012.

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Authority is exposed to credit risk with respect to the accounts receivable. The Authority assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts.

13. 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%.

14. Due to Consolidated Revenue Fund:

Due to Consolidated Revenue Fund represents amounts owed by the Authority for Crown Stumpage charges and Forestry Futures Stumpage charges incurred in the normal course of operations. Year-end balances are normally settled in full in the first quarter of the following year.

Cancer Care Ontario

Action Cancer Ontario

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June 20, 2013

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 Canadian public sector accounting standards 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, 2013, 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 Canadian public sector accounting standards. 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 statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011 and the statements of operations, changes in fund balances, and cash flows for the years ended March 31, 2013 and March 31, 2012 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

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits 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 in my audits 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, 2013, March 31, 2012 and April 1, 2011 and its financial performance and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian public sector accounting standards.

Susan Klein, CPA, CA, LPA
Acting Deputy Auditor General

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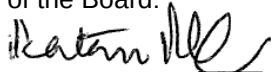
Toronto, Ontario
June 20, 2013

Cancer Care Ontario**Statements of financial position**

(In thousands of dollars)

	March 31, 2013	March 31, 2012	April 1, 2011
Assets			
Current			
Cash and cash equivalents (Note 3)	\$ 91,164	\$ 117,484	\$ 155,804
Short-term investments (Note 4)	102,921	122,111	80,982
Receivables and prepaids (Note 5)	54,989	28,878	20,253
	<u>249,074</u>	<u>268,473</u>	<u>257,039</u>
Capital assets (Note 6)	160,147	134,148	103,488
	<u>\$ 409,221</u>	<u>\$ 402,621</u>	<u>\$ 360,527</u>
Liabilities			
Current			
Accounts payable and accrued liabilities (Note 7)	\$ 185,070	\$ 208,573	\$ 190,280
Deferred operating grants (Note 8(a))	4,554	4,861	6,546
	<u>189,624</u>	<u>213,434</u>	<u>196,826</u>
Deferred contributions related to capital assets (Note 8(b))	169,278	140,464	115,930
Post-employment benefits other than pension plan (Note 9(b))	2,380	2,512	2,611
	<u>361,282</u>	<u>356,410</u>	<u>315,367</u>
Fund balances			
Endowment (Note 1)	1,288	1,288	2,317
Internally restricted (Note 1)	1,550	2,009	1,641
Externally restricted (Note 1)	2,469	2,476	8,364
General – unrestricted (Note 1)	37,543	36,819	27,372
Investment in capital assets (Note 10)	5,089	3,619	5,466
	<u>47,939</u>	<u>46,211</u>	<u>45,160</u>
	<u>\$ 409,221</u>	<u>\$ 402,621</u>	<u>\$ 360,527</u>
Commitments (Note 15)			
Contingencies (Note 16)			
Guarantees (Note 17)			

On behalf of the Board:



Director



Director

See accompanying notes to the financial statements.

Cancer Care Ontario

Statements of operations

(In thousands of dollars)

Years ended March 31, 2013 and 2012

	Restricted		General		Total	
	2013	2012	2013	2012	2013	2012
Revenue						
Ministry of Health and Long-Term Care	\$ -	\$ -	\$ 959,244	\$ 844,437	\$ 959,244	\$ 844,437
Ministry of Health and Long-Term Care capital funding for Integrated Cancer Programs	-	-	8,125	9,597	8,125	9,597
Net investment income (Note 11)	17	31	2,626	4,200	2,643	4,231
Amortization of deferred contributions related to capital assets (Note 8(b))	-	-	34,687	23,957	34,687	23,957
Other (Note 12)	2,293	3,465	8,611	9,419	10,904	12,884
	<u>2,310</u>	<u>3,496</u>	<u>1,013,293</u>	<u>891,610</u>	<u>1,015,603</u>	<u>895,106</u>
Expenses						
Integrated Cancer Programs Services	7	3,694	300,191	312,417	300,198	316,111
Drugs	-	-	232,323	219,309	232,323	219,309
Chronic kidney disease services	-	-	174,861	51,643	174,861	51,643
Surgical services – hospitals	-	-	70,955	66,675	70,955	66,675
Salaries and benefits	1,772	1,762	68,124	63,174	69,896	64,936
Amortization of capital assets	-	-	36,037	25,715	36,037	25,715
Medical services	6	24	28,232	25,662	28,238	25,686
Purchased services	937	1,212	22,642	21,099	23,579	22,311
Hospital systemic therapy services	-	-	17,761	15,344	17,761	15,344
Screening services	-	-	17,588	50,369	17,588	50,369
Capital contributions to Integrated Cancer Programs	-	-	13,712	11,737	13,712	11,737
Other operating (Note 13)	194	216	12,641	11,734	12,835	11,950
Pension (Note 9(a))	-	-	5,679	5,102	5,679	5,102
Consulting services	17	12	4,893	2,780	4,910	2,792
Occupancy costs	-	5	4,554	3,893	4,554	3,898
Professional fees	-	1	608	324	608	325
Post-employment benefits other than pension plan (Note 9(b))	-	-	141	141	141	141
Loss on disposal of capital assets	-	-	-	11	-	11
	<u>2,933</u>	<u>6,926</u>	<u>1,010,942</u>	<u>887,129</u>	<u>1,013,875</u>	<u>894,055</u>
Excess (deficiency) of revenue over expenses	\$ (623)	\$ (3,430)	\$ 2,351	\$ 4,481	\$ 1,728	\$ 1,051

See accompanying notes to the financial statements.

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

(In thousands of dollars)

Years ended March 31, 2013 and 2012

	<u>Restricted</u>			<u>General –</u>	<u>Invested</u>	
	<u>Endowment</u>	<u>Internally</u>	<u>Externally</u>	<u>unrestricted</u>	<u>in capital</u>	<u>Total</u>
					<u>assets</u>	
Fund balances, April 1, 2011	\$ 2,317	\$ 1,641	\$ 8,364	\$ 27,372	\$ 5,466	\$ 45,160
Excess (deficiency) of revenue over expenses	-	(225)	(3,205)	4,481	-	1,051
Net change in investment in capital assets (Note 10)	-	555	-	1,292	(1,847)	-
Interfund transfers (Note 14)	<u>(1,029)</u>	<u>38</u>	<u>(2,683)</u>	<u>3,674</u>	<u>-</u>	<u>-</u>
Fund balances, March 31, 2012	1,288	2,009	2,476	36,819	3,619	46,211
Excess (deficiency) of revenue over expenses	-	(592)	(31)	2,351	-	1,728
Net change in investment in capital assets (Note 10)	-	-	-	(1,470)	1,470	-
Interfund transfers (Note 14)	<u>-</u>	<u>133</u>	<u>24</u>	<u>(157)</u>	<u>-</u>	<u>-</u>
Fund balances, March 31, 2013	<u>\$ 1,288</u>	<u>\$ 1,550</u>	<u>\$ 2,469</u>	<u>\$ 37,543</u>	<u>\$ 5,089</u>	<u>\$ 47,939</u>

See accompanying notes to the financial statements.

Cancer Care Ontario

Statements of cash flows

(In thousands of dollars)

Years ended March 31

2013

2012

Increase (decrease) in cash and cash equivalents

Operating

Excess of revenue over expenses	\$ 1,728	\$ 1,051
Amortization of capital assets	36,037	25,715
Amortization of deferred contributions related to capital assets	(34,687)	(23,957)
Loss on disposal of capital assets	-	11
Post-employment benefits expense other than pension plan	141	141
Post-employment benefits paid other than pension plan	(273)	(240)
	<u>2,946</u>	<u>2,721</u>
Change in non-cash operating working capital		
Receivables and prepaids	(26,111)	(8,625)
Accounts payable and accrued liabilities	(23,503)	18,293
Deferred operating grants	(307)	(1,685)
	<u>(49,921)</u>	<u>7,983</u>
	<u>(46,975)</u>	<u>10,704</u>

Capital

Purchase of capital assets	(62,036)	(56,393)
Proceeds on disposal of capital assets	-	7
	<u>(62,036)</u>	<u>(56,386)</u>

Investing

Proceeds from maturity of investments	91,428	83,422
Purchase of investments	(72,238)	(124,551)
	<u>19,190</u>	<u>(41,129)</u>

Financing

Amounts received related to capital assets	<u>63,501</u>	<u>48,491</u>

Decrease in cash and cash equivalents	(26,320)	(38,320)

Cash and cash equivalents, beginning of year	<u>117,484</u>	<u>155,804</u>

Cash and cash equivalents, end of year	\$ <u>91,164</u>	\$ <u>117,484</u>

See accompanying notes to the financial statements.

Cancer Care Ontario

Notes to the financial statements

(In thousands of dollars)

Years ended March 31, 2013 and March 31, 2012

Nature of operations

Cancer Care Ontario (the "Organization") is the provincial government agency responsible for driving health system performance improvement for Ontario's cancer and chronic kidney disease health systems. The Organization also supports achievement of Ontario's Wait Time and Emergency Room/Alternate Level of Care Strategies through the collection and provision of information that enables the government to measure, manage and improve access quality and efficiency of care. With this mandate, the Organization is responsible for the funding to continually improve health system performance to ensure that patients receive the right care, at the right time, in the right place, at every step of their journey.

The Organization's role includes working with healthcare providers in every region across the province to plan services that will meet current and future patient needs; to support providers in delivering the highest-quality care aligned to evidence-based standards and guidelines; and to work with administrators, doctors and other care providers to improve system efficiency and effectiveness.

The Organization also leads the development and implementation of innovative payment models; implements provincial programs designed to raise screening participation rates; translates research and evidence into standards and guidelines; puts information into the hands of the provincial policy makers; and ensures Ontarians have cancer and renal care systems that are accountable, efficient and of the highest quality by measuring and reporting on the performance of services.

The Organization is a registered charity under the Income Tax Act (Canada) and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met. Members of the Board of Directors and Board Committees are volunteers who service without remuneration. The Organization and the Ministry of Health and Long-Term Care ("MOHLTC") entered into a Memorandum of Understanding, effective December 31, 2009. The Organization is primarily funded by the Province of Ontario through the MOHLTC.

1. Significant accounting policies

Basis of presentation

These financial statements have been prepared in accordance with Public Sector Accounting Standards for government not-for-profit organizations ("PSA-GNPO") as issued by the Public Sector Accounting Board (PSAB). This is the first time that the Organization has prepared its financial statements in accordance with PSA-GNPO, having previously prepared its financial statements in accordance with Not-For-Profit accounting standards in Part V of the Canadian Institute of Chartered Accountants (CICA) Handbook.

Details of how the transition has affected the financial position, financial performance and cash flows are disclosed in Note 2.

Cancer Care Ontario

Notes to the financial statements

(In thousands of dollars)

Years ended March 31, 2013 and March 31, 2012

1. Significant accounting policies (continued)

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 Externally Restricted Fund.

The Internally Restricted Fund reports funds internally restricted by the Board of Directors for education, research or other special purposes.

The Externally Restricted Fund reports donations and grants which have restrictions placed on their use by the donor, primarily related to research. The Organization ensures, as part of its fiduciary responsibility, that all funds received with a restricted purpose are expended for the purpose for which they were provided.

The General Fund accounts for the Organization's MOHLTC and other funded programs. This Fund reports unrestricted resources, all restricted grants from MOHLTC, and restricted grants from others for which the Organization has no corresponding restricted fund.

Contributions

The Organization follows the restricted fund method of accounting for its restricted contributions. Restricted contributions are recognized as revenue of the Restricted Fund if the amount to be received can be reasonably estimated and ultimate collection is reasonably assured. Restricted contributions for which there is no corresponding Restricted Fund (including MOHLTC and other funded programs) are recognized as revenue in the General Fund using the deferral method.

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

Unrestricted contributions received for the purpose of capital assets are recorded as deferred capital contributions related to capital assets 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.

Cancer Care Ontario

Notes to the financial statements

(In thousands of dollars)

Years ended March 31, 2013 and March 31, 2012

1. Significant accounting policies (continued)

Financial Instruments

Financial instruments are measured at fair value when acquired or issued. In subsequent periods, financial instruments (including short-term investments) are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when there is objective evidence of impairment. When there has been a loss in value of short-term investments that is other than a temporary decline, the investment is written down and the loss is recorded in the statements of operations. For receivables, when a loss is considered probable, the receivable is reflected at its estimated written down amount to the lower of its cost and its estimated net recoverable amount, with the loss reported on the statements of operations. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items subsequently measured at fair value and charged to the financial instrument for those measured at amortized cost.

Capital assets

Capital assets are recorded at cost less amortization and impairment. Third party and internal labour costs are capitalized under software in connection with the development of information technology projects.

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 is amortized over periods ranging from 3 years to 5 years; and leasehold improvements are amortized over the term of the leases. Software is amortized over periods ranging from 3 years to 5 years.

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.

When a capital asset no longer has any long-term service potential to the Organization, the differential of its net carrying amount and any residual value, is recognized as a gain or loss, as appropriate, in the statements of operations.

Expenses

Expenses are recorded on an accrual basis.

Pension benefits and post-employment 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. Therefore the Organization's contribution are accounted for as if the plan were a defined contribution plan with the Organization's contribution being expensed in the period they come due.

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

(In thousands of dollars)

Years ended March 31, 2013 and March 31, 2012

1. Significant accounting policies (continued)**Pension benefits and post-employment benefits other than pension plan (continued)****(ii) Post-employment benefits other than pension plan**

The cost of post-employment benefits other than pension plan is actuarially determined using the projected benefit method prorated on services and expensed as employment services are rendered. Adjustments to these costs arising from changes in estimates and actuarial experience gains and losses are amortized to income over the estimated average remaining service life of the employee groups on a straight line basis.

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. Items subject to such estimates and assumptions include the impairment assessment in the carrying amount of capital assets, accruals for drug expenditures and post-employment benefits other than pension plan. Actual results could differ from those estimates.

2. Transition to Public Sector Accounting Standards

The Organization has adopted PSA-GNPO effective April 1, 2011 ("the transition date") and has prepared its opening PSA-GNPO statement of financial position as at that date. Prior to the adoption of PSA-GNPO the Organization prepared its financial statements in accordance with Not-For-Profit accounting standards in Part V of the Canadian Institute of Chartered Accountants (CICA) Handbook ("Canadian GAAP").

The financial statements of the Organization have been prepared using policies specified by PSA-GNPO that are in effect at the end of the reporting period ended March 31, 2013. The significant accounting policies that have been applied in the preparation of these financial statements are summarized in Note 1. These accounting policies have been used throughout all periods presented in the financial statements, except where the Organization has applied certain accounting policy exemptions to full retrospective application upon transition to PSA-GNPO.

Public Sector ("PS") 2125, *First-time adoption by Government Organizations* requires that comparative financial information be provided and that the PSA-GNPO be applied retrospectively; however, PS 2125 provides for certain optional exemptions and mandatory exemptions for first time adopters.

The PS 2125 exemptions applied in the conversion from Canadian GAAP to PSA-GNPO are as follows:

Post-employment benefits other than pension plan

The Organization has elected to recognize all cumulative actuarial gains and losses at the date of transition directly into general – unrestricted fund balance at the date of transition of April 1, 2011. This election resulted in an increase in fund balances of \$458 at the date of transition.

Cancer Care Ontario

Notes to the financial statements

(In thousands of dollars)

Years ended March 31, 2013 and March 31, 2012

2. Transition to Public Sector Accounting Standards (continued)

These accounting changes have been applied retroactively with restatement of prior periods except for the accounting standards contained in PS 2601 – *Foreign currency translation* and PS 3450 – *Financial instruments* as these standards specifically prohibit retroactive application. The following changes have been implemented to comply with PSA-GNPO:

<u>March 31, 2012</u>	<u>Previously Reported</u>	<u>Adjustments</u>	<u>Revised</u>

a) Statement of financial position

Financial liabilities:

Post-retirement benefits other than pension plan (i) (ii)	\$ 3,195	\$ (683)	\$ 2,512

Fund balances:

General – unrestricted (i) (ii)	\$ 36,136	\$ 683	\$ 36,819

Statement of operations

Post-retirement benefits other than pension Plan (i)	\$ 121	\$ 20	\$ 141

<u>April 1, 2011</u>	<u>Previously Reported</u>	<u>Adjustments</u>	<u>Revised</u>

b) Statement of financial position

Financial liabilities:

Post-retirement benefits other than pension plan (i) (ii)	\$ 3,314	\$ (703)	\$ 2,611

Fund balances:

General – unrestricted (i) (ii)	\$ 26,669	\$ 703	\$ 27,372

c) Statement of Cash Flow

PS 1201 *Financial Statement Presentation*, includes an additional “capital” activities category. The Organization has moved all capital asset activity from the “investing” category to the “capital” activities category in the statements of cash flows.

Cancer Care Ontario

Notes to the financial statements

(In thousands of dollars)

Years ended March 31, 2013 and March 31, 2012

2. Transition to Public Sector Accounting Standards (continued)

Notes to the reconciliations:

- (i) As a result of adopting PS 3250 *Retirement Benefits*, the Organization was required to use a different discount rate to calculate the accrued liability. The discount rate is now based on the Organization's own borrowing rate. In addition, the Organization is required to amortize the actuarial gains and losses on a different basis than under pre-changeover GAAP. As a result of these differences, there was a decrease in the accrued benefit liability and an increase of general – unrestricted fund balances of \$245 at the date of transition, April 1, 2011 (March 31, 2012 - \$235).
- (ii) These adjustments are a result of the exemption elected under PS 2125, *First-Time Adoption* as described earlier in Note 2. This election resulted in a decrease in the accrued benefit liability and an increase of general – unrestricted fund balances of \$458 at the date of transition, April 1, 2011 (March 31, 2012 - \$448).

Effective April 1, 2012, the Organization adopted PS 2601 – *Foreign currency translation* and PS 3450 – *Financial instruments*. There were no accounting adjustments required upon adoption of these standards. These sections have been applied prospectively; as a result, comparative amounts are presented in accordance with the accounting policies applied by the Organization immediately preceding its adoption of PSA-GNPO.

3. Cash and cash equivalents – restricted

Cash and cash equivalents includes \$412 (2012 - \$407; April 1, 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.

4. Investments

	March 31, <u>2013</u>	March 31, <u>2012</u>	April 1, <u>2011</u>

Guaranteed Investment Certificates as follows:

- interest at 1.50%, maturing September 5, 2013	\$ 42,516	\$ -	\$ -
- interest at 1.89%, redeemable on demand, maturing September 5, 2013	30,041	60,082	-
- interest at 1.75%, maturing October 2, 2013	10,262	-	-
- interest at 1.35%, maturing May 9, 2013	10,053	-	-
- interest at 1.75%, redeemable on demand, maturing June 23, 2014	10,049	-	-
- interest at 1.85%, maturing September 5, 2012	-	41,820	-
- interest at 1.60%, maturing December 21, 2012	-	10,125	-
- interest at 1.75%, maturing April 2, 2012	-	10,084	-
- interest at 2.10%, maturing March 3, 2012	-	-	10,226
- interest at 2.26%, maturing March 5, 2012	-	-	30,693
- interest at 2.05%, maturing March 5, 2012	-	-	40,063
	<u>\$ 102,921</u>	<u>\$ 122,111</u>	<u>\$ 80,982</u>

Guaranteed Investment Certificates that have a maturity beyond one year but are redeemable on demand have been included as current.

Cancer Care Ontario

Notes to the financial statements

(In thousands of dollars)

Years ended March 31, 2013 and March 31, 2012

5. Receivables and prepaids	March 31, 2013	March 31, 2012	April 1, 2011
Accounts receivable	\$ 12,639	\$ 5,838	\$ 4,225
Due from MOHLTC	39,817	21,305	14,818
Prepaids	<u>2,533</u>	<u>1,735</u>	<u>1,210</u>
	<u>\$ 54,989</u>	<u>\$ 28,878</u>	<u>\$ 20,253</u>

6. Capital assets

	March 31, 2013		
	Cost	Accumulated Amortization	Net Book Value
Therapeutic and other technical equipment	\$ 322,480	\$ 189,761	\$ 132,719
Office furniture, equipment	6,097	3,630	2,467
Leasehold improvements	4,284	3,802	482
Land and buildings	1	-	1
Software	<u>44,990</u>	<u>20,512</u>	<u>24,478</u>
	<u>\$ 377,852</u>	<u>\$ 217,705</u>	<u>\$ 160,147</u>

	March 31, 2012		
	Cost	Accumulated Amortization	Net Book Value
Therapeutic and other technical equipment	\$ 279,430	\$ 174,531	\$ 104,899
Office furniture, equipment	4,935	2,380	2,555
Leasehold improvements	4,056	3,069	987
Land and buildings	1	-	1
Software	<u>32,942</u>	<u>7,236</u>	<u>25,706</u>
	<u>\$ 321,364</u>	<u>\$ 187,216</u>	<u>\$ 134,148</u>

	April 1, 2011		
	Cost	Accumulated Amortization	Net Book Value
Therapeutic and other technical equipment	\$ 272,034	\$ 181,885	\$ 90,149
Office furniture, equipment	2,985	1,287	1,698
Leasehold improvements	4,056	2,248	1,808
Land and buildings	1	-	1
Software	<u>11,507</u>	<u>1,675</u>	<u>9,832</u>
	<u>\$ 290,583</u>	<u>\$ 187,095</u>	<u>\$ 103,488</u>

The cost of capital assets include software under development of \$3,112 (2012 - \$9,547, April 1, 2011 - \$1,718) and deposits for therapeutic equipment of \$36,526 (2012 - \$23,487, April 1, 2011 - \$18,855). Amortization of these amounts will commence when the asset is available for use.

Cancer Care Ontario

Notes to the financial statements

(In thousands of dollars)

Years ended March 31, 2013 and March 31, 2012

7. Accounts payable and accrued liabilities

	March 31, <u>2013</u>	March 31, <u>2012</u>	April 1, <u>2011</u>
Trade payables	\$ 125,340	\$ 138,672	\$ 63,980
Accrued liabilities	46,208	39,341	63,955
Payable to MOHLTC	13,110	30,153	61,941
Pension escrow	<u>412</u>	<u>407</u>	<u>404</u>
	<u>\$ 185,070</u>	<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 with the respective Ministry. Changes in the deferred operating grant balance are as follows:

	March 31, <u>2013</u>	March 31, <u>2012</u>
Balance, beginning of year	\$ 4,861	\$ 6,546
Amounts received during the year	52,759	99,389
Amounts recognized as revenue	(9,189)	(5,068)
Amounts returned to MOHLTC	(30,767)	(65,853)
Amounts reclassified to accounts payable and accrued liabilities	<u>(13,110)</u>	<u>(30,153)</u>
Balance, end of year	<u>\$ 4,554</u>	<u>\$ 4,861</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:

	March 31, <u>2013</u>	March 31, <u>2012</u>
Balance, beginning of year	\$ 140,464	\$ 115,930
Amounts received related to capital assets	63,501	48,491
Amounts recognized as revenue	<u>(34,687)</u>	<u>(23,957)</u>
Balance, end of year	<u>\$ 169,278</u>	<u>\$ 140,464</u>

Cancer Care Ontario

Notes to the financial statements

(In thousands of dollars)

Years ended March 31, 2013 and March 31, 2012

8. Deferred contributions (continued)

b) Deferred contributions related to capital assets (continued)

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

	March 31, <u>2013</u>	March 31, <u>2012</u>	April 1, <u>2011</u>
Unamortized capital contributions used to purchase capital assets	\$ 155,058	\$ 130,529	\$ 98,022
Unspent contributions	<u>14,220</u>	<u>9,935</u>	<u>17,908</u>
Balance, end of year	<u>\$ 169,278</u>	<u>\$ 140,464</u>	<u>\$ 115,930</u>

9. Pension benefits and post-employment benefits

a) Pension Plan

Employees of the Organization are members of HOOPP, which is a multiemployer contributory 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 \$5,679 (2012 - \$5,102) and are included in the pension expense in the statements of operations. The most recent actuarial valuation filed with pension regulators as of December 31, 2010 indicated an actuarial surplus of \$176 million. The next valuation will be completed as of December 31, 2013.

b) Post-employment benefits plan other than pension plan

Prior to January 1, 2006, the Organization offered non-pension, post-employment health and dental benefits to its active and retired employees. Effective January 1, 2006, the Organization offers non-pension, post-employment benefits only to its retired employees, who retired prior to January 1, 2006. Benefits paid during the year under this unfunded plan were \$273 (2012 - \$240). The actuarial valuation for the post-employment benefits other than pension plan is dated March 31, 2010 and has been extrapolated to March 31, 2013.

Cancer Care Ontario

Notes to the financial statements

(In thousands of dollars)

Years ended March 31, 2013 and March 31, 2012

9. Pension benefits and post-employment benefits (continued)

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

	March 31, 2013	March 31, 2012	April 1, 2011
Accrued benefit obligation, end of year	\$ 2,754	\$ 2,709	\$ 2,611
Plan assets	<u>-</u>	<u>-</u>	<u>-</u>
Plan deficit	2,754	2,709	2,611
Unamortized net actuarial loss	<u>374</u>	<u>197</u>	<u>-</u>
Accrued liability, end of year	\$ <u>2,380</u>	\$ <u>2,512</u>	\$ <u>2,611</u>

	March 31, 2013	March 31, 2012
Interest cost	\$ 122	\$ 141
Amortization of experience losses	<u>19</u>	<u>-</u>
Total benefit expense	\$ <u>141</u>	\$ <u>141</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:

	March 31, 2013	March 31, 2012
Discount rate	3.94%	4.69%
Drug cost trend rate	7.5% in 2013 to 5% in 2018 and after	8% in 2012 to 5% in 2018 and after
Hospital, dental and other medical costs trend rate	4% per annum	4% per annum
Employee average remaining lifetime (years)	10.21	11.21

Cancer Care Ontario

Notes to the financial statements

(In thousands of dollars)

Years ended March 31, 2013 and March 31, 2012

10. Investment in capital assets

	March 31, 2013	March 31, 2012	April 1, 2011
Capital assets	\$ 160,147	\$ 134,148	\$ 103,488
Amounts financed by deferred capital contributions (Note 8 b))	<u>(155,058)</u>	<u>(130,529)</u>	<u>(98,022)</u>
	\$ <u>5,089</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	\$ 62,036	\$ 56,393	\$ 38,936
Increase in deferred contributions related to capital assets	(59,216)	(56,464)	(33,193)
Amortization of deferred contributions related to capital assets	34,687	23,957	30,981
Amortization of capital assets	(36,037)	(25,715)	(32,402)
Disposal of capital assets	<u>-</u>	<u>(18)</u>	<u>(588)</u>
	\$ <u>1,470</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 \$17 (2012 - \$31) is included in the Restricted Fund.

12. Other revenue

	March 31, 2013	March 31, 2012
General Fund		
eHealth Ontario	\$ 4,080	\$ 3,290
Public Health Ontario	2,319	2,333
Salary recovery	171	143
Canadian Partnership Against Cancer	-	3,122
Other income	<u>2,041</u>	<u>531</u>
	\$ <u>8,611</u>	\$ <u>9,419</u>
Restricted Fund		
Grants	\$ <u>2,293</u>	\$ <u>3,465</u>

Cancer Care Ontario

Notes to the financial statements

(In thousands of dollars)

Years ended March 31, 2013 and March 31, 2012

13. Other operating expenses	March 31, 2013	March 31, 2012
Restricted Fund		
Travel	\$ 71	\$ 79
General office	44	69
Education and publications	42	32
Equipment	37	31
Other expenses	-	5
	<u>\$ 194</u>	<u>\$ 216</u>
General Fund		
Equipment	\$ 6,095	\$ 5,322
Education and publications	2,465	2,095
General office	2,077	2,261
Travel	948	751
Patient service	800	800
Other expenses	256	505
	<u>\$ 12,641</u>	<u>\$ 11,734</u>
14. Interfund transfers	March 31, 2013	March 31, 2012
Transfer to the General Fund from Endowment Fund	\$ -	\$ 1,029
Transfer from the General Fund to the Internally Restricted Fund	(133)	(38)
Transfer (from) to the General Fund (to) from the Externally Restricted Fund	(24)	2,683
	<u>\$ (157)</u>	<u>\$ 3,674</u>

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

Cancer Care Ontario

Notes to the financial statements

(In thousands of dollars)

Years ended March 31, 2013 and March 31, 2012

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:

2014	\$	4,259
2015		3,852
2016		3,616
2017		3,518
2018		<u>1,007</u>
	\$	<u>16,252</u>

- b) The Organization has committed \$6,180 (2012 - \$4,796; April 1, 2011 - \$24,101) for the purchase of equipment, which is net of deposits disclosed in Note 6.

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, 2013.

17. 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.

Cancer Care Ontario

Notes to the financial statements

(In thousands of dollars)

Years ended March 31, 2013 and March 31, 2012

17. Guarantees (continued)

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 Integrated Cancer Program host hospitals from claims, actions, costs, damages and expenses brought about as a result of any breach by the Organization of its obligations under the Cancer Program Integration Agreement and the related 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.

18. Financial instruments

The Organization's financial instruments are exposed to certain financial risks, including credit risk, interest rate risk, and liquidity risk. There have been no significant changes from the previous year in the exposure to these risks or in methods used to measure these risks.

Credit risk

Credit risk arises from cash and cash equivalents and short-term investments held with financial institutions and credit exposures on outstanding receivables. Cash and cash equivalents and short-term investments are held at major financial institutions that have a high credit rating assigned to it by credit-rating agencies minimizing any potential exposure to credit risk. The Organization assesses the credit quality of the counterparties, taking into account their financial position and other factors. 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.

The Organization's maximum exposure to credit risk related to accounts receivable at year end, were as follows:

	Total	0 to 30 days	31 to 60 days	61 to 90 days	91 to 120 days	120 days +
Accounts receivables	\$ 12,639	\$12,584	\$ 23	\$ 7	\$ 25	\$ -
Due from MOHLTC	<u>39,817</u>	<u>39,481</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>336</u>
Net amount receivable	<u>\$ 52,456</u>	<u>\$ 52,065</u>	<u>\$ 23</u>	<u>\$ 7</u>	<u>\$ 25</u>	<u>\$ 336</u>

As there is no indication that the Organization will not be able to recover these receivables, an impairment allowance has not been recognized.

Cancer Care Ontario

Notes to the financial statements

(In thousands of dollars)

Years ended March 31, 2013 and March 31, 2012

18. Financial instruments (continued)

Interest rate risk

Interest rate risk is the risk that the fair 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. The Organization mitigates interest rate risk on its investments by purchasing guaranteed investment certificates with short term maturities and demand features.

At March 31, 2013, a 1% fluctuation in interest rates, with all other variables held constant, will have an estimated impact on the value of investment of (\$650) to \$809.

Liquidity risk

Liquidity risk is the risk that the Organization will not be able to meet its cash flow obligations as they fall due. The Organization mitigates this risk by maintaining no debt and monitoring cash activities and expected outflows through budgeting and maintaining investments that may be converted to cash in the near-term if unexpected cash outflows arise. The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

	<u>Total</u>	<u>0 to 30 days</u>	<u>31 to 60 days</u>	<u>61 to 90 days</u>	<u>91 to 120 days</u>	<u>120 days +</u>
Trade payables	\$ 125,340	\$ 125,327	\$ 8	\$ 3	\$ -	\$ 2
Accrued liabilities	46,208	46,058	-	-	-	150
Payable to MOHLTC	13,110	13,110	-	-	-	-
Pension Escrow	<u>412</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>412</u>
Net amount payable	<u>\$ 185,070</u>	<u>\$ 184,495</u>	<u>\$ 8</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ 564</u>

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

The accompanying financial statements of the Education Quality Accountability Office for the year ended March 31, 2013 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 6, 2013.

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

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

Tony Saini
Director, Corporate and Public Affairs

Toronto, Canada
June 6, 2013



KPMG LLP
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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, 2013, 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 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 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, 2013, and its results of operations 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 'KPMG LLP' with a horizontal line underneath.

Chartered Accountants, Licensed Public Accountants

June 6, 2013
Toronto, Canada

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

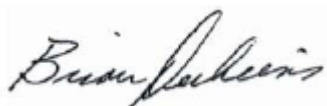
Statement of Financial Position

March 31, 2013, with comparative figures for 2012

	2013	2012
Financial Assets		
Current assets:		
Cash	\$ 2,728,486	\$ 3,672,633
Cash - board restricted (note 3(b))	7,444,020	5,560,594
Accounts receivable (note 4)	1,426,702	478,018
	<u>11,599,208</u>	<u>9,711,245</u>
Financial Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	1,932,336	3,172,697
Deferred revenue (note 2)	—	2,175,404
	<u>1,932,336</u>	<u>5,348,101</u>
Net financial assets	9,666,872	4,363,144
Non-Financial Assets		
Prepaid expenses (note 5)	792,311	709,949
Tangible capital assets (note 6)	311,524	487,501
	<u>1,103,835</u>	<u>1,197,450</u>
Accumulated surplus	<u>\$ 10,770,707</u>	<u>\$ 5,560,594</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, 2013, with comparative figures for 2012

	2013 Budget (Unaudited)	2013 Actual	2012 Actual
Revenue:			
Ministry of Education:			
Base allocation payments	\$ 32,008,545	\$ 31,855,682	\$ 32,857,743
Other	–	552,805	524,768
	32,008,545	32,408,487	33,382,511
Expenses:			
Service and rental	16,699,484	15,317,704	16,505,943
Salaries and wages	11,516,411	11,801,670	12,077,453
Transportation and communication	3,228,270	1,734,925	3,738,685
Supplies and equipment	564,380	519,479	535,662
	32,008,545	29,373,778	32,857,743
Annual surplus before the undernoted	–	3,034,709	524,768
Recognition of deferred revenue (note 2)	–	2,175,404	–
Annual surplus	–	5,210,113	524,768
Accumulated surplus, beginning of year	5,560,594	5,560,594	5,035,826
Accumulated surplus, end of year	\$ 5,560,594	\$ 10,770,707	\$ 5,560,594
Accumulated surplus is comprised of:			
Externally restricted		\$ 3,326,687	\$ –
Internally restricted (note 3(b))		7,444,020	5,560,594
		\$ 10,770,707	\$ 5,560,594

See accompanying notes to financial statements.

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Statement of Changes in Net Financial Assets

Year ended March 31, 2013, with comparative figures for 2012

	2013 Budget (Unaudited)	2013 Actual	2012 Actual
Annual surplus	\$ —	\$ 5,210,113	\$ 524,768
Acquisition of tangible capital assets	—	(66,735)	(315,379)
Amortization of tangible capital assets	242,712	242,712	198,143
	242,712	175,977	(117,236)
Acquisition of prepaid expenses	—	(792,311)	(709,949)
Use of prepaid expenses	—	709,949	605,589
	—	(82,362)	(104,360)
Increase in net financial assets	242,712	5,303,728	303,172
Net financial assets, beginning of year	4,363,144	4,363,144	4,059,972
Net financial assets, end of year	\$ 4,605,856	\$ 9,666,872	\$ 4,363,144

See accompanying notes to financial statements.

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Statement of Cash Flows

Year ended March 31, 2013, with comparative figures for 2012

	2013	2012
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 5,210,113	\$ 524,768
Amortization of tangible capital assets which does not affect cash	242,712	198,143
	5,452,825	722,911
Change in non-cash operating working capital:		
Accounts receivable	(948,684)	447,435
Accounts payable and accrued liabilities	(1,240,361)	439,408
Deferred revenue	(2,175,404)	51,117
Prepaid expenses	(82,362)	(104,360)
	1,006,014	1,556,511
Financing activities:		
Acquisition of tangible capital assets	(66,735)	(315,379)
Investing activities:		
Change to board restricted fund	(1,883,426)	(566,876)
Increase (decrease) in cash	(944,147)	674,256
Cash, beginning of year	3,672,633	2,998,377
Cash, end of year	\$ 2,728,486	\$ 3,672,633

See accompanying notes to financial statements.

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Notes to Financial Statements

Year ended March 31, 2013

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 public sector accounting standards, 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. The Agency receives base allocation payments in accordance with the fiscal year's approved budget. These transfer payments are recognized in the financial statements in the year in which the transfer is authorized and all eligibility criteria have been met, except when a transfer gives rise to a liability.

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

(b) Tangible capital assets:

Tangible capital assets are stated at cost less accumulated amortization. Tangible 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.

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Notes to Financial Statements (continued)

Year ended March 31, 2013

1. Significant accounting policies (continued):

The Agency considers the carrying value of tangible capital 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.

(c) 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.

2. Change in accounting policy:

Commencing fiscal years beginning on or after April 1, 2012, the revised standard PS3410, Government Transfers, is in effect. Section 3410 sets out recognition principles for government transfers from both a transferring and recipient government perspective. As a recipient government, the Agency recognizes revenue when the transfer is authorized and all eligibility criteria have been met, except when a transfer gives rise to a liability. As this Section may be applied retroactively or prospectively, the Agency opted to apply the Section on a prospective basis, commencing April 1, 2012.

The Agency reviewed the composition of the deferred revenue balance and concluded that the full amount is eligible to be recognized as revenue under the revised standard. As a result, an amount of \$2,175,404 is recorded as an increase to net assets in fiscal 2013.

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Notes to Financial Statements (continued)

Year ended March 31, 2013

3. Accumulated surplus:

(a) Externally restricted accumulated surplus:

The Agency receives base allocation payments in accordance with the year's approved budget. Actual expenses incurred in the year could differ from the budgeted amounts. The difference between base allocation payments received and actual expenses incurred are tracked separately as externally restricted accumulated surplus.

(b) Internally restricted accumulated surplus:

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.

	2013	2012
Balance, beginning of year	\$ 5,560,594	\$ 4,993,718
Appropriation of other income	418,264	451,237
Interest income earned on funds	134,550	115,639
Cost associated with fee-based administration (note 9)	(88,623)	—
Recognition of deferred revenue (note 2)	1,419,235	—
Balance, end of year	\$ 7,444,020	\$ 5,560,594

During the year, the Board approved a motion to fully restrict the internally restricted accumulated surplus for the Board approved IT strategy.

4. Accounts receivable:

Included in accounts receivable is a transfer payment in the amount of \$1,039,031 (2012 - nil) due from the Ministry of Education.

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Notes to Financial Statements (continued)

Year ended March 31, 2013

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:

	2013	2012
Prepaid expenses	\$ 156,411	\$ 131,715
Prepaid secondees	635,900	578,234
	<u>\$ 792,311</u>	<u>\$ 709,949</u>

6. Tangible capital assets:

			2013	2012
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment	\$ 1,998,188	\$ 1,703,573	\$ 294,615	\$ 456,037
Furniture and fixtures	251,191	234,282	16,909	31,464
	<u>\$ 2,249,379</u>	<u>\$ 1,937,855</u>	<u>\$ 311,524</u>	<u>\$ 487,501</u>

Amortization of tangible capital assets recorded in the current year amounts to \$242,712 (2012 - \$198,143).

7. Lease commitments:

The Agency leases premises under a long-term lease that expires on December 31, 2017. 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. Future minimum annual scheduled payments are as follows:

2014	\$ 1,196,489
2015	1,115,064
2016	1,008,219
2017	989,279
2018	503,519
	<u>\$ 4,812,570</u>

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Notes to Financial Statements (continued)

Year ended March 31, 2013

8. Financial instruments:

The Agency's financial instruments consist of cash, board restricted fund, accounts receivable and accounts payable and accrued liabilities. Financial instruments are recorded at fair value on initial recognition. 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.

9. Allocation of expenses:

Incremental administration expenses are allocated to fee-based administration revenue. Expenses are allocated proportionately based on the number of assessments administered.

10. Liquidity risk:

Liquidity risk is the risk that the Agency will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Agency manages its liquidity risk by monitoring its operating requirements. The Agency prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

There have been no significant changes to the liquidity risk exposure from 2012.



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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 public sector accounting standards and where appropriate, include amounts based on management's best estimates and judgment. Management is responsible for the integrity and objectivity of these financial statements. The financial information presented elsewhere in this Annual Report is consistent with that in the financial statements in all material respects.

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

The board of directors ensures that management fulfills its responsibilities for financial information and internal controls. The financial statements have been reviewed by eHealth Ontario's Finance and Audit Committee and approved by the board of directors.

The financial statements have been examined by Ernst & 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 public sector accounting standards. The Independent Auditor's Report outlines the scope of the Auditor's examination and opinion.

A handwritten signature in black ink, appearing to read "Greg A. Reed". The signature is stylized with a large, sweeping "G" and "R".

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

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
eHealth Ontario

We have audited the accompanying financial statements of **eHealth Ontario**, which comprise the statements of financial position as at March 31, 2013 and 2012, and April 1, 2011, and the statements of operations and changes in net assets and cash flows for the years ended March 31, 2013 and 2012, 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.

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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

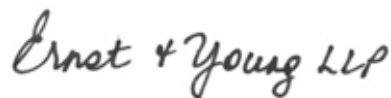
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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 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 **eHealth Ontario** as at March 31, 2013 and 2012, and April 1, 2011 and the results of its operations and its cash flows for the years ended March 31, 2013 and 2012 in accordance with Canadian public sector accounting standards.

Toronto, Canada,
June 25, 2013.

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

Chartered Accountants
Licensed Public Accountants

eHealth Ontario

STATEMENTS OF FINANCIAL POSITION

[in thousands of dollars]

As at

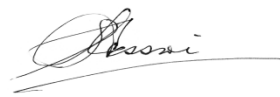
	March 31, 2013 \$	March 31, 2012 \$	April 1, 2011 \$
ASSETS			
Current			
Cash	92,044	41,219	42,730
Prepaid expenses	7,489	6,926	4,778
Due from Ministry of Health and Long-Term Care [note 3[c]]	4,234	5,950	—
HST and other receivables	7,781	3,107	3,693
Total current assets	111,548	57,202	51,201
Capital assets, net [note 4]	69,198	88,907	64,418
Prepaid expenses	2,750	2,778	1,143
	183,496	148,887	116,762
LIABILITIES AND NET ASSETS			
Current			
Accounts payable and accrued liabilities	71,630	58,446	47,615
Due to Ministry of Health and Long-Term Care [note 3[b]]	42,668	1,534	4,729
Total current liabilities	114,298	59,980	52,344
Deferred capital contributions [note 5]	69,198	88,907	64,418
Total liabilities	183,496	148,887	116,762
Commitments and contingencies [note 6]			
Net assets	—	—	—
	183,496	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

STATEMENTS OF OPERATIONS AND
CHANGES IN NET ASSETS*[in thousands of dollars]*

Years ended March 31

	2013 \$	2012 \$
REVENUE		
Government grants <i>[note 3(a)]</i>	359,913	369,157
Amortization of deferred capital contributions <i>[note 5]</i>	42,566	15,784
	402,479	384,941
EXPENSES		
Development and delivery	175,470	189,406
Technology services	135,258	139,121
Shared services	29,208	28,390
Enabling technology	19,977	12,240
	359,913	369,157
Impairment charge <i>[note 4]</i>	26,985	1,571
Amortization of capital assets <i>[note 4]</i>	15,581	14,213
	402,479	384,941
Excess of revenue over expenses for the year	—	—
Net assets, beginning of year	—	—
Net assets, end of year	—	—

See accompanying notes

eHealth Ontario

STATEMENTS OF CASH FLOWS

[in thousands of dollars]

Years ended March 31

	2013 \$	2012 \$
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	—	—
Add (deduct) items not involving cash		
Amortization of deferred capital contributions	(42,566)	(15,784)
Impairment charge	26,985	1,571
Amortization of capital assets	15,581	14,213
	—	—
Net change in non-cash working capital balances related to operations		
Prepaid expenses	(535)	(3,783)
HST and other receivables	(4,674)	586
Accounts payable and accrued liabilities	5,213	12,005
Due to/from Ministry of Health and Long-Term Care	42,850	(9,145)
Cash (used in) provided by operating activities	42,854	(337)
INVESTING ACTIVITIES		
Purchase of capital assets	(14,886)	(41,447)
Cash used in investing activities	(14,886)	(41,447)
FINANCING ACTIVITIES		
Contributions used to fund capital assets	22,857	40,273
Cash provided by financing activities	22,857	40,273
Net (decrease) increase in cash during the year	50,825	(1,511)
Cash, beginning of year	41,219	42,730
Cash, end of year	92,044	41,219

See accompanying notes

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

March 31, 2013 and 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, 2013 and 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements were prepared in accordance with the Public Sector Accounting Handbook, which sets out generally accepted accounting principles for government not-for-profit organizations in Canada. eHealth Ontario has chosen to use the standards for government not-for-profit organizations that include Section PS 4200 to PS 4270. The financial statements have been prepared based on the significant accounting policies described below.

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 capital 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, 2013 and 2012

Employee future benefits

Contributions to a defined contribution plan are expensed on an accrual basis.

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.

3. GOVERNMENT OF ONTARIO

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

	2013 \$	2012 \$
Funding for eHealth Ontario operating/capital expenditures	290,003	256,616
Funding for transfer payments to eHealth Ontario partners	134,997	153,864
Total funding	425,000	410,480
Amounts used to fund capital assets and recorded as deferred capital contributions <i>[note 5]</i>	(22,857)	(40,273)
Interest earned during the year repayable to the Ministry	438	484
Interest earned and funding not used recorded as due to Ministry <i>[note 3(b)]</i>	(42,668)	(1,534)
Amount recognized as revenue	359,913	369,157

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

March 31, 2013 and 2012

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

	March 31, 2013 \$	March 31, 2012 \$	April 1, 2011 \$
Interest earned and funding not used			
- current and prior year amounts	42,668	1,534	4,941
Funding receivable	—	—	(212)
	42,668	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.

4. CAPITAL ASSETS

	March 31, 2013		Net
	Cost	Accumulated	book
	\$	\$	value
Computer hardware	66,673	42,047	24,626
Computer software	63,419	30,778	32,641
Furniture and office equipment	5,845	4,253	1,592
Leasehold improvements	4,258	3,559	699
Work-in-process	9,640	—	9,640
	149,835	80,637	69,198

eHealth Ontario

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2013 and 2012

	March 31, 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

	April 1, 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

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:

	March 31,	March 31,	April 1,
	2013	2012	2011
	\$	\$	\$
Computer hardware	—	—	7,035
Computer software	—	—	42
Work-in-process	9,640	37,321	36,687
	9,640	37,321	43,764

eHealth Ontario

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2013 and 2012

In the current year, certain assets no longer in use with a total cost of \$10,847 [March 31, 2012 - \$11,216], accumulated amortization of \$10,484 [March 31, 2012 - \$9,624] and a net book value of \$363 [March 31, 2012 - \$21; April 1, 2011 - \$217] were written off and included in amortization of capital assets.

Impairment charges of \$26,985 [March 31, 2012 - \$1,571; April 1, 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.

5. DEFERRED CAPITAL CONTRIBUTIONS

	March 31, 2013 \$	March 31, 2012 \$	April 1, 2011 \$
Balance, beginning of year	88,907	64,418	36,731
Contributions used to fund capital asset purchases <i>[note 3[a]]</i>	22,857	40,273	39,246
Amortization	(42,566)	(15,784)	(11,559)
Balance, end of year	69,198	88,907	64,418

6. COMMITMENTS AND CONTINGENCIES

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

	\$
2014	61,348
2015	45,314
2016	14,814
2017	10,046
2018	5,927
2019 and thereafter	—
	137,449

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

March 31, 2013 and 2012

- [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:

	\$
2014	5,862
2015	4,964
2016	4,261
2017	1,281
2018	167
2019 and thereafter	—
	16,535

- [c] eHealth Ontario has entered into transfer payment agreements with eHealth Ontario partners that require future payments once defined eligibility requirements have been met. Work has begun under many of these arrangements and progress against the eligibility requirements is monitored regularly. Total future payments in connection with these contracts are approximately \$141 million, of which \$130 million is expected to be paid in fiscal 2014. These payments are payable over the period ending March 31, 2016.

- [d] During the year ended March 31, 2013, as a result of a court endorsed settlement, eHealth was required to pay bonuses to staff related to fiscal 2011 and 2012 totalling \$6.7 million. As at March 31, 2012, an accrual of \$5.1 million had been recorded in the accounts. The difference of \$1.6 million was expensed this year.

With respect to bonuses related to the year ended March 31, 2013, the payment of bonuses was not approved and therefore no amount has been accrued. If approval is obtained to pay bonuses in connection with the year ended March 31, 2013, the amount payable will be expensed in the year when an estimate can be made and it is likely that an amount will be payable.

- [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.

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.

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

March 31, 2013 and 2012

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 \$3,592 [2012 - \$3,176].

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, 2013 of \$7,971 [2012 - \$1,174] has been excluded from the statement of cash flows.

9. FINANCIAL INSTRUMENTS**Credit risk**

eHealth Ontario is exposed to credit risk in connection with its accounts receivable because of the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation.

eHealth Ontario manages and controls credit risk with respect to accounts receivable by only dealing with recognized, creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis. As at March 31, 2013, significantly all receivables are current.

Liquidity risk

eHealth Ontario is exposed to the risk that it will encounter difficulty in meeting obligations associated with its financial liabilities. eHealth Ontario derives all of its operating revenue from the Ontario government with no firm commitment of funding in future years. To manage liquidity risk, eHealth keeps sufficient resources readily available to meet its obligations.

Accounts payable mature within 6 months.

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

March 31, 2013 and 2012

**10. FIRST-TIME ADOPTION OF CANADIAN PUBLIC SECTOR
ACCOUNTING STANDARDS**

These financial statements are the first financial statements that eHealth Ontario has prepared in accordance with the Public Sector Handbook, which constitutes generally accepted accounting principles for government not-for-profit organizations in Canada. eHealth Ontario has chosen to use the standards for government not-for-profit organizations that include Section PS 4200 to PS 4270. First-time adoption of this new basis of accounting had no impact on excess of revenue over expenses for the year ended March 31, 2012, or net assets as at April 1, 2011, the date of transition.

FOREST RENEWAL TRUST

Forest Renewal Trust Financial Statements for the year ended March 31, 2013 were not available at the time of printing. When available, they will be posted to the website: www.fin.gov.on.ca/en/ .



MINISTRY OF INFRASTRUCTURE GENERAL REAL ESTATE PORTFOLIO (GREP)

June 26, 2013

Independent Auditor's Report

To the Minister of Infrastructure

We have audited the accompanying financial statements of Ministry of Infrastructure General Real Estate Portfolio (see note 1), which comprise the statement of financial position as at March 31, 2013 and the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information. The financial information has been prepared by the management of Ontario Infrastructure and Lands Corporation in accordance with the basis of preparation as set out in note 1.

Management's responsibility for the financial statements

Management is responsible for the preparation of these financial statements in accordance with the basis of preparation as set out in note 1 to the financial statements, 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 of Ministry of Infrastructure General Real Estate Portfolio as at March 31, 2013 and for the year then ended are prepared, in all material respects, in accordance with the basis specified in note 1 of the financial statements.

Basis of Accounting and restriction on distribution and use

Without modifying our opinion, we draw attention to note 1 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist Ontario Infrastructure and Lands Corporation to meet the requirements of the Ministry of Infrastructure. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the directors of Ontario Infrastructure and Lands Corporation and the Ministry of Infrastructure and should not be distributed to or used by parties other than the directors of Ontario Infrastructure and Lands Corporation and the Ministry of Infrastructure.

Other matter

The financial statements as at March 31, 2012 and for the year then ended, prior to restatement as explained in note 2, were audited by another auditor who expressed an unmodified opinion on those financial statements on June 15, 2012.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Ministry of Infrastructure
General Real Estate Portfolio
Statement of Financial Position
As at March 31

(\$ thousands)

	2013	2012 Restated (Note 2)
Financial Assets		
Cash and cash equivalents (Note 3)	\$ 172,562	\$ 181,117
Trade and other receivables (Note 4)	91,951	103,121
AFP receivables (Note 5)	1,419,055	1,258,403
Receivables under capital leases (Note 6)	395,428	402,111
Due from related parties (Note 7)	76,125	56,374
Projects receivables (Note 8)	18,033	15,440
Assets held for sale (Note 9)	16,125	3,403
	<u>2,189,279</u>	<u>2,019,969</u>
Liabilities		
Accounts payable and other liabilities	152,315	161,669
AFP liabilities (Note 5)	1,399,944	1,229,054
Customers' deposits	1,563	394
Due to related parties (Note 7)	24,309	29,992
Capital lease obligations (Note 6)	395,428	402,111
	<u>1,973,559</u>	<u>1,823,220</u>
Net financial assets	<u>215,720</u>	<u>196,749</u>
Non-financial assets		
Tangible capital assets (Notes 2 and 10)	\$ 5,550,247	\$ 5,051,823
Prepays, deposits and other assets (Note 11)	22,274	42,580
	<u>5,572,521</u>	<u>5,094,403</u>
Accumulated surplus	<u>\$ 5,788,241</u>	<u>\$ 5,291,152</u>

Commitments and Contingent liabilities (Notes 12 and 14)

The accompanying notes are an integral part of these financial statements

Ministry of Infrastructure
General Real Estate Portfolio
Statement of Operations and Accumulated Surplus
For the years ended March 31

(\$ thousands)

	Budget 2013	Actual 2013	Actual 2012 Restated (Note 2)
Revenue			
Rent	\$ 705,823	\$ 726,439	\$ 690,041
Cost recoveries	170,136	141,133	147,084
Interest income	1,100	1,659	2,010
	877,059	869,231	839,135
Operating Expenses			
Facilities	694,576	713,205	673,650
Recoverable costs	164,361	133,284	144,904
Property disposition costs	9,150	25,342	5,725
General and administration	2,325	890	1,875
Interest	28,565	36,140	20,884
	898,977	908,861	847,038
Operating deficit before undernoted	(21,918)	(39,630)	(7,903)
Gain on sale of tangible capital assets	-	84,235	823
Gain on sale of assets held for sale	83,170	34,023	84,017
	61,252	78,628	76,937
Amortization of tangible capital assets	(158,281)	(164,858)	(143,425)
Write down of tangible capital assets	(14,986)	(516)	(4,315)
Deficit	(112,015)	(86,746)	(70,803)
Accumulated surplus, beginning of year, as previously stated		5,527,381	4,588,910
Change in accounting policy (Note 2)		(236,229)	(49,210)
Accumulated surplus, beginning of year, restated		5,291,152	4,539,700
Contributions from ministries		718,619	913,319
Contributions from other government organizations		13,743	49,385
Distributions to the Province of Ontario		(148,527)	(140,449)
Net contributions		583,835	822,255
Accumulated surplus, end of year		\$ 5,788,241	\$ 5,291,152

The accompanying notes are an integral part of these financial statements

Ministry of Infrastructure
General Real Estate Portfolio
Statement of Changes in Net Financial Assets
For the years ended March 31

(\$ thousands)

	2013	2012 Restated (Note 2)
Deficit for the year	\$ (86,746)	\$ (70,803)
Acquisition of tangible capital assets	(707,410)	(910,032)
Transfer of tangible capital assets to held for sale	14,459	(170)
Amortization of tangible capital assets	164,858	143,425
Gain on sale of tangible capital assets	(84,235)	(823)
Proceeds on sale of tangible capital assets	113,388	25,397
Write down of tangible capital assets	516	4,315
	(585,170)	(808,691)
(Decrease)/increase in prepaids, deposits and other assets	20,306	(10,179)
Contributions from ministries	718,619	913,319
Contributions from other government organizations	13,743	49,385
Distributions to the Province of Ontario	(148,527)	(140,449)
Increase in net financial assets	18,971	3,385
Net financial assets, beginning of year	\$196,749	193,364
Net financial assets, end of year	\$ 215,720	\$ 196,749

The accompanying notes are an integral part of these financial statements

**Ministry of Infrastructure
General Real Estate Portfolio
Statement of Cash Flows
For the years ended March 31**

(\$ thousands)

	2013	2012 Restated (Note 2)
Cash provided by (used in)		
Operating transactions		
Deficit for the year	\$ (86,746)	\$ (70,803)
Changes in non cash items		
Amortization of tangible capital assets	164,858	143,425
Gain on sale of tangible capital assets	(84,235)	(823)
Gain on sale of assets held for sale	(34,023)	(84,017)
Write down of tangible capital assets	516	4,315
Changes in non cash working capital balances		
Decrease in trade and other receivables	11,170	9,415
(Increase)/decrease in due from related parties	(19,751)	21,403
Increase in AFP receivables	(160,652)	(738,817)
Increase in projects receivables	(2,593)	(4,451)
Increase/(decrease) in accounts payable and other liabilities	(9,354)	24,125
Increase in AFP liabilities	170,890	722,623
Increase/(decrease) in customers' deposits	1,169	(3)
Increase/(decrease) in due to related parties	(5,683)	11,994
(Decrease)/increase in prepaids, deposits and other assets	20,306	(10,179)
	<u>(34,128)</u>	<u>28,207</u>
Capital transactions		
Proceeds from sale of tangible capital assets	113,388	25,397
Cash paid for acquisition of tangible capital assets	(160,661)	(270,630)
	<u>(47,273)</u>	<u>(245,233)</u>
Investing transactions		
Proceeds from disposition of assets held for sale	35,760	95,878
Financing transactions		
Contributions in cash from ministries	185,613	323,302
Distributions to the Province of Ontario	(148,527)	(140,449)
	<u>37,086</u>	<u>182,853</u>
Net change in cash and cash equivalents	(8,555)	61,705
Cash and cash equivalents, beginning of the year	181,117	119,412
Cash and cash equivalents, end of year	\$ 172,562	\$ 181,117

The accompanying notes are an integral part of these financial statements

**Ministry of Infrastructure
General Real Estate Portfolio
Notes to the Financial Statements
March 31, 2013**

(\$ thousands)

1. Summary of Significant Accounting Policies

Nature of organization	The Ministry of Infrastructure General Real Estate Portfolio (GREP) consists of certain realty assets owned and/or leased by Her Majesty the Queen, in Right of Ontario (Province of Ontario/Province), as represented by the Minister of Infrastructure (MOI) and managed by Ontario Infrastructure and Lands Corporation (IO). Certain real estate assets and liabilities in the MOI's portfolio are not reflected in these statements.
Basis of accounting	The financial statements 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 (Canadian public sector accounting standards) except as modified by the Province of Ontario. As a result, the basis of accounting used in these financial statement materially differs from Canadian public sector accounting standards in the following areas: 1. Property disposition costs are deferred and recognized as an expense in the year the asset is sold; 2. Contributions from ministries for capital and operating allocations and value of assets, asset improvements and betterments funded by the ministries are recorded as an addition to contributions from ministries in the year the contribution is received; 3. Accounting for rental revenues is based on the terms of the respective lease agreements; 4. The cost of tangible capital assets includes interest costs incurred by the Province during the construction period on debt issued by the Province to fund the development and construction of assets, as discussed in the interest capitalization policy note below.
Cash equivalents	Cash equivalents comprise of treasury bills with maturity dates of less than 90 days. These are held to meet short-term cash commitments and not intended for investments, risk due to changes in market value of these are insignificant.
Tangible capital assets	Tangible capital assets are recorded at cost less accumulated amortization. Cost includes the costs directly attributable to the acquisition, design, construction, development improvement or betterment of the asset such as material, labour and capitalized interest. Capitalization of cost associated with the assets under construction cease when the asset is ready for its intended use or ready for occupancy. All tangible capital assets, except construction work in progress (CIP), land and land improvements, are amortized on a straight line basis over their estimated useful lives. The useful lives of GREP's tangible capital assets have been estimated as:

Ministry of Infrastructure
General Real Estate Portfolio
Notes to the Financial Statements
 March 31, 2013

(\$ thousands)

Buildings, AFP Buildings and AFP assets under capital leases 20 to 40 years

Yardworks, including airport runways, parking lots and a dam 12 to 40 years

The carrying value of tangible capital assets is written down to the asset's residual value if it can no longer contribute to the Province's ability to provide service and the impairment is permanent in nature, or when the value of the future economic benefit is less than the carrying value of the tangible capital asset. Write downs are recognized in the statement of operations and are not reversed.

Interest capitalization The cost of tangible capital assets constructed or developed by the Province includes interest costs incurred by the province during the development or construction period.

All interest incurred by the Province to fund the capital projects during the construction period is capitalized to tangible capital assets. There is no capitalization threshold.

The interest rate to be used in calculating the interest cost incurred during construction in any given year is the Weighted Average Cost of Capital (WACC) of the Province. The Ontario Financial Authority (OFA) provides the appropriate WACC. For fiscal year 2013, the WACC is 3.7% (2012 - 4.66%).

Capitalization of interest ceases once the asset is ready for use, even though the asset may be put to use at a later date. If construction of the tangible capital asset is terminated or deferred indefinitely before completion, the costs capitalized to date are expensed, unless there is an alternative use for the tangible capital asset.

Assets held for sale Assets that meet the following criteria are categorized as held for sale. The asset has been authorized or committed to be sold, in a saleable condition, publicly seen to be available for sale, have an active market, with a plan in place for sale and is reasonably anticipated to be sold to a purchaser external to the Province within one year of the financial statement date.

Assets held for sale are recorded at the lower of carrying value and net realizable value. Cost includes all costs of acquisition and capitalized improvements on property, net of amortization.

**Ministry of Infrastructure
General Real Estate Portfolio
Notes to the Financial Statements
March 31, 2013**

(\$ thousands)

AFP assets under capital lease	Assets acquired through capital leases entered into by the Province are capitalized at the beginning of the lease term. Capital leases are valued at the discounted present value of the minimum lease payments during the lease term excluding executory costs, together with any profit thereon calculated at lower of interest rate implicit in the lease or the Province's incremental rate of borrowing. If this value exceeds the fair value of the leased property at the inception of the lease, the asset and obligation is recorded at fair value of the asset. AFP assets under capital lease are amortized over the economic life of the asset, as the ownership transfers to GREP at the completion of the lease term.
Revenue recognition	Revenue is recognized in the period in which the event that generates the revenue occurs. Rent consists of incomes earned from leasing of GREP owned and third party landlord leased properties to government ministries and private sector tenants. Rental revenue includes base rent, cost recoveries for operating expenses, property taxes and parking revenues. Free rent, lease increments and fixturing allowances related to third party leased buildings are recognized in the period in which they occur. Rent includes capital lease cost and monthly service payments for AFP properties recovered from ministries. Rent also includes direct cost recoveries from ministries for tenant specific requirements over and above services defined in the lease agreements. Cost recoveries include amounts invoiced to ministries for construction, improvement or other real estate related projects undertaken as requested by ministries. Cost recovery revenue is recognized as services are provided. Cost recoveries also include operating funding allocations from the MOI are recognized as invoiced. Interest income represents interest earned on cash and cash equivalents and is recognized on a time proportion basis.

Ministry of Infrastructure
General Real Estate Portfolio
Notes to the Financial Statements
March 31, 2013

(\$ thousands)

Operating expenses	Operating expenses are recorded as incurred under the accrual basis of accounting. Facilities operating expenses include recoverable rental expenses paid to third party land lords and expenses incurred on operation and maintenance of owned properties, property taxes and management fees paid to IO, and non-recoverable repairs and maintenance expenses to owned properties. Lease increments and free rents are recorded as incurred in accordance with the terms of lease agreement. Recoverable costs include costs incurred for construction, improvement or other real estate projects undertaken as requested by ministries and costs and recoverable from the respective ministry. Recoverable costs are recorded as incurred based on value of work completed. Property disposition costs are costs incurred on specific assets sold during the year to bring them to a marketable condition. These costs are incurred over multiple years. The costs are deferred and recorded in the prepaids, deposits and other assets. These costs are expensed when the specific assets are sold. Costs include property planning, marketing, environmental assessment, zoning, permits, settlements etc. for specific assets identified for sale. Interest expenses relate to the interest on debt outstanding on AFP liabilities including capital lease obligations, which are recovered in full from the sponsor ministries.
Contributions from Ministries	Ministry contributions represent funds received from (a) the MOI's capital and operating allocations, (b) the value of assets, asset improvements and betterments funded by other ministries that are capitalized to the tangible capital assets of GREP, and (c) the value of substantially completed Alternative Financing and Procurement (AFP) Projects funded by sponsoring ministries and transferred to GREP and the estimated value of CIP for the Pan Para-Pan Am Athlete's Village project. These amounts are recorded as an addition to the accumulated surplus.
Contributions from other government organizations	Contributions from other government organizations include value of asset, asset improvements and betterments funded by government organizations other than ministries on properties owned by GREP and capitalized to the cost of the property in GREP. The amounts are recorded as contributions and additions to the accumulated surplus.
Distributions to Province of Ontario	Distributions represent the payment of funds collected by GREP, from private sector and non-government sources, to the Consolidated Revenue Fund in accordance with the requirements of the Financial Administration Act.

Ministry of Infrastructure
General Real Estate Portfolio
Notes to the Financial Statements
March 31, 2013

(\$ thousands)

Use of estimates

These policies require 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 balance sheet and the reported amounts of revenues and expenses during the reporting period. Major areas of estimation where management made subjective estimation include those relating to useful lives of tangible capital assets, accruals for value of work completion related to ministry recoverable and capital repair projects, allowance for doubtful debt and accrued expenses. Actual results could differ from those estimates.

**Ministry of Infrastructure
General Real Estate Portfolio
Notes to the Financial Statements
March 31, 2013**

(\$ thousands)

2. Change in accounting policy

The Province changed its accounting policy for AFP projects at the ministry level in fiscal 2013. The policy reflects a change in accounting for AFP assets during the construction phase. CIP is recorded in the accounts of the sponsoring ministry funding the project. At substantial completion of the project, the capital cost of the asset is transferred from the sponsoring ministry to the accounts of GREP. Previously, the value of the asset was recorded in the accounts of GREP as incurred during the construction phase of the project. To comply with the change in accounting policy, GREP removed the CIP related to AFP projects, which did not achieve substantial completion at March 31, 2013, to the sponsoring ministries on a retroactive basis with the exception of Pan Para-Pan Athlete's Village project, which is recorded in GREP accounts during the construction period as directed by the Province.

As a result, the change has been accounted on a retroactive basis with prior period restatement as follows:

Statement of financial position	March 31, 2012 (Previously reported)	Adjustment	March 31, 2012 (As restated)
Tangible capital assets	\$ 5,288,052	\$ (236,229)	\$ 5,051,823
Accumulated surplus	5,527,381	(236,229)	5,291,152

Statement of operations and accumulated surplus	March 31, 2012 (Previously reported)	Adjustment	March 31, 2012 (As restated)
Accumulated surplus, beginning of the year	\$ 4,588,910	\$ (49,210)	\$ 4,539,700
Contribution from ministries	1,100,338	(187,019)	913,319
Accumulated surplus, end of the year	5,527,381	(236,229)	5,291,152

3. Cash and cash equivalents

Cash and cash equivalents include short-term treasury bills of \$75,278 (March 31, 2012 - \$50,061) issued by the Ontario Financing Authority with a weighted average effective interest rate of 0.98% (March 31, 2012 - 0.94%).

4. Trade and other receivables

Trade and other receivables includes receivables from government and private sector tenants for property rentals, AFP capital lease and monthly service payment invoices, recoverable project invoices, HST rebate receivables and other receivables from service providers. Allowances for doubtful accounts are recorded for specific balances, which are determined uncollectible to reduce their values to the amount expected to be recovered. The balance consists of the following:

	March 31, 2013	March 31, 2012
Tenant rental	\$ 6,527	\$ 35,256
AFP service payments	25,621	4,944
Project services	22,120	23,332
HST rebate	20,506	17,708
Service provider, small works and other receivables	17,719	23,582
Allowance for doubtful accounts	(542)	(1,701)
	\$ 91,951	\$ 103,121

**Ministry of Infrastructure
General Real Estate Portfolio
Notes to the Financial Statements
March 31, 2013**

(\$ thousands)

5. AFP receivables, liabilities and construction work in progress

AFP Receivables represent the amount owed from the sponsoring ministries on account of the construction costs, transaction, ancillary and IO costs for the completed projects and projects under construction at the financial statement date. GREP invoices ministries and recovers these receivables as payments are made to the consortium as per terms of the project agreement.

AFP Liabilities represent the amounts owed to the construction consortium for the value of AFP projects completed and those under construction at the financial statement date. These amounts are paid to the consortium as per terms of the project agreement, which consists of a partial payment at substantial completion and the remaining amounts through monthly service payments.

Construction costs for all AFP projects under construction are recorded in the accounts of sponsoring ministries, except for Pan Para-Pan Am Athlete's Village project. (Refer to Note 2 – Change in accounting policy). Construction costs for Pan Para-Pan Am Athlete's Village project are recorded in the accounts of GREP, as directed by the Province based on percentage of completion. Construction costs are independently certified. These costs are recorded as contributions from the sponsoring ministry and additions to the accumulated surplus.

6. Receivables under capital leases and capital lease obligations

MOI entered into contractual agreements with third parties to finance, design, build and manage certain assets on behalf of sponsoring ministries. These projects meet the criteria for capital leases and are classified as capital leases. Value of assets acquired under capital leases are recorded as tangible capital assets and lease liability recorded as capital lease obligations at present value of minimum lease payments. Lease payments are receivable from the sponsor ministries and are recorded as receivable under capital leases. The terms and conditions are the same for both receivables under capital leases from the sponsoring ministries and the capital leases obligation to the construction consortium. There are no new capital leases recorded in the year ended March 31, 2013.

	March 31 2013	March 31 2012
Due March 2040, repayable in blended monthly installments of \$1,026, interest at 5.19%, secured by the tangible capital assets under the AFP project	\$ 178,370	\$ 181,328
Due November 2039, repayable in blended monthly installments of \$1,244, interest at 5.11%, secured by the tangible capital assets under the AFP project	217,058	220,783
	\$ 395,428	\$ 402,111

Future minimum lease payments under capital leases are as follows:

2014	\$ 27,233
2015	27,233
2016	27,233
2017	27,233
2018	27,233
Thereafter	<u>593,727</u>
Total minimum lease payments	729,892
Less: Imputed interest	<u>334,464</u>
	\$ 395,428

Ministry of Infrastructure
General Real Estate Portfolio
Notes to the Financial Statements
March 31, 2013

(\$ thousands)

7. Related party transactions

GREP generates its revenue through providing real estate accommodation and project management services to ministries, crown agencies and other government organizations for their program needs through MOI owned and third party leased real estate assets. IO manages the real estate portfolio and provides project management services for a management fee. The two related parties are the MOI and IO.

MOI funds GREP for its operating and capital needs in addition to the income generated by operations. Operating funding include portfolio and asset management fees, operating and maintenance funding for vacant third party lease space, corporate space, payment in lieu of taxes for non leasable lands etc. Capital funding include funding for various real estate programs such as capital repairs, realty planning and development, development of Seaton lands, Toronto Accommodation program etc. For the year ended March 31, 2013, GREP received operating funding of \$43,345 (2012 - \$45,819) which is recorded as revenue and capital funding of \$142,463 (2012 - \$190,750) which is recorded as contributions from MOI.

Due from related parties consists of \$76,125 (March 31, 2012 - \$56,374) due from MOI for charges for accommodation, project billings, operating and capital funding allocations. The amounts are due on demand, unsecured and non-interest bearing.

IO manages the real estate portfolio and provides project management services for a management fee. IO fee paid in 2013 include real estate management fee at 15% of the operating and maintenance budget for the owned portfolio totaling \$29,497 (2012 - \$27,209), strategic asset management fee calculated based on the net book value of the assets under management totaling \$12,047, and a project management fee based on the project value totaling \$10,208 (Portfolio and asset management fees combined in 2012 - \$23,384). Transactions with IO also include transaction costs and IO fees on AFP projects \$44,927 (2012 - \$15,121) recorded in GREP as tangible capital asset and receivable from sponsor ministries.

Due to related parties consists of \$19,111 (March 31, 2012 - \$29,350) due to IO for fees deferred to substantial completion of projects and \$5,198 (March 31, 2012 - \$642) payable to IO for management fees associated with the management of the GREP portfolio. The amounts are due on demand, unsecured and non-interest bearing.

8. Projects receivables

Projects receivables totaling \$18,033 (March 31, 2012 - \$15,440) consists of accrued project costs related to ministry recoverable projects incurred up to March 31, 2013 but not billed. These were billed to the ministries subsequent to the year end.

Ministry of Infrastructure
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Notes to the Financial Statements
March 31, 2013

(\$ thousands)

9. Assets held for sale

Assets held for sale are real estate assets that have been declared surplus to the needs of the Province and have been approved for sale by an Order-in-Council. It is reasonably anticipated that assets held for sale will be sold outside the reporting entity within one year of the balance sheet date. Assets held for sale as are summarized below.

	March 31 2013	March 31 2012
Land	\$ 6,807	\$ 2,446
Buildings	18,749	4,672
	25,556	7,118
Less: Amortization	9,431	3,715
Net book value	\$ 16,125	\$ 3,403

19 properties (2012 - 15 properties) with a carrying value of \$1,737 (2012 - \$11,861) were sold during fiscal year 2013 for a net proceeds of \$35,760 (2012 - \$95,878) generating a net gain on sale of \$34,023 (2012 - \$84,017).

10. Tangible capital assets

	Land	Yard- works	Buildings	Construction work in process (CIP)	AFP Buildings	AFP Construction work in process	AFP Assets under Capital Lease	Total
Cost								
Balance, April 1, 2012	556,366	35,723	3,707,732	639,362	82,592	1,043,118	501,807	6,566,700
Additions	41,290	6,858	301,594	122,755	1,298,699	258,689	-	2,029,885
Transfer out from CIP	-	-	-	(279,357)	-	(1,043,118)	-	(1,322,475)
Disposals	(14,357)	(3,026)	(75,961)	-	-	-	-	(93,344)
Transfer to/from held for sale	(5,954)	-	(16,059)	-	-	-	-	(22,013)
Balance, March 31, 2013	577,345	39,555	3,917,306	482,760	1,381,291	258,689	501,807	7,158,753
Accumulated Amortization								
Balance, April 1, 2012	-	6,875	1,473,139	-	1,450	-	33,413	1,514,877
Additions	-	1,679	137,741	-	12,859	-	12,579	164,858
Disposals	-	(3,026)	(60,649)	-	-	-	-	(63,675)
Transfer to/from held for sale	-	-	(7,554)	-	-	-	-	(7,554)
Balance, March 31, 2013	-	5,528	1,542,677	-	14,309	-	45,992	1,608,506
Net book value March 31, 2013	577,345	34,027	2,374,629	482,760	1,366,982	258,689	455,815	5,550,247

**Ministry of Infrastructure
General Real Estate Portfolio
Notes to the Financial Statements
March 31, 2013**

(\$ thousands)

	Land	Yardworks	Buildings	Construction work in progress (CIP)	AFP Buildings	AFP Construction work in progress	AFP Assets under Capital Lease	Total (Restated Note 2)
Cost								
Balance, April 1, 2011	535,896	32,843	3,604,731	536,203	-	515,028	501,807	5,726,508
Additions	21,282	2,880	148,748	299,196	82,592	610,682	-	1,165,380
Transfer out from CIP	-	-	-	(172,756)	-	(82,592)	-	(255,348)
Disposals	(11,886)	-	(37,296)	(23,281)	-	-	-	(72,463)
Transfer to/from held for sale	11,074	-	(8,451)	-	-	-	-	2,623
Balance, March 31, 2012	556,366	35,723	3,707,732	639,362	82,592	1,043,118	501,807	6,566,700
Accumulated Amortization								
Balance, April 1, 2011	-	5,504	1,386,234	-	-	-	20,834	1,412,572
Additions	-	1,371	128,025	-	1,450	-	12,579	143,425
Disposals	-	-	(43,573)	-	-	-	-	(43,573)
Transfer to/from held for sale	-	-	2,453	-	-	-	-	2,453
Balance, March 31, 2012	-	6,875	1,473,139	-	1,450	-	33,413	1,514,877
Net book value March 31, 2012	556,366	28,848	2,234,593	639,362	81,142	1,043,118	468,394	5,051,823

Land includes land acquired for transportation infrastructure, parks, buildings and other program use, as well as land improvements that have an indefinite life and are not being amortized. Land excludes Crown lands acquired by right.

Buildings include administrative and service structures. Leased premises are excluded.

CIP include new buildings under construction and alterations to existing buildings.

AFP buildings represent the value of AFP projects completed and transferred from sponsor ministries and AFP CIP represents value of CIP for Pan Para-Pan Am Athlete's Village project based on estimates provided by the MOI as sourced from IO.

18 properties (2012 - 15 properties) with a carrying value of \$29,153 (2012 - \$24,574) and 14 easements were disposed of during the fiscal year 2013 for net proceeds of \$113,388 (2012 - \$25,397) generating a net gain on sale of \$84,235 (2012 - \$823). The above dispositions include program transfers of \$15,477 (2012 - \$1,162) to other ministries at their net book value. Assets with a net book value of \$516 (2012 - \$4,315) were written off.

11. Prepaids, deposits and other assets

Prepaids, deposits and other assets include \$17,826 (2012 - \$34,201), of deferred costs incurred over multiple periods, related to specific assets identified for sale to bring them to a marketable condition. These deferred costs are expensed in the year when the specific assets is sold. Costs include property planning, marketing, environmental assessment, zoning, permits, settlements etc.

Ministry of Infrastructure
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Notes to the Financial Statements
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(\$ thousands)

12. Commitments

GREP has entered into contractual obligations and does so on a continuing basis for building leases, construction contracts and annual service payments on AFP properties. Contractual obligations for AFP projects include interest due on debt, operations and maintenance costs and lifecycle costs. Contractual obligations as at March 31, 2013 are as follows:

	Building leases	Construction contracts	AFP annual service payments
2014	\$ 263,114	\$ 121,166	\$ 122,114
2015	230,664	6,825	138,822
2016	177,619	4,228	140,384
2017	127,655	-	139,543
2018	89,820	-	141,550
2019 and thereafter	291,156	-	3,427,803
	<u>\$ 1,180,028</u>	<u>\$ 132,219</u>	<u>\$ 4,110,216</u>

13. Segmented information

The reporting structure of the GREP reflects how the business is managed and how operations are classified for planning and measuring performance. The two major functional divisions of GREP include Real Estate Management (REM) and Realty Planning and Development (RPD).

REM manages facility operations, maintenance and leasing of GREP owned properties, third party leased facilities and operational AFP facilities. REM also manages real estate construction and improvement projects for client ministries. REM revenues include rent charged to ministries and private sector tenants for owned and leased facilities, project cost recoveries for ministry recoverable projects and MOI operational funding. REM's operating expenses include lease payments to third party landlords, operations and maintenance expenses incurred for owned properties, project expenses for ministry recoverable projects, expensed non recoverable projects, property taxes, management fee to IO and AFP monthly service payments.

RPD provides strategic asset management and real estate advisory services to the portfolio including property planning, repositioning and sale of surplus assets. Revenue includes operational funding from MOI. Operating expenses for RPD include planning, marketing, development, remediation and disposition costs incurred for assets sold, and management fees paid to IO.

Ministry of Infrastructure
General Real Estate Portfolio
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March 31, 2013

(\$ thousands)

The table below summarizes financial information for the years ended March 31, 2013 and March 31, 2012 by segment

	Year ended march 31 2013			Year ended march 31 2012		
	REM	RPD.	Total	REM	RPD.	Total
Revenue						
Rent	\$ 726,439	\$ -	\$ 726,439	\$ 690,041	\$ -	\$ 690,041
Cost recoveries	129,086	12,047	141,133	132,845	14,239	147,084
Interest income	1,659	-	1,659	2,010	-	2,010
	857,184	12,047	869,231	824,896	14,239	839,135
Operating Expenses						
Facilities	713,205	-	713,205	673,650	-	673,650
Recoverable costs	121,237	12,047	133,284	130,665	14,239	144,904
Property disposition costs	-	25,342	25,342	-	5,725	5,725
General and administration	890	-	890	1,875	-	1,875
Interest	36,140	-	36,140	20,884	-	20,884
	871,472	37,389	908,861	827,074	19,964	847,038
Gain on sale of tangible capital assets		84,235	84,235		823	823
Gain on sale of assets held for sale		34,023	34,023		84,017	84,017
	\$ (14,288)	\$ 92,916	\$ 78,628	\$ (2,178)	\$ 79,115	\$ 76,937
Amortization of tangible capital assets	-	-	(164,858)	-	-	(143,425)
Write down of tangible capital assets	-	-	(516)	-	-	(4,315)
Deficit			\$ (86,746)			\$ (70,803)

14. Contingent liabilities

Prior to the amalgamation of Stadium Corporation of Ontario Limited (STADCO) with IO and Ontario Realty Corporation on June 6, 2011, all assets, liabilities and operations of STADCO were transferred to GREP, including ground leases dated June 3, 1989 with Canada Lands Company for the SkyDome Lands and the sublease to Rogers Stadium Limited Partnership (sub-tenant). Under the terms of the ground lease, GREP is responsible for base rent, realty taxes, utilities and certain operating costs, which are assumed by the sub-tenant under the terms of the sub-lease. In the event of a default by the sub-tenant, the potential financial impact to GREP is estimated to be the base rent in the range of \$300 to \$400 annually plus realty taxes, utilities and certain operating costs.

15. Prior year comparative figures

Certain prior year comparative figures have been reclassified to conform to the current year's financial statement presentation.

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

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 15, 2013.

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,



Paul Murphy
President and Chief Executive Officer
Toronto, Canada
February 15, 2013



Ted Leonard
Vice President, Finance
Chief Financial Officer and Treasurer
Toronto, Canada
February 15, 2013

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 statement of financial position as at December 31, 2012, the statements of operations and accumulated deficit, remeasurement gains and losses, change in net debt 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 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 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 IESO as at December 31, 2012, and its results of operations and the changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Chartered Accountants, Licensed Public Accountants

February 15, 2013

Waterloo, Canada

Statement of Financial Position

As at (in thousands of Canadian dollars)

December 31, 2012 December 31, 2011

	\$	\$
FINANCIAL ASSETS		
Cash and cash equivalents	6,863	5,626
Accounts receivable	16,833	14,135
Long-term investments (Note 3)	27,721	24,341
TOTAL FINANCIAL ASSETS	51,417	44,102
LIABILITIES		
Accounts payable and accrued liabilities (Note 4)	21,308	20,142
Accrued interest on debt	346	325
Rebates due to market participants (Note 5)	13,107	3,517
Debt (Note 6)	133,200	110,200
Accrued pension liability (Note 7)	41,600	54,928
Accrued liability for employee future benefits other than pension (Note 7)	69,255	64,541
TOTAL LIABILITIES	278,816	253,653
NET DEBT	(227,399)	(209,551)
NON-FINANCIAL ASSETS		
Net tangible capital assets (Note 8)	87,607	87,902
Prepaid expenses	3,688	3,103
TOTAL NON-FINANCIAL ASSETS	91,295	91,005
ACCUMULATED SURPLUS/(DEFICIT)		
Accumulated deficit from operations (Note 5)	(137,651)	(118,172)
Accumulated remeasurement gains/(losses)	1,547	(374)
ACCUMULATED DEFICIT	(136,104)	(118,546)

On behalf of the Board:



Tim O'Neill
Chair
Toronto, Canada



William Museler
Director
Toronto, Canada

Statement of Operations and Accumulated Deficit

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

	2012	2012	2011
	Budget \$	Actual \$	Actual \$
WHOLESALE MARKET OPERATIONS			
System fees	128,609	116,257	112,903
Other revenue (Note 9)	4,073	3,958	3,494
Interest and investment income	836	350	1,403
Wholesale market operation revenues	133,518	120,565	117,800
Wholesale market operation expenses (Note 10)	(128,608)	(116,727)	(116,290)
Wholesale market operations annual surplus	4,910	3,838	1,510
MARKET SANCTIONS AND PAYMENT ADJUSTMENTS			
Market sanctions and payment adjustments	–	1,087	39
Customer education and market enforcement expenses (Note 10)	(300)	(670)	(219)
Market sanctions and payment adjustments annual surplus/(deficit)	(300)	417	(180)
SMART METERING ENTITY			
Smart metering charge	41,587	–	–
Smart metering expenses (Note 10)	(29,113)	(23,734)	(16,911)
Smart metering entity annual surplus/(deficit)	12,474	(23,734)	(16,911)
ANNUAL SURPLUS/(DEFICIT)	17,084	(19,479)	(15,581)
ACCUMULATED DEFICIT FROM OPERATIONS, BEGINNING OF PERIOD	(118,172)	(118,172)	(102,591)
ACCUMULATED DEFICIT FROM OPERATIONS, END OF PERIOD	(101,088)	(137,651)	(118,172)

Statement of Remeasurement Gains and Losses

For the year ended December 31 (in thousands of Canadian dollars)	2012	2011
	Actual \$	Actual \$
ACCUMULATED REMEASUREMENT LOSSES, BEGINNING OF PERIOD	(374)	–
UNREALIZED GAINS/(LOSSES) ATTRIBUTABLE TO:		
Foreign exchange – derivatives	–	2
Foreign exchange – other	35	46
Portfolio investments (Note 3)	1,025	(422)
AMOUNTS RECLASSIFIED TO THE STATEMENT OF OPERATIONS:		
Foreign exchange – derivatives	(2)	–
Foreign exchange – other	(46)	–
Portfolio investments	909	–
NET REMEASUREMENT GAINS/(LOSSES) FOR THE PERIOD	1,921	(374)
ACCUMULATED REMEASUREMENT GAINS/(LOSSES), END OF PERIOD	1,547	(374)

Statement of Change in Net Debt

For the year ended December 31 (in thousands of Canadian dollars)	2012	2012	2011
	Budget \$	Actual \$	Actual \$
ANNUAL SURPLUS/(DEFICIT)	17,084	(19,479)	(15,581)
CHANGE IN NON-FINANCIAL ASSETS			
Acquisition of tangible capital assets	(20,767)	(16,244)	(14,787)
Amortization of tangible capital assets	18,541	16,539	15,427
Change in prepaid expenses	(9)	(585)	666
TOTAL CHANGE IN NON-FINANCIAL ASSETS	(2,235)	(290)	1,306
NET REMEASUREMENT GAINS/(LOSSES) FOR THE PERIOD	801	1,921	(374)
CHANGE IN NET DEBT	15,650	(17,848)	(14,649)
NET DEBT, BEGINNING OF PERIOD	(209,551)	(209,551)	(194,902)
NET DEBT, END OF PERIOD	(193,901)	(227,399)	(209,551)

Statement of Cash Flows

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

	2012	2011
	\$	\$
OPERATING TRANSACTIONS		
Annual Deficit	(19,479)	(15,581)
Changes in non-cash items:		
Amortization	16,539	15,427
Pension expense	11,985	14,316
Other employee future benefits expense	6,482	6,125
Change in fair value of long-term investments	876	–
	35,882	35,868
Changes in non-cash balances related to operations:		
Change in accounts payable and accrued liabilities	1,138	(585)
Change in accounts receivable	(2,698)	1,620
Change in rebates due to market participants	9,590	(6,676)
Change in prepaid expenses	(585)	666
	7,445	(4,975)
Other:		
Contribution to pension fund	(25,313)	(27,254)
Payment of employee future benefits	(1,768)	(1,806)
	(27,081)	(29,060)
Cash applied to operating transactions	(3,233)	(13,748)
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	(16,244)	(14,787)
Change in accounts payable & accrued liabilities	47	(1,547)
Cash applied to capital transactions	(16,197)	(16,334)
INVESTING TRANSACTIONS		
Purchase of long-term investments	(2,322)	(2,947)
Cash applied to investing transactions	(2,322)	(2,947)
FINANCING TRANSACTIONS		
Issue debt	23,000	30,000
Cash provided by financing transactions	23,000	30,000
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,248	(3,029)
CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD	5,626	8,609
Change in unrealized foreign exchange – other for the period	(11)	46
CASH AND CASH EQUIVALENTS – END OF PERIOD	6,863	5,626

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 application fees. 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.

Market sanctions represent funds received and payments disbursed related to penalties, damages, fines and payment adjustments arising from resolved settlement disputes.

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 statement 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 statement of operations and all other gains and losses associated with the disposition of the financial instrument are recorded in the statement 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 2012	Estimated Average Service Life 2011
Facilities	38	39
Market systems and applications	4 to 11	4 to 10
Infrastructure and other assets	4 to 7	4 to 7
Meter data management/repository	10	10

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 2012.

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 plans is 13 years (2011 – 12 years) and OPEB plans is 14 years (2011 – 12 years).

The IESO sick pay benefits accumulate but do not vest. The IESO accrues sick pay benefits based on the expectation of future utilization, and records the accrual within accounts payable and accrued liabilities.

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 statement 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 statement of financial position are recorded in accumulated deficit as remeasurement gains and losses and shown in the statement 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 statement of operations and all other gains and losses associated with the disposition of the financial instrument are recorded in the statement 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. 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 \$27,721 thousand (2011 – \$24,341 thousand). As at December 31, the market value allocation of these long-term investments was 60.5% equity securities and 39.5% debt securities (2011 – 58.8% and 41.2% respectively).

Balanced portfolio of pooled funds

As at December 31 (in thousands of Canadian dollars)	2012	2011
	\$	\$
Opening balance	24,341	21,816
Purchase of investments	1,170	1,627
Reinvested distributions	1,152	1,320
Change in fair value	1,058	(422)
Closing balance	27,721	24,341

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at December 31 (in thousands of Canadian dollars)	2012	2011
	\$	\$
Relating to operations	19,086	17,967
Relating to tangible capital assets	2,222	2,175
	21,308	20,142

5. REBATES DUE TO MARKET PARTICIPANTS AND ACCUMULATED DEFICIT

In 2012, the IESO recognized \$9,590 thousand in rebates due to market participants of system fees (2011 – \$11,617 thousand), due to net operating surplus in 2012. As at December 31, 2012 rebates due to market participants were \$13,107 thousand (2011 \$3,517 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)	2012	2011
	\$	\$
Regulatory deferral account (a)	5,000	5,000
Accumulated market sanctions and payment adjustments (b)	1,371	954
Smart metering entity – accumulated deficit (c)	(82,358)	(58,624)
PSAB transition items (d)	(60,117)	(65,876)
Accumulated deficit – end of year	(136,104)	(118,546)

a) Approved Regulatory Deferral Account

As at December 31 (in thousands of Canadian dollars)	2012	2011
	\$	\$
Accumulated surplus – beginning of year	5,000	10,643
Revenues (before rebates due to market participants)	130,155	129,417
Rebates due to market participants	(9,590)	(11,617)
Wholesale market operation expenses	(116,727)	(116,290)
Change in accumulated remeasurement gains/(losses)	1,921	(374)
Recovery of PSAB transition items	(5,759)	(6,779)
Accumulated surplus – end of year	5,000	5,000

b) Accumulated Market Sanctions and Payment Adjustments

As at December 31 (in thousands of Canadian dollars)	2012	2011
	\$	\$
Accumulated surplus – beginning of year	954	1,134
Market sanctions and payment adjustments	1,087	39
Customer education and market enforcement expenses	(670)	(219)
Accumulated surplus – end of year	1,371	954

c) Smart Metering Entity – Accumulated Deficit

As at December 31 (in thousands of Canadian dollars)	2012	2011
	\$	\$
Accumulated deficit – beginning of year	(58,624)	(41,713)
Smart metering expenses	(23,734)	(16,911)
Accumulated deficit – end of year	(82,358)	(58,624)

d) PSAB Transition Items – Accumulated Deficit

As at December 31 (in thousands of Canadian dollars)	2012	2011
	\$	\$
Accumulated deficit – beginning of year	(65,876)	(72,655)
Recovery of PSAB transition items	5,759	6,779
Accumulated deficit – end of year	(60,117)	(65,876)

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.

6. DEBT

Note payable to Ontario Electricity Financial 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, 2012, the note payable to the OEFC was \$78.2 million (December 31, 2011 – \$78.2 million).

For the year ended December 31, 2012, the interest expense on the note payable was \$1,756 thousand (2011 – \$1,501 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 31, 2012, \$55.0 million was drawn on the credit facility (December 31, 2011 – \$32.0 million).

For the year ended December 31, 2012, the interest expense on the credit facility was \$505 thousand (2011 – \$210 thousand).

As of February 15, 2013, the IESO is in the process of refinancing its debt with the OEFC and is confident this will be in place for May 1, 2013.

7. POST-EMPLOYMENT BENEFIT PLANS

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

Pension plans

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

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)	2012 Pension Benefits	2011 Pension Benefits	2012 Other Benefits	2011 Other Benefits
	\$	\$	\$	\$
Accrued benefit obligation	405,323	388,808	71,715	67,091
Fair value of plan assets	360,017	306,055	–	–
Funded status as of measurement date	(45,306)	(82,753)	(71,715)	(67,091)
Employer contribution/other benefits payments after measurement date	4,314	8,679	480	469
Unrecognized actuarial (gain)/loss	(608)	19,146	1,980	2,081
Accrued pension liability recognized in the statement of financial position	(41,600)	(54,928)	(69,255)	(64,541)

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:

	2012	2011
Canadian equity securities	19.3%	18.6%
Foreign equity securities	38.9%	36.6%
Canadian debt securities	40.5%	44.9%
Cash equivalents	1.0%	1.1%
Forward foreign exchange contracts	0.3%	(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:

	2012 Pension Benefits	2011 Pension Benefits	2012 Other Benefits	2011 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 increase 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 increase by 4.5% per year.

Summary of benefit costs and plan contributions are as follows:

(in thousands of Canadian dollars)	2012 Pension Benefits	2011 Pension Benefits	2012 Other Benefits	2011 Other Benefits
	\$	\$	\$	\$
Current service cost (employer)	6,279	7,536	1,923	1,784
Interest cost	25,317	24,502	4,410	4,147
Expected return on plan assets	(20,402)	(18,808)	–	–
Amortization of net actuarial loss	791	1,086	149	194
Benefit cost	11,985	14,316	6,482	6,125

(in thousands of Canadian dollars)	2012 Pension Benefits	2011 Pension Benefits	2012 Other Benefits	2011 Other Benefits
	\$	\$	\$	\$
Employer contribution/other benefits payments	25,313	27,254	1,768	1,806
Plan participants' contributions	3,525	3,139	–	–
Benefits paid	18,300	17,214	1,768	1,806

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:

	2012 Pension Benefits	2011 Pension Benefits	2012 Other Benefits	2011 Other Benefits
Discount rate at the beginning of the period	6.50%	6.50%	6.50%	6.50%
Expected return on plan assets	6.50%	6.50%	–	–
Rate of compensation increase	4.00%	4.00%	4.00%	4.00%
Rate of indexing	2.50%	2.50%	2.50%	2.50%

8. TANGIBLE CAPITAL ASSETS

Net tangible capital assets consist of the following:

Tangible Capital Assets

(in thousands of Canadian dollars)	As at December 31, 2011	Additions	Disposals	As at December 31, 2012
	\$	\$	\$	\$
Facilities	49,823	492	–	50,315
Market systems and applications	239,726	1,849	(608)	240,967
Infrastructure and other assets	49,325	3,489	–	52,814
Meter data management/repository	25,043	6,172	–	31,215
Total Cost	363,917	12,002	(608)	375,311

Accumulated Amortization

(in thousands of Canadian dollars)	As at December 31, 2011	Amortization Expense	Disposals	As at December 31, 2012
	\$	\$	\$	\$
Facilities	(16,024)	(1,255)	–	(17,279)
Market systems and applications	(205,453)	(9,729)	608	(214,574)
Infrastructure and other assets	(45,110)	(1,997)	–	(47,107)
Meter data management/repository	(9,867)	(3,558)	–	(13,425)
Total Accumulated Amortization	(276,454)	(16,539)	608	(292,385)

Net Book Value

(in thousands of Canadian dollars)	As at December 31, 2011	As at December 31, 2012
	\$	\$
Facilities	33,799	33,036
Market systems and applications	34,273	26,393
Infrastructure and other assets	4,215	5,707
Meter data management/repository	15,176	17,790
Total net book value	87,463	82,926
Assets under construction	439	4,681
Net tangible capital assets	87,902	87,607

In 2012, the impact of adjustments to management's estimates of remaining asset service lives was a decrease in amortization expense of \$381 thousand (2011 – \$nil).

Interest capitalized to assets under construction during 2012 was \$4 thousand (2011 – \$235 thousand).

9. 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 \$1,269 thousand in 2012 (2011 – \$587 thousand).

The IESO recognizes revenue as it is accrued relating to services the IESO performs and charges on a recovery basis. Cost recovery revenue in 2012 was \$2,676 thousand (2011 – \$2,891 thousand).

10. SEGMENT DISCLOSURES

Expenses by object for 2012 comprise of the following:

(in thousands of Canadian dollars)	Wholesale market operations 2012	Customer education and market enforcement expenses 2012	Smart metering entity 2012	Total 2012
	\$	\$	\$	\$
Labour	77,075	357	2,608	80,040
Computer services, support and equipment	8,686	–	719	9,405
Contract services and consultants	7,061	312	15,303	22,676
Telecommunications	3,033	1	3	3,037
Other costs	7,036	–	3	7,039
Amortization	12,981	–	3,558	16,539
Interest expense and financing charges	855	–	1,540	2,395
Total expenses	116,727	670	23,734	141,131

Expenses by object for 2011 comprise of the following:

(in thousands of Canadian dollars)	Wholesale market operations 2011	Customer education and market enforcement expenses 2011	Smart metering entity 2011	Total 2011
	\$	\$	\$	\$
Labour	78,060	171	2,327	80,558
Computer services, support and equipment	7,857	–	65	7,922
Contract services and consultants	6,651	45	10,913	17,609
Telecommunications	2,775	1	11	2,787
Other costs	7,281	2	3	7,286
Amortization	12,898	–	2,529	15,427
Interest expense and financing charges	768	–	1,063	1,831
Total expenses	116,290	219	16,911	133,420

11. 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 limited ability to accumulate a surplus from these fees.

The IESO submitted its proposed 2012-2014 Business Plan to the Minister for approval and as of February 15, 2013, the Minister has not granted or denied his approval. Subsequently, 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 per megawatt hour.

The IESO submitted its proposed 2013 Business Plan to the Minister for approval, and as of February 15, 2013, the Minister has not granted or denied his approval. In November 2012, the IESO sought and received clarification from the OEB that the interim fee remains in effect pending the OEB review and approval of a new fee for 2013.

The IESO is also the SME and expects to fund its SME operating costs and capital investment in the meter data management/repository through fees from users of smart meters in Ontario. To date, this investment and spending has been funded through debt. On March 23, 2012, the IESO made an application to the OEB for their approval of a smart metering charge. As of February 15, 2013, the application was still before the OEB.

12. 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 6). Interest payments made by the IESO in 2012 for the note payable was \$1,756 thousand (2011 – \$1,364 thousand) and for the credit facility was \$485 thousand (2011 – \$183 thousand). As of December 31, 2012 the IESO had an accrued interest payable balance with the OEFC of \$346 thousand (2011 – \$325 thousand).

The IESO performs system studies for the OPA in support of their Power System Planning requirements and provides support for the Demand Response program. In 2012, the IESO invoiced the OPA \$276 thousand (2011 – \$660 thousand) for services associated with these programs. In 2012, the OPA has provided a secondment resource for market enforcement activities and the IESO incurred costs of \$13 thousand (2011 – \$nil) for these services. As of December 31, 2012 the IESO had a net payable balance with the OPA due to invoice adjustments of \$58 thousand (2011 – net receivable balance of \$70 thousand).

Under the *Ontario Energy Board Act*, 1998, the IESO incurs registration and licence fees. The total of the transactions with the OEB were \$514 thousand in 2012 (2011 – \$515 thousand).

The IESO performed connection assessment and approvals and technical feasibility studies for Hydro One in 2012. In 2012, the IESO invoiced Hydro One \$696 thousand (2011 – \$127 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 2012, the IESO incurred costs of \$130 thousand (2011 – \$134 thousand) for these services. As of December 31, 2012 the IESO had a net receivable balance with Hydro One of \$279 thousand (2011 – net payable balance of \$42 thousand).

In 2012, 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 2012, OPG was invoiced \$144 thousand (2011 – \$64 thousand). As of December 31, 2012 the IESO had a net receivable balance with OPG of \$6 thousand (2011 – \$12 thousand).

13. 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 may utilize forward purchase contracts to purchase US dollars for delivery at a specified date in the future at a fixed exchange rate. In addition, the IESO utilizes US dollar spot rate purchases in order to satisfy any current accounts. As at December 31, 2012, the IESO did not have any outstanding forward purchase contracts.

ii) Interest Rate Risk

The IESO is exposed to movements or changes in interest rates primarily through its variable rate credit facility, cash equivalents' securities, and long-term investments. Long-term investments include investments in a pooled Canadian bond fund. The potential impact to the securities' value had the prevailing interest rates changed by 25 basis points, assuming a parallel shift in the yield curve, with all other variables held constant is estimated at \$0.4 million as at December 31, 2012 (2011 – \$0.3 million).

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 valuation of equities as at December 31, 2012 would have resulted in a change for the year (before the impact of adjustments to the approved regulatory deferral account (Note 5) of approximately \$5.0 million (2011 – \$4.3 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' securities and accounts receivable, and indirectly through its exposure to the long-term investments in a Canadian bond pooled fund. The IESO manages credit risk associated with cash equivalents' securities (which amounted to \$7.3 million as at December 31, 2012) through an approved management policy which limits investments to investment grade investments with counterparty-specific limits. The accounts receivable balance as at December 31, 2012 included no material items past due and substantially all of the balance was collected within 30 days from December 31, 2012. The long-term Canadian bond pooled fund comprised of primarily 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 cash flows and financing requirements. Cash flows from operations, short-term investments, long-term investments, and maintaining appropriate credit facilities help to reduce liquidity risk. The IESO's long-term investments 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.

14. 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)

	\$
2013	1,930
2014	1,853
2015	1,784
2016	1,766
2017	1,804

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.



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.

A handwritten signature in black ink, appearing to read 'R. Ward', is located above the name Robert W. Ward.

Robert W. Ward
President and
Chief Executive Officer

May 31, 2013

A handwritten signature in black ink, appearing to read 'Michelle Séguin', is located above the name Michelle Séguin.

Michelle Séguin
Chief Administrative Officer
and Vice President

May 31, 2013



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 sheets as at March 31, 2013, March 31, 2012 and April 1, 2011, and the statements of operations and changes in net accumulated deficit and cash flows for the years ended March 31, 2013 and March 31, 2012, 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

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audits 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 in my audits is sufficient and appropriate to provide a basis for my audit 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, 2013, March 31, 2012 and April 1, 2011, and the results of its operations, changes in its net accumulated deficit, and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian public sector accounting standards.

Gary Peall, CPA, CA, LPA
Acting Auditor General

Legal Aid Ontario

Balance Sheets

	March 31, 2013 (\$000's)	March 31, 2012 (\$000's)	April 1, 2011 (\$000's)
		(Note 15)	(Note 15)
ASSETS			
Current Assets			
Cash and cash equivalents (Note 2)	\$ 19,509	\$ 9,866	\$ 6,568
Short-term investments (Note 4)	12,133	12,131	16,589
Prepaid expenses and other assets	1,347	1,382	1,271
Client accounts receivable (Note 3(a))	18,092	13,458	11,475
Other receivables (Note 3(b))	19,506	11,725	13,789
	<u>\$ 70,587</u>	<u>\$ 48,562</u>	<u>\$ 49,692</u>
Long-term client accounts receivable (Note 3(a))	22,637	25,918	22,222
Capital assets (Note 5)	4,883	4,785	5,124
	<u>\$ 98,107</u>	<u>\$ 79,265</u>	<u>\$ 77,038</u>
TOTAL ASSETS			
	<u>\$ 98,107</u>	<u>\$ 79,265</u>	<u>\$ 77,038</u>
LIABILITIES AND NET ASSETS (DEFICIT)			
Accounts payable and accrued liabilities (Note 6)	\$ 91,404	\$ 87,715	\$ 88,965
Deferred capital contributions (Note 7)	-	-	21
Deferred grants and contribution (Note 8)	4,168	4,736	-
Accrued pension benefit (Note 12)	666	526	483
	<u>\$ 96,238</u>	<u>\$ 92,977</u>	<u>\$ 89,469</u>
Contingency reserve (Note 13)	6,400	-	-
	<u>\$ 102,638</u>	<u>\$ 92,977</u>	<u>\$ 89,469</u>
Net Assets (Deficit)			
Net accumulated surplus (deficit)	\$ (9,414)	\$ (18,497)	\$ (17,534)
Invested in capital assets (Note 9)	4,883	4,785	5,103
	<u>(4,531)</u>	<u>(13,712)</u>	<u>(12,431)</u>
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	<u>\$ 98,107</u>	<u>\$ 79,265</u>	<u>\$ 77,038</u>

On behalf of the Board:



Chair

Legal Aid Ontario

Statements of Operations

For the years ended March 31

	2013 (\$000's)	2012 (\$000's)
REVENUE		(Note 15)
Total Government Funding (Note 1(a))	\$ 347,549	\$ 335,709
The Law Foundation of Ontario	22,295	19,101
Client contributions	12,069	15,433
Client and other recoveries	675	358
Investment income (Note 4)	253	327
Miscellaneous income	585	730
TOTAL REVENUE	\$ 383,426	\$ 371,658
EXPENSES		
Client Programs		
Certificate Program		
Criminal - Big Cases	\$ 22,733	\$ 22,715
Criminal - Others	84,089	86,063
Sub-total	106,822	108,778
Family	49,166	50,633
Immigration and refugee	19,590	21,875
Other civil	5,606	5,803
Sub-total	181,184	187,089
Settlement conferences	101	144
Family law offices	5,602	5,058
Criminal law offices	839	789
Refugee law office	1,686	1,177
Articling students	2,060	-
Nishnawbe-Aski legal services corporation	1,767	1,729
Sub-total	193,239	195,986
Duty Counsel Program		
Duty counsel fees and disbursements	45,260	44,782
Expanded duty counsel	1,232	1,145
Sub-total	46,492	45,927
Clinic Program and Special Services		
Clinic law services (Note 10)	68,567	67,064
Student legal aid societies	3,200	3,433
Clinic information management project	568	265
Sub-total	72,335	70,762
Service Innovation Projects		
Other	571	507
Sub-total	571	507

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

Legal Aid Ontario

Statements of Operations
(Continued)

For the years ended March 31	2013 (\$000's)	2012 (\$000's)
EXPENSES (continued)		(Note 15)
Program Support		
Regional operations	1,599	1,595
District/Area office services	13,149	11,521
Client service center	5,474	5,347
Sub-total	20,222	18,463
TOTAL CLIENT PROGRAMS	\$ 332,859	\$ 331,645
Service Provider Support		
Research facility	3,293	3,312
Lawyers services and payments	1,874	1,903
Sub-total	5,167	5,215
Administrative and Other Costs		
Provincial office	30,203	29,718
Amortization expense	1,630	2,160
Bad debt expense	4,386	4,201
Sub-total	36,219	36,079
TOTAL EXPENSES	\$ 374,245	\$ 372,939
Surplus (Deficiency) of revenue over expenses for the year	\$ 9,181	\$ (1,281)

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

Legal Aid Ontario

Statements of Changes in Net Accumulated Deficit

For the years ended March 31,

	Invested in capital assets (Note 9) (\$000's)	Accumulated deficit (Note1(c)) (\$000's)	2013 Total (\$000's)	2012 Total (\$000's)
Net accumulated surplus (deficit), beginning of year	\$ 4,785	\$ (18,497)	\$(13,712)	\$(12,431)
Surplus (Deficiency) of revenue for the year	(1,630)	10,811	9,181	(1,281)
Purchase of capital assets	1,728	(1,728)	-	-
Net accumulated surplus (deficit), end of year	\$ 4,883	\$ (9,414)	\$ (4,531)	\$(13,712)

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

Legal Aid Ontario

Statements of Cash Flows

For the years ended March 31

	2013	2012
	(\$000's)	(\$000's)

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

Surplus (Deficiency) of revenue over expenses for the year	\$ 9,181	\$ (1,281)
Adjustments to reconcile deficiency of revenue over expenses to net cash provided by operating activities:		
Amortization of capital assets	1,630	2,160
Amortization of deferred capital contributions	-	(21)
Changes in non-cash balances:		
Client accounts receivable	(4,634)	(1,983)
Other receivable	(7,781)	2,064
Prepaid expenses	35	(111)
Accounts payable and accrued liabilities	3,689	3,750
Accrued interest on investments	(2)	(42)
Deferred grants and contributions	(568)	(264)
Contingency Reserve	6,400	-
Long-term client accounts receivable	3,281	(3,696)
Employer pension contributions	(2,544)	(2,349)
Pension expense	2,684	2,392
	\$ 11,371	\$ 619

INVESTING ACTIVITIES

Redemption of investments	\$ -	\$ 4,500

CAPITAL ACTIVITIES

Purchase of capital assets	\$ (1,728)	\$ (1,821)

Net increase in cash and cash equivalents during the year

	9,643	3,298

Cash and cash equivalents, beginning of year

	9,866	6,568

Cash and cash equivalents, end of year

	\$ 19,509	\$ 9,866

Legal Aid Ontario

Summary of Significant Accounting Policies

March 31, 2013

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

These financial statements have been prepared in accordance with the Public Sector Handbook ["PS"] of the Canadian Institute of Chartered Accountants' ["CICA"] Handbook supplemented by the standards for government not-for-profit organizations included in PS 4200 to PS 4270, which constitutes generally accepted accounting principles for government not-for-profit organizations in Canada and includes the significant accounting policies summarized below.

These are the first financial statements prepared in accordance with the Public Sector Handbook. Detailed information on the impact of the conversion is provided in Note 15.

ADOPTION OF ACCOUNTING STANDARDS RELATED TO FINANCIAL INSTRUMENTS

Effective April 1, 2012, the Corporation adopted the recommendation of Public Accounting Standards PS 3450 – Financial instruments. The new standards provide comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments.

In accordance with the requirements of these standards, prospective application of the recognition, derecognition and measurement policies are presented beginning April 1, 2012. Accordingly, financial statements of prior periods, including comparative information, have not been restated.

The adoption of PS 3450 did not have a financial impact on the financial statements of the Corporation.

Legal Aid Ontario**Summary of Significant Accounting Policies****(Continued)****March 31, 2013****FINANCIAL INSTRUMENTS**

Financial instruments are classified in one of the following categories (i) fair value or (ii) cost or amortized cost. The entity determines the classification of its financial instruments at initial recognition.

Investments reported at fair value consist of equity instruments that are quoted in an active market as well as investments in pooled funds and any investments in fixed income securities that the Organization designates upon purchase to be measured at fair value. Transaction costs are recognized in the statements of operations in the period during which they are incurred. Investments at fair value are remeasured at their fair value at the end of each reporting period. Any revaluation gains and losses are recognized in the statement of remeasurement gains and losses and are cumulatively reclassified to the statement of operations upon disposal or settlement.

Investments in fixed income securities not designated to be measured at fair value are initially recorded at fair value plus transaction costs and are subsequently measured at amortized cost using the straight-line method, less any provision for impairment.

All investment transactions are recorded on a trade date basis.

Other financial instruments, including accounts receivable and accounts payable, are initially recorded at their fair value and are subsequently measured at cost, net of any provisions for impairment.

REVENUE RECOGNITION

The Corporation follows the deferral method of accounting for contributions.

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.

Investment income which consists of interest is recorded in the statement of operations as earned.

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.

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, 2013**

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

EMPLOYEE BENEFIT PLANS

Defined benefit plans

The Corporation accrues its obligations under defined benefit employee benefit plans and the related costs. The cost of post-employment benefits earned by employees is actuarially determined using the projected unit credit actuarial cost method prorated on service and management's best estimate assumptions. Actuarial gains (losses) are amortized on a straight-line basis over the expected average remaining service period of the active employees. Past service costs are expensed when incurred. Liabilities are measured using a discount rate determined by reference to the Corporation's cost of borrowing. Adjustments to these costs arising from changes in actuarial assumptions and/or experience are recognized over the estimated average remaining service period of the active employees.

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.

Legal Aid Ontario

Notes to Financial Statements

March 31, 2013

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:

	2013 (\$000's)	2012 (\$000's)
Contributions	\$ 353,949	\$ 335,688
Less: Amounts recorded as Contingency Reserve (Note 13)	6,400	-
Amortization of deferred capital contributions (Note 7)	-	21
	\$ 347,549	\$ 335,709

Included in the transfer payment of \$353.9 million is an additional \$15.0 million (2012 - \$15.0 million) received from the Province as part of a governmental LAO Revitalization initiative that has resulted 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, 2013 is an amount of \$51.1 million (2012 - \$53.8 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. During the year the Corporation recorded a surplus of revenue over expenses to reduce the accumulated deficit.

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, 2013, March 31, 2012 and April 1, 2011. The credit facility bears interest at the prime rate and is unsecured.

Legal Aid Ontario

Notes to Financial Statements
(Continued)

March 31, 2013

3. Accounts Receivable

(a) Client accounts receivable

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.

March 31, 2013 (\$000's)	Total	1-30 Days	31-60 Days	61-90 Days	Over 90 Days
Client accounts receivables	\$ 75,866	\$ 785	\$ 524	\$ 218	\$ 74,339
Less: impairment allowance	(35,137)	(426)	(210)	(98)	(34,403)
Net receivables	\$ 40,729	\$ 359	\$ 314	\$ 120	\$ 39,936

March 31, 2012 (\$000's)	Total \$	1-30 Days	31-60 Days	61-90 Days	Over 90 Days
Client accounts receivables	\$ 86,205	\$ 868	\$ 608	\$ 249	\$ 84,480
Less: impairment allowance	(46,829)	(590)	(267)	(130)	(45,842)
Net receivables	\$ 39,376	\$ 278	\$ 341	\$ 119	\$ 38,638

April 1, 2011 (\$000's)	Total \$	1-30 Days	31-60 Days	61-90 Days	Over 90 Days
Client accounts receivables	\$ 87,082	\$ 837	\$ 635	\$ 253	\$ 85,357
Less: impairment allowance	(53,385)	(601)	(343)	(151)	(52,290)
Net receivables	\$ 33,697	\$ 236	\$ 292	\$ 102	\$ 33,067

	March 31, 2013 (\$000's)	March 31, 2012 (\$000's)	April 1, 2011 (\$000's)
Represented by			
Current client accounts receivable	18,092	13,458	\$ 11,475
Long-term client accounts receivable	22,637	25,918	22,222
	\$ 40,729	\$ 39,376	\$ 33,697

Legal Aid Ontario

Notes to Financial Statements
(Continued)**March 31, 2013**

(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

March 31, 2013 (\$000's)	Total	1-30 Days	31-60 Days	61-90 Days	Over 90 Days
MAG Receivables	\$ 8,482	\$ 7,158	\$ -	\$ -	\$ 1,324
DOJ protocol cases	1,817	1,817	-	-	-
HST receivable	6,661	4,452	2,209	-	-
The Law Foundation of Ontario	1,811	1,811	-	-	-
Other receivables	735	735	-	-	-
Net other receivables	\$ 19,506	\$ 15,973	\$ 2,209	\$ -	\$ 1,324

March 31, 2012 (\$000's)	Total \$	1-30 Days	31-60 Days	61-90 Days	Over 90 Days
MAG Receivables	\$ 2,684	\$ 582	\$ -	\$ -	\$ 2,102
DOJ protocol cases	1,492	1,492	-	-	-
HST receivable	5,206	4,975	104	127	-
The Law Foundation of Ontario	1,559	1,559	-	-	-
Other receivables	784	784	-	-	-
Net other receivables	\$ 11,725	\$ 9,392	\$ 104	\$ 127	\$ 2,102

April 1, 2011 (\$000's)	Total \$	1-30 Days	31-60 Days	61-90 Days	Over 90 Days
MAG Receivables	\$ 2,785	\$ 442	\$ -	\$ -	\$ 2,343
DOJ protocol cases	1,742	1,742	-	-	-
HST receivable	6,135	4,262	1,873	-	-
The Law Foundation of Ontario	2,364	2,364	-	-	-
Other receivables	763	763	-	-	-
Net other receivables	\$ 13,789	\$ 9,573	\$ 1,873	\$ -	\$ 2,343

Legal Aid Ontario

Notes to Financial Statements
(Continued)

March 31, 2013

4. Investments

	March 31, 2013 (\$000's)	March 31, 2012 (\$000's)	April 1, 2011 (\$000's)
Guaranteed investment certificates	\$ 12,000	\$ 12,000	\$ 16,500
Accrued interest	133	131	89
	<u>\$ 12,133</u>	<u>\$ 12,131</u>	<u>\$ 16,589</u>

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, 2013 are in compliance with the statutory requirements. The Corporation earned total investment income of \$ 0.253 million in 2013 (2012 - \$0.327 million).

Legal Aid Ontario

Notes to Financial Statements
(Continued)

March 31, 2013

5. Capital Assets

	March 31, 2013 (\$000's)		March 31, 2012 (\$000's)		April 1, 2011 (\$000's)	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and office equipment	\$ 880	\$ 722	\$ 891	\$ 576	\$ 1,015	\$ 558
Computer hardware and software	3,766	1,410	2,537	887	14,627	13,858
Custom-designed software	-	-	39	36	39	23
Enterprise-wide software	15,628	15,628	15,628	15,628	15,628	14,904
Leasehold improvement	4,323	1,954	4,535	1,718	7,871	4,713
	<u>\$ 24,597</u>	<u>\$ 19,714</u>	<u>\$ 23,630</u>	<u>\$ 18,845</u>	<u>\$ 39,180</u>	<u>\$ 34,056</u>
Net book value		<u>\$ 4,883</u>		<u>\$ 4,785</u>		<u>\$ 5,124</u>

6. Accounts Payable and Accrued Liabilities

	March 31, 2013 (\$000's)	March 31, 2012 (\$000's)	April 1, 2011 (\$000's)
Legal accounts			
- accruals for billings received but not paid	\$ 21,185	\$ 21,610	\$ 18,699
- estimate of work performed but not yet billed	60,840	57,303	56,186
Rent inducements	1,143	1,357	1,569
Trade and other payables	7,286	6,477	6,685
Vacation pay	950	968	826
	<u>\$ 91,404</u>	<u>\$ 87,715</u>	<u>\$ 83,965</u>

Legal Aid Ontario

Notes to Financial Statements
(Continued)**March 31, 2013****7. Deferred Capital Contributions**

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

	March 31, 2013 (\$000's)	March 31, 2012 (\$000's)	April 1, 2011 (\$000's)
Balance, beginning of year	\$ -	\$ 21	\$ 253
Amortization of deferred capital contributions	-	(21)	(232)
Balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21</u>

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, 2012	\$ 1,750	\$ 2,986	\$ 4,736
Amounts recognized as revenue	<u>-</u>	<u>(568)</u>	<u>(568)</u>
Balance March 31, 2013	<u>\$ 1,750</u>	<u>\$ 2,418</u>	<u>\$ 4,168</u>

9. Changes in Net Assets Invested in Capital Assets

	March 31, 2013 (\$000's)	March 31, 2012 (\$000's)	April 1, 2011 (\$000's)
Balance, beginning of year	\$ 4,785	\$ 5,103	\$ 7,980
Amortization	(1,630)	(2,160)	(3,757)
Amortization of deferred contributions	-	21	232
Purchase of capital assets	1,728	1,821	648
Balance, end of year	<u>\$ 4,883</u>	<u>\$ 4,785</u>	<u>5,103</u>
Represented by			
Capital assets (Note 5)	\$ 4,883	\$ 4,785	\$ 5,124
Deferred capital contributions (Note 7)	-	-	(21)
	<u>\$ 4,883</u>	<u>\$ 4,785</u>	<u>\$ 5,103</u>

Legal Aid Ontario

Notes to Financial Statements
(Continued)

March 31, 2013

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.

	2013 (\$000's)	2012 (\$000's)
Payments to and on behalf of clinics	\$ 68,567	\$ 67,064

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, 2013 management estimates that a potential \$53.6 million (2012 - \$50.4 million) could still be incurred on certificates issued on or before March 31, 2013 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)
2014	\$ 1,761	\$ 2,261	\$ 4,022
2015	1,550	2,074	3,624
2016	1,383	1,944	3,327
2017	1,257	1,857	3,114
2018	1,181	1,814	2,995
Thereafter	586	940	1,526
	\$ 7,718	\$ 10,890	\$ 18,608

Legal Aid Ontario

Notes to Financial Statements
(Continued)

March 31, 2013

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 \$50 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) pension plan.

Defined Contribution Component

The defined contribution component of the plan covers 744 (2012 - 741) 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 \$2.402 million (2012 - \$2.176 million).

Defined Benefit Component

The defined benefit component of the plan covers 4 (2012 - 5) 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. These members do not participate in the defined contribution plan.

The Corporation measures its accrued benefit obligation for accounting purposes as at March 31 of each year.

	March 31, 2013 (\$000's)	March 31, 2012 (\$000's)	April 1, 2011 (\$000's)
Accrued benefit obligation	\$ 3,328	\$ 3,282	\$ 2,958
Fund assets at market value	3,512	3,233	3,341
Funded status - plan surplus (deficit)	184	(49)	383
Unamortized net actuarial loss	398	607	-
Accrued benefit asset	\$ 582	558	\$ 383

Legal Aid Ontario

Notes to Financial Statements
(Continued)

March 31, 2013

12. Pensions (continued)

The expense related to the Corporation's defined benefit component of the plan consists of the following:

	2013 (\$000's)	2012 (\$000's)
Current period benefit cost	\$ 30	\$ 26
Past service costs incurred during the year	-	-
Amortization of actuarial losses	87	-
Interest expense	1	(28)
	118	(2)

The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligation and benefit expense are as follows:

	2013 %	2012 %	2011 %
Accrued benefit obligation			
Discount rate	5.00	5.00	6.50
Rate of compensation increase	3.00	3.00	3.00

	2013 %	2012 %
Benefit expense		
Discount rate	5.00	6.50
Expected long-term rate of return on plan assets	6.50	5.00
Rate of compensation increase	3.00	3.00

Other information about the defined benefit plan is as follows:

	2013 (\$000's)	2012 (\$000's)
Employer contributions	142	173
Employee contributions	12	13
Benefits paid	160	349
Pension Expense	118	(2)

Legal Aid Ontario
Notes to Financial Statements
(Continued)

March 31, 2013

12. Pensions (continued)

Supplementary Executive Pension Plan

The Board of the Corporation has also approved the establishment of a supplementary pension plan for a designated executive member. Under the supplementary pension plan, pension at retirement are related to years of service and remuneration during the years of employment. The Plan is unfunded and the pension will be paid by the Corporation as it becomes due. The accounting valuation for the unfunded retirement plan has been performed as at March 31, 2013.

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

	2013 %	2012 %
Discount rate	4.00	5.00
Inflation	1.50	2.50

The Corporation's pension expense for the year for this plan was \$0.164 million (2012 - \$0.218 million); the pension accrued benefit obligation and the accrued benefit liability as at March 31, 2013 was \$1.248 million (March 31, 2012 - \$1.084 million and April 1, 2011 - \$0.866 million). During the year, the Corporation made no payments to the plan (2012 - nil).

	March 31, 2013 (\$000's)	March 31, 2012 (\$000's)	April 1, 2011 (\$000's)
Accrued Pension Benefit Asset (Liability)			
Defined Benefit Plan	\$ 582	\$ 558	\$ 383
Supplementary Executive Pension Plan	(1,248)	(1,084)	(866)
Net Liability	\$ (666)	\$ (526)	\$ (483)

Legal Aid Ontario Notes to Financial Statements (Continued)

March 31, 2013

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 the future.

During the year, MAG provided a one-time amount of \$6.4 million which was allocated to this fund. The purpose of this funding is to support LAO in managing future risks as a result of changes to the funding environment, the unfunded cost of tariff increases, and for modernization and transformation initiatives.

	2013 (\$000's)	2012 (\$000's)
Balance, beginning of year	\$ -	\$ -
Funded from MAG	6,400	-
	\$ 6,400	\$ -

14. Financial Instruments

The Corporation is exposed to various financial risks through transactions in financial instruments.

Credit risk

The Corporation is exposed to credit risk in connection with its client accounts receivable and its short term and fixed income investments because of the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation.

Liquidity risk

The Corporation is exposed to the risk that it will encounter difficulty in meeting obligations associated with its financial liabilities. The Corporation derives a significant portion of its operating revenue from the Ontario government and other funders with no firm commitment of funding in future years. To manage liquidity risk, the Corporation keeps sufficient resources readily available to meet its obligations.

Accounts payable and accrued liabilities mature within 21 days. The maturities of other financial liabilities are provided in notes to the financial statements related to these liabilities.

Interest rate risk

The Corporation is exposed to interest rate risk with respect to its investments in fixed income investments.

The Corporation's guaranteed investment securities held as investments have interest rates ranging from 1.20% to 1.35% and maturing on April 4, 2013 and September 13, 2013. A 1% change in the interest rates, holding all other variables constant, would have a \$0.120 million impact on interest revenue.

Legal Aid Ontario
Notes to Financial Statements
(Continued)

March 31, 2013

15. First-time Adoption of Canadian Public Sector Accounting Standards

These financial statements are the first financial statements which the Corporation has prepared in accordance with the Public Sector Handbook, which constitutes generally accepted accounting principles for government not-for-profit organizations in Canada ["GAAP"]. The Corporation has chosen to use the standards for government not-for-profit organizations that include Section PS 4200 to PS 4270. In preparing its opening balance sheet as at April 1, 2011 [the "Transition Date"], the Corporation has applied PS 2125; First-time Adoption by Government Organizations.

The accounting policies that the Corporation has used in the preparation of its opening balance sheet have resulted in certain adjustments to balances which were presented in the balance sheet prepared in accordance with Part V of the CICA Handbook - Accounting ["Previous GAAP"]. These adjustments were recorded directly to the Organization's net assets at the Transition Date using the transitional provisions set out in PS 2125 and are described below.

Exemption elected upon transition

CICA PS 2125 provides a number of elective exemptions related to standards in PSA Handbook. The Corporation has elected to use the transition exemption allowing the recognition of cumulative actuarial losses at the Transition Date. The Corporation has not elected to use any other exemptions.

Reconciliations

The following table provides a reconciliation of net assets as at April 1, 2011 and the excess of revenue over expenses for the year ended March 31, 2012 as presented under previous GAAP with those computed under GAAP.

	Excess of revenue over expenses for the year ended March 31, 2012 (\$000's)	Net deficit at April 1, 2011 (\$000's)
Deficiency of revenue over expenses and net deficit - Previous GAAP	\$ (1,285)	\$ (12,517)
Recognition of unamortized transitional obligation	-	158
Election to recognize cumulative actuarial losses	-	(389)
Impact of required changes in actuarial assumptions	-	317
Impact on required changes on pension expense	4	-
Excess of revenue over expenses and net deficit - GAAP	\$ (1,281)	(12,431)

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Central LHIN

Management's Responsibility for the Financial Statements

May 28, 2013

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, 2013 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, 2013 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, 2013, 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, 2013, 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 dark ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Accountants
Licensed Public Accountants
May 28, 2013

Central Local Health Integration Network

Statement of financial position as at March 31, 2013

	2013	2012
	\$	\$
Financial assets		
Cash	827,473	783,009
Due from Ministry of Health and Long-Term Care ("MOHLTC")	3,746,803	1,864,300
Accounts receivable	154,169	31,412
	4,728,445	2,678,721
Liabilities		
Accounts payable and accrued liabilities	425,042	290,049
Due to Health Service Providers ("HSPs")	3,746,803	1,864,300
Due to Ministry of Health and Long-Term Care ("MOHLTC") (Note 3)	589,608	445,234
Due to the LHIN Shared Services Office (Note 4)	-	98,795
Deferred capital contributions (Note 5)	188,172	167,740
	4,949,625	2,866,118
Net debt	(221,180)	(187,397)
Commitments (Note 6)		
Non-financial assets		
Prepaid expenses	33,008	19,657
Capital assets (Note 7)	188,172	167,740
	221,180	187,397
Accumulated surplus	-	-

Approved by the Board



Director

John M. Langs Chair, Board of Directors



Director

John Rogers Chair, Board Audit Committee

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

Central Local Health Integration Network

Statement of operations
year ended March 31, 2013

		2013	2012
	Budget (Unaudited - Note 8)	Actual	Actual
	\$	\$	\$
Revenue			
MOHLTC funding			
HSP transfer payments (Note 9)	1,807,421,300	1,839,520,964	1,824,986,446
LHIN Operations and Programs			
Operations of LHIN	4,189,100	4,077,803	4,107,734
Emergency Room/Alternative Level of Care ("ER - ALC") Funding (Note 10a)	100,000	100,000	100,000
Primary Care Lead (Note 10b)	75,000	75,000	15,625
Aboriginal Initiative (Note 10c)	10,000	345	728
Behaviourial Supports Ontario (Note 10d)	-	-	31,373
Emergency Department Lead (Note 10e)	75,000	72,000	72,000
French Language Health Services (Note 10f)	106,000	96,354	93,321
Critical Care Lead (Note 10g)	75,000	63,000	72,229
Enabling Technologies for Integration Project Management Office(Note 10h)	-	199,501	338,122
Diabetes Strategy (Note 10i)	-	5,689	-
Amortization of deferred capital contributions (Note 5)	81,600	73,756	81,541
Total LHIN Operations and Programs	4,711,700	4,763,448	4,912,673
	1,812,133,000	1,844,284,412	1,829,899,119
Expenses			
HSP transfer payments (Note 9)	1,807,421,300	1,839,520,964	1,824,986,446
LHIN Operations and Programs			
Operations of LHIN (note 11)	4,189,100	4,077,803	4,107,734
Emergency Room/Alternative Level of Care ("ER - ALC") Funding (Note 10a)	100,000	100,000	100,000
Primary Care Lead (Note 10b)	75,000	75,000	15,625
Aboriginal Initiative (Note 10c)	10,000	345	728
Behaviourial Supports Ontario (Note 10d)	-	-	31,373
Emergency Department Lead (Note 10e)	75,000	72,000	72,000
French Language Health Services (Note 10f)	106,000	96,354	93,321
Critical Care Lead (Note 10g)	75,000	63,000	72,229
Enabling Technologies for Integration Project Management Office(Note 10h)	-	199,501	338,122
Diabetes Strategy (Note 10i)	-	5,689	-
Amortization of capital assets	81,600	73,756	81,541
	1,812,133,000	1,844,284,412	1,829,899,119
Annual surplus before funding repayable			
Opening accumulated surplus	-	-	-
Closing accumulated surplus	-	-	-
	-	-	-

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

Central Local Health Integration Network

Statement of changes in net debt
year ended March 31, 2013

		2013	2012
	Budget (Unaudited - Note 8)	Actual	Actual
	\$	\$	\$
Annual surplus			-
Acquisition of capital assets		94,187	45,969
Amortization of capital assets		(73,756)	(81,541)
Change in other non-financial assets		13,351	(21,799)
Decrease in net debt	-	33,782	(57,371)
Opening net debt		187,397	244,768
Closing net debt	-	221,179	187,397

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

Central Local Health Integration Network

Statement of cash flows year ended March 31, 2013

	2013	2012
	\$	\$
Operating transactions		
Annual surplus		-
Less items not affecting cash		
Amortization of capital assets	(73,756)	(81,541)
Amortization of deferred capital contributions (Note 5)	73,756	81,541
	-	-
Changes in non-cash operating items		
Increase (decrease) in due from MOHLTC	(1,882,503)	3,183,935
Decrease (increase) in accounts receivable	(122,757)	(5,438)
Decrease in accounts payable and accrued liabilities	134,993	(200,918)
Increase in due to the MOHLTC	144,374	96,205
(Decrease) increase in due to HSPs	1,882,503	(3,183,935)
Increase in due to the LHIN Shared Services Office	(98,795)	96,643
Decrease in due from LHIN Shared Services Office	-	-
(Decrease) in deferred revenue	-	-
Increase (decrease) in prepaid expenses	(13,351)	21,799
	44,464	8,291
Capital transaction		
Acquisition of capital assets	(94,187)	(45,969)
Financing transaction		
Deferred capital contributions received (Note 5)	94,187	45,969
Net increase in cash	44,464	8,291
Cash, beginning of year	783,009	774,718
Cash, end of year	827,473	783,009

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

Central Local Health Integration Network

Notes to the financial statements

March 31, 2013

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 transfer payment funds not included in the Ministry LHIN Performance Agreement.

Central Local Health Integration Network

Notes to the financial statements

March 31, 2013

2. Significant accounting policies (continued)

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.

Adoption of new accounting standards

As at April 1, 2012, the LHIN adopted Public Sector Accounting Handbook Section PS 1201, "Financial Statement Presentation", Section PS 2601 "Foreign Currency Translation", PS 3410 "Government Transfers" and Section PS 3450, "Financial Instruments". There was no impact of the adoption of these new standards on the financial statements.

Central Local Health Integration Network

Notes to the financial statements

March 31, 2013

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:

			2013	2012
	Funding received	Revenue recognized	Repayable	Repayable
	\$	\$	\$	\$
Transfer payments to HSPs	1,839,520,964	1,839,520,964	-	-
LHIN operations	4,092,798	4,077,803	14,995	301,882
eHealth	580,000	199,501	380,499	61,878
Special program funding	606,503	412,389	194,114	81,474
	1,844,800,265	1,844,210,657	589,608	445,234

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 \$390,710 (2012 - \$501,995).

5. Deferred capital contributions

	2013	2012
	\$	\$
Balance, beginning of year	167,740	203,312
Capital contributions received during the year	94,187	45,969
Amortization for the year	(73,755)	(81,541)
Balance, end of year	188,172	167,740

Central Local Health Integration Network

Notes to the financial statements

March 31, 2013

6. Commitments

The LHIN has commitments under various operating leases as follows:

	Office space	Equipment	Total
	\$	\$	\$
2014	271,687	7,633	279,320
2015	280,620		280,620
2016	326,924		326,924
2017	326,924		326,924
2018 and after	303,025		303,025

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

			2013	2012
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office furniture and fixtures	421,300	272,817	148,483	99,446
Computer equipment	20,030	17,217	2,813	24,455
Leasehold improvements	66,553	29,677	36,876	43,839
	507,883	319,711	188,172	167,740

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	1,812,133,000	1,735,375,499	
Less Health Service Provider			
Budget (a)	(1,807,421,300)	(1,730,059,133)	
LHIN Operating Budget (b)	4,711,700	5,316,366	

Central Local Health Integration Network

Notes to the financial statements

March 31, 2013

8. Budget figures (continued)

a) Health Service Provider Budget

\$

Initial HSP Budget	1,807,421,300
Adjustments due to announcements made during the year	36,710,100
	<u>1,844,131,400</u>

The total budget by sector is as follows:

Hospitals	1,129,748,000
Long Term Care Homes	319,067,700
Community Care Access Centres	240,999,500
Community Support Services	72,369,800
Community Health Centres	8,865,400
Community Mental Health and Addictions	72,731,700
Initiatives	349,300
Total budget	<u>1,844,131,400</u>

b) LHIN Operating Budget

\$

Initial budget as reported on the statement of operations	4,711,700
Additional funding received in-year	641,357
Funding for capital asset purchased transferred to deferred capital contributions	94,187
Closing budget	<u>5,447,244</u>

9. Transfer payments to Health Service Providers

The LHIN authorized transfer payments of \$1,839,520,964 (2012 - \$1,824,986,446) to the following sectors:

	2013	2012
	\$	\$
Hospitals	1,127,771,450	1,135,136,035
Long Term Care Homes	317,942,980	311,945,250
Community Care Access Centres	240,775,028	229,474,894
Community Support Services	72,281,825	71,997,394
Community Health Centres	8,810,116	8,500,437
Community Mental Health and Addictions	71,939,565	67,932,436
	<u>1,839,520,964</u>	<u>1,824,986,446</u>

Central Local Health Integration Network

Notes to the financial statements

March 31, 2013

10. Operations of LHIN

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

The LHIN received funding of \$100,000 (2012 - \$100,000) for the Emergency Response - Alternate Level of Care project. The following are the expense details:

	2013	2012
	\$	\$
Salaries and benefits	98,834	98,130
Accommodation and administration	-	599
Supplies and other	1,166	1,271
	100,000	100,000

b) Primary Care LHIN Lead

The LHIN received one time funding of \$75,000 (2012 - \$43,750) to support Primary Care LHIN Lead. Expenses incurred during the year are as follows:

	2013	2012
	\$	\$
Professional services	75,000	15,625

c) Aboriginal initiative

The LHIN received net funding of \$9,845 (2012 - \$10,000) related to the Aboriginal Planning initiative. Expenses incurred during the year are as follows:

	2013	2012
	\$	\$
Accommodation and administration	-	-
Supplies and other	345	728
	345	728

d) Behavioural Supports Ontario

The LHIN received one time funding of \$nil (2012 - \$57,000) to support the Behavioural Supports Ontario program. Expenses incurred during the year are as follows:

	2013	2012
	\$	\$
Salaries and benefits	-	26,265
Accommodation and administration	-	5,108
	-	31,373

Central Local Health Integration Network

Notes to the financial statements

March 31, 2013

10. Operations of LHIN (continued)

e) Emergency department (ED) lead project

The LHIN received funding of \$72,000 (2012 - \$75,000) related to the ED Lead project. ED Lead project expenses incurred during the year are as follows:

	2013	2012
	\$	\$
Professional services	72,000	72,000

f) French Language Health Services

The LHIN received funding of \$99,756 (2012 - \$106,000) to support the implementation of French Language Health Services. Expenses incurred during the year are as follows:

	2013	2012
	\$	\$
Salaries and benefits	94,555	91,421
Accommodation and administration	1,799	1,900
	96,354	93,321

g) Critical Care LHIN Lead

The LHIN received one time funding of \$68,250 (2012 - \$75,000) to support Critical Care LHIN Lead. Expenses incurred during the year are as follows:

	2013	2012
	\$	\$
Professional services	63,000	72,000
Accommodation and administration		229
	63,000	72,229

h) Enabling Technologies for Integration Project Management Office (formerly eHealth)

The LHIN received funding of \$580,000 (2012 - \$350,000) to support the adoption and implementation of eHealth initiatives. E-health expenses incurred during the year are as follows

	2013	2012
	\$	\$
Salaries and benefits	104,906	306,702
Consulting services		19,320
Accommodation and administration		4,555
Centralized Services (COEHSC)	92,508	7,545
Supplies and other	2,087	-
	199,501	338,122

Central Local Health Integration Network

Notes to the financial statements

March 31, 2013

10. Operations of LHIN (continued)

i) Diabetes Strategy

The LHIN received funding of \$181,652 (2012 - nil) related to the Diabetes Strategy. Diabetes Strategy project expenses incurred during the year are as follows:

	2013	2012
	\$	\$
Accommodation and administration	5,689	-

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:

Salaries and benefits	2,875,269	3,010,986
Occupancy	253,332	187,505
Shared services	390,710	501,995
Public relations	71,956	54,548
Professional Services	28,822	33,996
Supplies	97,219	70,770
Board expenses (see below)	91,720	94,441
Mail, courier and telecommunications	42,836	45,368
Other	225,938	108,125
	4,077,803	4,107,734

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

	Budget 2013	2013	2012
	\$	\$	\$
Board Chair per diem expense	36,000	29,900	40,100
Other Board members per diem expense	40,000	21,200	22,800
Governance costs and travel	49,600	40,620	31,541
	125,600	91,720	94,441

Central Local Health Integration Network

Notes to the financial statements

March 31, 2013

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 28 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2013 was \$230,724 (2012 - \$274,515) 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, 2012. 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** **RLISS** du Centre-Est

Management's Responsibility for the Financial Statements

March 31, 2013

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 LLP, independent external auditors appointed by the Board of Directors.



Deborah Hammons
Chief Executive Officer



Marco Aguila CHRP
Manager, Corporate Services



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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, 2013, and the statements of financial activities, change 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, 2013, 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 cursive script that reads "Deloitte LLP".

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
May 22, 2013

Central East Local Health Integration Network

Statement of financial position as at March 31, 2013

	2013	2012
	\$	\$
Financial assets		
Cash	692,314	537,963
Due from Ministry of Health and Long Term Care ("MOHLTC")	4,507,430	3,093,800
Accounts receivable	85,947	273,858
	5,285,691	3,905,621
Liabilities		
Accounts payable and accrued liabilities	541,153	338,210
Due to Health Service Providers ("HSP")	4,507,430	3,093,800
Due to MOHLTC and eHealth Ontario (Note 3b, 3c)	268,988	509,300
Deferred capital contributions (Note 5)	212,202	237,523
	5,529,773	4,178,833
Net debt	(244,082)	(273,212)
Commitments (Note 6)		
Non-financial assets		
Prepaid expenses	31,880	35,689
Tangible capital assets (Note 7)	212,202	237,523
	244,082	273,212
Accumulated surplus	-	-

Approved by the Board



Director



Director

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

Central East Local Health Integration Network

Statement of financial activities year ended March 31, 2013

	Budget (Note 8)	2013 Actual	2012 Actual
	\$	\$	\$
Revenue			
Ministry of Health and Long Term Care ("MOHLTC") funding			
Health Service Provider ("HSP") transfer payments (Note 9)	2,088,200,455	2,163,791,335	2,129,743,201
Operations of LHIN	4,534,130	4,388,751	4,693,700
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
eHealth (Note 10d)	-	580,000	600,000
Critical Care (Note 10e)	-	75,000	75,000
French Language Services (Note 10f)	-	106,000	106,000
Diabetes & Vascular Health (Note 10g)	-	127,717	-
Diabetes & Vascular Health OT (Note 10g)	-	122,100	-
Behavioural Supports Ontario Pilot (Note 10h)	-	-	750,000
Primary Care (Note 10i)	-	75,000	43,750
Amortization of deferred capital contributions (Note 5)	-	170,700	156,794
	2,092,734,585	2,169,631,603	2,136,363,445
Funding repayable to the MOHLTC (Note 3a)		(268,988)	(509,300)
	2,092,734,585	2,169,362,615	2,135,854,145
Expenses			
Transfer payments to HSPs (Note 9)	2,088,200,455	2,163,791,335	2,129,743,201
General and administrative (Note 11)	4,534,130	4,540,884	4,821,126
ED Lead (Note 10a)	-	72,000	72,161
ER/ALC (Note 10b)	-	75,955	100,000
Aboriginal Planning (Note 10c)	-	1,525	3,882
eHealth (Note 10d)	-	460,669	422,449
Critical Care (Note 10e)	-	72,000	72,000
French Language Services (Note 10f)	-	106,000	49,290
Diabetes & Vascular Health (Note 10g)	-	78,357	-
Diabetes & Vascular Health OT (Note 10g)	-	88,890	-
Behavioural Supports Ontario Pilot (Note 10h)	-	-	551,905
Primary Care (Note 10i)	-	75,000	18,131
	2,092,734,585	2,169,362,615	2,135,854,145
Annual surplus and accumulated surplus, end of year	-	-	-

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

Central East Local Health Integration Network

Statement of change in net debt year ended March 31, 2013

	Budget	2013 Actual	2012 Actual
	\$	\$	\$
Annual surplus			
Acquisition of tangible capital assets	-	(145,379)	(79,030)
Amortization of tangible capital assets	-	170,700	156,794
Change in other non-financial assets	-	3,809	(9,381)
Decrease in net debt	-	29,130	68,383
Net debt, beginning of year	-	(273,212)	(341,595)
Net debt, end of year	-	(244,082)	(273,212)

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

Central East Local Health Integration Network

Statement of cash flows year ended March 31, 2013

	2013	2012
	\$	\$
Operating transactions		
Annual surplus	-	-
Less items not affecting cash		
Amortization of tangible capital assets	170,700	156,794
Amortization of deferred capital contributions (Note 5)	(170,700)	(156,794)
	-	-
Changes in non-cash operating items		
(Decrease) increase in due from MOHLTC	(1,413,630)	10,817,383
Increase (decrease) in accounts receivable	187,911	(236,018)
Increase (decrease) in accounts payable and accrued liabilities	202,943	(193,272)
Increase (decrease) increase in due to HSPs	1,413,630	(10,817,383)
Decrease in due to the MOHLTC	(240,312)	(31,995)
Increase (decrease) in prepaid expenses	3,809	(9,381)
	154,351	(470,666)
Capital transactions		
Acquisition of tangible capital assets	(145,379)	(79,030)
Financing transactions		
Capital contributions received (Note 5)	145,379	79,030
Net increase (decrease) in cash	154,351	(470,666)
Cash, beginning of year	537,963	1,008,629
Cash, end of year	692,314	537,963

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

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2013

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 Central East 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 Central East LHIN 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, 2013.

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 public sector accounting standards. Significant accounting policies adopted by the LHIN are as follows:

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2013

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, 2013.

Deferred capital contributions

Any amounts received that are used to fund expenses 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 tangible capital asset recorded.

Tangible capital assets

Tangible capital assets are recorded at historic cost. Historic cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of tangible capital assets. The cost of tangible 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. 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, 2013

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 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.

Adoption of new accounting standards

As at April 1, 2012, the LHIN adopted Public Sector Accounting Handbook *Section PS 1201, "Financial Statement Presentation"*, *Section PS 2601 "Foreign Currency Translation"*, *PS 3410 "Government Transfers"* and *Section PS 3450, "Financial Instruments"*. There was no impact of the adoption of these new standards on the financial statements.

3. Funding repayable to the MOHLTC

In accordance with the TPA, the Central East 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 or to eHealth Ontario, respectively.

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

			2013	2012
	Funding received	Eligible expenses	Excess funding	Excess funding
	\$	\$	\$	\$
Transfer payments to HSPs	2,163,791,335	2,163,791,335	-	-
LHIN operations	4,559,451	4,540,884	18,567	29,367
ER/ALC	100,000	75,955	24,045	-
ED/Lead	75,000	72,000	3,000	2,839
Critical Care	75,000	72,000	3,000	3,000
E-Health	580,000	460,669	119,331	177,551
Aboriginal Planning	20,000	1,525	18,475	16,118
French Language Services	106,000	106,000	-	56,710
Diabetes & Vascular Health	127,717	78,357	49,360	-
Diabetes & Vascular Health OT	122,100	88,890	33,210	-
Behavioural Supports	-	-	-	-
Ontario	-	-	-	198,095
Primary Care Lead	75,000	75,000	-	25,619
	2,169,631,603	2,169,362,615	268,988	509,300

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2013

3. Funding repayable to the MOHLTC (continued)

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

	2013	2012
	\$	\$
Due to MOHLTC, beginning of year	331,749	541,295
Recovery by MOHLTC during the year	(331,749)	(541,295)
Funding repayable to the MOHLTC related to current year activities (Note 3a)	268,988	331,749
Due to MOHLTC, end of year	268,988	331,749

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

	2013	2012
	\$	\$
Due to eHealth Ontario, beginning of year	177,551	-
Paid to eHealth Ontario during year	(177,551)	-
Funding repayable to the eHealth Ontario related to current year activities (Note 3a)	-	177,551
Due to eHealth Ontario, end of year	-	177,551

In the previous fiscal year (2011-12) the LHIN was funded by MOHLTC through the MLPA and eHealth Ontario directly in accordance with the eHealth Ontario - LHIN Transfer Payment Agreement ("TPA"), which describes budget arrangements established by eHealth Ontario. These financial statements reflect the one time funding arrangement for comparative purposes. In the current fiscal year (2012-13) the funding for eHealth Initiatives with respect to Enabling Technologies for Integration are incorporated as part of the budget arrangements of the MLPA.

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

	2013	2012
	\$	\$
Balance, beginning of year	237,523	315,287
Capital contributions received during the year	145,379	79,030
Amortization for the year	(170,700)	(156,794)
Balance, end of year	212,202	237,523

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2013

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:

	\$
2014	232,949
2015	228,331
2016	133,193
2017	-
	<u>594,473</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:

	\$
2014	2,084,259,282
2015	<u>2,084,247,582</u>

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

7. Tangible capital assets

			2013	2012
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office furniture and fixtures	643,616	493,234	150,382	101,281
Computer equipment	291,738	280,631	11,107	24,355
Web development	36,100	28,507	7,593	7,593
Leasehold improvements	668,025	624,905	43,120	104,294
	<u>1,639,479</u>	<u>1,427,277</u>	<u>212,202</u>	<u>237,523</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, 2012. 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 \$2,163,791,335 is made up of the following:

	\$
Initial HSP funding budget	2,088,200,455
Adjustment due to announcements made during the year	75,590,880
Total HSP funding budget	<u>2,163,791,335</u>

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2013

8. Budget figures (continued)

The total revised operating budget of \$5,814,947 is made up of the following:

	\$
Initial budget as represented on the statement of financial activities	4,534,130
Additional funding received for one time initiatives	
ER/ALC	100,000
ED/Lead	75,000
Critical Care	75,000
E-Health	580,000
Aboriginal Planning	20,000
French Language Services	106,000
Diabetes & Vascular Health	249,817
Primary Care	75,000
Total budget	5,814,947

9. Transfer payments to HSPs

The LHIN has authorization to allocate the funding of \$2,163,791,335 (2012 - \$2,129,743,201) to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors in 2013 as follows:

	2013	2012
	\$	\$
Health Infrastructure Renewal Fund	-	-
Operation of hospitals	1,263,345,821	1,252,096,815
Grants to compensate for municipal taxation - public hospitals	281,250	283,200
Long term care homes	414,237,631	410,848,439
Community care access centres	241,514,062	227,764,449
Community support services	34,631,413	32,615,566
Assisted living services in supportive housing	13,880,255	13,809,205
Community health centres	22,142,397	20,843,048
Community mental health addictions program	59,747,858	57,930,372
Specialty psychiatric hospitals	112,515,437	112,077,447
Acquired brain injury	1,469,786	1,450,060
Grants to compensate for municipal taxation - psychiatric hospitals	25,425	24,600
Total	2,163,791,335	2,129,743,201

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2013

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

a) ED Lead

The LHIN received funding of \$75,000 (2012 - \$75,000) related to the ED Lead project. ED Lead expenses incurred during the year are as follows:

	2013	2012
	\$	\$
Consulting services	72,000	72,000
Other	-	161
	72,000	72,161

b) ER/ALC

The LHIN received funding of \$100,000 (2012 - \$100,000) related to the ER/ALC project. ER/ALC expenses incurred during the year consist of \$75,133 (2012 - \$93,570) of salaries & benefits and \$822 (2012 - \$6,430) of other expenses.

c) Aboriginal Planning

The LHIN received funding of \$20,000 (2012 - \$20,000) related to the Aboriginal Planning project. Aboriginal Planning project expenses incurred during the year consist of \$1,525 (2012 - \$3,882) of other expenses.

d) E-Health

The LHIN received funding of \$580,000 (2012 - \$600,000) related to the E-Health project. E-Health project expenses incurred during the year are as follows:

	2013	2012
	\$	\$
Consulting services	-	20,006
Salaries and benefits	315,773	290,314
Meetings	5,410	18,468
Supplies and other	139,486	93,661
	460,669	422,449

e) Critical Care

The LHIN received funding of \$75,000 (2012 - \$75,000) related to the Critical Care project. Critical Care project expenses incurred during the year consist of \$72,000 of consultant expenses (2012 - \$72,000).

f) French Language Services

The LHIN received funding of \$106,000 (2012 - \$106,000) related to the French Language project. French Language project expenses incurred during the year consist of \$100,478 of salaries and benefits (2012 - \$49,290) and \$5,523 of other expenses (2012 - \$Nil).

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2013

10. Separate funding amounts were received by the Central East LHIN from the MOHLTC and eHealth Ontario for specific initiatives (continued)

g) Diabetes & Vascular Health

The LHIN received funding of \$249,817(2012 - \$Nil) related to the Diabetes & Vascular Health project. Diabetes and Vascular Health project expenses incurred during the year are as follows:

	2013	2012
	\$	\$
Salaries and Benefits	57,051	-
Operations	21,306	-
One-Time Funding	88,890	-
	167,247	-

h) Behavioral Supports Ontario Pilot Project

The LHIN received funding of \$Nil (2012 - \$750,000) related to the Behavioural Supports Ontario Pilot Project. Behavioural Supports Ontario Pilot Funding Project expenses incurred during the year consist of \$Nil of consulting expenses (2012 - \$150,296), \$Nil (2012 - \$223,720) of salaries & benefits, \$Nil (2012 - \$74,326) of meeting expenses and \$Nil (2012 - \$103,563) of other expenses.

i) Primary Care

The LHIN received funding of \$75,000 (2012 - \$43,750) related to the Primary Care project. Primary Care project expenses incurred during the year consist of \$75,000 (2012 - \$18,000) of consulting fees and \$Nil (2012 - \$131) of meeting expenses.

11. General and administrative expenses

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

	2013	2012
	\$	\$
Salaries and benefits	3,338,338	3,441,389
Occupancy	175,397	282,431
Amortization	170,700	156,794
Shared services	429,020	501,995
Community engagement	15,352	88,617
Consulting services	74,029	57,418
Supplies	95,930	98,524
Board member expenses	90,979	103,146
Mail, courier and telecommunications	2,262	2,211
Other	148,877	88,601
	4,540,884	4,821,126

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2013

11. General and administrative expenses (continued)

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

	2013 Budget	2013	2012
	\$	\$	\$
Board chair per diem expense	50,000	28,110	50,957
Other board members per diem expense	74,000	46,067	25,419
Governance costs and travel	50,000	16,802	26,770
Total expenses	174,000	90,979	103,146

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 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 2013 was \$276,327 (2012 - \$270,985) 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, 2012. 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*.

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Central West Local Health Integration Network (Central West LHIN)

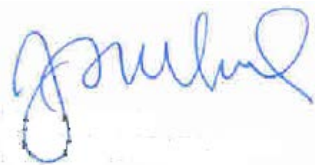
Management Responsibility for Financial Information

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.



Scott McLeod
Chief Executive Officer



Brock Hovey
Senior Director, Health System Performance

May 29, 2013

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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, 2013, and the statements of financial activities, change 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 Central West Local Health Integration network as at March 31, 2013 and the results of its financial activities, change 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 LLP". The signature is written in a cursive, flowing style.

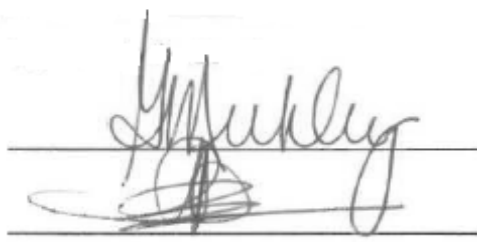
Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
May 22, 2013

Central West Local Health Integration Network

Statement of financial position as at March 31, 2013

	2013	2012
	\$	\$
Financial assets		
Cash	713,180	682,145
Accounts receivable		
Ministry of Health and Long-Term Care ("MOHLTC") -		
Health Service Providers ("HSP")	4,926,008	969,400
Other	331,371	112,881
	5,970,559	1,764,426
Liabilities		
Accounts payable and accrued liabilities	518,910	382,700
Due to MOHLTC and eHealth Ontario (Note 3b and 3c)	524,722	436,291
Due to HSP	4,926,008	969,400
Due to the LHIN Shared Services Office (Note 4)	13,276	1,056
Deferred capital contributions (Note 5)	108,595	145,133
	6,091,511	1,934,580
Net debt	(120,952)	(170,154)
Commitments (Note 6)		
Non-financial assets		
Prepaid expenses	12,357	25,021
Capital assets (Note 7)	108,595	145,133
	120,952	170,154
Accumulated surplus	-	-

Approved by the Board

 Director
 Director

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

Central West Local Health Integration Network

Statement of financial activities year ended March 31, 2013

		2013	2012
	Budget (Note 8)	Actual	Actual
	\$	\$	\$
Revenue			
MOHLTC funding			
Health Service Provider ("HSP") transfer payments (Note 9)	798,351,922	831,241,347	809,798,292
Operations of LHIN	4,181,828	4,126,215	4,362,188
eHealth-Enabling Technologies for Integration (Note 10a)	-	580,000	400,000
French Language Services (Note 10b)	106,000	75,603	106,000
ER/ALC Performance Lead (Note 10c)	100,000	100,000	100,000
Emergency Department Lead (Note 10d)	75,000	75,000	75,000
Aboriginal Health (Note 10e)	7,500	2,500	7,500
Behavioral Support Planning (Note 10f)	-	-	57,000
Primary Care Lead (Note 10g)	75,000	75,000	18,750
Critical Care Lead (Note 10h)	75,000	75,000	75,000
Diabetes Regional Coordination (Note 10i)	-	192,817	-
Amortization of deferred capital contributions (Note 5)	-	62,288	50,184
	802,972,250	836,605,770	815,049,914
Funding repayable to the MOHLTC (Note 3a)	-	(524,722)	(436,291)
	802,972,250	836,081,048	814,613,623
Expenses			
Transfer payments to HSPs (Note 9)	798,351,922	831,241,347	809,798,292
General and administrative (Note 11)	4,181,828	4,155,314	4,208,913
eHealth-Enabling Technologies for Integration (Note 10a)	-	244,823	252,925
French Language Services (Note 10b)	106,000	65,000	89,632
ER/ALC Performance Lead (Note 10c)	100,000	100,000	89,192
Emergency Department Lead (Note 10d)	75,000	72,327	72,788
Aboriginal Health (Note 10e)	7,500	-	-
Behavioral Support Planning (Note 10f)	-	-	17,881
Primary Care Lead (Note 10g)	75,000	72,558	12,000
Critical Care Lead (Note 10h)	75,000	72,000	72,000
Diabetes Regional Coordination (Note 10i)	-	57,679	-
	802,972,250	836,081,048	814,613,623
Annual surplus	-	-	-
Accumulated surplus, beginning of year	-	-	-
Accumulated surplus, end of year	-	-	-

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

Central West Local Health Integration Network

Statement of changes in net debt
year ended March 31, 2013

	2013	2012
	\$	\$
Annual surplus	-	-
Acquisition of capital assets	(25,750)	(6,780)
Amortization of capital assets	62,288	50,184
Change in other non-financial assets	12,664	13,628
Decrease in net debt	49,202	57,032
Net debt, beginning of year	(170,154)	(227,186)
Net debt, end of year	(120,952)	(170,154)

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

Central West Local Health Integration Network

Statement of cash flows year ended March 31, 2013

	2013	2012
	\$	\$
Operating transactions		
Annual surplus	-	-
Less items not affecting cash		
Amortization of capital assets	(62,288)	(50,184)
Amortization of deferred capital contributions (Note 5)	62,288	50,184
Changes in non-cash operating items		
Increase in accounts receivable - MOHLTC	(3,956,608)	(111,865)
Increase (decrease) in due to the MOHLTC and eHealth Ontario	88,431	(205,000)
Increase in due to HSP's	3,956,608	111,865
Increase in accounts receivable - other	(218,490)	(17,623)
Decrease in prepaid expenses	12,664	13,628
Increase (decrease) in accounts payable	136,210	(79,231)
Increase (decrease) in due to the LHIN Shared Services Office	12,220	(7,413)
	31,035	(295,639)
Capital transaction		
Acquisition of capital assets	25,750	(6,780)
Financing transaction		
(Decrease) increase in deferred capital contributions (Note 5)	(25,750)	6,780
Net increase (decrease) in cash	31,035	(295,639)
Cash, beginning of year	682,145	977,784
Cash, end of year	713,180	682,145

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

Central West Local Health Integration Network

Notes to the financial statements

March 31, 2013

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 Health Services Providers ("HSP"), 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, 2013.

The LHIN statements do not include any MOHLTC managed programs.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian public sector accounting standards. 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 tangible capital assets, and losses in the value of assets.

Central West Local Health Integration Network

Notes to the financial statements

March 31, 2013

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, 2013.

Deferred capital contributions

Any amounts received that are used to fund expenses 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 tangible capital asset recorded.

Tangible capital assets

Tangible capital assets are recorded at historic cost. Historic cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of tangible capital assets. The cost of tangible 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 tangible capital asset are capitalized. Computer software is recognized as an expense when incurred.

Tangible capital assets are stated at cost less accumulated amortization. Tangible 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 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.

Central West Local Health Integration Network

Notes to the financial statements

March 31, 2013

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.

Adoption of new accounting standards

As at April 1, 2012, the LHIN adopted Public Sector Accounting Handbook Section PS 1201, "Financial Statement Presentation", Section PS 2601 "Foreign Currency Translation", PS 3410 "Government Transfers" and Section PS 3450, "Financial Instruments". There was no impact of the adoption of these new standards on the financial statements.

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:

			2013	2012
	Funding received	Eligible expenses	Excess funding	Excess funding
	\$	\$	\$	\$
Transfer Payments to HSP's	831,241,347	831,241,347	-	-
LHIN Operations (Note 11)	4,126,215	4,093,026	33,189	203,459
Capital contribution (Note 11)	62,288	62,288	-	-
eHealth - Enabling Technologies for Integration (Note 10a)	580,000	244,823	335,177	147,075
French Language Services (Note 10b)	75,603	65,000	10,603	16,368
ER/ALC Performance Lead (Note 10c)	100,000	100,000	-	10,808
Emergency Department Lead (Note 10d)	75,000	72,327	2,673	2,212
Aboriginal Health (Note 10e)	2,500	-	2,500	7,500
Behavioural Support Planning (Note 10f)	-	-	-	39,119
Primary Care Lead (Note 10g)	75,000	72,558	2,442	6,750
Critical Care Lead (Note 10h)	75,000	72,000	3,000	3,000
Diabetes Regional Co-ordination (Note 10i)	192,817	57,679	135,138	-
	836,605,770	836,081,048	524,722	436,291

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

	2013	2012
	\$	\$
Due to MOHLTC, beginning of year	289,216	641,291
Funding repaid to MOHLTC prior year	(289,216)	(641,291)
Funding repayable to the MOHLTC related to current year activities (Note 3a)	524,722	289,216
Due to MOHLTC, end of year	524,722	289,216

Central West Local Health Integration Network

Notes to the financial statements

March 31, 2013

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

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

	2013	2012
	\$	\$
Due to eHealth Ontario, beginning of year	147,075	-
Funding repaid to eHealth Ontario related to current year activities (Note 3a)	(147,075)	-
	-	147,075
Due to eHealth Ontario, end of year	-	147,075

In the previous fiscal year (2011-12) the LHIN was funded by MOHLTC through the MLPA and eHealth Ontario directly in accordance with the eHealth Ontario - LHIN Transfer Payment Agreement ("TPA"), which describes budget arrangements established by eHealth Ontario. These financial statements reflect the one time funding arrangement for comparative purposes. In the current fiscal year (2012-13) the funding for eHealth Initiatives with respect to Enabling Technologies for Integration are incorporated as part of the budget arrangements of the MLPA.

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

	2013	2012
	\$	\$
Balance, beginning of year	145,133	188,537
Capital contributions received during the year	25,750	6,780
Amortization for the year	(62,288)	(50,184)
Balance, end of year	108,595	145,133

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 two years are as follows:

	\$
2014	220,835
2015	125,899
	346,734

Central West Local Health Integration Network

Notes to the financial statements

March 31, 2013

6. Commitments (continued)

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 2012 accountability agreements, and are as follows:

	\$
2014	799,877,100
2015	799,877,100

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

7. Tangible capital assets

			2013	2012
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office furniture and fixtures	284,229	265,394	18,835	29,844
Computer equipment	60,177	43,010	17,167	-
Leasehold improvements	703,569	630,976	72,593	115,289
	1,047,975	939,380	108,595	145,133

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, 2012. 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 \$834,295,418 is made up of the following:

	\$
Initial HSP funding budget	798,351,922
Adjustment due to announcements made during the year	35,943,496
Total HSP funding budget	834,295,418

The \$3,054,071 difference between the final budget of \$834,295,418 and the actual expenses of \$831,241,347 relates primarily to late in year new funding approvals.

Central West Local Health Integration Network

Notes to the financial statements

March 31, 2013

8. Budget figures (continued)

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

	\$
Initial budget	4,181,828
In Year Surplus returned to MOHLTC	(29,866)
Aboriginal Funding	7,500
In Year Surplus returned to MOHLTC	(5,000)
French Language Services	106,000
In Year Surplus returned to MOHLTC	(30,397)
ER/ALC Performance Lead	100,000
ED LHIN Lead	75,000
Primary Care Lead	75,000
Critical Care Lead	75,000
Adjustment due to announcements made during the year	
eHealth - Enabling Technologies for Integration	580,000
Diabetes Regional Co-ordination	192,817
Amount treated as capital contributions made during the year	(25,750)
Total budget	5,302,132

9. Transfer payments to HSPs

The LHIN approved transfer payments to the various sectors in 2013 as follows:

	2013	2012
	\$	\$
Operation of Hospitals	531,748,267	516,703,101
Grants to compensate for Municipal Taxation -		
Public Hospitals	99,450	99,450
Long-Term Care Homes	148,870,896	148,451,157
Community Care Access Centres	93,211,762	89,894,131
Community Support Services	9,331,737	8,280,728
Assisted Living Services in Supportive Housing	6,585,023	6,265,236
Community Health Centres	10,138,849	9,933,667
Community Mental Health Addictions Program	31,255,363	30,170,822
	831,241,347	809,798,292

Central West Local Health Integration Network

Notes to the financial statements

March 31, 2013

10. Specific initiatives

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

a) *eHealth – Enabling Technologies for Integration*

The LHIN received funding of \$580,000 (2012 - \$400,000) related to supporting the eHealth PMO office. eHealth expenses incurred during the year are as follows:

	2013	2012
	\$	\$
Salaries and benefits	225,083	245,954
Staff travel	2,436	2,556
Communication expense	1,831	529
Consulting	-	25
Accommodation	5,895	3,600
Staff development	253	-
Meeting expenses	142	261
Supplies	9,183	-
	244,823	252,925

b) *French Language Services*

The LHIN received base funding of \$106,000 (2012 - \$106,000) this was further reduced by a one time in year recovery of \$30,397 in the fourth Quarter to reflect a final initiative revenue of \$75,603 for French Language Services. Expenses incurred during the year of \$65,000 (2012 - \$89,632) consist of salary and benefits of \$57,528 for the French Language Coordinator and \$7,472 in meeting and administration expenses.

c) *ER/ALC Performance Lead*

The LHIN received funding of \$100,000 (2012 - \$100,000) related to the ER/ALC Performance Lead initiative. ER/ALC expenses incurred during the year of \$100,000 (2012 - \$89,192) related to salaries and benefits.

d) *Emergency Department Lead*

The LHIN received funding of \$75,000 (2012 - \$75,000) related to the Emergency Department Lead project. Emergency Department Lead expenses of \$72,327 (2012 - \$72,788) consist of \$72,000 (2012 - \$72,000) for Medical Professional Services and \$327 (2012 - \$788) related to development and travel expenses.

e) *Aboriginal Health*

The LHIN received base funding of \$7,500 (2012 - \$7,500) related to the Aboriginal Health planning. This funding was further reduced by (\$5,000) one-time in year recovery in the fourth quarter for a final revised funding available for Aboriginal Health Planning of \$2,500. Aboriginal Health planning expenses incurred during the year consist of \$Nil (2012 - \$Nil). Development of the community engagement strategy will resume in 2013-14.

f) *Behavioral Support Planning*

The planning initiative for Behavioral Support Operations was incorporated into base LHIN funding for the current year and the LHIN received \$Nil (2012 - revenue \$57,000 and expenses of \$17,881).

Central West Local Health Integration Network

Notes to the financial statements

March 31, 2013

10. Specific initiatives (continued)

g) Primary Care Lead

The LHIN received funding of \$75,000 (2012 - \$18,750) related to the Primary Care Lead project. Primary Care Lead expenses of \$72,558 (2012 - \$12,000) consist of \$72,000 (2012 - \$12,000) for Medical Professional Services and \$558 (2012 - \$Nil) related to travel expenses.

h) Critical Care Lead

The LHIN received funding of \$75,000 (2012 - \$75,000) related to the Critical Care Lead project. Critical Care Lead expenses incurred during the year consist of \$72,000 (2012 - \$72,000) for Medical Professional Services.

i) Diabetes Regional Co-ordination

The LHIN received funding of \$192,817 (2012 - \$Nil) related to supporting the Diabetes Regional Co-ordination. Diabetes Regional Co-ordination expenses incurred during the year is as follows:

	2013	2012
	\$	\$
Salaries and benefits	21,765	-
Staff travel	246	-
Communication expense	21,503	-
Accommodation	5,350	-
Staff development	150	-
Meeting expenses	1,690	-
Supplies	6,975	-
	57,679	-

11. General and administrative expenses

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

	2013	2012
	\$	\$
Salaries and benefits	2,692,303	2,643,710
Occupancy	240,118	255,406
Amortization	62,288	50,184
Shared services	411,520	475,025
LHIN Collaborative	47,500	26,971
Consulting services	148,237	226,067
Professional Fees	25,115	23,005
Supplies	77,617	74,857
Board Chair remuneration	69,125	60,900
Board member remuneration	76,050	78,650
Board expenses	44,980	30,690
Mail, courier and telecommunications	61,697	41,386
Other	198,764	222,062
	4,155,314	4,208,913

Central West Local Health Integration Network

Notes to the financial statements

March 31, 2013

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 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 2013 was \$266,578 (2012 - \$228,377) 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, 2012. 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 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 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 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*

May 29, 2013



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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, 2013, and the statements of financial activities, change 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, 2013, 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 LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
May 29, 2013

Champlain Local Health Integration Network

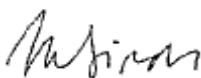
Statement of financial position
as at March 31, 2013

	2013	2012
	\$	\$
Financial assets		
Cash	904,583	620,281
Accounts receivable		
MOHLTC Transfer Payments for Health Service Providers	2,159,012	3,119,497
Other	69,680	196,995
	3,133,275	3,936,773
Liabilities		
Accounts payable and accrued liabilities	865,556	375,630
Due to Health Service Providers	2,159,012	3,119,497
Due to MOHLTC (Note 3b)	118,181	334,839
Due to e-Health Ontario (Note 3c)	-	104,224
Due to the LHIN Shared Services Office (Note 4)	10,908	10,689
Deferred capital contributions (Note 5)	253,686	151,480
	3,407,343	4,096,359
Net debt	(274,068)	(159,586)
Commitments (Note 15)		
Non-financial assets		
Prepaid expenses	20,382	8,106
Tangible capital assets (Note 6)	253,686	151,480
	274,068	159,586
Accumulated surplus	-	-

Approved by the Board



Dr. Wilbert Keon, Board Chair



Marie Biron, Audit Committee Chair

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

Champlain Local Health Integration Network

Statement of financial activities
year ended March 31, 2013

		2013	2012
	Budget (Note 7)	Actual	Actual
	\$	\$	\$
Revenue			
MOHLTC funding			
HSP transfer payments (Note 8)	2,438,452,800	2,498,991,902	2,445,101,016
LHIN Operations (Note 9)	5,004,306	4,905,076	5,260,649
Enabling Technologies (Note 10)	580,000	580,000	600,000
Enabling Technologies - Alternate Level of Care / RMR (Note 10)	204,000	204,000	98,300
Emergency Department Physician Leader (Note 12)	75,000	75,000	75,000
Aboriginal Engagement (Note 12)	35,000	35,000	35,000
Emergency Room / Alternate Level of Care (Note 12)	100,000	100,000	100,000
French Language Services (Note 12)	106,000	106,000	106,000
FLHS Réseau des services de sante en francais (Note 12)	993,837	993,837	993,837
Orléans Health Hub (Note 12)	217,200	217,200	14,800
Behavioural Supports Ontario Note 12)	-	-	57,000
Primary Care LHIN Lead Pilot Program (Note 12)	75,000	75,000	43,750
Critical Care (Note 12)	75,000	75,000	75,000
Diabetes Regional Coordination Centre (Note 11)	-	127,717	-
Amortization of deferred capital contributions (Note 5)	-	124,508	113,778
	2,445,918,143	2,506,610,240	2,452,674,130
Funding repayable to the MOHLTC and eHealth Ontario (Note 3b and 3c)	-	(118,181)	(439,063)
	2,445,918,143	2,506,492,059	2,452,235,067
Expenses			
Transfer payments to HSPs (Note 8)	2,438,452,800	2,498,991,902	2,445,101,016
LHIN Operations (Note 9)	5,004,306	4,903,321	5,123,365
Enabling Technologies (Note 10)	580,000	580,000	495,776
Enabling Technologies - Alternate Level of Care / RMR (Note 10)	204,000	204,000	70,846
Emergency Department Physician Leader (Note 12)	75,000	75,000	73,380
Aboriginal Engagement (Note 12)	35,000	14,058	21,126
Emergency Room / Alternate Level of Care (Note 12)	100,000	100,000	100,000
French Language Services (Note 12)	106,000	97,140	81,762
FLHS Réseau des services de sante en francais (Note 12)	993,837	965,443	914,732
Orléans Health Hub (Note 12)	217,200	198,542	1,177
Behavioural Supports Ontario Note 12)	-	-	57,000
Primary Care LHIN Lead Pilot Program (Note 12)	75,000	74,665	14,284
Critical Care (Note 12)	75,000	74,776	66,825
Diabetes Regional Coordination Centre (Note 11)	-	88,704	-
Amortization	-	124,508	113,778
	2,445,918,143	2,506,492,059	2,452,235,067
Annual and accumulated surplus, end of year	-	-	-

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

Champlain Local Health Integration Network

Statement of change in net debt
year ended March 31, 2013

		2013	2012
	Initial budget (Note 7)	Actual	Actual
	\$	\$	\$
Annual surplus	-	-	-
Acquisition of tangible capital assets	-	(226,714)	(7,040)
Amortization of tangible capital assets	-	124,508	113,778
Increase in prepaid expenses, net	-	(12,276)	(394)
(Increase) decrease in net debt	-	(114,482)	106,344
Net debt, beginning of year	-	(159,586)	(265,930)
Net debt, end of year	-	(274,068)	(159,586)

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

Champlain Local Health Integration Network

Statement of cash flows

year ended March 31, 2013

	2013	2012
	\$	\$
Operating transactions		
Annual surplus	-	-
Non-cash items		
Amortization of tangible capital assets	124,508	113,778
Amortization of deferred capital contributions (Note 5)	(124,508)	(113,778)
Changes in non-cash working capital		
Decrease in accounts receivable - MOHLTC HSP	960,485	6,224,648
Decrease (Increase) in accounts receivable - Other	127,315	(94,987)
Increase in prepaid expenses	(12,276)	(394)
Increase (Decrease) in accounts payable and accrued liabilities	286,776	(880,636)
Decrease in due to MOHLTC HSP	(960,485)	(6,224,648)
Decrease (Increase) in due to e-Health Ontario	(104,224)	104,224
Decrease in due to MOHLTC	(216,658)	(232,917)
Increase (Decrease) in due to LHIN Shared Services Office	219	(54,695)
	81,152	(1,159,405)
Capital transaction		
Acquisition of tangible capital assets	(23,564)	(7,040)
Financing transaction		
Capital contributions received (Note 5)	226,714	7,040
Net change in cash	284,302	(1,159,405)
Cash, beginning of year	620,281	1,779,686
Cash, end of year	904,583	620,281

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

Champlain Local Health Integration Network

Notes to the financial statements

March 31, 2013

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.champlainlhin.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.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian public sector accounting standards. 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, 2013

2. Significant accounting policies (continued)

Basis of accounting (continued)

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

Tangible capital assets

Tangible 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 contributed tangible capital assets 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 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.

Tangible capital assets are stated at cost less accumulated amortization. Tangible 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, 2013

2. Significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with 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. Significant items subject to such estimates and assumptions include valuation of accrued liabilities and useful lives of the tangible capital assets. Actual results could differ from those estimates.

Adoption of new accounting standards

As at April 1, 2012, the LHIN adopted Public Sector Accounting Handbook *Section PS 1201, "Financial Statement Presentation"*, *Section PS 2601 "Foreign Currency Translation"*, *PS 3410 "Government Transfers"* and *Section PS 3450, "Financial Instruments"*. There was no impact of the adoption of these new standards on the financial statements.

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	2,498,991,902	2,498,991,902	-
LHIN Operations	4,905,076	4,903,321	1,755
Amortization	124,508	124,508	-
Enabling technologies	580,000	580,000	-
Enabling technologies Alternative Level of Care			
Resource Matching and Referral	204,000	204,000	-
Emergency Department Physician Leader	75,000	75,000	-
Aboriginal Engagement	35,000	14,058	20,942
Emergency Room/Alternate			
Level of Care	100,000	100,000	-
French Language Services	106,000	97,140	8,860
FLHS Réseau des services de sante			
en francais	993,837	965,443	28,394
Orléans Family Health Hub	217,200	198,542	18,658
Primary Care LHIN Lead Pilot Program	75,000	74,665	335
Critical Care LHIN Leader	75,000	74,776	224
Regional Diabetes Coordination Centre	127,717	88,704	39,013
	2,506,610,240	2,506,492,059	118,181

Champlain Local Health Integration Network

Notes to the financial statements

March 31, 2013

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

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

	2013	2012
	\$	\$
Due to MOHLTC, beginning of year	334,839	567,756
Amount recovered during the year	(334,839)	(567,756)
Funding repayable to the MOHLTC related to current year activities	118,181	334,839
Due to MOHLTC, end of year	118,181	334,839

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

	2013	2012
	\$	\$
Due to MOHLTC, beginning of year	104,224	-
Amount recovered during the year	(104,224)	-
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

	2013	2012
	\$	\$
Balance, beginning of year	151,480	258,218
Capital contributions Ministry	226,714	7,040
Amortization for the year	(124,508)	(113,778)
Balance, end of year	253,686	151,480

In fiscal 2013 the Champlain LHIN received \$127,500 in capital funding for the Diabetes Regional Coordinating Centre which is now housed in the Champlain LHIN office. This funding was directed to the Champlain LHIN Operations and spent as directed by the Ministry of Health and Long Term Care.

Champlain Local Health Integration Network

Notes to the financial statements

March 31, 2013

6. Tangible capital assets

			2013
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Computer equipment	128,202	122,274	5,928
Computer software	33,762	33,762	-
Office equipment	207,250	160,461	46,789
Furniture and fixtures	400,000	368,136	31,864
Leasehold improvements	1,338,153	1,169,048	169,105
	2,107,367	1,853,681	253,686
			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

Non-cash transactions

During the year, tangible capital assets were acquired at an aggregate cost of \$226,714 of which \$203,150 were paid after year-end and \$23,564 were paid during the year.

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	2,438,452,800	60,449,102	2,498,901,902
LHIN operations	5,004,306	25,278	5,029,584
Enabling technologies programs	580,000	-	580,000
Diabetes Regional Coordinating Centre	-	127,717	127,717
Other programs	1,881,037	-	1,881,037
	2,445,918,143	60,602,097	2,506,520,240

Champlain Local Health Integration Network

Notes to the financial statements

March 31, 2013

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 2013 and 2012 as follows:

	2013	2012
	\$	\$
Operation of Hospitals	1,681,528,785	1,638,135,652
Grants to compensate for Municipal Taxation		
Public Hospitals	355,650	355,650
Long-Term Care Homes	322,919,529	316,966,954
Community Care Access Centres	205,168,199	195,498,510
Community Support Services	34,904,981	32,138,674
Acquired Brain Injury	1,887,557	1,868,661
Assisted Living Services in Supportive Housing	15,485,039	14,087,359
Community Health Centres	54,508,258	52,930,579
Community Mental Health Addictions Program	62,096,093	63,850,660
Addictions Program	22,797,974	20,854,792
Specialty Psychiatric Hospitals	97,311,412	107,823,200
Grants to compensate for Municipal Taxation		
Psychiatric Hospitals	28,425	28,425
	2,498,991,902	2,444,539,116
Long-Term Care Homes prior year settlements	-	561,900
	2,498,991,902	2,445,101,016

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 2013, hospitals in the Champlain LHIN received \$3,001,996 as part of this initiative.

Champlain Local Health Integration Network

Notes to the financial statements

March 31, 2013

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:

	2013	2012
	\$	\$
Program based		
Salary and benefits	3,617,302	3,628,783
Consulting and LHIN-based projects	80,477	22,060
Other program costs	245,997	303,951
	3,943,776	3,954,794
Occupancy	355,572	425,243
LHIN Shared services	343,210	475,025
LHIN Collaborative	47,500	26,971
Governance per diems	73,836	74,525
Office equipment and supplies	76,463	149,695
Other	62,964	17,112
	4,903,321	5,123,365
Amortization	124,508	113,778
	5,027,829	5,237,143

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:

	2013	2012
	\$	\$
Chair per diems	30,713	34,475
Other Board member per diems	43,123	40,050
Other	49,660	35,924
	123,496	110,449

10. Enabling technologies and related programs

The MOHLTC has provided the LHIN with Enabling technologies funding since fiscal 2008. The Project Management Office was created late in fiscal 2009. Funds were also used to support strategic Enabling technologies initiatives. The expenses incurred are as follows:

	2013	2012
	\$	\$
Salary and benefits	411,393	458,176
Consulting	159,419	15,000
Other program costs	9,188	22,600
	580,000	495,776

Champlain Local Health Integration Network

Notes to the financial statements

March 31, 2013

10. Enabling technologies 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. Diabetes Regional Coordination

In 2009 the Ministry of Health and Long-Term Care established a Diabetes Regional Coordination Centre in each LHIN to support the goals of the Ontario Diabetes Strategy. These goals include: the identification of regional and local service needs, the engagement of primary care and other diabetes service providers across the region to facilitate the adoption of standards and best practices, and the coordination of regional services for adults with pre-diabetes and diabetes to support a more integrated system. In February of 2013, the operational mandate, functions and funding for the delivery of this program were transferred to the LHIN.

	2 Months ending March 31, 2013	2012
	\$	\$
Salary and benefits	75,888	-
Other program costs	12,816	-
	88,704	-

12. 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.

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.

Champlain Local Health Integration Network

Notes to the financial statements

March 31, 2013

12. Other programs (continued)

French Language Health Services (FLHS) Program

The objective of the FLHS Program is to improve the health status of Francophones and to ensure the integration of French language services consistent with Ministry directions. The MOHLTC provides the LHIN with \$106,000 in base funding for FLHS resources 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. 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. An accountability agreement was signed by the two LHINs and the Entity, providing the parameters of the work plans. 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.

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 was funded to manage the Orléans Family Health Hub project and deliver a master plan and business case to the Ministry Capital Branch. This was completed in January 2013.

Primary Care LHIN Lead Pilot Program

The LHIN received funds in fiscal 2012-13 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 Critical. 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.

13. Pension agreements

The LHIN makes contributions to the Hospitals of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 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 by the LHIN to HOOPP for fiscal 2013 was \$348,762 (2012 - \$351,726) 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.

Champlain Local Health Integration Network

Notes to the financial statements

March 31, 2013

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. Commitments

The LHIN has commitments under various operating leases expiring at various dates to 2016 related to office space and equipment. Lease renewals are likely; however, there are no commitments extending beyond 2016 at this time. Minimum lease payments due in each of the next three years are as follows:

	\$
2014	430,402
2015	216,957
2016	2,992
	<u>650,351</u>

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:

	\$
2014	2,395,240,484
2015	<u>2,395,240,484</u>

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 September 30, 2013, and community sector providers that extend until March 31, 2014. The agreements for the long term care providers have been renewed until March 31, 2016

Erie St. Clair Local Health Integration Network

Management Responsibility Report

The management of the Erie St. Clair Local Health Integration Network 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 judgment and best estimates to report events and transactions as they occur. Management has determined such amounts on a reasonable basis in order to ensure 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 ESC 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 ESC 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 Finance and 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 Finance and Audit Committee.

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



Gary Switzer
Chief Executive Officer



Mr. Matthew Little, CMA
Chief Financial Officer

May 13, 2013



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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, 2013, and the statements of financial activities, change 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, 2013 and the results of its financial activities, change 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 LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
May 28, 2013

Erie St. Clair Local Health Integration Network

Statement of financial position

as at March 31, 2013

	2013	2012
	\$	\$
Financial assets		
Cash	624,974	493,712
Due from Ministry of Health and Long-Term Care ("MOHLTC") (Note 7)	28,500	1,463,700
Accounts receivable	53,316	218,198
Due from the LHIN Shared Services Office (Note 3)	-	2,729
	706,790	2,178,339
Liabilities		
Accounts payable and accrued liabilities	672,469	701,947
Due to MOHLTC (Note 10b)	6,305	25,205
Due to Health Service Providers ("HSPs") (Note 7)	28,500	1,463,700
Due to the LHIN Shared Services Office (Note 3)	3,398	-
Deferred capital contributions (Note 4)	336,404	33,489
	1,047,076	2,224,341
Net debt	(340,286)	(46,002)
Commitments (Note 13)		
Non-financial assets		
Prepaid expenses	3,882	12,513
Tangible capital assets (Note 5)	336,404	33,489
Accumulated surplus	-	-

Approved by the Board



Director



Director

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

Erie St. Clair Local Health Integration Network

Statement of financial activities
year ended March 31, 2013

		2013	2012
	Budget (Note 6)	Actual	Actual
	\$	\$	\$
Revenue			
MOHLTC funding			
HSP transfer payments (Note 7)	1,050,023,827	1,101,919,942	1,063,512,111
Operations of LHIN	4,558,900	4,231,879	4,565,173
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)	31,200	75,000	43,750
French Language Health Planning Entities			
Fund (Note 9e)	425,500	425,533	425,533
Enabling Technologies (Note 9f)	510,000	784,000	700,700
Amortization of deferred capital contributions (Note 4)	25,000	72,062	34,001
	1,055,724,427	1,107,658,416	1,069,488,268
Funding repayable to the MOHLTC (Note 10)	-	(69,945)	(53,379)
	1,055,724,427	1,107,588,471	1,069,434,889
Expenses			
Transfer payments to HSPs (Note 7)	1,050,023,827	1,101,919,942	1,063,512,111
General and administrative (Note 8)	4,540,100	4,303,941	4,589,726
Emergency Department Lead (Note 9a)	75,000	75,000	75,000
Critical Care Lead (Note 9b)	75,000	68,695	71,825
Behavioural Supports Ontario Fund (Note 9c)	-	-	47,494
Primary Care Lead (Note 9d)	75,000	75,000	12,500
French Language Health Planning Entities			
Fund (Note 9e)	425,500	425,533	425,533
Enabling Technologies (Note 9f)	510,000	720,360	700,700
	1,055,724,427	1,107,588,471	1,069,434,889
Annual surplus and accumulated surplus, end of year	-	-	-

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

Erie St. Clair Local Health Integration Network

Statement of change in net debt
year ended March 31, 2013

		2013	2012
	Budget (Note 6)	Actual	Actual
	\$	\$	\$
Annual surplus	-	-	-
Prepaid expenses incurred	-	(3,882)	(12,513)
Prepaid expenses expired	-	12,513	-
Acquisition of tangible capital assets	-	(374,977)	-
Amortization of tangible capital assets	25,000	72,062	34,001
Decrease in net debt	25,000	(294,284)	21,488
Net debt, beginning of year	(46,002)	(46,002)	(67,490)
Net debt, end of year	(21,002)	(340,286)	(46,002)

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

Erie St. Clair Local Health Integration Network

Statement of cash flows

year ended March 31, 2013

	2013	2012
	\$	\$
Operating transactions		
Annual surplus	-	-
Less items not affecting cash		
Amortization of tangible capital assets	72,062	34,001
Amortization of deferred capital contributions (Note 4)	(72,062)	(34,001)
Changes in non-cash operating items		
Decrease in due from MOHLTC	1,435,200	2,867,553
Decrease (increase) in accounts receivable	164,882	(159,571)
Decrease in due from LHIN Shared Services Office	2,729	3,770
Decrease in accounts payable and accrued liabilities	(29,478)	(152,550)
Increase (decrease) in due to MOHLTC	(18,900)	(30,550)
(Increase) in due to HSPs	(1,435,200)	(2,867,553)
Increase (decrease) in due to LHIN Shared Services Office	3,398	(4,386)
Decrease (increase) in prepaid expenses	8,631	(12,513)
	131,262	(355,800)
Capital transactions		
Acquisition of tangible capital assets	(374,977)	-
Financing transactions		
Increase in deferred capital contributions (Note 4)	374,977	-
Net increase (decrease) in cash	131,262	(355,800)
Cash, beginning of year	493,712	849,512
Cash, end of year	624,974	493,712

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

Erie St. Clair Local Health Integration Network

Notes to the financial statements

March 31, 2013

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, 2013.

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.

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"). Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

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

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

Erie St. Clair Local Health Integration Network

Notes to the financial statements

March 31, 2013

2. Significant accounting policies (continued)

Government transfer payments

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

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

Deferred capital contributions

Any amounts received that are used to fund expenses that are recorded as 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

Tangible 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 tangible capital asset are capitalized. Computer software is recognized as an expense when incurred.

Tangible capital assets are stated at cost less accumulated amortization. Tangible 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.

Erie St. Clair Local Health Integration Network

Notes to the financial statements

March 31, 2013

2. Significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with Canadian public 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.

Adoption of new accounting standards

As at April 1, 2012, the LHIN adopted Public Sector Accounting Handbook *Section PS 1201, "Financial Statement Presentation"*, *Section PS 2601 "Foreign Currency Translation"*, *PS 3410 "Government Transfers"* and *Section PS 3450, "Financial Instruments"*. There was no impact of the adoption of these new standards on the financial statements.

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

	2013	2012
	\$	\$
Balance, beginning of year	33,489	67,490
Capital contributions received during the year	374,977	-
Amortization for the year	(72,062)	(34,001)
Balance, end of year	336,404	33,489

5. Tangible capital assets

	2013		2012	
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office equipment	619,692	478,665	141,027	-
Computer equipment	209,648	142,282	67,366	19,137
Leasehold improvements	723,110	595,099	128,011	14,352
	1,552,450	1,216,046	336,404	33,489

Erie St. Clair Local Health Integration Network

Notes to the financial statements

March 31, 2013

6. Budget figures

The budget was approved by the Government of Ontario. The budget figures reported in the Statement of financial activities reflect the initial budget at April 1, 2012. 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 \$1,101,919,942 is derived as follows:

	\$
Initial budget	1,050,023,827
Adjustment due to announcements made during the year	51,896,115
Final HSP funding budget	1,101,919,942

The final LHIN budget, excluding the HSP funding, of \$5,666,412 is derived as follows:

	\$
Initial budget	5,675,600
Change in funding from the MOHLTC during the year	340,461
Amount treated as capital contributions made during the year	(349,649)
Final LHIN operations budget	5,666,412

7. Transfer payments to HSPs

The LHIN has authorization to allocate funding of \$1,101,919,942 (2012 - \$1,063,512,111) to various HSPs in its geographic area. The LHIN approved transfer payments to various sectors in 2013 as follows:

	2013	2012
	\$	\$
Operation of hospitals	697,996,636	672,534,639
Grants to compensate for municipal taxation - public hospitals	167,625	167,625
Long-term care homes	184,146,983	179,903,526
Community care access centres	122,251,743	121,378,126
Community support services	18,352,826	17,267,639
Assisted living services in supportive housing	8,326,183	6,887,151
Community health centres	25,903,474	24,056,526
Community mental health addictions programs	10,921,946	10,079,591
Community mental health programs	33,852,526	31,237,288
	1,101,919,942	1,063,512,111

The LHIN receives money from the MOHLTC and in turn allocates it to the HSPs. As at March 31, 2013, an amount of \$28,500 (2012 - \$1,463,700) was receivable from the MOHLTC and payable to HSPs. These amounts have been reflected as revenue and expenses in the Statement of financial activities and are included in the table above.

Erie St. Clair Local Health Integration Network

Notes to the financial statements

March 31, 2013

8. General and administrative expenses

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

	2013	2012
	\$	\$
Salaries and benefits	2,950,868	3,312,882
Occupancy	286,711	257,874
Amortization	72,062	34,001
Shared services	393,210	365,025
Public relations	62,775	60,512
Consulting services	25,144	148,407
Supplies	29,334	35,693
Board Chair per diems	22,600	22,400
Board member per diems	37,375	37,900
Board member expenses	58,762	19,142
Mail, courier and telecommunications	68,578	59,719
LHIN collaborative	47,500	28,219
Other	249,022	207,952
	4,303,941	4,589,726

Diabetes Regional Coordination Centres

The LHIN received funding of \$233,355, which is included in the operating expenses of the LHIN, related to the assumption of work plan deliverables for diabetes and chronic disease management planning effective February 1, 2013. Expenses incurred of \$233,355 are included in general and administrative expenses in the statement of financial activities and is made up as follows:

	2013	2012
	\$	\$
Salaries & Benefits	52,400	-
Operating expenses	54,400	-
One-time expenses	126,555	-
	233,355	-

9. Programs

a) *Emergency Department Lead*

The MOHLTC provided the LHIN with \$75,000 (2012 - \$75,000) to hire a LHIN representative for emergency department planning. The representative incurred professional advisory services expenses totaling \$75,000 (2012 - \$75,000).

b) *Critical Care Lead*

The MOHLTC provided the LHIN with \$75,000 (2012 - \$75,000) to hire a LHIN representative for critical care planning. The representative incurred professional advisory services expenses totaling \$68,695 (2012 - \$71,825). Unused funding of \$6,305 is repayable to the Ministry of Health and Long-Term Care.

c) *Behavioural Supports Ontario Fund*

The MOHLTC provided the LHIN with \$Nil (2012 - \$57,000) to develop programs specifically attributed to behavioural supports as guided by the Ministry.

Erie St. Clair Local Health Integration Network

Notes to the financial statements

March 31, 2013

9. Programs (continued)

d) Primary Care Lead

The MOHLTC provided the LHIN with \$75,000 (2012 - \$43,750) to hire a LHIN representative for primary care planning. The representative incurred professional advisory services expenses totaling \$75,000 (2012 - \$12,500).

e) French Language Health Planning Entity

The MOHLTC provided the LHIN with \$425,533 (2012 - \$425,533) to establish and fund a new entity on behalf of the Southwest and Erie St. Clair LHINs. All funds were expended.

f) Enabling Technologies

The MOHLTC provided \$784,000 (2012 - \$700,700) to the LHIN. The LHIN had a contract and retained services of the Consolidated Health Information Services ("CHIS") during 2013 and 2012. Unused funding of \$63,640 was repaid to the Ministry of Health and Long-Term Care during the fiscal year.

10. Funding repayable to the MOHLTC

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 MOHLTC.

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

			2013	2012
	Funding received	Eligible expenses	Funding excess	Funding excess
	\$	\$	\$	\$
Transfer payments to HSPs	-	-	-	-
LHIN operations	4,231,879	4,231,879	-	9,448
French Language Health Planning	425,533	425,533	-	-
BSO Fund	-	-	-	9,506
Critical Care Lead Fund	75,000	68,695	6,305	3,175
Primary Care Lead Fund	75,000	75,000	-	31,250
Emergency Department Lead	75,000	75,000	-	-
Enabling Technologies	784,000	720,360	63,640	-
	5,666,412	5,596,467	69,945	53,379

b) The continuity of the amount due to the MOHLTC at March 31 is as follows:

	2013	2012
	\$	\$
Due to MOHTLC, beginning of year	25,205	55,755
Funding repayable to the MOHLTC related to current year activities (Note 10a)	69,945	53,379
Amounts repaid to MOHLTC during the year	(88,845)	(83,929)
Due to MOHLTC, end of year	6,305	25,205

Erie St. Clair Local Health Integration Network

Notes to the financial statements

March 31, 2013

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 2013 was \$212,520 (2012 - \$216,662) 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, 2012. At that time, the plan was fully funded.

12. Guarantees

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

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

13. Commitments

The LHIN has funding commitments to health service providers associated with accountability agreements. The LHIN had the following funding commitments as of March 31, 2013.

	\$
2014	196,096,645

The LHIN also has commitments under various operating leases related to building and equipment, which will be renewed in accordance with standard lease terms. Minimum lease payments due in each of the next five years are as follows:

	\$
2014	196,091
2015	180,794
2016	99,859
2017	-
2018	-

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Hamilton Niagara Haldimand Brant **LHIN**

Management's Responsibility for the Financial Statements

March 31, 2013

The integrity and objectivity of the accompanying financial statements of the Hamilton Niagara Haldimand Brant Local Health Integration Network (HNBHLHIN) 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



Karen Horvath
Interim 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, 2013, and the statements of financial activities, change 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, 2013 and the results of its financial activities, its change 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 cursive script that reads "Deloitte LLP".

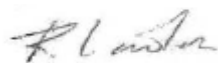
Chartered Accountants
Licensed Public Accountants
May 29, 2013

Hamilton Niagara Haldimand Brant Local Health Integration Network

Statement of financial position
as at March 31, 2013

	2013	2012
	\$	\$
Financial assets		
Cash	521,790	1,136,961
Accounts receivable - Ministry of Health and Long-Term Care ("MOHLTC")		200,000
HST receivable	20,926	32,298
Accounts receivable - other	16,627	4,650
Due from MOHLTC to Health Service Providers ("HSPs") (Note 9)	11,936,000	5,292,440
Due from the LHIN Shared Services Office (Note 4)		
	12,495,343	6,666,349
Liabilities		
Accounts payable and accrued liabilities	223,768	853,210
Due to the MOHLTC (Note 3b)	361,391	547,147
Due to HSPs from MOHLTC (Note 9)	11,936,000	5,292,440
Due to the LHIN Shared Services Office (Note 4)	9,196	
Deferred capital contributions (Note 5)	19,088	155,301
	12,549,443	6,848,098
Commitments (Note 6)		
Net debt	(54,100)	(181,749)
Non-financial assets		
Prepaid expenses	35,012	26,448
Capital assets (Note 7)	19,088	155,301
Accumulated surplus	-	-

Approved by the Board



Director



Director

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

Hamilton Niagara Haldimand Brant Local Health Integration Network

Statement of financial activities
year ended March 31, 2013

		2013	2012
	Budget (Unaudited) (Note 8)	Actual	Actual
	\$	\$	\$
Revenue			
MOHLTC funding			
HSPs transfer payments (Note 9)	2,517,047,040	2,737,118,195	2,673,146,753
Operations of LHIN	4,916,172	4,916,172	5,062,872
E-Health (Note 10a)	580,000	580,000	600,000
ER/ALC Performance Lead (Note 10c)	100,000	100,000	100,000
French Language Services (Note 10d)	106,000	106,000	106,000
French Language Planning Entity (Note 10d)	411,693	411,693	411,693
Emergency Dept LHIN LEAD (Note 10e)	75,000	75,000	75,000
Critical Care LHIN LEAD (Note 10f)	75,000	75,000	75,000
Aboriginal Planning (Note 10g)	37,500	37,500	37,500
Behavioural Support Ontario			750,000
Primary Care LHIN Lead	75,000	75,000	43,750
Diabetics Education	140,396	140,396	
Amortization of deferred capital contributions (Note 5)	147,759	153,534	156,666
	2,523,711,560	2,743,788,490	2,680,565,234
Funding repayable to the MOHLTC (Note 3a)		(328,956)	(547,147)
	2,523,711,560	2,743,459,534	2,680,018,087
Expenses			
Transfer payments to HSPs (Note 9)	2,517,047,040	2,737,118,195	2,673,146,753
General and administrative (Note 11)	5,063,931	4,803,000	5,219,538
E-Health (Note 10a)	580,000	580,000	600,000
ER/ALC Performance Lead (Note 10c)	100,000	100,000	100,000
French Language Services (Note 10d)	106,000	101,432	106,000
French Language Planning Entity (Note 10d)	411,693	446,113	240,163
Emergency Dept LHIN LEAD (Note 10e)	75,000	75,000	73,900
Critical Care LHIN LEAD (Note 10f)	75,000	73,025	73,896
Aboriginal Planning (Note 10g)	37,500	37,500	37,500
Behavioural Support Ontario		-	407,837
Primary Care LHIN Lead	75,000	68,750	12,500
Diabetics Education	140,396	56,519	
	2,523,711,560	2,743,459,534	2,680,018,087
Annual surplus and closing accumulated surplus	-	-	-

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

Hamilton Niagara Haldimand Brant Local Health Integration Network

Statement of changes in net debt
year ended March 31, 2013

		2013	2012
	Budget (Unaudited) (Note 8)	Actual	Actual
	\$	\$	\$
Annual surplus			-
Change in other non-financial assets	-	(8,564)	(13,074)
Acquisition of capital assets	-	(17,321)	
Amortization of capital assets	147,759	153,534	156,666
Decrease in net debt	-	127,649	143,592
Opening net debt	-	(181,749)	(325,341)
Closing net debt	-	(54,100)	(181,749)

Hamilton Niagara Haldimand Brant Local Health Integration Network

Statement of cash flows
year ended March 31, 2013

	2013	2012
	\$	\$
Operating transactions		
Annual surplus		-
Add items not affecting cash		
Amortization of capital assets	153,534	156,666
Less items not affecting cash		
Amortization of deferred capital contributions (Note 5)	(153,534)	(156,666)
	-	-
Changes in non-cash operating items		
Decrease (increase) in accounts receivable - other	76,364	(92,991)
(Increase)decrease in accounts receivable - MOHLTC / e-Health	200,000	(200,000)
Decrease in HST receivable	11,372	17,498
(Increase) decrease in due from MOHLTC to HSPs	(6,643,560)	6,046,273
Increase (decrease) in accounts payable and accrued liabilities	(629,442)	(223,820)
Increase(decrease) in due to the MOHLTC	(274,097)	(215,709)
Increase (decrease) in due to HSPs from MOHLTC	6,643,560	(6,046,273)
Increase (decrease) in due to the LHIN Shared Services Office	9,196	(4,089)
(Increase)in prepaid expenses	(8,564)	(13,074)
	(615,171)	(732,185)
Capital investment		
Acquisition of capital assets	-	-
Financing transaction		
Capital contributions received (Note 5)	-	-
Net change in cash	(615,171)	(732,185)
Cash, beginning of year	1,136,961	1,869,146
Cash, end of year	521,790	1,136,961

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

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements

March 31, 2013

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, 2013.

The LHIN statements do not include any MOHLTC managed programs.

As of April 1, 2012, the LHIN Enabling Technologies for Integration (LHIN ETI), formerly known as eHealth, is funded through MOHLTC while the comparison figures were funded by eHealth in accordance with eHealth – LHIN Transfer Payment Agreement ("TPA") which described budget arrangements between the two parties.

2. Significant accounting policies

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

Basis of accounting

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

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

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements

March 31, 2013

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 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 tangible capital asset recorded.

Tangible capital assets

Tangible 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 tangible 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 tangible capital asset are capitalized. Computer software is recognized as an expense when incurred.

Tangible capital assets are stated at cost less accumulated amortization. Tangible 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, 2013

2. Significant accounting policies (continued)

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.

Adoption of new accounting standards

As at April 1, 2012, the LHIN adopted Public Sector Accounting Handbook *Section PS 1201, "Financial Statement Presentation"*, *Section PS 2601 "Foreign Currency Translation"*, *PS 3410 "Government Transfers"* and *Section PS 3450, "Financial Instruments"*. There was no impact of the adoption of these new standards on the financial statements.

3. Funding repayable to the MOHLTC

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 LHIN ETI.

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

			2013	2012
	Funding Received	Eligible Expenses	Excess Funding	Excess Funding
	\$	\$	\$	\$
Transfer payments to HSPs	2,737,118,195	2,737,118,195	-	-
LHIN operations	5,069,706	4,803,000	266,706	112,000
Behavioural Supports Ontario			-	342,163
LHIN ETI	580,000	580,000	-	-
French Language Planning Entity	411,693	446,113	(34,420)	259,871
French Language Services	106,000	101,432	4,568	-
ER/ALC Performance Lead	100,000	100,000	-	-
Emergency Dept. LHIN LEAD	75,000	75,000	-	1,100
Critical Care LHIN LEAD	75,000	73,025	1,975	1,104
Primary Care Lead	75,000	68,750	6,250	31,250
Aboriginal Planning	37,500	37,500	-	-
Diabetes Education	140,396	56,519	83,877	-
	2,743,788,490	2,743,459,534	328,956	747,488

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements

March 31, 2013

3. Funding repayable to the MOHLTC (continued)

b) The amount due to the MOHLTC/ LHIN ETI at March 31, 2013 is made up as follows:

	2013	2012
	\$	\$
Due to MOHLTC, beginning of year	635,488	851,197
Prior Year BSO funds not spent	32,435	
Funding repayable related to current year activities to the MOHLTC (Note 3a)	328,956	747,488
Amount recovered by the MOHLTC during the year	(635,488)	(963,197)
Due to MOHLTC, end of year	361,391	635,488

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

	2013	2012
	\$	\$
Balance, beginning of year	155,301	311,967
Capital contributions received during the year (Note 10i)	17,321	-
Amortization for the year	(153,534)	(156,666)
Balance, end of year	19,088	155,301

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:

	\$
2014	163,313
2015	172,786
2016	172,786
2017	172,786
2018	172,786
Thereafter	120,383

The LHIN also has funding commitments to HSPs associated with accountability agreements. The actual amounts which will ultimately be paid are contingent upon LHIN funding received from MOHLTC.

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements

March 31, 2013

7. Tangible capital assets

			2013	2012
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office equipment, furniture and fixtures	129,581	129,581	-	-
Computer equipment	488,759	470,770	17,989	39,713
Leasehold improvements	572,444	571,345	1,099	115,587
	1,190,784	1,171,696	19,088	155,300

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, 2012. 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 \$2,737,118,195 is derived as follows:

	\$
Initial budget	2,623,710,913
Adjustment due to announcements made during the year	113,407,282
Final budget	2,737,118,195

The final LHIN general and administrative budget of \$6,534,082 is derived as follows:

	\$
Initial budget	
LHIN operations	4,916,172
LHIN ETI	580,000
Aboriginal Planning	37,500
Additional funding received during the year for:	
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	75,000
Diabetes Education	140,396
Final budget	6,516,761

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements

March 31, 2013

9. Transfer payments to HSPs

The LHIN has authorization to allocate funding of \$2,737,118,195 (2012 - \$2,673,146,753) to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors in 2013 as follows:

	2013	2012
	\$	\$
Operation of hospitals	1,850,871,086	1,815,165,386
Grants to compensate for municipal taxation - public hospitals	464,025	458,100
Long term care homes	441,245,153	434,978,512
Community care access centres	272,408,894	259,534,247
Community support services	42,928,049	42,481,395
Acquired brain injury	6,654,450	6,612,526
Assisted living services in supportive housing	28,557,365	25,735,425
Community health centres	23,311,898	23,113,795
Community mental health addictions program	70,677,275	65,067,367
	2,737,118,195	2,673,146,753

The LHIN receives money from the MOHLTC which it in turn allocates to the HSPs. As of March 31, 2013 an amount of \$11,936,000 (2012 - \$5,292,440) 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) *LHIN Enabling Technologies for Integration (LHIN ETI) Project Management Office*

During fiscal 2013, the Hamilton Niagara Haldimand Brant LHIN received funding in the amount of \$580,000 (2012 - \$600,000). \$580,000 of these funds were used toward initiatives in support of the Project Management Office for 2013 update of the E-Health strategic plan.

b) *ER/ALC Performance Lead*

During fiscal 2013, the Hamilton Niagara Haldimand Brant LHIN received funding in the amount of \$100,000 (2012 - \$100,000). These funds were used to support the activities of the ER/ALC Coordinator.

c) *French Language Services*

During fiscal 2013, the Hamilton Niagara Haldimand Brant LHIN received funding in the amount of \$517,693 (2012 - \$517,693). Of this amount, \$106,000 was used to support the French Language Services Coordinator role (2012 - \$106,000) and \$411,693 was included in the initial allocation for the French Language Planning Entity (2012 - \$411,693).

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements

March 31, 2013

10. Other funding initiatives (continued)

d) *Emergency Department LHIN LEAD*

During fiscal 2013, the Hamilton Niagara Haldimand Brant LHIN received funding in the amount of \$75,000 (2012 - \$75,000). These funds were used toward initiatives in support of Emergency Department LHIN LEAD activities.

e) *Critical Care LHIN LEAD*

During fiscal 2013, the Hamilton Niagara Haldimand Brant LHIN received funding in the amount of 75,000 (2012 - \$75,000). These funds were used toward initiatives in support of Critical Care LHIN LEAD activities.

f) *Primary Care LHIN LEAD*

During fiscal 2013, the Hamilton Niagara Haldimand Brant LHIN received funding in the amount of \$75,000 (2012 - \$43,750). These funds were used toward initiatives in support of Primary Care LHIN LEAD activities.

g) *Aboriginal Planning*

During fiscal 2013, the Hamilton Niagara Haldimand Brant LHIN received funding in the amount of \$37,500 (2012 - \$37,500). These funds were used to support Aboriginal Planning activities.

h) *Behavioural Supports Ontario (BSO) Initiative*

In 2012 the Ministry of Health and Long-Term Care provided one time funds of \$750,000 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. There was no funding for BSO allocated to the LHIN for 2013.

i) *Diabetes Education*

In February 2013 the Ministry of Health and Long Term Care provided an initial allocation of \$157,717 to the LHIN as a transfer of funding to be used to oversee Diabetes Education in the LHIN. There are several Diabetes Education teams in the LHIN and the responsibility for these teams has been transferred to the LHIN. This is not new funding, but a reallocation from the organization who previously had this responsibility. Staff has been hired to ensure that the LHIN can improve the Diabetes outcomes. Annualized funding will be received in 2014. Computers and furniture has been purchased for these new staff. From the initial allocation of \$157,717, \$17,321 of tangible capital assets had been purchased and is reflected in the statement of financial position.

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements

March 31, 2013

11. General and administrative expenses

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

	2013	2012
	\$	\$
Salaries and benefits	3,325,055	3,727,382
Board Chair per diems	18,239	20,650
Directors' per diems	33,956	62,200
Board expenses	6,159	17,994
Travel	32,734	36,470
Consulting services	281,905	200,057
Community forums and communication	65,795	47,418
Supplies, equipment, maintenance, other	71,788	84,816
Occupancy costs	296,355	363,890
Amortization	153,534	156,666
Shared services	517,480	501,995
General and administrative expenses	4,803,000	5,219,538
Salaries and Benefits	260,207	401,632
Travel	5,063	14,925
Contracted Services	1,251,312	1,090,144
Community Forums and Communication	19,682	43,738
Supplies, equipment, maintenance, other	385	13,016
Shared Service	1,690	73,896
Other funding initiatives expenses	1,538,339	1,637,351
	6,341,339	6,856,889

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 2013 was \$276,088 (2012 - \$293,761) 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, 2013

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.

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Mississauga Halton **LHIN**

Management's Responsibility for the Financial Statements

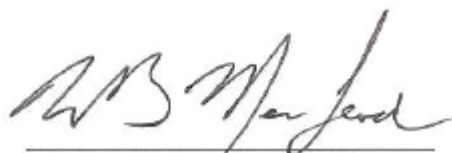
March 31, 2013

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



Paulette Zulianello
Director, Finance and Risk

Deloitte LLP
5140 Yonge Street
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Toronto ON M2N 6L7
Canada

Tel: 416-601-6150
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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, 2013, and the statements of financial activities, change 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 Mississauga Halton Local Health Integration Network as at March 31, 2013 and the results of its financial activities, change 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 LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
June 10, 2013

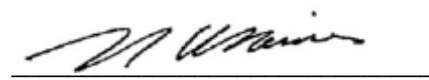
Mississauga Halton Local Health Integration Network

Statement of financial position
as at March 31, 2013

	2013	2012
	\$	\$
Financial assets		
Cash	594,426	740,319
Accounts receivable	85,860	62,090
Accounts receivable Ministry of Health and Long-Term Care ("MOHLTC") transfer payments to Health Service Providers ("HSPs") (Note 3)	2,500,800	1,129,429
Due from other Local Health Integration Network ("LHIN")	-	60,000
Due from the LHIN Shared Services Office	59,362	-
	3,240,448	1,991,838
Liabilities		
Accounts payable and accrued liabilities	356,490	425,062
Accounts payable HSPs transfer payments (Note 3)	2,500,800	1,129,429
Due to MOHLTC (Note 4b)	413,339	437,462
Due to the LHIN Shared Services Office (Note 5)	-	2,537
Deferred capital contributions (Note 6)	97,420	21,386
	3,368,049	2,015,876
Net debt	(127,601)	(24,038)
Commitments (Note 7)		
Non-financial assets		
Prepaid expenses	30,181	2,652
Tangible capital assets (Note 8)	97,420	21,386
	127,601	24,038
Accumulated surplus	-	-

Approved by the Board


Graeme Goebelle, FCPA, FCA
Chair


Ron Haines, FCPA, FCA
Vice Chair

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

Mississauga Halton Local Health Integration Network

Statement of financial activities
year ended March 31, 2013

		2013	2012
	Budget (Note 9)	Actual	Actual
	\$	\$	\$
Revenue			
MOHLTC Funding			
HSP transfer payments (Note 3)	1,307,711,533	1,353,622,725	1,326,123,484
LHIN Operation	4,332,293	4,086,874	4,332,293
Emergency Department (ED) Lead (Note 11a)	75,000	75,000	75,000
ER/ALC Performance Lead (Note 11b)	100,000	100,000	100,000
French Language Health Services (Note 11c)	106,000	106,000	106,000
Critical Care Lead (Note 11d)	75,000	75,000	75,000
Aboriginal Engagement (Note 11e)	5,000	5,000	5,000
Primary Care Lead (Note 11f)	75,000	75,000	43,750
Behavioural Supports Ontario (BSO) Initiative (Note 11g)	-	-	57,000
LHIN Enabling Technologies for Integration Project Management Office (ETI PMO) (Note 11h)	-	580,000	475,000
Diabetes Regional Coordination Centre Program (Note 11i)	-	150,718	-
Amortization of deferred capital contributions (Note 6)	-	40,268	45,790
	1,312,479,826	1,358,916,585	1,331,438,317
Funding repayable to the MOHLTC (Note 4a)		(416,840)	(437,462)
	1,312,479,826	1,358,499,745	1,331,000,855
Expenses			
Transfer payments to HSPs (Note 3)	1,307,711,533	1,353,622,725	1,326,123,484
General and administrative expense LHIN operation (Note 10)	4,332,293	4,087,518	4,144,335
Emergency Department (ED) Lead (Note 11a)	75,000	72,845	72,361
ER/ALC Performance Lead (Note 11b)	100,000	99,817	98,812
French Language Health Services (Note 11c)	106,000	104,358	63,291
Critical Care Lead (Note 11d)	75,000	72,217	72,000
Aboriginal Engagement (Note 11e)	5,000	4,991	4,987
Primary Care Lead (Note 11f)	75,000	73,094	18,157
Behavioural Supports Ontario (BSO) Initiative (Note 11g)	-	-	39,822
LHIN ETI Project Management Office (PMO) (Note 11h)	-	225,680	363,606
Diabetes Regional Coordination Centre Program (Note 11i)	-	136,500	-
	1,312,479,826	1,358,499,745	1,331,000,855
Annual surplus and accumulated surplus, end of year	-	-	-

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

Mississauga Halton Local Health Integration Network

Statement of change in net debt
year ended March 31, 2013

		2013	2012
	Budget (Note 9)	Actual	Actual
	\$	\$	\$
Annual surplus	-	-	-
Prepaid expenses, net	-	(27,529)	11,431
Acquisition of tangible capital assets	-	(116,302)	-
Amortization of tangible capital assets	-	40,268	45,790
(Increase) decrease in net debt	-	(103,563)	57,221
Net debt, beginning of year	-	(24,038)	(81,259)
Net debt, end of year	-	(127,601)	(24,038)

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

Mississauga Halton Local Health Integration Network

Statement of cash flows year ended March 31, 2013

	2013	2012
	\$	\$
Operating transactions		
Annual surplus	-	-
Add item not affecting cash		
Amortization of tangible capital assets	40,268	45,790
Less items not affecting cash		
Amortization of deferred capital contributions (Note 6)	(40,268)	(45,790)
Changes in non-cash operating items		
(Increase) decrease in accounts receivable	(23,770)	13,455
Decrease (increase) in due from other LHIN	60,000	(60,000)
Increase in due from the LHIN Shared Services Office	(59,362)	-
(Increase) decrease in accounts receivable MOHLTC		
transfer payments to HSPs	(1,371,371)	2,819,705
Decrease in accounts payable and accrued liabilities	(68,572)	(322,410)
Increase (decrease) in accounts payable HSPs transfer payments	1,371,371	(2,819,705)
Decrease in due to MOHLTC	(24,123)	(494,380)
(Decrease) increase in due to the LHIN Shared Services Office	(2,537)	753
(Increase) decrease in prepaid expenses	(27,529)	11,431
	(145,893)	(851,151)
Capital transaction		
Acquisition of tangible capital assets	(116,302)	-
Financing transaction		
Capital contributions received (Note 6)	116,302	-
Net decrease in cash	(145,893)	(851,151)
Cash, beginning of year	740,319	1,591,470
Cash, end of year	594,426	740,319

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

Mississauga Halton Local Health Integration Network

Notes to the financial statements
March 31, 2013

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 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 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, 2013.

The LHIN has also entered into an Accountability Agreement with the MOHLTC, which provides the framework for LHIN accountabilities and activities.

The LHIN statements do not include any MOHLTC managed programs.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian public sector accounting standards. 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.

Mississauga Halton Local Health Integration Network

Notes to the financial statements

March 31, 2013

2. Significant accounting policies (continued)

Basis of accounting (continued)

Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of tangible capital assets and impairment in the value 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. 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 tangible 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 tangible capital asset recorded.

Tangible capital assets

Tangible capital assets are recorded at historic cost. Historic cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of tangible capital assets. The cost of tangible 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 the 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 tangible capital asset are capitalized. Computer software is recognized as an expense when incurred.

Tangible capital assets are stated at cost less accumulated amortization. Tangible 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.

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.

Mississauga Halton Local Health Integration Network

Notes to the financial statements

March 31, 2013

2. Significant accounting policies (continued)

Adoption of new accounting standards

As at April 1, 2012, the LHIN adopted Public Sector Accounting Handbook *Section PS 1201, "Financial Statement Presentation"*, *Section PS 2601 "Foreign Currency Translation"*, *PS 3410 "Government Transfers"* and *Section PS 3450, "Financial Instruments"*. There was no impact of the adoption of these new standards on the financial statements.

3. Transfer payments to HSPs

In fiscal 2013, the LHIN had authorization to allocate funding of \$1,353,622,725 to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors in fiscal 2013 as follows:

	2013	2012
	\$	\$
Operation of hospitals	924,813,636	914,017,075
Long term care homes	186,403,556	182,575,414
Community care access centres	138,197,671	130,122,602
Community support services	32,077,723	30,702,861
Assisted living services in supportive housing	30,812,120	29,776,140
Community mental health	29,603,697	28,360,394
Addictions program	5,579,399	4,665,952
Acquired brain injury	6,134,923	5,903,046
	1,353,622,725	1,326,123,484

The LHIN receives money from the MOHLTC which it in turn allocates to the HSPs. As at March 31, 2013, an amount of \$2,500,800 (2012 - \$1,129,429) was receivable from the MOHLTC and \$2,500,800 (2012 - \$1,129,429) was payable to the HSPs. These amounts have been reflected as revenue and expenses with the LHIN's financial activities and are included above.

New investment decisions targeting various Ministry priorities such as investments in home care; community services to support seniors, to support reduction in emergency room wait times and alternate level of care and avoidable hospital readmissions are included in the above transfer payments to HSPs.

Mississauga Halton Local Health Integration Network

Notes to the financial statements

March 31, 2013

4. Funding repayable to the MOHLTC

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.

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

			2013	2012
	Funding received	Eligible expenses	Excess funding	Excess funding
	\$	\$	\$	\$
Transfer payments to HSPs	1,353,622,725	1,353,622,725	-	-
LHIN operations	4,127,142	4,087,518	39,624	233,748
LHIN special funded initiatives				
ED Lead	75,000	72,845	2,155	2,639
ER/ALC Performance Lead	100,000	99,817	183	1,188
French Language Health Services	106,000	104,358	1,642	42,709
Critical Care Lead	75,000	72,217	2,783	3,000
Aboriginal Engagement	5,000	4,991	9	13
Primary Care Lead	75,000	73,094	1,906	25,593
BSO Initiative	-	-	-	17,178
LHIN Enabling Technologies for Integration (ETI)	580,000	225,680	354,320	111,394
Diabetes Regional Coordination Centre Program (DRCC)	150,718	136,500	14,218	-
	1,166,718	789,502	377,216	203,714
	1,358,916,585	1,358,499,745	416,840	437,462

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

	2013	2012
	\$	\$
Due to MOHLTC, beginning of year	437,462	931,842
Amount recovered by the MOHLTC during the year	(437,462)	(931,842)
Funding repayable to the MOHLTC related to current year activities (Note 4a)	416,839	437,462
In year surplus recovered by MOHLTC	(3,500)	-
Due to MOHLTC, end of year	413,339	437,462

Mississauga Halton Local Health Integration Network

Notes to the financial statements

March 31, 2013

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.

The MH LHIN has also entered into various shared service agreements with respect to the LHIN ETI as a shared responsibility to the Central West LHIN, Hospitals and the Mississauga Halton Community Care Access Centre.

6. Deferred capital contributions

	2013	2012
	\$	\$
Balance, beginning of year	21,386	67,176
Capital contributions received during the year (Note 11i)	116,302	-
Amortization for the year	(40,268)	(45,790)
Balance, end of year	97,420	21,386

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 three years are as follows:

	\$
2014	266,746
2015	258,256
2016	193,643
	718,645

The existing building lease commitment will expire December 31, 2015. The LHIN is presently in negotiations with respect to the current lease of the building.

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, 2013

8. Tangible capital assets

			2013	2012
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office equipment, furniture and fixtures	263,020	165,600	97,420	18,321
Computer equipment	36,675	36,675	-	3,065
Web development	68,160	68,160	-	-
Leasehold improvements	880,162	880,162	-	-
	1,248,017	1,150,597	97,420	21,386

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, 2012 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 \$1,353,622,725 as at March 31, 2013 is made up of the following:

	\$
Initial HSP funding budget as at April 1, 2012	1,307,711,533
Adjustments due to announcements made during the year	45,911,192
Final HSP funding budget	1,353,622,725

LHIN operations

The final operating budget from MOHLTC of \$5,369,895 as at March 31, 2013 is made up of the following:

Mississauga Halton Local Health Integration Network

Notes to the financial statements

March 31, 2013

	\$
Initial budget as at April 1, 2012	
LHIN operations	4,332,293
French Language Services	106,000
Aboriginal Engagement	5,000
ED Lead	75,000
ER/ALC Performance Lead	100,000
Critical Care Lead	75,000
Primary Care Lead	75,000
Additional (reduction) funding received during the year for:	
Base reduction in LHIN operation	(216,600)
LHIN ETI PMO	580,000
Diabetes Regional Coordination Centre Program (DRCC)	238,202
Final budget	5,369,895

Mississauga Halton Local Health Integration Network

Notes to the financial statements

March 31, 2013

10. Expenses classified by object

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

	2013	2012
	\$	\$
Salaries and benefits	3,044,240	3,035,664
Shared services	336,951	481,240
LHIN Collaborative	47,500	26,975
Staff travel	18,964	11,542
Communication	28,139	20,658
Accommodation	174,628	129,656
Advertising	30,788	15,009
Professional fees and medical professional services	34,430	16,420
Consulting fees	27,633	-
Equipment rentals	20,932	23,877
Insurance	6,288	17,030
Other meeting expenses	22,058	27,715
Board Chair's per diem expenses	40,950	48,650
Other Board members' per diem expenses	25,950	29,800
Other governance costs and travel	33,819	37,805
Printing and translation	38,040	12,626
Staff development	33,409	34,452
IT equipment	2,976	63,811
Office supplies and purchased equipment	59,736	47,500
Amortization	40,268	45,790
Other services	19,819	18,115
	4,087,518	4,144,335

The Statement of Financial Activities presents the expenses by function; the following classifies LHIN special funded initiatives, by object:

Mississauga Halton Local Health Integration Network

Notes to the financial statements

March 31, 2013

	2013	2012
	\$	\$
Salaries and benefits	489,004	496,476
Shared services	6,259	4,569
Staff travel	4,385	4,735
Communication	1,342	2,814
Accommodation	5,895	29,476
Advertising	800	4,549
Professional fees/ Medical Professional Services	216,000	162,000
Equipment rentals	2,911	2,929
Other meeting expenses	10,105	11,077
Printing and translation	250	295
Staff development	1,780	3,319
IT equipment	23,034	10,425
Office supplies and purchased equipment	26,893	198
Other services	844	174
	789,502	733,036

Mississauga Halton Local Health Integration Network

Notes to the financial statements

March 31, 2013

11. Other funding initiatives

a) *Emergency Department (ED) Lead*

The MOHLTC provided \$75,000 (2012 - \$75,000) of one-time funding to support the compensation of the Emergency Department LHIN Lead and other miscellaneous professional expenses to the LHIN. During the year, \$72,845 (2012 - \$72,361) of expenses were incurred.

b) *ER/ALC Performance Lead*

The MOHLTC provided one-time funding of \$100,000 (2012 - \$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, \$99,817 (2012 - \$98,812) of expenses were incurred.

c) *French Language Health Services*

The MOHLTC provided base funding of \$106,000 (2012 - \$106,000) to support the francophone community needs within the LHIN. During the year, \$104,358 (2012 - \$63,291) of expenses were incurred.

d) *Critical Care Lead*

The MOHLTC provided one-time funding of \$75,000 (2012 - \$75,000) to support the compensation of the Critical Care Lead and other miscellaneous professional 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, \$72,217 (2012 - \$72,000) of expenses were incurred.

e) *Aboriginal Engagement*

The MOHLTC provided base operational funding of \$5,000 (2012 - \$5,000) to the LHIN for the purposes of engaging the Aboriginal population and organizations in the Mississauga Halton LHIN. During the year, \$4,991 (2012 - \$4,987) of expenses were incurred.

f) *Primary Care Lead*

The MOHLTC provided funding 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 2013 was \$75,000 (2012 - \$43,750). During the year, \$73,094 (2012 - \$18,157) of expenses were incurred.

g) *Behavioural Supports Ontario (BSO) Initiative*

The MOHLTC provided one time funds of \$Nil (2012 - \$57,000) to the LHIN to support the successful implementation of the local action plan for the BSO project under the transfer payments to the 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. During the year, \$Nil (2012 - \$39,822) of expenses were incurred.

h) *LHIN Enabling Technologies for Integration (LHIN ETI) Project Management Office*

The MOHLTC provided one-time funding of \$580,000 (2012 - \$475,000) to the LHIN. The funds were used to cover the operational and project costs associated with LHIN ETI activities. During the year, \$225,680 (2012 - \$363,606) of expenses were incurred.

Mississauga Halton Local Health Integration Network

Notes to the financial statements

March 31, 2013

11. Other funding initiatives (continued)

i) *Diabetes Regional Coordination Centre Program (DRCC)*

The LHIN received funding for the Diabetes Regional Coordination Centre Program (DRCC) of \$238,202 (2012 - \$Nil) of which \$150,718 was recognized as revenue and \$87,484 was treated as capital contributions for the year. The LHIN is now responsible for the regional management related to diabetes care, planning and coordination of diabetes services effective February 1, 2013. During the year, \$136,500 (2012 - \$Nil) of expenses were incurred. Funds were used to support the following expenses: salaries and benefits of \$114,080 and other operational expenses of \$22,420.

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 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 2013 was \$279,883 (2012 - \$262,701) 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, 2012. 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*.

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North East **LHIN** **RLISS** du Nord-Est

Management's Responsibility for the Financial Statements

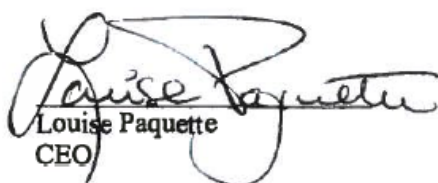
March 31, 2013

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 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, 2013, and the statements of financial activities, change 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, 2013, 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 LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
May 23, 2013

North East Local Health Integration Network

Statement of financial position as at March 31, 2013

	2013	2012
	\$	\$
Financial assets		
Cash	891,035	360,696
Due from the LHIN Shared Services Office (Note 3)	-	466
Accounts receivable	7,692	16,431
HST Receivable	70,904	39,867
Due from MOHLTC-Health Service Providers ("HSP") (Note 7)	1,537,653	7,992,935
	2,507,284	8,410,395
Liabilities		
Accounts payable and accrued liabilities	743,020	358,087
Due to MOHLTC & eHealth Ontario(10b, 10c)	219,907	76,904
Due to the LHIN Shared Services Office (Note 3)	28,155	-
Due to Health Service Providers ("HSP") (Note 7)	1,537,653	7,992,935
Deferred capital contributions (Note 4)	232,212	165,466
	2,760,947	8,593,392
Net debt	(253,663)	(182,997)
Commitments (Note 13)		
Non-financial assets		
Prepaid expenses	21,451	17,531
Tangible capital assets (Note 5)	232,212	165,466
	253,663	182,997
Accumulated surplus	-	-

Approved by the Board

 Director

 Director

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

North East Local Health Integration Network

Statement of financial activities year ended March 31, 2013

		2013	2012
	Budget (Note 6)	Actual	Actual
	\$	\$	\$
Revenues			
MOHLTC funding			
HSP transfer payments (Note 7)	1,380,587,300	1,420,730,615	1,380,862,148
Operations of LHIN	4,752,782	4,746,290	5,002,882
Enabling technologies (Note 9a)	-	580,000	600,000
Behavioural Support Ontario (Note 9b)	-	-	72,000
French Language Health Service (Note 9c)	296,800	296,800	296,800
Réseau du mieux-être francophone du Nord de l'Ontario (Note 9d)	796,159	796,159	802,973
Emergency Department Lead (Note 9e)	75,000	75,000	75,000
Critical Care Lead (Note 9f)	75,000	75,000	75,000
Aboriginal Engagement (Note 9g)	100,000	100,000	100,000
Emergency Room/Alternate Level of Care (Note 9h)	100,000	100,000	100,000
Primary Care Lead (Note 9i)	75,000	75,000	43,750
Diabetes Regional Coordinating Centre (Note 9j)	-	393,346	-
Amortization of deferred capital contributions (Note 4)	59,400	88,600	60,678
	1,386,917,441	1,428,056,810	1,388,091,231
In year surplus recovered by MOHLTC (Note 10)	-	-	(31,750)
Funding repayable to MOHLTC and eHealth Ontario (Note 10)	-	(219,907)	(76,904)
	1,386,917,441	1,427,836,903	1,387,982,577
Expenses			
Transfer payments to HSPs (Note 7)	1,380,587,300	1,420,730,615	1,380,862,148
General and administrative (Note 8)	4,752,782	4,746,290	5,002,882
Enabling technologies (Note 9a)	-	580,000	539,451
Behavioural Support Ontario (Note 9b)	-	-	72,000
French Language Health Service (Note 9c)	296,800	296,800	296,800
Réseau du mieux-être francophone du Nord de l'Ontario (Note 9d)	796,159	796,159	786,618
Emergency Department Lead (Note 9e)	75,000	75,000	72,000
Critical Care Lead (Note 9f)	75,000	73,003	72,000
Aboriginal Engagement (Note 9g)	100,000	100,000	100,000
Emergency Room/Alternate Level of Care (Note 9h)	100,000	100,000	100,000
Primary Care Lead (Note 9i)	75,000	65,280	18,000
Diabetes Regional Coordinating Centre (Note 9j)	-	185,156	-
Amortization of tangible capital assets	59,400	88,600	60,678
	1,386,917,441	1,427,836,903	1,387,982,577
Annual surplus and accumulated surplus, end of year	-	-	-

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

North East Local Health Integration Network

Statement of change in net debt year ended March 31, 2013

	2013	2012
	\$	\$
Annual surplus	-	-
Acquisition of tangible capital assets	(155,346)	-
Amortization of tangible capital assets	88,600	60,678
Increase in prepaid expenses, net	(3,920)	(16,853)
(Increase) decrease in net debt	(70,666)	43,825
Net debt, beginning of year	(182,997)	(226,822)
Net debt, end of year	(253,663)	(182,997)

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

North East Local Health Integration Network

Statement of cash flows
year ended March 31, 2013

	2013	2012
	\$	\$
Operating transactions		
Annual surplus	-	-
Items not affecting cash		
Amortization of tangible capital assets	88,600	60,678
Amortization of deferred capital contributions (Note 4)	(88,600)	(60,678)
Changes in non-cash working capital		
Decrease in due from the LHIN Shared Service Office	466	1,166
Decrease in accounts receivable	8,739	51,288
(Increase) decrease in HST Receivable	(31,037)	69,939
Decrease in due from MOHLTC-Health Service Providers	6,455,282	12,705,062
Increase in prepaid expenses	(3,920)	(16,853)
(Increase) decrease in accounts payable and accrued liabilities	232,409	(275,476)
Increase (decrease) in due to MOHLTC & eHealth Ontario	143,003	(283,312)
Increase in due to the LHIN Shared Service Office	28,155	-
Decrease in due to Health Service Providers	(6,455,282)	(12,705,062)
	377,815	(453,248)
Capital transaction		
Acquisition of tangible capital assets	(2,822)	-
Financing transaction		
Increase in deferred capital contributions (Note 4)	155,346	-
Net increase (decrease) in cash	530,339	(453,248)
Cash, beginning of year	360,696	813,944
Cash, end of year	891,035	360,696

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

North East Local Health Integration Network

Notes to the financial statements

March 31, 2013

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, 2013.

The LHIN statements do not include any MOHLTC managed programs.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian public sector accounting standards. 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, 2013

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 tangible capital asset recorded.

Tangible capital assets

Tangible capital assets are recorded at historic cost. Historic cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of tangible capital assets. The cost of tangible 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 tangible capital asset are capitalized.

Tangible capital assets are stated at cost less accumulated amortization. Tangible 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 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.

North East Local Health Integration Network

Notes to the financial statements

March 31, 2013

2. Significant accounting policies (continued)

Adoption of new accounting standards

As at April 1, 2012, the LHIN adopted Public Sector Accounting Handbook Section PS 1201, "Financial Statement Presentation", Section PS 2601 "Foreign Currency Translation", PS 3410 "Government Transfers" and Section PS 3450, "Financial Instruments". There was no impact of the adoption of these new standards on the financial statements.

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

	2013	2012
	\$	\$
Balance, beginning of year	165,466	226,144
Capital contributions received	155,346	-
Amortization	(88,600)	(60,678)
Balance, end of year	232,212	165,466

5. Tangible capital assets

			2013	2012
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Furniture and fixtures	165,521	115,163	50,358	38,603
Computer equipment	142,000	111,748	30,252	-
Leasehold improvements	1,064,315	912,713	151,602	126,863
	1,371,836	1,139,624	232,212	165,466

Non-cash transactions

During the year, tangible capital assets were acquired at an aggregate cost of \$155,346 (2012 - \$Nil) of which \$152,524 (2012 - \$Nil) were paid after year-end and \$2,822 (2012 - \$Nil) were paid during the year.

North East Local Health Integration Network

Notes to the financial statements

March 31, 2013

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, 2012. 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 \$1,420,730,615 is made up of the following:

	\$
Initial HSP Funding budget	1,380,587,300
Adjustment due to announcements made during the year	40,143,315
	<u>1,420,730,615</u>

The total operating budget of \$7,237,595 is made up of the following:

Initial budget	6,270,741
Additional funding received during the year	1,122,200
Amount treated as Capital Contribution	(155,346)
Total budget	<u>7,237,595</u>

7. Transfer payments to HSPs

The LHIN has authorization to allocate the funding of \$1,420,730,615 to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors as follows:

	2013	2012
	\$	\$
Operation of Hospitals	953,579,910	931,799,098
Grants to compensate for Municipal Taxation -		
Public Hospitals	239,625	239,625
Long Term Care Homes	206,007,661	201,330,568
Community Care Access Centres	119,827,431	115,762,445
Community Support Services	27,192,174	25,759,201
Acquired Brain Injury	2,675,799	2,424,099
Assisted Living Services in Supportive Housing	17,079,979	14,043,889
Community Health Centres	17,733,603	16,736,495
Community Mental Health	54,037,471	51,687,216
Substance Abuse & Gambling Problem	22,356,962	21,079,512
	<u>1,420,730,615</u>	<u>1,380,862,148</u>

The LHIN receives funding from the MOHLTC and in turn allocates it to the HSPs. As at March 31, 2013, an amount of \$1,537,653 (2012 - \$7,992,935) 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, 2013

8. General and administrative expenses

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

	2013	2012
	\$	\$
Salaries and wages	2,997,634	3,147,545
HOOPP	280,940	277,710
Other benefits	316,553	324,458
Staff travel	133,817	178,767
Governance travel	9,214	18,524
Communications	86,888	66,264
Accommodation	207,443	195,058
Advertising	24,979	46,969
Consulting fees	58,907	50,659
Equipment rentals	18,695	18,997
Board Chair per diems	-	21,375
Other Governance per diems	4,100	17,510
Insurance	5,977	16,337
LHIN Shared Services Office	341,520	382,525
LHIN Collaborative	47,500	26,971
Other meeting expenses	47,908	44,154
Other governance expenses	8,185	36,440
Printing and translation	70,799	55,895
Staff development	22,695	18,896
IT equipment	14,794	20,895
Office supplies and equipment	30,182	24,995
Other	17,560	11,938
	4,746,290	5,002,882

9. a) Enabling technologies

MOHLTC provided \$580,000 to the LHIN. The LHIN has four permanent full-time staff to run a Project Management Office related to Enabling technologies. 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 Enabling technologies was \$580,000.

b) Behavioural Support Ontario (BSO)

The LHIN did not receive funding from the Ministry of Health and Long-Term Care to support the BSO project in 2012/13.

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, 2013

9. d) Réseau du mieux-être francophone du Nord de l'Ontario

The LHIN received \$796,159 from the Ministry of Health and Long-Term Care to fund the operation of the Réseau du mieux-être francophone du Nord l'Ontario, these funds were spent in full.

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. The LHIN contracted an area physician as the ED Lead; total monies paid out in 2012/13 are \$75,000.

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. The LHIN contracted an area physician as the CC Lead; total monies paid out in 2012/13 are \$73,003.

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 (ER/ALC)

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 \$75,000 in one-time funding to pay the LHIN PC Lead to support the Primary Care LHIN Lead Program. The LHIN contracted an area physician as the PC Lead; total monies paid out in 2012/13 are \$65,280.

j) Diabetes Regional Coordinating Centre (RCC)

The Ministry of Health and Long Term Care provided the LHIN \$542,200 in one-time funding to support the LHIN in achieving the RCC program goals and objectives. During the year \$185,156 of expenses were incurred plus \$148,854 in capital expenditures.

North East Local Health Integration Network

Notes to the financial statements

March 31, 2013

10. Funding repayable to the MOHLTC

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.

a) The amount repayable to the MOHLTC is made up of the following components:

	Funding received	Eligible expenses	Excess funding
	\$	\$	\$
Transfer payments to HSPs	1,420,730,615	1,420,730,615	-
LHIN operations	4,746,290	4,746,290	-
Amortization of capital assets	88,600	88,600	-
Enabling technologies	580,000	580,000	-
French Language Health Service	296,800	296,800	-
Réseau du mieux-être francophone du Nord l'Ontario	796,159	796,159	-
Emergency Department Lead	75,000	75,000	-
Critical Care Lead	75,000	73,003	1,997
Aboriginal Engagement	100,000	100,000	-
Emergency Room/Alternate Level of Care	100,000	100,000	-
Primary Care Lead	75,000	65,280	9,720
Diabetes Regional Coordinating Centre	393,346	185,156	208,190
	1,428,056,810	1,427,836,903	219,907

b) The amount due to the MOHLTC is made up of the following components:

	2013	2012
	\$	\$
Opening balance	16,355	360,216
In-Year funds repayable to MOHLTC	-	31,750
Funding recovered by the MOHLTC	(16,355)	(391,966)
Funding repayable to the MOHLTC (Note 10A)	219,907	16,355
Closing balance	219,907	16,355

c) The amount due to eHealth Ontario is made up of the following components:

	2013	2012
	\$	\$
Opening balance	60,549	-
Funding recovered by eHealth Ontario	(60,549)	-
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, 2013

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 49 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 2013 was \$358,749 (2012 - \$348,703) 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, 2012. 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. Minimum lease payments due under the building and equipment lease are as follows:

	\$
2014	292,118
2015	223,250
2016	102,661
2017	59,500
2018	60,917
Thereafter	328,667
	1,067,113

The LHIN also has funding commitments to HSPs associated with accountability agreements. As of March 31, 2013 the LHIN had signed Accountability Agreements with all Hospitals, Long-Term Care Home and Community Agencies. 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, 2013

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.

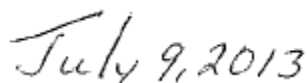
The financial statements have been audited by Deloitte & Touche LLP, independent external auditors appointed by the Board of Directors.



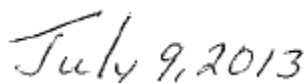
Jill Tettmann,
CEO



Archibald Outar,
Controller



Date



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, 2013, and the statements of financial activities, change 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, 2013, 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 dark ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

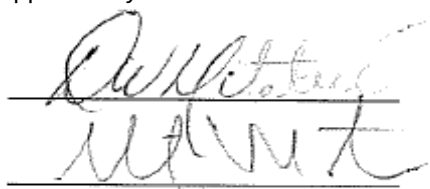
Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
May 27, 2013

North Simcoe Muskoka Local Health Integration Network

Statement of financial position
as at March 31, 2013

	2013	2012
	\$	\$
Financial assets		
Cash	872,550	1,290,161
Due from Ministry of Health and Long-Term Care ("MOHLTC") regarding Health Service Provider ("HSP") transfer payments	810,741	264,800
HST receivable	146,384	135,703
Due from LHIN Shared Services Office (Note 4)	32,613	7,500
	1,862,288	1,698,164
Liabilities		
Accounts payable and accrued liabilities	986,308	1,079,374
Due to MOHLTC Ontario (Note 3b)	70,389	344,942
Due to HSPs	810,741	264,800
Deferred revenue	16,991	24,022
Deferred capital contributions (Note 5)	302,903	182,551
	2,187,332	1,895,689
Net debt	(325,044)	(197,525)
Commitments (Note 6)		
Non-financial assets		
Prepaid expenses	22,141	14,974
Tangible capital assets (Note 7)	302,903	182,551
	325,044	197,525
Accumulated surplus	-	-

Approved by the Board



Director

Director

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

North Simcoe Muskoka Local Health Integration Network

Statement of financial activities
year ended March 31, 2013

		2013	2012
	Budget (Note 8)	Actual	Actual
	\$	\$	\$
Revenue			
MOHLTC Ontario funding			
HSP transfer payments (Note 9)	771,957,854	816,854,624	782,876,927
Operations of LHIN	4,140,655	4,142,654	4,301,188
LHIN Operations Special Funding (Note 3a)	2,125,064	2,542,061	2,908,814
Amortization of deferred capital contributions (Note 5)	50,000	96,722	76,807
	778,273,573	823,636,061	790,163,736
Funding repayable to the MOHLTC Ontario (Note 3a)	-	(140,649)	(344,942)
	778,273,573	823,495,412	789,818,794
Expenses			
Transfer payments to HSPs (Note 9)	771,957,854	816,854,624	782,876,927
General operating expenses (Note 10)	4,190,655	4,233,741	4,376,785
LHIN Operations Special Funded Initiatives (Note 3a,10)	2,125,064	2,407,047	2,565,082
	778,273,573	823,495,412	789,818,794
Annual surplus	-	-	-
Accumulated surplus, beginning of year	-	-	-
Accumulated surplus, end of year	-	-	-

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

North Simcoe Muskoka Local Health Integration Network

Statement of change in net debt
year ended March 31, 2013

		2013	2012
	Budget (Note 8)	Actual	Actual
	\$	\$	\$
Annual surplus	-	-	-
Acquisition of tangible capital assets	-	(217,074)	(68,966)
Amortization of tangible capital assets	50,000	96,722	76,807
Change in other non-financial assets	-	(7,167)	(14,974)
Increase in net debt	50,000	(127,519)	(7,133)
Net debt, beginning of year	(197,525)	(197,525)	(190,392)
Net debt, end of year	(147,525)	(325,044)	(197,525)

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

North Simcoe Muskoka Local Health Integration Network

Statement of cash flows
year ended March 31, 2013

	2013	2012
	\$	\$
Operating transactions		
Annual surplus	-	-
Less items not affecting cash		
Amortization of tangible capital assets	96,722	76,807
Amortization of deferred capital contributions (Note 5)	(96,722)	(76,807)
	-	-
Changes in non-cash operating items		
Increase in prepaid expenses	(7,167)	(14,974)
(Increase) decrease in due from MOHLTC ("HSP's")	(545,941)	2,611,706
Increase in due from LHIN Shared Services Office	(25,113)	(7,500)
Increase in HST receivable	(10,681)	(37,562)
(Decrease) increase in accounts payable and accrued liabilities	(93,066)	434,266
(Decrease) increase in due to the MOHLTC Ontario	(274,553)	276,560
Increase (decrease) in due to HSPs	545,941	(2,611,706)
Decrease in due to the LHIN Shared Services Office and LHIN Collaborative Office	-	(36,779)
Decrease in deferred revenue	(7,031)	(7,031)
	(417,611)	606,980
Capital investment		
Acquisition of tangible capital assets	(217,074)	(68,966)
Financing transactions		
Capital contributions received (Note 5)	217,074	68,966
Net (decrease) increase in cash	(417,611)	606,980
Cash, beginning of year	1,290,161	683,181
Cash, end of year	872,550	1,290,161

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

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2013

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, 2013.

The LHIN statements do not include any MOHLTC managed programs.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian public sector accounting standards. 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 tangible capital assets, and losses in the value of assets.

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2013

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 tangible 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 tangible capital asset recorded.

Tangible capital assets

Tangible capital assets are recorded at historic cost. Historic cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of tangible capital assets. The cost of tangible 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 tangible capital asset are capitalized. Computer software is recognized as an expense when incurred.

Tangible 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, 2013

2. Significant accounting policies (continued)

Adoption of new accounting standards

As at April 1, 2012, the LHIN adopted Public Sector Accounting Handbook *Section PS 1201, "Financial Statement Presentation"*, *Section PS 2601 "Foreign Currency Translation"*, *PS 3410 "Government Transfers"* and *Section PS 3450, "Financial Instruments"*. There was no impact of the adoption of these new standards on the financial statements.

3. Funding repayable to the MOHLTC

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.

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

			2013	2012
	Funding received	Eligible expenses	Excess funding	Excess funding
	\$	\$	\$	\$
General LHIN operations	4,142,654	4,137,019	5,635	1,210
LHIN special funded initiatives				
Aboriginal Planning	30,000	30,000	-	-
Behavioural Supports Ontario, Coordination and Reporting Office	752,200	709,297	42,903	80,782
Behavioural Supports Ontario, Service Redesign	-	-	-	166,273
Critical Care Lead	75,000	72,948	2,052	1,305
Enabling Technologies	550,279	540,781	9,498	23,852
Emergency Department LHIN Lead	75,000	46,318	28,682	-
Entite de planification des services de sante en francais #4 Centre Sud-Ouest	654,062	602,551	51,511	67,831
Emergency Room/Alternative Level of Care Performance Lead	100,000	100,000	-	-
Diabetes Regional Coordination Fund	124,520	124,520	-	-
French Language Health Services	106,000	106,000	-	3,689
Primary Care LHIN Lead	75,000	74,632	368	-
Total LHIN special funded initiatives	2,542,061	2,407,047	135,014	343,732
	6,684,715	6,544,066	140,649	344,942

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2013

3. Funding repayable to the MOHLTC (continued)

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

	2013	2012
	\$	\$
Due to MOHLTC, beginning of year	344,942	68,382
Funding repaid to MOHLTC during the current year	(415,202)	(68,382)
Funding repayable to the MOHLTC related to current year activities (Note 3a)	140,649	344,942
Due to MOHLTC, end of year	70,389	344,942

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

	2013	2012
	\$	\$
Balance, beginning of year	182,551	190,392
Capital contributions received during the year	217,074	68,966
Amortization for the year	(96,722)	(76,807)
Balance, end of year	302,903	182,551

6. Commitments

The LHIN has commitments under various operating leases expiring at dates up to 2016 related to building and equipment. Lease renewals are likely. Minimum lease payments due over the remaining terms of these leases are as follows:

	\$
2014	205,527
2015	205,527
2016	85,636

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2013

6. Commitments (continued)

The LHIN has funding commitments to health service providers associated with accountability agreements. The LHIN had the following funding commitments as of March 31, 2013.

	\$
2014	143,422,683

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

7. Tangible capital assets

			2013	2012
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office furniture and equipment	672,466	436,621	235,845	119,703
Computer equipment	151,240	151,240	-	5,825
Leasehold improvements	1,002,027	934,969	67,058	57,023
	1,825,733	1,522,830	302,903	182,551

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, 2012. 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 \$816,854,624 is made up of the following:

	\$
Initial budget	771,957,854
Adjustment due to announcements made during the year	44,896,770
	816,854,624

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2013

8. Budget figures (continued)

The total revised operating budget of \$6,614,415 is made up of the following:

	\$
Initial operating budget as reported on the statement of financial activities	6,265,719
Adjust for funding changes made during the year:	
Enabling Technologies	70,000
Adjustments to Operational budget	10,957
Behavioural Support Services	252,200
Diabetes Regional Coordination Centre Funding	274,272
In-year recoveries by the MOHLTC	(70,260)
Amount utilized for Capital Asset purchases	(188,473)
Revised operating budget	6,614,415

9. Transfer payments to HSPs

The LHIN has authorization to allocate funding of \$816,854,624 (2012 - \$782,876,927) to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors in fiscal 2012 as follows:

	2013	2012
	\$	\$
Operation of hospitals	436,888,472	410,003,430
Grants to compensate for municipal taxation - public hospitals	77,625	77,625
Long term care homes	129,901,118	127,716,175
Community care access centres	86,700,423	82,889,476
Community support services	13,192,051	12,737,994
Assisted living services in supportive housing	6,364,053	6,073,700
Community health centres	9,359,831	8,979,736
Community mental health	23,585,845	23,293,380
Addictions program	4,640,537	4,084,914
Specialty psychiatric hospitals	104,960,017	105,859,683
Grants to compensate for municipal taxation - psychiatric hospitals	23,400	23,400
Acquired brain injury	1,161,252	1,137,414
	816,854,624	782,876,927

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2013

10. General operating expenses

The Statement of Financial Activities presents the expenses by function, the following classifies general operating expenses, by object:

	2013	2012
	\$	\$
Salaries and benefits	2,890,905	2,792,133
Occupancy	167,404	127,826
Amortization	96,722	76,807
Shared services	440,710	464,493
Advertising and public relations	11,141	3,007
Consulting services	88,184	99,200
Other services	170,703	495,112
Supplies, equipment and licences	43,697	82,494
Board Chair Per Diems	51,705	55,825
Other Board Per Diems	63,950	55,325
Board Expenses	37,061	32,376
Travel	63,373	41,077
Mail, courier and telecommunications	108,186	51,110
	4,233,741	4,376,785

The Statement of Financial Activities presents the expenses by function, the following classifies LHIN Operations special funded initiatives, by object:

	2013	2012
	\$	\$
Salaries and benefits	946,292	1,076,200
Occupancy	65,580	38,234
Shared services	92,508	37,502
Advertising and public relations	35,648	45,476
Consulting services	143,812	292,934
Other services	225,401	169,408
Supplies, equipment and licences	46,799	92,650
Medical Professional Services	193,898	167,445
Travel	17,042	35,883
Mail, courier and telecommunications	37,516	23,117
Special project expenditures	602,551	586,233
	2,407,047	2,565,082

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2013

10. General operating expenses (continued)

The LHIN received funding of \$274,272 related to the assumption of work plan deliverables for diabetes and chronic disease management planning effective February 1, 2013. Expenses incurred are:

	\$
Salaries and benefits	13,791
Operating expenses	64,656
One-time expenses	195,825
	274,272

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 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 2013 was \$239,374 (2012 - \$269,099) 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, 2012. 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 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*.

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North West **LHIN** **RLISS** du Nord-Ouest

Management's Responsibility for the Financial Statements

March 31, 2013

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 LLP, independent external auditors appointed by the Board of Directors.



Laura Kokocinski
CEO



Chris Wcislo
Controller



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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, 2013, and the statement of financial activities, change 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, 2013 and the results of its financial activities, change 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 LLP". The signature is written in a cursive, flowing style.

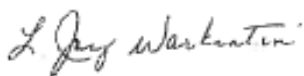
Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
May 28, 2013

North West Local Health Integration Network

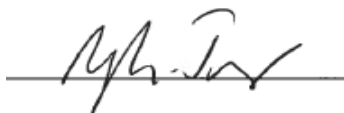
Statement of financial position as at March 31, 2013

	2013	2012
	\$	\$
Financial assets		
Cash	675,600	770,616
Due from Ministry of Health and Long Term Care ("MOHLTC")		
Health Service Provider ("HSP") transfer payments (Note 9)	6,009,913	993,674
Accounts receivable	55,826	103,835
	6,741,339	1,868,125
Liabilities		
Accounts payable and accrued liabilities	379,189	517,592
Due to HSPs (Note 9)	6,009,913	993,674
Due to MOHLTC (Note 3)	340,689	340,467
Due to the LHIN Shared Services Office (Note 4)	11,548	16,392
Deferred capital contributions (Note 5)	270,854	301,096
	7,012,193	2,169,221
Net debt	(270,854)	(301,096)
Commitments (Note 6)		
Non-financial assets		
Tangible capital assets (Note 7)	270,854	301,096
Accumulated surplus	-	-

Approved by the Board



Director



Director

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

North West Local Health Integration Network

Statement of financial activities
year ended March 31, 2013

		2013	2012
	Budget (Note 8)	Actual	Actual
	\$	\$	\$
Revenue			
MOHLTC funding			
HSPs transfer payments (Note 9)	599,727,200	626,111,646	606,341,278
Operations of LHIN	4,779,592	4,724,868	5,011,567
Aboriginal Community Engagement (Note 11)	160,000	160,000	160,000
Emergency Department ("ED") LHIN Lead (Note 13)	75,000	75,000	75,000
Critical Care ("CC") LHIN Lead (Note 16)	75,000	75,000	75,000
Emergency Room/Alternative Level of Care ("ER/ALC") Performance Lead (Note 14)	100,000	100,000	100,000
Primary Care ("PC") LHIN Lead (Note 17)	-	75,000	43,750
French Language Health Services (Note 15)	106,000	106,000	106,000
Bahavioural Supports Initiative ("BSO") (Note 18)	-	-	72,000
Diabetes Regional Coordination Centre (Note 19)	-	436,821	-
eHealth (Note 12)	-	580,000	600,000
Amortization of deferred capital contributions (Note 5)	-	132,845	107,629
	605,022,792	632,577,180	612,692,224
Funding repayable to the MOHLTC (Note 3)		(440,689)	(450,467)
	605,022,792	632,136,491	612,241,757
Expenses			
Transfer payments to HSPs (Note 9)	599,727,200	626,111,646	606,341,278
General and administrative (Note 10)	4,779,592	4,845,042	4,874,919
Aboriginal Community Engagement (Note 11)	160,000	124,304	131,173
eHealth (Note 12)	-	462,808	556,785
ED LHIN Lead (Note 13)	75,000	74,449	75,000
CC LHIN Lead (Note 16)	75,000	73,924	74,528
Emergency Room/Alternative Level of Care ("ER/ALC") Performance Lead (Note 14)	100,000	92,485	8,827
Primary Care ("PC") LHIN Lead (Note 17)	-	73,449	13,337
French Language Health Services (Note 15)	106,000	106,000	102,938
BSO (Note 18)	-	-	62,972
Diabetes Regional Coordination Centre (Note 19)	-	172,384	-
	605,022,792	632,136,491	612,241,757
Annual surplus and accumulated surplus, end of year	-	-	-

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

North West Local Health Integration Network

Statement of change in net debt year ended March 31, 2013

	2013	2012
	\$	\$
Annual surplus	-	-
Decrease in prepaid expenses, net	-	6,012
Acquisition of tangible capital assets	(102,603)	(19,625)
Amortization of tangible capital assets	132,845	107,629
Decrease in net debt	30,242	94,016
Net debt, beginning of year	(301,096)	(395,112)
Net debt, end of year	(270,854)	(301,096)

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

North West Local Health Integration Network

Statement of cash flows year ended March 31, 2013

	2013	2012
	\$	\$
Operating transactions		
Annual surplus	-	-
Less items not affecting cash		
Amortization of tangible capital assets	132,845	107,629
Amortization of deferred capital contributions (Note 5)	(132,845)	(107,629)
Changes in non-cash operating items		
(Increase) Decrease in due from MOHLTC - HSPs		
transfer payments	(5,016,239)	4,155,631
Decrease (increase) in accounts receivable	48,009	(1,742)
Decrease in accounts payable and accrued liabilities	(138,403)	(54,263)
Increase (decrease) in due to HSPs	5,016,239	(4,155,631)
Increase in due to MOHLTC	222	137,355
(Decrease) increase in due to LHIN Shared Services Office	(4,844)	14,608
Decrease in prepaid expenses	-	6,012
	(95,016)	101,970
Capital transaction		
Acquisition of tangible capital assets	(102,603)	(19,625)
Financing transaction		
Increase in deferred capital contributions (Note 5)	102,603	19,625
Net (decrease) increase in cash	(95,016)	101,970
Cash, beginning of year	770,616	668,646
Cash, end of year	675,600	770,616

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

North West Local Health Integration Network

Notes to the financial statements

March 31, 2013

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, 2013.

The LHIN statements do not include any MOHLTC managed programs.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian public sector accounting standards. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

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

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

North West Local Health Integration Network

Notes to the financial statements

March 31, 2013

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 tangible capital asset recorded.

Tangible capital assets

Tangible capital assets are recorded at historic cost. Historic cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of tangible capital assets. The cost of tangible 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 tangible capital asset are capitalized. Computer software is recognized as an expense when incurred.

Tangible capital assets are stated at cost less accumulated amortization. Tangible 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 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.

North West Local Health Integration Network

Notes to the financial statements

March 31, 2013

2. Significant accounting policies (continued)

Adoption of new accounting standards

As at April 1, 2012, the LHIN adopted Public Sector Accounting Handbook *Section PS 1201, "Financial Statement Presentation"*, *Section PS 2601 "Foreign Currency Translation"*, *PS 3410 "Government Transfers"* and *Section PS 3450, "Financial Instruments"*. There was no impact of the adoption of these new standards on the financial statements.

3. Funding repayable to the MOHLTC

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 MOHLTC.

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

			2013	2012
	Funding	Eligible expenses	Funding excess	Funding excess
	\$	\$	\$	\$
Transfer payments to HSPs	626,111,646	626,111,646	-	-
LHIN operations	4,857,713	4,845,043	12,670	244,277
Aboriginal Community Engagement	160,000	124,304	35,696	28,827
E-Health	580,000	462,808	117,192	43,215
ED LHIN Lead	75,000	74,449	551	-
Critical Care ("CC") LHIN Lead	75,000	73,923	1,077	472
ER/ALC Performance Lead	100,000	92,485	7,515	91,173
PC LHIN Lead	75,000	73,449	1,551	30,413
French Language Health Services	106,000	106,000	-	3,062
BSO Strategy	-	-	-	9,028
Diabetes Education	436,821	172,384	264,437	-
	632,577,180	632,136,491	440,689	450,467

The continuity of the amount due to the MOHLTC at March 31 is as follows:

	2013	2012
	\$	\$
Due to MOHLTC, beginning of year	340,467	203,113
Funding repaid to MOHLTC	(340,467)	(203,113)
Funding repayable to the MOHLTC related to current year activities	440,689	450,467
In year surplus recovered by MOHLTC	(100,000)	(110,000)
Due to MOHLTC, end of year	340,689	340,467

North West Local Health Integration Network

Notes to the financial statements

March 31, 2013

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

	2013	2012
	\$	\$
Balance, beginning of year	301,096	389,100
Capital contributions received during the year	102,603	19,625
Amortization for the year	(132,845)	(107,629)
Balance, end of year	270,854	301,096

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:

	\$
2014	314,920
2015	306,321
2016	85,640
2017	12,061
2018	1,732
	720,674

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

	\$
2014	398,345,510
2015	67,174,056
2016	67,174,056
2017	-
2018	-

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, 2013

7. Tangible capital assets

			2013	2012
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office furniture and fixtures	368,487	291,603	76,884	51,233
Computer equipment	139,487	115,612	23,875	12,738
Leasehold improvements	699,643	529,548	170,095	237,125
Web development	7,251	7,251	-	-
	1,214,868	944,014	270,854	301,096

8. Budget figures

The budget was 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 \$626,111,646 is derived as follows:

	\$
Initial HSP funding budget	599,727,200
Adjustment due to announcements made during the year	26,384,446
Final HSP funding budget	626,111,646

The final LHIN budget, excluding the HSP funding, of \$6,332,689 is derived as follows:

	\$
Initial budget	5,295,592
Additional funding received during the year	
E-Health	580,000
Primary Care Lead	75,000
Diabetes Education	484,700
Amount treated as capital contributions made during the year	(102,603)
Final budget	6,332,689

North West Local Health Integration Network

Notes to the financial statements

March 31, 2013

9. Transfer payments to HSPs

The LHIN has authorization to allocate funding of \$626,111,646 to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors as follows:

	2013	2012
	\$	\$
Operation of hospitals	430,592,371	420,030,397
Health Infrastructure Renewal Fund	-	-
Grants to compensate for municipal taxation - public hospitals	105,375	105,375
Long term care homes	68,994,752	68,511,429
Community care access centres	49,289,693	42,902,747
Community support services	14,047,377	14,070,995
Acquired brain injury	1,817,347	1,817,347
Assisted living services in supportive housing	8,502,520	7,290,866
Community health centres	8,580,270	8,269,886
Community mental health program	30,527,514	30,733,101
Addictions program	13,654,427	12,609,135
	626,111,646	606,341,278

The LHIN receives funding from the MOHLTC and in turn allocates it to the HSPs. As at March 31, 2013, an amount of \$6,009,913 (2012 - \$993,674) was receivable from the MOHLTC, and \$6,009,913 (2012 - \$993,674) was payable to 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:

	2013	2012
	\$	\$
Salaries and benefits	3,398,182	2,996,101
Occupancy	240,174	237,024
Amortization	132,845	107,629
Equipment and maintenance	41,926	45,325
Shared services	361,520	475,025
Public relations and community forums	27,727	10,526
Professional fees	14,800	14,500
Travel	110,807	150,039
Staff development and recruitment	106,810	122,724
Consulting services	27,352	381,910
LHIN collaborative	47,500	26,971
Supplies, printing and office	98,501	82,018
Other board member per diems	58,336	63,428
Board chair per diems	25,200	23,945
Other governance and travel costs	86,943	68,002
Mail, courier and telecommunications	66,419	69,752
	4,845,042	4,874,919

North West Local Health Integration Network

Notes to the financial statements

March 31, 2013

11. Aboriginal Community Engagement

The Ministry of Health and Long-Term Care provided \$160,000 (2012 - \$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 2013, \$124,304 (2012 - \$131,173) of expenses were incurred.

12. eHealth Ontario

The Ministry of Health and Long-Term Care provided \$580,000 (2012 - \$600,000) 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, \$462,808 (2012 - \$556,785) of expenses were incurred.

13. Emergency Department LHIN Lead

The Ministry of Health and Long-Term Care provided \$75,000 (2012 - \$75,000) in one-time funding to support the compensation of the North West LHIN Emergency Department (ED) LHIN Lead. During the year, \$74,449 of expenses were incurred (2012 - \$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 (2012 - \$100,000) to support the compensation of the LHIN ER/ALC Performance Lead in 2012/13. During the year, \$92,485 (2012 - \$8,827) of expenses were incurred.

15. French Language Health Services

The Ministry of Health and Long-Term Care approved one-time funding of \$106,000 (2012 - \$106,000) to support the LHIN in its French Language Services activities. During the year, \$106,000 (2012 - \$102,938) 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 (2012 - \$75,000) to support the compensation of the LHIN Critical Care Lead in 2012/13. During the year, \$73,923 (2012 - \$74,528) of expenses were incurred.

17. Primary Care Lead

The Ministry of Health and Long-Term Care provided one-time funding in the amount of \$75,000 (2012 - \$43,750) to support the compensation of the LHIN Primary Care Lead in 2012/13. During the year, \$73,449 (2012 - \$13,337) 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 \$nil (2012 - \$72,000) to support the compensation of the LHIN BSO Initiative in 2012/13. During the year, \$nil (2012 - \$62,972) of expenses were incurred.

North West Local Health Integration Network

Notes to the financial statements

March 31, 2013

19. Diabetes Regional Coordination Centre

The Ministry of Health and Long-Term Care provided one-time funding in the amount of \$484,700 (2012 - \$nil) to support the compensation of the LHIN Diabetes Regional Coordination Centre in 2012/13. During the year, \$220,263 (2012 - \$nil) of expenses were incurred which includes \$47,879 in capital purchases (2012 - \$nil). Expenses incurred include the following:

	2013	2012
	\$	\$
Salaries & Benefits	113,026	-
Operating expenses	59,358	-
One-time expenses	47,879	-
	220,263	-

20. Pension agreements

The LHIN makes contributions to the Hospitals of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 37 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2013 was \$321,703 (2012 - \$286,504) 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, 2012. At that time, the plan was fully funded.

21. 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*.

22. Comparative figures

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

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South East **LHIN** **RLISS** du Sud-Est

March 31, 2013

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



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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, 2013, and the statements of financial activities, change 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, 2013, 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 cursive script that reads "Deloitte LLP".

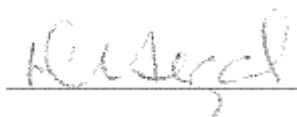
Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
May 27, 2013

South East Local Health Integration Network

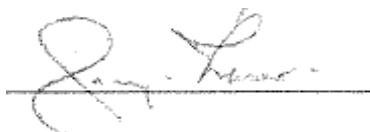
Statement of financial position
as at March 31, 2013

	2013	2012
	\$	\$
Financial assets		
Cash	1,087,305	1,674,708
Accounts receivable (Note 3)	54,990	57,001
	1,142,295	1,731,709
Liabilities		
Accounts payable and accrued liabilities (Note 4)	596,707	1,121,742
Due to MOHLTC (Note 5)	318,212	347,744
Due to the LHIN Shared Services Office (Note 7)	9,792	-
Deferred capital contributions (Note 8)	393,052	505,585
Obligations under capital lease (Note 16)	264,038	290,568
	1,581,801	2,265,639
Net debt	(439,506)	(533,930)
Commitments (Note 15)		
Non-financial assets		
Prepaid expenses	46,454	28,345
Tangible capital assets (Note 9)	393,052	505,585
	439,506	533,930
Accumulated surplus	-	-

Approved by the Board



Donna Segal
Board Chair



Ian Fraser
Audit Committee Chair

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

South East Local Health Integration Network

Statement of financial activities
year ended March 31, 2013

		2013	2012
	Budget (Note 10)	Actual	Actual
	\$	\$	\$
Revenue			
MOHLTC funding			
HSP transfer payments (Note 11)	1,041,073,514	1,099,257,331	1,070,700,326
Operations of LHIN (Notes 5, 10 and 12)	4,543,169	4,534,906	4,778,389
Enabling Technologies (Note 6a)	-	580,000	600,000
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	106,000
Critical Care Initiative (Note 6f)	-	75,000	75,000
Primary Care Initiative (Note 6g)	-	75,000	43,750
Chronic Disease Management (Note 6h)	-	329,119	-
Behavioural Support Ontario	-	-	750,000
Amortization of deferred capital contributions (Note 8)	-	120,796	119,491
	1,045,737,683	1,105,268,152	1,077,362,956
Funding repayable to the MOHLTC			
Ontario (Note 5a)	-	(318,212)	(347,744)
	1,045,737,683	1,104,949,940	1,077,015,212
Expenses			
Transfer payments to HSPs (Note 11)	1,041,073,514	1,099,257,331	1,070,700,326
General and administrative (Note 12)	4,543,169	4,655,665	4,895,501
Enabling Technologies (Note 6a)	-	489,773	569,907
Emergency Department (Note 6b)	-	51,425	66,110
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	96,835	102,844
Critical Care Initiative (Note 6f)	-	72,000	72,912
Primary Care Initiative (Note 6g)	-	75,000	18,985
Chronic Disease Management (Note 6h)	-	136,911	-
Behavioural Support Ontario	-	-	473,627
	1,045,737,683	1,104,949,940	1,077,015,212
Annual surplus and accumulated surplus, end of year	-	-	-

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

South East Local Health Integration Network

Statement of change in net debt year ended March 31, 2013

	2013	2012
	\$	\$
Annual surplus	-	-
Acquisition of tangible capital assets	(8,263)	(3,878)
Amortization of tangible capital assets	120,796	119,491
Increase in prepaid expenses, net	(18,109)	(13,726)
Decrease (increase) in net debt	94,424	101,887
Net debt, beginning of year	(533,930)	(635,817)
Net debt, end of year	(439,506)	(533,930)

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

South East Local Health Integration Network

Statement of cash flows year ended March 31, 2013

	2013	2012
	\$	\$
Operating transactions		
Annual surplus	-	-
Less items not affecting cash		
Amortization of tangible capital assets	120,796	119,491
Amortization of deferred capital contribution (Note 8)	(120,796)	(119,491)
Changes in non-cash operating items		
Decrease in accounts receivable	2,011	8,588
Increase in prepaid expenses	(18,109)	(13,726)
(Decrease) increase in accounts payable and accrued liabilities	(525,035)	306,306
(Decrease) increase in due to MOHLTC	(29,532)	45,247
Increase (decrease) in due to the LHIN Shared Services Office	9,792	(19,552)
	(560,873)	326,863
Capital transaction		
Acquisition of tangible capital assets	(8,263)	(3,878)
Financing transactions		
Increase in deferred capital contributions (Note 8)	8,263	3,878
Repayment of obligations under capital lease	(26,530)	(25,239)
	(18,267)	(21,361)
Net change in cash	(587,403)	301,624
Cash, beginning of year	1,674,708	1,373,084
Cash, end of year	1,087,305	1,674,708

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

South East Local Health Integration Network

Notes to the financial statements

March 31, 2013

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 based on where residents primarily received their care (98% of all South East LHIN residents obtain care from local health service providers). The LHIN 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 500,000 people and has a geographic area which spans 19,473 square kilometers; the South East LHIN is the fourth largest geographic local integration network. The LHIN serves approximately 3.8% of Ontarians who live, in almost equal proportion, along a ribbon of more urban areas following Highway 401, or in small rural communities located across the remainder of the area. The LHIN 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, 2013.

The LHIN statements do not include any Ministry managed programs.

South East Local Health Integration Network

Notes to the financial statements

March 31, 2013

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian public sector accounting standards. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

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

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

Tangible capital assets

Tangible 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 tangible 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.

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

Tangible capital assets are stated at cost less accumulated amortization. Tangible capital assets are amortized, on a straight line basis, over their estimated useful lives as follow:

Office equipment	5 years
Computer equipment	3 years
Infrastructure/Web developments	3 years
Leasehold improvements	Life of lease

South East Local Health Integration Network

Notes to the financial statements

March 31, 2013

2. Significant accounting policies (continued)

Segment disclosures

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

Use of estimates

The preparation of financial statements in conformity with Canadian 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. Significant items subject to such estimates and assumptions include valuation of accrued liabilities and useful lives of the tangible capital assets. Actual results could differ from those estimates.

Adoption of new accounting standards

As at April 1, 2012, the LHIN adopted Public Sector Accounting Handbook Section PS 1201, "Financial Statement Presentation", Section PS 2601 "Foreign Currency Translation", PS 3410 "Government Transfers" and Section PS 3450, "Financial Instruments". There was no impact of the adoption of these new standards on the financial statements.

3. Accounts receivable

The LHIN at March 31, 2013 has accounts receivable of \$54,990 which represents HST receivable for the last quarter of the fiscal year.

4. Accounts payable and accrued liabilities

At March 31, 2013 the LHIN has accounts payable and accrued liabilities valued at \$596,707. This amount represents accounts payable (Trade) \$157,875, and accrued liabilities \$438,832.

5. Funding repayable to the MOHLTC

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 accounting policy related to deferred capital contributions (Note 2) the LHIN has recognized as revenue ("funding received"), the amortization of deferred capital contributions of \$120,796 (2012 - \$119,491), and the 2013 deferred revenue from capital contributions of \$8,263. This has resulted in an increase to the overall LHIN Operations revenue as shown in note 5A below.

LHIN Operations base funding (budget) for 2013 after adjustments was \$4,543,169 (Note 10).

In 2012 e-Health Ontario provided funding directly to the LHIN for Project Management Office activities; in 2013, the MOHLTC provided this funding direct to the LHIN.

South East Local Health Integration Network

Notes to the financial statements

March 31, 2013

5. Funding repayable to the MOHLTC (continued)

(a) The amount repayable to the MOHLTC is made up of the following components:

			2013
	Funding received	Related expenses	Excess funding
	\$	\$	\$
Transfer payments to HSPs	1,099,257,331	1,099,257,331	-
LHIN operations (Note 12a)	4,655,702	4,655,665	37
Enabling technologies	580,000	489,773	90,227
Emergency department initiative	75,000	51,425	23,575
Aboriginal initiative	15,000	15,000	-
ER/ALC Initiative	100,000	100,000	-
French Language Services Initiative	106,000	96,835	9,165
Critical Care Initiative	75,000	72,000	3,000
Primary Care Initiative	75,000	75,000	-
Chronic Disease Management	329,119	136,911	192,208
	1,105,268,152	1,104,949,940	318,212

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

	2013	2012
	\$	\$
Opening balance	317,651	302,497
Funding repaid during the year	(317,651)	(302,497)
One-time funding repayable to MOHLTC	318,175	315,272
LHIN Operations funding repayable to MOHLTC	37	2,379
Closing balance	318,212	317,651

(c) The amount due e-Health Ontario at March 31 is made up as follows:

	2013	2012
	\$	\$
Due to e-Health Ontario, beginning of year	30,093	-
Paid to e-Health Ontario during year	(30,093)	-
Funding repayable to e-Health Ontario related current year activities	-	30,093
Closing balance	-	30,093

South East Local Health Integration Network

Notes to the financial statements

March 31, 2013

6. a) *Enabling Technologies Initiative (formerly known as e-Health)*

During fiscal 2013, the LHIN received funding in the amount of \$580,000 (\$600,000 in 2012) for a local Project Management Office. These funds were used toward initiatives in support of its strategic Enabling Technologies Plan as defined in its Integrated Health Services Plan. Unspent funds, amounting to \$90,227 (\$30,093 in 2012) at year end, are repayable to the MOHLTC.

	2013	2012
	\$	\$
Expenses		
Salaries and benefits	302,157	308,860
Consulting services	-	126,775
Travel	21,908	15,308
Meeting expenses	5,270	3,345
Other	160,438	115,619
	489,773	569,907

b) *Emergency Department Initiative*

During fiscal 2013, the LHIN received funding in the amount of \$75,000 (\$75,000 in 2012) 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 \$23,575 (\$8,890 in 2012) at year end, are repayable to the MOHLTC.

	2013	2012
	\$	\$
Expenses		
Consulting	49,500	63,300
Travel	1,925	-
Other	-	2,810
	51,425	66,110

c) *Aboriginal Initiative*

During fiscal 2013, the LHIN received funding in the amount of \$15,000 (\$15,000 in 2012) from the MOHLTC. These funds were used toward planning activities including assistance with the Metis Health Survey and engagement with the Aboriginal community including the newly formed Indigenous Council at the Napanee CHC in support of the Integrated Health Services Plan "Priority for Change".

	2013	2012
	\$	\$
Expense		
Other	15,000	15,000
	15,000	15,000

South East Local Health Integration Network

Notes to the financial statements

March 31, 2013

6. (continued)

d) *ER/ALC Initiative*

During fiscal 2013, the LHIN received funding in the amount of \$100,000 (\$100,000 in 2012) from the MOHLTC. These funds were used in support of the ER/ALC Strategy.

	2013	2012
	\$	\$
Expense		
Salary and benefits	99,387	100,000
Travel	613	-
Closing balance	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 \$106,047 (\$147,100 in 2012). The overage of \$6,047 (\$47,100 in 2012) has been funded through LHIN Operations base.

	2013	2012
	\$	\$
Expenses		
Salaries and benefits	99,387	135,594
Travel	2,858	5,762
Meeting expenses	1,347	1,366
Other	2,455	4,378
	106,047	147,100

e) *French Language Services Initiative*

During fiscal 2013, the LHIN received funding in the amount of \$106,000 (\$106,000 in 2012) from the MOHLTC. These funds were used in support of the French Language Services Strategy. Unspent funds, amounting to \$9,165 (\$3,156 in 2012) at year end, are repayable to the MOHLTC.

	2013	2012
	\$	\$
Expenses		
Salaries and benefits	76,379	82,663
Travel	3,724	4,564
Meeting expenses	128	113
Other	16,604	15,504
	96,835	102,844

South East Local Health Integration Network

Notes to the financial statements

March 31, 2013

6. (continued)

f) Critical Care Initiative

During fiscal 2013, the LHIN received funding in the amount of \$75,000 (\$75,000 in 2012) from the MOHLTC. These funds were used in support of the Critical Care Strategy. Unspent funds, amounting to \$3,000 (\$2,088 in 2012) at year end, are repayable to the MOHLTC.

	2013	2012
	\$	\$
Expenses		
Consulting	72,000	72,000
Travel	-	912
	72,000	72,912

g) Primary Care Initiative

During fiscal 2013, the LHIN received in-year funding in the amount of \$75,000 (\$43,750 in 2012) 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."

	2013	2012
	\$	\$
Expenses		
Consulting	72,000	18,000
Travel	2,480	970
Meeting expenses	480	-
Other	40	15
	75,000	18,985

Actual expenditures incurred as part of the Primary Care Initiative activities were in excess of the \$75,000 funding provided by the MOHLTC. The total of actual expenses is \$76,705 (\$43,750 in 2012). The overage of \$1,705 has been funded through LHIN Operations base.

	2013	2012
	\$	\$
Expenses		
Consulting	72,000	43,750
Travel	4,185	-
Meeting expenses	480	-
Other	40	-
Closing balance	76,705	43,750

h) Chronic Disease Management

In February 2013 (fiscal 2013), the LHIN received funding of \$329,119 to enhance Chronic Disease Management and the Ontario Diabetes Strategy for Ontarians in support of the Integrated Health Services Plan. Unspent funds, amounting to \$192,208 at year end, are repayable to the MOHLTC.

	2013
	\$
Expenses	
Salaries and benefits	59,867
Travel	1,329
Other	75,715
	136,911

South East Local Health Integration Network

Notes to the financial statements

March 31, 2013

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.

8. Deferred capital contributions

	2013	2012
	\$	\$
Balance, beginning of year	505,585	621,198
Capital contributions received during the year	8,263	3,878
Amortization for the year	(120,796)	(119,491)
Balance, end of year	393,052	505,585

9. Tangible capital assets

	2013		2012	
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office equipment	408,006	272,494	135,512	207,288
Computer equipment	130,670	123,868	6,802	11,739
Leasehold improvements	358,197	107,459	250,738	286,558
	896,873	503,821	393,052	505,585

South East Local Health Integration Network

Notes to the financial statements

March 31, 2013

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, 2012. 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 \$1,099,257,331 is made up of the following:

	\$
Initial HSP funding budget	1,041,073,514
Adjustment due to announcements made during the year	58,183,817
Total HSP funding budget	1,099,257,331

The total operating budget of \$4,543,169 is made up of the following:

	\$
Initial budget	4,543,169
Additional funding received during the year	-
Total budget	4,543,169

11. Transfer payments to HSPs

The LHIN has authorization to allocate the funding of \$1,099,257,331 to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors as follows:

	2013	2012
	\$	\$
Operation of Hospitals	721,433,597	703,298,709
Grants to compensate for Municipal Taxation -		
Public Hospitals	190,725	190,725
Long-Term Care Homes	170,990,709	170,862,497
Community Care Access Centres	108,497,833	102,084,846
Community Support Services	30,132,287	29,121,695
Assisted Living Services in Supportive Housing	2,048,566	2,043,566
Community Health Centres	23,054,049	22,200,869
Community Mental Health Addictions Program	42,909,565	40,897,419
	1,099,257,331	1,070,700,326

South East Local Health Integration Network

Notes to the financial statements

March 31, 2013

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:

	2013	2012
	\$	\$
Program based		
Salaries	3,321,827	3,546,649
Consulting and LHIN-based projects	135,185	46,194
	3,457,012	3,592,843
Shared services	294,616	435,080
Collaborative	47,500	26,971
Other (details listed below)	218,153	205,855
Occupancy	214,889	212,698
Office equipment and supplies	133,310	132,588
Board per diem	68,700	71,400
Public relations	49,412	52,123
Mail, courier and telecommunications	51,277	46,452
	4,534,869	4,776,010
Amortization	120,796	119,491
	4,655,665	4,895,501

- (b) The breakdown of "Other" general and administrative expenses listed in the table above are:

	2013	2012
	\$	\$
Training and development	86,827	52,829
Travel	114,430	111,507
Recruitment	10,709	10,622
Insurance	6,634	17,768
Other miscellaneous	(447)	13,129
	218,153	205,855

- (c) The total expenses related to governance is as follows, and are included in the expenses listed in Note 12(a) above:

	2013	2012
	\$	\$
Board chair per diems	31,500	34,500
All other per diems	37,200	36,900
Total per diems	68,700	71,400
Other administrative costs	42,559	53,797
Total governance expenditures	111,259	125,197
Overhead - salaries, benefits, accommodations and shared services	154,417	153,519
Total governance related costs	265,676	278,716

- (d) The total occupancy and shared service costs are reduced from actual expenses in Note 12(a) above, due to partial cost sharing with ancillary funded projects for project staff that utilize office space and or shared services during the year.

South East Local Health Integration Network

Notes to the financial statements

March 31, 2013

13. Pension agreements

The LHIN makes contributions to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf 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 2013 was \$274,129 (2012 - \$279,712) 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*.

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:

	\$
2014	224,064
2015	224,064
2016	224,064
2017	224,064
2018	224,064
Thereafter	653,520
	<u>1,773,840</u>

The LHIN also has funding commitments to HSPs associated with accountability agreements. As of March 31, 2013, 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.

South East Local Health Integration Network

Notes to the financial statements

March 31, 2013

16. Obligations under capital lease

The LHIN has a lease under the provision of capital lease of leasehold improvements. The cost of this lease is included in 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:

	\$
2014	40,456
2015	40,456
2016	40,456
2017	40,456
2018	40,456
Thereafter	117,997
Future minimum lease payments	320,277
Less: amount representing interest	(56,239)
Present value of future minimum rentals	264,038

Principal payments required on this long-term debt for the next five years are as follows:

	\$
2014	27,887
2015	29,314
2016	30,814
2017	32,390
2018	34,048
Thereafter	109,585
	264,038

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South West LHIN

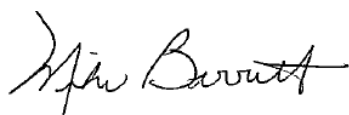
Management Responsibility Report

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 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
Controller/Manager of Corporate Services

June 14, 2013



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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, 2013, and the statements of financial activities, change 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, 2013 and the results of its financial activities, change 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 LLP". The signature is written in a cursive, flowing style.

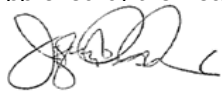
Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
May 22, 2013

South West Local Health Integration Network

Statement of financial position
as at March 31, 2013

	2013	2012
	\$	\$
Financial assets		
Cash	892,912	325,816
Due from Ministry of Health and Long-Term Care ("MOHLTC")		
Health Service Provider ("HSP") transfer payments (Note 9)	8,505,822	2,025,893
Due from the LHIN Shared Services Office (Note 4)	17,190	-
Harmonized sales tax receivable	79,069	45,355
Accounts receivable	3,879	16,490
	9,498,872	2,413,554
Liabilities		
Accounts payable and accrued liabilities	795,784	308,018
Due to Health Service Providers ("HSPs") (Note 9)	8,505,822	2,025,893
Due to MOHLTC (Note 3b)	176,111	48,082
Due to eHealth Ontario (Note 3c)	52,319	62,791
Due to the LHIN Shared Services Office (Note 4)	-	7,440
Deferred capital contributions (Note 5)	262,387	267,754
	9,792,423	2,719,978
Net debt	(293,551)	(306,424)
Commitments (Note 6)		
Non-financial assets		
Prepaid expenses	31,164	38,670
Tangible capital assets (Note 7)	262,387	267,754
	293,551	306,424
Accumulated surplus	-	-

Approved by the Board



Director



Director

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

South West Local Health Integration Network

Statement of financial activities year ended March 31, 2013

		2013	2012
	Budget (Note 8)	Actual	Actual
	\$	\$	\$
Revenue			
MOHLTC funding			
HSP transfer payments (Note 9)	2,150,971,662	2,190,349,994	2,169,260,125
Operations of LHIN	4,895,719	4,873,561	5,146,833
Aboriginal Planning (Note 10a)	35,000	35,000	35,000
French Language Services (Note 10b)	106,000	106,000	106,000
Critical Care (Note 10c)	75,000	75,000	75,000
Emergency Department ("ED") Lead (Note 10d)	75,000	75,000	62,132
Emergency Room/Alternative Level of Care ("ER/ALC") Performance Lead (Note 10e)	100,000	100,000	88,008
Primary Care Lead (Note 10f)	75,000	75,000	18,750
Behavioural Support (BSO) (Note 10g)	-	-	57,000
Enabling Technologies (Note 10h)	510,000	578,560	589,397
Diabetes Regional Coordinating Ctr (Note 10i)	-	206,632	-
E-Health SPIRE & cSWO (Note 10j)	1,025,400	773,833	302,900
Amortization of deferred capital contributions (Note 5)	162,000	162,000	158,851
	2,158,030,781	2,197,410,580	2,175,899,996
Funding repayable to eHealth Ontario (Note 3a)	-	(34,865)	(62,791)
Funding repayable to the MOHLTC (Note 3a)	-	(176,111)	(49,207)
	2,158,030,781	2,197,199,604	2,175,787,998
Expenses			
Transfer payments to HSPs (Note 9)	2,150,971,662	2,190,349,994	2,169,260,125
General and administrative (Note 11)	5,057,719	4,981,477	5,294,857
Aboriginal Planning (Note 10a)	35,000	32,760	21,466
French Language Services (Note 10b)	106,000	93,198	87,247
Critical Care (Note 10c)	75,000	74,508	73,831
ED Lead (Note 10d)	75,000	73,944	62,132
ER/ALC Performance Lead (Note 10e)	100,000	98,245	88,008
Primary Care Lead (Note 10f)	75,000	74,889	16,091
Behavioural Support (BSO) (Note 10g)	-	-	54,735
Enabling Technologies (Note 10h)	510,000	512,356	559,811
Diabetes Regional Coordinating Ctr (Note 10i)	-	169,265	-
E-Health SPIRE & cSWO (Note 10j)	1,025,400	738,968	269,695
	2,158,030,781	2,197,199,604	2,175,787,998
Annual surplus and accumulated surplus, end of year	-	-	-

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

South West Local Health Integration Network

Statement of change in net debt year ended March 31, 2013

	2013	2012
	Actual	Actual
	\$	\$
Annual surplus	-	-
Change in prepaid expenses, net	7,506	(16,999)
Acquisition of tangible capital assets	(156,633)	(17,190)
Amortization of tangible capital assets	162,000	158,851
Decrease in net debt	12,873	124,662
Net debt, beginning of year	(306,424)	(431,086)
Net debt, end of year	(293,551)	(306,424)

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

South West Local Health Integration Network

Statement of cash flows year ended March 31, 2013

	2013	2012
	\$	\$
Operating transactions		
Annual surplus	-	-
Less items not affecting cash		
Amortization of capital assets	162,000	158,851
Amortization of deferred capital contributions (Note 5)	(162,000)	(158,851)
Changes in non-cash operating items		
(Increase) decrease in due from MOHLTC HSP transfer payments	(6,479,929)	35,386,994
(Increase) decrease in due from LHIN Shared Services Office	(17,190)	3,736
Increase (decrease) in accounts receivable	12,611	(15,069)
(Decrease) increase in Harmonized Sales Tax receivable	(33,714)	20,113
Increase (decrease) in accounts payable and accrued liabilities	487,766	(273,223)
Increase (decrease) in due to HSPs	6,479,929	(35,386,994)
Increase in due to MOHLTC	128,029	19,564
(Decrease) increase in due to eHealth Ontario	(10,472)	62,791
(Decrease) in due to LHIN Shared Services Office	(7,440)	(191)
Increase (decrease) in prepaid expenses	7,506	(16,999)
	567,096	(199,278)
Capital transaction		
Acquisition of tangible capital assets	(156,633)	(17,190)
Financing transaction		
Deferred capital contributions received (Note 5)	156,633	17,190
Net increase (decrease) in cash	567,096	(199,278)
Cash, beginning of year	325,816	525,094
Cash, end of year	892,912	325,816

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

South West Local Health Integration Network

Notes to the financial statements

March 31, 2013

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 public sector accounting standards. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

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

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

South West Local Health Integration Network

Notes to the financial statements

March 31, 2013

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 tangible 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 tangible capital asset recorded.

Tangible capital assets

Tangible capital assets are recorded at historic cost. Historic cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of tangible capital assets. The cost of tangible capital assets contributed is recorded at the estimated fair value on 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 tangible capital asset are capitalized. Computer software is recognized as an expense when incurred.

Tangible capital assets are stated at cost less accumulated amortization. Tangible 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 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.

South West Local Health Integration Network

Notes to the financial statements

March 31, 2013

2. Significant accounting policies (continued)

Adoption of new accounting standards

As at April 1, 2012, the LHIN adopted Public Sector Accounting Handbook *Section PS 1201, "Financial Statement Presentation"*, *Section PS 2601 "Foreign Currency Translation"*, *PS 3410 "Government Transfers"* and *Section PS 3450, "Financial Instruments"*. There was no impact of the adoption of these new standards on the financial statements.

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.

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

			2013	2012
	Funding	Eligible expenses	Funding excess	Funding excess
	\$	\$	\$	\$
Transfer payments to HSPs	2,190,349,994	2,190,349,994	-	-
LHIN operations	4,873,561	4,819,477	54,084	10,827
Aboriginal Planning	35,000	32,760	2,240	13,534
French Language Services	106,000	93,198	12,802	18,753
Behavioural Support	-	-	-	2,265
Enabling Technologies	578,560	512,356	66,204	45,337
E-Health SPIRE	773,833	738,968	34,865	17,454
Critical Care Lead	75,000	74,508	492	1,169
ED Lead	75,000	73,944	1,056	-
Primary Care Lead	75,000	74,889	111	2,659
ER/ALC Lead	100,000	98,245	1,755	-
Diabetes Regional Coord. Centres	206,632	169,265	37,367	-
	2,197,248,580	2,197,037,604	210,976	111,998

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

	2013	2012
	\$	\$
Due to MOHLTC, beginning of year	48,082	28,518
Funding repaid to MOHLTC	(48,082)	(28,518)
Funding receivable from the MOHLTC related to current year activities (Note 3a)	-	(1,125)
Funding repayable to the MOHLTC related to current year activities (Note 3a)	176,111	49,207
Due to MOHLTC, end of year	176,111	48,082

South West Local Health Integration Network

Notes to the financial statements

March 31, 2013

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

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

	2013	2012
	\$	\$
Due to eHealth Ontario, beginning of year	62,791	-
Paid to eHealth Ontario during year	(45,337)	-
Funding repayable to the eHealth Ontario related to current year activities (Note 3a)	34,865	62,791
Due to eHealth Ontario, end of year	52,319	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

	2013	2012
	\$	\$
Balance, beginning of year	267,754	409,415
Capital contributions received during the year (Note 8)	156,633	17,190
Amortization for the year	(162,000)	(158,851)
Balance, end of year	262,387	267,754

6. Commitments

The LHIN has commitments under various operating leases extending to 2018 related to building and equipment which have standard renewal terms. Minimum lease payments due in each of the next five years are as follows:

	\$
2014	292,735
2015	254,459
2016	93,101
2017	4,789
2018	4,014

South West Local Health Integration Network

Notes to the financial statements

March 31, 2013

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:

	\$
2014	2,131,943,582

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

7. Tangible capital assets

			2013	2012
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Computer equipment	172,575	120,528	52,047	44,135
Leasehold improvements	1,588,789	1,415,762	173,027	146,351
Office equipment, furniture and fixtures	218,003	180,690	37,313	77,268
Web development	21,998	21,998	-	-
	2,001,365	1,738,978	262,387	267,754

8. Budget figures

The budget was approved by the Government of Ontario. The budget figures reported in the statement of financial activities reflect the initial budget at April 1, 2012. 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 \$2,190,349,994 is derived as follows:

	\$
Initial budget	2,150,971,662
Adjustment due to announcements made during the year	39,378,332
Final HSP funding budget	2,190,349,994

The final LHIN budget, excluding HSP funding, of \$7,373,852 is derived as follows:

	\$
Initial budget	7,059,119
Adjusted eHealth SPIRE reduction	(294,900)
Additional funding received during the year	453,000
Amount treated as capital contributions during the year	156,633
Final LHIN operating budget	7,373,852

South West Local Health Integration Network

Notes to the financial statements

March 31, 2013

9. Transfer payments to HSPs

The LHIN has authorization to allocate funding of \$2,190,349,994 to various HSPs in its geographic area. The LHIN approved transfer payments to various sectors in 2013 as follows:

	2013	2012
	\$	\$
Operation of hospitals	1,566,756,371	1,569,651,483
Grants to compensate for municipal taxation - public hospitals	451,500	451,500
Long term care homes	299,613,261	293,210,720
Community care access centres	188,487,125	179,155,370
Community support services	39,092,788	37,367,473
Assisted living services in supportive housing	17,490,024	17,324,750
Community health centres	16,979,597	15,433,606
Community mental health addictions program	61,479,328	56,665,223
	2,190,349,994	2,169,260,125

The LHIN receives funding from the MOHLTC and in turn allocates it to the HSPs. As at March 31, 2013, an amount of \$8,505,822 (2012 - \$2,025,893) was receivable from MOHLTC, and was payable to 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 (2012 - \$35,000) related to aboriginal planning. The LHIN incurred operating expenses totaling \$32,760 (2012 - \$21,466). The LHIN has setup a payable to the MOHLTC for the remaining balance of \$2,240.

b) French Language Services

The MOHLTC provided the LHIN with \$106,000 (2012 - \$106,000) related to French Language Services funding. The LHIN incurred operating expenses totaling \$93,198 (2012 - \$87,247). The LHIN has setup a payable to the MOHLTC for the remaining balance of \$12,802.

c) Critical Care Lead

The MOHLTC provided the LHIN with \$75,000 (2012 - \$75,000) related to Critical Care initiatives. The LHIN incurred operating expenses totaling \$74,508 (2012 - \$73,831). The LHIN has setup a payable to the MOHLTC for the remaining balance of \$492.

d) ED Lead

The MOHLTC provided the LHIN with \$75,000 (2012 - \$62,132) related to Emergency Department initiatives. The LHIN incurred operating expenses totaling \$73,944 (2012 - \$62,132). The LHIN has setup a payable to the MOHLTC for the remaining balance of \$1,056.

e) ER/ALC Lead

The MOHLTC provided the LHIN with \$100,000 (2012 - \$88,008) related to emergency room management strategy funding. The LHIN incurred operating expenses totaling \$98,245 (2012 - \$88,008). The LHIN has setup a payable to the MOHLTC for the remaining balance of \$1,755.

South West Local Health Integration Network

Notes to the financial statements

March 31, 2013

10. Programs (continued)

f) Primary Care Lead

The MOHLTC provided the LHIN with \$75,000 (2012 - \$18,750) related to Primary Care initiatives. The LHIN incurred operating expenses totaling \$74,889 (2012 - \$16,091). The LHIN has setup a payable to the MOHLTC for the remaining balance of \$111.

g) Behavioural Support (BSO)

The MOHLTC provided the LHIN with \$nil (2012 - \$57,000) related to behavioural support planning. The LHIN incurred operating expenses totaling \$nil (2012 - \$54,735).

h) Enabling Technologies

The MOHLTC provided the LHIN with \$580,000 (2012 - \$600,000) related to Enabling Technologies initiatives. The LHIN incurred operating expenses of \$512,356 (2012 - \$559,811) and capital expenses of \$1,440 (2012 - \$10,603) have been recorded as capital assets and the related funding has been recorded as deferred capital contributions. The LHIN has setup a payable to the MOHLTC for the remaining balance of \$66,204.

i) Diabetes Regional Coordination Centres

The MOHLTC provided the LHIN with \$338,228 (2012 - \$0) related to Diabetes Regional Coordination Centres initiatives. The LHIN incurred operating expenses of \$169,265 (2012 - \$0) and capital expenses of \$131,596 (2012 - \$0) have been recorded as capital assets and the related funding has been recorded as deferred capital contributions. The LHIN has setup a payable to the MOHLTC for the remaining balance of \$37,367. Expenses incurred include the following:

	2013	2012
	\$	\$
Salaries	34,205	-
Operating expenses	4,792	-
One-time expenses	261,864	-
Total	300,861	-

j) eHealth Ontario – SPIRE & cSWO

The LHIN entered into a transfer payment agreement with eHealth Ontario providing \$775,272 (2012 - \$302,900) to the LHIN; \$730,500 related to Southwest Physicians Interface with Regional EMRs (SPIRE) and \$44,772 related to Connecting South West Ontario (cSWO). The LHIN incurred operating expenses of \$738,968 (2012 - \$269,695) and capital expenses of \$1,439 (2012 - \$0) 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 \$34,865 all related to SPIRE.

South West Local Health Integration Network

Notes to the financial statements

March 31, 2013

11. General and administrative expenses

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

	2013	2012
	\$	\$
Salaries and benefits	3,385,331	3,522,153
Occupancy	206,682	207,850
Amortization	162,000	158,851
Shared services	341,520	451,995
LHIN Collaborative	47,500	50,000
Public relations	90,192	105,639
Consulting and Project expenses	178,194	183,184
Supplies	25,901	45,676
Board chair per diem	52,805	42,423
Board member per diem	38,490	54,435
Board member expenses	47,101	89,251
Mail, courier and telecommunications	84,711	67,790
Other	321,050	315,610
	4,981,477	5,294,857

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 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 2013 was \$278,905 (2012 - \$292,146) 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, 2012. As 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 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.

14. Comparative figures

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

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Toronto Central LHIN

May 24, 2013

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).

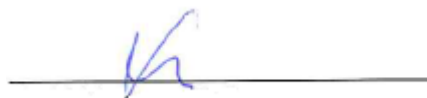
Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for the preparation of the financial 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, Finance, Corporate & Shared
Services/CFO



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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, 2013, and the statements of financial activities, change 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, 2013, 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 cursive script that reads "Deloitte LLP".

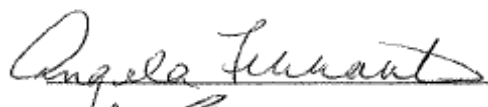
Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
June 5, 2013

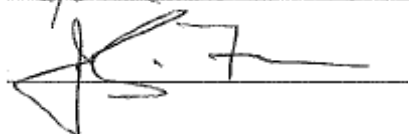
Toronto Central Local Health Integration Network

Statement of financial position as at March 31, 2013

	2013	2012
	\$	\$
Financial assets		
Cash	1,307,144	392,175
Due from Local Health Integration Networks ("LHINs")	42,230	301,836
Due from Ministry of Health and Long-Term Care ("MOHLTC") regarding HSP transfer payments	30,147,046	13,537,634
Harmonized Sales Tax receivable	442,966	574,623
	31,939,386	14,806,268
Liabilities		
Accounts payable and accrued liabilities	1,715,591	1,383,215
Due to HSPs	30,147,046	13,537,634
Due to MOHLTC (Note 4b)	145,816	1,297
Deferred capital contributions (Note 5)	1,801,524	1,640,726
	33,809,977	16,562,872
Net debt	1,870,591	1,756,604
Commitments (Note 24)		
Non-financial assets		
Prepaid expenses	69,067	115,878
Tangible capital assets (Note 6)	1,801,524	1,640,726
	1,870,591	1,756,604
Accumulated surplus	-	-

Approved by the Board

 Director

 Director

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

Toronto Central Local Health Integration Network

Statement of financial activities year ended March 31, 2013

	2013		2012
	Budget (Note 7)	Actual	Actual
	\$	\$	\$
Revenue			
Ministry of Health and Long-Term Care ("MOHLTC") funding	5,535,121	5,288,433	5,559,386
Ministry of Health and Long-Term Care ("MOHLTC") funding to LHINC	636,500	670,000	670,000
MOHLTC Funding to LHIN Shared Services Offices ("LSSO")	700,000	740,000	-
Health Service Provider ("HSP") transfer payments (Note 8)	4,425,789,274	4,639,988,705	4,506,874,309
Enabling Technologies (Note 9)	510,000	580,000	600,000
Emergency Department ("ED") Leads (Note 10)	75,000	75,000	75,000
Aboriginal Health Transition Planning (Note 11)	20,000	20,000	27,500
Emergency Room and Alternate Level of Care ("ER/ALC") (Note 12)	100,000	100,000	100,000
Critical Care ("CC") Leads (Note 13)	75,000	75,000	75,000
Resources Matching Referrals Leads (Note 14)	423,200	483,000	387,000
French Language Health Services ("FLHS") (Note 15)	106,000	106,000	106,000
French Planning Entities (Note 16)	568,713	421,475	568,713
Primary Care Lead (Note 17)	75,000	75,000	21,875
Behaviour Support Ontario	-	-	57,000
Diabetes Regional Coordination Centre (Note 18)	-	21,566	-
Amortization of deferred capital contributions (Note 5)	-	740,573	482,142
Amounts recovered/recoverable from the LHINs to LHINC	617,500	355,647	354,558
Amounts recovered/recoverable from the LHINs to LSSO	4,781,284	4,758,177	4,756,393
	4,440,012,592	4,654,498,576	4,520,714,876
Funding repayable to the MOHLTC related to operations (Note 4a)	-	(1,578)	(1,297)
	4,440,012,592	4,654,496,998	4,520,713,579
Expenses			
Transfer payments to HSPs (Note 8)	4,425,789,274	4,639,988,705	4,506,874,309
General and administrative (Note 19)	5,535,121	5,431,373	5,700,352
LHIN Shared Services Office (Note 20)	5,481,284	6,094,232	5,096,272
LHIN Collaborative (Note 21)	1,254,000	1,025,647	1,024,558
Enabling Technologies (Note 9)	510,000	580,000	600,000
Emergency Department ("ED") Leads (Note 10)	75,000	75,000	75,000
Aboriginal Health Transition Planning (Note 11)	20,000	20,000	27,500
Emergency Room and Alternate Level of Care (ER/ALC) (Note 12)	100,000	100,000	100,000
Critical Care ("CC") Leads (Note 13)	75,000	75,000	75,000
Resources Matching Referrals Leads (Note 14)	423,200	483,000	387,000
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French Planning Entities (Note 16)	568,713	421,475	568,713
Primary Care Lead (Note 17)	75,000	75,000	21,875
Behaviour Support Ontario	-	-	57,000
Diabetes Regional Coordination Centre (Note 18)	-	21,566	-
	4,440,012,592	4,654,496,998	4,520,713,579
Annual surplus and accumulated surplus, end of year	-	-	-

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

Toronto Central Local Health Integration Network

Statement of change in net debt year ended March 31, 2013

	2013	2012
	\$	\$
Annual surplus	-	-
Acquisition of tangible capital assets	(901,371)	(1,657,777)
Amortization of tangible capital assets	740,573	482,142
Acquisition of prepaid expenses	(69,067)	(115,878)
Use of prepaid expenses	115,878	92,496
Increase in net debt	(113,987)	(1,199,017)
Net debt, beginning of year	(1,756,604)	(557,587)
Net debt, end of year	(1,870,591)	(1,756,604)

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

Toronto Central Local Health Integration Network

Statement of cash flows year ended March 31, 2013

	2013	2012
	\$	\$
Operating transactions		
Annual surplus	-	-
Less: items not affecting cash		
Amortization of tangible capital assets	740,573	482,142
Amortization of deferred capital contributions (Note 5)	(740,573)	(482,142)
	-	-
Changes in non-cash operating items		
Decrease (increase) in due from LHINs	259,606	(111,446)
Decrease (increase) in Harmonized Sales Tax receivable	131,657	(252,542)
(Increase) decrease in due from MOHLTC regarding		
HSP transfer payments	(16,609,412)	46,113,780
Increase (decrease) in accounts payable and accrued liabilities	332,376	(809,133)
Increase (decrease) in due to HSPs	16,609,412	(46,113,780)
Increase (decrease) in due to MOHLTC	144,519	(29,540)
Decrease (increase) in prepaid expenses	46,811	(23,382)
	914,969	(1,226,043)
Capital transaction		
Acquisition of tangible capital assets	(901,371)	(1,657,777)
Financing transaction		
Increase in deferred capital contributions (Note 5)	901,371	1,657,777
Net change in cash	914,969	(1,226,043)
Cash, beginning of year	392,175	1,618,218
Cash, end of year	1,307,144	392,175

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

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2013

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, 2013.

The LHIN financial statements do not include any MOHLTC managed programs.

The LHIN is also funded for the Diabetes Regional Coordination Centre program in accordance with the Ministry-LHIN Performance Agreement. The operational mandate, functions and funding for delivery of the RCC Program are being transferred to the LHIN in the 2012/13 fiscal year.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian public sector accounting standards. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

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

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

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2013

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 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.

Tangible capital assets

Tangible capital assets are recorded at historic cost. Historic cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of tangible capital assets. The cost of tangible capital assets contributed is recorded at the estimated fair value on 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 tangible capital asset are capitalized. Computer software is recognized as an expense when incurred.

Tangible capital assets are stated at cost less accumulated amortization. Tangible 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, 2013

2. Significant accounting policies (continued)

Adoption of new accounting standards

As at April 1, 2012, the LHIN adopted Public Sector Accounting Handbook *Section PS 1201, "Financial Statement Presentation"*, *Section PS 2601 "Foreign Currency Translation"*, *PS 3410 "Government Transfers"* and *Section PS 3450, "Financial Instruments"*. There was no impact of the adoption of these new standards on the financial statements.

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:

			2013	2012
	Funding received	Eligible expenses	Excess funding	Excess funding
	\$	\$	\$	\$
Transfer payments to HSPs	4,639,988,705	4,639,988,705	-	-
LHIN operations	5,432,951	5,431,373	1,578	1,297
LHINC	670,000	670,000	-	-
LSSO	740,000	740,000	-	-
E-Health	580,000	580,000	-	-
ED Leads	75,000	75,000	-	-
Aboriginal Health Transition				
Planning	20,000	20,000	-	-
ER/ALC	100,000	100,000	-	-
Critical Care Leads	75,000	75,000	-	-
ALC Resources Matching	483,000	483,000	-	-
Primary Care lead	75,000	75,000	-	-
FLHS	106,000	106,000	-	-
French Planning Entities	421,475	421,475	-	-
Diabetes RCC	21,566	21,566	-	-
	4,648,788,697	4,648,787,119	1,578	1,297

During the year, the LHIN was provided net funding of \$421,475 (Note 16) (2012 - \$568,713) from the MOHLTC for the French Planning Entities and an amount of \$421,475 was flowed directly to "Entité de planification pour les services de santé en français de Toronto Centre".

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2013

4. Funding repayable to the MOHLTC (continued)

- b. The amount due to the MOHLTC related to current activities and French Planning Entities at March 31 is made up as follows:

	2013	2012
	\$	\$
Due to MOHLTC, beginning of year	(1,297)	(30,837)
MOHLTC payment	1,297	30,837
Funding repayable to the MOHLTC related to current year activities (Note 4a)	(1,578)	(1,297)
Other funding repayable to the MOHLTC	(147,238)	-
Other funding receivable from the MOHLTC	3,000	-
Due to MOHLTC, end of year	(145,816)	(1,297)

5. Deferred capital contributions

	2013	2012
	\$	\$
Balance, beginning of year	1,640,726	465,091
Capital contributions received during the year	901,371	1,657,777
Amortization for the year	(740,573)	(482,142)
Balance, end of year	1,801,524	1,640,726

6. Tangible capital assets

	2013		2012	
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office furniture and fixtures	492,931	269,127	223,804	87,210
Computer equipment	3,638,296	2,803,496	834,800	1,549,993
Leasehold improvements	2,002,454	1,259,534	742,920	3,523
	6,133,681	4,332,157	1,801,524	1,640,726

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2013

7. Budget figures

The budget was approved by the Government of Ontario. The budget figures reported in the Statement of Financial Activities reflect the initial budget at April 1, 2012. 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 \$4,639,988,705 is made up of the following:

	\$
Initial HSP Funding budget	4,425,789,274
Adjustment due to announcements made during the year	214,199,431
Total HSP Funding	4,639,988,705

The total operating budget, excluding HSP Funding is \$7,488,034.

8. Transfer payments to HSPs

The LHIN has authorization to allocate funding of \$4,639,988,705 (2012 - \$4,506,874,309) to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors in fiscal 2013 as follows:

	2013	2012
	\$	\$
Operation of hospitals	3,571,050,075	3,470,663,680
Long-term care homes	254,883,071	251,359,885
Community care access centre	215,484,412	210,048,791
Community support services	77,900,940	74,769,503
Assisted living services in supportive housing	45,521,932	44,829,549
Community health centres	85,845,744	81,843,270
Community mental health addictions program	107,741,801	104,420,160
Addictions program	29,268,187	26,545,666
Specialty psychiatric hospital	252,292,543	242,393,805
	4,639,988,705	4,506,874,309

9. Enabling Technologies

The LHIN received funding of \$580,000 (2012 - \$600,000) related to the Enabling Technologies project. Enabling Technologies expenses incurred during the year are as follows:

	2013	2012
	\$	\$
Salaries and benefits	512,727	445,889
Professional services	1,628	-
Other	65,645	154,111
	580,000	600,000

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2013

10. Emergency Department ("ED") leads

The LHIN received funding of \$75,000 (2012 - \$75,000) related to the ED Leads project. ED Leads expenses incurred during the year are as follows:

	2013	2012
	\$	\$
Salaries and benefits	3,000	3,000
Medical professional services	72,000	72,000
	75,000	75,000

11. Aboriginal Health Transition Planning

The LHIN received funding of \$20,000 (2012 - \$27,500) related to the Aboriginal Health Transition Planning Project. Aboriginal Health Transition Planning expenses incurred during the year are as follows:

	2013	2012
	\$	\$
Salaries and benefits	19,191	18,459
Other	809	9,041
	20,000	27,500

12. Emergency Room and Alternate Level of Care (ER/ALC)

During the year, the LHIN was provided funding of \$100,000 (2012 - \$100,000) from the MOHLTC for the ER/ALC program. ER/ALC expenses incurred during the year are as follows:

	2013	2012
	\$	\$
Salaries and benefits	95,387	100,000
Other	4,613	-
	100,000	100,000

13. Critical Care (CC) leads

During the year, the LHIN received funding of \$ 75,000 (2012 - \$75,000) related to the Critical Care Leads project. CC Leads expenses incurred during the year are as follows:

	2013	2012
	\$	\$
Salaries and benefits	-	1,269
Medical professional services	75,000	72,000
Other	-	1,731
	75,000	75,000

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2013

14. Resources Matching Referrals Leads (RMR)

During the year, the LHIN was provided funding of \$483,000 (2012 - \$387,000) from the MOHLTC for the RMR project. RMR expenses incurred during the year are as follows:

	2013	2012
	\$	\$
Salaries and benefits	430,921	330,717
Other	52,079	56,283
	483,000	387,000

15. French Language Health Services (FLHS)

During the year, the LHIN was provided funding of \$106,000 (2012 - \$106,000) from the MOHLTC for the French Language Health Services program. FLHS expenses incurred during the year are as follows:

	2013	2012
	\$	\$
Salaries and benefits	87,952	85,105
Translation services	16,181	17,461
Other	1,867	3,434
	106,000	106,000

16. French Planning Entities

During the year, the LHIN was provided with net funding of \$421,475 (2012 - \$568,713) from the MOHLTC for the French Planning Entities and \$421,475 was flowed directly to "Entité de planification pour les services de santé en français de Toronto Centre".

	2013	2012
	\$	\$
Total Funding received	568,713	568,713
Total Funding transferred	(421,475)	(568,713)
Prior years funding repayable to the MOHLTC	(147,238)	-
	-	-

17. Primary Care Lead

During the year, the LHIN received new funding of \$75,000 (2012 - \$21,875) from the MOHLTC for the Primary Care Lead program. The expenses incurred during the year are as follows:

	2013	2012
	\$	\$
Salaries and benefits	3,611	6,670
Computer charges	-	4,788
Professional services	407	-
Medical professional services	53,958	6,250
Other	17,024	4,167
	75,000	21,875

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2013

18. Diabetes Regional Coordination Centre

During the year, the LHIN received new funding of \$284,217 from the MOHLTC for the Diabetes Regional Coordination Centre of which \$262,651 was used to acquire tangible capital assets and therefore has been recorded as deferred capital contributions (Note 5). The remainder represents operating expenses \$21,566 and were incurred during the year as follows:

	2013
	\$
Salaries and benefits	10,083
Other	11,483
Total Operating expenses	21,566

19. General and administrative expenses

The Statement of Financial Activities presents the expenses by function; the following classifies general and administrative expenses by object:

	2013	2012
	\$	\$
Salaries and benefits	4,173,053	3,969,929
Occupancy	302,545	236,159
Amortization	144,518	142,264
Shared services	406,652	539,499
LHINC	87,861	26,971
Consulting services	19,409	56,726
Translation services	43,445	15,257
Professional services	15,675	12,819
Supplies	10,889	78,409
Computer expenses	13,878	330,366
Governance	34,762	48,356
Mail, courier and telecommunications	38,708	42,911
Other	139,978	200,686
	5,431,373	5,700,352

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.

	2013	2012
	Budget	Actual
	\$	\$
Board Chair per diem cost	34,364	11,550
Directors per diem cost	84,681	23,000
Board travel and expenses	15,955	212
	135,000	34,762

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2013

20. LHIN Shared Services Office

The following presents the financial position and financial activities, by object, of the LHIN Shared Services Office (LSSO) for the year:

LHIN Shared Services Office Statement of financial position as at March 31, 2013

	2013	2012
	\$	\$
Financial assets		
Cash	502,439	(178,472)
Due from LHINs	38,230	301,836
Due from TC LHIN*	56,897	55,967
Due to LHINC*	-	4,270
Harmonized Sales Tax receivable	295,284	364,894
	892,850	548,495
Liabilities		
Accounts payable and accrued liabilities	952,305	624,214
Deferred capital contributions	890,323	1,356,201
	1,842,628	1,980,415
Net debt	(949,778)	(1,431,920)
Non-financial assets		
Prepaid expenses	59,455	75,719
Tangible capital assets	890,323	1,356,201
	949,778	1,431,920
Accumulated surplus	-	-

* Amounts due to TC LHIN and LHINC are eliminated upon combination.

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2013

20. LHIN Shared Services Office (continued)

LHIN Shared Services Office
Statement of financial activities
year ended March 31, 2013

		2013	2012
	Budget	Actual	Actual
	\$	\$	\$
Revenue			
Amounts recovered/recoverable from the LHINs	4,781,276	5,239,912	5,408,885
MOHLTC funding	700,000	740,000	-
Amortization of deferred capital contributions	-	596,055	339,879
	5,481,276	6,575,967	5,748,764
Expenses**			
Salaries		1,538,204	1,727,135
Benefits		145,021	210,956
Supplies		23,651	23,690
Telecommunications		11,535	17,717
Recruitment and staff development		3,773	16,853
Computer expense		677,680	944,843
Consulting fees		4,025	173,494
Professional services		23,500	21,050
Meeting expenses		3,925	7,479
Amortization		596,055	339,879
Occupancy		161,306	160,499
Other		14,722	38,582
Outsourcing services		3,372,570	2,066,587
Total common LHIN services expenses	5,481,276	6,575,967	5,748,764
Less: inter-entity transactions eliminated on combination***		(481,735)	(652,492)
	-	6,094,232	5,096,272

** Included in total expenses above are \$816,777 related to legal expenses, of which \$570,366 are MOHLTC salaries and benefits expenses.

*** Included in total expenses above are \$481,735 (2012 - \$652,492) related to inter-entity transactions and are eliminated upon combination.

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2013

21. LHIN Collaborative

The following presents the financial position and financial activities, by object, of the LHIN Collaborative (LHINC) for the year:

LHIN Collaborative Statement of financial position as at March 31, 2013

	2013	2012
	\$	\$
Financial assets		
Cash	(20,975)	151,157
Due from TC LHIN*	109,655	-
Harmonized Sales Tax receivable	44,234	1,006
	132,914	152,163
Liabilities		
Accounts payable and accrued liabilities	133,910	95,136
Due to TC LHIN*	-	65,668
Deferred capital contributions	261,853	-
	395,763	160,804
Net debt	(262,849)	(8,641)
Non-financial assets		
Prepaid expenses	996	8,641
Tangible capital assets	261,853	-
	262,849	8,641
Accumulated surplus	-	-

* Amounts due from the LSSO and due to TC LHIN are eliminated upon combination.

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2013

21. LHIN Collaborative (continued)

LHIN Collaborative Statement of financial activities year ended March 31, 2013

	2013		2012
	Total		Total
	Budget	Actual	Actual
	\$	\$	\$
Revenue			
Amounts recovered/recoverable from the LHINs	617,500	443,508	377,588
MOHLTC funding	636,500	670,000	670,000
	1,254,000	1,113,508	1,047,588
Expenses**			
Salaries		722,427	637,932
Benefits		149,184	147,345
Supplies		8,867	9,069
Telecommunications		2,125	21,136
Recruitment and staff development		3,794	3,521
Computer expense		6,442	10,058
Consulting fees		72,436	30,370
Meeting expenses		2,452	425
Occupancy		95,434	94,094
Other		2,847	13,639
Shared services		47,500	80,000
	1,254,000	1,113,508	1,047,588
Less: inter-entity transactions eliminated on combination		(87,861)	(23,030)
	-	1,025,647	1,024,558

** Included in total expenses above are \$87,861 (2012 - \$23,030) in inter-entity transactions that are eliminated upon combination.

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 2013 was \$463,986 (2012 - \$438,200) 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, 2012. At that time, the plan was fully funded.

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2013

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:

	\$
2014	714,074
2015	864,080
2016	439,143
2017	-
2018	-

The LHIN also has funding commitments to some HSPs associated with accountability agreements for fiscal 2014 and 2015. The actual amounts which will ultimately be paid are contingent upon actual LHIN funding received from the MOHLTC.

Toronto Central Local Health Integration Network

Combined statement of financial position and financial activities by division - Schedule 1
as at March 31, 2013

	2013	2012	2013	2012	2013	2012	2013	2012
	Toronto Central		Shared Services Office		Collaborative		Total	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Financial assets								
Cash	825,680	419,490	502,439	(178,472)	(20,975)	151,157	1,307,144	392,175
Due from LSSO/LHINC/TC LHIN*	-	61,398	56,897	60,237	109,655	-	166,552	121,635
Due from Local Health Integration Networks ("LHINs")	4,000	-	38,230	301,836	-	-	42,230	301,836
Due from MOHLTC regarding HSP transfer payments	30,147,046	13,537,634	-	-	-	-	30,147,046	13,537,634
Harmonized Sales Tax receivable	103,448	208,723	295,284	364,894	44,234	1,006	442,966	574,623
	31,080,174	14,227,245	892,850	548,495	132,914	152,163	32,105,938	14,927,903
Liabilities								
Accounts payable and accrued liabilities	629,376	663,865	952,305	624,214	133,910	95,136	1,715,591	1,383,215
Due to LSSO/LHINC/TC LHIN*	166,552	55,967	-	-	-	65,668	166,552	121,635
Due to HSPs	30,147,046	13,537,634	-	-	-	-	30,147,046	13,537,634
Deferred capital contributions	649,348	284,525	890,323	1,356,201	261,853	-	1,801,524	1,640,726
Due to Ministry of Health and Long-Term Care ("MOHLTC")	145,816	1,297	-	-	-	-	145,816	1,297
	31,738,138	14,543,288	1,842,628	1,980,415	395,763	160,804	33,976,529	16,684,507
Net debt	(657,964)	(316,043)	(949,778)	(1,431,920)	(262,849)	(8,641)	(1,870,591)	(1,756,604)
Non-financial assets								
Prepaid expenses	8,616	31,518	59,455	75,719	996	8,641	69,067	115,878
Tangible capital assets	649,348	284,525	890,323	1,356,201	261,853	-	1,801,524	1,640,726
	657,964	316,043	949,778	1,431,920	262,849	8,641	1,870,591	1,756,604
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.

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

Toronto Central Local Health Integration Network

Combined statement of financial position and financial activities by division - Schedule I (continued)
year ended March 31, 2013

	2013			2012			2013			2012			2013			2012		
	Toronto Central Operations			Shared Services Office			Collaborative			Total			Total			Total		
	Budget	Actual	Actual	Budget	Actual	Actual	Budget	Actual	Actual	Total	Total	Total	Total	Total	Total	Total	Total	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue																		
Amounts recovered/recoverable from the LHINs	-	-	-	4,781,284	5,239,912	5,408,885	636,500	443,508	377,588	5,683,420	5,786,473							
MOHLTC funding	5,535,121	5,288,433	5,559,386	700,000	740,000	-	617,500	670,000	670,000	6,698,433	6,229,386							
HSP transfer payments (Note 8)	4,425,789,274	4,639,988,705	4,506,874,309	-	-	-	-	-	-	4,639,988,705	4,506,874,309							
Enabling Technologies funding (Note 9)	510,000	580,000	600,000	-	-	-	-	-	-	580,000	600,000							
Emergency Department ("ED") Leads (Note 10)	75,000	75,000	75,000	-	-	-	-	-	-	75,000	75,000							
Aboriginal Health Transition Planning (Note 11)	20,000	20,000	27,500	-	-	-	-	-	-	20,000	27,500							
Emergency Room and Alternate Level of Care (ER/ALC) (Note 12)	100,000	100,000	100,000	-	-	-	-	-	-	100,000	100,000							
Critical Care ("CC") Lead (Note 13)	75,000	75,000	75,000	-	-	-	-	-	-	75,000	75,000							
Resources Matching Referrals (Note 14)	423,200	483,000	387,000	-	-	-	-	-	-	483,000	387,000							
French Language Health Services (Note 15)	106,000	106,000	106,000	-	-	-	-	-	-	106,000	106,000							
French Planning Entities (Note 16)	568,713	421,475	568,713	-	-	-	-	-	-	421,475	568,713							
Primary Care Lead (Note 17)	75,000	75,000	21,875	-	-	-	-	-	-	75,000	21,875							
Behaviour Support Ontario	-	-	57,000	-	-	-	-	-	-	-	57,000							
Diabetes Regional Coordination Centre (Note 18)	-	21,566	-	-	-	-	-	-	-	21,566	-							
Amortization of deferred capital contributions (Note 5)	-	144,518	142,263	-	596,055	339,879	-	-	-	740,573	482,142							
	4,433,277,308	4,647,378,697	4,514,594,046	5,481,284	6,575,967	5,748,764	1,254,000	1,113,508	1,047,588	4,655,068,172	4,521,390,398							
Funding surplus repayable to the MOHLTC related to operations (Note 4(a))	-	(1,578)	(1,297)	-	-	-	-	-	-	(1,578)	(1,297)							
	4,433,277,308	4,647,377,119	4,514,592,749	5,481,284	6,575,967	5,748,764	1,254,000	1,113,508	1,047,588	4,655,066,594	4,521,389,101							
Expenses																		
General and administrative (Note 19)	5,535,121	5,431,373	5,700,352	-	-	-	-	-	-	5,431,373	5,700,352							
Common LHIN Services* (Note 20)	-	-	-	5,481,284	6,575,967	5,748,764	-	-	-	6,575,967	5,748,764							
LHIN Collaborative** (Note 21)	-	-	-	-	-	-	1,254,000	1,113,508	1,047,588	1,113,508	1,047,588							
Transfer payments to HSPs (Note 8)	4,425,789,274	4,639,988,705	4,506,874,309	-	-	-	-	-	-	4,639,988,705	4,506,874,309							
Enabling Technologies (Note 9)	510,000	580,000	600,000	-	-	-	-	-	-	580,000	600,000							
Emergency Department ("ED") Leads (Note 10)	75,000	75,000	75,000	-	-	-	-	-	-	75,000	75,000							
Aboriginal Health Transition Planning (Note 11)	20,000	20,000	27,500	-	-	-	-	-	-	20,000	27,500							
Emergency Room and Alternate Level of Care (ER/ALC) (Note 12)	100,000	100,000	100,000	-	-	-	-	-	-	100,000	100,000							
Critical Care ("CC") Lead (Note 13)	75,000	75,000	75,000	-	-	-	-	-	-	75,000	75,000							
Resources Matching Referrals (Note 14)	423,200	483,000	387,000	-	-	-	-	-	-	483,000	387,000							
French Language Health Services (Note 15)	106,000	106,000	106,000	-	-	-	-	-	-	106,000	106,000							
French Planning Entities (Note 16)	568,713	421,475	568,713	-	-	-	-	-	-	421,475	568,713							
Primary Care Lead (Note 17)	75,000	75,000	21,875	-	-	-	-	-	-	75,000	21,875							
Behaviour Support Ontario	-	-	57,000	-	-	-	-	-	-	-	57,000							
Diabetes Regional Coordination Centre (Note 18)	-	21,566	-	-	-	-	-	-	-	21,566	-							
	4,433,277,308	4,647,377,119	4,514,592,749	5,481,284	6,575,967	5,748,764	1,254,000	1,113,508	1,047,588	4,655,066,594	4,521,389,101							
Annual surplus and accumulated surplus, end of year	-	-	-	-	-	-	-	-	-	-	-							

* These amounts will be adjusted by \$481,735 for Toronto Central LHIN transactions. These numbers reflect LSSO operations on behalf of all 14 LHINs (Note 20).

** These amounts will be adjusted by \$87,861 for Toronto Central LHIN transactions. These numbers reflect LHINC operations on behalf of all 14 LHINs (Note 21).

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

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Waterloo Wellington **LHIN** **RLISS** de Waterloo Wellington

Management's Responsibility for the Financial Statements

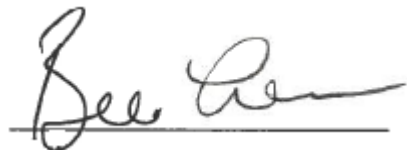
March 31, 2013

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).

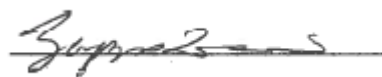
Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for the preparation of the financial 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, LLP, independent external auditors appointed by the Board of Directors.



Bruce Lauckner
Chief Executive Officer



Zeynep Danis
Director, Finance and Corporate
Support



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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, 2013, and the statements of financial activities, change 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, 2013 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 LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
June 5, 2013

Waterloo Wellington Local Health Integration Network

Statement of financial position
as at March 31, 2013

	2013	2012
	\$	\$
Financial assets		
Cash	962,598	561,984
Other receivables	56,131	248,340
	1,018,729	810,324
Liabilities		
Accounts payable and accrued liabilities	673,075	734,616
Due to Ministry of Health and Long-Term Care (Note 3b)	369,847	101,479
Due to eHealth Ontario (Note 3c)	-	1,660
Due to the Local Health Integration Networks Shared Services Office (Note 4)	35,450	-
Deferred capital contributions (Note 5)	281,354	288,192
	1,359,726	1,125,947
Net debt	(340,997)	(315,623)
Commitments (Note 6)		
Non-financial assets		
Prepaid expenses	59,643	27,431
Tangible capital assets (Note 7)	281,354	288,192
	340,997	315,623
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, 2013

		2013	2012
	Budget (Note 8)	Actual	Actual
	\$	\$	\$
Revenue			
Ministry of Health and Long-Term Care funding			
Health Service Providers transfer payments (Note 9)	965,101,464	996,284,176	979,769,095
Local Health Integration Network			
operations - general and administrative	4,198,719	4,377,108	4,344,784
eHealth (Note 10a)	510,000	580,000	600,000
Emergency Department Lead (Note 10b)	75,000	75,000	75,000
Emergency Department/Alternative Levels of Care Lead (Note 10c)	100,000	100,000	100,000
Aboriginal Planning (Note 10d)	5,000	5,000	5,000
French Language Services (Note 10e)	106,000	106,000	106,000
Critical Care Lead (Note 10f)	75,000	75,000	75,000
Primary Care Lead (Note 10g)	75,000	75,000	21,875
Behavioural Supports Ontario (Note 10h)	-	-	57,000
Amortization of deferred capital contributions (Note 5)	-	88,663	77,495
	970,246,183	1,001,765,947	985,231,249
Funding repayable to Ministry of Health and Long-Term Care (Note 3b)	-	(369,847)	(101,479)
Funding repayable to eHealth Ontario (Note 3c)	-	-	(1,660)
	970,246,183	1,001,396,100	985,128,110
Expenses			
Transfer payments to Health Service Providers (Note 9)	965,101,464	996,284,176	979,769,095
Local Health Integration Network operations -			
general and administrative (Note 11)	4,198,719	4,396,348	4,344,398
eHealth (Note 10a)	510,000	282,399	598,340
Emergency Department Lead (Note 10b)	75,000	75,000	73,710
Emergency Department/Alternative Levels Levels of Care Lead (Note 10c)	100,000	100,000	100,000
Aboriginal Planning (Note 10d)	5,000	5,000	5,000
French Language Services (Note 10e)	106,000	106,000	106,000
Critical Care Lead (Note 10f)	75,000	72,435	56,153
Primary Care Lead (Note 10g)	75,000	74,742	18,414
Behavioural Supports Ontario (Note 10h)	-	-	57,000
	970,246,183	1,001,396,100	985,128,110
Annual surplus and accumulated surplus, end of year	-	-	-

The accompanying notes to the financial statements are an integral part of this financial statement.

Waterloo Wellington Local Health Integration Network

Statement of change in net debt
year ended March 31, 2013

	Budget (Note 8)	2013	2012
	\$	\$	\$
Annual surplus	-	-	-
Change in prepaid expenses, net	-	(32,212)	(491)
Acquisition of tangible capital assets	-	(81,825)	(74,935)
Amortization of tangible capital assets	-	88,663	77,495
(Increase) decrease in net debt	-	(25,374)	2,069
Net debt, beginning of year	-	(315,623)	(317,692)
Net debt, end of year	-	(340,997)	(315,623)

The accompanying notes to the financial statements are an integral part of this financial statement.

Waterloo Wellington Local Health Integration Network

Statement of cash flows
year ended March 31, 2013

	2013	2012
	\$	\$
Operating activities		
Annual surplus	-	-
Less: items not affecting cash		
Amortization of tangible capital assets	88,663	77,495
Amortization of deferred capital contributions (Note 5)	(88,663)	(77,495)
	-	-
Changes in non-cash operating items		
Decrease (increase) in other receivables	192,209	(198,608)
(Decrease) in accounts payable and accrued liabilities	(61,541)	(342,093)
Increase in due to Ministry of Health and Long-Term Care	268,368	68,393
(Decrease) increase in due to eHealth Ontario	(1,660)	1,660
Increase (decrease) in due to Local Health Integration Networks Shared Services Office	35,450	(8,934)
(Increase) in prepaid expenses	(32,212)	(491)
	400,614	(480,073)
Acquisition of tangible capital assets	(81,825)	(74,935)
Financing activity		
Capital contributions received (Note 5)	81,825	74,935
Net increase (decrease) in cash	400,614	(480,073)
Cash, beginning of year	561,984	1,042,057
Cash, end of year	962,598	561,984

The accompanying notes to the financial statements are an integral part of this financial statement.

Waterloo Wellington Local Health Integration Network

Notes to the financial statements

March 31, 2013

1. 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, 2013.

The LHIN statements do not include any Ministry managed programs.

Waterloo Wellington Local Health Integration Network

Notes to the financial statements

March 31, 2013

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian Public Sector accounting standards. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

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

Tangible capital assets

Tangible 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 tangible capital assets contributed is recorded at the estimated fair value on 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 tangible capital asset are capitalized. Computer software is recognized as an expense when incurred.

Tangible capital assets are stated at cost less accumulated amortization. Tangible 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, 2013

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 disclose information of all appropriate segments and, therefore, no additional disclosure is required.

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.

Adoption of new accounting standards

As at April 1, 2012, the LHIN adopted Public Sector Accounting Handbook *Section PS 1201, "Financial Statement Presentation"*, *Section PS 2601 "Foreign Currency Translation"*, *PS 3410 "Government Transfers"* and *Section PS 3450, "Financial Instruments"*. There was no impact of the adoption of these new standards on the financial statements.

3. Funding repayable to the MOHLTC

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.

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

			2013	2012
	Funding received	Eligible expenses	Excess funding	Excess funding
	\$	\$	\$	\$
Transfer payments to HSPs	996,284,176	996,284,176	-	-
LHIN operations	4,465,771	4,396,348	69,423	77,881
eHealth	580,000	282,399	297,601	1,660
Critical Care Lead	75,000	72,435	2,565	18,847
Emergency Department Lead	75,000	75,000	-	1,290
Emergency Department/Alternative Levels of Care Lead	100,000	100,000	-	-
Aboriginal Planning	5,000	5,000	-	-
French Language Services	106,000	106,000	-	-
Primary Care Lead	75,000	74,742	258	3,461
	1,001,765,947	1,001,396,100	369,847	103,139

Waterloo Wellington Local Health Integration Network

Notes to the financial statements

March 31, 2013

3. Funding repayable to the MOHLTC (continued)

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

	2013	2012
	\$	\$
Due to MOHLTC, beginning of year	101,479	33,086
Paid to MOHLTC during year	(101,479)	(33,086)
Funding repayable to the MOHLTC related to current year activities (Note 3a)	369,847	101,479
Due to MOHLTC, end of year	369,847	101,479

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

	2013	2012
	\$	\$
Due to eHealth Ontario, beginning of year	1,660	-
Paid to eHealth Ontario during year	(1,660)	-
Funding repayable to the eHealth Ontario related to current year activities (Note 3a)	-	1,660
Due to eHealth Ontario, end of year	-	1,660

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, 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, 2013

5. Deferred capital contributions

	2013	2012
	\$	\$
Balance, beginning of year	288,192	290,752
Capital contributions received during the year	81,825	74,935
Amortization for the year	(88,663)	(77,495)
	281,354	288,192

6. 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:

	\$
2014	348,558
2015	352,762
2016	370,137
2017	346,740
2018	350,445
Thereafter	1,074,504

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.

7. Tangible capital assets

			2013	2012
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office equipment, furniture and fixtures	338,622	255,932	82,690	132,519
Computer equipment	59,073	52,195	6,878	10,008
Web development	23,043	23,043	-	-
Leasehold improvements	835,692	643,906	191,786	145,665
	1,256,430	975,076	281,354	288,192

Waterloo Wellington Local Health Integration Network

Notes to the financial statements

March 31, 2013

8. Budget figures

The budget figures reported in the statement of financial activities reflect the initial budget at April 1, 2012 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 \$997,730,933 is derived as follows:

	\$
Initial budget	965,101,464
Additional funding received during the year	32,629,469
Final budget	997,730,933

The final LHIN general and administrative and specific initiatives budget of \$5,393,108 is derived as follows:

	\$
Initial budget	5,144,719
Additional funding received during the year	330,214
Amount treated as capital contributions made during the year	(81,825)
Final budget	5,393,108

No budget was set for items appearing on the statement of changes in net debt.

9. Transfer payments to HSPs

During the year the LHIN was authorized to allocate funding of \$997,730,933 to the various HSPs in its geographic area. Year-end adjustments initiated by the MOHLTC resulted in a reduction of transfer payments totalling \$1,446,757 resulting in total transfer payments recorded of \$996,284,176. Actual transfer payments to the various sectors in fiscal 2013 as follows:

	2013	2012
	\$	\$
Operations of hospitals	593,412,581	594,171,803
Grants to compensate for municipal taxation - public hospitals	159,225	159,225
Long term care homes	167,134,986	164,685,974
Community care access centre	116,841,644	109,085,432
Community support services	20,925,843	17,937,579
Assisted living services in supportive housing	5,871,978	5,882,562
Community health centres	17,275,279	16,998,621
Community mental health programs	33,617,670	31,014,019
Specialty psychiatric hospitals	30,642,050	30,633,800
Addictions programs	10,402,920	9,200,080
	996,284,176	979,769,095

Waterloo Wellington Local Health Integration Network

Notes to the financial statements

March 31, 2013

10. Separate funding amounts were received by the LHIN from the MOHLTC for specific initiatives

a) *eHealth*

The LHIN received funding of \$580,000 (2012 - \$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:

	2013	2012
	\$	\$
Salaries, benefits and consulting services	251,433	506,220
Other	30,966	92,120
	282,399	598,340

b) *Emergency Department Lead*

The LHIN received funding of \$75,000 (2012 - \$75,000) related to the Emergency Department Lead. Emergency Department Lead expenses incurred during the year are as follows:

	2013	2012
	\$	\$
Salaries, benefits and consulting services	72,000	72,000
Other	3,000	1,710
	75,000	73,710

c) *Emergency Department/Alternative Levels of Care Lead*

The LHIN received funding of \$100,000 (2012 - \$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:

	2013	2012
	\$	\$
Salaries, benefits and consulting services	100,000	100,000

d) *Aboriginal Planning*

The LHIN received funding of \$5,000 (2012 - \$5,000) related to Aboriginal Planning. Aboriginal Planning expenses incurred during the year are as follows:

	2013	2012
	\$	\$
Community engagement	5,000	5,000

Waterloo Wellington Local Health Integration Network

Notes to the financial statements

March 31, 2013

10. Separate funding amounts were received by the LHIN from the MOHLTC for specific initiatives (continued)

e) French Language Services

The LHIN received funding of \$106,000 (2012 - \$106,000) related to French Language Services. French Language Services expenses incurred during the year are as follows:

	2013	2012
	\$	\$
Salaries, benefits and consulting services	81,412	76,304
Other	24,588	29,696
	106,000	106,000

f) Critical Care Lead

The LHIN received funding of \$75,000 (2012 - \$75,000) related to Critical Care Lead. Critical Care Lead expenses incurred during the year are as follows:

	2013	2012
	\$	\$
Salaries, benefits and consulting services	72,000	54,000
Other	435	2,153
	72,435	56,153

g) Primary Care Lead

The LHIN received funding of \$75,000 (2012 - \$21,875) related to the Primary Care Lead. Primary Care Lead expenses incurred during the year are as follows:

	2013	2012
	\$	\$
Salaries, benefits and consulting services	72,000	18,000
Other	2,742	414
	74,742	18,414

h) Behavioural Supports Ontario

The LHIN received funding of \$nil (2012 - \$57,000) related to the Behavioural Supports Ontario. Behavioural Supports Ontario expenses incurred during the year are as follows:

	2013	2012
	\$	\$
Salaries, benefits and consulting services	-	57,000
	-	57,000

Waterloo Wellington Local Health Integration Network

Notes to the financial statements

March 31, 2013

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:

	2013	2012
	\$	\$
Salaries and benefits	2,986,664	2,761,302
Occupancy	292,973	295,412
Amortization	88,663	77,494
Shared Services	359,858	465,989
LHIN Collaborative	47,500	26,971
Public relations	89,293	53,964
Consulting services	89,377	232,828
Supplies	35,018	85,433
Board Chair per diems	73,475	68,450
All other board members' per diems	39,175	47,700
Other governance costs	57,913	34,700
Mail, courier and telecommunications	45,274	64,657
Other	191,165	129,498
	4,396,348	4,344,398

Diabetes Regional Coordination Centres

The LHIN received funding of \$260,214 (2012 - \$nil), which is included in the operating expenses of the LHIN, related to the assumption of work plan deliverables for diabetes and chronic disease management planning effective February 1, 2013. Expenses incurred of \$197,234 are included in general and administrative expenses in the statement of financial activities and are made up as follows:

	2013	2012
	\$	\$
Salaries, benefits and consulting services	87,579	-
Other	109,655	-
	197,234	-

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 27 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 2013 was \$265,207 (2012 - \$267,312) 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, 2012. At that time, the plan was fully funded.

Waterloo Wellington Local Health Integration Network

Notes to the financial statements

March 31, 2013

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*.



June 27, 2013

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 public sector accounting standards. 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 of the Board.

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 LLP, Metrolinx's appointed external auditor. The external auditor's responsibility is to express an opinion based on their audits. The audits are conducted in accordance with Canadian generally accepted auditing standards. The Auditor's Report outlines the scope of the Auditor's examination and opinion.

For the fiscal year ended March 31, 2013, 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 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 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 statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, the statements of operations, changes in net assets, and cash flows for the years ended March 31, 2013 and March 31, 2012 and the statement of remeasurement gains and losses for the year ended March 31, 2013, 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 audits 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 Metrolinx as at March 31, 2013, March 31, 2012 and April 1, 2011, the results of its operations, changes in its net assets and its cash flows for the years ended March 31, 2013 and March 31, 2012, and its remeasurement gains and losses for the year ended March 31, 2013 in accordance with Canadian public sector accounting standards.

The signature of Deloitte LLP is written in a cursive, handwritten style.

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
June 27, 2013

Metrolinx

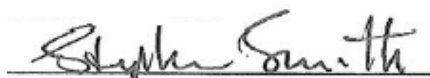
Statements of financial position

as at March 31, 2013, March 31, 2012 and April 1, 2011

(In thousands of dollars)

	March 31, 2013	March 31, 2012 (Note 2)	April 1, 2011 (Note 2)
	\$	\$	\$
Assets			
Current assets			
Cash and cash equivalents (Note 6)	403,111	220,422	158,432
Accounts receivable (Note 9)	100,131	83,318	167,094
Contributions due from Province of Ontario	-	86,125	21,332
Contributions due from Municipalities	-	750	2,736
Contributions due from Government of Canada	13,940	27,625	49,153
Spare parts and supplies	3,480	3,198	3,699
Prepaid expenses	15,768	11,168	9,799
	536,430	432,606	412,245
Funds being held for Province of Ontario (Note 7)	46,667	46,667	46,667
Contributions due from Province of Ontario - long-term (Note 12)	62,359	10,262	-
Capital assets (Note 8)	8,138,327	6,533,278	4,913,254
Deposits on land (Note 10)	65,074	58,659	33,185
Advances on capital projects (Note 10)	204,432	205,225	73,445
Long-term lease (Note 11)	28,534	28,861	29,188
Derivative asset (Note 20)	98	-	-
	9,081,921	7,315,558	5,507,984
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	472,411	383,521	363,485
Presto Fare Card E-Purse (Note 6)	16,526	5,669	1,634
Unearned revenue in respect of tickets sold and not used	-	5,588	9,299
Due to Province of Ontario	9,664	-	-
	498,601	394,778	374,418
Advance from Province of Ontario (Note 7)	46,667	46,667	46,667
Long-term payable (Note 12)	62,359	10,262	-
Deferred capital contributions (Note 13)	6,478,550	5,080,951	3,821,777
Pension plan top-up benefits liability (Note 15)	49,653	46,149	43,049
Other employee future benefits liability (Note 16)	89,613	82,212	76,024
	7,225,443	5,661,019	4,361,935
Commitments (Note 19)			
Contingencies (Note 21)			
Net assets			
Net assets invested in capital assets (Note 17)	1,929,283	1,716,211	1,198,107
Net assets invested in long-term lease	28,534	28,861	29,188
Net assets internally restricted (Note 18)	26,332	26,332	26,332
Deficiency of net assets	(127,769)	(116,865)	(107,578)
	1,856,380	1,654,539	1,146,049
Accumulated remeasurement gains and (losses)	98	-	-
	9,081,921	7,315,558	5,507,984

On behalf of the Board

 Director

 Director

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

Metrolinx

Statements of operations

years ended March 31, 2013 and March 31, 2012

(In thousands of dollars)

	2013	2012
		(Note 2)
	\$	\$
Revenue		
Operating revenue	385,157	354,918
Contribution from the Province of Ontario	120,538	92,110
Contribution from the Government of Canada	-	151
Investment income	6,602	9,190
Amortization of deferred capital contributions (Note 13)	251,679	245,770
Gain on disposal of capital assets	417	1,130
	764,393	703,269
Expenses		
Supplies and services	32,872	29,535
Equipment maintenance	60,626	60,511
Facilities and track	77,711	69,891
Labour and benefits	199,185	173,729
Rail and bus operations	153,877	141,595
Amortization of capital assets	257,022	253,024
Amortization of long term lease asset	327	327
	781,620	728,612
Excess of expenses over revenue	(17,227)	(25,343)

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

Metrolinx

Statements of changes in net assets

years ended March 31, 2013 and March 31, 2012

(In thousands of dollars)

	Invested in capital assets (Note 17)	Invested in long-term lease	Internally restricted net assets (Note 18)	Deficiency (Note 2)	Total
	\$	\$	\$	\$	\$
Balance, April 1, 2011 (Note 2)	1,198,107	29,188	26,332	(107,578)	1,146,049
Excess of expenses over revenues	-	-	-	(25,343)	(25,343)
Amortization					
(net of amortization to revenue)	(8,501)	(327)	-	8,828	-
Land acquisitions, net of deposits	505,793	-	-	-	505,793
Disposal of land	(6,250)	-	-	6,250	-
Disposal of TATO assets	(978)	-	-	978	-
Deposit on land	28,040	-	-	-	28,040
Balance, March 31, 2012 (Note 2)	1,716,211	28,861	26,332	(116,865)	1,654,539
Excess of expenses over revenues	-	-	-	(17,227)	(17,227)
Amortization					
(net of amortization to revenue)	(5,401)	(327)	-	5,728	-
Assets contributed by the Province					
of Ontario (Note 22 (d))	18	-	-	-	18
Land acquisitions, net of deposits	202,385	-	-	-	202,385
Disposal of land	(595)	-	-	595	-
Deposit on land	16,665	-	-	-	16,665
Balance, March 31, 2013	1,929,283	28,534	26,332	(127,769)	1,856,380

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

MetrolinxStatement of remeasurement gains and losses
year ended March 31, 2013

(In thousands of dollars)

	\$
Accumulated remeasurement gains and (losses), beginning of year	-
Unrealized gains (losses) attributable to:	
Forward fuel purchase contracts (Note 20)	98
Net remeasurement gains and (losses) for the year	98
Accumulated remeasurement gains and (losses), end of year	98

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

Metrolinx

Statements of cash flows

years ended March 31, 2013 and March 31, 2012

(In thousands of dollars)

	2013	2012
		(Note 2)
	\$	\$
Operating activities		
Excess of expenses over revenues	(17,227)	(25,343)
Amortization of capital assets and long-term lease	257,349	253,351
Gain on disposal of capital assets	(417)	(1,130)
Amortization of deferred capital contributions	(251,679)	(245,770)
Employee future benefits, net of payments	10,906	9,287
	(1,068)	(9,605)
Change in non-cash working capital		
Accounts receivable	(16,813)	30,792
Spare parts and supplies	(282)	501
Prepaid expenses	(4,600)	(1,369)
Accounts payables and accrued liabilities	6,021	(3,101)
Presto Farecard E-Purse	10,857	4,035
Unearned revenue in respect of tickets sold and not used	(5,588)	(3,711)
	(11,473)	17,542
Capital activities		
Purchase of capital assets	(1,512,264)	(1,719,130)
Proceeds from sale of capital assets	1,068	9,605
Deposit on land	(16,665)	(28,040)
Advances on capital projects	(204,432)	(205,223)
	(1,732,293)	(1,942,788)
Financing activities		
Grants received for purchase of land	219,050	533,833
Capital contributions	1,707,405	1,453,403
	1,926,455	1,987,236
Net change in cash and cash equivalents	182,689	61,990
Cash and cash equivalents, beginning of year	220,422	158,432
Cash and cash equivalents, end of year	403,111	220,422
Supplemental cash flow information		
Non-cash capital activities		
Additions to capital assets included in accounts payable and accrued liabilities	82,870	23,135
Reclassification from accounts receivable to work in progress (Note 9 (b))	-	52,984
Design-Build-Finance contract expenditures (Note 12)	52,097	10,262
Assets contributed by the Province of Ontario (Note 22 (d))	18	-
Non-cash financing activities		
Capital contributions receivable/payable	110,224	(41,279)

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

Metrolinx

Notes to the financial statements

March 31, 2013 and 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. Restatements of prior years' figures

(a) Adoption of a new accounting framework

In December 2010, the Public Sector Accounting Board (PSAB) changed the accounting framework required to be followed by Government Not-for-Profit Organizations ("Government NPO's). For years beginning on or after January 1, 2012, government NPO's have a choice of:

- (i) Public Sector Accounting Standards (PSAS) including PS 4200-4270, which are only available for government not-for-profit organizations; or
- (ii) Public sector accounting standards, excluding PS 4200-4270.

Metrolinx has chosen to follow PSAS including PS 4200-4270 ('the new standards') for Government NPO's.

PS 4200 – 4270 are essentially the accounting standards for NPO's from Part V of CICA Handbook – Accounting that Metrolinx was previously following prior to the transition to PSAS. Metrolinx looks to PS 4200 – 4270 for guidance first, and then to other sections of PSAS when PS 4200-4270 do not provide guidance on the issue.

Effective April 1, 2012, Metrolinx adopted the requirements of this new accounting framework. These are Metrolinx's first financial statements prepared in accordance with this framework and the transitional provisions of Section 2125 - First-time adoption by government organizations ("PS 2125") have been applied. The date of transition to the new standards is April 1, 2011 and Metrolinx has prepared and presented an opening statement of financial position at the date of transition to the new standards. This opening statement of financial position is the starting point for Metrolinx's accounting under the new standards. In its opening statement of financial position, under the recommendations of Section PS 2125, Metrolinx:

Metrolinx

Notes to the financial statements

March 31, 2013 and March 31, 2012

(In thousands of dollars)

2. Restatements of prior years' figures (continued)

(a) Adoption of a new accounting framework (continued)

- recognized all assets and liabilities whose recognition is required by the new standards;
- did not recognize items as assets or liabilities if the new standards do not permit such recognition
- reclassifies items that it recognized previously as one type of asset or liability, but are recognized as a different type of asset or liability under the standards; and
- applied the new standards in measuring all recognized assets and liabilities.

In accordance with the requirements of Section PS 2125, the accounting policies set out in Note 3 have been consistently applied (except for the new standards on financial instruments as disclosed in Note 3) to all years presented and adjustments resulting from the adoption of the new standards have been applied retrospectively, excluding where optional exemptions and mandatory exceptions available under PS 2125 have been applied.

The following exemption and exception were used at the date of transition to the new framework:

Optional exemption

Actuarial Gains and Losses

Metrolinx has elected to recognize all unamortized actuarial gains and losses into unrestricted net assets at the date of transition.

Mandatory exceptions

The estimates made by Metrolinx under pre-changeover Canadian GAAP were not revised for the application of PSAB for Government NPO's except where necessary to reflect any differences in accounting policy or where there was objective evidence that those estimates were in error. As a result Metrolinx has not used hindsight to revise estimates.

Reconciliation of net assets and excess of expenses over revenue

Metrolinx issued financial statements for the year ended March 31, 2012 using generally accepted accounting principles prescribed by CICA Handbook – Accounting Part V – Pre-Changeover Accounting Standards. The adoption of PSAS for Government NPO's resulted in adjustments to previously reported liabilities, net assets, and excess of expenses over revenue. An explanation of how the transition from pre-changeover Canadian GAAP to PSAS for Government NPO's has affected Metrolinx's financial position, operations and changes in net assets is set out in the notes and tables below.

The impact of the adoption of the new standards on the Statement of Financial Position as at April 1, 2011 is summarized as follows:

	Balance as previously reported March 31, 2011	Adjustment	Reference	Balance as adjusted as at April 1, 2011
	\$	\$		\$
Pension plan top-up benefits liability	26,464	16,585	(i)	43,049
Other employee future benefits liability	45,631	30,393	(i)	76,024
Total liabilities	4,314,355	46,978		4,361,333
Net assets	1,193,027	(46,978)		1,146,049

Metrolinx

Notes to the financial statements

March 31, 2013 and March 31, 2012

(In thousands of dollars)

2. Restatements of prior years' figures (continued)

(a) Adoption of a new accounting framework (continued)

Reconciliation of net assets and excess of expenses over revenue

The impact of the adoption of the new standards on the Statement of Financial Position as at March 31, 2012 is summarized as follows:

	Balance as previously reported March 31, 2012	Adjustment	Reference	Balance as adjusted as at March 31, 2012
	\$	\$		\$
Pension plan top-up benefits liability	30,064	16,085	(ii)	46,149
Other employee future benefits liability	50,610	31,602	(ii)	82,212
Total liabilities	5,605,161	47,687		5,652,848
Net assets	1,702,226	(47,687)		1,654,539

Reconciliation of net assets and excess of expenses over revenue

The impact of the adoption of the new standards on the Statement of Operations for the year ended March 31, 2012 is summarized as follows:

	Balance as previously reported March 31, 2012	Adjustment	Reference	Balance as adjusted as at March 31, 2012
	\$	\$		\$
Expenses				
Labour and benefits	173,020	709	(iii)	173,729
Excess of expenses over revenue	(24,634)	(709)		(25,343)

Explanation of adjustments

(i) Employee future benefits liability as at April 1, 2011

Metrolinx modified its discount rate to comply with Public Sector Accounting Standards; the rate used under Part V of the CICA Handbook as at March 31, 2011 was 5.75% for the pension plan top-up benefits, 5.80% for the retiree plan, 4.60% for the severance plan and 5.50% for the WSIB plan. The change in discount rate as well as the change in the attribution period over which the benefits were being recorded (now recorded over the period to expected retirement) resulted in an increase of the employee future benefit liability for an amount of \$20,828 consisting of \$7,427 relating to pension plan top-up benefits and \$13,401 relating to other employee future benefits.

Metrolinx elected at the transition to recognize all unamortized gains and losses into unrestricted net assets; this resulted in an increase of the employee future benefit liability for an amount of \$26,150 consisting of \$9,158 relating to pension plan top-up benefits and \$16,992 relating to other employee future benefits.

Metrolinx

Notes to the financial statements

March 31, 2013 and March 31, 2012

(In thousands of dollars)

2. Restatements of prior years' figures (continued)

(a) Adoption of a new accounting framework (continued)

Explanation of adjustments

(ii) Employee future benefit liability as at March 31, 2012

Cumulative impact of adjustments noted in (i) above \$46,978.

In addition, during the year ended March 31, 2012, Metrolinx provided past services costs to eligible employees. Under Public Sector Accounting Standards, past service costs are not amortized over the expected average remaining service life of the related employee group; this resulted in an increase of the employee future benefit liability for an amount of \$1,435 relating to other employee future benefits. Other adjustments resulted in a decrease of \$726.

(iii) Employee future benefits expense for the year ended March 31, 2012

The additional expense of \$709 represents the net increase of the variance in the employee future benefit liability between April 1, 2011 and March 31, 2012.

(b) Correction of prior years' investment income

Investment income for the year ended March 31, 2012 has been restated to reflect \$7,569 in interest income earned on working capital advances to York Region Rapid Transit Corporation and the Toronto Transit Commission to support the cash flow requirements of the Toronto and York projects. As a result of the funding mechanism with the Province of Ontario, this correction resulted in and offsetting restatement of the contribution from the Province of Ontario and therefore did not change the excess of expenses over revenues for the year.

3. Summary of significant accounting policies

Financial statement presentation

These financial statements have been prepared by management in accordance with the accounting standards for government not-for-profit organizations as published by the Public Sector Accounting Standards Board.

Adoption of new accounting standards

As at April 1, 2012, Metrolinx adopted PSA Handbook Section 3450, "*Financial Instruments*". This new standard provides guidance for recognition, measurement and disclosure of financial instruments. The transitional provisions in the standard state that when a government organization applies this standard in the same year it adopts Public Sector Accounting Standards for government not-for-profit organizations for the first time, this standard cannot be applied retroactively. Comparative amounts are presented in accordance with the accounting policies applied by the government organization immediately preceding its adoption of Public Sector Accounting Standards, or Part V of the CICA Handbook -- Accounting. The impacts of the adoption of these new standards are as follows:

- Metrolinx now discloses a Statement of Remeasurement Gains and Losses.
- All unrealized gains and losses on financial instruments measured at fair value are recorded in the Statement of Remeasurement Gains and Losses, unless the unrealized loss is an impairment loss, in which case it is recorded in the statement of operations.
- All portfolio investments in equity securities quoted in an active market and derivatives, including embedded derivatives in financial and non-financial contracts, are measured at fair value. As permitted by the standard, Metrolinx elected to account for embedded derivatives, if any, in new contracts and contracts amended on or after April 1, 2012.

Metrolinx

Notes to the financial statements

March 31, 2013 and March 31, 2012

(In thousands of dollars)

3. Summary of significant accounting policies (continued)

Financial instruments

Financial instruments are financial assets or liabilities of Metrolinx which, in general, provide Metrolinx the right to receive cash or another financial asset from another party or require Metrolinx to pay another party cash or other financial assets.

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

Cash	Amortized cost
Cash equivalents	Amortized cost
Accounts receivable	Amortized cost
Contributions due from Province of Ontario	Amortized cost
Contributions due from Municipalities	Amortized cost
Contributions due from Government of Canada	Amortized cost
Funds being held for Province of Ontario	Amortized cost
Contributions due from Province of Ontario - long-term	Amortized cost
Derivative asset	Fair value
Accounts payable and accrued liabilities	Amortized cost
Presto Fare Card E-Purse	Amortized cost
Due to Province of Ontario	Amortized cost
Advance from Province of Ontario	Amortized cost
Long-term payable	Amortized cost

Transaction costs on assets measured at fair value are expensed as incurred

The fair value of Metrolinx's cash and cash equivalents, accounts receivable, contributions due from Province of Ontario, contributions due from Municipalities, contributions due from Government of Canada, accounts payable and accrued liabilities, Presto Fare Card E-Purse and balance due to Province of Ontario approximate their carrying values due to the short-term nature of these financial instruments. The fair value of other financial instruments approximate their carrying values unless otherwise noted, based on market rates available to Metrolinx for financial instruments with similar risks, terms and maturities.

Fair value represents the amount that would be exchanged in an arm's length transaction between willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists. Metrolinx's fair values are management's estimates and are generally determined using market conditions at a specific point in time. The determinations are subjective in nature, involving uncertainties and the exercise of significant judgment.

Metrolinx has entered into contracts for diesel fuel to manage exposure to diesel fuel price risks. These contracts contain derivatives which are accounted for at fair value. The unrealized gain or loss on derivatives is recorded in the Statement of Remeasurement Gains and Losses.

Metrolinx does not hold or issue derivative financial instruments for trading or speculative purposes, and controls are in place to detect and prevent these activities.

Impairment of financial instruments

Management reviews its financial instruments for other than temporary impairment on an annual basis. Net other than temporary losses on individual financial instruments are recognized as a loss in the Statement of Operations when a financial instrument is determined to have an "other than temporary" impairment.

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.

Metrolinx

Notes to the financial statements

March 31, 2013 and March 31, 2012

(In thousands of dollars)

3. Summary of significant accounting policies (continued)

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.

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 average remaining service period of the active employees. Any past service costs are expensed when incurred.

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 average remaining service period of active employees. Any past service costs are expensed when incurred.

Metrolinx

Notes to the financial statements

March 31, 2013 and March 31, 2012

(In thousands of dollars)

3. Summary of significant accounting policies (continued)

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.

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.

Contracts to buy or sell a non-financial item

Metrolinx uses diesel fuel forward purchase contracts to lock in firmly committed future operating costs. These derivative instruments are recorded on the statement of financial position as an asset or liability and are measured at fair value. Changes in derivative instruments' fair value are recognized in the statement of accumulated remeasurement gains and losses.

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.

4. Financial instruments and risk management

Metrolinx, though its exposure to financial assets and liabilities has exposure to the following risks:

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 related to its long-term liabilities as they are primarily with related parties and are non-interest bearing.

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.

Metrolinx

Notes to the financial statements

March 31, 2013 and March 31, 2012

(In thousands of dollars)

5. 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.

6. PRESTO Farecard E-purse balances

The balance of funds held on PRESTO farecards E-purse in the amount of \$16,526 (2012 - \$5,669) (April 1, 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 is recorded on the statement of financial position.

7. 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.

8. Capital assets

	March 31, 2013		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Land	1,675,812	-	1,675,812
Buildings	645,984	294,868	351,116
Leasehold improvements	28,728	24,940	3,788
Locomotives and other railway rolling stock	1,385,415	397,961	987,454
Improvements to railway right-of-way plant	1,172,118	469,073	703,045
Grade separations, track work and installation	838,678	270,145	568,533
Work-in-progress	3,204,270	-	3,204,270
Buses	310,410	168,126	142,284
Parking lots	384,877	125,589	259,288
Computer equipment and software	312,094	108,731	203,363
Other	142,585	103,211	39,374
	10,100,971	1,962,644	8,138,327

Metrolinx

Notes to the financial statements

March 31, 2013 and March 31, 2012

(In thousands of dollars)

8. Capital assets (continued)

	March 31, 2012		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Land	1,554,642	-	1,554,642
Buildings	529,098	271,844	257,254
Leasehold improvements	27,662	23,317	4,345
Locomotives and other railway rolling stock	1,276,714	331,464	945,250
Improvements to railway right-of-way plant	1,338,210	531,443	806,767
Grade separations, track work and installation	533,279	132,162	401,117
Work-in-progress	1,949,021	-	1,949,021
Buses	290,961	152,030	138,931
Parking lots	321,880	109,358	212,522
Computer equipment and software	288,143	75,018	213,125
Other	144,149	93,845	50,304
	8,253,759	1,720,481	6,533,278

	April 1, 2011		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Land	1,104,078	-	1,104,078
Buildings	504,630	249,614	255,016
Leasehold improvements	26,431	21,846	4,585
Locomotives and other railway rolling stock	1,172,799	274,178	898,621
Improvements to railway right-of-way plant	1,220,332	479,790	740,542
Grade separations, track work and installation	401,987	112,774	289,213
Work-in-progress	1,091,274	-	1,091,274
Buses	269,093	125,802	143,291
Parking lots	258,118	96,158	161,960
Computer equipment and software	218,267	48,168	170,099
Other	126,517	71,942	54,575
	6,393,526	1,480,272	4,913,254

Metrolinx

Notes to the financial statements

March 31, 2013 and March 31, 2012

(In thousands of dollars)

8. Capital assets (continued)

Work-in-progress includes the following:

	March 31, 2013	March 31, 2012	April 1, 2011
	\$	\$	\$
Rail corridor expansion	958,800	549,689	282,732
Union Station	247,120	196,122	139,177
Rail fleet	387,615	250,584	111,998
PRESTO System	223,884	129,758	61,086
Light Rapid Transit and Bus Rapid Transit	865,443	466,879	220,033
Various	521,408	355,989	276,248
	3,204,270	1,949,021	1,091,274

9. Accounts receivable

(a) Accounts receivable is composed of the following:

	March 31, 2013	March 31, 2012	April 1, 2011
	\$	\$	\$
Recoverable HST	62,400	54,351	80,355
Recoverable PRESTO costs	7,088	14,430	17,929
Sunk project costs recoverable from TTC	-	-	52,984
Other receivables	30,643	14,537	15,826
	100,131	83,318	167,094

(b) Included in accounts receivable is \$ Nil (2012 - \$ Nil) (April 1, 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 provided 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 was reclassified back to work-in-progress in 2012. A Master Agreement with the TTC and the City of Toronto was signed November 28, 2012 and covers the costs of constructing the Eglinton LRT, Scarborough RT, Finch West LRT and Sheppard East LRT. The Master Agreement is consistent with the project plan presented to the Board of Directors in April 2012.

10. 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. A Master Agreement with YRRTC and York Region was signed

Metrolinx

Notes to the financial statements

March 31, 2013 and March 31, 2012

(In thousands of dollars)

10. Advances on capital projects (continued)

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. A Master Agreement with TTC and the City of Toronto was signed November 28, 2012 and covers the cost of constructing the Eglinton LRT, Scarborough RT, Finch West LRT and Sheppard East LRT.

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 \$62,752 (2012 - \$47,509) (April 1, 2011 - \$30,520) and other project costs totalling \$204,432 (2012 - \$205,225) (April 1, 2011 - \$73,445) 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. The advances on capital projects are to be held in a separate account and any interest accrued will be applied against the project.

As at March 31, 2013, Metrolinx has expended approximately \$1,204.1 million (2012 - \$790.8 million) (April 1, 2011 - \$346.9 million) in relation to these projects, including the following amounts which have been advanced for costs expected to be incurred to September 30, 2013 and deposits related to future perpetual easements.

	March 31, 2013	March 31, 2012	April 1, 2011
	\$	\$	\$
Region of York	245,440	195,655	79,370
Toronto Transit Commission	21,744	57,079	24,595
	267,184	252,734	103,965

11. Long-term lease

	March 31, 2013		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Leasehold, Union Station	32,704	4,170	28,534

	March 31, 2012		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Leasehold, Union Station	32,704	3,843	28,861

	April 1, 2011		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Leasehold, Union Station	32,704	3,516	29,188

Metrolinx

Notes to the financial statements

March 31, 2013 and March 31, 2012

(In thousands of dollars)

12. Long-term payable

Metrolinx and Infrastructure Ontario entered into a Design-Build-Finance contract for \$140,063 with Airlinx Transit Partners Inc. for the design and construction of the Union Pearson rail link project. The contract amount will be payable after substantial completion which is expected on or before July 31, 2014. At March 31, an amount of \$62,359 (2012 - \$10,262) has been accrued based on work completed to year end and a matching contribution receivable from the Province of Ontario has been recorded.

13. Deferred capital contributions

The changes in the deferred capital contributions for the year are as follows:

	2013	2012
	\$	\$
Balance, beginning of year	5,080,951	3,821,777
Contributions received or receivable in the period for capital asset acquisitions		
Province of Ontario	1,616,720	1,464,114
Municipalities	27,877	30,223
Government of Canada	4,681	10,607
Amortization of deferred capital contributions	(251,679)	(245,770)
Balance, end of year	6,478,550	5,080,951

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 \$204,327 (2012 - \$181,845) and the cumulative amount is \$586,128. The Province will work with its municipal partners to address the funding shortfalls.

14. Pension contributions

Metrolinx provides pension benefits for substantially all of its permanent employees through participation in the Ontario Municipal Employees Retirement System (OMERS) Pension Fund. The amount expensed in pension contributions for the year ended March 31, 2013 is \$16,736 (2012 - \$12,576).

15. 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 financial statement items resulting from the valuation have been determined in accordance with Section 3250 of the PSA Handbook. The pension expense recognized during the year is \$4,903 (2012 - \$3,500).

The cost of pension plan top-up benefits is actuarially determined using the projected benefit method pro-rated on service. The discount rate used to determine the accrued benefit obligation was determined based on the Ontario provincial bond yields. The actuarial gains and losses are amortized over the average remaining service period of active employees.

Metrolinx

Notes to the financial statements

March 31, 2013 and March 31, 2012

(In thousands of dollars)

15. Pension plan top-up benefits liability (continued)

Information about Metrolinx's pension plan top-up is as follows:

	March 31, 2013	March 31, 2012	April 1, 2011
	\$	\$	\$
Accrued benefit obligation	57,970	55,411	43,783
Fair value of plan assets	1,414	732	734
Funded status - plan deficit	56,556	54,679	43,049
Unamortized net actuarial loss	(6,903)	(8,530)	-
Accrued benefit liability	49,653	46,149	43,049

Details of the accrued benefit obligation are as follows:

	2013	2012
	\$	\$
Accrued benefit obligation, beginning of year	55,411	43,784
Current service cost	1,790	1,429
Interest cost on accrued benefit obligation	2,046	2,071
Benefit payments	(719)	(405)
Actuarial loss on accrued benefit obligation	(558)	8,532
Accrued benefit obligation, end of year	57,970	55,411

Details of the pension expense are as follows:

	2013	2012
	\$	\$
Current service cost	1,790	1,429
Interest cost on accrued benefit obligation	2,046	2,071
Actual return on plan assets	(2)	(2)
Expected return vs. actual return on plan assets	2	2
Amortization of actuarial loss	1,067	-
	4,903	3,500

Plan assets by asset category are as follows:

	March 31, 2013	March 31, 2012	April 1, 2011
	%	%	%
Cash invested	19	18	25
Cash on deposit with Canada Revenue Agency	81	82	75
	100	100	100

Metrolinx

Notes to the financial statements

March 31, 2013 and March 31, 2012

(In thousands of dollars)

15. Pension plan top-up benefits liability (continued)

Other information about Metrolinx's benefit plan is as follows:

	2013	2012
	\$	\$
Employer contributions	1,400	400
Benefits paid	719	405

The significant actuarial assumptions adopted in measuring Metrolinx's pension plan top-up benefit obligations are as follows:

Discount rate	3.5% (2012 - 4.6%)
Rate of compensation increase	3% (2012 - 3%)
Inflation per annum	2% (2012 - 2%)
Expected average remaining service life	8 years (2012 - 8 years)

16. 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 3255 of the PSA Handbook. The post-retirement non-pension benefits recognized during the period were \$9,316 (2012 - \$7,950).

The cost of post-retirement non-pension benefits is actuarially determined using the projected benefit method pro-rated on service, retirement ages of employees and expected health care costs. The discount rate used to determine the accrued benefit obligation was determined based on the Ontario provincial bond yields. The actuarial gains and losses are amortized over the average remaining service period of active employees. Past service costs are expensed when incurred.

Information about Metrolinx's post-retirement non-pension benefits is as follows:

	March 31, 2013	March 31, 2012	April 1, 2011
	\$	\$	\$
Accrued benefit obligation	110,342	102,469	76,024
Fair value of plan assets	-	-	-
Funded status - plan deficit	110,342	102,469	76,024
Unamortized net actuarial loss	(20,729)	(20,257)	-
Accrued benefit liability	89,613	82,212	76,024

Metrolinx

Notes to the financial statements

March 31, 2013 and March 31, 2012

(In thousands of dollars)

16. Other employee future benefits liability (continued)

Details of the accrued benefit obligation are as follows:

	2013	2012
	\$	\$
Accrued benefit obligation, beginning of year	102,469	76,024
Current service cost	3,930	2,866
Interest on accrued benefit obligation	3,810	3,650
Benefit payments	(1,915)	(1,762)
Actuarial (gain) loss on accrued benefit obligation	2,048	21,691
Accrued benefit obligation, end of year	110,342	102,469

Details on the post-retirement non-pension benefits expense are as follows:

	2013	2012
	\$	\$
Current service cost	3,930	2,866
Interest cost on accrued benefit obligation	3,810	3,650
Actuarial (gain) loss on obligation	2,048	21,691
Amortization of loss vs. actual loss in year on obligation	(472)	(20,257)
	9,316	7,950

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	3.6% (2012 – 3.7%)
Discount rate for WSIB liabilities	3.05% (2012 – 3.2%)
Discount rate for retiree severance benefits	2.8% (2012 – 2.7%)
Expected average remaining service life for post-retirement non-pension benefit	14 years (2012 - 14 years)
Expected average remaining service life for WSIB liabilities	10 years (2012 - 10 years)
Expected average remaining service life for retiree severance benefits	7 years (2012 - 8 years)
Rate of compensation increase	3% (2012 - 3%)
Inflation per annum	2% (2012 - 2%)
Initial Weighted Average Health Care Trend Rate	6.5% (2012 - 6.7%)
Ultimate Weighted Average Health Care Trend Rate	4.3% (2012 - 4.3%)
Dental care benefits increase	4% (2012 - 4%)

Metrolinx

Notes to the financial statements

March 31, 2013 and March 31, 2012

(In thousands of dollars)

17. Net assets invested in capital assets

	March 31, 2013	March 31, 2012	April 1, 2011
	\$	\$	\$
Capital assets	8,138,327	6,533,278	4,913,254
Deposits on land	65,074	58,659	33,185
Advances on capital projects	204,432	205,225	73,445
Less deferred capital contributions used to purchase capital assets	(6,478,550)	(5,080,951)	(3,821,777)
	1,929,283	1,716,211	1,198,107

18. Internally restricted net assets

The internally restricted net assets are as follows:

	March 31, 2013	March 31, 2012	April 1, 2011
	\$	\$	\$
MCOR	21,051	21,051	21,051
Employment obligation	889	889	889
Self insured retention	2,013	2,013	2,013
Stabilization	2,379	2,379	2,379
	26,332	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.

19. Commitments

(a) The minimum operating lease payments in each of the next five years are as follows:

	\$
2014	17,854
2015	15,132
2016	14,166
2017	13,919
2018	13,323
Subsequent	13,215
	87,609

Metrolinx

Notes to the financial statements

March 31, 2013 and March 31, 2012

(In thousands of dollars)

19. Commitments (continued)

- (b) Metrolinx has also committed approximately \$4.0 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"), Goderich-Exeter Railway Company Ltd. (GEXR) and by a number of minor service agreements. Metrolinx has entered into the following major agreements for approximately \$145,000 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, 2023.
 - iv) Rail Crew Contract with Bombardier terminating on May 31, 2023.
 - 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.
 - vii) Train Service Agreement with GEXR terminating on November 30, 2013.
- (d) As at March 31, 2013; Metrolinx had outstanding letters of credit totalling \$59 (2012 - \$309) (April 1, 2011 - \$338).

20. Diesel fuel forward contracts

As at March 31, 2013, Metrolinx has three fixed fee agreements in place to purchase 11.1 million litres of diesel fuel at prices ranging from \$0.8496 to \$0.8596 per litre. The change in fair value of the derivative instruments of \$98 was recorded as an unrealized gain in the statement of accumulated remeasurement gains and losses.

21. 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.

22. 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, and Ontario Northland charged Metrolinx \$1,353 (2012 - \$1,794), \$86 (2012 - \$27), \$5,900 (2012 - \$2,771), \$2,106 (2012 - \$10,409) respectively during the year for the provision of services provided by these organizations. In addition, Infrastructure Ontario charged \$62,359 in capital expenditures related to the Design-Build-Finance contract for the Union Pearson rail link project as described in Note 12. At March 31, 2013, accounts payable and accrued liabilities and long-term payable included \$821 (2012 - \$865) (April 1, 2011 - \$437) and \$64,031 (2012 - \$3,265) (April 1, 2011 - \$Nil) owing to the Ontario Ministry of Transportation and Infrastructure Ontario respectively.
- (b) Metrolinx charged Ontario Northland \$574 (2012 - \$Nil) during the year for sale of capital assets. At March 31, 2013, accounts receivable included \$574 (2012 - \$Nil) owing by Ontario Northland.
- (c) Metrolinx procured land for \$Nil 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 \$18.

Metrolinx

Notes to the financial statements

March 31, 2013 and March 31, 2012

(In thousands of dollars)

22. Related party transactions and balances (continued)

The transactions in 22 a) and b) 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.

23. 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.

**METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION****Management Report**

The accompanying financial statements are the responsibility of the management of Metropolitan Toronto Convention Centre Corporation. The financial statements have been prepared by management in accordance with the accounting requirements of the Financial Administration Act including Ontario Regulation 395/11. The statements include certain amount based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

Management maintains a system of internal accounting and administrative control that is designed to provide reasonable assurance the financial information is relevant, reliable and accurate and that the Corporation's assets are properly accounted for and adequately safeguarded.

The financial statements have been audited by KPMG LLP, a firm of independent external auditors appointed by the Board of Directors, whose report follows.

A handwritten signature in black ink, appearing to read "Imtiaz Dhanjee".

Imtiaz Dhanjee

Vice President Finance

July 11, 2013



KPMG LLP
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Metropolitan Toronto
Convention Centre Corporation and the Minister
of Tourism, Culture and Sport

We have audited the accompanying financial statements of Metropolitan Toronto Convention Centre Corporation, which comprise the statement of financial position as at March 31, 2013, the statements of operations and accumulated surplus, changes in net debt 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 of these financial statements in accordance with the accounting requirements of the Financial Administration Act including Ontario Regulation 395/11, 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.



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Opinion

In our opinion, the financial statements of Metropolitan Toronto Convention Centre Corporation as at March 31, 2013 and for the year then ended, are prepared in all material respects in accordance with the accounting requirements of the Financial Administration Act including Ontario Regulation 395/11.

Emphasis of Matter

Without modifying our opinion, we draw attention to note 2 to the financial statements, which discloses that the financial statements are prepared in accordance with the Financial Administration Act including Ontario Regulation 395/11 of the Financial Administration Act.

A handwritten signature in dark ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Accountants, Licensed Public Accountants

June 5, 2013
Toronto, Canada

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Statement of Financial Position

March 31, 2013, with comparative figures for 2012

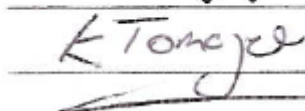
	2013	2012
Financial assets:		
Cash	\$ 769,808	\$ 9,306,575
Customer deposits	11,361,651	9,831,309
Accounts receivable	3,558,853	3,977,927
	15,690,312	23,115,811
Liabilities:		
Accounts payable and accrued liabilities	5,986,370	8,162,703
Deferred revenue	11,361,651	9,831,309
Employee future benefits (note 6)	2,651,800	2,919,600
Deferred contribution related to tangible capital assets	47,669,330	48,662,441
	67,669,151	69,576,053
Net debt	(51,978,839)	(46,460,242)
Non-financial assets:		
Tangible capital assets (note 4)	187,937,770	179,700,461
Inventories	480,258	512,785
Prepaid expenses	532,044	432,036
	188,950,072	180,645,282
Commitments (note 9)		
Accumulated surplus (note 5)	\$ 136,971,233	\$ 134,185,040

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Statement of Operations and Accumulated Surplus

Year ended March 31, 2013, with comparative figures for 2012

	March 31, 2013 Budget	March 31, 2013 Actual	March 31, 2012 Actual
Revenue:			
Food and beverage	\$ 23,600,000	\$ 23,007,582	\$ 24,970,166
Facility rental	15,000,000	15,542,391	15,357,759
Parking	8,800,000	8,309,451	8,733,738
Commissions	5,685,000	5,816,553	6,187,448
Communications	1,611,300	1,628,250	2,284,243
Capital contribution	—	993,111	993,111
Other	3,038,700	2,798,490	3,330,082
Total gross revenue	57,735,000	58,095,828	61,856,547
Expenses (note 7):			
Facility rental	4,057,200	4,260,041	4,102,071
Event services	559,301	538,882	666,290
Food and beverage	15,266,800	15,703,116	16,618,807
Communications	535,600	552,039	601,265
Parking	2,542,000	2,484,288	2,496,755
Sales and marketing	3,739,200	3,370,820	3,156,351
Engineering	4,831,400	4,837,813	4,781,355
Energy	3,267,700	3,007,943	3,349,389
General and administrative	7,310,800	6,873,227	6,937,529
Other expenses	2,893,199	2,913,384	3,506,480
Amortization	6,308,100	7,268,082	6,576,552
Total expenses	51,311,300	51,809,635	52,792,844
Annual surplus	6,423,700	6,286,193	9,063,703
Accumulated surplus, beginning of year	134,185,040	134,185,040	129,121,337
Distribution payment (note 5)	(2,500,000)	(3,500,000)	(4,000,000)
Accumulated surplus, end of year	\$ 138,108,740	\$ 136,971,233	\$ 134,185,040

See accompanying notes to financial statements.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Statement of Changes in Net Debt

Year ended March 31, 2013, with comparative figures for 2012

	March 31, 2013 Budget	March 31, 2013 Actual	March 31, 2012 Actual
Annual surplus	\$ 6,423,700	\$ 6,286,193	\$ 9,063,703
Acquisition of tangible capital assets	(13,706,800)	(15,505,391)	(11,472,194)
Amortization of tangible capital assets	6,308,100	7,268,082	6,576,552
	(975,000)	(1,951,116)	4,168,061
Acquisition of inventories*	—	(5,284,324)	(5,735,941)
Acquisition of prepaid expenses*	—	(644,122)	(1,148,737)
Consumption of inventories*	—	5,316,851	5,667,600
Use of prepaid expenses*	—	544,114	1,067,735
Distribution payment	(2,500,000)	(3,500,000)	(4,000,000)
Change in net debt	(3,475,000)	(5,518,597)	18,718
Net debt, beginning of year	(46,460,242)	(46,460,242)	(46,478,960)
Net debt, end of year	\$ (49,935,242)	\$ (51,978,839)	\$ (46,460,242)

*The above items have not been historically projected during the budgetary process.

See accompanying notes to financial statements.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Statement of Cash Flows

Year ended March 31, 2013, with comparative figures for 2012

	2013	2012
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 6,286,193	\$ 9,063,703
Items not involving cash:		
Amortization	7,268,082	6,576,552
Employee future benefits	(267,800)	(542,900)
	13,286,475	15,097,355
Change in non-cash assets and liabilities:		
Accounts receivable	419,074	(507,506)
Inventories	32,527	(68,341)
Prepaid expenses	(100,008)	(81,002)
Accounts payable and accrued liabilities	(2,176,333)	1,740,365
Deferred contribution related to tangible capital assets	(993,111)	(993,111)
	10,468,624	15,187,760
Financing activities:		
Distribution payment (note 5)	(3,500,000)	(4,000,000)
Capital activities:		
Additions to tangible capital assets	(15,505,391)	(11,472,194)
Decrease in cash	(8,536,767)	(284,434)
Cash, beginning of year	9,306,575	9,591,009
Cash, end of year	\$ 769,808	\$ 9,306,575

See accompanying notes to financial statements.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements

Year ended March 31, 2013

Metropolitan Toronto Convention Centre Corporation (the "Corporation") is an other government organization of the Ministry of Tourism, Culture and Sport of the Province of Ontario and incorporated as a corporation without share capital under Bill 141, the Metropolitan Toronto Convention Centre Corporation Act, 1988. The Corporation is a Crown Agency under the same act and is exempt from income taxes.

The Corporation operates a convention facility for conventions, trade shows, consumer shows, corporate and food and beverage events and parking facilities.

1. Significant accounting policies:

(a) Revenue recognition:

Revenue from food and beverage sales, facility rentals and the use of the Corporation's parking facilities is recognized when services are provided. Cancellation fees are recognized when an event is cancelled.

(b) Inventories:

Inventories are recorded at the lower of cost and net realizable value.

(c) Deferred contribution related to tangible capital assets:

Funding received from the Province of Ontario used for the acquisition of depreciable capital assets is recorded as deferred contributions. This is recognized as a recovery in the statement of operations equal to depreciation charged on the related depreciable capital assets, of which the annual change in the account is recorded in the statement of cash flows of \$993,111 (2012 - \$993,111).

(d) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2013

1. Significant accounting policies (continued):

(e) Tangible capital assets:

Tangible capital assets are recorded at cost less accumulated amortization. Amortization is charged on a straight-line basis over the following estimated useful lives of the assets:

Building	50 years
Furniture, fixtures and computer equipment	3 - 10 years
Leasehold improvements	5 - 20 years

Tangible capital assets are reviewed for impairment whenever conditions indicate that a tangible capital asset no longer contributes to the Corporation's ability to provide services, or that the value of future economic benefits associated with the tangible capital asset is less than its net book value.

(f) Deferred revenue:

Deferred revenue represents customer deposits received for future use of the Corporation's facilities. Deposits are applied against the customer's billing when services are rendered.

(g) Use of estimates:

The preparation of financial statements requires management to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the years. Significant items subject to such estimates and assumptions include the useful life of tangible capital assets, valuation allowances for accounts receivable, and assets and obligations related to employee future benefits. Actual results could differ from those estimates.

(h) Financial instruments:

Financial instruments are recorded at fair values on initial recognition and subsequently recorded at cost or amortized cost.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2013

1. Significant accounting policies (continued):

(i) Budget figures:

Budget figures have been derived from the Business Plan approved by the Board of Directors on February 29, 2012. Consumption and use of inventory and prepaid expenses are not historically budgeted in detail and, therefore, have not been included in the budget reported in these financial statements.

2. Basis of presentation:

The Financial Administration Act requires that the financial statements be prepared in accordance with the accounting principles used by the Province of Ontario, being the Canadian public sector accounting standards ("PS") as published by the Public Sector Accounting Board ("PSAB") and that changes may be required to these standards as a result of regulation. These financial statements have been prepared in accordance with the financial reporting provisions of the Financial Administration Act and the accounting standards requirements of Ontario Regulation 395/11, Government Transfers, of the Financial Administration Act.

Ontario Regulation 395/11 requires that government transfers used for the acquisition of depreciable capital assets is recorded as deferred contributions and is recognized as a recovery in the statement of operations equal to depreciation charged on related depreciable capital assets. This accounting requirement is not consistent with the requirements of PS, which require that government transfers be recognized as revenue when approved by the transferor and eligibility criteria have been met unless the transfer contains a stipulation that creates a liability in which case the transfer is recognized as revenue over the period that the liability is extinguished.

These financial statements have been prepared in accordance with the financial framework described above.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2013

3. Changes in accounting policies:

On April 1, 2012, the Corporation adopted PS 3450, Financial Instruments. The section established standards on how to account for and report financial instruments. The impact to the Corporation relates to disclosures which are included in note 8. Accordingly, a statement of remeasurement gains and losses are not required.

4. Tangible capital assets:

			2013	2012
	Cost	Accumulated amortization	Net book value	Net book value
Building	\$ 224,274,180	\$ 67,200,842	\$ 157,073,338	\$ 158,889,342
Furniture, fixtures and computer equipment	30,958,180	22,883,783	8,074,397	7,187,198
Leasehold improvements	59,789,476	36,999,441	22,790,035	13,623,921
	\$ 315,021,836	\$ 127,084,066	\$ 187,937,770	\$ 179,700,461

5. Accumulated surplus:

The total accumulated surplus includes the contributed surplus, accumulated distribution payments and the accumulated annual surplus as follows:

	Contributed surplus	Accumulated distribution payment	Accumulated annual surplus	Total accumulated surplus
Balance, March 31, 2012	\$ 142,850,705	\$ (48,000,000)	\$ 39,334,335	\$ 134,185,040
Distribution payment	—	(3,500,000)	—	(3,500,000)
Annual surplus	—	—	6,286,193	6,286,193
Balance, March 31, 2013	\$ 142,850,705	\$ (51,500,000)	\$ 45,620,528	\$ 136,971,233

The contributed surplus balance was created as a result of the Ontario Financing Authority (the "OFA") issuing a release to the Corporation as at March 30, 2003 from all of its obligations under the temporary expansion financing.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2013

5. Accumulated surplus (continued):

The Corporation agreed to make a minimum distribution payment to the Province of Ontario annually in the amount of \$2,500,000 less any amount of payments in lieu of property taxes that it makes within that year and annually, any such further amounts agreed to in writing by the Corporation and the OFA.

On May 16, 2012, the Board of Directors approved a distribution payment of \$1,000,000 based on the financial results of fiscal 2012. The Board of Directors approved a distribution payment of \$2,500,000 on February 27, 2013 based on the financial results of fiscal 2013. Since the establishment of the distribution policy, the total amount paid is \$51,500,000 (2012 - \$48,000,000).

6. Employee future benefits:

The Corporation maintains a registered pension plan that provides a defined benefit component and a defined contribution component. Under the defined benefit component of the pension plan, contributions are made by employees at specified rates and by the sponsor in such amounts and at such times as determined by the consulting actuaries. The defined benefit component of the plan provides pension benefits based on the length of service and best average pensionable earnings. In addition, certain retired employees also receive health and other post-retirement benefits paid for by the Corporation.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2013

6. Employee future benefits (continued):

The Corporation accrues its obligations under the defined benefit plan as the employees render the services necessary to earn the pension and other retirement benefits. The actuarial determination of the accrued benefit obligations for pensions and other retirement benefits uses the projected accrued benefit cost method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors). The measurement date of the post-employment plans and retirement compensation agreement coincides with the Corporation's fiscal year, and the defined benefit plan measurement date is December 31. The most recent actuarial valuations of the defined benefit plan for funding purposes (and the next required valuations) and the actuarial valuation of the other post-employment plans (and the next required valuations) are as follows:

- (a) Defined benefit registered pension plan - December 31, 2010 (December 31, 2013);
- (b) Other post-employment plans - March 31, 2011 (March 31, 2014); and
- (c) Retirement compensation agreement - March 31, 2013 (March 31, 2014).

Actuarial gains (losses) on plan assets arise from the difference between the actual return on plan assets for a period and the expected return on plan assets for that period. For the purpose of calculating the expected return on plan assets, those assets are valued at fair value. Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains (losses) are amortized over the expected average remaining service period of active employees ("EARSL").

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2013

6. Employee future benefits (continued):

As shown in the following table, the Corporation has a deficit of \$3,147,900 (2012 - deficit of \$3,955,000) for its employee future benefit plans. The funding deficit is offset by unamortized net actuarial loss of \$496,100 (2012 - loss of \$1,035,400) and results in an employee future benefit liability of \$2,651,800 (2012 - liability of \$2,919,600) recorded in the financial statements.

Currently, there are 133 employees enrolled in the defined benefit plan and 178 employees enrolled in the defined contribution plan. During 2005, the Corporation had closed the defined benefit component of the plan. All new eligible plan members must join the defined contribution component of the plan. The defined contribution portion of the plan is fully funded as of March 31, 2013.

Information about the Corporation's pension plan and employee benefit arrangements are detailed in the table below:

	2013		2012	
	Pension plan	Employee benefits	Pension plan	Employee benefits
Defined benefit plan expense:				
Current year benefit cost	\$ 1,175,100	\$ 84,700	\$ 1,158,700	\$ 66,100
Amortization of actuarial loss (gain)	62,300	19,600	(20,500)	3,700
Employee contributions	(202,700)	—	(212,200)	—
Defined benefit plan expense	1,034,700	104,300	926,000	69,800
Defined benefit plan interest expense:				
Interest cost on accrued benefit obligation	1,298,900	101,300	1,233,700	95,800
Expected return on plan assets	(1,162,100)	(20,800)	(1,094,000)	(21,800)
Defined benefit plan interest expense	136,800	80,500	139,700	74,000
Total defined benefit plan expense	1,171,500	184,800	1,065,700	143,800
Defined contribution plan cost	483,300	—	450,000	—
Total benefit plan expense	\$ 1,654,800	\$ 184,800	\$ 1,515,700	\$ 143,800

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2013

6. Employee future benefits (continued):

	2013		2012	
	Pension plan	Employee benefits	Pension plan	Employee benefits
Expected closing balance of accrued benefit obligation:				
Accrued benefit obligation, beginning of year	\$ 22,300,700	\$ 2,014,900	\$ 20,686,900	\$ 1,785,400
Current year benefit cost	1,175,100	84,700	1,158,700	66,100
Interest cost	1,298,900	101,300	1,233,700	95,800
Benefit payments	(595,900)	(83,000)	(778,600)	(80,600)
Expected closing balance of accrued benefit obligation, end of year	\$ 24,178,800	\$ 2,117,900	\$ 22,300,700	\$ 1,866,700

	2013		2012	
	Pension plan	Employee benefits	Pension plan	Employee benefits
Expected plan assets:				
Plan assets, beginning of year	\$ 19,650,500	\$ 710,100	\$ 18,498,000	\$ 783,900
Employer contributions	1,513,400	110,700	1,721,900	26,300
Employee contributions	202,700	—	216,400	—
Expected return on plan assets	1,162,100	20,800	1,094,000	21,800
Benefit payments	(595,900)	(83,000)	(778,600)	(80,600)
Expected plan assets, end of year	\$ 21,932,800	\$ 758,600	\$ 20,751,700	\$ 751,400

Amortization of gains/losses on accrued benefit obligation:				
Expected closing balance of accrued benefit obligation	\$ 24,178,800	\$ 2,117,900	\$ 22,300,700	\$ 1,866,700
Actual accrued benefit obligation	24,178,800	2,128,500	22,300,700	2,014,900
Experience loss	\$ —	\$ (10,600)	\$ —	\$ (148,200)
Annual amortization over EARS	\$ —	\$ (900)	\$ —	\$ (13,300)

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2013

6. Employee future benefits (continued):

	2013		2012	
	Pension plan	Employee benefits	Pension plan	Employee benefits
Amortization of gains/losses on pension assets:				
Expected closing balance of plan assets	\$ 21,932,800	\$ 758,600	\$ 20,751,700	\$ 751,400
Actual plan assets	22,381,400	778,000	19,650,500	710,100
Experience gain (loss)	\$ 448,600	\$ 19,400	\$ (1,101,200)	\$ (41,300)
Annual amortization over EARSL	\$ 33,700	\$ 1,400	\$ (82,800)	\$ (2,600)
Actual pension liability recorded in the statements of financial position:				
Actual accrued benefit obligation	\$ 24,178,800	\$ 2,128,500	\$ 22,300,700	\$ 2,014,900
Actual plan assets	(22,381,400)	(778,000)	(19,650,500)	(710,100)
Unamortized actuarial losses	(337,500)	(158,600)	(848,400)	(187,000)
Actual pension liability recorded	\$ 1,459,900	\$ 1,191,900	\$ 1,801,800	\$ 1,117,800

The total accrued pension benefit liability of \$2,651,800 (2012 - \$2,919,600) is included in the Corporation's statement of financial position.

The significant actuarial assumptions used in accounting for the plans are as follows:

	2013		2012	
	Pension plan	Employee benefits	Pension plan	Employee benefits
Discount rate	5.75%	3.0% - 5.75%	5.75%	3.60% - 5.75%
Expected return on plan assets	5.75%	2.88%	5.75%	2.88%
Rate of compensation increase	3.75%	n/a	3.75%	n/a
Indexation rate	1.75%	1.75%	1.75%	1.75%
EARSL	13.3	10.3 - 14.2	13.3	10.3 - 15.6

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2013

6. Employee future benefits (continued):

Assumed health care cost trend rates at March 31:

	2013	2012
Initial health care cost trend rate	6.6%	6.8%
Cost trend rate declines to	3.0%	3.0%
Year that the rate reaches the rate it is assumed to remain at	2031	2031

7. Expenses:

Included in expenses are wages and benefits of \$24,363,153 (2012 - \$24,248,686).

8. Financial instruments, risk management and capital management:

(a) Financial instruments:

PS 3450 requires an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 - unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 - observable or corroborated inputs, other than Level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 - unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

The Corporation's financial assets carried at fair value, which include cash and customer deposits, are classified as Level 1.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2013

8. Financial instruments, risk management and capital management (continued):

There were no financial instruments categorized in Level 2 or in Level 3 as at March 31, 2013 and 2012.

There were no changes in categorization of financial assets and liabilities into the three levels in the fair value hierarchy during the year.

The carrying values of cash, customer deposits, accounts receivable and accounts payable and accrued liabilities approximate fair values due to their short-term nature.

(b) Risk management:

The Corporation's activities expose it to a variety of financial risks: credit risk and liquidity risk. Risk management is the responsibility of the Corporation's management who identifies and evaluates financial risks. Material risks are monitored and discussed with the Audit Committee of the Board of Directors. The Corporation does not utilize derivative financial instruments.

(i) Credit risk:

Credit risk arises from cash held with the banks and financial institutions and accounts receivable. The objective of managing counterparty credit risk is to prevent losses in financial assets. The Corporation assesses the quality of its counterparties, taking into account their creditworthiness and reputation, past experience and other factors.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2013

8. Financial instruments, risk management and capital management (continued):

The aging of accounts receivable is as follows:

	2013	2012
Current	\$ 1,306,489	\$ 1,697,899
Less than 60 days overdue	1,890,205	2,097,771
More than 60 days overdue	33,070	25,432
Less allowance for doubtful accounts	(9,881)	(30,000)
Total trade accounts receivable	3,219,883	3,791,102
Non-trade accounts receivable	338,970	186,825
	\$ 3,558,853	\$ 3,977,927

The carrying amounts of accounts receivable represent the maximum credit exposure.

(ii) Liquidity risk:

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Corporation's objective in managing liquidity risk is to maximize available cash reserves to meet its liquidity requirements in order to meet obligations as they come due. The Corporation has established a conservative investment policy to achieve this objective. The governance of this policy refers to the Corporation's power to invest surplus monies only in the following investments:

- (a) Canadian government securities (federal and provincial);
- (b) guaranteed investment certificates; and
- (c) deposit receipts, deposit notes and bankers' acceptance (Schedule A or B bank).

The policy also includes minimum quality requirements and recognized bond rating agencies pertaining to the above investments.

The Corporation's financial liabilities, which include accounts payable and accrued liabilities, are generally due within one year.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2013

9. Commitments:

The Corporation is committed to minimum annual lease payments (excluding common area charges) under various operating leases for facility rental, parking, office space, computer equipment and equipment, as follows:

2014	\$ 870,356
2015	728,162
2016	208,806
2017	94,285
2018	66,226
Thereafter	1,893,261
	\$ 3,861,096

The Corporation's minimum annual distribution of \$2,500,000 required to be paid to the OFA, as disclosed in note 5, is excluded from the commitments above.

10. Comparative figures:

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

THE NIAGARA PARKS COMMISSION

MANAGEMENT REPORT

October 31, 2012

The Management of The Niagara Parks Commission are responsible for the financial statements and all other information presented in these statements. The statements have been prepared by management in accordance with the framework identified in note 2 in the accompanying audited financial statements.

The financial statements include amounts based on best estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the statements are presented fairly, in all material respects.

Management maintains a system of internal accounting and administrative control that is designed to provide reasonable assurance that the financial information is relevant, reliable, accurate and that the Commission's assets are properly accounted for and adequately safeguarded.

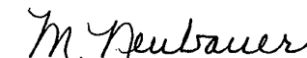
The Board of The Niagara Parks Commission is responsible for gaining assurance that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The Board, through the Audit and Finance Committee, meets periodically with Management to discuss financial results, auditing matters, financial reporting issues and to satisfy itself that each group is properly discharging responsibilities. The Committee reviews the financial statements before recommending approval by the Board.

The financial statements have been audited by Grant Thornton LLP, the Commission's appointed External Auditor and in accordance with Canadian generally accepted auditing standards on behalf of the Commission, Minister of Tourism, Culture and Sport and the Provincial Auditor General. Grant Thornton LLP had direct and full access to all Commission records as well as full access to the Audit and Finance Committee with and without the presence of management to discuss their audit and findings as to the integrity of the Commission's financial reporting.



John Lohuis
General Manager
Services
February 22, 2013



Margaret Neubauer
(A) Senior Director, Corporate

February 22, 2013



Independent auditor's report

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To The Niagara Parks Commission, the Minister of Tourism, Culture and Sport and the Auditor General

We have audited the accompanying financial statements of The Niagara Parks Commission, which comprise the statement of financial position as at October 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. The financial statements have been prepared by management in accordance with the basis of accounting described in Note 2 to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting described in Note 2 to the financial statements, 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 Niagara Parks Commission as at October 31, 2012, and the results of its operations, changes in net debt and cash flows for the years then ended in accordance with the basis of accounting described in Note 2 to the financial statements.

Basis of accounting

Without modifying our opinion, we draw attention to Note 2 to the financial statements which describes that basis of accounting. The financial statements are prepared to assist The Niagara Parks Commission to comply with the financial reporting provisions in the Province of Ontario Ministry of Tourism Memorandum of Understanding and Regulation 395/11 to the Ontario Financial Administration Act. As a result, the financial statements may not be suitable for another purpose.

Port Colborne, Canada
February 22, 2013

A stylized, handwritten-style signature of "Grant Thornton LLP" in black ink.

Chartered Accountants
Licensed Public Accountants

The Niagara Parks Commission Statement of Financial Position

As at October 31

2012

2011

(in thousands of dollars)

Financial assets

Cash and cash equivalents	\$ 10,110	\$ 3,178
Accounts receivable	1,904	3,805
Inventories – saleable	<u>3,583</u>	<u>4,177</u>
	<u>15,597</u>	<u>11,160</u>

Liabilities

Accounts payable	6,319	6,015
Accrued payroll	2,440	2,383
Deferred revenue (Note 3)	1,396	1,571
Deferred capital funding (Note 4)	12,887	8,902
Long term financing (Note 5)	33,676	34,956
Post-employment benefits (Note 6)	3,933	3,869
Power Plant stabilization obligation (Note 7)	<u>27,497</u>	<u>26,859</u>
	<u>88,148</u>	<u>84,555</u>

Net debt

(72,551) (73,395)

Non-financial assets

Tangible capital assets (Note 8 and Page 19)	149,349	153,578
Inventories – other	1,071	1,595
Prepaid expenses	<u>267</u>	<u>155</u>
	<u>150,687</u>	<u>155,328</u>

Accumulated surplus (Note 9)

\$ 78,136 \$ 81,933

Commitments and contingencies (Notes 11 and 12)

On behalf of the Commission



Chair



Commissioner

See accompanying notes to the financial statements.

The Niagara Parks Commission

Statement of Operations

For the Year Ended October 31, 2012
(in thousands of dollars)

	Budget <u>2012</u>	Actual <u>2012</u>	Actual <u>2011</u>
Revenues			
Revenue producing operations	\$ 64,234	\$ 67,283	\$ 60,341
Land rent	6,557	6,629	6,461
Commission, rentals and fees	2,612	2,756	2,565
Premium on United States funds – net	150	29	(132)
Gain on disposal of tangible capital assets		2	11
Sundry revenue	<u>92</u>	<u>299</u>	<u>167</u>
	<u>73,645</u>	<u>76,998</u>	<u>69,413</u>
Expenses (Page 20)			
Revenue producing operations			
Cost of goods sold	10,016	11,112	9,917
Operating	31,378	31,949	29,864
Maintenance	14,017	13,736	13,549
Administrative and police	10,028	11,157	10,698
Marketing and promotion	<u>4,156</u>	<u>3,544</u>	<u>3,349</u>
	<u>69,595</u>	<u>71,498</u>	<u>67,377</u>
Net surplus for the year before undernoted items	<u>4,050</u>	<u>5,500</u>	<u>2,036</u>
Other items			
Interest expense – net (Note 13)	1,784	1,769	1,864
Amortization of tangible capital assets (Note 14)	7,398	7,459	7,283
Amortization of deferred capital funding (Note 4)	<u>(447)</u>	<u>(449)</u>	<u>(37)</u>
	<u>8,735</u>	<u>8,779</u>	<u>9,110</u>
Net deficit from operations	(4,685)	(3,279)	(7,074)
Net increase in Power Plant stabilization obligation (Note 7)	(650)	(638)	(132)
Other capital funding	<u> </u>	<u>120</u>	<u>536</u>
Annual deficit	(5,335)	(3,797)	(6,670)
Accumulated surplus			
Beginning of year	<u>81,933</u>	<u>81,933</u>	<u>88,603</u>
End of year	<u>\$ 76,598</u>	<u>\$ 78,136</u>	<u>\$ 81,933</u>

See accompanying notes to the financial statements.

The Niagara Parks Commission

Statement of Changes in Net Debt

For the Year Ended October 31
(in thousands of dollars)

	2012	2011
Annual deficit	\$ (3,797)	\$ (6,670)
Amortization of tangible capital assets	7,459	7,283
Acquisition of tangible capital assets (Note 16)	(3,302)	(10,491)
Proceeds from the sale of tangible capital assets	74	11
Gain on sale of tangible capital assets - net	<u>(2)</u>	<u>(11)</u>
	432	(9,878)
Use (acquisition) of prepaid expenses	(112)	332
Use (acquisition) of other inventories	<u>524</u>	<u>(169)</u>
Decrease (increase) in net debt	844	(9,715)
Net debt		
Beginning of year	<u>(73,395)</u>	<u>(63,680)</u>
End of year	<u>\$ (72,551)</u>	<u>\$ (73,395)</u>

See accompanying notes to the financial statements.

The Niagara Parks Commission

Statement of Cash Flows

For the Year Ended October 31
(in thousands of dollars)

	2012	2011
Increase (decrease) in cash and cash equivalents		
Operating activities		
Annual deficit	\$ (3,797)	\$ (6,670)
Charges against income not requiring an outlay of funds		
Post-employment benefits	390	372
Amortization of tangible capital assets	7,459	7,283
Amortization of deferred capital funding	(449)	(37)
Gain on disposal of tangible capital assets – net	(2)	(11)
Increase in Power Plant stabilization obligation – net	<u>638</u>	<u>132</u>
	4,239	1,069
Net change in non-cash working capital balances related to operations (Note 15)	<u>3,093</u>	<u>149</u>
	<u>7,332</u>	<u>1,218</u>
Capital activities		
Acquisition of tangible capital assets (Note 16)	(3,302)	(10,491)
Proceeds from the sale of tangible capital assets	<u>74</u>	<u>11</u>
	<u>(3,228)</u>	<u>(10,480)</u>
Financing activities		
Net decrease in long term financing	(1,280)	(1,390)
Cash outlay related to post-employment benefits	(326)	(262)
Receipt of capital funding	<u>4,434</u>	<u>7,590</u>
	<u>2,828</u>	<u>5,938</u>
Net increase (decrease) in cash and cash equivalents	6,932	(3,324)
Cash and cash equivalents		
Beginning of year	<u>3,178</u>	<u>6,502</u>
End of year	<u>\$ 10,110</u>	<u>\$ 3,178</u>

See accompanying notes to the financial statements.

The Niagara Parks Commission

Notes to the Financial Statements

For the Year Ended October 31, 2012

1. Nature of operations

The Niagara Parks Commission (the "Commission") is governed by the Niagara Parks Act. Initially established in 1885, the Commission is an "Operational Enterprise" of the Province of Ontario and is responsible for maintaining, protecting and showcasing over 1,300 hectares of parkland stretching some 56 kilometres along the Niagara River from Lake Erie to Lake Ontario. The Commission is exempt from corporate income taxes under the Income Tax Act (Canada) and Ontario Corporation Tax Act.

The Commission is also classified as an Other Government Organization by the Ministry of Finance and as such, the Commission's audited financial statements are published as part of the Public Accounts.

2. Significant accounting policies

Basis of accounting

These financial statements have been prepared in accordance with the financial reporting provisions in the Province of Ontario Ministry of Tourism Memorandum of Understanding and the Regulation 395/11 to the Ontario Financial Administration Act. The significant accounting principles used in the preparation of these financial statements are in line with the accounting standards established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA) and Regulation 395/11 to the Ontario Financial Administration Act.

The significant accounting principles used in the preparation of these financial statements are summarized below.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits with maturities of less than three months.

Inventories

Saleable and other inventories are valued at the lower of average cost and net realizable value.

Tangible capital assets

Tangible capital assets are recorded at cost. Cost includes all directly attributable expenses in the acquisition, construction, development and/or betterment of the asset required to install the asset at the location and in the condition necessary for its intended use. Contributed tangible capital assets are capitalized at their estimated fair value upon acquisition.

The Commission capitalizes an amount of interest as part of the costs of its capital works in progress and financed via long term financing.

Works of art for display in the Commission property are not included as capital assets. The works of art are held for exhibition, educational and historical interest. Such assets are deemed worthy of preservation because of the social rather than financial benefits they provide to the community. No valuation of the collection has been disclosed in the financial statements.

The Niagara Parks Commission

Notes to the Financial Statements

For the Year Ended October 31, 2012

2. Significant accounting policies (continued)

Tangible capital assets (continued)

Leases are classified as capital or operating leases. Leases that transfer substantially all benefits incidental to ownership are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

Amortization is calculated on a straight-line basis to write-off the net cost of each asset over its estimated useful life for all classes except land. Land is considered to have an infinite life without amortization. Residual values of assets are assumed to be zero with any net gain or loss arising from the disposal of assets recognized in the Statement of Operations. Amortization is charged on a monthly basis. Capital works in progress are not amortized until the asset is available for productive use.

Amortization is based on the following classifications and useful lives:

<u>Classification</u>	<u>Useful Life</u>
Buildings, roadways and structures	7 to 40 years
Equipment and furnishings	3 to 10 years
Vehicles	10 to 12 years

Deferred revenue

Revenue that is restricted by legislation of senior governments or by agreement with external parties are deferred and reported as restricted revenues. When qualifying expenses are incurred, restricted revenues are brought into revenue at equal amounts. Revenues received in advance of expenses that will be incurred in a later period are deferred until they are earned by being matched against those expenses.

Deferred capital funding

Government transfers for capital purposes are recorded as a liability, referred to as deferred capital funding and are recognized into revenue at the same rate as the related tangible capital assets are amortized, in accordance with Regulation 395/11 to the Ontario Financial Administration Act, as disclosed above.

Employee future benefits

The present value of the cost of providing employees with future benefit programs is expensed as employees earn these entitlements.

Revenue recognition

Revenue from gift shops, restaurants and attractions are recognized when merchandise has been transferred to the customer or services have been rendered. Revenue from land rent, commissions, rentals, fees and sundry are recognized over the life of the agreement or when earned.

The Niagara Parks Commission

Notes to the Financial Statements

For the Year Ended October 31, 2012

2. Significant accounting policies (continued)

Foreign currency translation

These financial statements are presented in Canadian dollars. Assets and liabilities denominated in foreign currencies are translated at the exchange rates in effect at the statement of financial position date. Gains and losses on translation are reflected in the annual surplus/deficit.

Use of estimates and measurement uncertainty

The preparation of financial statements in accordance with Canadian public sector accounting standards 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. Two areas in which estimates are used are with regards to post-employment benefits (Note 6) and the Power Plant stabilization obligation (Note 7).

3. Deferred revenue

	<u>2012</u>	<u>2011</u>
	<i>(in thousands of dollars)</i>	
Defunct power stations (Note 7)	\$ 215	\$ 226
Sale proceeds related to Fort Erie land transaction	548	669
Other	<u>633</u>	<u>676</u>
	<u>\$ 1,396</u>	<u>\$ 1,571</u>

Fort Erie land transaction obligation

In fiscal 2009, the Commission and the Peace Bridge Authority ("PBA") entered into an agreement to transfer parcels of land. The PBA acquired a 5.952 acre parcel located in Fort Erie from the Commission for \$ 2,021,206. The Commission acquired an option for \$ 670,000 plus an annual sum of \$ 7,300 adjusted for inflation, to receive 1.973 acres of river front property located at the end of Jarvis Street in Fort Erie from the PBA. The agreement calls for the net proceeds to the Commission in the amount of \$ 1,351,206 to be spent on a) funding improvements at Old Fort Erie which are intended for the 200th year anniversary of the War of 1812 and b) returning and/or maintaining the Jarvis Street property as parkland.

The net proceeds were recorded as part of deferred revenue on the statement of financial position. To date approximately \$ 756,000 from these proceeds have been spent on the capital works project for the renovation of Historic Fort Erie and approximately \$ 47,000 has been spent on the Jarvis Street property maintenance. As of October 31, 2012, approximately \$ 548,000 remains for use in 2013 and beyond.

The Niagara Parks Commission

Notes to the Financial Statements

For the Year Ended October 31, 2012

4. Deferred capital funding

The Commission secured stimulus grant funding to renovate its heritage sites in the amount of \$ 8,939,056 and as of October 31, 2011 all funds were utilized and the projects were complete. In 2012 the Commission received \$ 4,000,000 in capital funding to renovate the Falls Incline Railway in order to make it more accessible to visitors. The Falls Incline Railway capital project was in progress as of October 31, 2012. The Commission entered into a capital funding agreement with the City of Niagara Falls to rehabilitate a bridge located on the Parkway that was in a state of disrepair and was also in progress as of October 31, 2012. There was also some additional funding received from the Province to complete some smaller capital works projects in 2012.

	<u>2012</u>	<u>2011</u>
	<i>(in thousands of dollars)</i>	
Deferred capital funding		
Beginning of year	\$ 8,902	\$ 1,349
Received during year	4,434	7,590
Amortization	<u>(449)</u>	<u>(37)</u>
End of year	<u>\$ 12,887</u>	<u>\$ 8,902</u>

5. Long term financing

	<u>2012</u>	<u>2011</u>
	<i>(in thousands of dollars)</i>	
Unsecured fixed rate term loan requiring blended payments of principal and interest of \$ 2,640,907 per annum, bearing interest at 5.06% through to April, 2027	\$ 27,364	\$ 28,561
Unsecured fixed rate term loan requiring blended first annual payment of \$ 543,418 and then payments of \$ 569,965 per annum thereafter, bearing interest at 5.07% through to April, 2027	6,019	6,271
Unsecured note payable requiring blended payments of principal and interest of \$ 7,797 per month, bearing interest at 6% through to November, 2014	176	-
The Commission has an option to purchase land requiring annual payments of \$ 7,300 until January, 2028 (Note 3)	<u>117</u>	<u>124</u>
	<u>\$ 33,676</u>	<u>\$ 34,956</u>

The principal payments of the long term financial obligations due in the next five fiscal periods are as follows:

2013	\$ 1,609
2014	1,694
2015	1,695
2016	1,772
2017	1,861

The Niagara Parks Commission

Notes to the Financial Statements

For the Year Ended October 31, 2012

6. Post-employment benefits

Defined termination benefits

The Commission provides a defined employee future benefit, payable on termination to certain full time employees with a minimum of five years of service. The benefit is calculated on the basis of one week's remuneration, at the time of termination, for every year of full time service provided to the Commission to a maximum of twenty-six weeks. The accrued benefit liability as at October 31, 2012 is \$ 3,933,356 (2011 - \$ 3,869,482).

The Commission requires that an actuarial valuation of the post-employment benefits be conducted every three years. The last valuation was completed for the year ending October 31, 2010.

As a result of an actuarial valuation conducted in 2010 for the year ending October 31, 2010, it was determined that an actuarial gain of \$ 140,884 existed. The actual obligation as at October 31, 2012 is \$ 3,792,472 (2011 - \$ 3,728,598). Since the actuarial gain is less than 10% of the actual obligation, no minimum amortization has been recorded for the year.

Defined benefit plan information	<u>2012</u>	<u>2011</u>
	<i>(in thousands of dollars)</i>	
Employee benefit plan assets	\$ Nil	\$ Nil
Employee benefit plan liabilities	<u>3,933</u>	<u>3,869</u>
Employee benefit plan deficit	<u>\$ 3,933</u>	<u>\$ 3,869</u>
Benefit obligation recognized on the statement of financial position		
Benefit obligation, beginning of year	\$ 3,869	\$ 3,759
Expense for the year	390	372
Benefits paid during the year	<u>(326)</u>	<u>(262)</u>
Benefit obligation, end of year	<u>\$ 3,933</u>	<u>\$ 3,869</u>
The net benefit expense is as follows:		
Current service cost	\$ 207	\$ 193
Interest cost	<u>183</u>	<u>179</u>
	<u>\$ 390</u>	<u>\$ 372</u>

The main actuarial assumptions applied in the valuation of the defined benefit plan are as follows:

Interest (discount) rate – the accrued obligation and the expense for the year were determined using a discount rate of 5%.

Salary levels – future salary and wage levels were assumed to increase at 3% per annum.

These assumptions will be reviewed with the next actuarial valuation in fiscal 2013.

The Niagara Parks Commission

Notes to the Financial Statements

For the Year Ended October 31, 2012

6. Post-employment benefits (continued)

Pension benefits

The Commission provides pension benefits for all its permanent employees (and to non-permanent employees who elect to participate) through the Public Service Pension Fund ("PSPF") and the Ontario Public Service Employees' Union Pension Fund ("OPSEU Pension Fund"). These are defined benefit pension plans for employees of the Province and many provincial agencies. The Province of Ontario, which is the sole sponsor of the PSPF and a joint sponsor of the OPSEU Pension Fund, determines the Commission's annual payments to the funds. As the sponsors are responsible for ensuring that the pension funds are financially viable, any surpluses or unfunded liabilities arising from statutory actuarial funding valuations are not assets or obligations of the Commission. The Commission's annual payments of \$ 2,018,061 (2011 - \$ 1,784,726), of which \$ 1,009,030 (2011 - \$ 892,363) represents the employees' portion, are included in the administrative and police expense on the statement of operations.

The cost of post-employment, non-pension benefits are paid by the Province and therefore are not included in the statement of operations.

7. Power Plant stabilization obligation

The Province of Ontario directed the Commission to accept ownership of three former electricity generating power stations all located within Commission lands.

The Toronto Power Generating Station ("TPGS") and the Ontario Power Generating Station ("OPGS") were transferred by Ontario Power Generation Inc. ("OPG") to the Commission at no cost in August, 2007. As part of the terms of transfer of TPGS and OPGS, OPG was to undertake certain structural and environmental work to ensure that the buildings were no threat to the public. The Canadian Niagara Power Generating Station ("CNPGS") previously owned by Fortis Ontario was transferred April 30, 2009.

The Ministry of Tourism engaged the services of an architectural firm (The Ventin Group Inc.) to ensure that the original Government Directive governing the initial transfer was complied with and to identify work and related costs required to "stabilize and mothball" all the facilities until an ultimate use for the buildings can be determined. The Ventin Group identified the remaining lead paint at the TPGS and OPGS as a deficiency which OPG should have resealed or encapsulated after cleaning. The Ventin Group reported that there are substantial costs required to bring the three power stations to what would be considered a "mothball" state. Therefore, additional costs would be required to bring these buildings to a "development ready" state. Further, there are in existence certain secondary structures related to TPGS and OPGS that were not accounted for in the original Directive that will result in additional remediation costs at some point in the future.

The Commission is of the belief that the acceptance of these Power Generating Stations will require a significant infusion of funds that is beyond its capacity to meet. As at October 31, 2012, ongoing negotiations with the Province have not resulted in any assurance that the Commission will not be responsible for any future costs. Any costs that are expected to be incurred for the purposes described above will not commence without funding received from the Province.

The Niagara Parks Commission

Notes to the Financial Statements

For the Year Ended October 31, 2012

7. Power Plant stabilization obligation (continued)

An asset retirement obligation of \$ 25,146,000 as of October 31, 2009 was calculated. This value represented the Commission's best estimate of the costs required to "stabilize and mothball" the three power stations based on the report received from the Ventin Group. The report also identified contingency costs of approximately \$ 3,600,000 which was not accrued in the asset retirement obligation at that time. The Commission estimates that this work could take approximately three to four years to complete. In order to determine the net present value of the asset retirement obligation, staff have estimated that, subject to financing being received from the Province, work will not commence for several years. It is estimated that the work may commence in 2016. The cost of capital and the rate of inflation estimated over the course of the calculation was 5.059% and 3%, respectively. This results in a net present value of \$ 22,582,729 as at October 31, 2012. This is an increase of \$ 455,598 from 2011 and has been recorded in the statement of operations.

Two additional studies were completed during the year ended October 31, 2010 which identified an additional liability involved with the "stabilization and mothball" process. The first report known as the Hatch group study identified an additional \$ 6,305,000 for external/infrastructure work that is required. The second study was completed by the Quartek group which identified an additional \$ 1,260,000 related to additional costs to stabilize the roofs of the buildings. Together these two reports equal an increase of \$ 7,565,000. As previously mentioned it is estimated this work will not commence until 2016 and correspondingly another calculation for the net present value of this additional liability was performed using a cost of capital of 5.059% and inflation rate of 2% respectively. This results in net present value of \$ 6,541,772 as at October 31, 2012 for this portion of the liability. This is an increase of \$ 194,173 from 2011 and has also been recorded in the statement of operations.

	<u>2012</u>	<u>2011</u>
	<i>(in thousands of dollars)</i>	
Power Plant stabilization obligation		
Beginning of year	<u>\$ 26,859</u>	<u>\$ 26,727</u>
Current year increase in present value of original obligation	<u>650</u>	635
Actual work performed during year	<u>(12)</u>	<u>(503)</u>
Net increase in Power Plant stabilization obligation	<u>638</u>	<u>132</u>
End of year	<u>\$ 27,497</u>	<u>\$ 26,859</u>

A capital asset has not been recorded for these properties as there is an impairment in their value, which has been documented in the various studies carried out to date.

As at October 31, 2009, the Commission had received \$ 1,550,000 in funding from the Ministry of Tourism to assist in the "stabilizing and mothball" process. Approximately \$ 215,000 of this funding remains for use in 2013 and beyond.

The Commission has incurred annual costs related to maintenance and security for all sites and has recorded them in the statement of operations and are included in the maintenance expense.

The Niagara Parks Commission

Notes to the Financial Statements

For the Year Ended October 31, 2012

8. Tangible capital assets		2012	2011	
		(in thousands of dollars)		
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 14,359		\$ 14,359	\$ 14,359
Land improvements	17,135		17,135	17,135
Buildings, roadways and structures	203,239	\$ 93,131	110,108	114,842
Equipment, furnishings and vehicles	<u>49,347</u>	<u>43,460</u>	<u>5,887</u>	<u>6,677</u>
	284,080	136,591	147,489	153,013
Capital works in progress	<u>1,860</u>		<u>1,860</u>	<u>565</u>
	<u>\$ 285,940</u>	<u>\$ 136,591</u>	<u>\$ 149,349</u>	<u>\$ 153,578</u>
Equipment under capital lease included above	\$ 69	\$ 35	\$ 34	\$ 41

9. Accumulated surplus		<u>2012</u>	<u>2011</u>
		<i>(in thousands of dollars)</i>	
Operating surplus		\$ <u>6,780</u>	\$ 2,941
Investment in tangible capital assets		<u>136,462</u>	<u>144,676</u>
Unfunded			
Long term debt		(33,676)	(34,956)
Post-employment benefits		(3,933)	(3,869)
Power Plant stabilization obligation		<u>(27,497)</u>	<u>(26,859)</u>
		<u>(65,106)</u>	<u>(65,684)</u>
Accumulated surplus		<u>\$ 78,136</u>	<u>\$ 81,933</u>

Surplus funds

Pursuant to Section 16(2) of the Niagara Parks Act, any surplus moneys shall, on the order of the Lieutenant Governor in Council, be paid to the Minister of Finance and shall form part of the consolidated revenue fund. As at October 31, 2012 no surplus moneys have been recorded as a liability to the Minister of Finance.

The Niagara Parks Commission

Notes to the Financial Statements

For the Year Ended October 31, 2012

10. Credit facilities

The credit facilities, which have a maximum borrowing capacity of \$ 15,000,000, provide for two types of loans. There is a variable rate option which varies with the Canadian Imperial Bank of Commerce prime rate and there is a fixed rate operating loan facility available with a maximum term not to exceed 364 days at rates which are set relative to banker's acceptance rates. These credit facilities are unsecured and expire on October 31, 2014. As at October 31, 2012, \$ Nil has been drawn upon for all credit facilities (2011 – \$ Nil).

11. Commitments

The Commission has committed to approximately \$ 11,772,000 in capital works projects in the next year. The commitment involves the completion of the Falls Incline Railway (approximately \$ 6,100,000) and Bridge rehabilitation (approximately \$ 5,600,000).

The Commission has two agreements with a franchisor requiring the payment of service fees of 4% of gross sales and advertising and marketing fees of 2.5% of gross sales. The terms of the agreements are 10 years, expiring in 2016 and 2022. In addition, the Commission has an agreement to lease related equipment from the franchisor, at a rental fee ranging from 1% to 4% of gross sales depending on the level of sales. The Commission has the option to purchase said equipment for a price equal to the unamortized value.

The Commission leases vehicles, equipment and premises under operating leases expiring in 2018. The total obligation under operating leases amounts to approximately \$ 435,000. The principal payments due in the next five fiscal periods are as follows:

2013	\$ 224
2014	172
2015	12
2016	9
2017	9

12. Contingencies

The Commission is in litigation pertaining to certain claims for which the likelihood of loss is not determinable and the amount not reasonably estimable. Accordingly, no provision for these claims is reflected in the financial statements.

13. Interest expense – net

	Budget 2012	Actual 2012	Actual 2011
		(in thousands of dollars)	
Interest revenue	\$ (25)	\$ (30)	\$ (25)
Loan interest expense	<u>1,809</u>	<u>1,799</u>	<u>1,889</u>
	<u>\$ 1,784</u>	<u>\$ 1,769</u>	<u>\$ 1,864</u>

The Niagara Parks Commission

Notes to the Financial Statements

For the Year Ended October 31, 2012

14. Amortization of tangible capital assets	Budget 2012	Actual 2012	Actual 2011
		<i>(in thousands of dollars)</i>	
Amortization of income producing assets	\$ 4,201	\$ 4,275	\$ 4,031
Amortization of non-income producing assets	<u>3,197</u>	<u>3,184</u>	<u>3,252</u>
	\$ 7,398	\$ 7,459	\$ 7,283

15. Statement of cash flows	2012	2011
	<i>(in thousands of dollars)</i>	

Changes in working capital components include

Accounts receivable	\$ 1,901	\$ (597)
Inventories	1,118	789
Accounts payable and accrued payroll	361	240
Deferred revenue	(175)	(615)
Prepaid expenses	<u>(112)</u>	<u>332</u>
	\$ 3,093	\$ 149
Interest received	<u>\$ 30</u>	<u>\$ 25</u>
Interest paid	<u>\$ 1,799</u>	<u>\$ 1,889</u>

16. Acquisition of tangible capital assets

During the year, tangible capital assets were acquired at an aggregate cost of \$ 3,302,000 (2011 - \$ 10,491,000) of which \$ 156,000 (2011 - \$ Nil) was acquired by means of capital leases and other non-cash acquisitions. Cash payments of \$ 3,146,000 (2011 - \$ 10,491,000) were made to purchase tangible capital assets.

17. Financial instruments and risk management

Fair value

Fair value information with respect to long term financing has been omitted because it is not practicable to determine fair value with sufficient reliability.

The fair value of the post-employment termination benefit was determined using an actuarial valuation based on information presented in Note 6 to the financial statements.

The Niagara Parks Commission

Notes to the Financial Statements

For the Year Ended October 31, 2012

17. Financial instruments and risk management (continued)

Credit risk

The Commission is exposed to a credit risk by its customers. However, because of the large number of customers, credit risk concentration is reduced to a minimum.

Currency risk

The Commission has cash of \$ 2,117,805 that is denominated in U.S. dollars. These funds have been converted to the Canadian equivalent at the rate of \$ 1 U.S. equals \$ 0.9993 Canadian. The Commission realizes approximately 13.9% (2011 – 14.4%) of its sales in foreign currency. Consequently, some assets and revenues are exposed to foreign exchange fluctuations.

Cash flow risk

The Commission has variable rate bank overdraft facilities bearing interest which varies with the prime interest rate. Accordingly, the Commission is exposed to cash flow risks relating to potential fluctuations in market interest rates.

18. Comparative figures

Certain 2011 comparative figures have been reclassified to conform to the financial statement presentation adopted in 2012.

The Niagara Parks Commission

Schedule of Tangible Capital Assets

For the Year Ended October 31, 2012
(in thousands of dollars)

	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings Roadways Structures</u>	<u>Equipment Furnishings Vehicles</u>	<u>Capital Works in Progress</u>	<u>2012</u>	<u>2011</u>
Cost							
Beginning of year	\$ 14,359	\$ 17,135	\$ 202,191	\$ 50,692	\$ 565	\$ 284,942	\$ 274,897
Add additions			156	959	2,187	3,302	10,491
Less disposals				(2,304)		(2,304)	(446)
Transfers of capital works in progress			892		(892)		
End of year	<u>14,359</u>	<u>17,135</u>	<u>203,239</u>	<u>49,347</u>	<u>1,860</u>	<u>285,940</u>	<u>284,942</u>
Accumulated amortization							
Beginning of year			87,349	44,015		131,364	124,527
Add amortization			5,782	1,677		7,459	7,283
Less disposals				(2,232)		(2,232)	(446)
End of year			<u>93,131</u>	<u>43,460</u>		<u>136,591</u>	<u>131,364</u>
Net book value	<u>\$ 14,359</u>	<u>\$ 17,135</u>	<u>\$ 110,108</u>	<u>\$ 5,887</u>	<u>\$ 1,860</u>	<u>\$ 149,349</u>	<u>\$ 153,578</u>

The Niagara Parks Commission

Schedule of Expenses by Object

For the Year Ended October 31, 2012
(in thousands of dollars)

	Budget <u>2012</u>	Actual <u>2012</u>	Actual <u>2011</u>
Cost of goods sold	\$ 10,016	\$ 11,112	\$ 9,917
Salaries, wages and benefits	41,579	41,613	39,380
Sales and other	1,647	2,459	2,270
Equipment repairs and maintenance	4,321	4,235	4,360
Materials and supplies	2,057	2,209	1,840
Advertising and promotion	2,311	1,942	2,000
Facilities	6,159	5,709	5,632
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