

# ONTARIO INNOVATION TRUST

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2001 Non-Consolidated Financial Statements

**ONTARIO INNOVATION TRUST**  
2001 Non-Consolidated Financial Statements

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## Auditors' Report

### To the Directors of Ontario Innovation Trust

We have audited the non-consolidated balance sheet of **Ontario Innovation Trust** as at March 31, 2001 and the non-consolidated statements of operations and capital, changes in capital, and cash flows for the year then ended. These non-consolidated financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these non-consolidated financial statements present fairly, in all material respects, the financial position of the Trust as at March 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles except that they are prepared on a non-consolidated basis as explained in note 1.

PKF Hill LLP

July 11, 2001

# ONTARIO INNOVATION TRUST

Non-Consolidated Balance Sheet as at March 31

	2001	2000
<b>ASSETS</b>		
Current assets		
Cash	\$ 21,745	\$ 43,024
Accrued interest receivable	4,407,399	427,400
Accounts receivable	195,451	-
Prepaid expenses	233,536	5,560
Short-term investments	670,108,424	257,747,750
	674,966,555	258,223,734
Capital assets (note 3)	140,816	90,948
	\$ 675,107,371	\$ 258,314,682

## LIABILITIES AND CAPITAL

Current liabilities - accounts payable and accrued liabilities	\$ 402,019	\$ 57,789
Capital		
Invested in capital assets	140,816	90,948
Restricted for approved grants (internally restricted)	245,990,763	158,337,444
Unrestricted	428,573,773	99,828,501
	674,705,352	258,256,893
	\$ 675,107,371	\$ 258,314,682

See accompanying notes

On behalf of the Board:

Member

Member

## ONTARIO INNOVATION TRUST

Non-Consolidated Statement of Operations and Capital  
Year Ended March 31

	2001	2000
Revenue		
Interest income	\$ 34,932,495	\$ 11,236,021
Rental income	12,000	-
	34,944,495	11,236,021
Expenses		
Investment custody services	501,039	185,400
Consulting and management services	805,947	117,122
Salaries and benefits	216,269	84,602
Professional fees	57,788	36,587
Office and general	128,828	20,550
Travel	62,740	7,674
Rent	62,260	4,855
Amortization	63,964	2,338
	1,898,835	459,128
Excess of revenue over expenses	33,045,660	10,776,893
Sponsor contribution from the Government of Ontario, Ministry of Energy, Science and Technology	500,000,000	250,000,000
Eligible project disbursements	(116,597,201)	(2,520,000)
Increase in capital during the year	416,448,459	258,256,893
Capital, beginning of year	258,256,893	-
Capital, end of year	\$ 674,705,352	\$ 258,256,893

See accompanying notes

**ONTARIO INNOVATION TRUST**  
 Non-Consolidated Statement of Changes in Capital  
 Year Ended March 31

	2001				2000	
	Invested in Capital Assets	Restricted for Approved Grants (Internally Restricted)	Unrestricted	Total	Total	
Capital, beginning of year	\$ 90,948	158,337,444	99,828,501	\$ 258,256,893	\$ -	
Excess of revenue over expenses	(63,964)	-	33,109,624	33,045,660	10,776,893	
Sponsor contribution	-	-	500,000,000	500,000,000	250,000,000	
Purchase of capital assets	113,832	-	(113,832)	-	-	
Grants approved	-	204,250,520	(204,250,520)	-	-	
Eligible project disbursements	-	(116,597,201)	-	(116,597,201)	(2,520,000)	
Capital, end of year	\$ 140,816	245,990,763	428,573,773	\$ 674,705,352	\$ 258,256,893	

See accompanying notes

**ONTARIO INNOVATION TRUST**  
 Non-Consolidated Statement of Cash Flows  
 Year Ended March 31

	<b>2001</b>	<b>2000</b>
Operating activities		
Excess of revenue over expenses	\$ 33,045,660	\$ 10,776,893
Eligible project disbursements	(116,597,201)	(2,520,000)
Add amortization, not involving cash	63,964	2,338
	(83,487,577)	8,259,231
Net change in non-cash working capital		
Accrued interest receivable	(3,979,999)	(427,400)
Accounts receivable	(195,451)	-
Prepaid expenses	(227,976)	(5,560)
Accounts payable accrued liabilities	344,230	57,789
Cash flows from operating activities	(87,546,773)	7,884,060
Financing activities		
Sponsor contribution and cash flows from financing activities	500,000,000	250,000,000
Investing activities		
Capital assets purchased	(113,832)	(93,286)
Short-term investments	(412,360,674)	(257,747,750)
Cash flows from investing activities	(412,474,506)	(257,841,036)
Net increase (decrease) in cash position during the year	(21,279)	43,024
Cash, beginning of year	43,024	-
Cash, end of year	\$ 21,745	\$ 43,024

**See accompanying notes**

# ONTARIO INNOVATION TRUST

Notes to Non-Consolidated Financial Statements  
Year Ended March 31, 2001

## 1. Purpose and Creation

The Ontario Innovation Trust ("the Trust"), an inter-vivos trust, was created on March 31, 1999. The Trust was sponsored by the Government of Ontario, Ministry of Energy, Science and Technology. However, as part of the terms of the trust agreement, the Government of Ontario is precluded from amending the trust agreement or exercising control over the Trust. The object of the Trust is to grant funding for qualifying projects that increase the capacity to conduct important, high quality research in Ontario. Eligible recipients are Ontario hospitals, universities, community colleges, and non-profit organizations that carry on (or in the opinion of the Board are capable of carrying on) research.

On April 27, 2000, the board approved the creation of the Innovation Institute of Ontario ("IIO"). While the IIO is a subsidiary of the Trust, it has not been consolidated in these financial statements.

The IIO was incorporated under the Canadian Corporations Act without share capital by letters of patent dated June 13, 2000. The IIO was incorporated as a not-for-profit organization and is, therefore, exempt from taxes.

The IIO provides client support, proposal assessment, financial services, communications, public relations assistance, administrative and related support services and expertise to the Ontario Innovation Trust, The Ontario Research and Development Challenge Fund of the Ministry of Energy, Science and Technology and other organizations or groups with similar objects on a not-for-profit basis.

The following are the balances of the IIO for the year ended March 31, 2001:

Assets	\$ 715,476
Liabilities	448,895
Net assets	266,581
Revenue	592,000
Expenditures	325,419
Cash flows from operating activities	623,728
Cash flows from investing activities	(266,320)
Cash flows from financing activities	-

## 2. Summary of Significant Accounting Policies

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles, the more significant of which are outlined below. The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. Actual results could differ from these estimates.

### Short-term investments

Short-term investments are recorded at cost. Investments include term deposits, money-market funds, and bankers acceptances. Market value approximates cost.

### Capital assets

Capital assets are recorded at cost. The Trust provides for amortization at annual rates which are expected to amortize the cost of capital assets over their estimated useful lives on a straight-line basis, as follows:

Leasehold improvements	-	life of the lease
Furniture and equipment	-	5 years
Computer equipment	-	3 years

## ONTARIO INNOVATION TRUST

Notes to Non-Consolidated Financial Statements  
Year Ended March 31, 2001

### 2. Summary of Significant Accounting Policies - continued

Capital is comprised of the following components:

(a) Invested in capital assets

Invested in capital assets represents the net book value of capital assets less any indebtedness thereon.

(b) Restricted for approved grants (internally restricted)

When eligible project funding is approved, the related capital is transferred from unrestricted capital to capital restricted for approved grants. Eligible project disbursements, in accordance with the terms of the grant, are charged to capital restricted for approved grants.

(c) Unrestricted

Unrestricted capital includes sponsor contributions and the excess of revenue over expenses of the Trust.

### 3. Capital Assets

Capital assets consist of the following:

	2001			2000
	Cost	Accumulated Amortization	Net	Net
Leasehold improvements	\$ 8,825	3,187	\$ 5,638	\$ 8,580
Furniture and equipment	38,065	7,829	30,236	25,667
Computer equipment	160,228	55,286	104,942	56,701
	<u>\$ 207,118</u>	<u>66,302</u>	<u>\$ 140,816</u>	<u>\$ 90,948</u>

### 4. Operating Lease Commitments

The Trust is committed under operating leases for rental of its premises and office equipment that extend to the year 2005. Minimum annual payments required during the next four fiscal years are as follows:

2002	\$ 62,790
2003	58,108
2004	6,604
2005	6,054
	<u>\$ 133,556</u>

## **ONTARIO INNOVATION TRUST**

Notes to Non-Consolidated Financial Statements  
Year Ended March 31, 2001

### **5. Subsequent Event**

Subsequent to the year ended March 31, 2001, the Board of Directors approved a one time payment to the IIO of \$250,000 to pay for a portion of the renovation costs for the office located at 149 College Street. The balance receivable to the Trust at March 31, 2001 of \$206,416 was offset by this amount and the net balance was paid subsequent to the year end.