

# ONTARIO INNOVATION TRUST

---

2002 Non-Consolidated Financial Statements

**ONTARIO INNOVATION TRUST**  
2002 Non-Consolidated Financial Statements

**Contents**

	Page
Auditors' Report	1
Non-Consolidated Balance Sheet	2
Non-Consolidated Statement of Operations and Capital	3
Non-Consolidated Statement of Changes in Capital	4
Non-Consolidated Statement of Cash Flows	5
Notes to Non-Consolidated Financial Statements	6 - 8

## **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, 2002 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, 2002 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, 2002

# ONTARIO INNOVATION TRUST

Non-Consolidated Balance Sheet as at March 31

	2002	2001
<b>ASSETS</b>		
Current assets		
Cash	\$ 259,887	\$ 21,745
Accrued interest receivable	-	4,407,399
Accounts receivable	83,923	195,451
Prepaid expenses	5,560	233,536
Short-term investments	576,606,751	670,108,424
Current portion of due from Innovation Institute of Ontario (note 3)	80,000	-
	577,036,121	674,966,555
Due from Innovation Institute of Ontario (note 3)	320,000	-
Capital assets (note 4)	81,878	140,816
	\$ 577,437,999	\$ 675,107,371
<b>LIABILITIES AND CAPITAL</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 115,391	\$ 402,019
Due to Innovation Institute of Ontario	481,955	-
	597,346	402,019
Capital		
Invested in capital assets	81,878	140,816
Restricted for approved grants (internally restricted)	204,311,548	245,990,763
Unrestricted	372,447,227	428,573,773
	576,840,653	674,705,352
	\$ 577,437,999	\$ 675,107,371

See accompanying notes

On behalf of the Board:

Member

Member

## ONTARIO INNOVATION TRUST

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

	2002	2001
Revenue		
Interest income	\$ 25,561,058	\$ 34,932,495
Rental income	-	12,000
	<hr/>	<hr/>
	25,561,058	34,944,495
	<hr/>	<hr/>
Expenses		
Consulting and management services	1,019,366	805,947
Service fees paid to Innovation Institute of Ontario	436,078	-
Investment and custody services	399,504	501,039
Salaries and benefits (note 5)	365,933	216,269
Contribution to Innovation Institute of Ontario (note 6)	250,000	-
Office and general	135,638	128,828
Rent	123,379	62,260
Professional fees	74,862	57,788
Amortization	66,073	63,964
Travel	43,336	62,740
	<hr/>	<hr/>
	2,914,169	1,898,835
	<hr/>	<hr/>
Excess of revenue over expenses	22,646,889	33,045,660
Sponsor contribution from the Government of Ontario, Ministry of Energy, Science and Technology	-	500,000,000
Eligible project disbursements	(120,511,588)	(116,597,201)
	<hr/>	<hr/>
Increase (decrease) in capital during the year	(97,864,699)	416,448,459
Capital, beginning of year	674,705,352	258,256,893
	<hr/>	<hr/>
Capital, end of year	\$ 576,840,653	\$ 674,705,352

See accompanying notes

## ONTARIO INNOVATION TRUST

Non-Consolidated Statement of Changes in Capital  
Year Ended March 31

	2002				2001	
	Invested in Capital Assets	Restricted for Approved Grants (Internally Restricted)	Unrestricted	Total	Total	
Capital, beginning of year	\$ 140,816	245,990,763	428,573,773	\$ 674,705,352	\$	258,256,893
Excess (deficiency) of revenue over expenses	(66,073)	-	22,712,962	22,646,889		33,045,660
Sponsor contribution	-	-	-	-		500,000,000
Purchase of capital assets	7,135	-	(7,135)	-		-
Grants approved	-	78,832,373	(78,832,373)	-		-
Eligible project disbursements	-	(120,511,588)	-	(120,511,588)		(116,597,201)
Capital, end of year	\$ 81,878	204,311,548	372,447,227	\$ 576,840,653	\$	674,705,352

See accompanying notes

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

	<b>2002</b>	<b>2001</b>
Operating activities		
Excess of revenue over expenses	\$ 22,646,889	\$ 33,045,660
Eligible project disbursements	(120,511,588)	(116,597,201)
Add item not involving cash - amortization	66,073	63,964
	<u>(97,798,626)</u>	<u>(83,487,577)</u>
Net change in non-cash working capital		
Accrued interest receivable	4,407,399	(3,979,999)
Accounts receivable	111,528	(195,451)
Prepaid expenses	227,976	(227,976)
Accounts payable and accrued liabilities	(286,628)	344,230
Due to Innovation Institute of Ontario	481,955	-
	<u>4,942,230</u>	<u>(4,059,196)</u>
Cash flows from operating activities	<u>(92,856,396)</u>	<u>(87,546,773)</u>
Financing activities		
Sponsor contribution and cash flows from financing activities	-	500,000,000
Investing activities		
Capital assets purchased	(7,135)	(113,832)
Short-term investments	93,501,673	(412,360,674)
Due from Innovation Institute of Ontario	(400,000)	-
Cash flows from investing activities	<u>93,094,538</u>	<u>(412,474,506)</u>
Net increase (decrease) in cash position during the year	238,142	(21,279)
Cash, beginning of year	21,745	43,024
Cash, end of year	<u>\$ 259,887</u>	<u>\$ 21,745</u>

See accompanying notes

# ONTARIO INNOVATION TRUST

Notes to Non-Consolidated Financial Statements  
Year Ended March 31, 2002

## 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 patent dated June 13, 2000. The IIO was incorporated as a not-for-profit organization and is, therefore, exempt from income 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 years ended March 31:

	<b>2002</b>	<b>2001</b>
Assets	\$ 2,008,462	\$ 715,476
Liabilities	1,323,482	448,894
Net assets	684,980	266,582
Revenue	3,382,951	684,122
Expenditures	2,964,553	417,540
Cash flows from operating activities	(234,675)	623,728
Cash flows from investing activities	(701,759)	(266,320)
Cash flows from financing activities	660,187	-

## 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, 2002

### 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. Due From Innovation Institute of Ontario

The amount due from IIO is non-interest bearing, repayable in annual instalments of \$80,000, maturing March 31, 2007.

### 4. Capital Assets

Capital assets consist of the following:

	2002			2001
	Cost	Accumulated Amortization	Net	Net
Leasehold improvements	\$ 8,825	6,128	\$ 2,697	\$ 5,638
Furniture and equipment	40,081	15,845	24,236	30,236
Computer equipment	165,347	110,402	54,945	104,942
	<u>\$ 214,253</u>	<u>132,375</u>	<u>\$ 81,878</u>	<u>\$ 140,816</u>

**ONTARIO INNOVATION TRUST**  
Notes to Non-Consolidated Financial Statements  
Year Ended March 31, 2002

**5. Salary Disclosure**

Salaries in excess of \$100,000 include:

	<b>2002</b>	<b>2001</b>
David Bogart	\$ 111,000	\$ 110,000

**6. Contribution to Innovation Institute of Ontario**

During 2002, \$250,000 was contributed to IIO to fund the leasehold improvements at 149 College Street.

**7. Subsequent Events**

As part of the Ontario Government address on June 17, 2002, the Trust was awarded a sponsor contribution of \$300,000,000. As at the audit report date, this amount has not been received.

Subsequent to year end, the Board authorized an expenditure of up to \$2,000,000 to study a cancer research initiative.