

ONTARIO INNOVATION TRUST

2000 Financial Statements

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Auditors' Report

To the Directors of Ontario Innovation Trust

We have audited the balance sheet of **Ontario Innovation Trust** as at March 31, 2000 and the statements of operations and capital, changes in capital, and cash flows for the year then ended. These 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 generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Trust as at March 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

PKF Hill LLP

May 10, 2000

ONTARIO INNOVATION TRUST

Balance Sheet as at March 31, 2000

ASSETS

Current assets		
Cash	\$	43,024
Accrued interest receivable		427,400
Prepaid expenses		5,560
Short-term investments		257,747,750
		<hr/>
		258,223,734
Capital assets (note 3)		<hr/>
		90,948
		<hr/>
	\$	258,314,682

LIABILITIES AND CAPITAL

Current liabilities - accounts payable and accrued liabilities	\$	57,789
Capital		
Invested in capital assets		90,948
Restricted for approved grants		158,337,444
Unrestricted		99,828,501
		<hr/>
		258,256,893
		<hr/>
	\$	258,314,682

See accompanying notes

On behalf of the Board:

Member

Member

ONTARIO INNOVATION TRUST

Statement of Operations and Capital
Year Ended March 31, 2000

Revenue	
Interest income	\$ 11,236,021
<hr/>	
Expenses	
Investment custody services	185,400
Consulting and management services	117,122
Salaries and benefits	84,602
Professional fees	36,587
Office and general	20,550
Travel	7,674
Rent	4,855
Amortization	2,338
	<hr/>
	459,128
Excess of revenue over expenses	10,776,893
Sponsor contribution from the Government of Ontario, Ministry of Energy, Science and Technology	250,000,000
Eligible project disbursements	(2,520,000)
Capital, end of year	<hr/> <hr/> \$ 258,256,893

See accompanying notes

ONTARIO INNOVATION TRUST

Statement of Changes in Capital
Year Ended March 31, 2000

	Invested in Capital Assets	Restricted for Approved Grants	Unrestricted	Total
Sponsor contribution	\$ -	-	250,000,000	\$ 250,000,000
Excess of revenue over expenses	(2,338)	-	10,779,231	10,776,893
Purchase of capital assets	93,286	-	(93,286)	-
Grants approved	-	160,857,444	(160,857,444)	-
Eligible project disbursements	-	(2,520,000)	-	(2,520,000)
Capital, end of year	\$ 90,948	158,337,444	99,828,501	\$ 258,256,893

See accompanying notes

ONTARIO INNOVATION TRUST

Statement of Cash Flows
Year Ended March 31, 2000

Operating activities	
Excess of revenue over expenses	\$ 10,776,893
Add amortization, not involving cash	2,338
Eligible project disbursements	(2,520,000)
	<hr/>
	8,259,231
Changes in:	
Accrued interest receivable	(427,400)
Prepaid expenses	(5,560)
Accounts payable accrued liabilities	57,789
	<hr/>
Cash flows from operating activities	7,884,060
	<hr/>
Financing activities	
Sponsor contribution and cash flows from financing activities	250,000,000
	<hr/>
Investing activities	
Capital assets purchased	(93,286)
Short-term investments	(257,747,750)
	<hr/>
Cash flows from investing activities	(257,841,036)
	<hr/>
Net increase in cash position and cash, end of year	\$ 43,024

See accompanying notes

ONTARIO INNOVATION TRUST

Notes to Financial Statements
Year Ended March 31, 2000

1. Purpose and Creation

The Ontario Innovation Trust, an inter-vivos trust, was created on March 31, 1999 and commenced operations on April 1, 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.

2. Summary of Significant Accounting Policies

The financial statements have been prepared by management in accordance with 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.

Fund Accounting

(a) *Unrestricted*

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

(b) *Restricted for Approved Grants*

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.

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:

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

Short-term investments

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

ONTARIO INNOVATION TRUST

Notes to Financial Statements

Year Ended March 31, 2000

3. Capital Assets

Capital assets consist of the following:

	2000		
	Cost	Accumulated Amortization	Net
Leasehold improvements	\$ 8,825	245	\$ 8,580
Furniture and equipment	25,883	216	25,667
Computer equipment	58,578	1,877	56,701
	<u>\$ 93,286</u>	<u>2,338</u>	<u>\$ 90,948</u>

4. Operating Lease Commitments

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

2001	\$ 62,790
2002	62,790
2003	58,108
2004	6,604
2005	6,054
	<u>\$ 196,346</u>

5. Subsequent Event

As part of the Ontario Government budget address of May 2, 2000, the Trust was awarded a sponsor contribution of \$500,000,000. This amount was received on May 29, 2000.