Province of
Newfoundland and Labrador

Financial Statements of Crown Corporations, Boards and Authorities (A - M)

FOR THE YEAR ENDED
31 MARCH 2012

Newfoundland
Labrador

Province of Newfoundland and Labrador

Financial Statements of Crown Corporations, Boards and Authorities (A – M)

For The Year Ended 31 March 2012

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INTRODUCTION

The Financial Statements of Crown Corporations, Boards and Authorities are a reproduction of the available audited financial statements of various Government organizations as approved by the applicable boards of these organizations. This report is produced alphabetically in two books; A to M and N to Z. The fiscal years noted in the table of contents are based on the fiscal year end of the organization. This report includes board-signed financial statements of crown corporations, boards and authorities for their most recent fiscal year end up to March 31, 2012. In certain instances, the financial statements for their prior fiscal year end are included due to timing of obtaining board signatures. Financial statements older than two previous fiscal year ends are excluded from this report.

Information on the financial position and results of operations of the Province for the 2011-12 fiscal year may be found in the following financial reports:

Public Accounts Volume I – Consolidated Summary Financial Statements

This volume presents the summary financial statements which consolidate the financial statements of the Consolidated Revenue Fund with the financial statements of various Crown Corporations, Boards and Authorities, as approved by Treasury Board, which are controlled by the Government of Newfoundland and Labrador.

Public Accounts Volume II – Consolidated Revenue Fund Financial Statements

This Volume presents the financial position of the Consolidated Revenue Fund and the results of its activities on an accrual basis.

Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund

This report presents the actual budgetary contribution (requirement) of the Consolidated Revenue Fund along with details on the actual revenues and expenditures, by program, using the modified cash basis of accounting.

The Financial Statements of Crown Corporations, Boards and Agencies are also available on the Government's website at: http://www.fin.gov nl.ca/fin/public_accounts/index html

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This report includes the most recent fiscal year financial statements (current or one prior year), up to March 31, 2011, those have been received prior to the publication date. All earlier fiscal year statements have been excluded from this report. The financial statements of the following agencies were not received in time for the inclusion in this report:

C.A. Pippy Park Commission (2012)

C.A. Pippy Park Golf Course Limited (2011 & 2012)

Discovery Health Care Foundation Inc. (2011)

Dr. H. Bliss Murphy Cancer Foundation (2011 & 2012)

Health Care Foundation of St. John's Inc. (2012)

House of Assembly (2011 & 2012)

Labrador-Grenfell Regional Health Authority – Grenfell Foundation Incorporated (2012)

Labrador-Grenfell Regional Health Authority – St. Anthony Interfaith Home 12 Unit Apartment Complex (2012)

Labrador-Grenfell Regional Health Authority – St. Anthony Interfaith Home 20 Unit Apartment Complex (2012)

Newfoundland and Labrador Farm Products (2011 & 2012)

Newfoundland and Labrador Film Development Corporation (2012)

Newfoundland and Labrador Legal Aid Commission (2011 & 2012)

Newfoundland Government Fund (2011 & 2012)

Newfoundland International Student Education Program Inc. (2011 & 2012)

Newfoundland Ocean Enterprises Limited (2011)

Western Regional Health Authority – Bay St. George 8 Unit Cottages & Emile Benoit House (2012)

Western Regional Health Authority – Bay St. George Senior Citizens Home – 30 Unit Cottages (2012)

Western Regional Health Authority – Gateway Cottages Association – Cottage Project (2012)

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BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

FINANCIAL STATEMENTS

MARCH 31, 2012

INDEPENDENT AUDITORS' REPORT

To the Members of the Board of Commissioners of Public Utilities

We have audited the accompanying financial statements of the Board of Commissioners of Public Utilities, which comprise the statement of financial position as at March 31, 2012, and the statements of revenues and expenditures, accumulated surplus and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

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

Noseworthy Chapman
Chartered Accountants
St. John's, Newfoundland & Labrador
June 8, 2012

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

Statement of Financial Position
March 31, 2012

	2012	2011
ASSETS		
Current		
Cash	$ 941,173	$1,372,945
Receivables	341,146	194,479
Recoverable costs (Note 2 & 5)	1,563,318	557,047
Prepaid expenses	10,785	14,771
Designated pension funds (Note 8)	18,399	-
	2,874,821	2,139,242
Capital assets (Note 6)	112,078	103,698
	$2,986,899	$2,242,940
LIABILITIES		
Current		
Payables and accruals	$ 501,848	$ 137,112
Payroll accruals	628,202	534,268
Designated pension funds (Note 8)	-	204,813
	1,130,050	876,193
Commitments (Note 10)		
ACCUMULATED SURPLUS		
Invested in capital assets	112,078	103,698
Invested in designated pension funds	18,399	(204,813)
Internally restricted (Note 9)	1,381,792	1,320,049
Unrestricted	344,580	147,813
	1,856,849	1,366,747
	$2,986,899	$2,242,940

On Behalf of the Board:

_________________ Chairperson and CEO

_________________ Vice Chairperson

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

Statement of Revenues and Expenditures
Year Ended March 31, 2012

	2012	2011
Revenues		
Regulatory assessments	$2,602,565	$2,478,876
Interest and other income	9,656	10,723
Pension fund earnings, net of expenses (Note 8)	(1,703)	(804)
	2,610,518	2,488,795
Expenditures		
Amortization	51,849	32,676
Consulting fees	224,505	144,246
Office equipment, supplies and services	73,697	64,792
Pension obligations estimation adjustment (Note 8)	(224,915)	44,145
Rent and insurance (Note 10)	249,551	245,297
Salaries and associated costs	1,628,111	1,700,134
Telecommunications	33,353	28,623
Training and membership	27,301	21,452
Travel	51,082	47,413
Write down of capital assets	5,882	-
	2,120,416	2,328,778
Excess of revenues over expenditures	$ 490,102	$ 160,017

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

Statement of Accumulated Surplus
Year Ended March 31, 2012

	2012					2011
	Invested in Capital Assets	Invested in Designated Pension Funds	Internally Restricted (Note 9)	Unrestricted	Total	Total
Balance as at beginning of year	$103,698	$(204,813)	$1,320,049	$147,813	**$1,366,747**	**$1,872,784**
Excess of revenues over expenditures	(57,731)	223,212	-	324,621	**490,102**	**160,017**
Assessment reductions	-	-	-	-	-	**(666,054)**
Invested in capital assets	66,111	-	-	(66,111)	-	-
Restricted during the year	-	-	61,743	(61,743)	-	-
Balance as at end of year	$112,078	$18,399	$1,381,792	$344,580	**$1,856,849**	**$1,366,747**

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

Statement of Cash Flows
Year Ended March 31, 2012

	2012	2011
Operating activities		
Cash receipts from assessments and other revenues	$ 2,463,852	$ 1,722,880
Cash paid to suppliers and employees	(1,600,029)	(2,231,963)
Cash provided by (used in) operating activities	863,823	(509,083)
Hearing and review activities		
(Increase) decrease in recoverable costs	(1,006,271)	465,818
Cash (used in) provided by hearing and review activities	(1,006,271)	465,818
Investing activities		
Purchase of capital assets	(67,372)	(42,387)
Proceeds on sale of capital assets	1,260	-
(Increase) decrease in designated pension funds	(223,212)	44,949
Cash (used in) provided by investing activities	(289,324)	2,562
(Decrease) in cash during year	(431,772)	(40,703)
Cash position as at beginning of year	1,372,945	1,413,648
Cash position as at end of year	$ 941,173	$ 1,372,945

1. General

The Board of Commissioners of Public Utilities (the "Board") is an independent, quasi-judicial regulatory tribunal constituted in 1949 by the Lieutenant-Governor in Council pursuant to the *Public Utilities Act*. The Board regulates the electric utilities in the Province of Newfoundland and Labrador and is responsible for ensuring that the rates charged are reasonable and that the service provided is safe and reliable. Other responsibilities include: (a) the regulation of automobile insurance rates; (b) the regulation of, from June 8, 2004, fuel prices pursuant to the Petroleum Products Act; (c) limited regulation of the motor carrier industry as it relates to certain passenger and ambulance operations; and (d) establishing compensation for matters referred to the Board pursuant to the *Expropriation Act*. The Board was incorporated on May 12, 2000 pursuant to an amendment to the *Public Utilities Act* and as a Crown entity of the Province is not subject to provincial or federal income taxes.

2. Summary of significant accounting policies

Future changes in significant accounting policies

The Canadian Institute of Chartered Accountants has issued new accounting standards for Not-for-Profit organizations that are not yet effective for the Board. The Board is currently evaluating the effect of adopting these standards, which it expects to do in fiscal year 2013. The Accounting Standards Board implemented Part III of the CICA Handbook Accounting Standards for Not-for-Profit Organizations effective January 1, 2012. The Board will be assessing the impact of the new standards on its financial statements over the next year. Early adoption is permitted for the new standards.

The accounting policies adopted by the Board conform to generally accepted accounting policies in Canada for not-for-profit organizations. Significant accounting policies are as follows:

a) Operating revenues and expenditures

Operating revenues and expenditures are accounted for on the accrual basis.

b) Recoverable costs

Recoverable costs relating to regulatory hearings and specific enquiries held by the Board are accrued until the Board orders payment. The costs and subsequent recoveries for these enquiries are not included in the operating revenues and expenditures of the Board.

c) Capital assets

Capital assets are recorded on the Statement of Financial Position at their historical cost and are amortized as follows:

- Furniture and equipment - 20% declining balance method
- Computer hardware - 35% declining balance method
- Computer software - 50% declining balance method
- Leasehold improvements - the lesser of five year straight-line and remaining term of the lease

2. Summary of significant accounting policies (cont'd)

d) Severance pay

Severance pay is accounted for on the accrual basis and is based upon years of service and current salary levels. The entitlement to severance pay vests with employees after nine years of continual service and accordingly no provision has been made in the accounts for employees with less than nine years of continual service. The amount is payable when the employee ceases employment with the Board.

e) Financial instruments

In accordance with section 3855, "Financial Instruments – Recognition and Measurement", the Board has classified its cash as held for trading and measures it at fair value. Transaction costs and any gains or losses arising from changes in fair value are recognized immediately in the statement of revenues and expenditures. Receivables are classified as loans and accounts payable are classified as other financial liabilities. Both are measured at amortized cost.

f) Designated pension funds

The Board maintains a defined benefit pension plan for one former commissioner. The Board accrues its obligation under employee benefit plans, net of plan assets. The cost of the Board's defined benefit pension plan is actuarially determined using the accumulated benefit method. The actuarial assumptions are a rate of return of 4.70% per annum using the UP94 mortality table projected to 2020 with scale AA.

g) Measurement uncertainty

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, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

3. Financial Instruments

Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Board is exposed to credit risk with respect to regulatory assessments. An allowance for doubtful accounts may be established based upon factors surrounding the credit risk of specific accounts, historical trends and other information.

Fair Value

The Board's carrying value of cash, receivables, recoverable costs, payables and accruals, and payroll accruals approximates its fair value due to the immediate or short term maturity of these instruments.

4. Capital management

The Board's objective when managing capital is to ensure its ability to meet operating commitments as they become due. This is achieved primarily by continuously monitoring its actual and projected cash flows and making adjustments to capital as necessary.

5. Recoverable costs

	2012	2011
Recoverable costs, beginning of year	**$ 557,047**	**$1,022,865**
Add – specific enquiry costs incurred during the year:		
Consulting fees	**1,330,806**	**308,521**
Consumer Advocate	**692,538**	**281,689**
Legal	**198,364**	**54,627**
Transcription and printing	**8,293**	**1,021**
Advertising and notice	**5,955**	**3,602**
Other	**270,131**	**97,375**
	2,506,087	**746,835**
	3,063,134	**1,769,700**
Less – costs recovered during the year	**1,499,816**	**1,212,653**
Recoverable costs, end of year	**$1,563,318**	**$ 557,047**

6. Capital assets

		2012		2011
	Original Cost	Accumulated Amortization	**Net Book Value**	Net Book Value
Furniture and equipment	$246,885	$213,309	**$ 33,576**	**$ 44,269**
Computer hardware	150,007	128,476	**21,531**	**23,349**
Computer software	62,464	33,884	**28,580**	**32,837**
Leasehold improvements	190,047	161,656	**28,391**	**3,243**
	$649,403	$537,325	**$112,078**	**$103,698**

7. Bank credit agreement

The Board has established a $1,000,000 line-of-credit subject to a general security agreement over all accounts and book debts, equipment, tangible capital assets and certain other assets. Any outstanding balance bears interest at the bank prime rate plus 0.5%. As at March 31, 2012, the balance outstanding was $Nil.

8. Designated pension funds and pension asset (obligations)

Designated pension funds are disclosed in the Statement of Financial Position as net of the related pension obligation.

The Board maintains a defined benefit pension plan for one former commissioner (2011 – two former commissioners). Designated pension funds have been established and consist of investments maintained in trust with RBC Dexia Investor Services Trust on behalf of this pensioner and are recorded at market value.

	2012	2011
Balance on deposit, beginning of year	$ 69,487	$ 135,736
Add – earnings net of expenses	(1,703)	(804)
	67,784	134,932
Deduct – benefit payments	28,285	65,445
Balance on deposit, end of year	39,499	69,487
Related pension obligation	(21,100)	(274,300)
	$ 18,399	$(204,813)

Pension obligations represent the present value of accrued pension benefits as calculated in an actuarial report dated April 13, 2010. A pension obligations estimation adjustment of $(224,915) (2011 - $44,145) is included in expenses in the fiscal year.

In addition, other commissioners and employees for whom no designated pension plan has been established are members of The Public Service Pension Fund Act 1991. Pension contributions deducted from commissioners' and employees' salaries are matched by the Board and then remitted to the Province of Newfoundland and Labrador Pooled Pension Fund from which pensions will be paid to commissioners and employees when they retire. The Board's share of pension expense for the year of $118,627 (2011 - $113,038) is included in salaries and associated costs.

9. Internally restricted surplus

The Board has adopted a formal policy to accumulate and restrict estimated amounts required to meet expected future obligations. The amounts restricted as at March 31, 2012 are as follows:

	2012	2011
Lease commitments	**$ 223,300**	**$ 217,475**
Payroll contingency	**80,276**	**85,653**
Redundancy pay contingency	**643,414**	**582,755**
Working capital	**434,802**	**434,166**
	$1,381,792	**$1,320,049**

10. Commitments

The Board has a premises lease agreement in the amount of $18,608 per month ($223,296 per annum), concluding May 31, 2013.

The Board entered into a contract for telecommunications subsequent to year end. The annual expenditure is $14,400, concluding in 2014.

Deloitte.

Financial Statements of

BURIN PENINSULA HEALTH CARE FOUNDATION INC.

March 31, 2011

Deloitte.

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Independent Auditor's Report

To the Board of Directors of
Burin Peninsula Health Care Foundation Inc.

We have audited the accompanying financial statements of the Burin Peninsula Health Care Foundation Inc. (the "Foundation"), which comprise the statement of financial position as at March 31, 2011, and the statements of operations and changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

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 qualified audit opinion.

Basis for Qualified Opinion

The Foundation derives revenue from donations and other fundraising sources, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenditures, assets and net assets.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Burin Peninsula Health Care Foundation as at March 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
October 31, 2011

BURIN PENINSULA HEALTH CARE FOUNDATION INC.
Statement of Operations and Changes in Net Assets
Year ended March 31, 2011

	2011	2010
	$	$
Revenue		
Fundraising programs		
Donations	185,589	142,176
Donations - in kind	14,000	21,000
Grants	17,747	-
50/50 lotto	11,514	11,518
	228,850	174,694
Interest	1,917	987
	230,767	175,681
Expenditures		
Salaries and administration	75,429	72,412
Equipment (Note 5)	61,482	113,060
Fundraising programs	35,737	25,283
Miscellaneous	242	107
Amortization	7	7
	172,897	210,869
Excess of revenue over expenditures (expenditures over revenue) before undernoted item	57,870	(35,188)
Increase in severance pay accrual	1,430	2,345
Excess of revenue over expenditures (expenditures over revenue)	56,440	(37,533)
Net assets, beginning of year	1,185	38,718
Net assets, end of year	57,625	1,185

BURIN PENINSULA HEALTH CARE FOUNDATION INC.
Statement of Financial Position
March 31, 2011

	2011	2010
	$	$
Assets		
Current assets		
Cash	**83,087**	78,705
Accounts receivable	**8,594**	1,627
	91,681	80,332
Capital assets (Note 4)	**59**	66
	91,740	80,398
Liabilities		
Current liabilities		
Due to Eastern Regional Health Authority	**7,024**	55,153
Accrued vacation	**14,368**	12,767
	21,392	67,920
Accrued severance pay	**12,723**	11,293
	34,115	79,213
Net assets		
Net assets	**57,625**	1,185
	91,740	80,398

Commitment (Note 6)

Approved on behalf of the Board:

Jerry Pike Director

Shirley Coady Director

BURIN PENINSULA HEALTH CARE FOUNDATION INC.
Statement of Cash Flows
Year ended March 31, 2011

	2011	2010
	$	$
Operating activities		
Excess of revenue over expenditures		
(expenditures over revenue)	56,440	(37,533)
Adjustments for:		
Amortization	7	7
Accrued severance pay	1,430	2,345
Changes in non-cash operating working capital:		
Accounts receivable	(6,967)	-
Due to Eastern Regional Health Authority	(48,129)	35,083
Accrued vacation	1,601	10,834
Net change in cash	4,382	10,736
Cash, beginning of year	78,705	67,969
Cash, end of year	83,087	78,705

1. NATURE OF OPERATIONS

Burin Peninsula Health Care Foundation Inc. is a registered charitable organization which raises funds for the Eastern Regional Health Authority and is incorporated under the Corporations Act of Newfoundland and Labrador.

As a registered charity, the Foundation is exempt from income taxes and may issue charitable donation receipts.

2. SIGNIFICANT ACCOUNTING POLICIES

The Foundation has elected to use the exemption provided by the Canadian Institute of Chartered Accounts ("CICA") permitting not-for-profit organizations not to apply Sections 3862 and 3863 of the CICA Handbook which would otherwise have applied to the financial statements of the Foundation for the year ended March 31, 2011. The Foundation applies the requirements of Section 3861 of the CICA Handbook.

Revenue recognition

Revenue from donations and other fundraising is recognized in the accounts of the Foundation in the year in which it is received.

Capital assets

Capital assets are recorded at cost and amortized on a declining balances basis over their estimated lives of 10 years.

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. The amount of any impairment loss is determined as the excess of the carrying value of the asset over its fair value.

Accrued severance pay

Severance pay is accounted for on an accrual basis and is calculated based upon years of service and current salary levels for employees who have a vested right to receive such a payment. No provision for severance pay is recorded for any employee who does not have a vested right to the payment. The severance is payable when the employee ceases employment with the Foundation.

Pension costs

Employees of the Foundation are members of the Public Service Pension Plan and the Government Money Purchase Plan administered by the Government of Newfoundland and Labrador. Contributions to the plans are required from both the employees and the Foundation. The annual contributions for pensions are recognized as a current expenditure and amounted to $3,462 for the year ended March 31, 2011 (2010 - $3,502).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

The Foundation's financial assets and liabilities are generally classified and measured as follows:

Asset/Liability	Classification	Measurement
Cash	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Due to Eastern Regional Health Authority	Other liabilities	Amortized cost
Accrued vacation	Other liabilities	Amortized cost
Accrued severance pay	Other liabilities	Amortized cost

Other balance sheet accounts do not meet the criteria to be considered financial instruments.

The Foundation has determined that it does not have derivatives or embedded derivatives.

Use of accounting estimates

In preparing the Foundation's financial statements in conformity with Canadian generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as at the date of the financial statements, and reported amounts of revenue and expenditures during the year. Actual results could differ from those estimates.

3. FUTURE ACCOUNTING PRONOUNCEMENTS

New accounting framework

The CICA has issued a new accounting framework applicable to Canadian not-for-profit organizations. Effective for fiscal years beginning on or after January 1, 2012, not-for-profit organizations will have to choose between International Financial Reporting Standards ("IFRS") and the accounting standards for not-for-profit organizations with accounting standards for private enterprises as the underlying framework, whichever suits them best. The Foundation currently plans to adopt the new accounting standards for not-for-profit organizations for its fiscal year beginning on April 1, 2012. The impact of this transition has not yet been determined.

4. CAPITAL ASSETS

	2011			2010
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
	$	$	$	$
Equipment	3,002	2,943	59	66

5. EQUIPMENT

	2011	2010
	$	$
Physico - Manikin trainer equipment	15,582	-
Cardioplumentary equipment donation - Provincial government	13,000	-
Chemotherapy - Chairs	8,000	-
Family quiet room - Miscellaneous items	5,274	-
Blue Crest - Resident's garden	4,977	-
Patient comfort/care items - Teddy bears	4,000	3,000
Physico - Recumbent bike and spectra knee CPM machine	2,356	-
Miscellaneous items	2,000	-
Family quiet room - LCD TV	1,358	738
Patient lounge - Fireplace	1,323	-
Palliative Care room - Armchair	1,040	-
Patient lounge - Fireplace for Kin/Friends lounge	871	-
Blue Crest residents - BBQ	789	-
Chemotherapy item - camisoles	530	530
Patient lounge - Mirrow for Kin/Friends lounge	382	-
CT scanner	-	66,000
Chemotherapy item - blanket warmer	-	15,000
Lounge chairs	-	9,924
Memorial gardens	-	6,531
Bilibed phototherapy unit	-	3,792
Pictures	-	3,000
Breastpump	-	2,645
Lounge items	-	900
Laptop computer	-	663
Disposable bilicombi	-	261
Other	-	76
	61,482	113,060

6. COMMITMENT

The Foundation has committed $250,000 to Eastern Regional Health Authority for its Caring Campaign, of which $Nil has been disbursed as at March 31, 2011.

7. RELATED PARTY TRANSACTIONS

The Foundation operates for the purpose of accumulating funds to assist Eastern Regional Health Authority with the purchase of medical equipment for patient care. Transactions between these related parties are measured at their exchange value.

8. CAPITAL MANAGEMENT

The capital structure of the Foundation consists of net assets. The Foundation's objective when managing capital is to ensure it maintains adequate capital to support its continued operations.

The Foundation is not subject to externally imposed capital requirements.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial risk factors

The Foundation has exposure to credit risk and liquidity risk. The Foundation's Board of Directors has overall responsibility for the oversight of these risks and reviews the Foundation's policies on an ongoing basis to ensure that these risks are appropriately managed. The source of risk exposure and how each is managed is outlined below.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligation. The Foundation's credit risk is primarily attributable to accounts receivable and cash. Management believes that the credit risk with respect to accounts receivable is not material. The Foundation's cash balances are distributed among bank accounts. The Foundation does not expect any liquidity or credit losses.

Liquidity risk

Liquidity risk is the risk that the Foundation will not be able to meet its financial obligations as they become due. As at March 31, 2011 the Foundation had cash of $83,087 and continues to be in a position to meet obligations.

Fair value

The fair value of the Foundation's financial instruments approximates their carrying values due to the short-term maturity and normal credit terms of those instruments.

Financial Statements

Burin Peninsula Health Care Foundation Inc.

March 31, 2012

ERNST & YOUNG

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Burin Peninsula Health Care Foundation Inc.

We have audited the accompanying financial statements of **Burin Peninsula Health Care Foundation Inc.** (the "Foundation"), which comprise the statement of financial position as at March 31, 2012, and the statements of operations and changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Basis for qualified opinion

The Foundation derives revenue from the general public in the form of donations and other fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenditures, assets and net assets.

Qualified opinion

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of **Burin Peninsula Health Care Foundation Inc.** as at March 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Other matter

The financial statements as at March 31, 2011 and for the year then ended were audited by other auditors who expressed a qualified opinion on those statements in their report dated September 21, 2011.

Ernst & Young LLP

St. John's, Canada,
July 31, 2012.

Chartered Accountants

Burin Peninsula Health Care Foundation Inc.

STATEMENT OF FINANCIAL POSITION

As at March 31

	2012 $	2011 $
ASSETS		
Current		
Cash	**205,309**	83,087
Accounts receivable	**7,796**	8,594
Inventory	**3,200**	—
Total current assets	**216,305**	91,681
Capital assets, net *[note 4]*	**—**	59
	216,305	91,740
LIABILITIES AND NET ASSETS		
Current		
Due to Eastern Regional Health Authority	**130,390**	7,024
Accrued vacation pay	**14,693**	14,368
Total current liabilities	**145,083**	21,392
Accrued severance pay	**14,250**	12,723
Total liabilities	**159,333**	34,115
Net assets	**56,972**	57,625
	216,305	91,740

Commitment *[note 6]*

See accompanying notes

On behalf of the Board:

Director [signature] Director [signature]

ERNST & YOUNG A member firm of Ernst & Young Global Limited

Burin Peninsula Health Care Foundation Inc.

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

Year ended March 31

	2012	2011
	$	$
REVENUE		
Fundraising programs		
Donations	**156,975**	185,589
In-kind donations	**8,000**	14,000
Sales revenue - jewellery	**11,274**	—
Grant	**11,010**	17,747
50/50 lottery	**12,053**	11,514
	199,312	228,850
Interest	**2,132**	1,917
	201,444	230,767
EXPENDITURES		
Salaries and administration	**82,329**	75,429
Equipment *[note 5]*	**69,281**	61,482
Fundraising programs	**40,244**	35,737
Cost of sales - jewellery	**8,520**	—
Miscellaneous	**137**	242
Amortization	**6**	7
	200,517	172,897
Excess of revenue over expenditures before undernoted items	**927**	57,870
Write down of capital assets	**53**	—
Increase in severance pay accrual	**1,527**	1,430
Excess of (expenditures over revenue) revenue over expenditures	**(653)**	56,440
Net assets, beginning of year	**57,625**	1,185
Net assets, end of year	**56,972**	57,625

See accompanying notes

Burin Peninsula Health Care Foundation Inc.

STATEMENT OF CASH FLOWS

Year ended March 31

	2012 $	2011 $
OPERATING ACTIVITIES		
Excess of (expenditures over revenue)		
revenue over expenditures	**(653)**	56,440
Adjustments for:		
Write down of capital assets	**53**	—
Amortization	**6**	7
Accrued severance pay	**1,527**	1,430
	933	57,877
Changes in non-cash working capital items		
Accounts receivable	**798**	(6,967)
Inventory	**(3,200)**	—
Due to Eastern Regional Health Authority	**123,366**	(48,129)
Accrued vacation	**325**	1,601
Cash provided by operating activities	**122,222**	4,382
Net change in cash	**122,222**	4,382
Cash, beginning of year	**83,087**	78,705
Cash, end of year	**205,309**	83,087

See accompanying notes

Burin Peninsula Health Care Foundation Inc.

NOTES TO FINANCIAL STATEMENTS

March 31, 2012

1. NATURE OF OPERATIONS

Burin Peninsula Health Care Foundation Inc. [the "Foundation"] is a registered charitable organization which raises funds for the Eastern Regional Health Authority and is incorporated under the Corporations Act of Newfoundland and Labrador.

As a registered charity, the Foundation is exempt from income taxes and may issue charitable donation receipts.

2. SIGNIFICANT ACCOUNTING POLICIES

The Foundation has elected to use the exemption provided by the CICA permitting not-for-profit organizations not to apply Sections 3862 and 3863 of the *CICA Handbook* which would otherwise have applied to the financial statements of the Foundation for the year ended March 31, 2010. The Foundation applies the requirements of Section 3861 of the *CICA Handbook*.

Cash

Cash includes cash on hand and balances with banks.

Inventory

Inventories are carried at the lower of cost and net realizable value, determined on a first-in, first-out basis.

Revenue recognition

Revenue from donations and other fundraising is recognized in the accounts of the Foundation in the year in which it is received. Other revenues are recognized as earned.

Capital assets

Capital assets are recorded at cost and amortized on a declining balance basis over their estimated lives of 10 years.

NOTES TO FINANCIAL STATEMENTS

March 31, 2012

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. The amount of any impairment loss is determined as the excess of the carrying value of the asset over its fair value.

Accrued severance pay

Severance pay is accounted for on an accrual basis and is calculated based upon years of service and current salary levels for employees who have a vested right to receive such a payment. No provision for severance pay is recorded for any employee who does not have a vested right to the payment. The severance is payable when the employee ceases employment with the Foundation.

Pension costs

Employees of the Foundation are members of the Public Service Pension Plan and the Government Money Purchase Plan administered by the Government of Newfoundland and Labrador. Contributions to the plans are required from both the employees and the Foundation. The annual contributions for these pension plans are recognized as an expenditure in the accounts on a current basis and amounted to $3,622 for the year ended March 31, 2012 [2011 – $3,462].

Financial instruments

The Foundation's financial assets and liabilities are generally classified and measured as follows:

Asset/Liability	Classification	Measurement
Cash	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Due to Eastern Regional Health Authority	Other liabilities	Amortized cost

Other balance sheet accounts do not meet the criteria to be considered financial instruments.

The Foundation has determined that it does not have derivatives or embedded derivatives.

Use of accounting estimates

In preparing the Foundation's financial statements in conformity with Canadian generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the financial statements, and the reported amounts of revenue and expenditures during the year. Actual results could differ from those estimates.

3. CHANGES IN ACCOUNTING POLICY

In December 2009, the Public Sector Accounting Board approved an amendment to the Introduction to Public Sector Accounting Standards that eliminates the category of government business-type organizations resulting in the need to reclassify these entities as either government not-for-profit organizations ["GNFPO"] or other government organizations.

The Foundation considers itself to be a GNFPO and therefore will be required to follow Public Sector Accounting Standards ["PSAS"].

Effective April 1, 2012, the Foundation will adopt PSAS and must report under the new standards for its financial statements for the year ended March 31, 2013, including comparative figures. Management is currently finalizing the impact of the adoption of these standards and the adjustments on transition date as at April 1, 2011.

4. CAPITAL ASSETS

	2012			2011
	Cost $	Accumulated amortization $	Net book value $	Net book value $
Equipment	—	—	—	59

NOTES TO FINANCIAL STATEMENTS

March 31, 2012

5. EQUIPMENT

	2012 $	2011 $
Patient transport stretchers	**10,539**	—
Traction table	**8,833**	—
Furniture and chairs	**6,995**	—
Vital signs monitor	**5,071**	—
Patient comfort/care items – Teddy bears	**5,000**	4,000
Ceiling mounted lights	**4,681**	—
Welch Allen diagnostic equipment	**3,825**	—
Examination tables	**3,429**	—
Painting (Danielle L.)	**3,000**	—
Optimum geriatric chair	**2,990**	—
Miscellaneous items	**2,760**	2,000
Lounge chair	**2,610**	—
Repairs to seniors' bus	**2,343**	—
Televisions	**1,540**	—
Exam lights on wheels	**1,353**	—
Blood pressure wall sets	**1,201**	—
Hyfrecator	**1,064**	—
Digital scale	**1,061**	—
Christmas decorations	**986**	—
Physico – Manikin trainer equipment	—	15,582
Cardiopulmonary equipment donation – Provincial government	—	13,000
Chemotherapy – Chairs	—	8,000
Family quiet room – Miscellaneous items	—	5,274
Blue Crest – Residents' garden	—	4,977
Physico – Recumbent bike and spectra knee CPM machine	—	2,356
Family quiet room – LCD TV	—	1,358
Patient lounge – Fireplace	—	1,323
Palliative care room – Armchair	—	1,040
Patient lounge – Fireplace for Kin/Friends lounge	—	871
Blue Crest residents – BBQ	—	789
Chemotherapy item – camisoles	—	530
Patient lounge – Mirrow for Kin/Friends lounge	—	382
	69,281	61,482

NOTES TO FINANCIAL STATEMENTS

March 31, 2012

6. COMMITMENT

The Foundation has committed to the provision of funds totaling $500,000 to Eastern Regional Health Authority for the purpose of its Caring Campaign, of which nil has been disbursed as at March 31, 2012.

7. RELATED PARTY TRANSACTIONS

The Foundation operates for the purpose of accumulating funds to assist Eastern Regional Health Authority with the purchase of medical equipment used in the provision of patient care. Transactions between these related parties are measured at their exchange value.

8. CAPITAL MANAGEMENT

The capital structure of the Foundation consists of net assets. The Foundation's objective when managing capital is to ensure it maintains adequate capital to support its continued operations.

The Foundation is not subject to externally imposed capital requirements.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial risk factors

The Foundation has exposure to credit risk and liquidity risk. The Foundation's Board of Directors has overall responsibility for the oversight of these risks and reviews the Foundation's policies on an ongoing basis to ensure that these risks are appropriately managed. The source of risk exposure and how each is managed is outlined below.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligation. The Foundation's credit risk is primarily attributable to accounts receivable. Management believes that the credit risk with respect to accounts receivable is not material.

NOTES TO FINANCIAL STATEMENTS

March 31, 2012

Liquidity risk

Liquidity risk is the risk that the Foundation will not be able to meet its financial obligations as they become due. As at March 31, 2012 the Foundation had cash of $205,309 and continues to be in a position to meet obligations.

To the extent that the Foundation does not believe that it has sufficient liquidity to meet current obligations, consideration will be given to obtaining additional funds through third-party financing or other fundraising methods, assuming these can be obtained.

Fair value

The fair value of the Foundation's financial instruments approximates their carrying value due to the short-term maturity and normal credit terms of those instruments.

BUSINESS INVESTMENT CORPORATION

FINANCIAL STATEMENTS

31 MARCH 2011

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Board of Directors
Business Investment Corporation
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Business Investment Corporation which comprise the statement of financial position as at 31 March 2011, the statement of equity, the statement of revenues and expenses and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Auditor's Report (cont.)

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Business Investment Corporation as at 31 March 2011, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

JOHN L. NOSEWORTHY, CA
Auditor General

29 June 2011
St. John's, Newfoundland and Labrador

BUSINESS INVESTMENT CORPORATION
STATEMENT OF FINANCIAL POSITION

31 March	2011	2010
ASSETS		
Cash (Note 2)	$ 20,410,488	$ 19,086,034
Due from Province	13,000	13,000
Bank interest receivable	17,653	6,874
Loans and equity investments (Note 3)	8,247,736	7,984,235
Long-term investments (Note 4)	9,422	9,422
	$ 28,698,299	$ 27,099,565
LIABILITIES AND EQUITY		
Accounts payable and accrued liabilities	$ 22,558	$ 13,000
Borrowers' deposits	-	68,517
	22,558	81,517
Equity	28,675,741	27,018,048
	$ 28,698,299	$ 27,099,565

Contingent liabilities (Note 5)
Commitments (Note 6)

See accompanying notes

Signed on behalf of the Board:

Chairperson

Director of Portfolio Management

BUSINESS INVESTMENT CORPORATION
STATEMENT OF EQUITY

For the Year Ended 31 March	2011	2010
Contributed capital (Note 7)		
Balance, beginning of year	**$ 47,795,061**	$ 48,681,122
Aquaculture Working Capital Fund reserve (Note 2)	**3,765**	2,131
Principal written off, net of recoveries (Note 3)	**(3,659,603)**	(888,192)
Balance, end of year	**44,139,223**	47,795,061
Deficit		
Balance, beginning of year	**(20,777,013)**	(21,694,704)
Excess of revenues over expenses	**1,653,928**	29,499
Principal written off, net of recoveries (Note 3)	**3,659,603**	888,192
Balance, end of year	**(15,463,482)**	(20,777,013)
Equity, end of year	**$ 28,675,741**	$ 27,018,048

See accompanying notes

BUSINESS INVESTMENT CORPORATION
STATEMENT OF REVENUES AND EXPENSES

For the Year Ended 31 March	2011	2010
REVENUES		
Interest on loans	$ 658,054	$ 948,807
Other investment income	157,791	91,556
Contributions from Province		
Business Marketing and Development Program	1,000,000	1,000,000
Other Provincial contributions (Note 9)	998,516	987,270
Recovery in value of loans receivable and equity investments (Note 3)	452,399	-
	3,266,760	3,027,633
EXPENSES		
Business Marketing and Development Program	605,981	663,590
Provision for decline in value of loans receivable and equity investments (Note 3)	-	1,342,240
Operating expenses (Note 9)	998,516	987,270
Bank charges	2,761	3,200
Miscellaneous expense	5,574	1,834
	1,612,832	2,998,134
Excess of revenues over expenses	$ 1,653,928	$ 29,499

See accompanying notes

BUSINESS INVESTMENT CORPORATION
STATEMENT OF CASH FLOWS
For the Year Ended 31 March

	2011	2010
Cash flows from operating activities		
Excess of revenues over expenses	$ 1,653,928	$ 29,499
Add non-cash items		
Provision for (recovery) decline in value of loans receivable and equity investments	(452,399)	1,342,240
	1,201,529	1,371,739
Change in non-cash operating items		
Due from Province	-	(13,000)
Bank interest receivable	(10,779)	(6,874)
Accounts payable and accrued liabilities	9,558	13,000
Borrowers' deposits	(68,517)	-
	1,131,791	1,364,865
Cash flows from investing activities		
Increase in loans and equity investments	(2,880,038)	(3,457,496)
Collection of loans and equity investments	3,068,936	2,836,301
	188,898	(621,195)
Cash flows from financing activities		
Aquaculture Working Capital Fund reserve	3,765	2,131
	3,765	2,131
Net increase in cash	1,324,454	745,801
Cash, beginning of year	19,086,034	18,340,233
Cash, end of year	$ 20,410,488	$ 19,086,034

See accompanying notes

Authority

The Business Investment Corporation (the Corporation) was established under the authority of the *Business Investment Corporation Act*. The Corporation is funded by the Province of Newfoundland and Labrador (the Province) and is responsible for making available and managing investments in small to medium sized private businesses, co-operatives, community development corporations and other enterprises for the purpose of creating employment opportunities for the people of the Province. The affairs of the Corporation are managed by a Board of Directors appointed by the Lieutenant-Governor in Council.

The *Business Investment Corporation Act* came into force effective 1 April 2002. Under this *Act*, the Business Investment Corporation was incorporated and became the successor to Enterprise Newfoundland and Labrador Corporation, the Fisheries Loan Board and the Farm Development Loan Board. Also under this *Act*, the *Fisheries Loan Act*, the *Farm Development Loan Act*, the *Economic Recovery Commission Act* and the *Enterprise Newfoundland and Labrador Corporation Act* were repealed.

1. Summary of significant accounting policies

These financial statements have been prepared by the Corporation's management in accordance with Canadian generally accepted accounting principles. Outlined below are the significant accounting policies followed.

(a) Loans receivable

The Corporation records loans receivable at cost. When loans are identified as impaired, the Corporation records an allowance to reduce their carrying values to their estimated realizable amounts. Estimated realizable amounts are measured at discounted cash flows when the cash flows can be estimated with reasonable reliability, or alternatively, at the estimated net realizable value of the underlying security.

(b) Equity investments

The Corporation records equity investments at cost. In certain circumstances, the Corporation may have acquired the right to appoint representatives to an equity investee's board of directors or it may have a significant influence on the strategic operating, investing and financing policies of the investee. However, because of the nature of the Corporation's investment process and the manner in which these positions were acquired, such control or significant influence may not in fact be exercised or the Corporation may not intend to maintain such positions. Accordingly the Corporation's equity investments for all companies in which the Corporation holds voting rights are accounted for on the cost basis.

Provision is made by the Corporation for any decline in the value of investee companies which is considered to be other than temporary.

1. Significant accounting policies (cont.)

(c) Revenue recognition

Contributions from the Province are recorded as revenue by the Corporation.

Interest income is accounted for on the accrual basis for bank interest and all loans other than the impaired portion of loans. Recognition of interest in accordance with the terms of the original loan agreement ceases when a loan becomes impaired. A loan is classified as impaired when, in the opinion of management, there is reasonable doubt as to the ultimate collectability of a portion of principal or interest, or when payment is contractually past due 90 days. The impaired portion of loans may revert to accrual status only when principal and interest payments have become fully current again, at which time any interest will be recognized in that fiscal year.

Dividends are recorded as income when received.

2. Aquaculture Working Capital Fund

On 30 March 2001, Enterprise Newfoundland and Labrador Corporation, a predecessor of the Corporation, entered into an agreement with the Federal and Provincial Governments to set up the Aquaculture Working Capital Fund (AWCF). The AWCF assists individuals and companies in the shell fish industry throughout the Province through repayable loans. The AWCF is a revolving fund in which the Corporation retains the loan repayments for future aquaculture loans until the conclusion of the agreement. The agreement was scheduled to conclude on 31 March 2011; however, it is expected to be extended for 3 years, at which time the Corporation will reimburse all monies to the Federal and Provincial governments based on the proportions of their contribution. The Fund is recorded as contributed capital and, for the year ended 31 March 2011, increased by $3,765 (2010 - $2,131).

To date the Corporation has received funding totalling $1.5 million based on contributions of $1.3 million in Federal funding from the Canada/Newfoundland Strategic Regional Diversification Agreement, and $160,000 Federal and $40,000 Provincial funding from the Canada/Newfoundland Agreement on Economic Renewal.

As at 31 March 2011, the AWCF had 14 loans outstanding totalling $1,087,345 (2010 - 14 loans totalling $1,103,185). During 2003-04 the Corporation established a separate loan portfolio and bank account to administer the AWCF and assist in identifying payments that are received and held for future loans. As at 31 March 2011, the AWCF had a cash balance of $543,266 (2010 - $487,437) which is included in these financial statements as part of the total cash funds of $20,410,488 (2010 - $19,086,034).

3. Loans and equity investments

The determination of whether a loan is impaired and the appropriate carrying value of equity investments, involves significant judgement. The estimation of an appropriate allowance for decline in value of loans receivable and equity investments necessarily involves the use of estimates. These financial statements represent management's best estimates based on available information.

3. Loans and equity investments (cont.)

	2011	2010
Loans receivable		
Principal due and unpaid	**$ 15,932,332**	$ 16,683,045
Principal not yet due	**12,695,196**	13,434,145
Interest due and unpaid	**3,275,892**	3,174,387
	31,903,420	33,291,577
Less: allowance for decline in value	**(23,780,923)**	(25,512,763)
	8,122,497	7,778,814
Equity investments		
Equity investments, at cost	**17,248,970**	19,927,818
Less: allowance for decline in value	**(17,123,731)**	(19,722,397)
	125,239	205,421
Loans and equity investments	**$ 8,247,736**	$ 7,984,235

The allowance for decline in value of loans receivable and equity investments consists of the following:

	2011	2010
Balance, beginning of year	**$ 45,235,160**	$ 44,957,215
Principal written off, net of recoveries	**(3,659,603)**	(888,192)
Interest written off, net of recoveries	**(218,504)**	(176,103)
Provision for (recovery) decline in value of loans receivable and equity investments	**(452,399)**	1,342,240
Balance, end of year	**$ 40,904,654**	$ 45,235,160

The allowance for decline in value represents the Corporation's best estimate of future probable losses with respect to the loans receivable and equity investments. The Corporation recognizes that future economic and industry conditions are not predictable and therefore, their impact on the future cash flows anticipated is uncertain. Consequently, adjustments to the allowance are possible depending on the impact of these future events and management's best estimate of them.

4. Long-term investments

Long-term investments consist of 673 shares of Sun Life Financial Services of Canada Incorporated which were given to the Corporation as a result of the demutualization of Sun Life Assurance Company of Canada. The carrying value of the shares is recognized at the fair market value of $9,422 as determined by the share price at the time of the transfer of shares to the Corporation. The fair market value of these shares as at 31 March 2011 was $20,506 (2010 - $21,711).

5. Contingent liabilities

(a) A client of the Corporation has taken legal action as a result of certain alleged technical problems that the client claims to have experienced with a vessel that was financed through the Fisheries Loan Board Program. The amount of this potential claim is in the $900,000 to $1,100,000 range. In a matter related to this legal action, another party has been awarded a claim of $1,800,000. The Province will not appeal this decision.

(b) A statement of claim has been served on the Corporation by a company claiming a breach of contract. The company is claiming special damages of $811,040, other general and unspecified damages, interest and costs associated with the action. The likelihood of loss as a result of this claim is not determinable.

6. Commitments

The Corporation has outstanding commitments in respect of approved but not yet disbursed loans, equity investments and/or grants in the amount of $2,312,465 (2010 - $2,667,544).

7. Contributed capital

Contributed capital represents accumulated capital contributions from the Province and the Government of Canada. These contributions are used for the purpose of making loans, equity investments, and providing business and market development grants. The Corporation depends on these capital contributions to carry out its mandate.

8. Financial instruments

The Corporation's financial instruments recognized on the statement of financial position, in addition to the long-term investments described in Note 4, consist of cash, due from Province, bank interest receivable, loans and equity investments, and accounts payable and accrued liabilities. The carrying values of cash, due from Province, bank interest receivable, and accounts payable and accrued liabilities approximate current fair value due to their nature and the short-term maturity or current market rate associated with these instruments.

The Corporation's loans and equity investments are recognized on the statement of financial position at cost with provision being made for any decline in their value. Any estimated impairment of these loans and equity investments has been provided for through an allowance for decline in value and no further credit risk exists for these items. The carrying value of loans and equity investments approximates discounted value of expected receipts. Therefore, their carrying values approximate their current fair value and these instruments are not subject to any material interest rate risk.

9. Related party transactions

The Corporation is administered as a division of the Department of Innovation, Trade and Rural Development. Expenses related to salaries, accommodations and administration totalling $998,516 (2010 -$987,270) are paid directly by the Department and are reflected in these financial statements as expenses of the Corporation and as revenue from the Province.

10. Economic dependence

As a result of the Corporation's reliance on Provincial funding, the Corporation's ability to continue viable operations is dependent upon the decisions of the Province.

11. Income taxes

The Corporation is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

BUSINESS INVESTMENT CORPORATION

FINANCIAL STATEMENTS

31 MARCH 2012

Management's Report

Management's Responsibility for the Business Investment Corporation Financial Statements

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that transactions are properly authorized, assets are safeguarded and liabilities are recognized.

Management is also responsible for ensuring that transactions comply with relevant policies and authorities and are properly recorded to produce timely and reliable financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews internal financial information on a quarterly basis and external audited financial statements yearly.

The Auditor General conducts an independent audit of the annual financial statements of the Corporation, in accordance with Canadian generally accepted auditing standards, in order to express an opinion thereon. The Auditor General has full and free access to financial management of the Business Investment Corporation.

On behalf of the Business Investment Corporation.

G Edwards

Mr. Guy Edwards
Director of Portfolio Management

Sharon Patten

Ms. Sharon Patten, CGA
Financial Operations Manager

29 June 2012

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Board of Directors
Business Investment Corporation
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Business Investment Corporation which comprise the statement of financial position as at 31 March 2012, 31 March 2011 and 1 April 2010, and the statements of operations and accumulated deficit, change in net debt, remeasurement gains and losses, and cash flows for the years ended 31 March 2012 and 31 March 2011, 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 audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Auditor's Report (cont.)

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Business Investment Corporation as at 31 March 2012, 31 March 2011 and 1 April 2010, and its financial performance and its cash flows for the years ended 31 March 2012 and 31 March 2011 in accordance with Canadian public sector accounting standards.

Sandra Russell

SANDRA RUSSELL, CA
Deputy Auditor General (A)

29 June 2012
St. John's, Newfoundland and Labrador

BUSINESS INVESTMENT CORPORATION
STATEMENT OF FINANCIAL POSITION
As at

	31 March 2012	31 March 2011	1 April 2010
		Restated (Note 2)	Restated (Note 2)
FINANCIAL ASSETS			
Cash (Note 5)	**$ 20,937,128**	$ 20,410,488	$ 19,086,034
Due from the Province	**13,000**	13,000	13,000
Bank interest receivable	**17,863**	17,653	6,874
HST receivable	**2,128**	-	-
Loans and equity investments (Note 6)	**9,189,658**	8,247,736	7,984,235
Long-term investments (Note 7)	**15,930**	9,422	9,422
	30,175,707	28,698,299	27,099,565
LIABILITIES			
Accounts payable and accrued liabilities	**13,000**	22,558	13,000
Borrowers' deposits	**-**	-	68,517
Due to the Province	**41,390,455**	44,401,290	48,060,893
	41,403,455	44,423,848	48,142,410
Net debt	**11,227,748**	15,725,549	21,042,845
NON-FINANCIAL ASSETS	**-**	-	-
Accumulated deficit (Note 11)	**$ 11,227,748**	$ 15,725,549	$ 21,042,845

Contingent liabilities (Note 8)
Commitments (Note 9)

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

Signed on behalf of the Board:

Chairperson

Board Member

BUSINESS INVESTMENT CORPORATION
STATEMENT OF OPERATIONS AND ACCUMULATED DEFICIT
For the Year Ended 31 March

	2012 Budget	2012 Actual	2011 Actual
	(Note 14)		Restated (Note 2)
REVENUES			
Interest on loans	$ 2,300,000	**$ 524,913**	$ 658,054
Other investment income	160,000	**215,981**	161,556
Contributions from Province			
Business Marketing and Development Program (Note 12)	1,000,000	**1,000,000**	1,000,000
Due to the Province-forgiveness (Note 12)	-	**3,010,835**	3,659,603
Other Provincial contributions (Note 12)	860,000	**804,793**	998,516
Recovery in value of loans receivable and equity investments (Note 6)	-	**496,588**	452,399
	4,320,000	**6,053,110**	6,930,128
EXPENSES			
Business Marketing and Development Program	1,000,000	**753,072**	605,981
Provision for decline in value of loans receivable and equity investments	1,800,000	**-**	-
Operating expenses (Note 12)	860,000	**804,793**	998,516
Bank charges	-	**2,614**	2,761
Miscellaneous expense	-	**1,338**	5,574
	3,660,000	**1,561,817**	1,612,832
Annual surplus	660,000	**4,491,293**	5,317,296
Accumulated deficit, beginning of year	15,725,549	**15,725,549**	21,042,845
Accumulated deficit, end of year (Note 11)	$ 15,065,549	**$ 11,234,256**	$ 15,725,549

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

BUSINESS INVESTMENT CORPORATION
STATEMENT OF CHANGE IN NET DEBT
For the Year Ended 31 March

	2012 Budget	2012 Actual	2011 Actual
	(Note 14)		Restated (Note 2)
Annual surplus	$ 660,000	**$ 4,491,293**	$ 5,317,296
Net remeasurement gains	-	**6,508**	-
Decrease in net debt	660,000	**4,497,801**	5,317,296
Net debt, beginning of year	15,725,549	**15,725,549**	21,042,845
Net debt, end of year	$ 15,065,549	**$ 11,227,748**	$ 15,725,549

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

BUSINESS INVESTMENT CORPORATION
STATEMENT OF REMEASUREMENT GAINS AND LOSSES
For the Year Ended 31 March

	2012	2011
Accumulated remeasurement gains, beginning of year	**$ -**	**$ -**
Unrealized gains attributable to:		
Long-term investments	**6,508**	**-**
Accumulated remeasurement gains, end of year	**$ 6,508**	**$ -**

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

BUSINESS INVESTMENT CORPORATION
STATEMENT OF CASH FLOWS
For the Year Ended 31 March

	2012	2011
		Restated (Note 2)
Operating transactions		
Annual surplus	**$ 4,491,293**	$ 5,317,296
Adjustment for non-cash items		
Recovery in value of loans receivable and equity investments	**(496,588)**	(452,399)
Due to the Province-forgiveness	**(3,010,835)**	(3,659,603)
	983,870	1,205,294
Change in non-cash working capital		
Bank interest receivable	**(210)**	(10,779)
HST receivable	**(2,128)**	-
Accounts payable and accrued liabilities	**(9,558)**	9,558
Borrowers' deposits	**-**	(68,517)
Cash provided from operating transactions	**971,974**	1,135,556
Investing transactions		
Increase in loans and equity investments	**(3,429,594)**	(2,880,038)
Collection of loans and equity investments	**2,984,260**	3,068,936
Cash provided from (applied to) investing transactions	**(445,334)**	188,898
Increase in cash	**526,640**	1,324,454
Cash, beginning of year	**20,410,488**	19,086,034
Cash, end of year	**$ 20,937,128**	$ 20,410,488

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

1. Nature of operations

The Business Investment Corporation (the Corporation) was established under the authority of the *Business Investment Corporation Act*. The Corporation is funded by the Province of Newfoundland and Labrador (the Province) and is responsible for making available and managing investments in small to medium sized private businesses, co-operatives, community development corporations and other enterprises for the purpose of creating employment opportunities for the people of the Province. The affairs of the Corporation are managed by a Board of Directors appointed by the Lieutenant-Governor in Council.

The *Business Investment Corporation Act* came into force effective 1 April 2002. Under this *Act*, the Business Investment Corporation was incorporated and became the successor to Enterprise Newfoundland and Labrador Corporation, the Fisheries Loan Board and the Farm Development Loan Board. Also under this *Act*, the *Fisheries Loan Act*, the *Farm Development Loan Act*, the *Economic Recovery Commission Act* and the *Enterprise Newfoundland and Labrador Corporation Act* were repealed.

The Business Investment Corporation is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

2. Conversion to Canadian Public Sector Accounting Standards

Commencing with the 2012 fiscal year, the Business Investment Corporation has adopted Canadian public sector accounting ("PSA") standards. These financial statements are the first financial statements for which the Business Investment Corporation has applied Canadian public sector accounting standards. The changeover became effective on 1 April 2011 with retroactive application to 1 April 2010.

In accordance with Section PS 2125, *First-time Adoption by Government Organizations*, the Corporation has prepared reconciliations to enable readers to understand the effects of the changeover on its comparative results and its financial position.

2. Conversion to Canadian Public Sector Accounting Standards (cont.)

Statement of operations reconciliation

The following table presents the reconciliation of the statement of operations from the previous reporting framework to the current method of presentation for the year ended 31 March 2011.

Statement of operations	Canadian generally accepted accounting principles 31 March 2011	Adjustments	Canadian public sector accounting standards 31 March 2011
REVENUE			
Interest on loans	$ 658,054	$ -	$ 658,054
Other investment income	157,791	3,765	161,556
Business Marketing and Development Program	1,000,000	-	1,000,000
Due to the Province-forgiveness	-	3,659,603	3,659,603
Other Provincial contributions	998,516	-	998,516
Recovery in value of loans receivable and equity investments	452,399	-	452,399
	3,266,760	3,663,368	6,930,128
EXPENSES			
Business Marketing and Development Program	605,981	-	605,981
Operating expenses (Note 12)	998,516	-	998,516
Bank charges	2,761	-	2,761
Miscellaneous expense	5,574	-	5,574
	1,612,832	-	1,612,832
Annual surplus	$ 1,653,928	$ 3,663,368	$ 5,317,296

2. Conversion to Public Sector Accounting Standards (cont.)

Statement of financial position reconciliation

The following tables present the reconciliation of the statement of financial position from the previous reporting framework to the current method at 31 March 2011 and at the conversion date 1 April 2010.

Statement of financial position	Canadian generally accepted accounting principles 31 March 2011	Adjustments	Canadian public sector accounting standards 31 March 2011
FINANCIAL ASSETS			
Cash	$ 20,410,488	$ -	$ 20,410,488
Due from the Province	13,000	-	13,000
Bank interest receivable	17,653	-	17,653
Loans and equity investments	8,247,736	-	8,247,736
Long-term investments	9,422	-	9,422
	28,698,299	-	28,698,299
LIABILITIES			
Accounts payable and accrued liabilities	22,558	-	22,558
Due to the Province	-	44,401,290	44,401,290
Contributed capital	44,139,223	(44,139,223)	-
	44,161,781	262,067	44,423,848
Net debt / accumulated deficit	$ 15,463,482	$ 262,067	$ 15,725,549

2. Conversion to Public Sector Accounting Standards (cont.)

Statement of financial position	Canadian generally accepted accounting principles 1 April 2010	Adjustments	Canadian public sector accounting standards 1 April 2010
FINANCIAL ASSETS			
Cash	$ 19,086,034	$ -	$ 19,086,034
Due from the Province	13,000	-	13,000
Bank interest receivable	6,874	-	6,874
Loans and equity investments	7,984,235	-	7,984,235
Long-term investments	9,422	-	9,422
	27,099,565	-	27,099,565
LIABILITIES			
Accounts payable and accrued liabilities	13,000		13,000
Borrowers' deposits	68,517	-	68,517
Due to the Province	-	48,060,893	48,060,893
Contributed capital	47,795,061	(47,795,061)	-
	47,876,578	265,832	48,142,410
Net debt / accumulated deficit	$ 20,777,013	$ 265,832	$ 21,042,845

3. Changes in accounting standards: Early adoption of released CICA Public Sector Accounting Handbook sections

In March 2011, the Canadian Public Sector Accounting Board (PSAB) approved new Section PS 3450, *Financial Instruments*, Section PS 2601, *Foreign Currency Translation* and Section PS 1201, *Financial Statement Presentation*. The three sections are effective for fiscal years beginning on or after 1 April 2012 for government organizations but earlier adoption is permitted. The Corporation decided to earlier adopt these sections for the year ended 31 March 2012 and, as a result, long-term investments have been recorded at fair value and a statement of remeasurement gains and losses has been prepared which presents the impact.

Section PS 3410, *Government Transfers*, was amended by PSAB in December 2010. The main changes pertain to recognition criteria for government transfers, affecting how the Corporation accounts for such transfers. These amendments are effective for fiscal years beginning on or after 1 April 2012 and earlier adoption is encouraged. The Corporation decided to early adopt the section for the year ending 31 March 2012. The impact of adopting this section is described in note 4(d).

4. Summary of significant accounting policies

(a) Basis of accounting

These financial statements are prepared by management in accordance with Canadian public sector accounting standards for provincial reporting entities established by PSAB.

(b) Loans receivable

The Corporation records loans receivable at amortized cost. When loans are identified as impaired, the Corporation records an allowance to reduce their carrying values to their estimated realizable amounts. Estimated realizable amounts are measured at discounted cash flows when the cash flows can be estimated with reasonable reliability, or alternatively, at the estimated net realizable value of the underlying security.

(c) Equity investments

The Corporation records equity investments at amortized cost. In certain circumstances, the Corporation may have acquired the right to appoint representatives to an equity investee's board of directors or it may have a significant influence on the strategic operating, investing and financing policies of the investee. However, because of the nature of the Corporation's investment process and the manner in which these positions were acquired, such control or significant influence may not in fact be exercised or the Corporation may not intend to maintain such positions. Accordingly, the Corporation's equity investments for all companies in which the Corporation holds voting rights are accounted for on the amortized cost basis with a provision being made for any decline in their value considered to be other than temporary.

(d) Due to the Province

Prior to 31 March 2005, the Province provided funding to the Corporation to finance the loans and equity investments. The funding was to be repaid to the Province as the loans and equity investments were repaid to the Corporation. The amount due from the Province was also reduced by any write-off of the related loans and equity investments in the Corporation. Since 31 March 2005, the Corporation has been permitted to retain all repayments of its loans and equity investments; however, the amount due to the Province continues to be reduced by the amount of any write-off of the related loans and equity investments. This write-off is recorded as due to the Province-forgiveness and revenue of the Corporation.

4. Summary of significant accounting policies (cont.)

(e) Revenue recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. Interest income is accounted for on the accrual basis for bank interest and all loans other than the impaired portion of loans. Recognition of interest in accordance with the terms of the original loan agreement ceases when a loan becomes impaired. A loan is classified as impaired when, in the opinion of management, there is reasonable doubt as to the ultimate collectability of a portion of principal or interest, or when payment is contractually past due 90 days. The impaired portion of loans may revert to accrual status only when principal and interest payments have become fully current again, at which time any interest will be recognized in that fiscal year.

Contributions from the Province are recognized as revenues when the contribution is authorized, any eligibility criteria are met, and reasonable estimates of the amounts can be made.

Due to the Province-forgiveness is recognized as revenue as the related loans and equity investments are written off by the Corporation.

(f) Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

The Corporation is administered as a division of the Department of Innovation, Business and Rural Development. Expenses related to salaries, accommodations and administration are paid directly by the Department and are reflected in these financial statements as expenses of the Corporation and as revenue from the Province.

Grants under the Business Marketing and Development Program are recorded as expenses when the grant is authorized, eligibility criteria have been met by the recipient and a reasonable estimate of the amount can be made.

4. Summary of significant accounting policies (cont.)

(g) 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 reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include collectability for the loans and equity investments.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

5. Cash

	31 March 2012	31 March 2011	1 April 2010
Aquaculture Working Capital Fund	**$ 630,286**	$ 543,266	$ 487,437
Small and Medium Enterprise Fund	**16,532,950**	16,372,358	15,519,293
Business Marketing and Development Fund	**3,773,626**	3,493,934	3,079,304
Other	**266**	930	-
	$ 20,937,128	$ 20,410,488	$ 19,086,034

6. Loans and equity investments

The determination of whether a loan is impaired and the appropriate carrying value of equity investments, involves significant judgement. The estimation of an appropriate allowance for decline in value of loans receivable and equity investments necessarily involves the use of estimates. These financial statements represent management's best estimates based on available information.

6. Loans and equity investments (cont.)

	31 March 2012	31 March 2011	1 April 2010
Loans receivable			
Principal due and unpaid	**$ 15,568,826**	$ 15,932,332	$ 16,683,045
Principal not yet due	**13,072,106**	12,695,196	13,434,145
Interest due and unpaid	**3,227,428**	3,275,892	3,174,387
	31,868,360	31,903,420	33,291,577
Less: allowance for decline in value	**(22,839,593)**	(23,780,923)	(25,512,763)
	9,028,767	8,122,497	7,778,814
Equity investments			
Equity investments, at cost	**14,489,088**	17,248,970	19,927,818
Less: allowance for decline in value	**(14,328,197)**	(17,123,731)	(19,722,397)
	160,891	125,239	205,421
Loans and equity investments	**$ 9,189,658**	$ 8,247,736	$ 7,984,235

The allowance for decline in value of loans receivable and equity investments consists of the following:

	31 March 2012	31 March 2011	1 April 2010
Balance, beginning of year	**$ 40,904,654**	$ 45,235,160	$ 44,957,215
Principal written off, net of recoveries	**(3,010,835)**	(3,659,603)	(888,192)
Interest written off, net of recoveries	**(229,441)**	(218,504)	(176,103)
Provision for (recovery) decline in value of loans receivable and equity investments	**(496,588)**	(452,399)	1,342,240
Balance, end of year	**$ 37,167,790**	$ 40,904,654	$ 45,235,160

6. Loans and equity investments (cont.)

The allowance for decline in value represents the Corporation's best estimate of future probable losses with respect to the loans receivable and equity investments. The Corporation recognizes that future economic and industry conditions are not predictable and therefore, their impact on the future cash flows anticipated is uncertain. Consequently, adjustments to the allowance are possible depending on the impact of these future events and management's best estimate of them.

7. Long-term investments

Long-term investments consist of 673 shares of Sun Life Financial Services of Canada Incorporated which were given to the Corporation as a result of the demutualization of Sun Life Assurance Company of Canada. The carrying value of the shares is recognized at the fair market value of $9,422 as determined by the share price at the time of the transfer of shares to the Corporation. The fair market value of these shares as at 31 March 2012 was $15,930.

8. Contingent liabilities

(a) A client of the Corporation has taken legal action as a result of certain alleged technical problems that the client claims to have experienced with a vessel that was financed through the Fisheries Loan Board Program. The amount of this potential claim is in the $900,000 to $1,100,000 range. In a matter related to this legal action, another party has been awarded a claim of $1,800,000. The Province will not appeal this decision.

(b) A statement of claim has been served on the Corporation by a company claiming a breach of contract. The company is claiming special damages of $811,040, other general and unspecified damages, interest and costs associated with the action. The likelihood of loss as a result of this claim is not determinable.

9. Commitments

The Corporation has outstanding commitments in respect of approved but not yet disbursed loans, equity investments and/or grants in the amount of $2,026,795 (2011 - $2,312,465).

10. Financial instruments

The Corporation's financial instruments recognized on the statement of financial position consist of cash, due from the Province, bank interest receivable, HST receivable, loans and equity investments, long-term investments, accounts payable and accrued liabilities, and due to the Province. Cash, due from the Province, bank interest receivable, HST receivable and accounts payable and accrued liabilities are carried at cost and approximate current fair value due to their nature and the short-term maturity or current market rate associated with these instruments and no further risk exists. Loans and equity investments are carried at amortized cost as disclosed in notes 4(b), 4(c) and 6. Long-term investments are carried at fair value as disclosed in notes 3 and 7.

10. Financial instruments (cont.)

Credit risk

Credit risk is the risk of loss if a client cannot meet its obligations. The Corporation is exposed to credit risk with respect to loans and equity investments. The Corporation has policies and procedures for the monitoring and collection of its loans and equity investments so as to mitigate potential credit losses. In addition, any estimated impairment of these loans and equity investments has been provided for through an allowance for decline in value, as disclosed in Note 6, and no further credit risk exists for these items. The carrying value of loans and equity investments approximates discounted value of expected receipts.

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Corporation's long-term investments are subject to fluctuations in market prices; however, due to the insignificant amount it is not a significant risk to the Corporation.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial liabilities. The Corporation is exposed to liquidity risk with respect to its obligation to the Province of Newfoundland and Labrador. Prior to 31 March 2005, this obligation was to be repaid to the Province as the related loans and equity investments were repaid to the Corporation. Since 31 March 2005, the Corporation has been permitted to retain all repayments of its loan and equity investments and therefore it has no current obligation to repay the amount to the Province. The amount due to the Province continues to be reduced by the amount of any write-off of the related loans and equity investments.

11. Accumulated deficit

	31 March 2012	31 March 2011	1 April 2010
Accumulated operating deficit	**$ 11,234,256**	$ 15,725,549	$ 21,042,845
Accumulated remeasurement gains	**6,508**	-	-
	$ 11,227,748	$ 15,725,549	$ 21,042,845

12. Related party transactions

The Corporation had the following transactions with the Province:

	2012	2011
Business Marketing and Development Program	**$ 1,000,000**	$ 1,000,000
Due to the Province-forgiveness	**3,010,835**	3,659,603
Other Provincial contributions	**804,793**	998,516
	$ 4,815,628	$ 5,658,119

The Corporation is administered as a division of the Department of Innovation, Business and Rural Development. Expenses related to salaries, accommodations and administration totalling $804,793 (2011 -$998,516) are paid directly by the Department and are reflected in these financial statements as expenses of the Corporation and as revenue from the Province.

13. Comparative figures

Certain comparative figures as at 31 March 2011 have been restated to conform to current year's presentation.

14. Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the management of the Corporation.

C.A. PIPPY PARK COMMISSION

CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2011

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Chairperson and Members
C.A. Pippy Park Commission
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying consolidated financial statements of the C.A. Pippy Park Commission, which comprise the consolidated balance sheet as at 31 March 2011 and the consolidated statements of revenues, expenses and surplus, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Auditor's Report (cont.)

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the C.A. Pippy Park Commission as at 31 March 2011, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

WAYNE R. LOVEYS, CMA
Auditor General (A)

17 August 2011
St. John's, Newfoundland and Labrador

C.A. PIPPY PARK COMMISSION
CONSOLIDATED BALANCE SHEET

31 March	2011	2010
ASSETS		
Current		
Cash	**$ 279,134**	$ 213,662
Accounts receivable (Note 2)	**61,613**	45,564
Merchandise inventory - at the lower of cost and net realizable value	**20,333**	17,012
Prepaid expenses	**17,483**	19,032
Prepaid supplies	**12,177**	11,154
	390,740	306,424
Capital assets (Note 3)	**1,973,550**	1,992,474
	$ 2,364,290	$ 2,298,898
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities	**$ 204,916**	$ 189,402
Deferred revenue (Note 4)	**61,823**	134,259
Obligations under capital lease (Note 5)	**39,379**	49,950
	306,118	373,611
Obligations under capital lease (Note 5)	**71,671**	91,604
Accrued severance pay	**160,881**	145,315
Advance from Province of Newfoundland and Labrador (Note 6)	**250,000**	250,000
	788,670	860,530
Equity		
Surplus	**1,575,620**	1,438,368
	1,575,620	1,438,368
	$ 2,364,290	$ 2,298,898

Contingent liabilities (Note 7)

See accompanying notes

Signed on behalf of the Board: ______ **Chairperson** ______ **Member**

C.A. PIPPY PARK COMMISSION
CONSOLIDATED STATEMENT OF REVENUES, EXPENSES AND SURPLUS
For the Year Ended 31 March

	2011 Actual	2011 Budget	2010 Actual
REVENUES			
Province of Newfoundland and Labrador			
Operating grant (Note 8)	$ 558,000	$ 558,000	$ 350,000
Golf Course (Note 9)	682,006	863,297	756,912
Trailer park (Note 10)	511,611	516,500	502,571
Services	236,463	232,000	223,431
Clubhouse (Note 11)	208,889	217,000	216,216
Rental	69,235	53,000	69,021
Miscellaneous	25,731	-	5,019
Advertising	16,664	20,000	19,061
Interest	3,054	-	671
Gain on sale of capital assets	-	-	15
	2,311,653	2,459,797	2,142,917
EXPENSES			
Advertising and promotion	14,200	18,000	18,330
Amortization	245,721	242,000	256,044
Bad debts	3,178	-	323
Bank charges	35,981	42,000	35,388
Building maintenance	93,163	105,000	76,914
Course maintenance	71,280	75,000	89,480
Donation	50	1,000	-
Equipment maintenance	75,105	61,300	75,456
Fuel	53,547	68,000	54,467
Heat, light and telephone	139,789	154,500	141,002
Honoraria	210	7,500	980
Insurance	59,712	58,000	56,220
Interest on capital lease obligations	10,476	8,300	12,578
Loss on disposal of capital assets	889	-	300
Miscellaneous	14,584	17,000	11,820
Office	11,861	14,000	10,031
Professional fees	27,067	35,000	43,665
Salaries and employee benefits	1,647,861	1,640,000	1,557,803
Supplies	42,308	49,000	45,907
Training	600	3,000	200
Travel	2,569	4,000	-
	2,550,151	2,602,600	2,486,908
Excess of expenses over revenues from operations	(238,498)	(142,803)	(343,991)
Other revenues			
Property sales	375,750	375,500	11,700
Excess of revenues over expenses (expenses over revenues)	137,252	232,697	(332,291)
Surplus, beginning of year	1,438,368	1,438,368	1,770,659
Surplus, end of year	$ 1,575,620	$ 1,671,065	$ 1,438,368

See accompanying notes

C.A. PIPPY PARK COMMISSION
CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 31 March	2011	2010
Cash flows from operating activities		
Excess of revenues over expenses (expenses over revenues)	$ **137,252**	$ (332,291)
Adjustment for non-cash items		
Amortization	**245,721**	256,044
Loss on disposal of capital assets	**889**	300
Gain on sale of capital assets	**-**	(15)
Bad debts	**3,178**	323
	387,040	(75,639)
Changes in non-cash working capital		
Accounts receivable	**(19,227)**	45,433
Merchandise inventory	**(3,321)**	(2,247)
Prepaid expenses	**1,549**	2,221
Prepaid supplies	**(1,023)**	1,080
Accounts payable and accrued liabilities	**15,514**	47,268
Deferred revenue	**(72,436)**	68,801
	(78,944)	162,556
Increase in accrued severance pay	**15,566**	21,677
	323,662	108,594
Cash flows from investing activities		
Additions to capital assets - purchased from operations	**(203,861)**	(93,795)
Additions to capital assets - purchased under capital lease	**(23,825)**	(54,490)
Sale of capital assets	**-**	2,196
	(227,686)	(146,089)
Cash flows from financing activities		
Increase in capital lease obligations	**23,825**	54,490
Repayment of capital lease obligations	**(54,329)**	(37,618)
	(30,504)	16,872
Net increase (decrease) in cash	**65,472**	(20,623)
Cash, beginning of year	**213,662**	234,285
Cash, end of year	$ **279,134**	$ 213,662

See accompanying notes

Authority

The C.A. Pippy Park Commission (the Commission) was incorporated in 1968 and operates under authority of the *Pippy Park Commission Act*. The purpose of the Commission is to provide a park-like setting to house the headquarters of the Provincial Government, as well as various government, cultural, educational facilities and Memorial University of Newfoundland. Its affairs are managed by a Board of Commissioners, the majority of whom are appointed by the Lieutenant-Governor in Council.

The C.A. Pippy Park Golf Course Limited (the Golf Course) was incorporated on 6 January 2006 under the *Corporations Act*. It is a wholly owned subsidiary of the Commission, incorporated in accordance with Section 25(b)(i) of the *Pippy Park Commission Act*. It's purpose is to manage the Pippy Park Golf Course.

1. Summary of significant accounting policies

These consolidated financial statements have been prepared by the Commission's management in accordance with Canadian generally accepted accounting principles. Outlined below are the significant accounting policies followed.

(a) Principles of consolidation

The consolidated financial statements include the assets, liabilities and equity of the C.A. Pippy Park Commission and its subsidiary corporation, C.A. Pippy Park Golf Course Limited. Inter-entity transactions and balances have been eliminated in these consolidated financial statements.

(b) Capital assets

(i) All capital assets are capitalized at cost at the time of acquisition. Government assistance towards the acquisition of capital assets is deducted from the related capital asset cost with any amortization calculated on the net amount. Amortization is calculated using the declining balance method based on the expected future life of all assets as follows:

Furniture and equipment	30%
Vehicles	30%
Equipment under capital lease	30%
Buildings	10%
Park improvements	10%
Golf course improvements	10%

(ii) Many capital assets have been financed through capital grants from the Province of Newfoundland and Labrador. The expended portion of these grants has been deducted from the applicable capital assets on the consolidated balance sheet and amortization has been calculated on the net amount.

1. Summary of significant accounting policies (cont.)

(iii) The cost of building acquisitions is included with land where the primary reason for purchasing the properties is to acquire the land. Where the Commission intends to maintain the buildings for Park use, cost is allocated between land and buildings.

(c) Severance pay

Severance pay is calculated based on years of service and current salary levels for management employees of the Commission and those employees represented by the Newfoundland and Labrador Association of Public and Private Employees. The entitlement to severance pay vests after nine years of continual service, and accordingly no provision has been made in the accounts for employees with less than nine years of continual service. For employees of the Commission, the amount is payable when the employee ceases employment in the public service. If an employee of the Commission transfers to another entity included in the public service, then the liability is transferred with the employee to the other entity. For Golf Course employees represented by the Newfoundland and Labrador Association of Public and Private Employees the amount is payable when the employee ceases employment with the Corporation unless they transfer to another entity of the Province. Other Golf Course employees do not qualify for severance pay.

(d) Deferred revenue

Deferred revenue represents revenue related to future operating periods. The revenue will be reported in the applicable future period to which it relates.

(e) Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

2. Accounts receivable

	2011	2010
Trade	**$ 40,728**	$ 52,790
Harmonized sales tax	**22,610**	5,202
	63,338	57,992
Less: allowance for doubtful accounts	**1,725**	12,428
Net accounts receivable	**$ 61,613**	$ 45,564

3. Capital assets

	2011				2010
	Cost	Capital Grants	Accumulated Amortization	Net Book Value	Net Book Value
Park					
Land (Note 3(a) and 3(b))	$ 6,035,850	$ 6,030,728	$ -	$ 5,122	$ 5,122
Furniture and equipment	311,233	111,237	158,916	41,080	20,096
Vehicles	122,842	122,842	-	-	-
Equipment under capital lease	109,593	-	76,682	32,911	42,446
Buildings	932,482	706,507	149,804	76,171	79,083
Park improvements	1,771,258	951,058	257,090	563,110	554,337
Assets under construction	139,621	-	-	139,621	65,517
	9,422,879	7,922,372	642,492	858,015	766,601
Golf Course					
Land (Note 3(a) and 3(b))	1,809,696	1,809,696	-	-	-
Golf course improvements	1,346,311	99,999	545,574	700,738	778,597
Buildings	517,469	5,301	224,070	288,098	320,109
Equipment under capital lease	78,314	-	25,642	52,672	62,809
Furniture and equipment	353,671	34,662	244,982	74,027	64,358
	4,105,461	1,949,658	1,040,268	1,115,535	1,225,873
	$ 13,528,340	$ 9,872,030	$ 1,682,760	$ 1,973,550	$ 1,992,474

(a) Capital assets not included in consolidated financial statements

Land purchased directly by the Provincial Government and forming part of C.A. Pippy Park is not recorded in these consolidated financial statements. The land recorded in these consolidated financial statements represents land purchased directly by the Commission.

Capital improvements made by third parties are not recorded in these consolidated financial statements.

(b) Title to Commission property and value of land

Under Section 10(4) of the *Pippy Park Commission Act*, title to property of the Commission is vested in the name of the Minister of Environment and Conservation, for the Crown. Therefore, capital grants received from the Province for the purchase of land have been deducted from the total cost of the land purchased.

4. Deferred revenue

	2011	2010
Golf course	$ 39,822	$ 55,111
Clubhouse	20,748	13,616
Rental	1,253	2,508
Trailer park	-	7,105
Property sales	-	54,165
Advertising	-	1,754
	$ 61,823	$ 134,259

Golf course deferred revenue relates to golf packages and gift certificates sold during the fiscal year that relate to the 2011 golf season. Clubhouse deferred revenue relates to deposits received on Salon rentals for future periods. Rental deferred revenue relates to deposits received on reservations at the Northbank Lodge for future periods.

5. Obligations under capital lease

	2011	2010
Obligations under capital lease	$ 111,050	$ 141,554
Less: current portion	39,379	49,950
	$ 71,671	$ 91,604

Future minimum lease payments under capital leases are:

2012	$ 43,318
2013	59,864
2014	17,147
2015	5,699
	126,028
Less: interest portion of payments	14,978
	$ 111,050

The capital leases are secured by equipment having a net book value of $85,583.

6. **Advance from Province of Newfoundland and Labrador**

On 30 March 2001, the Commission received a repayable advance in the amount of $250,000 from the Province of Newfoundland and Labrador. There are no set terms of repayment. The advance payable remained outstanding at year end.

7. **Contingent liabilities**

In 1997, a Statement of Claim was served on the Commission in dispute of conveyance of property situated at Nagle's Place. The property, within the boundary of Pippy Park, was purchased in 1997 by the Department of Works, Services and Transportation (now the Department of Transportation and Works). After the owners passed away, there was a dispute over share of the estate between the remaining children. The status of the issue between the parties is unclear, even though this issue was dropped from the trial list by consent of the parties some time ago. This matter has not been formally closed and action had been initiated to formally discontinue this matter during the 2008 calendar year.

8. **Related party transactions**

(a) During the year, the Commission received an operating grant of $558,000 (2010 - $350,000) from the Province.

(b) Services and rental revenue include revenues from the Province in the amount of $198,934 (2010 - $197,015) as a result of ongoing contracts.

9. **Golf Course revenue**

	2011		2010
	Actual	**Budget**	Actual
Green fees	$ 547,137	$ 695,297	$ 609,080
Rentals	126,789	156,000	139,010
	673,926	851,297	748,090
Proshop sales	28,022	27,000	20,955
Less: cost of goods sold	19,942	15,000	12,133
	8,080	12,000	8,822
	$ 682,006	$ 863,297	$ 756,912

10. Trailer park revenue

	2011		2010
	Actual	**Budget**	Actual
Registration fees	**$ 501,182**	**$ 502,000**	$ 476,259
Mini golf	**5,948**	**14,500**	14,455
	507,130	**516,500**	490,714
Sales	**30,048**	**-**	36,691
Less: cost of goods sold	**25,567**	**-**	24,834
	4,481	**-**	11,857
	$ 511,611	**$ 516,500**	$ 502,571

11. Clubhouse revenue

	2011		2010
	Actual	**Budget**	Actual
Salon rentals	**$ 45,538**	**$ 50,000**	$ 49,469
Catering commissions	**54,539**	**52,000**	51,238
	100,077	**102,000**	100,707
Salon sales	**184,507**	**195,000**	190,915
Less: cost of goods sold	**75,695**	**80,000**	75,406
	108,812	**115,000**	115,509
	$ 208,889	**$ 217,000**	$ 216,216

12. Pensions

Management staff and staff represented by the Newfoundland and Labrador Association of Public and Private Employees are subject to the *Public Service Pensions Act.* Employee contributions are matched by the Commission and then remitted to the Province of Newfoundland and Labrador Pooled Pension Fund from which pensions will be paid to employees when they retire. The Commission's share of these pension contributions for 2011 was $57,054 (2010 - $54,104).

Commission staff represented by the United Food and Commercial Workers' Union participate in the Canadian Commercial Workers' Industry Plan from which pensions will be paid to employees when they retire. Employee contributions are matched by the Commission and then remitted to the Canadian Commercial Workers' Industry Plan. The Commission's share of these pension contributions for 2011 was $7,861 (2010 - $4,350).

13. Operating lease obligations

The Commission has operating lease obligations totalling $8,099.

Future payments under these operating leases are:

2012	$ 4,859
2013	4,567
	9,426
Less: interest portion of payments	1,327
	$ 8,099

14. Financial instruments

The Commission's financial instruments recognized on the consolidated balance sheet consist of cash, accounts receivable, accounts payable and accrued liabilities, and obligations under capital lease. The carrying values of these instruments approximate current fair value due to their nature and the short-term maturity associated with them. Any estimated impairment of accounts receivable has been provided for through an allowance for doubtful accounts and no further credit risk exists in relation to these receivables.

15. Economic dependence

As a result of its reliance on future transfers from the Province of Newfoundland and Labrador to fund its operations, the Commission's ability to continue operations is dependent on the decisions of the Province.

16. Measurement uncertainty

The preparation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the year.

17. Income taxes

The Commission is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

CENTRAL REGIONAL HEALTH AUTHORITY

INDEPENDENT AUDITORS' REPORT

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2012

Walters Hoffe
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of **Central Regional Health Authority**

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of **Central Regional Health Authority** which comprise the consolidated statement of financial position as at March 31, 2012, and the consolidated statements of operations, statement of changes in net financial assets (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 consolidated financial statements in accordance with Canadian public sector accounting board 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 evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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 consolidated financial statements present fairly, in all material respects, the financial position of **Central Regional Health Authority** as at March 31, 2012 and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting board standards.

Walters Hoffe
Chartered Accountants

Gander, Newfoundland

June 26, 2012

CENTRAL REGIONAL HEALTH AUTHORITY

CONSOLIDATED

Statement of Financial Position

March 31, 2012

	2012	2011	April 1 2010
Financial Assets			
Cash (Note 9)	**$ 7,797,035**	-	-
Receivables (Note 4)	**15,092,833**	26,808,988	23,697,356
Residents' trust funds held on deposit	**812,861**	855,977	822,634
Cash restricted for security deposits	**33,319**	30,555	27,201
Investments restricted for general endowment purposes (Note 7)	**629,865**	603,336	487,686
Replacement reserve funding (Note 15)	**157,541**	251,430	303,892
	$ 24,523,454	28,550,286	25,338,769
Liabilities			
Bank indebtedness (Note 9)	**$ -**	5,492,593	11,815,630
Payables and accruals (Note 10)	**24,288,234**	24,331,080	19,686,731
Employee future benefits			
Accrued vacation	**13,380,578**	12,500,992	12,143,765
Accrued severance (Note 14)	**25,034,229**	24,240,756	23,027,705
Accrued sick (Note 14)	**15,762,419**	15,664,632	15,572,280
Deferred grants (Note 11)	**24,802,611**	21,796,287	18,249,976
Long-term debt (Note 12)	**16,268,669**	19,272,194	20,645,569
Obligations under capital lease (Note 13)	**558,500**	771,415	989,342
Trust funds payable	**812,861**	855,977	822,634
Security deposits liability	**33,319**	30,555	27,201
Replacement reserves (Note 15)	**157,541**	251,430	303,892
J.M. Olds scholarship and library funds	**83,177**	83,223	84,486
	121,182,138	125,291,134	123,369,211
Net Financial Assets (Debt)	**(96,658,684)**	(96,740,848)	(98,030,442)
Non-Financial Assets			
Capital assets (Note 8)	**58,802,588**	58,512,422	55,993,635
Deposit on capital assets	**-**	-	924,964
Inventories (Note 5)	**2,724,641**	2,785,888	3,003,379
Prepaids (Note 6)	**6,232,694**	6,238,375	6,394,636
	67,759,923	67,536,685	66,316,614
Accumulated surplus/ (deficit) (Note 3)	**$(28,898,761)**	(29,204,163)	(31,713,828)

Commitments (Note 17)
Contingencies (Note 18)

See accompanying notes

Approved:

Daphne Woolridge **Trustee**

Rita Sullivan **Trustee**

CENTRAL REGIONAL HEALTH AUTHORITY

CONSOLIDATED

Statement of Operations

Year ended March 31, 2012

	2012 Budget	2012 Actual	2011 Actual
Revenue:			
Provincial plan operating	$ 290,163,196	290,149,010	286,711,187
Provincial capital grants	-	7,014,366	8,344,074
Other capital contributions	-	312,644	628,171
MCP physicians salaries	12,812,056	16,974,151	15,397,679
Patient-resident services	11,563,350	12,557,642	11,638,957
CMHC mortgage interest subsidy (Note 16)	68,623	56,805	95,008
Capital project funding	5,673,111	5,863,251	3,329,376
Pandemic funding	-	-	374,470
Recoveries	7,551,364	9,990,783	7,229,101
Cottage operations	1,546,460	2,479,707	1,613,650
Foundations	812,800	812,969	976,228
Other revenue	1,720,000	3,258,796	3,294,806
	331,910,960	349,470,124	339,632,707
Expenditure:			
Administration	34,352,120	32,690,316	30,604,013
Community and social services	79,722,106	80,376,525	85,664,873
Support services	63,744,656	64,415,927	59,709,111
Nursing inpatient services - acute	44,561,242	47,203,347	45,522,109
- long-term care	30,508,004	31,555,228	29,746,061
Ambulatory care services	19,402,411	20,292,716	19,020,542
Diagnostic and therapeutic services	39,338,775	40,366,824	35,787,640
Medical services	16,574,392	20,500,214	19,685,399
Education services	1,347,994	996,720	1,092,456
Cottage operations, including amortization of $449,056 (2011 - $411,041)	1,443,395	1,940,577	1,571,745
Foundations, including amortization of $5,029 (2011 - $5,294)	698,400	762,824	974,988
	331,693,495	341,101,218	329,378,937
Surplus (Deficit) - shareable	$ 217,465	8,368,906	10,253,770
Non-shareable items:			
Amortization		(6,209,271)	(6,087,651)
Accrued vacation pay - (increase) decrease		(881,279)	(351,051)
Accrued severance pay - (increase) decrease		(793,473)	(1,213,051)
Accrued sick pay - (increase) decrease		(97,787)	(92,352)
		(7,981,810)	(7,744,105)
Surplus (Deficit) - shareable and non-shareable (Note 3)		387,096	2,509,665
Accumulated Surplus(Deficit):			
Beginning of year (Note 3)		(29,204,163)	(31,713,828)
Repayment of contributed surplus to CMHC		(81,694)	-
End of year		$(28,898,761)	(29,204,163)

See accompanying notes

CENTRAL REGIONAL HEALTH AUTHORITY

CONSOLIDATED

Statement of Changes in Net Financial Assets (Debt)

Year ended March 31, 2012

	2012	2011
Net Debt - beginning of period	**$(96,740,848)**	(98,030,442)
Surplus (Deficit) (Note 3)	**387,096**	2,509,665
Repayment of contributed surplus	**(81,694)**	-
	305,402	2,509,665
Changes in capital assets		
Acquisition of capital assets	**(7,327,011)**	(9,022,773)
Amortization of capital assets	**6,663,355**	6,503,986
Net book value of capital asset disposals	**373,490**	-
Deposits on capital assets used	**-**	924,964
Decrease (Increase) in net book value of capital assets	**(290,166)**	(1,593,823)
Changes in other non-financial assets		
Reduction in prepaids	**5,681**	156,261
Reduction in inventories	**61,247**	217,491
Decrease (Increase) in other non-financial assets	**66,928**	373,752
Decrease (Increase) in debt	**82,164**	1,289,594
Net Debt - end of period	**$(96,658,684)**	(96,740,848)

See accompanying notes

CENTRAL REGIONAL HEALTH AUTHORITY

CONSOLIDATED

Statement of Cash Flows

Year ended March 31, 2012	2012	2011
Operations:		
Surplus (Deficit)	$ 387,096	2,509,665
Amortization	6,663,355	6,503,986
Loss on cottage units demolished	373,490	-
Investment gains/losses	8,444	(45,350)
	7,432,385	8,968,301
Changes in:		
Receivables	11,716,155	(3,111,631)
Inventories	61,247	217,491
Prepaids	5,681	156,261
Payables and accruals	(42,846)	4,644,349
Accrued vacation pay	879,586	357,227
Accrued severance pay	793,473	1,213,051
Accrued sick pay	97,787	92,352
Deferred grants and donations	3,006,324	3,546,311
Net cash provided from operations	23,949,792	16,083,712
Investing:		
Additions to capital assets	(7,327,011)	(9,022,773)
Deposit on capital assets used	-	924,964
Increase in general endowment fund investments	(34,974)	(70,300)
Net cash applied to investing	(7,361,985)	(8,168,109)
Financing:		
Repayment of long-term debt	(3,003,524)	(1,373,376)
Repayment of capital leases	(212,915)	(217,927)
Net changes in J.M. Olds funds	(46)	(1,263)
Repayment contributed surplus	(81,694)	-
New capital lease proceeds	-	-
Net cash applied to financing	(3,298,179)	(1,592,566)
Net increase (decrease) in cash	13,289,628	6,323,037
Cash, net of bank indebtedness:		
Beginning	(5,492,593)	(11,815,630)
Ending (Note 9)	$ 7,797,035	(5,492,593)

See accompanying notes

CENTRAL REGIONAL HEALTH AUTHORITY

OPERATING

Statement of Financial Position

March 31, 2012	2012	2011	April 1 2010
Financial Assets			
Cash (Note 9)	$ 6,499,374	-	-
Receivables (Note 4)	15,066,787	26,761,726	23,576,115
Residents' trust funds held on deposit	812,861	855,977	822,634
Due from cottage operations and foundations - net	586,979	451,278	238,459
	22,966,001	28,068,981	24,637,208
Liabilities			
Bank indebtedness (Note 9)	-	6,558,401	12,657,785
Payables and accruals (Note 10)	24,266,541	24,299,756	19,654,664
Employee future benefits			
Accrued vacation pay	13,375,531	12,494,252	12,143,201
Accrued severance pay (Note 14)	25,034,229	24,240,756	23,027,705
Accrued sick pay (Note 14)	15,762,419	15,664,632	15,572,280
Deferred grants (Note 11)	24,802,611	21,796,287	18,249,976
Long-term debt (Note 12)	12,939,687	14,680,377	15,639,139
Obligations under capital lease (Note 13)	558,500	771,415	989,342
Trust funds payable	812,861	855,977	822,634
J.M. Olds scholarship and library funds	83,177	83,223	84,486
	117,635,556	121,445,076	118,841,212
Net Financial Assets (Debt)	(94,669,555)	(93,376,095)	(94,204,004)
Non-Financial Assets			
Capital assets (Note 8)	54,848,667	53,730,927	50,795,805
Deposit on capital assets	-	-	924,964
Inventories (Note 5)	2,724,641	2,785,888	3,003,379
Prepaids (Note 6)	6,159,872	6,165,969	6,320,024
	63,733,180	62,682,784	61,044,172
Accumulated Surplus (Deficit)	$(30,936,375)	(30,693,311)	(33,159,832)

See accompanying notes

CENTRAL REGIONAL HEALTH AUTHORITY

OPERATING

Statement of Operations

Year ended March 31, 2012

	2012 Budget	2012 Actual	2011 Actual
Revenue:			
Provincial plan	$ 288,509,130	288,509,130	280,426,654
Provincial capital grants	-	7,014,366	8,344,074
Other capital contribution	-	312,644	628,171
Primary Health Care	405,000	466,009	473,759
MCP physicians salaries	12,812,056	16,974,151	15,397,679
Inpatient	1,447,000	1,868,052	1,425,573
Outpatient	2,279,950	2,558,256	2,392,108
Resident revenue - long-term care	7,836,400	8,131,334	7,821,276
CMHC mortgage interest subsidy (Note 16)	68,623	56,805	95,008
Capital project funding	5,673,111	5,863,251	3,329,376
Pandemic funding	-	-	374,470
National Child Benefit	462,136	582,042	1,069,892
Early Childhood Development	677,768	475,271	1,545,220
Early Learning and Child Care Initiatives	223,050	116,558	3,195,662
Recoveries - salaries	332,234	2,580,652	2,492,052
- services	1,133,500	1,318,856	1,161,581
- ambulance	432,630	326,664	376,906
- drugs	5,653,000	5,764,611	3,198,562
Other miscellaneous revenue	1,606,112	3,258,796	3,294,806
	329,551,700	346,177,448	337,042,829
Expenditure:			
Administration	34,352,120	32,690,316	30,604,013
Primary Health Care	591,712	607,982	668,566
Community and social services	79,130,394	79,768,544	84,996,306
Support services	63,744,656	64,415,927	59,709,111
Nursing inpatient services - acute	44,561,242	47,203,347	45,522,109
- long-term care	30,508,004	31,555,228	29,746,061
Ambulatory care services	19,402,411	20,292,716	19,020,542
Diagnostic and therapeutic services	39,338,775	40,366,824	35,787,640
Medical services	16,574,392	20,500,214	19,685,399
Education services	1,347,994	996,720	1,092,456
	329,551,700	338,397,818	326,832,203
Surplus (Deficit) - shareable	$ -	7,779,630	10,210,626
Non-shareable items:			
Amortization		(6,209,271)	(6,087,651)
Accrued vacation pay - (increase) decrease		(881,279)	(351,051)
Accrued severance pay - (increase) decrease		(793,473)	(1,213,051)
Accrued sick pay - (increase) decrease		(97,787)	(92,352)
		(7,981,810)	(7,744,105)
Surplus (Deficit) - shareable and non-shareable		(202,180)	2,466,521
Accumulated Surplus (Deficit):			
Beginning of year		(30,693,311)	(33,159,832)
Repayment of contributed surplus to CMHC		(40,884)	-
End of year		$(30,936,375)	(30,693,311)

See accompanying notes

CENTRAL REGIONAL HEALTH AUTHORITY

OPERATING

Statement of Changes in Net Financial Assets (Debt)

Year ended March 31, 2012	2012	2011
NET DEBT - beginning of period	**$(93,376,095)**	(94,204,004)
Surplus (Deficit)	**(202,180)**	2,466,521
Repayment of contributed surplus	**(40,884)**	-
	(243,064)	2,466,521
Changes in capital assets		
Acquisition of capital assets	**(7,327,011)**	(9,022,773)
Amortization of capital assets	**6,209,271**	6,087,651
Deposits on capital assets used	**-**	924,964
Decrease (Increase) in net book value of capital assets	**(1,117,740)**	(2,010,158)
Changes in other non-financial assets		
Reduction in prepaids	**6,097**	154,055
Reduction in inventories	**61,247**	217,491
Decrease in other non-financial assets	**67,344**	371,546
Decrease (Increase) in debt	**(1,293,460)**	827,909
Net Debt - end of period	**$(94,669,555)**	(93,376,095)

See accompanying notes

CENTRAL REGIONAL HEALTH AUTHORITY

OPERATING

Statement of Cash Flows

Year ended March 31, 2012	**2012**	2011
Operations:		
Surplus (Deficit)	**$(202,180)**	2,466,521
Amortization	**6,209,271**	6,087,651
	6,007,091	8,554,172
Changes in:		
Receivables	**11,694,939**	(3,185,611)
Due from cottage operations and Foundations	**(135,701)**	(212,819)
Inventories	**61,247**	217,491
Prepaids	**6,097**	154,055
Payables and accruals	**(33,215)**	4,645,092
Accrued vacation pay	**881,279**	351,051
Deferred grants and donations	**3,006,324**	3,546,311
Accrued severance pay	**793,473**	1,213,051
Accrued sick pay	**97,787**	92,352
Net cash provided from operations	**22,379,321**	15,375,145
Investing:		
Additions to capital assets	**(7,327,011)**	(9,022,773)
Deposit on capital assets used	**-**	924,964
Net cash applied to investing	**(7,327,011)**	(8,097,809)
Financing:		
Repayment of contributed surplus	**(40,884)**	-
Repayment of long-term debt	**(1,740,690)**	(958,762)
Repayment of capital leases, including forgiveness	**(212,915)**	(217,927)
Net changes in J.M. Olds funds	**(46)**	(1,263)
Net cash applied to financing	**(1,994,535)**	(1,177,952)
Net cash provided	**13,057,775**	6,099,384
Cash, net of bank indebtedness:		
Beginning	**(6,558,401)**	(12,657,785)
Ending (Note 9)	**$ 6,499,374**	(6,558,401)

See accompanying notes

CENTRAL REGIONAL HEALTH AUTHORITY

NORTH HAVEN MANOR COTTAGES UNITS PHASE I, II, III

Statement of Financial Position

March 31, 2012	2012	2011	April 1 2010
Financial Assets			
Cash (Note 9)	$ 198,750	115,444	25,330
Receivables (Note 4)	10,806	10,672	18,073
Cash restricted for security deposits	13,645	14,077	11,667
Replacement reserve cash	12,239	87,481	73,738
	235,440	227,674	128,808
Liabilities			
Payables and accruals (Note 10)	6,828	14,893	15,041
Due to Central Regional Health Authority	109,933	90,664	52,509
Long-term debt (Note 12)	1,093,981	2,096,222	2,268,063
Security deposit liability	13,645	14,077	11,667
Replacement reserve (Note 15)	12,239	87,481	73,738
	1,236,626	2,303,337	2,421,018
Net Financial Assets (Debt)	(1,001,186)	(2,075,663)	(2,292,210)
Non-Financial Assets			
Capital assets (Note 8)	1,637,829	2,207,738	2,379,581
Prepaids (Note 6)	39,452	39,311	42,451
	1,677,281	2,247,049	2,422,032
Accumulated Surplus	$ 676,095	171,386	129,822

See accompanying notes

CENTRAL REGIONAL HEALTH AUTHORITY

NORTH HAVEN MANOR COTTAGES UNITS PHASE I, II, III

Statement of Operations

Year ended March 31, 2012

	2012 Budget	2012 Actual	2011 Actual
Revenue:			
Rentals	$ 537,515	534,833	524,165
Special debt repayment grant - Government of NL	-	952,661	
NLHC subsidy (Note 16)	222,700	222,390	208,382
	760,215	1,709,884	732,547
Expenditure:			
Administration	9,300	9,300	9,300
Allocation to replacement reserve	30,220	30,220	30,220
Amortization	158,467	196,420	171,843
Heat and light	151,000	149,553	140,132
Insurance	10,600	10,570	9,610
Loss on cottage units demolished	-	373,490	-
Mortgage interest	79,088	121,445	124,746
Municipal taxes	52,500	55,155	50,166
Office	100	188	50
Professional fees	2,000	2,600	1,800
Repairs and maintenance	27,000	86,566	24,945
Salaries and benefits	130,000	125,755	108,015
Snowclearing	500	243	16,834
Telephone	2,400	2,466	2,341
Travel	1,000	394	981
	654,175	1,164,365	690,983
Annual Surplus	106,040	545,519	41,564
Accumulated Surplus:			
Beginning of year	171,386	171,386	129,822
	277,426	716,905	171,386
Contributed surplus repaid to CMHC upon prepayment of CMHC debt	-	(40,810)	-
End of year	$ 277,426	676,095	171,386

See accompanying notes

CENTRAL REGIONAL HEALTH AUTHORITY

NORTH HAVEN MANOR COTTAGES UNITS PHASE I, II, III

Statement of Changes in Net Financial Assets (Debt)

Year ended March 31, 2012

	2012	2011
NET DEBT - beginning of year	**$(2,075,663)**	(2,292,210)
Annual Surplus	**545,519**	41,564
Repayment of contributed surplus	**(40,810)**	-
	504,709	41,564
Changes in capital assets		
Loss on cottage units demolished	**373,490**	-
Amortization of capital assets	**196,420**	171,843
Decrease in net book value of capital assets	**569,910**	171,843
Changes in other non-financial assets		
Reduction (decrease) in prepaids	**(141)**	3,140
Decrease (increase) in other non-financial assets	**(141)**	3,140
Decrease in debt	**1,074,478**	216,547
NET DEBT - end of year	**$(1,001,185)**	(2,075,663)

See accompanying notes

CENTRAL REGIONAL HEALTH AUTHORITY

NORTH HAVEN MANOR COTTAGES UNITS PHASE I, II, III

Statement of Cash Flows

Year ended March 31, 2012	2012	2011
Operations:		
Annual Surplus	$ 545,519	41,564
Amortization	196,420	171,843
Loss on cottage units demolished	373,490	-
	1,115,429	213,407
Changes in:		
Receivables	(134)	7,401
Payables and accruals	(8,065)	(148)
Due to Central Regional Health Authority	19,269	38,155
Prepaids	(141)	3,140
Net cash provided from operating	1,126,358	261,955
Financing:		
Repayment of long term debt	(1,002,242)	(171,841)
Repayment of contributed surplus	(40,810)	-
Net cash applied to financing	(1,043,052)	(171,841)
Net cash provided	83,306	90,114
Cash:		
Beginning	115,444	25,330
Ending (Note 9)	$ 198,750	115,444

See accompanying notes

CENTRAL REGIONAL HEALTH AUTHORITY

NORTH HAVEN MANOR COTTAGE UNITS PHASE IV

Statement of Financial Position

March 31, 2012	2012	2011	April 1 2010
Financial Assets			
Cash (Note 9)	**$ 11,210**	9,766	2,836
Receivables (Note 4)	**6,895**	14,584	33,998
Cash restricted for security deposits	**1,586**	1,518	1,326
Due from NLHC for replacement reserve	**76,010**	82,643	107,850
	95,701	108,511	146,010
Liabilities			
Payables and accruals (Note 10)	**6,983**	7,663	3,658
Due to Central Regional Health Authority	**15,507**	20,849	37,338
Long-term debt (Note 12)	**434,260**	457,884	480,566
Security deposit liability	**1,586**	1,518	1,326
Replacement reserve (Note 15)	**76,010**	82,643	107,850
	534,346	570,557	630,738
Net Financial Assets (Debt)	**(438,645)**	(462,046)	(484,728)
Non-Financial Assets			
Capital assets (Note 8)	**449,260**	472,885	495,566
Prepaids (Note 6)	**4,385**	4,161	4,162
	453,645	477,046	499,728
Accumulated Surplus	**$ 15,000**	15,000	15,000

See accompanying notes

CENTRAL REGIONAL HEALTH AUTHORITY

NORTH HAVEN MANOR COTTAGE UNITS PHASE IV

Statement of Operations

Year ended March 31, 2012

	2012 Budget	2012 Actual	2011 Actual
Revenue:			
Rentals	$ 43,908	45,305	44,162
NLHC subsidy (Note 16)	49,871	43,458	43,828
Infrastructure funding	-	-	40,188
	93,779	88,763	128,178
Expenditure:			
Administration	3,600	3,600	3,600
Amortization	23,625	23,625	22,682
Heat and light	15,601	17,157	15,751
Infrastructure project	-	-	40,188
Insurance	600	1,195	1,086
Mortgage interest	19,151	18,089	20,012
Municipal taxes	5,814	5,596	5,523
Office	458	307	23
Professional fees	1,800	1,500	1,500
Repairs and maintenance	8,400	5,520	6,613
Salaries and benefits	10,500	11,885	9,180
Snowclearing	4,000	20	1,683
Telephone	230	269	229
Travel	-	-	108
	93,779	88,763	128,178
Annual Surplus	-	-	-
Accumulated Surplus:			
Beginning of year	15,000	15,000	15,000
End of year	$ 15,000	15,000	15,000

See accompanying notes

CENTRAL REGIONAL HEALTH AUTHORITY

NORTH HAVEN MANOR COTTAGES UNITS PHASE IV

Statement of Changes in Net Financial Assets (Debt)

Year ended March 31, 2012	2012	2011
NET DEBT - beginning of year	$(462,046)	(484,728)
Annual Surplus	-	-
Changes in capital assets		
Amortization of capital assets	23,625	22,682
Decrease in net book value of capital assets	23,625	22,682
Changes in other non-financial assets		
Increase in prepaids	(224)	-
Increase in other non-financial assets	(224)	-
Decrease in debt	23,401	22,682
NET DEBT - end of year	$(438,645)	(462,046)

See accompanying notes

CENTRAL REGIONAL HEALTH AUTHORITY

NORTH HAVEN MANOR COTTAGE UNITS PHASE IV

Statement of Cash Flows

Year ended March 31, 2012	2012	2011
Operations:		
Annual Surplus	$ -	-
Amortization	23,625	22,682
	23,625	22,682
Changes in:		
Receivables	7,689	19,413
Prepaids	(224)	-
Payables and accruals	(680)	4,005
Due to Central Regional Health Authority	(5,342)	(16,488)
Net cash provided from operating	25,068	29,612
Financing:		
Repayment of long term debt	(23,624)	(22,682)
Net cash applied to financing	(23,624)	(22,682)
Net cash provided	1,444	6,930
Cash:		
Beginning	9,766	2,836
Ending (Note 9)	$ 11,210	9,766

See accompanying notes

CENTRAL REGIONAL HEALTH AUTHORITY

VALLEY VISTA COTTAGES

Statement of Financial Position

March 31, 2012	**2012**	2011	April 1 2010
Financial Assets			
Cash (Note 9)	$ **41,419**	71,288	46,435
Receivables (Note 4)	**5,392**	5,834	5,593
Cash restricted for security deposits	**18,088**	14,960	14,208
Replacement reserve cash	**6,892**	13,102	4,541
	71,791	105,184	70,777
Liabilities			
Payables and accruals (Note 10)	**5,134**	6,278	6,919
Due to Central Regional Health Authority	**205,345**	228,123	201,826
Long-term debt (Note 12)	**1,207,946**	1,403,167	1,586,581
Security deposit liability	**18,088**	14,960	14,208
Replacement reserves (Note 15)	**6,892**	13,102	4,541
	1,443,405	1,665,630	1,814,075
Net Financial Assets (Debt)	**(1,371,614)**	(1,560,446)	(1,743,298)
Non-Financial Assets			
Capital assets (Note 8)	**1,241,170**	1,436,391	1,619,805
Prepaids (Note 6)	**27,803**	27,803	26,899
	1,268,973	1,464,194	1,646,704
Accumulated Surplus (Deficit):	**$(102,641)**	(96,252)	(96,594)

See accompanying notes

CENTRAL REGIONAL HEALTH AUTHORITY

VALLEY VISTA COTTAGES

Statement of Operations

Year ended March 31, 2012

	2012 Budget	2012 Actual	2011 Actual
Revenue:			
Rental revenue	$ 501,760	491,600	491,102
NLHC subsidy (Note 16)	64,615	62,431	64,615
	566,375	554,031	555,717
Expenditure:			
Allocation to replacement reserve	30,000	30,000	30,000
Amortization	176,500	195,221	183,415
Cable television	17,500	16,272	16,204
Heat and light	118,500	117,742	113,453
Insurance	11,350	11,376	10,341
Mortgage interest	70,000	48,183	62,404
Municipal taxes	38,000	36,902	35,998
Office	1,200	771	635
Professional fees	1,800	1,800	1,800
Repairs and maintenance	37,000	39,960	36,940
Salaries and benefits	61,500	59,665	58,510
Snowclearing	6,000	2,528	5,184
Travel	-	-	491
	569,350	560,420	555,375
Annual Surplus (Deficit)	(2,975)	(6,389)	342
Accumulated Surplus			
Beginning of year	(96,252)	(96,252)	(96,594)
End of year	$(99,227)	(102,641)	(96,252)

See accompanying notes

CENTRAL REGIONAL HEALTH AUTHORITY

VALLEY VISTA COTTAGES

Statement of Changes in Net Financial Assets (Debt)

Year ended March 31, 2012	2012	2011
NET DEBT - beginning of year	**$(1,560,446)**	(1,743,298)
Annual Surplus (Deficit)	**(6,389)**	342
Changes in capital assets		
Amortization of capital assets	**195,221**	183,415
Decrease in net book value of capital assets	**195,221**	183,415
Changes in other non-financial assets		
Increase in prepaids	-	(905)
Increase in other non-financial assets	-	(905)
Decrease in debt	**188,832**	182,852
NET DEBT - end of year	**$(1,371,614)**	(1,560,446)

See accompanying notes

CENTRAL REGIONAL HEALTH AUTHORITY

VALLEY VISTA COTTAGES

Statement of Cash Flows

Year ended March 31, 2012	2012	2011
Operations:		
Annual Surplus (Deficit)	$(6,389)	342
Amortization	195,221	183,415
	188,832	183,757
Changes in:		
Receivables	442	(241)
Prepaids	-	(904)
Payables and accruals	(1,144)	(641)
Due to Central Regional Health Authority	(22,778)	26,297
Net cash provided from operating	165,352	208,268
Financing:		
Repayment of long term debt	(195,221)	(183,415)
Net cash applied to financing	(195,221)	(183,415)
Net cash provided (applied)	(29,869)	24,853
Cash:		
Beginning	71,288	46,435
Ending (Note 9)	$ 41,419	71,288

See accompanying notes

CENTRAL REGIONAL HEALTH AUTHORITY

BONNEWS LODGE APARTMENT COMPLEX

Statement of Financial Position

March 31, 2012	2012	2011	April 1 2010
Financial Assets			
Receivables (Note 4)	**$ 2,953**	8,550	48,995
Due from NLHC for replacement reserve	**62,400**	68,204	117,763
	65,353	76,754	166,758
Liabilities			
Payables and accruals (Note 10)	**2,748**	2,365	6,448
Due to Central Regional Health Authority	**205**	6,185	42,547
Long-term debt (Note 12)	**496,972**	530,762	563,865
Replacement reserve (Note 15)	**62,400**	68,204	117,763
	562,325	607,516	730,623
Net Financial Assets (Debt)	**(496,972)**	(530,762)	(563,865)
Non-Financial Assets			
Capital assets (Note 8)	**496,972**	530,762	563,865
Accumulated Surplus (Deficit)	**$ -**	-	-

See accompanying notes

CENTRAL REGIONAL HEALTH AUTHORITY

BONNEWS LODGE APARTMENT COMPLEX

Statement of Operations

Year ended March 31, 2012

	2012 Budget	2012 Actual	2011 Actual
Revenue:			
Rentals	$ 65,292	61,195	58,003
NLHC subsidy (Note 16)	54,511	60,055	61,165
Infrastructure funding	-	-	71,997
Surcharges - utilities	3,120	2,875	3,040
- laundry	1,440	1,320	1,400
- other	1,728	1,584	1,603
	126,091	127,029	197,208
Expenditure:			
Administration allowance	8,810	9,185	8,558
Amortization	33,790	33,790	33,103
Fire and safety	1,000	187	1,110
Heat and light	22,100	21,156	20,595
Insurance	700	699	699
Infrastructure project	-	-	71,954
Mortgage interest	11,008	10,944	11,635
Municipal taxes	7,152	7,025	7,025
Professional fees	2,400	2,400	2,400
Repairs and maintenance	33,631	36,850	31,609
Snowclearing	5,500	4,793	8,520
	126,091	127,029	197,208
Annual Surplus	-	-	-
Accumulated Surplus			
Beginning of year	-	-	-
End of year	$ -	-	-

See accompanying notes

CENTRAL REGIONAL HEALTH AUTHORITY

BONNEWS LODGE APARTMENT COMPLEX

Statement of Changes in Net Financial Assets (Debt)

Year ended March 31, 2012	2012	2011
NET DEBT - beginning of year	**$(530,762)**	(563,865)
Annual Surplus	**-**	-
Changes in capital assets		
Amortization of capital assets	**33,790**	33,103
Decrease in net book value of capital assets	**33,790**	33,103
Decrease in debt	**33,790**	33,103
NET DEBT - end of year	**$(496,972)**	(530,762)

See accompanying notes

CENTRAL REGIONAL HEALTH AUTHORITY

BONNEWS LODGE APARTMENT COMPLEX

Statement of Cash Flows

Year ended March 31, 2012

	2012	2011
Operations:		
Annual Surplus	$ -	-
Amortization	33,790	33,103
	33,790	33,103
Changes in:		
Receivables	7,188	40,445
Payables and accruals	(408)	(4,083)
Due to Central Regional Health Authority	(6,780)	(36,362)
Net cash provided from operating	33,790	33,103
Financing:		
Repayment of long-term debt	(33,790)	(33,103)
Net cash applied to financing	(33,790)	(33,103)
Net cash provided	-	-
Cash:		
Beginning	-	-
Ending (Note 9)	$ -	-

See accompanying notes

CENTRAL REGIONAL HEALTH AUTHORITY

CENTRAL NORTHEAST HEALTH FOUNDATION INC.

Statement of Financial Position

March 31, 2012	2012	2011	April 1 2010
Financial Assets			
Cash (Note 9)	**$ 417,236**	269,389	257,565
Receivables (Note 4)	**-**	7,622	14,582
Due from Central Regional Health Authority	**-**	-	130,306
Investments restricted for general endowment fund (Note 7)	**176,060**	163,806	104,898
	593,296	440,817	507,351
Liabilities			
Accounts payable (Note 10)	**-**	125	-
Accrued vacation pay	**1,174**	1,705	564
Due to Central Regional Health Authority	**96,918**	55,368	-
	98,092	57,198	564
Net Financial Assets and Accumulated Surplus	**$ 495,204**	383,619	506,787

See accompanying notes

CENTRAL REGIONAL HEALTH AUTHORITY

CENTRAL NORTHEAST HEALTH FOUNDATION

Statement of Operations

Year ended March 31, 2012

	2012 Budget	2012 Actual	2011 Actual
Revenue:			
Donations	$ 293,400	342,182	358,434
Staff lottery	43,000	42,847	43,795
Endowment fund - investment income	4,000	4,252	4,415
- investment gains/losses	2,000	(2,239)	12,336
Grants	57,000	41,713	22,500
Interest and recoveries	6,400	3,564	9,237
	405,800	432,319	450,717
Expenditure:			
Donations for the purchase of capital and minor equipment	174,400	171,022	423,540
Salaries and benefits	90,000	93,680	91,345
Office	7,000	1,783	1,813
Planned giving program	-	21,661	10,885
Travel	500	509	490
Other supplies and expenses	51,000	32,079	45,812
	322,900	320,734	573,885
Annual Surplus (Deficit)	82,900	111,585	(123,168)
Accumulated Surplus:			
Beginning of year	383,619	383,619	506,787
End of year	$ 466,519	495,204	383,619

See accompanying notes

CENTRAL REGIONAL HEALTH AUTHORITY

CENTRAL NORTHEAST HEALTH FOUNDATION INC.

Statement of Changes in Net Financial Assets (Debt)

Year ended March 31, 2012	2012	2011
NET ASSETS - beginning of year	$ 383,619	506,787
Annual Surplus (Deficit)	111,585	(123,168)
NET ASSETS - end of year	$ 495,204	383,619

See accompanying notes

CENTRAL REGIONAL HEALTH AUTHORITY

CENTRAL NORTHEAST HEALTH FOUNDATION INC.

Statement of Cash Flows

Year ended March 31, 2012	**2012**	2011
Operations:		
Annual Surplus (Deficit)	**$ 111,585**	(123,168)
Investment gains/losses	**2,239**	(12,336)
	113,824	(135,504)
Changes in:		
Receivables	**7,622**	6,960
Due from Central Regional Health Authority	**41,550**	185,674
Accounts payable	**(125)**	125
Accrued vacation pay	**(530)**	1,141
Net cash provided from operating	**162,341**	58,396
Investing:		
Endowment fund investments - contributions	**(10,242)**	(42,157)
- reinvested income	**(4,252)**	(4,415)
Net cash applied to investing	**(14,494)**	(46,572)
Net cash provided	**147,847**	11,824
Cash:		
Beginning	**269,389**	257,565
Ending (Note 9)	**$ 417,236**	269,389

See accompanying notes

CENTRAL REGIONAL HEALTH AUTHORITY

SOUTH AND CENTRAL HEALTH FOUNDATION

Statement of Financial Position

March 31, 2012	**2012**	2011	April 1 2010
Financial Assets			
Cash (Note 9)	**$ 629,046**	599,921	509,989
Investments restricted for general endowment fund (Note 7)	**453,805**	439,530	382,788
	1,082,851	1,039,451	892,777
Liabilities			
Accrued vacation pay	**3,873**	5,035	-
Long-term debt (Note 12)	**95,823**	103,781	107,355
Due to Central Regional Health Authority	**159,072**	50,090	34,549
	258,768	158,906	141,904
Net Financial Assets	**824,083**	880,545	750,873
Non-Financial Assets			
Capital assets (Note 8)	**128,690**	133,719	139,013
Prepaids (Note 6)	**1,182**	1,131	1,101
	129,872	134,850	140,114
Accumulated Surplus	**$ 953,955**	1,015,395	890,987

See accompanying notes

CENTRAL REGIONAL HEALTH AUTHORITY

SOUTH AND CENTRAL HEALTH FOUNDATION

Statement of Operations

Year ended March 31, 2012

	2012 Budget	2012 Actual	2011 Actual
Revenue:			
Donations	$ 305,000	287,389	324,038
Staff lottery	58,000	58,639	57,624
Grants	6,500	-	65,500
Endowment fund - investment income	10,000	11,109	14,044
- investment gains/losses	5,000	(6,205)	33,014
Rental income	15,000	15,600	15,600
Interest and recoveries	7,500	14,118	15,691
	407,000	380,650	525,511
Expenditure:			
Donations for the purchase of capital and minor equipment	245,000	304,097	263,675
Rental expenses, including amortization of $ 5,029 (2011 - $5,294)	6,000	12,918	13,521
Salaries and benefits - net	100,000	100,139	101,670
Other supplies and expenses	24,500	24,936	22,237
	375,500	442,090	401,103
Annual Surplus (Deficit)	31,500	(61,440)	124,408
Accumulated Surplus			
Beginning of year	1,015,395	1,015,395	890,987
End of year	$ 1,046,895	953,955	1,015,395

See accompanying notes

CENTRAL REGIONAL HEALTH AUTHORITY

SOUTH AND CENTRAL HEALTH FOUNDATION

Statement of Changes in Net Financial Assets (Debt)

Year ended March 31, 2012	2012	2011
NET ASSETS - beginning of period	**$ 880,545**	750,873
Annual Surplus (Deficit)	**(61,440)**	124,408
Changes in capital assets		
Amortization of capital assets	**5,029**	5,294
Decrease in net book value of capital assets	**5,029**	5,294
Changes in other non-financial assets		
Increase in prepaids	**(51)**	(30)
Increase in other non-financial assets	**(51)**	(30)
Increase (Decrease) in net assets	**(56,462)**	129,672
NET ASSETS - end of year	**$ 824,083**	880,545

See accompanying notes

CENTRAL REGIONAL HEALTH AUTHORITY

SOUTH AND CENTRAL HEALTH FOUNDATION

Statement of Cash Flows

Year ended March 31, 2012	**2012**	2011
Operations:		
Annual Surplus (Deficit)	**$(61,440)**	124,408
Amortization	**5,029**	5,294
Investment gains/losses	**6,205**	(33,014)
	(50,206)	96,688
Changes in:		
Prepaids	**(51)**	(30)
Due to Central Regional Health Authority	**108,982**	15,541
Accrued vacation pay	**(1,162)**	5,035
Net cash provided from operating	**57,563**	117,234
Investing:		
Endowment fund investments - contributions	**(9,371)**	(9,684)
- reinvested income	**(11,109)**	(14,044)
Net cash applied to investing	**(20,480)**	(23,728)
Financing:		
Repayment of long term debt	**(7,958)**	(3,574)
Net cash applied to financing	**(7,958)**	(3,574)
Net cash provided	**29,125**	89,932
Cash:		
Beginning	**599,921**	509,989
Ending (Note 9)	**$ 629,046**	599,921

See accompanying notes

1. Nature of operations:

The Central Regional Health Authority ("Central Health") or ("The Authority") is charged with the responsibility for the provision of health care services in the Central region of Newfoundland and Labrador.

The mandate of Central Health is to provide the best possible health and community services and programs which respond to the identified needs of the people of Central Newfoundland and Labrador within available resources.

Central Health is a not-for-profit corporation and is exempt from income taxes and is constituted under the Regional Health Authority's Act.

2. Summary of significant accounting policies:

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting board standards. Outlined below are those policies considered particularly significant by the Authority.

(a) Basis of consolidation

These consolidated statements represent the consolidated assets, liabilities, revenues and expenses of the following entities which comprise the reporting entity. The reporting entity is comprised of all organizations which are controlled by Central Health including the following:

Bonnews Lodge Apartment Complex
North Haven Manor Cottages
Valley Vista Cottages
Central Northeast Health Foundation
South and Central Health Foundation

(b) Use of estimates

The preparation of consolidated financial statements in conformity with Canadian public sector accounting board 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Items requiring the use of significant estimates include accrued severance, accrued sick leave, useful life of capital assets and allowance for doubtful receivables.

Estimates are based on the best information available at the time of preparation of the consolidated financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

(Continued...)

2. Summary of significant accounting policies (continued):

(c) Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks, net of any overdrafts. Bank overdrafts are considered a component of cash and cash equivalents and are secured by approved authority to borrow authorized by the Province's Minister of Health and Community Services.

(d) Revenues

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Transfers are recognized as revenues when the transfer is authorized, any eligibility criteria are met, and reasonable estimates of the amounts can be made. Transfers are recognized as deferred revenue when amounts have been received but not all eligibility criteria have been met.

(e) Expenses

Expenses are reported on an accrual basis. Expenses are recognized as they are incurred and measurable based upon the receipt of goods and services or the creation of an obligation to pay.

(f) Deferred revenue

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the delivery of specific services in transactions. These amounts are recognized as revenue in the fiscal year the related expenses are incurred, services are performed or when stipulations are met.

(g) 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 generally extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net financial assets for the year.

(h) Severance and sick pay liability

An accrued liability for severance is recorded in the accounts for all employees who have a vested right to receive such payments. Severance pay vests after nine years of continuous service. An estimate for the provision of employees with less than nine years of service has been determined by actuarial analysis.

An actuarially determined accrued liability has been recorded on the statements for non-vesting sick leave benefits. The cost of non-vesting sick leave benefits are actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement, long-term inflation rates and discount rates.

Actuarial gains or losses are being amortized to the liability and the related expense straight-line over the expected average remaining service life of the employee group.

(Continued...)

2. Summary of significant accounting policies (continued):

(i) Inventory

Inventories have been determined using the following methods for the various areas. Cost includes purchase price plus the non-refundable portion of applicable taxes.

General stores	at average cost
Drugs - JPM	at average cost
Drugs - CNF	first-in, first-out

(j) Capital assets

The Authority has control over certain lands, buildings and equipment with the title resting with the Government and consequently these assets are not recorded under capital assets. In accordance with an operating agreement with Newfoundland and Labrador Housing Corporation, certain assets of the North Haven Manor Cottage Units Phase I, II, III, North Haven Manor Cottage Units Phase IV, Valley Vista Cottages, Bonnews Lodge Apartment Complex are being amortized at a rate equal to the annual principal reduction of the mortgages related to the properties.

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Capital assets are being amortized on a declining balance basis over their useful lives, at the following rates:

Land improvements	5.0%
Buildings and service equipment	5.0%
Information systems equipment	33.3%
Equipment	12.5%
Motor vehicles	20.0%

(k) Capital and operating leases

A lease that transfers substantially all of the risks and rewards incidental to the ownership of property is accounted for as a capital lease. Assets acquired under capital lease result in a capital asset and an obligation being recorded equal to the lesser of the present value of the minimum lease payments and the property's fair value at the time of inception. All other leases are accounted for as operating leases and the related payments are expensed as incurred.

(l) Impairment of long-lived assets

Long-lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances indicating that the value of the assets may not be recoverable, as measured by comparing their net book value to the estimated undiscounted cash flows generated by their use. Impaired assets are recorded at fair value, determined principally using discounted future cash flows expected from their use and eventual disposition.

(Continued...)

2. Summary of significant accounting policies (continued):

(m) Replacement reserves

Under certain operating agreements with Newfoundland and Labrador Housing Corporation (NLHC) the Authority is required to maintain a Replacement Reserve Fund which is to be used to fund major maintenance and the purchase of capital assets. These funds may only be used as approved by NLHC.

Transactions in the reserves are shown in Note 15.

(n) Pension costs

Employees of Central Health are covered by the Public Service Pension Plan and the Government Money Pension Plan administered by the Province of Newfoundland and Labrador. Contributions to the plans are required from both the employees and the Central Health. The annual contributions for pensions are recognized in the accounts on a current basis.

(o) Financial instruments

The Authority recognizes a financial asset or a financial liability on its statement of financial position when the Authority becomes a party to the contractual provision of the financial instrument. The Authority initially measures its financial assets and liabilities at fair value, except for certain non-arms length transactions. The Authority subsequently measures all its financial assets and liabilities at amortized cost except for investments restricted for endowment purposes which are subsequently measured at fair value.

Financial assets measured at amortized cost include cash and cash equivalents, receivables, trust funds, and replacement reserve funding. Financial assets measured at fair value are investments restricted for endowment purposes.

Financial liabilities measured at amortized cost include bank indebtedness, payables and accruals, employee future benefits, deferred grants, long-term debt, obligations under capital lease, trust funds, security deposits, replacement reserves and scholarship and library funds payable.

Unless otherwise noted, it is management's opinion that the Authority is not exposed to significant interest, currency or credit risks.

3. Impact of the change in the basis of accounting:

These consolidated financial statements are the first financial statements for which Central Health has applied Canadian public sector accounting board standards ("PSAB"). The consolidated financial statements for the year ended March 31, 2012 were prepared in accordance with PSAB. Comparative period information presented for the year ended March 31, 2011 was prepared in accordance with PSAB and the provisions set out in Section *PS 2125 First-time adoption by government organizations*. Central Health has elected to take the first-time adoption exemption under *PS 2125* relating to actuarial gains and losses resulting from the initial actuarial valuations of severance and sick benefits liabilities and recognize all cumulative actuarial gains and losses at the date of transition in the accumulated deficit.

(Continued...)

3. Impact of the change in the basis of accounting (continued):

The date of transition to PSAB is April 1, 2010, the adoption of the standards has resulted in a restatement of the Statement of Operations for the year ended March 31, 2011 as well as the unamortized deferred capital contributions, operating deferred contributions, accrued sick benefits, severance liability and accumulated surplus as of April 1, 2010 and March 31, 2011.

As of April 1, 2010, the statement of financial position included unamortized deferred capital contributions. Under Public Sector Standards these deferred capital contributions are not permitted to be deferred. Also, there were operating deferred contributions without specific restrictions or stipulations that are not permitted to be deferred under PSAB. As well, the Authority performed an actuarial assessment of accrued sick benefits and severance liabilities that resulted in restatement of these liabilities as required under PSAB. Therefore, as a result of the above adjustments required under the transition to PSAB the following restatement has occurred.

(a) Adjustment to consolidated statement of financial position as at April 1, 2010:

	As previously Reported	Adjustment Required	As restated
Liabilities:			
Unamortized deferred capital contributions	**$ 27,803,658**	**(27,803,658)**	**-**
Deferred operating grants	**20,161,213**	**(1,979,987)**	**18,249,976**
Accrued sick benefits	**-**	**15,572,280**	**15,572,280**
Accrued severance	**25,489 078**	**(2,461,373)**	**23,027,705**
Accumulated surplus (deficit)	**$(48,386,566)**	**16,672,738**	**(31,713,828)**

(b) Reconciliation of previously reported consolidated annual surplus for March 31, 2011 with the annual surplus for March 31, 2011 shown in the financial statements:

	2011
Annual surplus (deficit), as previously reported, March 31, 2011	$(2,384,415)
Adjustment related to unamortized deferred capital contributions	(4,295,773)
Adjustment related to capital grants received	8,972,245
Adjustment related to other deferred revenue	13,459
Adjustment related to sick benefits expense	(92,352)
Adjustment related to severance expense	296,501
Restated annual surplus, March 31, 2011	$ 2,509,665

(Continued...)

3. Impact of the change in the basis of accounting (continued):

(c) Adjustments to accumulated surplus (deficit) as at March 31, 2011:

	2011
Accumulated consolidated surplus (deficit), as originally reported	$(50,770,983)
Adjustments to accumulated surplus:	
Recognition of unamortized deferred capital contributions	23,507 887
Adjustment related to deferred operating grants	1,993,446
Adjustment related to accrued sick benefits	(15,664,632)
Adjustment related to severance benefits	2,757,874
Adjustment related to capital grants received	8,972,245
Accumulated surplus (deficit), end of year as restated	$(29,204,163)

4. Receivables:

	2012	2011
Operating:		
Provincial plan grants - operating	**$ 3,416,363**	8,388,820
Capital grants	**2,150,082**	9,183,458
Patient, capital donations, rents and other	**6,562,742**	3,840,975
MCP	**1,885,353**	4,042,715
Cancer Foundation	**956,168**	1,037,107
HST	**637,606**	582,724
	15,608,314	27,075,799
Allowance for doubtful	**541,527**	314,073
	15,066,787	26,761,726
North Haven Manor Cottage Units Phase I,II,III:		
Trade less allowance for doubtful of NIL (2011 - $1,019)	**1,688**	804
Due from NLHC - operating subsidy	**9,118**	9,868
	10,806	10,672
North Haven Manor Cottage Units Phase IV:		
Trade, less allowance for doubtful of NIL (2011 - $781)	**-**	-
Accrued interest	**614**	1,676
Due from NLHC - replacement reserve	**6,281**	12,908
	6,895	14,584
Valley Vista Cottages:		
Trade	**280**	450
Due from NLHC - operating subsidy	**5,112**	5,384
	5,392	5,834
Bonnews lodge Apartment Complex:		
Due from NLHC - operating subsidy	**-**	2,746
Due from NLHC - replacement reserve	**2,953**	5,804
	2,953	8,550
Central Northeast Health Foundation:		
Trade	**-**	7,622
	$ 15,092,833	26,808,988

5. Inventories:

	2012	2011
General stores	$ 1,249,394	1,581,022
Drugs	1,475,247	1,204,866
	$ 2,724,641	2,785,888

6. Prepaids:

	2012	2011
Operating:		
Equipment maintenance	$ 359,898	596,640
Malpractice and membership fees	110,362	103,427
General insurance	389,985	266,896
Workplace Health, Safety and Compensation Commission	3,954,641	3,885,018
Municipal taxes	565,847	585,739
Other	779,139	728,249
	6,159,872	6,165,969
Municipal taxes:		
North Haven Manor Cottage Units Phase I,II,III	39,452	39,311
North Haven Manor Cottage Units Phase IV	4,385	4,161
Valley Vista Cottages	27,803	27,803
South and Central Health Foundation	1,182	1,131
	$ 6,232,694	6,238,375

7. Investments restricted for general endowment purposes:

The Central Northeast Health Foundation Inc. and the South and Central Health Foundation maintain a joint investment restricted for general endowment purposes, with their proportionate market value as follows:

	2012	2011
Central Northeast Health Foundation Inc.	$ 176,060	163,806
South and Central Health Foundation	453,805	439,530
	$ 629,865	603,336

8. Capital assets:

	2012 Cost	2012 Accumulated Amortization	2012 Net Book Value	2011 Net Book Value
Operating:				
Land	$ 211,521	-	211,521	211,521
Land improvements	1,031,546	703,749	327,797	345,049
Buildings and service equipment	65,474,050	43,371,075	22,102,975	23,266,290
Equipment	106,179,714	75,636,414	30,543,300	28,044,947
Equipment under capital lease	2,781,898	2,271,938	509,960	694,188
Motor vehicles	3,516,633	2,390,205	1,126,428	1,135,575
Motor vehicles under capital lease	196,503	169,817	26,686	33,357
	179,391,865	124,543,198	54,848,667	53,730,927
North Haven Manor Cottage Units Phase I, II, III:				
Land	16,900		16,900	16,900
Land improvements	180,500	91,824	88,676	98,740
Buildings	3,268,158	1,791,470	1,476,688	2,025,184
Equipment	113,848	58,283	55,565	66,914
	3,579,406	1,941,577	1,637,829	2,207,738
North Haven Manor Cottage Units, Phase IV:				
Land	24,571	-	24,571	24,571
Buildings	687,616	262,927	424,689	448,314
	712,187	262,927	449,260	472,885
Valley Vista Cottages:				
Land	27,014	-	27,014	27,014
Buildings	3,588,770	2,376,738	1,212,032	1,405,247
Equipment	33,262	31,138	2,124	4,130
	3,649,046	2,407,876	1,241,170	1,436,391
Bonnews Lodge Apartment Complex:				
Land	774	-	774	774
Buildings	870,022	377,337	492,685	526,236
Equipment	6,204	2,691	3,513	3,752
	877,000	380,028	496,972	530,762
South and Central Health Foundation				
Land	33,134	-	33,134	33,134
Building	119,142	23,586	95,556	100,585
	152,276	23,586	128,690	133,719
	$ 188,361,780	129,559,192	58,802,588	58,512,422

9. Cash and bank Indebtedness:

	2012	2011
Operating:		
Cash	$ 14,725	16,145
Bank (indebtedness) - current accounts	6,484,649	(6,574,546)
	6,499,374	(6,558,401)
Cash and bank other:		
North Haven Manor Cottage Units Phase I,II,III	198,750	115,444
North Haven Manor Cottage Units Phase IV	11,210	9,766
Valley Vista Cottages	41,419	71,288
Central Northeast Health Foundation	417,236	269,389
South & Central Health Foundation	629,046	599,921
	$ 7,797,035	(5,492,593)

The Authority has access to a $15 million line of credit in the form of revolving demand loans at its bankers. These loans have been approved by the Minister of Health and Community Services.

10. Payables and accruals:

	2012	2011
Operating:		
Trade	$ 13,505,604	14,016,961
Residents comfort fund	30,113	28,801
Accrued - wages	10,689,119	10,191,914
- interest	41,705	62,080
	24,266,541	24,299,756
North Haven Manor Cottage Units Phase I,II,III:		
Trade	4,362	3,722
Accrued interest	2,466	11,171
	6,828	14,893
North Haven Manor Cottage Units Phase IV:		
Trade	1,613	1,613
Deferred revenue	-	409
Accrued interest	614	1,676
Due to NLHC - operating subsidy	4,756	3,965
	6,983	7,663
Valley Vista Cottages:		
Trade	1,500	1,500
Accrued interest	3,634	4,778
	5,134	6,278
Bonnews Lodge Apartment Complex:		
Trade	1,056	1,400
Accrued interest	901	965
Due to NLHC - operating subsidy	791	-
	2,748	2,365
Central Northeast Health Foundation:		
Trade	-	125
	$ 24,288,234	24,331,080

11. Deferred grants:

	2012	2011
Operating:		
Deferred operating grants	$ 1,278,748	5,112,858
Deferred capital grants	23,523,863	16,683,429
	$ 24,802,611	21,796,287

12. Long-term debt:

	2012	2011
Operating:		
4.59% CMHC 1st mortgage on Bonnews Lodge: repayable in equal monthly installments of $10,248, interest included; matured April, 2011	$ -	10,200
2.4% CMHC mortgage on Lakeside Homes; repayable in equal monthly installments of $12,112, interest included; maturing April, 2020, renewable October, 2015	1,067,377	1,185,617
7.5% CMHC mortgage on Lakeside Homes; repayable in equal monthly installments of $4,574, interest included; maturing July, 2023	421,149	443,936
Prime minus 1.1% Canadian Imperial Bank of Commerce deferred demand loan; repayable in equal monthly installments of $3,056, plus interest; maturing December, 2018	247,457	284,129
3.53% Canadian Imperial Bank of Commerce loan for Carmelite House, unsecured; repayable in equal monthly installments of $58,386, interest included; maturing January, 2027	8,081,433	8,435,329
4.89% Canadian Imperial Bank of Commerce mortgage on 3 Twomey Dr, Botwood housing; repayable in equal monthly installments of $431, interest included; maturing July, 2028, renewable July, 2014	55,591	57,618
4.89% Canadian Imperial Bank of Commerce mortgage on 145 Commonwealth Ave, Botwood housing; repayable in equal monthly installments of $390, interest included; maturing July, 2027, renewable July, 2014	50,324	52,159
	9,923,331	10,468,988

CENTRAL REGIONAL HEALTH AUTHORITY

Notes to the Financial Statements

March 31, 2012

12. Long-term debt (continued):

	2012	2011
Operating balance forward:	9,923,331	10,468,988
2.46% Canadian Imperial Bank of Commerce mortgage on Hospital renovations; repayable in equal monthly installments of $8,423, interest included; maturing January, 2014	**181,009**	270,189
8.0% Newfoundland and Labrador Housing Corporation mortgage on North Haven Manor; repayable in equal monthly installments of $8,298, interest included; repaid during year	-	875,332
8.0% Newfoundland and Labrador Housing Corporation mortgage on Valley Vista; repayable in equal monthly installments of $10,124, interest included; maturing August, 2027	**1,084,647**	1,119,084
7.88% Newfoundland and Labrador Housing Corporation mortgage on Authority offices; repayable in equal monthly installments of $8,165, interest included; maturing August, 2024	**784,063**	819,429
2.61% Newfoundland and Labrador Housing Corporation mortgage on Valley Vista Senior Citizens Home; repayable in equal monthly installments of $7,900, interest included; maturing July, 2019, renewable September, 2014	**632,374**	709,621
Prime minus 1.1% Canadian Imperial Bank of Commerce deferred demand loan; repayable in equal monthly installments of $6,199, plus interest; maturing 2015	**223,154**	297,538
4.5% Bank of Nova Scotia 1st mortgage on land and building at 1 Newman's Hill, Twillingate; repayable in equal monthly installments of $439, interest included; maturing November, 2024, renewable May, 2013	**49,868**	52,837
4.5% Bank of Nova Scotia 1st mortgage on land and building at 42 Howlett's Road, Twillingate; repayable in equal monthly installments of $370, interest included; maturing June, 2020, renewable May, 2013	**30,060**	33,082
2.49% Bank of Nova Scotia 1st mortgage on land and building at 30 Smith's Lane, Twillingate; repayable in equal monthly installments of $345, interest included; maturing July , 2020, renewable December, 2013	**31,181**	34,277
	12,939,687	14,680,377

12. Long-term debt (continued):

	2012	2011
North Haven Manor Cottage Units Phase I,II,III:		
9.5% Newfoundland and Labrador Housing Corporation mortgage on North Haven Manor Cottages; repayable in equal monthly installments of $7,925, interest included; maturing June, 2029 (Note 20)	-	834,790
4.25% Industrial Alliance Insurance and Financial Services Inc. mortgage on North Haven Manor Cottages; repayable in equal monthly installments of $8,668, interest included; maturing December, 2016	**447,075**	529,840
1.64% Newfoundland and Labrador Housing Corporation mortgage on North Haven Manor Cottages; repayable in equal monthly installments of $9,292, interest included; maturing November, 2018	**646,906**	731,592
	1,093,981	2,096,222
North Haven Manor Cottage Units Phase IV:		
4.31% Newfoundland and Labrador Housing Corporation mortgage on North Haven Manor Cottages; repayable in equal monthly installments of $3,565, interest included; maturing July, 2025, renewable April, 2012	**434,260**	457,884
Valley Vista Cottages:		
2.26% Newfoundland and Labrador Housing Corporation mortgage on Valley Vista Cottages; repayable in equal monthly installments of $4,865, interest included; maturing June, 2016	**236,386**	287,484
4.28% Newfoundland and Labrador Housing Corporation mortgage on Valley Vista Cottages; repayable in equal monthly installments of $10,416 interest included; maturing December, 2017, renewable December, 2012	**636,687**	732,370
3.16% Newfoundland and Labrador Housing Corporation mortgage on Valley Vista Cottages; repayable in equal monthly installments of $4,984, interest included; maturing May, 2018, renewable June, 2013	**334,873**	383,313
	1,207,946	1,403,167
Bonnews Lodge Apartment Complex:		
2.14% Newfoundland and Labrador Housing Corporation 1st mortgage on Bonnews Apartment Complex; repayable in equal monthly installments of $3,733 interest included; maturing December, 2024, renewable April, 2014	**496,972**	530,762

12. Long-term debt (continued):

	2012	2011
South and Central Health Foundation:		
6.5% Newfoundland and Labrador Credit Union mortgage on therapeutic residence; repayable in bi-weekly installments of $397, interest included, maturing in May 2026, renewable December 2012	**95,823**	103,781
	$ 16,268,669	19,272,194

The aggregate amount of principal payments estimated to be required in each of the next five years and thereafter is as follows:

2013	$ 1,396,456
2014	1,424,976
2015	1,386,019
2016	1,358,103
2017	1,380,462
Thereafter	9,322,653

13. Obligations under capital lease:

The Authority has entered into a number of agreements whereby it leases certain equipment for a term of five years. These leases are accounted for as capital leases with the Authority treating the equipment as an acquisition of an asset and the assumption of an obligation. The effective interest rates range from 5.37% to 7.534%.

The following is a schedule of future minimum lease payments under the capital leases:

Year ending March 31	
2013	**$ 237,290**
2014	**237,290**
2015	**119,564**
Total minimum lease payments	**594,144**
Less amount representing interest	**35,644**
Balance of obligation	**$ 558,500**

14. Employee future benefits:

Future employee benefits related to accrued severance and accrued sick obligations have been calculated based on an actuarial valuation completed on June 19, 2012. The assumptions are based on future events. The economic assumptions used in the valuation are Central Health's best estimates of expected rates as follows:

	2012	2011	2010
Wages and salary escalation	**4.00%**	4.00%	4.00%
Interest	**3.85%**	4.65%	5.20%

Based on actuarial valuation of the liability, at March 31, 2012 the results for sick leave are:

	2012	2011	2010
Initial valuation	$ -	-	15,572,280
Accrued sick pay obligation March 31	**16,156,450**	15,572,280	-
Current period benefit cost	**1,773,585**	1,655,771	-
Benefit payments	**(2,449,197)**	(2,354,997)	-
Interest on the accrued benefit obligations	**735,569**	791,578	-
Actuarial (gains)/losses	**759,402**	491,818	-
Accrued sick pay obligations at March 31	**$ 16,975,809**	16,156,450	15,572,280

Based on actuarial valuation of the liability, at March 31, 2012 the results for severance are:

	2012	2011	2010
Initial valuation	$ -	-	23,027,705
Accrued benefit obligation March 31	**25,372,612**	23,027,705	-
Current period benefit cost	**1,775,391**	1,605,596	-
Benefit payments	**(2,238,053)**	(1,590,381)	-
Interest on the accrued benefit obligation	**1,169,070**	1,197,836	-
Actuarial (gains)/losses	**1,866,127**	1,131,856	-
Accrued severance obligation at March 31	**$ 27,945,147**	25,372,612	23,027,705

A reconciliation of the accrued benefit liability and the accrued benefit obligation is as follows:

Sick benefits:

	2012	2011	2010
Initial valuation March 31	**$ -**	**-**	**15,572,280**
Accrued benefit liability March 31	**15,762,419**	**15,664,632**	**-**
Unamortized actuarial losses	**1,213,390**	491,818	-
Accrued benefit obligation	**$ 16,975,809**	16,156,450	15,572,280

(Continued...)

14. Employee future benefits (continued):

Severance benefits:

	2012	2011	2010
Initial valuation March 31	$ -	-	23,027,705
Accrued benefit liability March 31	25,034,229	24,240,756	-
Unamortized actuarial losses	2,910,918	1,131,856	-
Accrued benefit obligation March 31	$ 27,945,147	25,372,612	23,027,705

15. Replacement reserves:

	2012	2011
North Haven Manor Cottage Units Phase I,II,III:		
Balance, beginning	$ 87,481	73,738
Add:		
Allocation for year	30,220	30,220
Contributions from Authority	12,900	12,900
	130,601	116,858
Less:		
Approved expenditures	118,362	29,377
Balance, ending	12,239	87,481
North Haven Manor Cottage Units Phase IV:		
Balance, beginning	82,643	107,850
Less:		
Approved expenditures	6,633	25,207
Balance, ending	76,010	82,643
Valley Vista Cottages:		
Balance, beginning	13,102	4,541
Add:		
Allocation for year	30,000	30,000
Interest income	(29)	(8)
	43,073	34,533
Less:		
Approved expenditures	36,181	21,431
Balance, ending	6,892	13,102
Bonnews Lodge Apartment Complex:		
Balance, beginning	68,205	117,763
Less:		
Approved expenditures	5,805	49,559
Balance, ending	62,400	68,204
	$ 157,541	251,430

(Continued...)

15. Replacement reserves (continued):

	2012	2011
Funding:		
Replacement reserve funds	$ 19,131	100,583
Due from Newfoundland and Labrador Housing Corporation	138,410	150,847
	$ 157,541	251,430

16. Operating subsidies:

The Authority has received federal assistance through Canada Mortgage and Housing Corporation pursuant to Section 56.1 of the National Housing Act to reduce operating costs. The amount of assistance received from Newfoundland and Labrador Housing Corporation in 2012 was $56,805 (2011 - $95,088) for operating facilities and $338,334 (2011 - $378,895) for the Authority's Cottage operations.

17. Commitments:

Operating leases

The Authority has a number of agreements whereby it leases property and equipment in addition to those disclosed under Note 12. These agreements range in terms from one to five years. These leases are accounted for as operating leases. Future minimum lease payments under operating leases are as follows:

2013	$ 155,371
2014	137,572
2015	105,418
2016	9,291

Energy performance contract

The Authority entered into Energy Performance Contracts during 2001 and 2000 with Enerplan Consultants Ltd. for the design and implementation of measures to improve energy efficiency, wherein Enerplan guaranteed the energy savings component.

The contracts were crystallized at $4,450,214 and $1,247,329 and are being repaid from operating and energy savings over a ten year period having commenced in August, 2002 and January, 2000, respectively. The contract for $1,247,329 expired in 2010.

These contracts were financed through the Canadian Imperial Bank of Commerce for Central West and Associates Capital Limited.

As support for this financing, Enerplan Consultants Ltd., has assigned to the financiers any funds due to them by the Authority for the energy savings component of the contract.

(Continued...)

17. Commitments (continued):

In the opinion of management of the Authority, the guaranteed energy savings component of Enerplan Consultants Ltd. is an offset to the obligations of the Authority to the Canadian Imperial Bank of Commerce and Associates Capital Limited and as a consequence neither the capital expenditures or the financing obligations are reflected in these financial statements of the Authority at March 31, 2012.

18. Contingencies:

As of March 31, 2012 there were a number of legal claims against the Authority in varying amounts for which no provision has been made. It is not possible to determine the amounts, if any, that may ultimately be assessed against the Authority with respect to these claims, but management and the insurers believe any claims, if successful, will be covered by liability insurance.

19. Comparative figures:

Certain of the comparative figures have been restated to conform to the financial statement presentation used in the current year.

Grant Thornton

Financial Statements

Chicken Farmers of Newfoundland and Labrador

December 31, 2011

Grant Thornton

Statement of responsibility

Grant Thornton LLP
187 Kenmount Road
St. John's, NL
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The accompanying financial statements are the responsibility of the management of the Chicken Farmers of Newfoundland and Labrador (the "Board") and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

The Board met with management and its external auditors to review a draft of the financial statements and to discuss any significant financial reporting or internal control matters prior to their approval of the finalized financial statements.

Grant Thornton LLP as the Board's appointed external auditors, have audited the financial statements. The auditor's report is addressed to the Directors of the Board and appears on the following page. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the financial statements are free of material misstatement and present fairly the financial position and results of the Board in accordance with Canadian public sector accounting standards.

Ruth Noseworthy Chair Ed O'Reilly Director

Grant Thornton

Independent Auditors' Report

Grant Thornton LLP
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To the Directors of

Chicken Farmers of Newfoundland and Labrador

We have audited the accompanying financial statements of Chicken Farmers of Newfoundland and Labrador, which comprise the statement of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010 and the statement of operations, changes in net assets and cash flows for the years then ended, December 31, 2011 and December 31, 2010 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 public sector accounting 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 Board'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 Board'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.

Grant Thornton

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 Chicken Farmers of Newfoundland and Labrador as at December 31, 2011, December 31, 2010 and January 1, 2010 and its financial performance and its cash flows for the years then ended December 31, 2011 and December 31, 2010 in accordance with Canadian public sector accounting standards.

Grant Thornton LLP

St. John's, Newfoundland and Labrador

March 30, 2012

Chartered Accountants

Chicken Farmers of Newfoundland and Labrador

Statement of Financial Position

December 31	2011	2010	(Note 4) January 1 2010
Financial assets			
Cash and cash equivalents	**$ 91,539**	$ 86,270	$ 61,367
Receivables – current (Note 6)	**21,105**	34,192	23,126
Current portion of long term receivable (Note 7)	**16,940**	16,940	-
Long term receivable (Note 7)	**-**	16,940	-
Investment	**15,651**	15,043	15,043
	$ 145,235	$ 169,385	$ 99,536
Liabilities			
Payables and accruals	**$ 30,038**	$ 26,698	$ 22,213
Deferred grant revenue (Note 8)	**-**	19,152	11,965
Accrued severance pay	**4,896**	3,462	2,115
	34,934	49,312	36,293
Net financial assets	**$ 110,301**	$ 120,073	$ 63,243
Non-financial assets			
Prepaids	**$ 2,850**	$ 2,338	$ 2,173
Tangible capital assets (Note 9)	**3,945**	4,931	3,523
	6,795	7,269	5,696
Accumulated surplus	**$ 117,096**	$ 127,342	$ 68,939

Commitments (Note 10)

On behalf of the Board

Ruth Noseworthy Chair

Ed O'Reilly Director

See accompanying notes to the financial statements.

Chicken Farmers of Newfoundland and Labrador

Statements of Operations and Changes in Accumulated Surplus

Year Ended December 31	Actual 2011	(Note 11) Budget 2011	Actual 2010
Revenue			
Levies	$ 273,283	$ 270,000	$ 281,622
Over-marketing levy assessment	-	16,940	50,819
Grant funded projects	32,352	-	41,574
Interest and miscellaneous	830	200	810
	306,465	287,140	374,825
Other costs			
Costs for Grant funded projects	40,740	-	34,320
	265,725	287,140	340,505
Expenses (Page 15)			
Administration services	$ 108,562	$ 101,152	$ 106,894
Regulatory services	117,237	128,963	119,988
Promotion services	29,585	35,265	28,715
Facilitation services	20,587	21,020	26,505
	275,971	286,400	282,102
Annual (deficit) surplus	$ (10,246)	$ 740	$ 58,403

Accumulated surplus, beginning of year	$ 127,342	$ 127,342	$ 68,939
Annual (deficit) surplus	(10,246)	740	58,403
Accumulated surplus, end of year	$ 117,096	$ 128,082	$ 127,342

See accompanying notes to the financial statements.

Chicken Farmers of Newfoundland and Labrador

Statement of Changes in Net Financial Assets

Year Ended December 31	2011	2010
Annual (deficit) surplus	$ (10,246)	$ 58,403
Acquisition of tangible capital assets	-	(2,348)
Amortization of tangible capital assets	986	940
Increase in prepaids	(512)	(165)
Increase (decrease) in net assets	(9,772)	56,830
Net financial assets, beginning of year	120,073	63,243
Net financial assets, end of year	$ 110,301	$ 120,073

See accompanying notes to the financial statements.

Chicken Farmers of Newfoundland and Labrador

Statement of Cash Flows

Year Ended December 31	2011	2010
Increase (decrease) in cash and cash equivalents		
Operating		
Annual (deficit) surplus	$ (10,246)	$ 58,403
Change in non-cash items		
Accrued severance pay	1,434	1,347
Depreciation	986	940
Receivables	13,087	(11,066)
Prepaids	(512)	(165)
Current portion of long-term receivable	-	(16,940)
Payables and accruals	3,340	4,485
Deferred grant revenue	(19,152)	7,187
Cash provided by operating transactions	(11,063)	44,191
Capital		
Cash used to acquire tangible capital assets	-	(2,348)
Investing		
Increase in long term investment	(608)	-
Decrease (increase) in long term receivable	16,940	(16,940)
Cash provided by investing transactions	16,332	(16,940)
Increase in cash and cash equivalents	5,269	24,903
Cash and cash equivalents, beginning of year	86,270	61,367
Cash and cash equivalents, end of year	$ 91,539	$ 86,270

See accompanying notes to the financial statements.

1. Nature of operations

The Chicken Farmers of Newfoundland and Labrador was established in 1981 by the *Newfoundland and Labrador Chicken Marketing Scheme, 1980*, under the *Natural Products Marketing Act, 1973* (Act), to provide for the effective promotion, control and regulation of the production and marketing of chicken in Newfoundland and Labrador. The Board is responsible for administering the regulations as provided for in the Act under the laws of the Province of Newfoundland and Labrador.

2. Chicken Farmers of Canada

Pursuant to authority given to it under the Farm Products Marketing Act of Canada, the Chicken Farmers of Canada (CFC) collects levies from provincial commodity boards. The Chicken Farmers of Newfoundland and Labrador collects these levies directly from the processor and remits them to CFC. There were $80,164 of levies collected in 2011 (2010 - $82,844).

3. Summary of significant accounting policies

Basis of presentation

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants and reflect the following significant accounting policies.

Use of estimates

In preparing the Board's financial statements in conformity with Canadian public sector accounting standards, require 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. Items requiring the use of significant estimates include the useful life of capital assets, estimated accrual severance rates for amortization and impairment of assets.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

Levies

The Board charges levies to the producer based on volume of chicken marketed in Newfoundland and Labrador. Revenue is recognized when the chicken is produced/marketed and collectability is reasonably assured.

3. Summary of significant accounting policies (cont'd.)

Grant revenue

Revenues from grants are recognized as deferred revenue when amounts have been received but not all eligibility criteria have been met.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks, and short term investments with maturities of three months or less. Bank borrowings are considered to be financing activities.

Investment

Non-redeemable guaranteed investment certificates are classified as investments. Interest related to these investments is accrued as earned. The carrying value of this investment approximates its fair value.

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 generally extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net financial assets for the year.

Tangible capital assets

Tangible capital assets are recorded at cost. Depreciation is provided annually at rates calculated to write off the assets over their estimated useful life as follows, except in the year of acquisition when one half of the rate is used.

Furniture and equipment	20%, declining balance

Impairment of long-lived assets

Long-lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances indicating that the value of the assets may not be recoverable, as measured by comparing their net book value to the estimated undiscounted cash flows generated by their use. Impaired assets are recorded at fair value, determined principally using discounted future cash flows expected from their use and eventual disposition.

3. Summary of significant accounting policies (cont'd.)

Accrued severance pay

Severance pay will be awarded at the rate of one week of salary per year of service to a maximum of 20 weeks and is calculated based upon current salary levels. The amount is payable when the employee ceases employment with the Board.

Financial instruments

The Board considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. The Board accounts for the following as financial instruments:

- cash and cash equivalents;
- receivables;
- investments; and
- payables and accruals.

A financial asset or liability is recognized when the Board becomes party to contractual provisions of the instrument.

The Board initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Board subsequently measures its financial assets and financial liabilities at cost or amortized cost, except for derivatives and equity securities quoted in an active market, which are subsequently measured at fair value. Changes in fair value are recognized in annual surplus.

Financial assets measured at cost include cash and cash equivalents and receivables.

Financial assets measured at fair value include the investment.

Financial liabilities measured at cost include payables and accruals.

The Board removes financial liabilities, or a portion of, when the obligation is discharged, cancelled or expires.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. Previously recognized impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of the reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in net annual surplus.

4. Impact of the change in the basis of accounting

These financial statements are the first financial statements for which the Board has applied Canadian public sector accounting standards ("PSAB"). The financial statements for the period ended December 31, 2011 were prepared in accordance with PSAB. Comparative period information presented for the period ended December 31, 2010 was prepared in accordance with PSAB and the provisions set out in Section *PS 2125 First-time adoption by government organizations.*

The date of transition to PSAB is January 1, 2010. The Organization's transition from generally accepted accounting principles (previously "GAAP") to PSAB has had no significant impact on the opening accumulated surplus as at January 1, 2010. However, the adoption of the standards has resulted in a restatement of the Statement of Operations for the year ended December 31, 2010 as well as the deferred revenue and accumulated surplus as of December 31, 2010.

As of December 31, 2010, deferred revenue included $7,254 of funds remaining from a one time payment received from the Chicken Farmers of Canada for the On-Farm Food Safety Program. There were no specific timeframe requirements regarding the use of the funds and no terms of repayment for any unused funds. Therefore, the funds are not permitted to be deferred under Public Sector Standards and as a result, the following restatement has occurred:

(a) Adjustment to the statement of financial position as at December 31, 2010:

	As previously reported	Effect of transition	As restated
Liabilities			
Deferred revenue	$ 26,406	$ (7,254)	**$ 19,152**
Accumulated surplus	$ 120,088	$ 7,254	**$ 127,342**

(b) Reconciliation of previously reported excess of revenue over expenses for December 31, 2010 with the annual surplus for December 31, 2010 shown in the financial statements:

	2010
Excess of revenue over expenses, as previously reported at December 31, 2010	$ 51,149
Adjustment related to deferred revenue	7,254
Annual surplus, as adjusted at December 31, 2010	$ 58,403

The Board did not apply any of the transition exceptions and exemptions to full retrospective applications of PSAB.

5. Operating Agreement

The Chicken Farmers of Newfoundland and Labrador has entered into an Agreement with the other provincial boards known as the Operating Agreement. This Agreement provides for levy assessment should a province over produce its allocation from C.F.C.

As part of this agreement, the Chicken Farmers of Newfoundland and Labrador has filed a letter of credit to CFC in respect of any possible over marketing levies assessed. The letter of credit as at December 31, 2011 was $28,658 (2010 - $28,658).

6. Receivables

	December 31 2011	December 31 2010	January 1 2010
Levies	$ 20,456	$ 29,092	$ 21,342
Accrued interest	649	649	222
Travel advances	-	4,451	1,562
	$ 21,105	$ 34,192	$ 23,126

7. Long term receivable

	December 31 2011	December 31 2010	January 1 2010
Over-marketing levy receivable from Country Ribbon Inc., non-interest bearing, repayable on March 2012.	$ 16,940	$ 33,880	$ -
Less: current portion	(16,940)	(16,940)	-
	$ -	$ 16,940	-

8. Deferred grant revenue

	December 31 2011	December 31 2010	January 1 2010
Balance, beginning of year, as restated	$ 19,152	$ 11,965	$ -
Revenue			
Advances during the year	-	41,507	30,200
Expenses			
Project costs	19,152	34,320	18,235
	$ -	$ 19,152	$ 11,965

8. Tangible capital assets

			December 31 2011	December 31 2010	January 1 2010
	Cost	Accumulated Amortization	**Net Book Value**	Net Book Value	Net Book Value
Furniture and equipment	$ 34,189	$ 30,244	**$ 3,945**	$ 4,931	$ 3,523

10. Commitments

The Board has a commitment under an operating lease for a photocopier. Payments for the next four years are as follows:

2012 - $3,187; 2013 - $3,187; 2014 - $3,187 and 2015 - $1,859

11. Budget figures

The 2011 budget figures presented in the statement of operations are provided by management and have not been audited. These figures are included for the convenience of the reader only.

12. Financial instruments

The Board's financial instruments consist of cash and cash equivalents, receivables, investment and payables and accruals. The book value of cash and cash equivalents, receivables, payables and accruals approximate fair value due to their short term maturity date. The investment includes a non redeemable guaranteed investment certificate and interest in accrued as earned, therefore the carrying value of this investment approximate its fair value.

Risks and concentrations

The Board is exposed to various risks through its financial instruments. The following analysis provides a measure of the Board's risk exposure and concentrations at December 31, 2011.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Board is exposed to this risk mainly in respect of its accounts payable. The Board reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due. In the opinion of management the liquidity risk exposure to the Board is low and not material.

12. Financial instruments (cont'd.)

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Board's main credit risk relates to its receivables of $38,045 (2010 - $68,072). The Board only receives levies, which are legislated by the Province, from one producer and in the opinion of management the credit risk exposure to the Board is low.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Board is not exposed to any of these risks.

Chicken Farmers of Newfoundland and Labrador
Schedule of Expenses

December 31	2011	2010
	Actual	Actual
Administration		
Depreciation	**$ 986**	$ 940
Federation of Agriculture	**12,964**	12,675
Honorariums	**12,000**	12,000
Insurance	**1,710**	1,653
Interest and bank charges	**1,497**	1,235
Miscellaneous	**-**	154
Office and postage	**6,764**	9,352
Per diems	**7,450**	6,275
Professional fees	**23,091**	21,796
Rent	**2,669**	2,637
Telephone	**6,492**	6,214
Training	**-**	122
Travel and meetings	**7,862**	6,990
Wages and benefits	**25,077**	24,851
	$ 108,562	$ 106,894
Regulation		
Levy – CFC	**$ 80,164**	$ 82,844
Professional fees	**3,105**	4,310
Travel and meetings	**8,107**	7,208
Wages and benefits	**25,861**	25,626
	$ 117,237	$ 119,988
Promotion		
Donations	**$ 2,241**	$ 4,062
Promotion	**11,904**	9,729
Travel and meetings	**3,685**	3,276
Wages and benefits	**11,755**	11,648
	$ 29,585	$ 28,715
Facilitation		
Professional fees	**$ -**	$ 6,605
Travel and meetings	**4,914**	4,369
Wages and benefits	**15,673**	15,531
	$ 20,587	$ 26,505
Total expenses	$ 275,971	$ 282,102

Grant Thornton

College of the North Atlantic

Financial Statements

March 31, 2012

COLLEGE OF THE North Atlantic

Grant Thornton

Independent auditors' report

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To the Board of Governors of the College of the North Atlantic

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

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the interim 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 College of the North Atlantic as at March 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

St. John's, Newfoundland and Labrador

June 20, 2012

Chartered Accountants

College of the North Atlantic
Statement of Financial Position
March 31, 2012

		2012		2011
Assets				
Current assets				
Cash	$	11,334,989	$	22,865,403
Receivables - Note 2		12,503,515		17,369,206
Inventory		1,386,604		1,366,515
Prepaid expenses		1,581,297		1,444,633
Total current assets		26,806,405		43,045,757
Property, plant & equipment - Note 3		28,032,304		25,507,888
Trust accounts - Note 4		3,299,308		1,563,502
	$	58,138,017	$	70,117,147
Liabilities and Net assets				
Current liabilities				
Payables and accruals - Note 5	$	11,449,902	$	16,683,837
Deferred revenue - Note 6		5,906,569		5,191,428
Due to Qatar Campus - Note 9		2,142,880		8,603,095
Vacation entitlement - management		2,644,355		2,369,477
Vacation entitlement - other		6,829,728		6,228,700
Severance - current portion		1,000,000		800,000
Total current liabilities		29,973,434		39,876,537
Trust accounts - Note 4		3,299,308		1,563,502
Deferred capital contributions - Note 7		13,405,992		9,831,690
Severance		14,376,019		13,855,731
		61,054,753		65,127,460
(Deficit) surplus per accompanying statement		(2,916,736)		4,989,687
	$	58,138,017	$	70,117,147

Contingencies - Note 10

Approved:

Board Chair ____________________

Board Member ____________________

College of the North Atlantic
Statement of Operations
Year Ended March 31, 2012

	2012	2011
Revenue - Schedule 1		
Grant-in-aid	$ 84,105,419	$ 80,624,200
Facilities	3,830,806	3,427,453
Administration	319,063	324,087
Instructional	24,870,950	29,405,216
Student services	710,915	734,832
Resale	4,490,403	4,909,148
Apprenticeship	3,720,067	3,584,568
Continuing education	928,547	852,938
Contracts	5,509,390	6,731,155
International	1,156,410	1,155,072
Special projects	3,007,150	2,380,660
Qatar project	10,167,006	10,200,797
Total revenue	142,816,126	144,330,126
Expenditure - Schedules 2 to 14		
Facilities	13,080,270	12,490,799
Administration	16,228,280	15,736,843
Instructional	79,610,847	75,345,926
Student services	11,270,796	10,367,712
Information technology	7,285,448	8,345,214
Resale	5,756,542	5,987,645
Apprenticeship	4,039,467	3,826,256
Continuing education	774,358	683,912
Contracts	5,341,592	6,185,249
International	620,347	629,571
Special projects	3,357,307	2,874,800
Qatar project	1,975,049	2,702,715
Total expenditure	149,340,303	145,176,642
Deficit before unfunded adjustments	(6,524,177)	(846,516)
Unfunded adjustments:		
Severance	(781,218)	(983,649)
Vacation pay	(601,028)	(643,204)
Total unfunded adjustments	(1,382,246)	(1,626,853)
Deficit of revenue over expenditures	$ (7,906,423)	$ (2,473,369)

College of the North Atlantic
Statement of Changes in Net Assets
Year Ended March 31, 2012

	Operating	Property Plant & Equipment	Severance and Annual Leave	2012 Total	2011 Total
Balance, beginning	$ 10,015,212	$ 15,676,201	$ (20,701,726)	$ 4,989,687	$ 7,463,056
Property, plant & equipment purchases during year	(9,663,059)	9,663,059			
Amortization of property, plant & equipment	7,132,260	(7,132,260)			
Capital grants received during the year	6,730,968	(6,730,968)			
Amortization of deferred capital contribution	(3,156,666)	3,156,666			
Net book value of property, plant & equipment disposed during the year	6,384	(6,384)			
(Deficit) surplus of revenue over expenditure per accompanying statement	(6,524,177)		(1,382,246)	(7,906,423)	(2,473,369)
Balance, ending	$ 4,540,922	$ 14,626,314	$ (22,083,972)	$ (2,916,736)	$ 4,989,687

College of the North Atlantic
Statement of Cash Flow
Year Ended March 31, 2012

	2012	2011
Cash Flows:		
Operating:		
Deficit of revenue over expenditure	$ (7,906,423)	$ (2,473,369)
Add items of a non - cash nature:		
Loss (gain) on disposal of property, plant & equipment	(49,025)	(265,832)
Amortization of property, plant & equipment	7,132,260	6,531,598
Amortization of deferred capital contribution	(3,156,666)	(2,545,392)
Accrued severance	520,288	1,215,127
	(3,459,566)	2,462,132
Changes in:		
Current assets	4,708,938	(4,326,050)
Current liabilities	(9,903,103)	(11,955,605)
	(8,653,731)	(13,819,523)
Financing:		
Capital contributions	6,730,968	5,804,460
Investing:		
Proceeds from sale of property, plant & equipment	55,408	77,777
Additions to property, plant & equipment	(9,663,059)	(10,962,654)
	(9,607,651)	(10,884,877)
Net decrease in cash	(11,530,414)	(18,899,940)
Cash, beginning of year	22,865,403	41,765,343
Cash, ending of year	$ 11,334,989	$ 22,865,403

College of the North Atlantic
Revenue
Year Ended March 31, 2012

	2012	2011
Grant-in-aid	$ 84,105,419	$ 80,624,200
Facilities		
Amortization of deferred capital contribution	3,156,666	2,545,392
Classroom/video rental	18,750	11,250
Gain on disposal of capital assets	49,025	265,832
Parking	6,365	3,547
Other	600,000	601,432
	3,830,806	3,427,453
Administration		
Interest	274,861	253,009
Other	44,202	71,078
	319,063	324,087
Instructional		
Tuition	9,344,307	9,597,931
Equipment and materials	1,482,814	1,708,811
Subsidy	13,306,789	16,752,629
Daycare	472,819	465,873
Other	264,221	879,972
	24,870,950	29,405,216
Student services		
Application fee	259,122	274,209
Registration fee	361,665	357,479
Other	90,128	103,144
	710,915	734,832
Resale		
Bookstore	2,953,723	3,358,620
Food services	1,215,809	1,220,622
Residence	309,305	324,082
Other	11,566	5,824
	4,490,403	4,909,148
Apprenticeship		
Apprenticeship	3,720,067	3,584,568
	3,720,067	3,584,568

College of the North Atlantic
Revenue
Year Ended March 31, 2012

Continuing education		
Tuition	**906,918**	844,938
Other	**21,629**	8,000
	928,547	852,938
Contracts		
Tuition	**2,280,134**	2,793,315
Apprenticeship/Post Journey	**49,715**	50,658
Corporate	**3,179,541**	3,887,182
	5,509,390	6,731,155
International		
International	**1,156,410**	1,155,072
	1,156,410	1,155,072
Special projects		
Special projects	**3,007,150**	2,380,660
	3,007,150	2,380,660
Qatar Project		
Fees	**9,972,380**	9,857,474
Other	**194,626**	343,323
	10,167,006	10,200,797
	$ 142,816,126	$ 144,330,126

College of the North Atlantic
Summary of Facilities Expenditures
Year Ended March 31, 2012

	2012	2011
Salaries and benefits	$ 1,826,917	$ 1,775,192
Professional development	473	0
Professional fees	12,785	20,878
Travel	14,475	41,970
Insurance	302,919	328,769
Photocopying/printing	403	4,896
Office related supplies	2,274	1,716
General advertising	0	932
Freight and customs	1,950	1,163
Telephone	6,722	6,401
Utilities	1,515,885	1,435,880
Repairs and maintenance	1,174,101	1,012,262
Vehicle operations	169,050	161,755
Equipment rentals	12,046	6,408
Facilities rentals	676,468	919,098
Protective clothing	14,977	13,484
Amortization	7,132,260	6,531,598
Computer supplies	10,835	3,973
Contracted services	78,202	68,424
Minor equipment and tools	39,585	25,883
Minor computer equipment	13,737	1,316
Materials and supplies	74,206	128,801
	$ 13,080,270	$ 12,490,799

College of the North Atlantic
Summary of Administration Expenditures
Year Ended March 31, 2012

	2012	2011
Salaries and benefits	$ 11,965,398	$ 11,866,065
Professional development	168,743	278,560
Employee recognition and wellness	29,169	22,406
Professional fees	472,853	315,883
Travel	454,909	442,596
Recruitment and relocation	45,819	18,531
Bank charges	165,322	201,142
Photocopying/printing	257,001	159,172
Office related supplies	454,702	389,772
Membership fees	144,610	116,367
General advertising	242,944	286,259
Doubtful receivables	22,157	1,224
Freight and customs	115,926	130,403
Telephone	746,066	730,580
Utilities	4,233	4,168
Repairs and maintenance	150,800	115,687
Vehicle operations	4,225	9,834
Equipment rentals	50,238	36,021
Facilities rentals	36,033	37,083
Protective clothing	8,663	6,368
Food cost	1,803	653
Laundry and drycleaning	636	620
Computer supplies	32,607	80,844
Contracted Services	13,508	439
Educational materials	17,899	27,916
Student related	7,518	4,169
Minor equipment and tools	218,616	159,134
Minor computer equipment	85,945	50,097
Materials and supplies	309,937	244,850
	$ 16,228,280	$ 15,736,843

College of the North Atlantic
Summary of Instructional Expenditures
Year Ended March 31, 2012

	2012	2011
Salaries and benefits	$ 72,051,919	$ 67,382,582
Professional development	346,225	398,900
Employee recognition and wellness	697	2,176
Professional fees	196,974	176,051
Travel	653,638	568,188
Recruitment and relocation	55,013	128,685
Insurance	0	11,007
Photocopying/printing	165,248	208,138
Office related supplies	50,141	49,549
Membership fees	40,727	34,265
General advertising	150,081	99,191
Freight and customs	54,409	97,127
Telephone	27,666	155,867
Utilities	4,089	3,614
Repairs and maintenance	348,336	420,445
Vehicle operations	377,026	387,255
Equipment rentals	29,876	67,220
Facilities rentals	120,622	125,971
Protective clothing	27,554	28,361
Food cost	120,520	117,972
Laundry and drycleaning	7,400	5,806
Computer supplies	286,703	229,686
Contracted services	162,462	252,283
Educational materials	113,787	142,425
Daycare operations	84,183	132,172
Student related	669,025	187,125
Minor equipment and tools	1,029,969	1,393,936
Minor computer equipment	277,985	299,383
Materials and supplies	2,158,572	2,240,546
	$ 79,610,847	$ 75,345,926

College of the North Atlantic
Summary of Student Services Expenditures
Year Ended March 31, 2012

	2012	2011
Salaries and benefits	$ 9,599,829	$ 8,547,571
Professional development	14,326	36,246
Employee recognition and wellness	350	180
Professional fees	7,105	9,816
Travel	186,583	133,639
Recruitment and relocation	571	71
Insurance	0	7,890
Photocopying/printing	142,560	209,544
Office related supplies	67,939	62,519
Membership fees	3,932	3,180
General advertising	461,920	666,928
Freight and customs	12,697	25,955
Telephone	5,248	25,136
Repairs and maintenance	16,749	7,675
Vehicle operations	392	28
Facilities rentals	2,715	3,512
Protective clothing	1,049	0
Laundry and drycleaning	2,370	5,250
Computer supplies	38,718	7,917
Contracted services	113,314	112,875
Educational materials	200,724	252,921
Student related	121,286	34,638
Minor equipment and tools	89,467	78,771
Minor computer equipment	57,761	31,877
Materials and supplies	123,191	103,573
	$ 11,270,796	$ 10,367,712

College of the North Atlantic
Summary of Information Technology Expenditures
Year Ended March 31, 2012

		2012		2011
Salaries and benefits	$	5,124,097	$	5,303,815
Professional development		4,885		40,852
Professional fees		10,691		2,849
Travel		108,967		109,542
Recruitment and relocation		0		71
Photocopying/printing		751		1,149
Office related supplies		14,294		12,114
Membership fees		882		1,588
General advertising		684		0
Freight and customs		1,046		2,292
Telephone		13,291		26,731
Repairs and maintenance		17,434		9,227
Vehicle operations		0		620
Facilities Rentals		156,536		87,202
Protective clothing		339		477
Computer supplies		1,548,435		2,107,860
Contracted services		1,680		5,610
Minor equipment and tools		36,158		21,277
Minor computer equipment		205,428		580,404
Materials and supplies		39,850		31,534
	$	7,285,448	$	8,345,214

College of the North Atlantic
Summary of Resale Expenditures
Year Ended March 31, 2012

	2012	2011
Salaries and benefits	$ 1,952,148	$ 1,995,116
Professional development	95	4,170
Employee recognition and wellness	300	0
Travel	18,470	11,302
Photocopying/printing	10,534	10,562
Office related supplies	23,785	19,917
General advertising	1,336	1,946
Freight and customs	174,182	141,435
Telephone	3,134	3,772
Utilities	15,488	16,329
Repairs and maintenance	19,775	14,591
Vehicle operations	222	357
Protective clothing	17,477	14,559
Food cost	928,593	997,072
Laundry and drycleaning	18,782	14,914
Textbooks and supplies	2,467,512	2,636,546
Computer supplies	11,283	20,218
Educational materials	523	96
Student related	1,311	1,122
Minor equipment and tools	56,597	27,153
Minor computer equipment	7,490	12,556
Materials and supplies	27,505	43,912
	$ 5,756,542	$ 5,987,645

College of the North Atlantic
Summary of Apprenticeship Expenditures
Year Ended March 31, 2012

	2012	2011
Salaries and benefits	$ 3,035,824	$ 2,969,704
Professional development	312	27,977
Professional fees	600	1,200
Travel	7,300	3,249
Recruitment and relocation	0	565
Photocopying/printing	4,448	4,320
Office related supplies	2,210	1,803
Membership fees	150	150
General advertising	878	1,437
Freight and customs	9,858	40,635
Telephone	366	104
Repairs and maintenance	15,106	8,509
Vehicle operations	2,775	2,311
Equipment rentals	10,568	9,741
Protective clothing	2,839	1,453
Food cost	9,836	24,881
Laundry and drycleaning	2,495	4,542
Computer supplies	30,470	16,665
Contracted services	35,702	0
Educational materials	45,990	17,606
Student related	408,735	375,672
Minor equipment and tools	99,863	52,510
Minor computer equipment	41,801	11,798
Materials and supplies	271,341	249,424
	$ 4,039,467	$ 3,826,256

College of the North Atlantic
Summary of Continuing Education Expenditures
Year Ended March 31, 2012

	2012	2011
Salaries and benefits	$ 560,485	$ 520,345
Professional fees	0	1,819
Travel	15,423	5,809
Photocopying/printing	4,137	5,061
Office related supplies	3,281	3,142
Membership fees	150	0
General advertising	7,028	8,535
Freight and customs	948	1,667
Telephone	0	247
Utilities	0	21
Equipment rentals	3,535	1,480
Facilities rentals	3,211	3,497
Protective clothing	0	544
Food cost	0	525
Contracted services	131,421	56,423
Educational materials	3,047	5,314
Student related	13,090	24,226
Minor equipment and tools	1,030	0
Materials and supplies	27,572	45,257
	$ 774,358	$ 683,912

College of the North Atlantic
Summary of Contract Expenditures
Year Ended March 31, 2012

	2012	2011
Salaries and benefits	$ 3,900,321	$ 4,569,596
Professional development	12,915	28,086
Employee recognition and wellness	848	0
Professional fees	2,590	7,051
Travel	140,751	158,332
Recruitment and relocation	2,632	2,656
Photocopying/printing	32,729	15,253
Office related supplies	7,234	10,020
Membership fees	3,140	4,511
General advertising	25,973	51,159
Doubtful receivables	69,622	11,846
Freight and customs	10,719	18,331
Telephone	5,463	12,752
Utilities	1,087	517
Repairs and maintenance	7,265	28,322
Vehicle operations	3,218	26,109
Equipment rentals	42,756	43,848
Facilities rentals	19,653	84,218
Protective clothing	3,827	3,003
Food cost	31,270	26,742
Laundry and drycleaning	1,777	1,338
Computer supplies	24,591	3,519
Contracted services	456,115	520,296
Educational materials	6,396	19,652
Student related	155,309	227,622
Minor equipment and tools	20,833	23,820
Minor computer equipment	42,131	18,061
Materials and supplies	310,427	268,589
	$ 5,341,592	$ 6,185,249

College of the North Atlantic
Summary of International Expenditures
Year Ended March 31, 2012

	2012	2011
Salaries and benefits	$ 321,991	$ 352,155
Professional fees	227,464	212,606
Travel	41,178	29,316
Insurance	237	156
Photocopying/printing	1,124	212
Office related supplies	2,815	827
Membership fees	1,353	1,342
General advertising	9,519	7,825
Freight and customs	4,582	3,995
Telephone	1,147	1,530
Computer supplies	0	15
Educational Materials	1,368	1,964
Student related	164	12,572
Minor equipment and tools	0	1,436
Minor computer equipment	4,476	702
Materials and supplies	2,929	2,918
	$ 620,347	$ 629,571

College of the North Atlantic
Summary of Special Projects Expenditures
Year Ended March 31, 2012

	2012	2011
Salaries and benefits	$ 1,573,374	$ 1,290,061
Professional development	17,212	49,851
Professional fees	171,698	149,206
Travel	158,018	176,274
Recruitment and relocation	0	18
Photocopying/printing	19,367	7,047
Office related supplies	5,956	1,486
Membership fees	2,329	1,349
General advertising	75,917	60,489
Freight and customs	82,689	6,242
Telephone	6,920	7,652
Utilities	691	834
Repairs and maintenance	37,683	12,463
Vehicle operations	2,550	75
Equipment rentals	16,524	55
Facilities rentals	6,346	1,579
Protective clothing	1,669	45
Food cost	2,393	3,808
Computer supplies	113,595	17,861
Contracted services	56,016	106,344
Educational materials	521	420,394
Daycare operations	2,123	1,868
Student related	335,308	333,371
Minor equipment and tools	380,040	97,312
Minor computer equipment	50,612	35,481
Materials and supplies	237,756	93,635
	$ 3,357,307	$ 2,874,800

College of the North Atlantic
Summary of Qatar Project Expenditures
Year Ended March 31, 2012

	2012	2011
Salaries and benefits	$ 1,394,076	$ 1,556,135
Professional development	18,888	4,987
Professional fees	432,071	325,093
Travel	159,713	352,255
Recruitment and relocation	4,542	1,590
Photocopying/printing	3,517	3,860
Office related supplies	10,702	10,525
Membership fees	2,811	2,989
General advertising	94,999	46,318
Freight and customs	4,631	5,672
Telephone	31,875	28,523
Repairs and maintenance	3,556	1,285
Facilities rentals	72,581	72,581
Computer supplies	1,442	1,541
Educational materials	0	202
Student related	(346)	4,489
Minor equipment and tools	5,289	2,907
Minor computer equipment	2,271	0
Materials and supplies	7,431	6,763
Interest charges	(275,000)	275,000
	$ 1,975,049	$ 2,702,715

College of the North Atlantic
Summary of Expenditures
Year Ended March 31, 2012

	2012	2011
Salaries and benefits	$ 113,306,379	$ 108,128,337
Professional development	584,074	869,629
Employee recognition and wellness	31,364	24,762
Professional fees	1,534,831	1,222,452
Travel	1,959,425	2,032,472
Recruitment and relocation	108,577	152,187
Insurance	303,156	347,822
Bank charges	165,322	201,142
Photocopying/printing	641,819	629,214
Office related supplies	645,333	563,390
Membership fees	200,084	165,741
General advertising	1,071,279	1,231,019
Doubtful receivables	91,779	13,070
Freight and customs	473,637	474,917
Telephone	847,898	999,295
Utilities	1,541,473	1,461,363
Repairs and maintenance	1,790,805	1,630,466
Vehicle operations	559,458	588,344
Equipment rentals	165,543	164,773
Facilities rentals	1,094,165	1,334,741
Protective clothing	78,394	68,294
Amortization	7,132,260	6,531,598
Food cost	1,094,415	1,171,653
Laundry and drycleaning	33,460	32,470
Textbooks and supplies	2,467,512	2,636,546
Computer supplies	2,098,679	2,490,099
Contracted services	1,048,420	1,122,694
Educational materials	390,255	888,490
Daycare operations	86,306	134,040
Student related	1,711,400	1,205,006
Minor equipment and tools	1,977,447	1,884,139
Minor computer equipment	789,637	1,041,675
Materials and supplies	3,590,717	3,459,802
Interest Charges	(275,000)	275,000
	$ 149,340,303	$ 145,176,642

College of the North Atlantic
Notes to Financial Statements
For the twelve months ending March 31, 2012

Authority and Purpose

The College of the North Atlantic (the College) operates under the authority of the College Act, 1996, Province of Newfoundland and Labrador. In accordance with Section 6 of the College Act, 1996, the College is a statutory crown corporation and as such is not subject to either Federal or Provincial income taxes and is exempt from Municipal taxes. The College is Newfoundland and Labrador's public college. The College is committed to providing accessible, responsive, quality learning opportunities which prepare people to become self-sufficient contributors to social and economic development both in a provincial and global context.

1 Significant accounting policies:

The financial statements of the College have been prepared within the framework of Canadian generally accepted accounting principles. The College is classified as a government not for profit organization. The Public Sector Accounting Board (PSAB) has finalized changes to the standards and are applicable for the College's fiscal 2013 year end.

Preparing the College's 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 period. Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

The more significant accounting policies of the College are as follows:

(a) *Revenue recognition*

The College follows the deferral method of accounting for contributions which includes donations and government grants. Grants for expenditures of future periods are deferred and recognized as revenue in the year in which the related expenditures were incurred. Grants for capital assets are deferred and recognized as revenue on the same basis as the acquired capital assets are amortized.

Tuition revenue is recognized on a student week basis as the students progress through the program.

Revenue from contractual services is recognized as the service is delivered.

Management fees for operating and administering a College in the State of Qatar is recognized as earned.

(b) *Basis of accounting*

The College follows the accrual basis of accounting.

(c) *Inventory*

Inventory which consists mainly of books and food supplies is recorded at the lower of cost or net realizable value. The amount of any write-downs of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurred. For the year ended March 31, 2012, the writedown of inventory was $275,279 (2011 - $140,185).

(d) *Property, Plant &Equipment*

Property, plant & equipment recorded prior to the April 1, 1997 amalgamation of the former Colleges are recorded at either cost, nominal, or approximate fair value. Property, plant & equipment acquired after April 1, 1997 are recorded at cost. Amortization is recorded on a straight line basis using the following estimated useful lives:

Artwork	No amortization
Capital improvements	10 years
ERP - Peoplesoft	10 years
Computer and peripherals	3 years
Furnishings	5 years
Instructional equipment	5 years
Other electronic equipment	5 years
Software	3 years
Vehicles	5 years

One half year's amortization is taken in the year of acquisition.

No amortization is recorded for assets under development.

The value of donated artwork has not been recorded in these financial statements.
An accurate valuation of donated artwork has not been obtained at March 31, 2012.

On disposal, property, plant & equipment are removed from the accounts at their net book value.
Proceeds from disposals are recorded and any resulting gain or loss on disposal is realized.

(e) *Severance and vacation pay*

The College is liable for severance pay to employees who have nine or more years of continuous public service. An amount has been recorded in the financial statements to reflect this liability. No provision for severance has been made for employees with less than the required years of service.

The College accrues vacation pay as employees earn entitlement.

(f) *Foreign Currencies*

Transactions in foreign currencies are recorded in Canadian dollars at the date of the transaction.
Monetary assets and liabilities denominated in foreign currencies are translated at the Statement of Financial Position date. Exchange gains or losses arising from the translations are included in the Statement of Operations in the amount of a $14,112 gain (2011 - $9,459 gain).

(g) *Financial instruments*

The College classifies all financial instruments as either held-to-maturity, available-for-sale, held-for-trading, loans and receivables, or other financial liabilities. All financial instruments are initially recorded at fair value. Financial assets held-to-maturity, loans and receivables and financial liabilities other than those held-for-trading are measured at amortized cost. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income until the instrument is derecognized or impaired, when the amounts are then recorded in net earnings. Instruments classified as held-for-trading are measured at fair value with unrealized gains and losses recognized in the statement of operations.

In accordance with the standard, the College's financial assets and liabilities are generally classified and measured as follows:

Asset/Liability	**Classification**	**Measurement**
Cash	Held for trading	Fair value
Receivables	Loans and receivables	Amortized cost
Payables and accruals	Other financial liabliities	Amortized cost
Trust Accounts	Held for trading	Fair value

There were no embedded derivatives in any contracts that require special accounting treatment.

(h) *Pensions*

College staff are subject to either the Public Service Pension Plan (PSPP), or the Government Money Purchase Pension Plan (GMPP).

The primary plan, PSPP, is a defined benefit pension plan. Staff contributions are matched by the College and then remitted to the province of Newfoundland and Labrador Pooled Pension Fund from which pensions will be paid to employees when they retire.

Staff shall participate in the GMPP only if they are ineligible for the PSPP. Payments are made to a private investment firm from which pensions will be paid to employees when they retire.

The annual contributions for pensions are recognized as an expenditure in the accounts on a current basis.

During the year 2012 the College contributed $6,909,392 to the PSPP and $840,378 to the GMPP. In 2011 the College contributed $6,508,024 to the PSPP and $851,456 to the GMPP.

8 Commitments

Lease Commitment

The College leases some equipment and facilities under long-term operating leases. Lease payments for the next five years, committed under operating leases extending beyond one year, are as follows:

2012-2013	1,107,103
2013-2014	449,533
2014-2015	307,222
2015-2016	259,141
2016-2017	202,485

9 Comprehensive Agreement with the State of Qatar

The College has a comprehensive agreement with the State of Qatar to establish, operate and administer a College of Applied Arts and Technology in Doha, Qatar for a period, September 30, 2001 to August 31, 2012. It has since been extended to August 31, 2013. The agreement is funded by the State of Qatar. For its services, the College is paid an annual Management Fee of 10% of base salaries. The College receives quarterly advances to cover cash flow requirements.

Due to Qatar

	2012	2011
Cash on Deposit	$ **2,838,535**	$ 3,306,931
Payables (accruals)	**(695,655)**	(95,245)
Payable as a result of salary overbilling	**-**	5,391,409
Net Liability	$ **2,142,880**	$ 8,603,095

Results of Operations

	2012	2011
Gross Proceeds	$ **10,167,006**	$ 10,200,797
Management Costs	**(1,975,049)**	(2,702,715)
Net Proceeds	$ **8,191,957**	$ 7,498,082

The College is developing a Transition Management Plan to deal with the wind down of the present Comprehensive Agreement with the State of Qatar, should it not be renewed. No provision has been made for the cessation of the contract as an estimate of costs, if any, is not determinable at this time.

10 Contingent liabilities

(a) The College has received notices of claim for damages. No provision has been made for these claims because management does not expect the College to incur any material liability, or because an estimate of loss, if any, is not determinable at this time.

(b) A compliance audit on compensation and billings of the Comprehensive Agreement with the State of Qatar as required per section 4.6 is currently in progress, therefore, the results are unknown at this time. The College is currently not aware of any material findings or outcomes of this compliance audit.

11 Financial instruments

The carrying values of cash, trust accounts, receivables and payables and accruals approximate their fair values due to the relatively short periods to maturity of these instruments.

It is management's opinion that the College is not exposed to significant interest rate risk, market risk, or currency risk. Significant risks managed by the College include liquidity risk and credit risk.

Liquidity risk

Liquiditiy risk is the risk that the College will be unable to meet its contractual obligations and financial liabilities. The College manages liquidity risk by monitoring its cash flows including ongoing future support from government grants, student tuition and other sources to ensure that it has sufficient cash available to meet its obligations and liabilities.

Credit risk

The College is exposed to credit risk relating to receivables from students and clients. The College manages this risk by monitoring receivable accounts and establishes an appropriate allowance for doubtful accounts based upon information available.

12 Capital disclosures

The College's capital includes net assets. The College's objective in maintaining capital is to safeguard its capital to ensure its ability to continue to provide services to students and other clients. Annual budgets are prepared and monitored to ensure the College maintains appropriate net assets. The College has no externally imposed restrictions.

13 Comparative figures

Certain of the 2011 comparative figures have been reclassified to conform to the financial presentation adopted in 2012.

Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador

FINANCIAL STATEMENTS/ INDEPENDENT AUDITORS' REPORT

June 30, 2011

NOSEWORTHY CHAPMAN
CHARTERED ACCOUNTANTS

Suite 201, 516 Topsail Rd • St. John's, NL • A1E 2C5
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INDEPENDENT AUDITORS' REPORT

To Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador

We have audited the accompanying financial statements of Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador, which comprise the statement of financial position as at June 30, 2011, the statements of current revenues, expenditures and Board equity (deficit), cash flows, and changes in capital fund for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 controls 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 Board as at June 30, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Noseworthy Chapman
Chartered Accountants
St. John's, Newfoundland & Labrador
November 4, 2011

Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador

STATEMENT OF FINANCIAL POSITION
June 30, 2011

	2011	2010
Assets		
Current Assets		
Cash (Supp. Info. 1)	$ -	$ 84,020
Short Term Investments (Supp. Info. 2)	307,500	206,000
Accounts Receivable (Note 4)	570,877	458,713
HST Receivable	26,279	30,254
Prepaid Expenses (Supp. Info. 3)	14,120	21,191
Total Current Assets	918,776	800,178
Long Term Investments	-	-
Capital Assets (Sch. 8)	9,295,498	9,550,794
	$ 10,214,274	$ 10,350,972
Liabilities and Board Equity		
Current Liabilities		
Due to Bank (Supp. Info.1)	$ 29,044	$ -
Due to the Government of Newfoundland & Labrador	176,140	118,899
Accounts Payable and Accruals (Note 5)	63,219	67,800
Current Maturities	3,596	7,500
Total Current Liabilities	271,999	194,199
Long Term Debt	-	-
Severance Pay Benefits - Teaching staff (Note 7)	305,680	335,438
Severance Pay Benefits - Non-teaching staff (Note 7)	59,305	59,767
Other Employee Benefits - Vacation pay	12,878	12,266
Executive Staff Paid Leave (Note 8)	67,702	53,129
Summer Pay Liability	434,118	404,409
Deferred Revenue	68,355	32,962
Total Long Term Liabilities	948,038	897,971
Board Equity		
Investment in Capital Assets (Note 6)	9,286,823	9,539,352
Reserve (Note 9)	51,000	51,000
Board Equity (Deficit)	(343,586)	(331,550)
Total Board Equity	8,994,237	9,258,802
	$ 10,214,274	$ 10,350,972

Contingent Liability (Note 10)

Approved:

_______________ Chairperson _______________ Director of Education

See accompanying notes to the financial statements

Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador

Statement of Current Revenues, Expenditures and Board Equity (Deficiency)

Year Ended June 30, 2011

	2011	Budget	2010
Current Revenue (Schedule 1)			
Federal Government Grants	$ 974,180	$ 977,927	$ 1,146,895
Provincial Government Grants	6,500,620	6,057,936	6,067,015
Donations	-	-	-
Ancillary Services	133,680	130,000	129,888
Miscellaneous	1,049	659	406
	7,609,529	7,166,522	7,344,204
Current Expenditures			
Administration (Schedule 2)	653,307	551,500	600,094
Instruction (Schedule 3)	4,203,941	4,019,250	3,885,084
Operations and Maintenance (Schedule 4)	731,434	704,345	641,623
Pupil Transportation (Schedule 5)	425,528	407,000	413,556
Ancillary Services (Schedule 6)	151,712	160,000	161,198
Miscellaneous Expense (Schedule 7)	30,794	-	33,500
Pupil Services - Federal grant (Schedule 10)	802,039	799,300	949,709
Community Programs - Federal grant (Schedule 11)	171,000	178,627	175,900
Amortization of Capital Assets	418,325	387,500	385,717
	7,588,080	7,207,522	7,246,381
Excess of Revenue over Expenditure before Undernoted Item	21,449	(41,000)	97,823
Transfer to Capital Fund	48,669	-	71,856
Excess of (Expenditure over Revenue) Revenue over Expenditure for the Period	(27,220)	(41,000)	25,967
Executive Staff Paid Leave (Note 8)	(14,573)	-	(12,056)
Teacher Severance Pay Accrual (Note 7)	29,757	-	(96,744)
Adjusted Excess of Expenditure over Revenue	(12,036)	(41,000)	(82,833)
Board Deficiency, Beginning of Year	(331,550)	-	(233,717)
Transfer to Reserve	-		(15,000)
Board Deficiency, End of the Year	$ (343,586)	$ (41,000)	$ (331,550)

See accompanying notes to the financial statements

Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador

Statement of Cash Flows
Year Ended June 30, 2011

	2011	2010
Operating Activities		
Excess of Expenditure over Revenue	$ (12,036)	$ (82,833)
Item not affecting Cash		
- Amortization of Capital Assets and Related Deferred Funding	2,767	2,855
Changes in Non Cash Working Capital Items		
- Short Term Investments	(101,500)	100,000
- Accounts Receivable	(108,189)	32,791
- Prepaid Expenses	7,071	10,611
- Due to Government of Newfoundland & Labrador	57,241	(33,834)
- Accounts Payable & Accruals	(4,581)	14,184
- Current Maturities	(3,904)	7,500
- Summer Pay Liability	29,709	31,663
- Severance Pay Accrual	(30,220)	105,813
- Other Employee Benefits	15,184	14,084
- Deferred Revenue	35,394	(55,609)
	(113,064)	147,225
Financing Activities		
Proceeds from Bank Loans	-	-
Grants - Capital	163,029	2,276,040
Other Capital Revenue	-	-
Changes in Long Term Debt	-	-
Other - Reserve	-	-
	163,029	2,276,040
Investing Activities		
Proceeds from Sale of Capital Assets	-	-
Additions to Capital Assets	(163,029)	(2,276,040)
Other	-	-
	(163,029)	(2,276,040)
(Decrease) Increase in Cash	(113,064)	147,225
Cash (Due to Bank), Beginning of the Year	84,020	(63,205)
(Due to Bank) Cash, End of the Year	$ (29,044)	$ 84,020

See accompanying notes to the financial statements

Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador

Statement of Changes in Capital Fund
Year Ended June 30, 2011

	2011	2010
Capital Receipts		
Proceeds from Bank Loans		
- School Construction	$ -	$ -
- Equipment	-	-
- Service Vehicles	-	-
- Pupil Transportation	-	-
	-	-
Federal Grants		
- School Construction and Equipment	-	-
- Other	-	-
	-	-
Donations		
- Cash Receipts	-	-
- Non-Cash Receipts	-	-
- Restricted Use	-	-
	-	-
Sale of Capital Assets - Proceeds		
- Land & Buildings	-	-
- Equipment	-	-
- Service Vehicles	-	-
- Pupil Transportation Vehicles	-	-
	-	-
Other Capital Revenues		
- Interest on Capital Fund Investments	-	-
- Premiums on Debentures	-	-
- Recoveries of Expenditures	-	-
- Insurance Proceeds	-	-
- Native Peoples Grants	-	-
- Miscellaneous		
- Capital Grants - Province of NL	114,360	2,374,184
- Disposal of School in Happy Valley - Goose Bay	-	(170,000)
- Cost Sharing for Info Technology Grants	-	-
Total Capital Receipts	114,360	2,204,184
Transfer from Reserve Account	-	-
Transfer from Current Fund	48,669	71,856
Total	$ 163,029	$ 2,276,040

See accompanying notes to the financial statements

Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador

Statement of Changes in Capital Fund (Cont'd)
Year Ended June 30, 2011

	2011	2010
Capital Disbursements		
Additions to Capital Assets		
- Land and Sites	$ -	$ -
- Buildings (net)	111,078	2,165,128
- Furniture & Equipment - Schools	35,525	98,995
- Furniture & Equipment - Other	7,313	10,767
- Service Vehicles	-	-
- Pupil Transportation	-	-
- Other - Centre des Grands-Vents	9,113	1,150
	163,029	2,276,040
Principal Repayment of Long Term Debt		
- School Construction	-	-
- Equipment	-	-
- Service Vehicles	-	-
- Other	-	-
	-	-
Miscellaneous Disbursements		
- Other	-	-
Total Capital Disbursements	$ 163,029	$ 2,276,040

See accompanying notes to the financial statements

Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador

Notes to the Financial Statements
Year Ended June 30, 2011

1. Significant Accounting Policies

The accompanying financial statements have been prepared on a fund accounting basis which is generally accepted for School Districts. Fund accounting can be defined as "accounting procedures in which a self balancing group of accounts is provided for each fund." It is customary for School Districts to account separately for the current and capital funds.

A summary of significant accounting policies adopted by the District, relating to their use of fund accounting, is as follows:

a) Grants received by the District are recorded in either the current or capital funds depending on their source. Grants from the Department of Education are treated as current revenues while those from the Province in regard to capital projects are recorded as capital revenues.

b) Capital asset additions are recorded at full cost in the capital fund and are amortized over their useful lives

c) Capital assets are amortized using the straight line method based on the following number of years

School buildings - 40 years
Furniture - 10 years
Equipment - 10 years
Computers - 4 years

d) Funding relating to capital assets is deferred and amortized according to the same method used for the asset to which it relates.

e) The School Board has acquired, in certain cases, land for its buildings without cost. In other cases, the Board obtained authorization to use the land without ownership, as long as the properties are used for educational purposes. In the case where the land is Board property, value determinations were not possible, meaning that the fair market value was not recorded

f) 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, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates include providing for amortization of capital assets. Actual results could differ from these estimates

2. Financial Instruments

Fair Value

The Board's carrying value of short term investments, accounts receivable, HST receivable, due to bank, due to the Government of Newfoundland & Labrador and accounts payable and accruals approximates its fair value due to the immediate or short term maturity of these instruments

The fair value of severance pay benefits, other employee benefits, executive staff paid leave and summer pay is less than the carrying value because the amounts are non-interest bearing However, because these amounts have no fixed repayment terms, the fair value and the exposure to related risk cannot be determined with any degree of certainty, and the amounts are therefore reported at their carrying value.

3. Capital Management

The Board's objective when managing capital is to ensure its ability to meet operating commitments as they become due. This is achieved primarily by continuously monitoring its actual and projected cash flows and making adjustments to capital as necessary

Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador

Notes to the Financial Statements
Year Ended June 30, 2011

	2011	2010
4. Accounts Receivable		
Current		
Provincial Government	$ 506,772	$ 413,052
Transportation	6,129	-
Federal Government	30,187	18,063
Other Government Agencies	-	-
Rent	20,801	24,733
Interest	274	13
Travel Advances and Miscellaneous	2,544	2,311
Capital		
Provincial Government Construction Grants	4,170	541
Local Contributions	-	-
Other School Districts	-	-
Other	-	-
	$ 570,877	$ 458,713

Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador

Notes to the Financial Statements
Year Ended June 30, 2011

5. Accounts Payable and Accruals

		2011	2010
Current			
Trade Payable		$ 29,213	$ 28,240
Accrued	- Liabilities	24,280	39,560
	- Interest	-	-
	- Wages	9,726	-
Payroll Deductions		-	-
Retail Sales Tax		-	-
Deferred Grants		-	-
Other		-	-
Capital			
Trade Payable		-	-
Accrued	- Liabilities	-	-
	- Interest	-	-
Deferred Grants		-	-
Other		-	-
		$ 63,219	$ 67,800

Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador

Notes to the Financial Statements
Year Ended June 30, 2011

	2011	2010
6. Investment in Capital Assets - Beginning of Year	$ 9,539,352	$ 7,646,175
Add:		
Transfer of Operating Funds to Capital Fund	48,669	71,856
Grants		
- Province - Contribution for Capital Construction	-	-
- Other	-	-
Capital Projects funded by the province but paid directly to other souces on behalf of the District	114,360	2,374,183
Donations		
Proceeds From the Sale of Capital Assets		
- Land	-	-
- Buildings	-	-
- Equipment	-	-
- Vehicles	-	-
- Other	-	-
Interest on Capital Fund Investments	-	-
Recoveries of Expenditures	-	-
Insurance Proceeds - Capital	-	-
Miscellaneous	-	-
	163,029	2,446,039
Deduct Adjustments		
Amortization of Investment in Capital Assets	415,558	382,862
Cost of Assets Sold		
- Land		
- Buildings	-	170,000
- Equipment		
- Vehicles		
- Other	-	-
	415,558	552,862
Other	-	-
Investment in Capital Assets	$ 9,286,823	$ 9,539,352

7. Accrued Severance Leave

The amount of $29,757 for teachers' severance costs and the amount of $462 for non-teaching staff severance costs are included in expenses. The amount of $305,680 for teachers' severance costs and the amount of $59,305 for non-teaching staff severance costs for a total of $364,985 are included in the liabilities.

The adjustment for teachers' severance pay is required by the Department of Education of the Government of Newfoundland and Labrador and has no impact on the operation of the School Board. No account receivable is included in the accounts to offset this liability.

The accrued severance leave for non-teaching personnel is funded out of the Board's regular operating grants.

8. Executive Staff Paid Leave

The amount of $14,573 for executive staff paid leave has been included in current year expenses. The amount of $67,702 for executive staff paid leave related to June 30, 2010 has been reflected appropriately in that period. No account receivable is included in the accounts to offset this liability.

9. Reserve

In accordance with leases with the tenants of the Centre scolaire et communautaire des Grand-Vents in St. John's, this reserve constitutes funds that management has designated as restricted funds to allow for the future purchase of computer equipment and major renovations of the building.

10. Contingent Liability

The organization was served a statement of claim for an unspecified dollar amount by an individual for wrongful dismissal from a position within Conseil scolaire francophone provincial de Terre-Neuve et Labrador. Subsequently, a defense to the statement of claim has been filed by the organization. To date this issue has yet to be resolved and the amount and likelihood of any settlement is not determinable at this time.

Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador

Current Revenues
Year Ended June 30, 2011

	2011	Budget	2010
Current Revenues			
Federal Government Grants			
Regular Operating Grants	$ 974,180	$ 977,927	$ 1,146,895
Provincial Government Grants			
Regular Operating Grants	1,503,477	1,492,336	1,446,743
Amortization of Deferred Revenue for Capital Assets	415,558	385,000	382,862
Special Grants			
- Traditional Music	-	-	-
- Official Language Monitor	42,187	30,000	30,063
- French Language Recuperation	-	-	-
- Textbook Credit Allocation	-	-	-
- Communication Tech	-	-	-
- Other	272,760	34,000	223,193
Salaries and Benefits	-	-	-
- Superintendent and Assistant Superintendents	238,781	255,000	228,500
- Regular Teachers	3,337,912	3,300,000	3,082,757
- Substitute Teachers	135,339	71,100	103,325
- Student Assistants	135,810	90,500	166,182
- Senior Educational Officer	-	-	7,187
Pupil Transportation	-	-	-
- Board Owned	-	-	-
- Contracted	418,796	400,000	396,203
- Handicapped	-	-	-
	6,500,620	6,057,936	6,067,015
Donations			
Cash Receipts	-	-	-
Non-Cash Receipts	-	-	-
Restricted Use	-	-	-
	-	-	-
Ancillary Services			
Revenues from Rental of Residences	-	-	-
Revenues from Rental of Schools and Facilities	108,680	105,000	104,888
Cafeterias	-	-	-
Other - ARCO	25,000	25,000	25,000
	133,680	130,000	129,888
	7,608,480	7,165,863	7,343,798

Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador

Current Revenues
Year Ended June 30, 2011

	2011	Budget	2010
Miscellaneous			
Interest on Investments	1,049	450	406
Bus Charters	-	-	-
Recoveries of Expenditures	-	-	-
Revenues from Other School Boards	-	-	-
Insurance Proceeds	-	-	-
Bilingual Education Revenue	-	-	-
Operating Revenue from Native Peoples Grant	-	-	-
Miscellaneous Federal Grants	-	-	-
Textbooks	-	-	-
Other			
- Tutoring for Tuition	-	-	-
- Sundry	-	209	-
	1,049	659	406
Total Current Revenues	$ 7,609,529	$ 7,166,522	$ 7,344,204

Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador

Administration Expenditures
Year Ended June 30, 2011

	2011	Budget	2010
Salaries and Benefits			
Superintendents and Assistant Superintendents	$ 238,781	$ 255,000	$ 228,538
Board Office Personnel	115,143	115,000	117,549
Office Supplies	6,876	7,500	6,073
Replacement Furniture and Equipment	2,634	4,000	3,078
Postage	5,486	7,000	7,152
Telephone	19,708	19,000	21,863
Office Equipment Rentals and Repairs	11,192	8,500	10,024
Bank Charges	3,542	3,500	4,052
Electricity	-	-	-
Fuel	-	-	-
Insurance	-	-	-
Repairs and Maintenance - Office Building	3,257	3,000	3,151
Travel	21,634	15,000	30,249
Board Meeting Expenses	55,760	51,000	54,474
Election Expenses	-	-	-
Professional Fees	128,223	27,500	63,921
Advertising - Recruitment	19,990	4,000	10,568
Membership Dues	17,914	21,500	24,344
Municipal Service Fees	1,150	1,000	1,090
Rental of Office Space	-	-	-
Relocation Expenses	55	-	-
Miscellaneous	896	1,500	786
Payroll Tax	-	-	-
Training	1,066	7,500	13,182
Total Administration Expenditures	$ 653,307	$ 551,500	$ 600,094

Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador

Instruction Expenditures
Year Ended June 30, 2011

	2011	Budget	2010
Instructional Salaries (Gross)			
Teachers' Salaries - Regular	$ 2,824,961	$ 2,777,500	$ 2,619,187
- Substitute	129,552	66,100	89,966
- Board Paid	91,061	50,000	64,525
Augmentation	-	-	-
Employee Benefits	480,966	460,000	442,737
School Secretaries - Salaries & Benefits	158,015	158,500	150,346
Payroll Tax	65,575	62,500	61,174
Other - Salaries & Benefits - Program Co-ordinators	119,630	115,000	57,629
Other - Salaries & Benefits - Student Assistant	120,230	90,500	139,793
Other - Salaries & Benefits - Labrador	-	-	-
	3,989,990	3,780,100	3,625,357
Instructional Materials			
General Supplies	16,910	23,500	21,972
Library Resource Materials	1,920	2,500	554
Teaching Aids	35,236	25,000	30,220
Textbooks	107	500	-
	54,173	51,500	52,746
Instructional Furniture and Equipment			
Replacement	22,533	50,000	21,518
Rentals and Repairs	7,750	8,500	7,680
	30,283	58,500	29,198
Instructional Staff Travel			
Program Co-ordinators	27,099	27,500	6,371
Teachers' Travel	11,784	17,500	12,625
Inservice and Conferences	2,700	5,000	4,108
	41,583	50,000	23,104
Other Instructional Costs			
French Monitor Program	46,265	35,000	32,881
Inclusion - Support Services	35,294	30,000	75,960
Secretaries - Training	232	6,500	170
Secretaries - Travels	1,994	1,650	2,042
Secretaries - Equipment	944	2,000	-
Math Project - West Coast	301	-	-
Kinderstart	2,882	4,000	4,477
Extra Curricular Projects	-	-	9,516
Healthy Meals Projects	-	-	4,725
Principals Discretionary Budget	-	-	3,608
Arts Workshop	-	-	21,300
	87,912	79,150	154,679
Total Instruction Expenditures	$ 4,203,941	$ 4,019,250	$ 3,885,084

Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador

Operations and Maintenance Expenditures - Schools
Year Ended June 30, 2011

	2011	Budget	2010
Salaries - Janitorial	$ 224,611	$ 223,400	$ 211,723
Salaries - Maintenance	89,174	89,900	61,673
Payroll Tax	-	-	-
Electricity	136,229	140,000	131,114
Fuel	-	-	-
Municipal Service Fees/Garbage Removal	25,360	13,000	7,169
Telephone	26,323	25,000	26,590
Vehicle Operating and Travel	15,463	18,500	16,427
Janitorial Supplies	19,350	20,000	19,967
Janitorial Equipment	908	2,500	1,522
Repairs and Maintenance - Buildings	110,258	70,500	92,608
Repairs and Maintenance - Equipment	12,704	23,545	3,985
Contracted Services - Janitorial	1,279	3,000	1,125
Snow Clearing	67,812	65,000	63,316
Rentals	-	-	-
Other (Training)	-	6,500	1,149
Other (Security Systems)	1,963	3,500	3,255
Total Operations and Maintenance	$ 731,434	$ 704,345	$ 641,623

Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador

Pupil Transportation Expenditure
Year Ended June 30, 2011

	2011	Budget	2010
Operation and Maintenance of Board-Owned Fleet	$ -	$ -	$ -
Contracted Services			
Regular Transportation	425,528	407,000	413,556
Handicapped	-	-	-
	425,528	407,000	413,556
Pupil Transportation Expenditures	$ 425,528	$ 407,000	$ 413,556

Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador

Ancillary Services and Miscellaneous Expenses
Year Ended June 30, 2011

Schedule 6

Ancillary Services

The Board owns and operates the following ancillary services:

	2011	Budget	2010
Operation of Teachers' Residences	$ -	$ -	$ 1,100
Cafeterias	-	-	-
Other - Community Centre Operations	151,712	160,000	160,098
Other - Environmental Centre	-	-	-
Total Ancillary Services	$ 151,712	$ 160,000	$ 161,198

Schedule 7

Miscellaneous Expenses

The Board has incurred the following miscellaneous expenses:

	2011	Budget	2010
GPS Project	$ 13,774	$ -	$ 25,000
Green Environment Project	8,500	-	8,500
JMADL Project	1,800	-	-
Career Day	6,720	-	-
Total Miscellaneous Expenses	$ 30,794	$ -	$ 33,500

Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador

Details of Capital Assets
Year Ended June 30, 2011

	Cost 2010	Additions 2011	Cost 2011	Accumulated Amortization 2011	Net book value 2011	Net book value 2010
Land and Sites						
Land and Sites	$ 125,000	$ -	$ 125,000	$ -	$ 125,000	$ 125,000
Buildings						
Schools	13,334,257	111,078	13,445,335	4,649,523	8,795,812	9,004,839
Administration	-	-	-	-	-	-
Residential	-	-	-	-	-	-
Recreational	-	-	-	-	-	-
Other	-	-	-	-	-	-
	13,334,257	111,078	13,445,335	4,649,523	8,795,812	9,004,839
Furniture and Equipment						
Schools	963,210	35,525	998,735	689,573	309,162	347,139
Administration	334,341	7,313	341,654	303,127	38,527	50,754
Residential	-	-	-	-	-	-
Recreation	-	-	-	-	-	-
Other - CGV	42,671	9,113	51,784	24,787	26,997	23,062
	1,340,222	51,951	1,392,173	1,017,487	374,686	420,955
Total Capital Assets	$ 14,799,479	$ 163,029	$ 14,962,508	$ 5,667,010	$ 9,295,498	$ 9,550,794

Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador

Details of Long Term Debt
Year Ended June 30, 2011

	2011	2010
Loans Other than Pupil Transportation	$ -	$ -
Bank Loans		
___ Repayable $________monthly, maturing _____	-	-
___ Repayable $________monthly, maturing _____	-	-
___ Repayable $________monthly, maturing _____	-	-
___ Repayable $________monthly, maturing _____	-	-
___ Repayable $________monthly, maturing _____	-	-
___ Repayable $________monthly, maturing _____	-	-
Total	-	-
Mortgages		
___ Repayable $________annually, maturing ______	-	-
___ Repayable $________monthly, maturing ______	-	-
___ Repayable $________monthly, maturing ______	-	-
___ Repayable $________monthly, maturing ______	-	-
___ Repayable $________monthly, maturing ______	-	-
___ Repayable $________monthly, maturing ______	-	-
Total	-	-
Debentures		
___ Repayable $________annually, maturing ______	-	-
___ Repayable $________monthly, maturing ______	-	-
Total	-	-
Subtotal	-	-
Less Current Maturities	-	-
	-	-

Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador

Details of Long Term Debt
Year Ended June 30, 2011

	2011	2010
Loans - Pupil Transportation		
Vehicle Bank Loans		
____ Repayable $______monthly, maturing _____	-	-
____ Repayable $______monthly, maturing _____	-	-
____ Repayable $______monthly, maturing _____	-	-
____ Repayable $______monthly, maturing _____	-	-
____ Repayable $______monthly, maturing _____	-	-
____ Repayable $______monthly, maturing _____	-	-
____ Repayable $______monthly, maturing _____	-	-
____ Repayable $______monthly, maturing _____	-	-
____ Repayable $______monthly, maturing _____	-	-
____ Repayable $______monthly, maturing _____	-	-
____ Repayable $______monthly, maturing _____	-	-
____ Repayable $______monthly, maturing _____	-	-
____ Repayable $______monthly, maturing _____	-	-
Total	-	-
Land, Buildings and Equipment Bank Loans		
____ Repayable $______monthly, maturing _____	-	-
____ Repayable $______monthly, maturing _____	-	-
____ Repayable $______monthly, maturing _____	-	-
____ Repayable $______monthly, maturing _____	-	-
____ Repayable $______monthly, maturing _____	-	-
Total	-	-
Subtotal	-	-
Less Current Maturities	-	-
Total Loans - Pupil Transportation	-	-
	$ -	$ -

Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador

Summary of Long Term Debt
Year Ended June 30, 2011

Description	Balance Beginning of Period	Loans Obtained During Period	Principal Repayment for Period	Balance End of Period
A) School Construction	$ -	$ -	$ -	$ -
B) Equipment	-	-	-	-
C) Service Vehicles	-	-	-	-
D) Other				
	-	-	-	-
E) Pupil Transportation	-	-	-	-
Total Loans	$ -	$ -	$ -	$ -

Schedule 9B

Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador

Schedule of Current Maturities
Year Ended June 30, 2011

Description	Year 1	Year 2	Year 3	Year 4	Year 5
A) School Construction	$ -	$ -	$ -	$ -	$ -
B) Equipment	-	-	-	-	-
C) Service Vehicles	-	-	-	-	-
D) Other	-	-	-	-	-
E) Pupil Transportation	-	-	-	-	-
Total	$ -	$ -	$ -	$ -	$ -

Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador

Schedule of Interest Expense
Year Ended June 30, 2011

Description	2011	2010
Capital		
School Construction	$ -	$ -
IEC	-	-
Equipment	-	-
Service Vehicles	-	-
Other		
Energy Management	-	-
Total Capital	-	-
Current - Operating Loans	-	-
- Supplier Interest	-	-
- Charges	-	-
Total Current	-	-
Total Interest Expense	$ -	$ -

Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador

Pupil Services - Federal Funding
Year Ended June 30, 2011

	2011	Budget	2010
Language Recovery	$ 269,167	$ 270,000	$ 229,797
Student Support Services	105,774	97,125	177,012
Artists in Residence / Art & Cultural Programming	87,746	108,990	151,532
Teacher Recruitment and Retention	44,900	40,000	75,938
Promotion / Student Recruitment	81,769	77,500	87,578
Principal & Teacher Training	59,950	51,885	67,512
Technology Support Services	45,600	45,600	45,600
Federal Project Administration	39,424	42,500	38,400
School Programs Coordination	15,446	16,200	34,409
French Professional Services	32,150	30,000	31,340
Distance Education	-	-	180
Educational Resource Centre	10,147	7,500	10,411
Strategic Planning	9,966	12,000	-
Total - Pupil Services - Federal Funding	$ 802,039	$ 799,300	$ 949,709

Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador

Community Programs - Federal Funding
Year Ended June 30, 2011

	2011	Budget	2010
Family Resource Centers	$ 83,790	$ 85,000	$ 85,500
After School Programs	50,790	50,000	53,900
Family Literacy - Port-Au-Port Peninsula	30,180	30,000	30,500
Saturday School Program	6,240	6,000	6,000
Summer Project	-	7,627	-
Total Community Programs	$ 171,000	$ 178,627	$ 175,900

Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador

Supplementary Information
Year Ended June 30, 2011

1. Cash

		2011	2010
Current			
Cash on Hand and in Bank		$ -	$ -
Cash on Hand		-	-
Bank	- Current	(29,044)	84,020
	- Savings	-	-
	- Teachers' Payroll	-	-
	- Non Teachers' Payroll	-	-
	- Coupon (Debenture)	-	-
	- Other (Petty Cash)	-	-
		(29,044)	84,020
Capital			
Cash on Hand and in Bank		-	-
Cash on Hand		-	-
Bank	- Current	-	-
	- Savings	-	-
	- Other	-	-
		-	-
Total Cash on Hand and in Bank		$ (29,044)	$ 84,020

2. Short Term Investments

		2011	2010
Current			
Term Deposits		$ 307,500	$ 206,000
Canada Savings Bonds		-	-
Other			
	- Canada Treasury Bills	-	-
	- Mutual Funds	-	-
	- Balance in Broker Account	-	-
	- Guaranteed Investment Certificate	-	-
Capital			
Term Deposits		-	-
Canada Savings Bonds		-	-
Other		-	-
Total Short Term Investments		$ 307,500	$ 206,000

Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador

Supplementary Information
Year Ended June 30, 2011

3. Prepaid Expenses

	2011	2010
Current		
Insurance		
Municipal Service Fees	$ -	$ -
Supplies	-	-
Other		
- Workers' Compensation Commission	12,005	13,753
- Salaries		
- Teachers In-Service - Advance	1,192	-
- Airplane Tickets	-	-
- Student Transportation Contracts	-	2,010
- Board Meetings - Advance	-	2,368
- Rental - Damage Deposit	-	-
- Travel Advances	-	2,507
- Other	923	553
Capital		
Other	-	-
Total Prepaid Expenses	$ 14,120	$ 21,191

CREDIT UNION DEPOSIT GUARANTEE CORPORATION

Financial Statements

Year Ended December 31, 2011

BRIAN T. SCAMMELL CA CBV
ASSURANCE VALUATION & ADVISORY

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Credit Union Deposit Guarantee Corporation

I have audited the accompanying financial statements of Credit Union Deposit Guarantee Corporation, which comprise the balance sheets as at December 31, 2011 and December 31, 2010 and the statements of comprehensive income and fund balance and cash flows for the years ended December 31, 2011 and December 31, 2010, 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 International Financial Reporting 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 audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Credit Union Deposit Guarantee Corporation as at December 31, 2011 and December 31, 2010, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Brian Scammell

St. John's, NL
March 27, 2012

CHARTERED ACCOUNTANT

Credit Union Deposit Guarantee Corporation
Balance Sheet
December 31, 2011

	2011	2010	2009
ASSETS			
Cash	$ 386,396	$ 29,011	$ 175,244
Marketable securities *(Note 5)*	5,125,127	5,459,822	5,238,888
Accounts receivable	1,297	797	2,072
Interest receivable	78,611	74,466	70,673
Harmonized sales tax recoverable	28,345	25,344	23,828
Prepaid expenses	3,000	2,983	2,981
Capital assets *(Note 7)*	15,002	14,722	12,611
	$ 5,637,778	$ 5,607,145	$ 5,526,297
LIABILITIES			
Accounts payable	$ 245,115	$ 239,241	$ 179,385
FUND BALANCE	5,392,663	5,367,904	5,346,912
LIABILITIES AND NET ASSETS	$ 5,637,778	$ 5,607,145	$ 5,526,297

ON BEHALF OF THE BOARD

Director

Director

Credit Union Deposit Guarantee Corporation
Statement of Comprehensive Income and Fund Balance
Year Ended December 31, 2011

	2011	2010
REVENUE		
Assessments	$ 1,162,430	$ 1,109,032
Bonding insurance	280,823	275,759
Interest	111,928	117,697
Other	1,165	1,250
	1,556,346	1,503,738
EXPENSES		
Salaries and wages	562,143	578,083
Bonding Insurance	229,549	224,670
Training	57,856	32,645
Travel	55,727	48,184
Rental	31,853	31,791
Professional fees	32,913	19,314
Meetings and conventions	31,602	28,162
Advertising and promotion	19,442	11,011
Office	13,601	18,205
Telephone	13,567	15,073
Data access costs	12,480	12,480
Directors fees	9,400	7,375
Amortization	4,233	4,113
	1,074,366	1,031,106
INCOME FROM OPERATIONS	481,980	472,632
OTHER INCOME (EXPENSES)		
Loss on disposal of assets	-	(368)
Assistance to credit unions	(457,221)	(451,272)
	(457,221)	(451,640)
NET INCOME	24,759	20,992
FUND BALANCE - BEGINNING OF YEAR	5,367,904	5,346,912
FUND BALANCE - END OF YEAR	$ 5,392,663	$ 5,367,904

Credit Union Deposit Guarantee Corporation
Statement of Cash Flows
Year Ended December 31, 2011

	2011	2010
OPERATING ACTIVITIES		
Net income	$ 24,759	$ 20,992
Adjustments for:		
Amortization of capital assets	4,233	4,113
Loss on disposal of assets	-	368
Interest income	(111,928)	(117,697)
	(82,936)	(92,224)
Changes in other items:		
Accounts receivable	(500)	1,275
Accounts payable	5,874	59,857
Prepaid expenses	(17)	(2)
Harmonized sales tax recoverable	(3,001)	(1,516)
Interest received	107,783	113,904
	110,139	173,518
Cash flow from operating activities	27,203	81,294
INVESTING ACTIVITIES		
Purchase of capital assets	(4,513)	(6,853)
Proceeds on disposal of capital assets	-	260
Purchase of marketable securities	(7,580,569)	(2,614,652)
Redemption of marketable securities	7,915,264	2,393,718
Cash flow from (used by) investing activities	330,182	(227,527)
INCREASE (DECREASE) IN CASH FLOW	357,385	(146,233)
Cash - beginning of year	29,011	175,244
CASH - END OF YEAR	$ 386,396	$ 29,011

1. REPORTING ENTITY

The Credit Union Deposit Guarantee Corporation (the "Corporation") is established as a corporation without share capital under the provisions of Section 133 of the *Credit Union Act, 2009*

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board. ("IASB")

These are the Corporation's first financial statements to be prepared in accordance with IFRS, having previously prepared its financial statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles. ("pre-changeover Canadian GAAP.") IFRS 1 First-Time Adoption of International Financial Reporting Standards ("IFRS 1") has also been applied. Details of how the transition from pre-changeover Canadian GAAP to IFRS has affected the financial position, financial performance and cash flows are disclosed in Note 13.

The financial statements for the years ended December 31, 2011 and December 31, 2010 were authorized for issue by the Corporation's Board of Directors on March 27, 2012.

These financial statements were prepared under the historical cost convention. These financial statements are presented in Canadian dollars which is the Corporation's functional currency.

Certain new standards, amendments and interpretations have been published that are mandatory for the Corporation's accounting periods beginning on or after January 1, 2012 or later periods. The standards, amendments and interpretations that may be relevant to the Corporation are:

Presentation of Financial Statements

In June 2011, the IASB amended IAS 1 - Presentation of Financial Statements: Other Comprehensive Income ("IAS 1"), which will be applied retrospectively for annual periods beginning on or after July 1, 2012. The amendments require additional disclosures on components of other comprehensive income ("OCI").

Financial Instruments

In November 2009 and October 2010, the IASB issued IFRS 9 - Financial Instruments ("IFRS 9"), Classification and Measurement of Financial Assets and Liabilities. IFRS 9 will replace IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39") in its entirety. IFRS 9 uses a single approach to determining whether a financial asset or liability is measured at amortized cost or fair value, replacing the multiple rules in IAS 39.

Financial Instruments: Disclosures
In October 2010, the IASB amended IFRS 7 - Financial Instruments: Disclosures, which will be applied prospectively for annual periods beginning on or after July 1, 2011. The amendments require additional disclosures on transferred financial assets.

(continues)

2. BASIS OF PREPARATION *(continued)*

Fair Value Measurement

In May 2011, the IASB issued IFRS 13 - Fair Value Measurement ("IFRS 13"). IFRS 13 defines fair value and sets out a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 is effective for annual periods beginning on or after January 1, 2013.

The Corporation is assessing the potential impact of these new amendments and standards.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these financial statements in conformity with IFRS requires management to make judgements, estimates, and assumptions that affect the application of policies and reported amounts of assets and liabilities, and disclosures of contingent assets and contingent liabilities at the date of these financial statements, and the reported amounts of revenues and expenses during the year.

Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The effect of a change in an accounting estimate is recognized in the period in which the estimate is revised.

There are no estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next fiscal year except with respect to assistance to credit unions as discussed in Note 4.

4. OTHER SIGNIFICANT ACCOUNTING POLICIES

Cash

Cash consists of balances with banks.

Financial instruments

Classification

A financial instrument is a contract that establishes a financial asset for one party and a financial liability or equity instrument for the other party. IFRS 7 establishes a framework for the recognition and measurement of financial assets and financial liabilities. All financial instruments have been classified either based on the type of instrument or the Corporation's intention regarding the instrument, as described below:

Held for Trading

Financial assets classified as held for trading are typically acquired for resale prior to maturity or designated as held for trading.They are measured at fair value on the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in investment income. Cash and cash equivalents have been classified as held-for-trading.

(continues)

4. OTHER SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities designated as held for trading are those non-derivative financial liabilities that the Corporation elects to designate on initial recognition as instruments that it will measure at fair value through other interest expense.These are accounted for in the same manner as held for trading assets.The Corporation has not designated any non-derivative financial liabilities as held for trading.

Held to Maturity

Held to maturity financial assets are non-derivative financial assets with fixed or determinable payments and a fixed maturity, other than loans and receivables, that an entity has the positive intention and ability to hold to maturity.These assets are measured at amortized cost using the effective interest method. The Corporation has classified its investments as held to maturity.

Available for Sale

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale, or that are not classified as loans and receivables, held for trading, or held to maturity. Except as mentioned below, available for sale financial assets are carried at fair value with unrealized gains and losses included in accumulated other comprehensive income until realized when the cumulative gain or loss is transferred to other income. Available for sale financial assets that do not have quoted market prices in an active market are recorded at cost. Interest on interest bearing available for sale financial assets is calculated using the effective interest method. No financial assets have been classified as available for sale.

Loans and Receivables

Loans and receivables are recorded at amortized cost using the effective interest method. Amortized cost is a reasonable estimate of the fair value of these instruments.

Other Liabilities

Other liabilities, such as bank indebtedness and accounts payable and accrued liabilities, are recorded at amortized cost using the effective interest method and include all financial liabilities other than derivative instruments. Amortized cost is a reasonable estimate of the fair value of these instruments

Transaction Costs

Transaction costs are expensed as incurred.

Fair Values

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable willing parties who are under no compulsion to act. Fair values are determined by reference to quoted bid or asking prices in an active market. In the absence of an open market, the Corporation determines fair values based on internal or external valuation models such as discounted cash flow analysis or using observable market-based inputs.

Effective Interest Method

The Corporation uses the effective interest method to recognize interest income or expense, premiums or discounts earned or incurred for financial instruments.

(continues)

4. OTHER SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Capital assets

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives at the following rates and methods:

Computer equipment	30%	declining balance method
Furniture and fixtures	20%	declining balance method

The Corporation regularly reviews its capital assets to eliminate obsolete items.

Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

Severance pay

Severance pay, which is included with accounts payable and accrued liabilities, is accrued for all employees for whom the right to such compensation is vested.

Revenue recognition

The Corporation recognizes assessment revenue based on a percentage of insured deposits of individual credit unions operating within the Province of Newfoundland & Labrador. Interest revenue is recognized based on the investment interest collected and accrued during the year, and bonding revenue is recognized based on a percentage of individual credit unions' assets plus a $60,000 fee that is allocated to the Newfoundland and Labrador credit unions based on a pre-determined formula.

Assistance to credit unions

Assistance to credit unions is recorded only when it can be reasonably determined by the Corporation that such a payment will be required and when the Board of Directors has assessed the reasonableness of such a charge and authorized the assistance as a commitment of the Fund. The determination of the assistance requires the exercise of judgement because the precise amount, method and timing of such assistance is dependent on future events. The amount of actual assistance paid and possible future assistance is disclosed in the financial statements.

Pension costs

Employees of the Corporation other than the Chief Executive Officer are included in the Public Service Pension Plan of the Government of Newfoundland and Labrador. Contributions to the plans are required from both the employees and the Corporation. The annual contributions for pension are recognized in the accounts on a current basis. Contributions to this plan totalled $28,485 (2010- $27,089).

The Corporation also contributed to a private registered retirement savings plan for the Chief Executive Officer based on a percentage of his annual salary. Contributions to this plan totalled $7,805 (2010- $7,423.)

Future income taxes

The liability method of tax allocation is used in accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities, and measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse.

5. MARKETABLE SECURITIES

	2011	2010	2009
Bank of Montreal term deposit, 2%	**$ 5,000,000**	$ 5,000,000	$ 5,235,851
Concentra Financial term deposit, .70%	**17**	459,712	1,927
Concentra Financial term deposit, 1.55%	**125,000**	-	-
Newfoundland and Labrador Credit Union share	**100**	100	100
Concentra shares.	**10**	10	10
Credit Union Central of Nova Scotia shares.	-	-	1,000
	$ 5,125,127	$ 5,459,822	$ 5,238,888

6. CAPITAL MANAGEMENT

The Corporation's objectives with respect to capital management are to safeguard the entity's ability to continue as a going concern so that it can continue to operate as a deposit insurance provider for the Newfoundland & Labrador credit unions, including the provision of stabilization funds as needed.

The Corporation defines its capital as the balance in the Deposit Guarantee Fund Balance; the changes in this balance for 2011 are presented in the Statement of Income and Fund Balance.

7. CAPITAL ASSETS

	Computers	Furniture and Fixtures	Total
Cost			
January 1, 2010	$72,391	$28,203	$100,594
Additions	$2,486	$4,367	$6,853
Disposals	$628		$628
December 31, 2010	$74,249	$32,570	$106,819
Additions	$2,835	$1,677	$4,512
Disposals			
December 31, 2011	**$77,084**	**$34,247**	**$111,331**
Accum. Depreciation			
January 1, 2010	$64,580	$23,404	$87,984
Additions	$2,716	$1,396	$4,112
Disposals			
December 31, 2010	$67,296	$24,800	$92,096
Additions	$2,511	$1,722	$4,233
Disposals			
December 31,2011	**$69,807**	**$26,522**	**$96,329**
Net Book Value 2010	$6,953	$7,770	$14,723
Net Book Value 2011	**$7,277**	**$7,725**	**$15,002**

8. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Corporation's financial instruments are comprised of cash, investments, receivables and accounts payable.

Cash is reported at fair value on the balance sheet. Receivables and accounts payable are reported at amortized cost which approximates fair value due to their short term nature. Investments are reported at amortized cost using the effective interest method which approximates their fair value.

9. NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS

The Corporation is exposed to the following risks as a result of holding financial instruments: credit risk, market risk and liquidity risk. The following is a description of those risks and how the Corporation manages the exposure to them.

Credit Risk

Credit risk is the risk that a financial loss will occur due to the failure of a counterparty to discharge its contractual commitment or obligation to the Corporation. Credit risk may arise principally through its investments included in the Corporation's asset portfolio.

The Corporation manages this risk by making investments in accordance with the investment policy established by the Board of Directors which permits the Corporation to invest in high quality, liquid short-term investments. Equity investments are not permitted.

Market Risk

Market risk arises from changes in interest rates on investments in its portfolio that affect the Corporation's net interest income. The Corporation's goal is to maximize its return on these portfolios, without taking unreasonable risk and retaining a high degree of liquidity.

The Corporation manages this risk by investing in securities that are not susceptible to significant changes in rates of return to the Corporation caused by changes in market values of the investments.

Liquidity Risk

Liquidity risk is the risk of having insufficient financial resources to meet the Corporation's funding requirements.

The Corporation's liquidity policies and practices include the measurement and forecast of cash flows and maintenance of a pool of high quality liquid assets.

10. COMMITMENTS

The Corporation has entered into a lease agreement for office space which expires December 31, 2016. The amount of the annual rent payable is $44,460 plus HST.

11. INCOME TAXES

Credit union assessments and assistance are excluded from the calculation of taxable income.

The undepreciated capital cost for income tax purposes of the Corporation's depreciable assets exceeds the net book value by $119,999.

(continues)

11. INCOME TAXES *(continued)*

The Corporation has the following non-capital losses available which can be used to reduce future years' taxable income. The potential income tax benefits associated with these items have not been recognized in the financial statements

2014	$	438,667
2015		362,558
2026		350,333
2027		255,907
2028		387,654
2029		434,292
2030		575,432
2032		654,705
	$	3,459,548

12. RELATED PARTY TRANSACTIONS

The Corporation's compensation, including the employers' portion of benefits, to key management personnel in 2011, which are defined by IAS 24, Related Party Disclosures, as those persons having authority and responsibility for planning, directing and controlling the activities of the Credit Union, including directors and management was $222,552 (2010 - $210,770).

13. FIRST TIME ADOPTION OF INTERNATIONAL REPORTING STANDARDS

The Corporation has adopted International Financial Reporting Standards ("IFRS") effective January 1, 2011 and the financial statements for the year ended December 31, 2011 are the Corporation's first financial statements that comply with IFRS. Prior to the adoption of IFRS, the Corporation prepared its financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). IFRS 1, First Time Adoption of International Financial Reporting Standards, requires that comparative financial information be provided. As a result, the first date at which the Corporation has applied IFRS was January 1, 2010 (the "Transition Date"). IFRS 1 requires first time adopters to retroactively apply all effective IFRS standards as of the reporting date, which for the Corporation will be December 31, 2011. Therefore, the financial statements for the year ended December 31, 2011, the comparative information presented in these financial statements for the year ended December 31, 2010 and the opening IFRS balance sheet at January 1, 2010 are prepared in accordance with IFRS standards effective at the reporting date. This note explains the adjustments, if any, made by the Corporation in restating its Canadian GAAP balance sheet as January 1, 2010 and its previously issued financial statements for the year ended December 31, 2010.

Elected Exemptions From Full Retroactive Application

IFRS 1 allows first time adopters certain exemptions from the general requirement to apply all IFRS which are effective for December 2011 year-ends retroactively. IFRS 1 also includes mandatory exceptions to the retroactive application of IFRS.

(continues)

13. FIRST TIME ADOPTION OF INTERNATIONAL REPORTING STANDARDS *(continued)*

Mandatory Exemptions

Estimates

Hindsight was not used to create or revise estimates and, accordingly, the estimates previously made by the Corporation under Canadian GAAP are consistent with their application under IFRS.

Effect of Transition

Material Adjustments to the Statement of Cash Flows for the Year Ended December 31, 2011:

There are no significant adjustments to the Corporation's statement of cash flows reported in accordance with IFRS except as noted below.

The Corporation has modified the classification of certain items within the statement of cash flows in accordance with IFRS.

Interest paid, interest received, income taxes paid and income taxes received were previously recorded as supplemental information to the statement of cash flow under Canadian GAAP. Under IFRS, these items are now included under operating activities in the statement of cash flows.

Material Adjustments to the Balance Sheet as at January 1, 2010 and December 31, 2010:

No adjustments were required to the balance sheets previously prepared at January 1, 2010 and December 31, 2010 using Canadian generally accepted accounting principles in order to comply with International Financial Reporting Standards.

Material Adjustments to the Statement of Comprehensive Income for the Year Ended December 31, 2010:

No adjustments were required to the statement of income previously prepared for the year ended December 31, 2010 using Canadian generally accepted accounting principles in order to comply with International Financial Reporting Standards.

Material Adjustments to the Statement of Fund Balance as at January 1, 2010 and December 31, 2010:

No adjustments were required to the statements of fund balance prepared at January 1, 2010 and December 31, 2010 using Canadian generally accepted accounting principles in order to comply with International Financial Reporting Standards.

Dairy Farmers of Newfoundland and Labrador

Financial Statements

July 31, 2011

FELTHAM ATTWOOD
CERTIFIED GENERAL ACCOUNTANTS

Suite 202, 39 Commonwealth Ave.
Mount Pearl, NL A1N 1W7
Tel: 709-364-7300 Fax: 709-364-7731
Partners: Debra J. Feltham, FCGA
Renee Attwood, CGA

INDEPENDANT AUDITORS' REPORT

To the Board of Dairy Farmers of Newfoundland and Labrador

We have audited the accompanying financial statements of Dairy Farmers of Newfoundland and Labrador which comprise of the statement of financial position as at July 31, 2011 and the statements of operations and changes in net assets and cash flows for the year then ended, and a summary of the 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 accounting standards for not-for-profit organizations, 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 an audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit includes 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 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 these financial statements present fairly, in all material respects, the financial position of Dairy Farmers of Newfoundland and Labrador as at July 31, 2011 and its financial performance and cash flows for the year then ended in accordance with Canadian generally accepted accounting standards for not-for-profit organizations.

Feltham Attwood

Feltham Attwood
Certified General Accountants

Mount Pearl, Newfoundland
November 9, 2011

Dairy Farmers of Newfoundland and Labrador
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

For the year ended July 31, 2011

	Budget	2011	2010
Revenue			
Market share quota (Note 7)	$ -	$ 13,852,663	$ 14,818,609
Dairy Farmers of Newfoundland and Labrador Board levies	975,000	987,852	966,354
New entrants levy	117,000	117,202	48,308
Top up program	-	1,670	-
Government funding - special projects (Note 8)	-	2,055,566	1,052,281
Other income	2,500	8,871	10,316
	1,094,500	17,023,824	16,895,868
	-		
Direct expenditures	-		
Market share quota	-	13,852,663	14,818,609
Special project costs	35,000	2,065,396	1,057,170
Fluid Milk Dairy Farmers of Canada promotion levy	100,000	67,625	82,673
Dairy Farmers of Canada ice cream promotion fund	96,000	43,880	85,203
New entrants levy	-	271,202	-
New entrants levy prepayment	-	34,657	-
Other	-	8,871	-
	231,000	16,344,294	16,043,655
	-		
	863,500	679,530	852,213
Operating expenditures (page 9)	899,165	860,182	850,282
Excess of revenue over expenditures (expenditures over revenue)	$ (219,635)	$ (180,652)	$ 1,931

	2011	2010
Net sssets, beginning of year	$ 672,917	$ 670,986
Excess of revenue over expenditures	(180,652)	1,931
Net assets, end of year	$ 492,265	$ 672,917

Dairy Farmers of Newfoundland and Labrador
STATEMENT OF FINANCIAL POSITION

As at July 31, 2011

	2011	2010
ASSETS		
Current		
Cash and cash equivalents	$ 8,029	$ 250,136
Receivables (Note 2)	2,435,091	1,768,003
Prepaid expenses and deposits	10,404	6,738
	2,453,524	2,024,877
Property, plant, and equipment (Note 3)	5,703	6,099
	$ 2,459,227	$ 2,030,976
LIABILITIES		
Current		
Payables and accruals (Note 5)	$ 1,905,314	$ 1,266,842
Deferred revenue	18,548	50,742
	1,923,862	1,317,584
Accrued severance pay	37,397	34,376
	1,961,259	1,351,960
NET ASSETS		
Net assets	492,265	672,917
Investment in capital assets (Note 6)	5,703	6,099
	497,968	679,016
	$ 2,459,227	$ 2,030,976

On behalf of the Board

________________ Director

Nov 14, 2011 Date

The accompanying notes form an integral part of these financial statements.

Dairy Farmers of Newfoundland and Labrador
STATEMENT OF CASH FLOWS

For the year ended July 31, 2011

	2011	2010
Cash flows from operating activities		
Excess of revenue over expenditures (expenditures over revenue)	$ (180,652)	$ 1,931
Items not requiring an outlay of cash:		
Capital expenditures	1,108	1,013
	(179,544)	2,944
Changes in non-cash working capital:		
Receivables	(667,089)	(618,323)
Prepaid expenses	(3,666)	4,808
Payables and accruals	638,472	405,344
Accrued severance pay	3,022	2,702
Deferred income	(32,194)	(8,666)
	(240,999)	(211,191)
Cash flows used in investing activities		
Purchase of property, plant, and equipment	(1,108)	(1,013)
	(1,108)	(1,013)
Decrease in cash and cash equivalents	(242,107)	(212,204)
Cash and cash equivalents, beginning of year	250,136	462,340
Cash and cash equivalents, end of year	$ 8,029	$ 250,136

The accompanying notes form an integral part of these financial statements.

Dairy Farmers of Newfoundland and Labrador principal activities are the collection of levies to provide services to the 36 dairy farmers of Newfoundland and Labrador and the buying and reselling of industrial milk. The Board is a not-for-profit organization and is exempt from paying income tax under Section 149 of the Canadian Income Tax Act. They are a Commodity Board under the Natural Products Marketing Act.

1. Summary of significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Outlined below are those policies considered particularly significant.

Fund accounting

Fund accounting is generally accepted as the basis of accounting for public sector organizations. A summary of significant accounting policies relating to fund accounting is as follows:

i.) capital assets are recorded at cost;
ii) capital additions financed from revenue are recorded as direct expenditures in the statement of operations and credited to the investment in capital assets account;
iii) government grants received towards the cost of captial assets are recorded as deferred capital grants;
iv) depreciation of capital assets and amortization of deferred capital grants are recorded in the investment in capital assets account;
v) repayments of long term debt used to acquire capital assets are recorded in the statement of operations and credited to the investment in capital assets account.

Use of estimates

In preparing the Board's financial statements in conformity with Canadian generally accepted accounting principles, management in required 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 reported amounts of revenue and expenditures during the year. Actual results could differ from these estimates.

Revenue recognition

Market sharing quota revenue including industrial milk, pooling charges, transportation and promotion levy is recognized when milk is shipped out of province to dairies in New Brunswick and Nova Scotia.

Board levies are recognized on a monthly basis as earned from each of the dairy farmers.

Government funding for specific projects are recognized as the related expenses are incurred.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks. Bank borrowings are considered to be financing activities.

Capital assets

Rates and bases of depreciation applied to write-off the cost less estimated salvage value of capital assets over their estimated lives are as indicated in note 3.

Impairment of long-lived assets

Long-lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances indicating that the value of the assets may not be recoverable, as measured by comparing their net book value to the estimated undiscounted cash flows generated by their use. Impaired assets are recorded at fair value, determined principally using discounted future cash flows expected from their use and eventual disposition.

Severance pay

Severance pay is accounted for on a accrual basis and is calculated based upon years of service and current salary levels. The right to receive severance pay vests with employees with five or ten years (depending on contract) of continual service, and accordingly no provision has been made in the accounts for employees with less than five years of continual service. The amount is payable when the employee ceases employment with the Board.

Future change in accounting policies

In the upcoming year, the company will apply the new accounting standard for not-for-profit organizations which is mandatory for annual financial statements relating to fiscal years beginning on or after January 1, 2011. Management is currently assessing the implications of adopting these standards

2. Receivables

	2011	2010
Market sharing quota	$ 2,435,091	$ 1,607,030
Board levies	-	116,547
Government funding - special projects	-	44,426
	$ 2,435,091	$ 1,768,003

3. Capital assets

	Rate		Cost	Accumulated Amortization	Net Book Value 2011	2010
Computer equipment	45%	$	8,058 $	6,844 $	1,213 $	1,733
Furniture and equipment	20%		39,218	34,728	4,490	4,366
		$	47,276 $	41,572 $	5,703 $	6,099

4. Bank indebtedness

The Board has an approved line of credit of $600,000 with the Canadian Imperial Bank of Commerce at an interest rate of prime. As security the Board has provided a general security agreement providing a first charge on all assets. At July 31, 2011, there was a balance of $nil (2010 - $nil) outstanding on the line of credit.

The Board is subject to various bank covenants due to its operating line of credit, including maintaining a minimum working capital ration of 1:1, and maintaining minimum net assets of $650,000.

As of July 31, 2011, the Board is in compliance with these covenants.

5. Payables and accruals

	2011	2010
Trade payables and accruals	$ 1,914,623	$ 1,266,776
HST payable (receivable)	(9,309)	66
	$ 1,905,314	$ 1,266,842

6. Investment in capital assets

		2011	2010
Balance, beginning of year	$	6,099 $	6,794
Capital expenditures		1,108	1,013
Depreciation		(1,504)	(1,708)
	$	5,703 $	6,099

7. Market share quota

	2011	2010
Revenue		
Industrial milk	$ 10,964,889	$ 12,035,402
Canadian Dairy Commissions pooling charges	1,524,464	1,490,237
Transportation	1,211,806	1,101,001
Dairy Farmers of Canada promotion levy	151,504	191,969
	$ 13,852,663	$ 14,818,609
Direct expenditures		
Industrial milk	$ 10,964,889	$ 12,035,402
Canadian Dairy Commissions pooling charges	1,524,464	1,490,237
Transportation	1,211,806	1,101,001
Dairy Farmers of Canada promotion levy	151,504	191,969
	$ 13,852,663	$ 14,818,609

8. Government funding

The Board received Government funding for the following projects:

	2011	2010
Land Development Initiative	$ 1,957,880	$ 944,556
Dr. Grandin Workshop	1,116	3,247
Transition Management Workshop	-	10,653
Cost of Production Update	-	31,825
Artificial Insemination Course	-	11,447
Free and Tie Stall Housing Design Seminars	-	5,905
Dairy Industry Strategic Plan	-	28,462
Website Development and Promotional Booth	-	4,000
Margin Over Feed Costs Seminar	-	1,248
Hoof Training	14,781	2,273
Alternative Bedding	32,193	8,666
Advancing NL Dairy Industry	49,596	-
	$ 2,055,566	$ 1,052,282

9. Commitments

The Board has commitments for the lease of office space and equipment for the next five years as follows: 2012 - $21,521; 2013 - $22,728; 2014 - $20,582; 2015 -$20,259 and 2016 - $20,259.

Dairy Farmers of Newfoundland and Labrador entered into an agreement with Government of Canada for a research project for research in processing of cool climate silage maise. The project researched the effects on chemical composition, voluntary intake, digestibility, rumen degradation and milk yield.

10.Contingency

The Board has a potential liability to pay approximately $107,497 to an employee for sick leave of 510.50 days if necessary.

11.Capital management

The capital structure of the Board consists of investment in capital assets, and net assets. The primary objective of the Boards' capital management is to provide adequate funding to ensure efficient delivery of it services and activities to dairy farmers.

Investment in capital assets represents the amount of net assets that are not available for other purposes because they have been invested.

Net assets are funds available for future operations and are preserved so that the Board can have financial flexibility should opportunities arise in the future.

For the year end July 31, 2011, the Board has complied with all imposed capital restrictions.

12. Comparative figures

Comparative figures were prepared by another auditor and may have been restated to reflect the financial statement presentation adopted for 2011.

Dairy Farmers of Newfoundland and Labrador

SCHEDULE OF OPERATING EXPENSES

For the year ended July 31, 2011

	Budget	2011	2010
Advertising	$ -	$ 8,786	$ 7,346
Board annual and semi-annual meetings	25,000	16,755	21,507
Capital expenditures	10,000	1,108	1,013
Conference and meetings	35,000	27,077	30,436
CQM initiatve payment	-	1,250	-
Donations,dues and subscriptions	18,000	14,566	16,189
Equipment leasing	4,400	3,546	3,794
Federation of Agriculture	22,500	22,500	22,500
Generic Milk Advertising	10,000	-	-
Honorarium	9,600	9,600	9,600
Insurance	2,500	1,754	1,675
Interest and bank charges	4,000	2,318	3,900
Iodine testing	-	592	-
Milk testing	5,000	3,157	4,136
Miscellaneous	1,000	701	4,699
National cost of production study	11,000	11,825	11,169
Office supplies and postage	16,000	10,108	12,878
Per diems	30,400	24,385	28,015
Professional fees	20,000	11,070	23,235
Research	10,000	-	10,000
Rent	14,625	14,625	14,625
Repairs and maintenance	2,100	2,365	1,665
School Milk Foundation	339,665	339,665	339,665
Telephone and utilities	3,375	10,376	7,238
Travel	45,000	51,496	37,324
Wages and benefits	260,000	270,557	237,673
	$ 899,165	$ 860,182	$ 850,282

The accompanying notes form an integral part of these financial statements.

DIRECTOR OF SUPPORT ENFORCEMENT

FINANCIAL STATEMENTS

31 MARCH 2011

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Director of Support Enforcement
Corner Brook, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Director of Support Enforcement, which comprise the statement of financial position as at 31 March 2011, and the statement of receipts and disbursements 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 the information needs of the Director of Support Enforcement and the Government of Newfoundland and Labrador under Section 9 of the *Support Orders Enforcement Act*, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

Auditor's Report (cont.)

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 the Director of Support Enforcement as at 31 March 2011, and its receipts and disbursements for the year then ended in accordance with the accounting policies described in note 1 to these financial statements.

Report on Other Legal and Regulatory Requirements

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information of the Director of Support Enforcement and the Government of Newfoundland and Labrador to meet their information needs under Section 9 of the *Support Orders Enforcement Act*. The financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

JOHN L. NOSEWORTHY, CA
Auditor General

29 June 2011
St. John's, Newfoundland and Labrador

DIRECTOR OF SUPPORT ENFORCEMENT
STATEMENT OF FINANCIAL POSITION

31 March	2011	2010
ASSETS		
Cash	$ 783,177	$ 688,731
Accounts receivable (Note 2)	19,442,770	19,554,065
Other receivables (Note 3)	3,509	16,537
	$ 20,229,456	$ 20,259,333
LIABILITIES		
Accounts payable (Note 4)	$ 20,211,190	$ 20,248,173
Other payables (Note 5)	18,266	11,160
	$ 20,229,456	$ 20,259,333

See accompanying notes

Signed: ______________________
Director

DIRECTOR OF SUPPORT ENFORCEMENT
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended 31 March	2011	2010
RECEIPTS		
Regular support	**$ 31,526,047**	$ 30,116,028
Out-of-system support	**874,068**	1,164,978
	32,400,115	31,281,006
DISBURSEMENTS		
Regular support	**31,015,946**	29,694,277
Out-of-system support	**874,068**	1,164,978
Other payments	**415,655**	434,076
	32,305,669	31,293,331
Excess of receipts over disbursements (disbursements over receipts)	**94,446**	(12,325)
Cash, beginning of year	**688,731**	701,056
Cash, end of year	**$ 783,177**	$ 688,731

See accompanying notes

Authority

The Director of Support Enforcement operates under the authority of the *Support Orders Enforcement Act*. Under this *Act*, the Director is responsible for enforcing court ordered support payments and for acting on behalf of the Attorney General in matters arising pursuant to the *Reciprocal Enforcement of Support Orders Act*.

1. Basis of accounting

These financial statements have been prepared by the Director in accordance with the significant accounting policies set out below to meet the information needs of the Director of Support Enforcement and the Government of Newfoundland and Labrador under Section 9 of the *Support Orders Enforcement Act*. The basis of accounting used in these financial statements materially differs from Canadian generally accepted accounting principles because all receipts and disbursements are being recognized on a cash basis and not all expenditures related to the operations of the Director are reflected in these statements.

Significant accounting policies

These financial statements are prepared on the cash basis of accounting. Outlined below are the significant accounting policies followed.

(a) Administrative expenditures

The Director of Support Enforcement, for administrative purposes, operates as a division of the Department of Justice. Therefore, expenditures related to salaries, accommodations and administration are absorbed by the Department of Justice and no provision has been made in these financial statements for the cost of these items.

(b) Assets and liabilities

Assets are comprised of amounts received or receivable from debtors while liabilities represent the corresponding amount due to creditors.

(c) Receipts and disbursements

Receipts are recorded when amounts are received from debtors and disbursements are recorded when amounts are paid to creditors. Amounts paid directly to creditors by debtors are recorded as out-of-system support while amounts received by the Director of Support Enforcement are recorded as regular support. Amounts refunded to debtors or remitted to the Province are recorded as other payments.

2. Accounts receivable

Accounts receivable is comprised of amounts owing from debtors on registered support orders. The receivables are classified as follows:

	2011	2010
Unenforceable support orders		
Debtor out of Province – reciprocal enforcement support orders	$ 9,171,868	$ 8,333,355
Debtor in receipt of social assistance	2,498,737	1,985,439
Stay of enforcement in place	1,984,859	1,863,154
	13,655,464	12,181,948
Enforceable support orders	5,787,306	7,372,117
	$ 19,442,770	$ 19,554,065

3. Other receivables

Other receivables $3,509 (2010 - $16,537) represent payments made to creditors when the corresponding debtor cheque was not negotiable or the payment was made in error.

4. Accounts payable

Accounts payable is comprised of amounts owing to creditors in accordance with registered support orders. The payables are classified as follows:

	2011	2010
Unenforceable support orders		
Debtor out of Province – reciprocal enforcement support orders	$ 9,171,868	$ 8,333,355
Debtor in receipt of social assistance	2,498,737	1,985,439
Stay of enforcement in place	1,984,859	1,863,154
	13,655,464	12,181,948
Enforceable support orders	6,555,726	8,066,225
	$ 20,211,190	$ 20,248,173

5. Other payables

Other payables of $18,266 (2010 - $11,160) represent funds which have not been assigned to any debtor account. These amounts may eventually be paid to the Newfoundland Exchequer Account.

6. Related party transactions

The Director of Support Enforcement operates as a division of the Department of Justice. Expenses of $938,595 (2010 - $894,547) related to salaries, accommodations and administration are paid directly by the Department and no provision is made in these financial statements to reflect these expenditures.

During the year the Director paid approximately $2.2 million (2010 - $2.4 million) to the Department of Human Resources, Labour and Employment related to support payments collected on behalf of individuals receiving social assistance.

7. Financial instruments

The Director's financial instruments recognized on the statement of financial position consist of cash, accounts receivable, other receivables, accounts payable and other payables. The carrying values of these instruments approximate current fair value due to their nature and the short-term maturity associated with them.

8. Income taxes

The Director of Support Enforcement operates as a division of the Department of Justice and as such is not subject to Provincial or Federal income taxes.

DIRECTOR OF SUPPORT ENFORCEMENT

FINANCIAL STATEMENTS

31 MARCH 2012

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Director of Support Enforcement
Corner Brook, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Director of Support Enforcement, which comprise the statement of financial position as at 31 March 2012, and the statement of receipts and disbursements 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 the information needs of the Director of Support Enforcement and the Government of Newfoundland and Labrador under Section 9 of the *Support Orders Enforcement Act, 2006*, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

Auditor's Report (cont.)

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 the Director of Support Enforcement as at 31 March 2012, and its receipts and disbursements for the year then ended in accordance with the accounting policies described in note 1 to these financial statements.

Report on Other Legal and Regulatory Requirements

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information of the Director of Support Enforcement and the Government of Newfoundland and Labrador to meet their information needs under Section 9 of the *Support Orders Enforcement Act, 2006*. The financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

TERRY PADDON, CA
Auditor General

21 June 2012
St. John's, Newfoundland and Labrador

DIRECTOR OF SUPPORT ENFORCEMENT
STATEMENT OF FINANCIAL POSITION

31 March	2012	2011
ASSETS		
Cash	**$ 900,197**	$ 783,177
Accounts receivable (Note 2)	**20,169,817**	19,442,770
Other receivables (Note 3)	**7,968**	3,509
	$ 21,077,982	$ 20,229,456
LIABILITIES		
Accounts payable (Note 4)	**$ 21,053,059**	$ 20,211,190
Other payables (Note 5)	**24,923**	18,266
	$ 21,077,982	$ 20,229,456

See accompanying notes

Signed: ______________________
Director

DIRECTOR OF SUPPORT ENFORCEMENT
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended 31 March	2012	2011
RECEIPTS		
Regular support	$ 32,239,741	$ 31,526,047
Out-of-system support	946,755	874,068
	33,186,496	32,400,115
DISBURSEMENTS		
Regular support	31,762,154	31,015,946
Out-of-system support	946,755	874,068
Other payments	360,567	415,655
	33,069,476	32,305,669
Excess of receipts over disbursements	117,020	94,446
Cash, beginning of year	783,177	688,731
Cash, end of year	$ 900,197	$ 783,177

See accompanying notes

Authority

The Director of Support Enforcement operates under the authority of the *Support Orders Enforcement Act, 2006*. Under this *Act*, the Director is responsible for enforcing court ordered support payments and for acting on behalf of the Attorney General in matters arising pursuant to the *Interjurisdictional Support Orders Act*.

1. Basis of accounting

These financial statements have been prepared by the Director in accordance with the significant accounting policies set out below to meet the information needs of the Director of Support Enforcement and the Government of Newfoundland and Labrador under Section 9 of the *Support Orders Enforcement Act, 2006*. The basis of accounting used in these financial statements materially differs from Canadian generally accepted accounting principles because all receipts and disbursements are being recognized on a cash basis and not all expenditures related to the operations of the Director are reflected in these statements.

Summary of significant accounting policies

These financial statements are prepared on the cash basis of accounting. Outlined below are the significant accounting policies followed.

(a) Administrative expenditures

The Director of Support Enforcement, for administrative purposes, operates as a division of the Department of Justice. Therefore, expenditures related to salaries, accommodations and administration are absorbed by the Department of Justice and no provision has been made in these financial statements for the cost of these items.

(b) Assets and liabilities

Assets are comprised of amounts received or receivable from debtors while liabilities represent the corresponding amount due to creditors.

(c) Receipts and disbursements

Receipts are recorded when amounts are received from debtors and disbursements are recorded when amounts are paid to creditors. Amounts paid directly to creditors by debtors are recorded as out-of-system support while amounts received by the Director of Support Enforcement are recorded as regular support. Amounts refunded to debtors or remitted to the Province are recorded as other payments.

2. Accounts receivable

Accounts receivable are comprised of amounts owing from debtors on registered support orders. The receivables are classified as follows:

	2012	2011
Unenforceable support orders		
Debtor out of Province - interjurisdictional support orders	$ 9,175,364	$ 9,171,868
Debtor in receipt of income support	2,405,751	2,498,737
Stay of enforcement in place	2,215,589	1,984,859
	13,796,704	13,655,464
Enforceable support orders	6,373,113	5,787,306
	$ 20,169,817	$ 19,442,770

3. Other receivables

Other receivables of $7,968 (2011 - $3,509) represent payments made to creditors when the corresponding debtor cheque was not negotiable or the payment was made in error.

4. Accounts payable

Accounts payable are comprised of amounts owing to creditors in accordance with registered support orders. The payables are classified as follows:

	2012	2011
Unenforceable support orders		
Debtor out of Province - interjurisdictional support orders	$ 9,175,364	$ 9,171,868
Debtor in receipt of income support	2,405,751	2,498,737
Stay of enforcement in place	2,215,589	1,984,859
	13,796,704	13,655,464
Enforceable support orders	7,256,355	6,555,726
	$ 21,053,059	$ 20,211,190

5. Other payables

Other payables of $24,923 (2011 - $18,266) represent funds which have not been assigned to any debtor account. These amounts may eventually be paid to the Newfoundland Exchequer Account.

6. Related party transactions

The Director of Support Enforcement operates as a division of the Department of Justice. Expenses of $1,051,772 (2011 - $938,595) related to salaries, accommodations and administration are paid directly by the Department and no provision is made in these financial statements to reflect these expenditures.

During the year the Director paid approximately $2.0 million (2011 - $2.2 million) to the Department of Advanced Education and Skills related to support payments collected on behalf of individuals receiving income support.

7. Financial instruments

The Director's financial instruments recognized on the statement of financial position consist of cash, accounts receivable, other receivables, accounts payable and other payables. The carrying values of these instruments approximate current fair value due to their nature and the short-term maturity associated with them.

8. Income taxes

The Director of Support Enforcement operates as a division of the Department of Justice and as such is not subject to Provincial or Federal income taxes.

Financial Statements

Discovery Health Care Foundation Inc.

March 31, 2012

ERNST & YOUNG

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Discovery Health Care Foundation Inc.

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

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Basis for qualified opinion

The Foundation derives revenue from the general public in the form of donations and other fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenditures, assets and net assets.

Qualified opinion

In our opinion, except for the possible effects of the matter described in the Basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of **Discovery Health Care Foundation Inc.** as at March 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Other matter

The financial statements as at March 31, 2011 and for the year then ended were audited by other auditors who expressed a qualified opinion on those statements in their report dated September 27, 2011.

Ernst & Young LLP

St. John's, Canada
July 26, 2012

Chartered Accountants

Discovery Health Care Foundation Inc.

STATEMENT OF FINANCIAL POSITION

As at March 31

	2012	2011
	$	$
ASSETS		
Current assets		
Cash	**124,572**	345,805
Guaranteed investment certificates	**325,000**	—
Accounts receivable	**5,806**	3,935
Total current assets	**455,378**	349,740
Capital assets, net *[note 4]*	**3,660**	5,489
	459,038	355,229
LIABILITIES AND NET ASSETS		
Current liabilities		
Due to Eastern Regional Health Authority	**9,909**	6,479
Accounts payable and accrued liabilities	**11,912**	8,687
Total current liabilities	**21,821**	15,166
Accrued severance pay	**25,099**	23,467
Total liabilities	**46,920**	38,633
Net assets	**412,118**	316,596
	459,038	355,229

See accompanying notes

On behalf of the Board:

Director
Maurice Lewis
August 9/12

Director
Larry R. Peach
Aug. 9, 2012

ERNST & YOUNG
A member firm of Ernst & Young Global Limited

Discovery Health Care Foundation Inc.

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

Year ended March 31

	2012 $	2011 $
REVENUE		
Fundraising programs		
Donations	**247,090**	232,386
50/50 lotto	**9,230**	6,847
	256,320	239,233
Interest	**3,906**	2,402
	260,226	241,635
EXPENDITURES		
Salaries and benefits	**105,062**	106,706
Donations *[note 5]*	**27,630**	52,290
Fundraising programs	**17,783**	11,250
Travel, conferences and meetings	**5,675**	5,357
Administration	**4,549**	2,714
Amortization	**1,829**	1,829
Miscellaneous	**544**	934
	163,072	181,080
Excess of revenue over expenditures before undernoted item	**97,154**	60,555
Increase in severance pay accrual	**1,632**	1,632
Excess of revenue over expenditures	**95,522**	58,923
Net assets, beginning of year	**316,596**	257,673
Net assets, end of year	**412,118**	316,596

See accompanying notes

Discovery Health Care Foundation Inc.

STATEMENT OF CASH FLOWS

Year ended March 31

	2012 $	2011 $
OPERATING ACTIVITIES		
Excess of revenue over expenditures	**95,522**	58,923
Add items not affecting cash for the year:		
Amortization	**1,829**	1,829
Accrued severance pay	**1,632**	1,632
	98,983	62,384
Changes in non-cash operating working capital balances		
Accounts receivable	**(1,871)**	(1,206)
Due to Eastern Regional Health Authority	**3,430**	(39,211)
Accounts payable and accrued liabilities	**3,225**	5,164
Cash provided by operating activities	**103,767**	27,131
INVESTING ACTIVITIES		
Purchase of guaranteed investment certificates	**(325,000)**	—
Cash used in investing activities	**(325,000)**	—
Net increase (decrease) in cash during the year	**(221,233)**	27,131
Cash, beginning of year	**345,805**	318,674
Cash, end of year	**124,572**	345,805

See accompanying notes

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2012

1. NATURE OF OPERATIONS

Discovery Health Care Foundation Inc. [the "Foundation"] is a not-for-profit organization which raises funds for the Eastern Regional Health Authority and is incorporated under the Corporations Act of Newfoundland and Labrador.

As a not-for-profit organization, the Foundation is exempt from income taxes.

2. ADOPTION OF NEW ACCOUNTING STANDARDS

In December 2009, the Public Sector Accounting Board approved an amendment to the Introduction to Public Sector Accounting Standards that eliminates the category of government business-type organizations, resulting in the need to reclassify these entities as either government not-for-profit organizations ["GNFPO"] or other government organizations.

The Foundation considers itself to be a GNFPO and therefore will be required to follow Public Sector Accounting Standards ["PSAS"].

Effective April 1, 2012, the Foundation will adopt PSAS and must report under the new standards for its financial statements for the year ended March 31, 2013, including comparative figures. Management is currently finalizing the impact of the adoption of these standards and the adjustments on transition date as at April 1, 2011.

3. SIGNIFICANT ACCOUNTING POLICIES

The Foundation has elected to use the exemption provided by the Canadian Institute of Chartered Accountants ["CICA"] permitting not-for-profit organizations not to apply Sections 3862 and 3863 of the CICA Handbook which would otherwise have applied to the financial statements of the Foundation for the year ended March 31, 2012. The Foundation has applied the requirements of Section 3861 of the CICA Handbook.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations and reflect the following significant accounting policies:

Cash

Cash includes cash on hand and balances with banks.

Capital assets

Capital assets are recorded at cost and amortized on a straight-line basis over five years to write off the cost of capital assets over their estimated useful lives.

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. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

Accrued severance pay

Severance pay is accounted for on an accrual basis and is calculated based upon years of service and current salary levels for employees who have a vested right to receive such a payment. No provision for the ultimate severance pay liability is recorded for any employee who does not have a vested right to the payment. The amount is payable when the employee ceases employment with the Foundation.

Revenue recognition

Revenue from fundraising is recognized in the accounts of the Foundation in the period in which it is received. Other revenues are recognized as earned.

Pension costs

Employees of the Foundation are members of the Public Service Pension Plan and the Government Money Purchase Plan administered by the Government of Newfoundland and Labrador. Contributions to the plans are required from both the employees and the Foundation. The annual pension contribution amounts are recognized as an expenditure in the accounts on a current basis and amounted to $5,968 for the year ended March 31, 2012 [2011 – $6,003].

Financial instruments

Financial assets and liabilities are generally classified and measured as follows:

Asset/Liability	Classification	Measurement
Cash	Held for trading	Fair value
Guaranteed investment certificates	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Due to Eastern Regional Health Authority	Other financial liabilities	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

Other statement of financial position accounts do not meet the criteria to be considered financial instruments.

The Foundation has determined that it does not have derivatives or embedded derivatives.

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2012

Use of accounting estimates

In preparing the Foundation's financial statements in conformity with Canadian generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as at the date of the financial statements, and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

4. CAPITAL ASSETS

	2012			2011
	Cost $	Accumulated amortization $	Net book value $	Net book value $
Computer software	**7,024**	**4,214**	**2,810**	4,214
Computer equipment	**2,124**	**1,274**	**850**	1,275
	9,148	**5,488**	**3,660**	5,489

5. DONATIONS

	2012 $	2011 $
Furniture, TV's, etc. - Clarenville	**8,370**	1,099
Blood pressure monitor - Clarenville	**2,929**	—
Delivery room equipment, etc. - Clarenville	**12,331**	—
Furniture and TV's - Bonavista	**4,000**	13,930
Monument sign and flowers - Clarenville	—	64
Other - Clarenville	—	397
Park bench - Clarenville	—	5,080
2 vital sign monitors - Clarenville	—	5,071
Steady Lift & Sling - Clarenville	—	2,225
Draperies - Clarenville	—	1,754
Oxygen concentrator - Bonavista	—	1,693
6 slings - Bonavista	—	1,475
Pill crushers - Bonavista	—	2,638
Other - Bonavista	—	250
Foundation for Pavillion/BBQ - Bonavista	—	16,614
	27,630	52,290

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2012

6. RELATED PARTY TRANSACTIONS

The Foundation operates for the purpose of accumulating funds to assist Eastern Regional Health Authority with the purchase of medical equipment used in the provision of patient care. Transactions between the Foundation and the related party are measured at their exchange amount.

7. CAPITAL MANAGEMENT

The capital structure of the Foundation consists of net assets. The Foundation's objective when managing capital is to ensure it maintains adequate capital to support its continued operations.

The Foundation is not subject to externally imposed capital requirements.

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial risks

The Foundation has exposure to credit risk and liquidity risk. The Foundation's Board of Directors has overall responsibility for the oversight of these risks and reviews the Foundation's policies on an ongoing basis to ensure that these risks are appropriately managed. The sources of risk exposure and how each is managed are outlined below.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligation. The Foundation's credit risk is primarily attributable to accounts receivable. Management believes that the credit risk with respect to accounts receivable is not material.

Liquidity risk

Liquidity risk is the risk that the Foundation will not be able to meet its financial obligations as they become due. As at March 31, 2012, the Foundation had cash of $124,572.

To the extent that the Foundation does not believe that it has sufficient liquidity to meet current obligations, consideration will be given to obtaining additional funds through third-party financing or other fundraising methods, assuming these can be obtained.

Fair value

The fair value of the Foundation's short-term financial instruments approximate the carrying value due to the short-term maturity and normal credit terms of those instruments.

Eastern Education Foundation Inc.
Financial Statements
December 31, 2011

BYRON SMITH
CHARTERED ACCOUNTANT
MANAGEMENT CONSULTANT

YRON D. SMITH, B. Comm., C.F.E., C.A.

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ASSOCIATION OF CERTIFIED FRAUD EXAMINERS

INDEPENDENT AUDITOR'S REPORT

To the Directors of:
Eastern Education Foundation Inc.

Report on the Financial Statements

I have audited the accompanying financial statements of Eastern Education Foundation Inc., which comprise the statement of financial position as at December 31, 2011, and the statements of financial activities and changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedure's 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 purposes 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.

Revenue

In common with many charitable organizations, the Foundation derives revenue from donations and fundraising activities which are not susceptible to complete audit verification. Accordingly, my verification of revenues from these sources was limited to accounting for the amounts recorded in the records of the Foundation.

Opinion

In my opinion, except for the effect of adjustments, if any, had donations and fundraising revenue been susceptible to complete audit verification, the financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2011 and the results of its operations and the changes in its cash flows for the year then ended in accordance with Canadian Generally Accepted Accounting Principles.

March 21, 2012
Spaniard's Bay, NL

Byron Smith
CHARTERED ACCOUNTANT

Eastern Education Foundation Inc.
Balance Sheet

As at December 31,		**2011**		**2010**
Assets				
Current				
Cash	$	106,304	$	74,786
Cash - Restricted (note 3)		36,309		23,822
Accounts receivable		14,960		33,797
HST Receivable		7,333		3,366
		164,906		135,771
Restricted funds (note 2)				
GIC, interest bearing, Matthew Churchill Fund		53,825		53,825
GIC, interest bearing, Residents Committee Fund		14,973		15,484
GIC, interest bearing, Barbara Heffern Fund		12,500		13,000
GIC, interest bearing, St. Boniface Memorial Scholarship		10,000		
	$	256,204	$	218,080

Liabilities and Equity				
Current				
Payables and accruals	$	38,569	$	25,922
Equity (page 3)		217,635		192,158
	$	256,204	$	218,080

On Behalf of the Foundation:

Christopher Hammond Director ______________ Director

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

Eastern Education Foundation Inc.
Statement of Revenue, Expenditures and Surplus

For the Year Ended December 31,	2011	2010
Revenue		
Charitable Donations	$ 169,271	$ 68,758
In Kind Contributions - Music and Computer Equipment	11,064	7,274
In Kind Contributions - Auction Items		3,727
Donations received from other registered charities	1,767	1,369
Fundraising Revenue	170,984	176,521
	353,086	257,649
Expenditures		
Charitable work	219,527	150,204
Operating expenses	31,921	31,645
Fundraising expenditures	85,150	88,939
Total expenditures	336,598	270,788
Surplus (deficit) for the year	$ 16,488	$ (13,139)

Schedule of Changes to Net Equity

	Total Restricted Funds (Note 2)	Unrestricted	Total
Equity, beginning of year	$ 82,309	$ 109,849	$ 192,158
Income for the year		16,488	16,488
Contributions Received	8,989		8,989
Equity, end of year	$ 91,298	$ 126,337	$ 217,635

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

BYRON SMITH
CHARTERED ACCOUNTANT
MANAGEMENT CONSULTANT

Eastern Education Foundation Inc.
Statement of Cash Flows

For the Year Ended December 31,	2011	2010
Cash provided From (Used For):		
Operating activities		
Surplus (Deficit) for the year	$ 16,488	$ (13,139)
Changes in		
Receivables	14,870	22,866
Payables and accruals	12,647	(8,365)
	44,005	1,362
Increase (Decrease) in cash	44,005	1,362
Cash, beginning of year	98,608	97,246
Cash, end of year	$ 142,613	$ 98,608

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

Nature of Operations

The Eastern Education Foundation Inc. is a registered charity and an incorporated body under the Corporations Act of Newfoundland & Labrador with the following purpose:

The provision of grants and other aid to the Eastern School District, its schools, and any other charitable organization whose mandate includes the advancement of education for the support, enhancement, maintenance, and improvements of the educational, environmental, welfare of counselling, nutritional and other programs for the benefit of students or the improvement of teaching and learning in District schools, facilities and equipment.

1. Significant Accounting Policies

Cash and Cash Equivalents

The Association considers deposits in banks as cash and cash equivalents.

Contributed Materials and Services

The Foundation recognizes contributions of materials and services when their fair value can be reasonably estimated.

Fair Value of Financial Instruments

Financial instruments consist of cash and short-term investments, accounts receivable, and accounts payable and accrued liabilities. The Foundation has evaluated the fair values of these financial instruments based on the current interest rate environment, related market values and current pricing of financial instruments with comparable terms. The carrying value of the financial instruments is considered to approximate fair value unless otherwise indicated.

Use of Estimates

The preparation of the Foundation's financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of 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.

Revenue Recognition

Donations and public support is reflected when funds are received. All other revenues are recorded on the accrual basis.

2. Restricted Funds

These amounts are invested in short term interest bearing guaranteed investment certificates.

The principal portion of these Funds can not be used for operations but only the accrued interest is eligible to be disbursed for scholarships. Interest accrued on these funds as at December 31, 2011 was $806 and is disclosed as accounts receivable.

3. Restricted Cash

This cash is allocated to cover the payable amount committed to schools. The Foundation accepts donations on behalf of schools. These are donations for deposit that are earmarked for a particular school. The payment to the school would not be released until the school has provided proof that the money was spent for the intended purpose.

Consolidated Financial Statements

Eastern Regional Health Authority

March 31, 2012

ERNST & YOUNG

Quality In Everything We Do

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the
Eastern Regional Health Authority

We have audited the accompanying consolidated financial statements of the **Eastern Regional Health Authority**, which comprise the consolidated statement of financial position as at March 31, 2012, and the consolidated 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 consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the **Eastern Regional Health Authority** as at March 31, 2012 and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Comparative information

Without modifying our opinion, we draw attention to note 3 to the consolidated financial statements, which describes that the **Eastern Regional Health Authority** adopted Canadian public sector accounting standards on April 1, 2011 with a transition date of April 1, 2010. These standards were applied retroactively by management to the comparative information in these consolidated financial statements, including the consolidated statements of financial position as at March 31, 2011 and April 1, 2010, and the consolidated statements of operations, changes in net debt and cash flows for the year ended March 31, 2011, and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

Ernst & Young LLP

St. John's, Canada,
July 18, 2012

Chartered Accountants

Eastern Regional Health Authority

CONSOLIDATED STATEMENT OF OPERATIONS

Year ended March 31
[in thousands of dollars]

	Budget $ *[unaudited]* *[note 23]*	2012 $	2011 $ *[unaudited]*
Revenue			
Provincial plan	1,202,911	**1,202,911**	1,175,250
MCP	72,835	**73,302**	67,567
Provincial plan capital grant	—	**44,800**	52,173
Other	40,446	**41,921**	35,632
Resident	18,201	**18,005**	17,714
Inpatient	12,184	**10,260**	9,058
Outpatient	10,078	**8,015**	8,733
Other capital contributions	—	**5,083**	2,198
Cottages and Hostels operations	—	**2,240**	2,216
	1,356,655	**1,406,537**	1,370,541
Expenditures			
Patient and resident services	365,641	**365,589**	351,763
Client services	253,337	**258,235**	274,202
Diagnostic and therapeutic	174,879	**175,989**	162,476
Support	150,968	**150,488**	145,335
Ambulatory care	125,400	**128,924**	116,670
Administration	114,428	**113,547**	109,138
Medical services	104,971	**105,259**	93,612
Other	35,997	**24,536**	29,603
Research and education	18,278	**18,227**	17,738
Cottages and Hostels operations	—	**2,752**	2,649
Amortization of tangible capital assets	—	**31,605**	27,767
Accrued severance pay	—	**10,108**	8,342
Accrued sick leave	—	**2,831**	1,996
Accrued vacation pay	—	**980**	3,227
Interest on long-term debt	10,387	**9,594**	9,715
	1,354,286	**1,398,664**	1,354,233
Annual surplus	2,369	**7,873**	16,308
Accumulated deficit, beginning of year		**(70,457)**	(86,765)
Accumulated deficit, end of year		**(62,584)**	(70,457)

See accompanying notes

Eastern Regional Health Authority

CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT

Year ended March 31
[in thousands of dollars]

	Budget $ *[unaudited]*	2012 $	2011 $ *[unaudited]*
Annual surplus	—	**7,873**	16,308
Changes in tangible capital assets			
Acquisition of tangible capital assets	—	**(49,883)**	(54,453)
Amortization of tangible capital assets	—	**32,492**	28,425
Increase in net book value of tangible capital assets	—	**(17,391)**	(26,028)
Changes in other non-financial assets			
Net change in prepaid expenses - (increase) decrease	—	**1,496**	(2,127)
Amortization of deferred charges	—	—	84
Net change in supplies inventory - (increase) decrease	—	**(1,673)**	122
Increase in other non-financial assets	—	**(177)**	(1,921)
Increase in net debt		**(9,695)**	(11,641)
Net debt - beginning of year	—	**(436,546)**	(424,905)
Net debt - end of year	—	**(446,241)**	(436,546)

See accompanying notes

Eastern Regional Health Authority

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at
[in thousands of dollars]

	March 31, 2012 $	March 31, 2011 $	April 1, 2010 $
		[unaudited]	*[unaudited]*
Financial Assets			
Cash and cash equivalents	**7,046**	615	845
Accounts receivable *[note 4]*	**22,581**	19,511	20,569
Due from government/other government entities *[note 5]*	**65,574**	94,410	74,701
Replacement reserve fund *[note 13]*	**761**	687	827
Sinking fund investment *[note 12]*	**12,063**	10,670	9,333
	108,025	125,893	106,275
Liabilities			
Bank indebtedness *[note 7]*	**—**	11,614	1,047
Accounts payable and accrued liabilities *[note 8]*	**107,917**	106,689	97,579
Due to government/other government entities *[note 9]*	**24,617**	23,767	18,376
Employee future benefits			
Accrued sick leave *[note 19]*	**61,508**	58,677	56,681
Accrued severance pay *[note 18]*	**107,102**	96,993	88,651
Accrued vacation pay	**48,144**	47,165	43,883
Deferred revenue *[note 10]*			
Deferred capital grants	**50,597**	52,549	50,353
Deferred operating revenue	**7,750**	15,554	22,242
Replacement reserve fund *[note 13]*	**761**	687	827
Long-term debt *[note 11]*	**145,870**	148,744	151,541
	554,266	562,439	531,180
Net debt	**(446,241)**	(436,546)	(424,905)
Non financial assets			
Tangible capital assets *[note 6]*	**362,848**	345,457	319,429
Supplies inventory	**14,505**	12,832	12,954
Prepaid expenses	**6,304**	7,800	5,673
Deferred charges	**—**	—	84
	383,657	366,089	338,140
Accumulated deficit	**(62,584)**	(70,457)	(86,765)

Contingencies *[note 16]*
Contractual obligations *[note 17]*
See accompanying notes

Approved by the Board:

Director Director

ERNST & YOUNG A member firm of Ernst & Young Global Limited

Eastern Regional Health Authority

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31
[in thousands of dollars]

	2012 $	2011 $ *[unaudited]*
Operating activities		
Annual surplus	**7,873**	16,308
Adjustments for:		
Amortization of tangible capital assets	**31,605**	27,767
Amortization of tangible capital assets - Cottages and Hostels	**887**	658
Capital grants	**(49,883)**	(54,453)
Increase in accrued severance pay	**10,108**	8,342
Increase in accrued sick leave	**2,831**	1,996
Amortization of deferred charges	**—**	84
Changes in non-cash assets and liabilities related to operations *[note 14]*	**18,890**	(7,368)
Cash provided by (used in) operating activities	**22,311**	(6,666)
Capital transactions		
Acquisition of tangible capital assets	**(49,883)**	(54,453)
Tangible capital asset contributions	**49,883**	54,453
Cash provided by capital transactions	**—**	—
Investing transactions		
Sinking fund payments	**(1,393)**	(1,337)
Cash used in investing transactions	**(1,393)**	(1,337)
Financing transactions		
Increase (decrease) in bank indebtedness	**(11,614)**	10,567
Repayment of long-term debt	**(2,873)**	(2,794)
Cash (used in) provided by financing transactions	**(14,487)**	7,773
Net increase (decrease) in cash and cash equivalents	**6,431**	(230)
Cash and cash equivalents, beginning of year	**615**	845
Cash and cash equivalents, end of year	**7,046**	615
Supplementary disclosure of cash flow information		
Interest paid	**9,813**	10,721

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2012
[All amounts are in Canadian dollars, except amounts disclosed in tables which are presented in thousands of Canadian dollars]

1. NATURE OF OPERATIONS

The Eastern Regional Health Authority ["Eastern Health" or the "Authority"] is responsible for the governance of health services in the Eastern Region of the Province of Newfoundland and Labrador [the "Province"].

The mandate of Eastern Health spans the full health continuum, including primary and secondary level health and community services for the Eastern Region (Avalon, Bonavista and Burin Peninsulas, west to Port Blandford), as well as tertiary and other provincial programs/services for the entire Province. The Authority also has a mandate to work to improve the overall health of the population through its focus on public health as well as on health promotion and prevention initiatives. Services are both community and institutional based. In addition to the provision of comprehensive health care services, Eastern Health also provides education and research in partnership with all stakeholders.

Until October 2011, the Authority was responsible for child, youth and family related services. Effective October 31, 2011, a new department for child, youth and family services ["CYFS"] was formed by the Government of Newfoundland and Labrador and the related operations were transferred from the Authority to the new CYFS department. The consolidated financial statements of the Authority include the operations of CYFS for the seven-month period ended October 31, 2011.

Eastern Health is a registered charity and, while registered, is exempt from income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The Authority considers itself to be an Other Government Organization ["OGO"]. Accordingly, these consolidated financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards ["PSA"] as promulgated by the Canadian Institute of Chartered Accountants ["CICA"]. Previously, the Authority's financial statements were prepared in accordance with Part V of the CICA Handbook ["Pre-changeover Accounting Standards" or "Previous GAAP"].

The significant accounting policies used in the preparation of these consolidated financial statements are as follows:

Basis of presentation

These consolidated financial statements reflect the assets, liabilities, revenues and expenditures of the reporting entity which is composed of all organizations which are controlled by Eastern Health. These organizations are listed under basis of consolidation. Trusts administered by Eastern Health are not included in the consolidated statement of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

The Authority has also prepared separate non-consolidated financial statements for the operations of the operating fund of Eastern Health.

Basis of consolidation

The Authority controls the General Hospital Hostel Association, Northwest Rotary - Janeway Hostel Corporation, Lions Manor Inc., TCRHB Housing Complex Inc., Blue Crest Cottages and Golden Heights Manor Cottages [together with Eastern Health, collectively referred to herein as "Eastern Health" or the "Authority"]. These entities were established to provide accommodations for family members of patients and housing to senior citizens. These entities are consolidated in the consolidated financial statements.

Revenue recognition

Provincial plan revenues without eligibility criteria and stipulations restricting their use are recognized as revenue when the government transfers are authorized.

Government transfers with stipulations restricting their use are recognized as revenue when the transfer is authorized and the eligibility criteria are met by the Authority, except when and to the extent the transfer gives rise to an obligation that constitutes a liability. When the transfer gives rise to an obligation that constitutes a liability, the transfer is recognized in revenue when the liability is settled.

Medical Care Plan ["MCP"], inpatient, outpatient and residential revenues are recognized in the period services are provided.

The Authority is funded by the department of Health and Community Services [the "Department"] for the total of its operating costs, after deduction of specified revenue and expenditures, to the extent of the approved budget. The final amount to be received by the Authority for a particular fiscal year will not be determined until the Department has completed its review of the Authority's financial statements. Adjustments resulting from the Department's review and final position statement will be considered by the Authority and reflected in the period of assessment.

Expense recognition

Expenses are recorded on the accrual basis as they are incurred and measurable based on receipt of goods or services and obligation to pay.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

Asset classification

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not to be consumed in the normal course of operations. Non-financial assets are acquired, constructed or developed assets that do not provide resources to discharge existing liabilities but are employed to deliver healthcare services, may be consumed in normal operations and are not for resale.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks, net of any overdrafts.

Inventory

Inventory is valued at the lower of cost and net realizable value, determined on a first-in, first-out basis.

Tangible capital assets

Capital assets are recorded at cost, although title to certain of these assets is held by the Government of Newfoundland and Labrador [the "Government"]. Contributed capital assets are recorded at their estimated fair value at the date of contribution. Minor equipment purchases are charged to operations in the year of acquisition.

Amortization is calculated on a straight-line and declining balance basis at the rates set out below.

It is expected that these rates will charge operations with the total cost of the assets less estimated salvage value over the useful lives of the assets.

Land improvements	10 years
Buildings and improvements	40 years
Equipment	5-7 years
Equipment under capital leases	7-10 years

Gains and losses on disposal of individual assets are recognized in operations in the period of disposal.

Construction in progress is not amortized until the project is substantially complete at which time the project costs are transferred to the appropriate asset class and amortized accordingly.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

Impairment of long-lived assets

Tangible capital assets are written down when conditions indicate they no longer contribute to the Authority's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets is less than their net book value. The net write-downs are accounted for as expenses in the consolidated statement of operations.

Capital and operating leases

A lease that transfers substantially all of the benefits and risks associated with ownership of property is accounted for as a capital lease. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the asset's fair value. Assets acquired under capital leases are amortized on the same basis as other similar capital assets. All other leases are accounted for as operating leases and the payments are expensed as incurred.

Accrued vacation pay

Vacation pay is accrued for all employees as entitlement is earned.

Accrued severance

Employees are entitled to severance benefits as stipulated in their conditions of employment. The right to be paid severance pay vests with employees with nine years of continual service with Eastern Health or another public sector employer. Severance is payable when the employee ceases employment with Eastern Health and the public sector. The severance benefit obligation has been actuarially determined using assumptions based on management's best estimates of future salary and wage changes, employee age, years of service, the probability of voluntary departure due to resignation or retirement, the discount rate and other factors. Discount rates are based on the Province's long-term borrowing rate. Actuarial gains and losses are recognized immediately through the consolidated statement of operations.

Accrued sick leave

Employees of Eastern Health are entitled to sick pay benefits which accumulate but do not vest. In accordance with PSA for post-employment benefits and compensated balances, Eastern Health recognizes the liability in the period in which the employee renders service. The obligation is actuarially determined using assumptions based on management's best estimates of the probability of use of accrued sick leave, future salary and wage changes, employee age, the probability of departure, retirement age, the discount rate and other factors. Discount rates are based on the Province's long-term borrowing rate. Actuarial gains and losses are recognized immediately through the consolidated statement of operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2012
[All amounts are in Canadian dollars, except amounts disclosed in tables which are presented in thousands of Canadian dollars]

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

Pension costs

Employees are members of the Public Service Pension Plan and the Government Money Purchase Plan [the "Plans"] administered by the Government. Contributions to the Plans are required from both the employees and Eastern Health. The annual contributions for pensions are recognized as an expense and amounted to $40,745,698 for the year ended March 31, 2012 [2011 – $38,765,700].

Sinking funds

Sinking funds established for the partial retirement of Eastern Health's sinking fund debenture are held and administered in trust by the Government.

Contributed services

Volunteers contribute a significant amount of their time each year assisting Eastern Health in carrying out its service delivery activities. Due to the difficulty in determining fair value, contributed services are not recognized in these consolidated financial statements.

Financial instruments

Financial assets and liabilities are classified according to their characteristics and management's choices and intentions related thereto for the purposes of ongoing measurements. The fair value of a financial instrument is the estimated amount to be received or paid to terminate the instrument's agreement at the reporting date. Various market value data and other valuation techniques are used as appropriate to estimate the fair value of each type of financial instrument.

Financial assets and liabilities are generally classified and measured as follows:

Asset/Liability	Classification	Measurement
Cash and cash equivalents	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Bank indebtedness	Other liabilities	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Long-term debt	Other liabilities	Amortized cost

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, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from these estimates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2012
[All amounts are in Canadian dollars, except amounts disclosed in tables which are presented in thousands of Canadian dollars]

3. TRANSITION TO PUBLIC SECTOR ACCOUNTING STANDARDS

Prior to the presentation of the March 31, 2012 consolidated financial statements, the Authority followed the recommendations of Pre-changeover Standards. In October 2009, the Public Sector Accounting Board ["PSAB"] finalized changes to accounting standards. As a result, for fiscal years ending on or after January 1, 2011, the Authority is required to reclassify itself in accordance with PSA standards. In accordance with recommendations of the Public Sector Accounting Handbook, the Authority determined that it is an OGO and PSA is the most appropriate framework for reporting purposes. The Authority adopted PSA for its fiscal year beginning April 1, 2011, with a transition date of April 1, 2010 [the "Transition Date"].

The impact of the conversion to PSA on the accumulated deficit at the Transition Date and on the comparative annual surplus for the year ended March 31, 2011 is presented in the reconciliations below. These accounting changes have been applied retroactively with restatement of prior periods.

Exceptions to retroactive application

The Authority ensured that the estimates reflected in the opening consolidated statement of financial position prepared in accordance with PSA were consistent with those in the consolidated statement of financial position at the same date prepared under Previous GAAP adjusted, as needed, for any difference in accounting policy. Estimates required under PSA that were not required under Previous GAAP reflect the conditions that existed at the opening consolidated statement of financial position date prepared in accordance with PSA.

Exemptions applied

In accordance with Section PS 2125, *First-time Adoption by Government Organizations*, the Authority elected to apply the following exemptions:

Tangible capital asset impairment
As a result of applying this exemption, the Authority prospectively applied, as of the Transition Date, the impairment criteria and conditions for tangible capital assets set out in Section PS 3150, *Tangible Capital Assets*.

Retirement and post-employment benefits
As a result of applying this exemption, the Authority elected to recognize all cumulative actuarial gains and losses at the Transition Date to PSA directly in accumulated deficit.

The Authority reviewed the first-time adoption standard and determined that none of the other exemptions were applicable.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2012
[All amounts are in Canadian dollars, except amounts disclosed in tables which are presented in thousands of Canadian dollars]

3. TRANSITION TO PUBLIC SECTOR ACCOUNTING STANDARDS [Cont'd]

Early adoption

Section PS 3410, *Government Transfers*, was amended by the PSAB in December 2010. The main changes pertain to recognition criteria for government transfers by the recipient. These amendments are effective for fiscal years beginning on or after April 1, 2012 and earlier adoption is encouraged. The Authority elected to early adopt the Section for the year ended March 31, 2012.

Section PS 3450, *Financial Instruments*, 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 period it adopts PSA for the first time, this standard cannot be applied retroactively. The Authority previously disclosed in its prior consolidated financial statements the various risks related to financial instruments as required by this standard. As a result, there was no significant impact to the Authority's consolidated financial statements upon early adoption of this standard.

March 31, 2012
[All amounts are in Canadian dollars, except amounts disclosed in tables which are presented in thousands of Canadian dollars]

3. TRANSITION TO PUBLIC SECTOR ACCOUNTING STANDARDS [Cont'd]

The following tables present the reconciliation of account balances from Previous GAAP to PSA:

[i] Reconciliation of the April 1, 2010 consolidated statement of financial position:

	Footnotes	Previous GAAP $	Adjustments (h) $	Adjustments (a) to (g) $	PSA Standards $
Financial Assets					
Cash and cash equivalents		—	845	—	845
Accounts receivable	f	98,845	(3,575)	(74,701)	20,569
Due from government /other government entities	f	—	—	74,701	74,701
Trust funds	a	3,820	—	(3,820)	—
Replacement reserve fund		—	827	—	827
Sinking fund investment	b	—	—	9,333	9,333
		102,665	(1,903)	5,513	106,275
Liabilities					
Bank indebtedness		1,047	—	—	1,047
Accounts payable and accrued liabilities	f	115,822	133	(18,376)	97,579
Due to government/other government entities	f	—	—	18,376	18,376
Current portion of accrued severance pay	c	6,004	22	(6,026)	—
Current portion of long-term debt	c	2,370	549	(2,919)	—
Employee future benefits					
Accrued sick leave	e	—	—	56,681	56,681
Accrued severance pay	g	107,065	59	(18,473)	88,651
Accrued vacation pay		43,883	—	—	43,883
Deferred revenue					
Deferred capital contributions	d	123,209	1,139	(124,348)	—
Deferred capital grants		50,353	—	—	50,353
Deferred operating revenue		22,242	—	—	22,242
Trust funds	a	3,820	—	(3,820)	—
Replacement reserve fund		—	827	—	827
Long-term debt	b, c	134,078	5,211	12,252	151,541
		609,893	7,940	(86,653)	531,180
Net debt		(507,228)	(9,843)	92,166	(424,905)
Non financial assets					
Deferred charges		84	—	—	84
Tangible capital assets		309,985	9,444	—	319,429
Supplies inventory		12,954	—	—	12,954
Prepaid expenses		5,645	28	—	5,673
		328,668	9,472	—	338,140
Accumulated deficit	d, e, g	(178,560)	(371)	92,166	(86,765)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2012
[All amounts are in Canadian dollars, except amounts disclosed in tables which are presented in thousands of Canadian dollars]

3. TRANSITION TO PUBLIC SECTOR ACCOUNTING STANDARDS [Cont'd]

[ii] Reconciliation of the March 31, 2011 consolidated statement of financial position:

	Footnotes	Previous GAAP $	Adjustments (h) $	Adjustments (a) to (g) $	PSA Standards $
Financial Assets					
Cash and cash equivalents		—	615	—	615
Accounts receivable	f	117,579	(3,658)	(94,410)	19,511
Due from government/other government entities	f	—	—	94,410	94,410
Trust funds	a	3,890	—	(3,890)	—
Replacement reserve fund		—	687	—	687
Sinking fund investment	b	—	—	10,670	10,670
		121,469	(2,356)	6,780	125,893
Liabilities					
Bank indebtedness		11,614	—	—	11,614
Accounts payable and accrued liabilities	f	130,396	60	(23,767)	106,689
Due to government/other government entities	f	—	—	23,767	23,767
Current portion of accrued severance pay	c	8,200	14	(8,214)	—
Current portion of long-term debt	c	2,417	2,934	(5,351)	—
Employee future benefits					
Accrued sick leave	e	—	—	58,677	58,677
Accrued severance pay	g	110,545	36	(13,588)	96,993
Accrued vacation pay		47,153	12	—	47,165
Deferred revenue					
Deferred capital contributions	d	159,619	1,112	(160,731)	—
Deferred capital grants		52,549	—	—	52,549
Deferred operating revenue		15,554	—	—	15,554
Trust funds	a	3,890	—	(3,890)	—
Replacement reserve fund		—	687	—	687
Long-term debt	b, c	130,328	2,395	16,021	148,744
		672,265	7,250	(117,076)	562,439
Net debt		(550,796)	(9,606)	123,856	(436,546)
Non financial assets					
Tangible capital assets		336,589	8,868	—	345,457
Supplies inventory		12,832	—	—	12,832
Prepaid expenses		7,766	34	—	7,800
		357,187	8,902	—	366,089
Accumulated deficit	d, e, g	(193,609)	(704)	123,856	(70,457)

[All amounts are in Canadian dollars, except amounts disclosed in tables which are presented in thousands of Canadian dollars]

3. TRANSITION TO PUBLIC SECTOR ACCOUNTING STANDARDS [Cont'd]

[iii] Reconciliation of the annual surplus (deficit) for the year ended March 31, 2011:

	$
Annual deficit, March 31, 2011 – Previous GAAP	(15,049)
Consolidated of the cottages and hostel operations *[h]*	(334)
Reversal of amortization of deferred capital contributions *[d]*	(17,961)
Provincial plan capital grants *[d]*	54,480
Change to accrued severance pay *[g]*	(2,679)
Change to accrued sick leave *[e]*	(1,996)
Other	(153)
Annual surplus, March 31, 2011 – PSA	16,308

Notes:

[a] Under Previous GAAP, the Authority recorded all trust funds that it administered on behalf of other government entities. Under PSA, trusts administrated by a government organization should be excluded from the government reporting entity statements and disclosed in a note to the financial statements, describing the trusts under administration. As a result, the Authority removed the trust fund amounts previously recorded at the Transition Date.

[b] Under Previous GAAP, the sinking fund investment was presented net of sinking fund debenture. Under Section PS 3230, *Long-term Debt*, external restrictions on assets such as sinking fund investments can be segregated and presented separately on the consolidated statement of financial position. As a result, the Authority reclassified the sinking fund investment and has presented it separately on the consolidated statement of financial position.

[c] Under Previous GAAP, the Authority presented a current portion of accrued severance pay and long-term debt on the consolidated statement of financial position. Under PSA, current assets and liabilities are not presented separately. As a result, the current portion classification was removed at the Transition Date and the total associated obligations are presented within one line on the consolidated statement of financial position.

3. TRANSITION TO PUBLIC SECTOR ACCOUNTING STANDARDS [Cont'd]

[d] Under Previous GAAP, government transfers received and used for the purchase of capital assets were deferred and amortized to operations at the same rate the related assets were amortized. Under Section PS 3410, *Government Transfers*, funds received from the government and used for the purchase of capital assets are recognized as revenue when no stipulations exist and the related liability has been settled. As a result, the Authority removed the balance of deferred capital contributions at the Transition Date of approximately $124,348,000 which resulted in a corresponding decrease to the accumulated deficit of the same amount. This also resulted in an adjustment to the annual surplus for the year ended March 31, 2011 of approximately $17,961,000.

[e] Each employee of the Authority is entitled to a number of days of sick leave per fiscal year. Earned but unused sick leave is accrued and deferred. Under Previous GAAP, the Authority was not required to recognize a liability in respect of sick leave to the extent that the incapacity to work arising from injury or illness had not occurred. Under Section PS 3255, *Post-employment Benefits, Compensated Absences and Termination Benefits*, sick pay benefits that accumulate but do not vest are considered obligations. As a result, the Authority recorded an employee future benefit obligation related to sick leave, which resulted in an increase in the accumulated deficit at the Transition Date and an increase to the related expense in the consolidated statement of operations for 2011 and 2012.

[f] Under Previous GAAP, the Authority presented amounts due from and to government and other government entities within the respective accounts receivable and accounts payable balances on the consolidated statement of financial position. Section PS 1200, *Financial Statement Presentation*, suggests that amounts due from and to government and other government entities should be presented separately on the consolidated statement of financial position. As a result, the Authority has reclassified these amounts and presented them separately.

[g] Under Previous GAAP, the Authority recognized accrued severance pay, calculated based upon years of service and current salary levels. Under Section PS 3250, *Retirement Benefits*, the accrued severance pay would be classified as a retirement benefit and would follow the accrued benefit method, which is used to attribute the cost of the retirement benefit to the period of employee service through an actuarial valuation. As a result, the Authority recorded a change to the value of the accrued severance pay, which decreased the accumulated deficit at the Transition Date.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2012
[All amounts are in Canadian dollars, except amounts disclosed in tables which are presented in thousands of Canadian dollars]

3. TRANSITION TO PUBLIC SECTOR ACCOUNTING STANDARDS [Cont'd]

[h] Under Previous GAAP, entities controlled by the Authority were not consolidated as permitted by CICA Handbook Section 4450, *Reporting Controlled and Related Entities for Not-For-Profit Organizations.* The provisions of this standard under Previous GAAP do not exist under PSA; under Section PS 1300, *Government Reporting Entity*, the Authority is required to consolidate all controlled entities. The Authority concluded, based on Section PS 1300, that it controls the cottages and hostels. As a result, the Authority consolidated all cottages and hostels into these consolidated financial statements at the Transition Date.

4. ACCOUNTS RECEIVABLE

	March 31, 2012 $	March 31, 2011 $ *[unaudited]*	April 1, 2010 $ *[unaudited]*
Services to patients, residents and clients	**5,360**	7,693	8,819
Other	**17,221**	11,818	11,750
	22,581	19,511	20,569

5. DUE FROM GOVERNMENT/OTHER GOVERNMENT ENTITIES

	March 31, 2012 $	March 31, 2011 $ *[unaudited]*	April 1, 2010 $ *[unaudited]*
Government of Newfoundland and Labrador	**48,334**	65,751	60,288
Other government entities	**17,240**	28,659	14,413
	65,574	94,410	74,701

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2012
[All amounts are in Canadian dollars, except amounts disclosed in tables which are presented in thousands of Canadian dollars]

6. TANGIBLE CAPITAL ASSETS

	Cost $	March 31, 2012 Accumulated amortization $	Net book value $	March 31, 2011 Net book value $ [unaudited]	April 1, 2010 Net book value $ [unaudited]
Land and land improvements	3,204	533	2,671	2,675	2,696
Buildings and improvements	366,271	151,021	215,250	214,458	218,237
Equipment	441,930	345,784	96,146	86,291	70,719
Equipment under capital leases	15,445	14,885	560	659	827
Construction in progress	48,221	—	48,221	41,374	26,950
	875,071	512,223	362,848	345,457	319,429

	Land and land improvements $	Buildings and improvements $	Equipment $	Equipment under capital leases $	Construction in progress $	Total $
March 31, 2012						
Cost						
Opening balance	3,204	355,775	410,331	15,445	41,374	826,129
Additions	—	10,496	32,539	—	6,847	49,882
Disposals	—	—	(940)	—	—	(940)
Closing balance	3,204	366,271	441,930	15,445	48,221	875,071
Accumulated amortization						
Opening balance	529	141,317	324,040	14,786	—	480,672
Additions	4	9,704	22,684	99	—	32,491
Disposals	—	—	(940)	—	—	(940)
Closing balance	533	151,021	345,784	14,885	—	512,223
Net book value	2,671	215,250	96,146	560	48,221	362,848

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2012
[All amounts are in Canadian dollars, except amounts disclosed in tables which are presented in thousands of Canadian dollars]

6. TANGIBLE CAPITAL ASSETS [Cont'd]

	Land and land improvements $	Buildings and improvements $	Equipment $	Equipment under capital leases $	Construction in progress $	Total $
March 31, 2011						
Cost						
Opening balance	3,204	351,694	374,661	15,445	26,950	771,954
Additions	—	4,081	35,947	—	14,441	54,469
Disposals	—	—	(277)	—	(17)	(294)
Closing balance	3,204	355,775	410,331	15,445	41,374	826,129
Accumulated amortization						
Opening balance	508	133,457	303,942	14,618	—	452,525
Additions	21	7,860	20,375	168	—	28,424
Disposals	—	—	(277)	—	—	(277)
Closing balance	529	141,317	324,040	14,786	—	480,672
Net book value	2,675	214,458	86,291	659	41,374	345,457

7. BANK INDEBTEDNESS

The Authority has access to lines of credit totaling $64,000,000 in the form of revolving demand loans and/or bank overdrafts at its financial institution, which was unused as at March 31, 2012 [March 31, 2011 – $52,386,000; April 1, 2010 – $62,953,000]. The Authority's ability to borrow has been approved by the Province's Minister of Health and Community Services.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2012 $	March 31, 2011 $ [unaudited]	April 1, 2010 $ [unaudited]
Accounts payable and accrued liabilities	**67,368**	74,049	64,849
Salaries and wages payable	**35,808**	28,810	29,321
Employee/employer remittances	**4,741**	3,830	3,409
	107,917	106,689	97,579

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2012
[All amounts are in Canadian dollars, except amounts disclosed in tables which are presented in thousands of Canadian dollars]

9. DUE TO GOVERNMENT/OTHER GOVERNMENT ENTITIES

	March 31, 2012 $	March 31, 2011 $ [unaudited]	April 1, 2010 $ [unaudited]
Federal government	**11,251**	10,677	9,971
Provincial government	**7,387**	6,023	5,444
Other government entities	**5,979**	7,067	2,961
	24,617	23,767	18,376

10. DEFERRED REVENUE

	March 31, 2012 $	March 31, 2011 $ [unaudited]	April 1, 2010 $ [unaudited]
Deferred capital grants [a]			
Balance at beginning of year	**52,549**	50,353	33,944
Receipts during the year	**47,931**	56,664	55,959
Recognized in revenue during the year	**(49,883)**	(54,468)	(39,550)
Balance at end of year	**50,597**	52,549	50,353
Deferred operating revenue [b]			
Balance at beginning of year	**15,554**	22,242	32,898
Receipts during the year	**1,245,195**	1,133,814	957,312
Recognized in revenue during the year	**(1,252,999)**	(1,140,502)	(967,968)
Balance at end of year	**7,750**	15,554	22,242

[a] Deferred capital grants represent government transfers received with associated stipulations relating to the purchase of capital assets, resulting in a liability. These grants will be recognized as revenue when the related assets are acquired and the liability is settled.

[b] Deferred operating revenue represents externally restricted government transfers with associated stipulations relating to specific projects or programs, resulting in a liability. These transfers will be recognized as revenue in the period in which the resources are used for the purpose specified.

[All amounts are in Canadian dollars, except amounts disclosed in tables which are presented in thousands of Canadian dollars]

11. LONG-TERM DEBT

	March 31, 2012 $	March 31, 2011 $ [unaudited]	April 1, 2010 $ [unaudited]
Sinking Fund Debenture, Series HCCI, 6.9%, to mature June 15, 2040, interest payable semi-annually on June 15 and December 15 [the "Debenture"].	**130,000**	130,000	130,000
Royal Bank of Canada (Central Kitchen), 6.06% loan maturing May 2014, payable in monthly instalments of $101,670.	**2,480**	3,508	4,485
Newfoundland and Labrador Housing Corporation 2.75% mortgage, maturing December 2020, repayable in blended monthly instalments of $18,216, secured by land and building with a net book value of $1,829,646.	**1,699**	1,869	2,022
Royal Bank of Canada (Veterans Pavilion), 4.18% loan, unsecured, maturing April 2013, payable in blended monthly instalments of $55,670.	**706**	1,329	1,928
Canadian Imperial Bank of Commerce loan, unsecured, bearing interest at prime lending rate less 0.625 basis points, maturing 2016, repayable in monthly instalments of $21,200 plus interest.	**1,121**	1,375	1,630
Newfoundland and Labrador Housing Corporation 10% mortgage, maturing December 2028, repayable in blended monthly instalments of $8,955, secured by land and building with a net book value of $935,778.	**886**	906	924
Bank of Montreal, 3.82% term loan, repaid during the year ended March 31, 2011.	**—**	—	71
Bank of Montreal 4.96% term loan, unsecured, amortized to December 2014, repayable in blended monthly instalments of $7,070.	**146**	224	296
Newfoundland and Labrador Housing Corporation 2.40% mortgage, amortized to July 1, 2020, repayable in blended monthly instalments of $1,022, secured by property with a net book value of $1,910,869.	**93**	102	112
NLHC (GHHA) 4.31% first mortgage on land, building and equipment, with a net book value of $1,834,264, maturing April 1, 2017, amortized to April 1, 2019, payable in blended monthly instalments of $13,455.	**986**	1,102	1,214
Royal Bank of Canada 3.58% promissory note on land, building and equipment with net book value of $1,834,264, maturing June 1, 2016, amortized to May 24, 2021, payable in blended monthly instalments of $7,447.	**650**	713	765

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2012
[All amounts are in Canadian dollars, except amounts disclosed in tables which are presented in thousands of Canadian dollars]

11. LONG-TERM DEBT [Cont'd]

	March 31, 2012 $	March 31, 2011 $ *[unaudited]*	April 1, 2010 $ *[unaudited]*
NLHC (NWR) 3.16% first mortgage on land and building, with a net book value of $712,577, with an assignment of rents and leases, maturing June 1, 2013, amortized to April 1, 2018, payable in blended monthly instalments of $7,743.	**514**	589	662
NLHC (Lions Manor) 4.31% first mortgage on land and building phase one, with a net book value of $1,247,973, maturing April 2012, amortized to October 2023, repayable in blended monthly instalments of $7,011.	**768**	818	866
NLHC (Lions Manor) 4.31% first mortgage on land and building phase two, with a net book value of $1,247,973, maturing April 2012, amortized to December 2026, repayable in blended monthly installments of $3,517.	**461**	483	504
NLHC (TCRHB) 4.31% first mortgage on land and building, with a net book value of $333,669 maturing April 2012, amortized to December 2027, repayable in blended monthly instalments of $2,428.	**334**	348	362
NLHC (Golden Heights Manor) 2.61% first mortgage on land and building with a net book value of $397,811, chattel mortgage on equipment and an assignment of rents, maturing September 1, 2014, amortized to July 1, 2019, repayable in blended monthly instalments of $5,497.	**440**	493	546
NLHC (Blue Crest) 4.16% first mortgage on land and building, with a net book value of $681,206, maturing December 1, 2016, amortized to December 1, 2021, repayable in blended monthly instalments of $4,218.	**404**	438	471
NLHC (Blue Crest) 4.59% first mortgage on land and building with a net book value of $681,206, maturing on August 1, 2016, amortized to May 1, 2021, repayable in blended monthly instalments of $3,521.	**314**	343	369
Canada Mortgage and Housing Corporation mortgages on land and buildings with a net book value of $5,757,000 – 8%, on Blue Crest Home; repayable in blended monthly instalments of $7,777, maturing November 2025.	**781**	811	840
10.5% on Golden Heights Manor, repayable in blended monthly instalments of $7,549, maturing August 2027.	**701**	719	734
2.65% on Golden Heights Manor, repayable in blended monthly instalments of $20,482, maturing June 2023.	**2,386**	2,574	2,740
	145,870	148,744	151,541

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11. LONG-TERM DEBT [Cont'd]

Annual principal repayments to maturity are as follows:

	$
2013	3,027
2014	2,518
2015	1,474
2016	1,296
2017	1,182
Thereafter	136,373

12. SINKING FUND

A sinking fund investment, established for the partial retirement of the Debenture *[note 11]*, is held in trust by the Government. The balance at March 31, 2012 included interest earned in the amount of $3,841,000 [March 31, 2011 $3,194,000; April 1, 2010 – $2,606,000].

The semi-annual interest payments on the Debenture are $4,485,000. The annual principal payment to the sinking fund investment until the maturity of the Debenture on June 15, 2040 is $747,500.

The semi-annual interest payments and mandatory annual Debenture sinking fund payments are guaranteed by the Government.

13. AGREEMENT WITH NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION

Effective June 2, 1997, Newfoundland and Labrador Housing Corporation ["NLHC"] assumed responsibility for agreements previously administered by Canada Mortgage and Housing Corporation ["CMHC"].

With respect to the NLHC mortgages disclosed in note 11, the Authority has entered into an agreement for mortgage interest subsidization with NLHC. Under the agreement, the Authority is also required to fund $14,850 annually for capital replacement with the funds, including accrued interest, to be deposited in either Government of Canada Bonds or a separate savings account.

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14. CHANGES IN NON-CASH ASSETS AND LIABILITIES RELATED TO OPERATIONS

	2012 $	2011 $ *[unaudited]*
Accounts receivable	**(3,070)**	1,058
Supplies inventory	**(1,673)**	122
Prepaid expenses	**1,496**	(2,127)
Accounts payable and accrued liabilities	**1,228**	9,110
Accrued vacation pay	**979**	3,282
Deferred operating revenue	**(7,804)**	(6,688)
Deferred capital grants	**(1,952)**	2,196
Due from/to government/other government entities	**29,686**	(14,321)
	18,890	(7,368)

15. TRUST FUNDS

Trusts administered by the Authority have not been included in these consolidated financial statements as they are excluded from the government reporting entity. At March 31, 2012, the balance of funds held in trust for residents of long-term care facilities was $4,250,000 [March 31, 2011 – $3,891,000; April 1, 2010 – $3,821,000]. These trust funds consist of a monthly comfort allowance provided to residents who qualify for subsidization of their boarding and lodging fees.

16. CONTINGENCIES

A number of claims have been filed against the Authority. An estimate of loss, if any, relative to these matters is not determinable at this time and no provision has been recorded in the accounts for these matters. In the view of management, the Authority's insurance program adequately addresses the risk of loss in these matters.

17. CONTRACTUAL OBLIGATIONS

The Authority has entered into a number of multiple year operating leases, contracts for the delivery of services and the purchase of assets. These contractual obligations will become liabilities in the future when the terms of the contracts are met. The disclosure below relates to the unperformed portion of the contracts:

	2013 $	2014 $	2015 $	2016 $	2017 $	Thereafter $
Future operating lease payments	12,623	1,217	11,782	11,555	10,437	71,575
Managed print services	2,435	2,435	2,435	2,435	2,435	—
Vehicles	194	194	70	7	—	—
	15,252	3,846	14,287	13,997	12,872	71,575

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2012
[All amounts are in Canadian dollars, except amounts disclosed in tables which are presented in thousands of Canadian dollars]

18. ACCRUED SEVERANCE PAY

The Authority provides a severance payment to employees, as stipulated in their conditions of employment, upon retirement, resignation or termination without cause. In 2012, cash payments to retirees for the Authority's unfunded employee future benefits amounted to approximately $7,857,000 [2011 – $6,479,000]. The last actuarial valuation for both the accrued severance pay and accrued sick leave was performed effective April 1, 2010, and an extrapolation of that valuation has been performed to March 31, 2011 and March 31, 2012.

	2012 $	2011 $ *[unaudited]*
Accrued benefit obligation, beginning of year	**96,993**	88,651
Benefits expense		
Current service cost	**6,744**	6,100
Interest cost	**4,483**	4,599
Actuarial loss	**6,737**	4,122
	114,957	103,472
Benefits paid	**(7,857)**	(6,479)
Accrued benefit obligation, end of year	**107,102**	96,993

The significant actuarial assumptions used in measuring the accrued severance pay and benefits expense are as follows:

	2012 $	2011 $	2010 $
Discount rate – benefit cost	**3.85**	4.65	5.20
Rate of compensation increase	**4.00**	4.00	4.00

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2012
[All amounts are in Canadian dollars, except amounts disclosed in tables which are presented in thousands of Canadian dollars]

19. ACCRUED SICK LEAVE

	2012 $	2011 $ [unaudited]
Accrued benefit obligation, beginning of year	**58,677**	56,681
Benefits expense		
Current service cost	**6,329**	5,906
Interest cost	**2,669**	2,878
Actuarial loss	**2,741**	1,777
	70,416	67,242
Benefits paid	**(8,908)**	(8,565)
Accrued benefit obligation, end of year	**61,508**	58,677

Significant actuarial assumptions used in measuring the accrued sick leave and benefits expenses are as follows:

	2012 $	2011 $	2010 $
Discount rate – benefit cost	**3.85**	4.65	5.20
Rate of compensation increase	**4.00**	4.00	4.00

20. RELATED PARTY TRANSACTIONS

The Authority had the following transactions with the Government and other government controlled entities:

	2012 $	2011 $ [unaudited]
Grants from the Province	**1,247,711**	1,227,423
Transfers from other government entities	**85,222**	78,828
Transfers to other government entities	**(99,913)**	(98,239)
	1,233,020	1,208,012

21. CAPITAL MANAGEMENT

The Authority's objective when managing capital is to ensure it maintains adequate capital to support its continued operations.

The Authority is not subject to externally imposed capital requirements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial risk factors

The Authority is exposed to a number of risks as a result of the financial instruments on its consolidated statement of financial position that can affect its operating performance. These risks include credit risk, liquidity risk and market risk. The Authority's Board of Trustees has overall responsibility for the oversight of these risks and reviews the Authority's policies on an ongoing basis to ensure that these risks are appropriately managed. The source of risk exposure and how each is managed is outlined below:

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligation. The Authority's credit risk is primarily attributable to accounts receivable. Eastern Health has a collection policy and monitoring processes intended to mitigate potential credit losses. Management believes that the credit risk with respect to accounts receivable is not material.

Liquidity risk

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations as they become due. The Authority has an authorized credit facility totaling $64,000,000, which is unused as at March 31, 2012. To the extent that the Authority does not believe it has sufficient liquidity to meet current obligations, consideration will be given to obtaining additional funds through third party funding or the Province, assuming these can be obtained.

Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and price risks will affect the Authority's operations or the value of its financial instruments. The Authority is not subject to foreign exchange risk or interest rate price risk.

Long-term debt principally bears interest at fixed rates. The Authority does not consider its cash flow exposure to be significant.

Fair value

The fair value of the Authority's short-term financial instruments approximates their carrying value due to the short-term maturity and normal credit terms of those instruments.

The carrying value of long-term debt is considered to approximate fair value.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2012
[All amounts are in Canadian dollars, except amounts disclosed in tables which are presented in thousands of Canadian dollars]

23. BUDGET

The Authority prepares an initial budget for a fiscal period that is approved by the Board of Trustees and Government [the "Original Budget"]. The Original Budget may change significantly throughout the year as it is updated to reflect the impact of all known service and program changes approved by the Government. Additional changes to services and programs that are initiated throughout the year would be funded through amendments to the Original Budget and an updated budget is prepared by the Authority. The updated budget amounts are reflected in the unaudited budget amounts as presented in the consolidated statement of operations [the "Budget"].

In addition to the impact of such service and program changes, the Original Budget and Budget prepared by the Authority do not include a budget for the operations of the cottages and hostels, as such amounts are not considered by the Authority to significantly impact decisions or the allocation of resources. Further, the Original Budget and Budget do not include amounts relating to certain non-cash and other items including capital asset amortization, the recognition of provincial capital grants and other capital contributions, adjustments required to the accrued benefit obligations associated with severance and sick leave, and adjustments to accrued vacation pay.

The Original Budget and Budget prepared by the Authority were not updated to reflect the transfer of CYFS' operations from the Authority to a separate department of the Government during 2012. Approximately $90,900,000 was included in the Original Budget and Budget relating to the CYFS budget. The transfer of CYFS is expected to result in a budget reduction of approximately $54,410,000 for the Authority.

The following presents a reconciliation of budgeted revenue for the year ended March 31, 2012:

	2012 **$** *[unaudited]*
Original budgeted revenue	1,314,023
Adjustments during the year for service and program changes, net	25,332
Revised original budget	1,339,355
Stabilization funds approved by the Government	12,500
Deferred revenue recognized as approved by the Government	4,800
Final budget	1,356,655

Combined Financial Statements

Eastern Regional Health Authority – Cottages and Hostels
March 31, 2012

Ernst & Young

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the
Eastern Regional Health Authority

We have audited the accompanying combined financial statements of the **Eastern Regional Health Authority – Cottages and Hostels**, which comprise the combined statement of financial position as at March 31, 2012 and the combined statements of operations, changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management of **Eastern Regional Health Authority – Cottages and Hostels** to comply with the mortgage agreements with Newfoundland and Labrador Housing Corporation.

Management's responsibility for the combined financial statements

Management is responsible for the preparation of these combined financial statements in accordance with the financial reporting provisions of the mortgage agreements with Newfoundland and Labrador Housing Corporation, and for such internal control as management determines is necessary to enable the preparation of combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of the combined 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 combined 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 combined financial statements of the **Eastern Regional Health Authority – Cottages and Hostels** as at and for the year ended March 31, 2012, are prepared, in all material respects, in accordance with the financial reporting provisions of the mortgage agreements with Newfoundland and Labrador Housing Corporation.

Basis of accounting and restriction on use

Without modifying our opinion, we draw attention to note 2 to the combined financial statements, which describes the basis of accounting. The combined financial statements are prepared to comply with the mortgage agreements with Newfoundland and Labrador Housing Corporation. As a result, the combined financial statements may not be suitable for another purpose. Our report is intended solely for the Board of Trustees of Eastern Regional Health Authority and Newfoundland and Labrador Housing Corporation and should not be distributed to or used by parties other than these named users.

Other matter

The combined financial statements of the **Eastern Regional Health Authority – Cottages and Hostels** as at and for the year ended March 31, 2011, were audited by another auditor who expressed an unmodified opinion on those combined financial statements on July 13, 2011.

Ernst & Young LLP

St. John's, Canada
July 18, 2012

Chartered Accountants

Eastern Regional Health Authority – Cottages and Hostels

COMBINED STATEMENT OF FINANCIAL POSITION

As at March 31

	2012 $	2011 $
ASSETS		
Current assets		
Cash and cash equivalents	**639,944**	614,712
Accounts receivable	**20,167**	20,254
Due from Newfoundland and Labrador Housing Corporation *[note 3]*	**102,371**	19,748
Prepaid expenses	**33,732**	33,730
	796,214	688,444
Capital assets *[note 4]*	**7,980,973**	8,868,272
Replacement reserve fund *[note 5]*	**760,611**	687,195
	9,537,798	10,243,911
LIABILITIES		
Current liabilities		
Due to Eastern Regional Health Authority	**2,420,303**	2,080,400
Due to Newfoundland and Labrador Housing Corporation *[note 3]*	**—**	24,366
Accounts payable and accrued liabilities	**43,940**	47,032
Current portion of long-term debt *[note 6]*	**622,078**	2,934,157
Current portion of accrued severance pay *[note 9]*	**—**	14,361
	3,086,321	5,100,316
Long-term debt *[note 6]*	**5,743,074**	4,012,917
Deferred capital contributions *[note 8]*	**1,003,118**	1,112,490
Accrued severance pay *[note 9]*	**33,558**	35,903
Replacement reserve fund *[note 5]*	**760,611**	687,195
	10,626,682	10,948,821
Fund balances		
Unrestricted	**(1,897,595)**	(1,513,621)
Investment in capital assets	**808,711**	808,711
	(1,088,884)	(704,910)
	9,537,798	10,243,911

See accompanying notes

Approved on behalf of the Board:

Director

Director

ERNST & YOUNG

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Eastern Regional Health Authority – Cottages and Hostels

COMBINED STATEMENT OF OPERATIONS

Year ended March 31

	2012 $	2011 $
REVENUE		
Rentals	**1,805,259**	1,635,926
Rental assistance subsidy	**242,978**	197,014
Amortization of deferred capital contributions *[note 8]*	**109,372**	109,372
Special funding	**124,795**	106,675
Laundry charge	**19,035**	18,806
Domestic electricity charge	**11,800**	12,130
Interest	**11,417**	11,764
Other	**1,364**	10,283
	2,326,020	2,101,970
EXPENDITURES		
Amortization of capital assets	**887,299**	658,012
Salaries and benefits	**464,294**	423,820
Interest on long-term debt	**216,467**	259,700
Utilities	**268,907**	253,370
Housekeeping services	**225,227**	225,227
Maintenance	**353,709**	344,849
Laundry and linen	**163,940**	147,075
Minor equipment	**958**	112,016
Municipal taxes	**44,975**	44,160
Administration	**26,356**	26,513
Other supplies	**22,833**	22,620
Snow clearing	**38,585**	34,491
Insurance	**9,615**	9,615
Security	**6,009**	6,667
Computer services	**2,454**	2,454
Professional fees	**4,950**	4,950
	2,736,578	2,575,539
Deficiency of revenue over expenditures before undernoted items	**(410,558)**	(473,569)
Transfer from replacement reserve fund	**26,584**	139,910
Deficiency of revenue over expenditures	**(383,974)**	(333,659)

See accompanying notes

COMBINED STATEMENT OF CHANGES IN FUND BALANCES

Year ended March 31

	2012			2011
	Unrestricted funds	Investment in capital assets	Total	Total
	$	$	$	$
Balance, beginning of year	**(1,513,621)**	**808,711**	**(704,910)**	(371,251)
Deficiency of revenue over expenditures	(383,974)	—	(383,974)	(333,659)
Balance, end of year	**(1,897,595)**	**808,711**	**(1,088,884)**	(704,910)

See accompanying notes

Eastern Regional Health Authority – Cottages and Hostels

COMBINED STATEMENT OF CASH FLOWS

Year ended March 31

	2012 $	2011 $
OPERATING ACTIVITIES		
Deficiency of revenue over expenditures	**(383,974)**	(333,659)
Adjustments for:		
Amortization of capital assets	**887,299**	658,012
Amortization of deferred capital contributions	**(109,372)**	(109,372)
Increase in severance pay accrual	**(16,706)**	(31,036)
Changes in non-cash working capital balances *[note 10]*	**229,907**	134,909
	607,154	318,854
INVESTING ACTIVITIES		
Purchase of capital assets	—	(82,420)
	—	(82,420)
FINANCING ACTIVITIES		
Repayment of long-term debt	**(581,922)**	(548,640)
Capital asset contributions	—	82,420
	(581,922)	(466,220)
Net increase (decrease) in cash during the year	**25,232**	(229,786)
Cash and cash equivalents, beginning of year	**614,712**	844,498
Cash and cash equivalents, end of year	**639,944**	614,712

See accompanying notes

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2012

1. NATURE OF OPERATIONS

The Eastern Regional Health Authority ["Eastern Health" or the "Authority"] is responsible for the governance of health services in the Eastern Region of the Province of Newfoundland and Labrador [the "Province"]. The cottage and hostel operations of the Eastern Regional Health Authority ["Cottages and Hostels"] consists of the following.

Cottages
- Lions Manor Inc.
- TCRHB Housing Complex Inc.
- Golden Heights Manor Cottages
- Blue Crest Cottages

Hostels
- General Hospital Hostel Association – Agnes Cowan Hostel
- Northwest Rotary – Janeway Hostel Corporation

Cottages

Lions Manor Inc.
Lions Manor Inc. was established to provide housing accommodations to senior citizens in Placentia and the surrounding area.

TCRHB Housing Complex Inc.
TCRHB Housing Complex Inc. was established to provide housing accommodations for senior citizens in Old Perlican and the surrounding area.

Golden Heights Manor Cottages
Golden Heights Manor Cottages was established to provide housing accommodations for senior citizens in Bonavista and the surrounding area.

Blue Crest Cottages
Blue Crest Cottages was established to provide housing accommodations for senior citizens in Grand Bank and the surrounding area.

Each of the above noted cottages is exempt from federal and provincial income tax in accordance with the Income Tax Act (Canada).

1. NATURE OF OPERATIONS [Cont'd]

Hostels

The General Hospital Hostel Association [the "Hostel"] was established to provide affordable, on-site accommodations to outpatients undergoing treatment and family members of inpatients in St. John's and the surrounding area. On June 28, 2002, the Hostel assumed responsibility for the services of the Northwest Rotary - Janeway Hostel Corporation.

The Hostel is incorporated under the Corporations Act of Newfoundland and is a registered charity under the Income Tax Act (Canada). The Northwest Rotary – Janeway Hostel Corporation was dissolved as a corporation in October 2009.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Cottages and Hostels have elected to use the exemption provided by the Canadian Institute of Chartered Accountants ["CICA"] permitting not-for-profit organizations not to apply Sections 3862 and 3863 of the CICA Handbook which would otherwise have applied to the financial statements of the Cottages and Hostels for the year ended March 31, 2012. The Cottages and Hostels apply the requirements of Section 3861 of the CICA Handbook.

Basis of accounting

The combined financial statements have been prepared in accordance with significant accounting policies set out below to comply with the mortgage agreements with Newfoundland and Labrador Housing Corporation ["NLHC"]. The basis of accounting used in these financial statements materially differs from Canadian generally accepted accounting principles for not-for-profit organizations because amortization is not provided on the buildings over the estimated useful life of the assets, but rather at a rate equal to the annual principal reduction of the related mortgage.

Fund accounting

The Cottages and Hostels employ fund accounting, classifying financial statement items in either the unrestricted funds or investment in capital assets.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization on the buildings and land improvements is recorded in a prorated amount equal to the reduction in the related mortgage principal in the fiscal year. Amortization is recorded on equipment on a declining balance basis using a rate of 20%.

Impairment of assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The amount of any impairment loss is determined as the excess of the carrying value of the asset over its fair value.

Capital contributions

Capital contributions are recorded as deferred capital contributions and amortized to income on the same basis as the related capital assets are amortized. Capital contributions on non-depreciable capital assets are recorded as direct increases in net assets.

Revenue recognition

Revenue is recognized as earned if the amount to be received can be reasonably estimated and when collection is reasonably assured.

Accrued severance pay

Employees are entitled to severance benefits as stipulated in their conditions of employment. The right to be paid severance pay vests with employees with nine years of continual service with the Cottages and Hostels or another public sector employer. Severance is payable when the employee ceases employment with Eastern Health and the public sector. The severance benefit obligation has been actuarially determined using assumptions based on management's best estimates of future salary and wage changes, employee age, years of service, the probability of voluntary departure due to resignation or retirement, the discount rate and other factors. Discount rates are based on the Province's long-term borrowing rate. Actuarial gains and losses are recognized immediately through the combined statement of operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

Pension costs

Employees of the Cottages and Hostels are members of the Public Service Pension Plan and the Government Money Purchase Plan administered by the Government of Newfoundland and Labrador [the "Government"]. Contributions to the plans are required from both the employees and the Cottages and Hostels. The annual contributions for pensions are recognized in the accounts on a current basis and amounted to $21,133 for the year ended March 31, 2012 [2011 – $20,107].

Financial instruments

Financial assets and financial liabilities are classified according to their characteristics and management's choices and intentions related thereto for the purposes of ongoing measurements. The fair value of a financial instrument is the estimated amount that would be received or would be paid to terminate the instrument's agreement at the reporting date. Various market value data and other valuation techniques are used as appropriate to estimate the fair value of each type of financial instrument.

Financial assets and financial liabilities are generally classified and measured as follows:

Assets/liabilities	Classification	Measurement
Cash and cash equivalents	Held for trading	Fair value
Accounts receivable, due from NLHC	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities, due to Eastern Regional Health Authority, due to NLHC	Other liabilities	Amortized cost
Long-term debt	Other liabilities	Amortized cost

Other statement of financial position accounts, such as prepaid expenses, capital assets and deferred capital contributions do not meet the criteria to be considered financial instruments.

Use of estimates

In preparing the Cottages and Hostels' combined financial statements in conformity with the mortgage agreements with NLHC, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

3. DUE FROM (TO) NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION

	2012 $	2011 $
Due from NLHC	**98,900**	19,748
Due to NLHC	**3,471**	(24,366)
	102,371	(4,618)

Reconciliation of Due to NLHC:

	2012 $	2011 $
Balance, beginning of year	**(24,366)**	(32,679)
Net subsidy for the year	**132,486**	82,611
Payments received	**(193,615)**	(177,377)
Repayments	**88,966**	103,079
Balance, end of year	**3,471**	(24,366)

4. CAPITAL ASSETS

	2012			2011
	Cost $	Accumulated amortization $	Net book value $	Net book value $
Land	**262,365**	—	**262,365**	262,365
Land improvements	**131,300**	**68,208**	**63,092**	69,941
Buildings and renovations	**14,543,254**	**6,962,688**	**7,580,566**	8,247,085
Furniture and equipment	**816,129**	**741,179**	**74,950**	288,881
	15,753,048	**7,772,075**	**7,980,973**	8,868,272

5. REPLACEMENT RESERVE FUND

These funds have been set aside to fund the balance of reserves required under agreements with NLHC as described in note 7. The use of these funds is restricted to the purchase of items approved by NLHC.

	2012 $	2011 $
Balance, beginning of year	**687,195**	827,105
Allocation from earnings	**14,850**	14,850
Allocation from government funding	**100,000**	—
Interest income	**3,457**	2,953
Approved expenditures for the year	**(44,891)**	(157,713)
Balance, end of year	**760,611**	687,195

6. LONG-TERM DEBT

	2012 $	2011 $
General Hospital Hostel Association		
Royal Bank of Canada 3.58% promissory note on land, building and equipment, with a net book value of $1,834,264, maturing June 1, 2016, amortized to May 24, 2021, payable in blended monthly instalments of $7,447.	**647,197**	712,996
NLHC, 4.31% first mortgage on land, building and equipment, with a net book value of $1,834,264, maturing April 1, 2017 amortized to April 1, 2019, payable in blended monthly instalments of $13,455.	**985,879**	1,102,358
Eastern Regional Health Authority, prime minus 1.75% loan, secured by land and building with a net book value of $2,635,426, maturing April 1, 2023, amortized to April 1, 2023, payable in blended monthly instalments of $12,647.	**1,496,638**	1,617,289
Northwest Rotary - Janeway Hostel Corporation		
NLHC, 3.16% first mortgage on land and building, with a net book value of $712,577, with an assignment of rents and leases, maturing June 1, 2013, amortized to April 1, 2018, payable in blended monthly instalments of $7,743.	**513,876**	589,315

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2012

6. LONG-TERM DEBT [Cont'd]

	2012 $	2011 $
Lions Manor Inc.		
NLHC, 4.31% first mortgage on land and building phase one, with a net book value of $1,247,973, maturing April 2012, amortized to October 2023, repayable in blended monthly instalments of $7,011.	**767,740**	817,831
NLHC, 4.31% first mortgage on land and building phase two, with a net book value of $1,247,973, maturing April 2012, amortized to December 2026, repayable in blended monthly instalments of $3,517.	**461,211**	483,137
TCRHB Housing Complex Inc.		
NLHC, 4.31% first mortgage on land and building, with a net book value of $333,669, maturing April 2012, amortized to December 2027, repayable in blended monthly instalments of $2,428.	**333,669**	348,180
Golden Heights Manor Cottages		
NLHC, 2.61% first mortgage on land and building with a net book value of $397,811, chattel mortgage on equipment and an assignment of rents, maturing September 1, 2014, amortized to July 1, 2019, repayable in blended monthly instalments of $5,497.	**440,085**	493,834
Blue Crest Cottages		
NLHC, 4.16% first mortgage on land and building, with a net book value of $681,206, maturing December 1, 2016, amortized to December 1, 2021, repayable in blended monthly instalments of $3,743.	**404,529**	438,768
NLHC, 4.59% first mortgage on land and building with a net book value of $681,206, maturing on August 1, 2016 amortized to May 1, 2021, repayable in blended monthly instalments of $3,165.	**314,328**	343,366
	6,365,152	6,947,074
Less current portion	**622,078**	2,934,157
	5,743,074	4,012,917

6. LONG-TERM DEBT [Cont'd]

Annual principal repayments of long-term debt are as follows:

	$
2013	622,078
2014	639,358
2015	657,177
2016	675,557
2017	694,521
Thereafter	3,076,461

7. AGREEMENT WITH NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION

Effective June 2, 1997, NLHC assumed responsibility for agreements previously administered by Canada Mortgage and Housing Corporation ["CMHC"].

With respect to the NLHC mortgages disclosed in note 6, Cottages and Hostels have entered into an agreement for mortgage interest subsidization with NLHC. Under the agreement, Cottages and Hostels are also required to fund $14,850 per year for capital replacement, with the funds including accrued interest, to be deposited in either Government of Canada Bonds or a separate savings account.

8. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions include capital grants from the department of Health and Community Services, Eastern Health and restricted contributions received by Cottages and Hostels for the purchase of capital assets. These contributions are deferred and amortized on a straight-line basis at a rate consistent with the amortization rate for the related asset purchased.

The changes in the deferred capital contributions balance for the year are as follows:

	2012 $	2011 $
Balance, beginning of year	**1,112,490**	1,139,442
Grants received	**—**	82,420
Amortization	**(109,372)**	(109,372)
Balance, end of year	**1,003,118**	1,112,490

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2012

9. ACCRUED SEVERANCE

Cottages and Hostels provide a severance payment to employees, as stipulated in their conditions of employment, upon retirement, resignation or termination without cause. The initial actuarial valuation was performed effective April 1, 2010, and an extrapolation of that valuation has been performed to March 31, 2012.

	2012 $
Accrued benefit obligation, beginning of year	**50,264**
Benefit expense	
Current service cost	**2,874**
Interest cost	**1,669**
Actuarial gain	**(6,313)**
	48,494
Benefits paid	**(14,936)**
Accrued benefit obligation, end of year	**33,558**
Less current portion	**—**
	33,558

Significant actuarial assumptions used in measuring the accrued severance and benefit expense are as follows:

	2012 %	2011 %
Discount rate	**3.85**	4.65
Rate of compensation increase	**4.00**	4.00

10. CHANGES IN NON-CASH WORKING CAPITAL BALANCES

	2012 $	2011 $
Accounts receivable	**87**	(65)
Due (to) from Newfoundland and Labrador Housing Corporation	**(106,989)**	(16,670)
Prepaid expenses	**(2)**	(6,214)
Due to Eastern Regional Health Authority	**339,903**	210,840
Accounts payable and accrued liabilities	**(3,092)**	(52,982)
	229,907	134,909

11. RELATED PARTY TRANSACTIONS

The Cottages and Hostels received $113,880 [2011 – $113,880] in rental revenue from Eastern Health.

Expenditures included $649,500 [2011 – $633,900] paid to Eastern Health for loan interest, administration fees, computer services, laundry services, maintenance and security services, insurance and miscellaneous expenses.

The due to Eastern Regional Health Authority balance of $2,420,303 [2011 – $2,080,400] is non-interest bearing.

12. CAPITAL MANAGEMENT

The capital structure of the Cottages and Hostels consists of their fund balances. The Cottages and Hostels' objective when managing capital is to ensure they maintain adequate capital to support their continued operations.

The Cottages and Hostels are not subject to externally imposed capital requirements except for NLHC reserve requirements.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial risk factors

The Cottages and Hostels have exposure to credit risk, interest rate risk and liquidity risk. The Cottages and Hostels' Board of Directors has overall responsibility for the oversight of these risks and reviews the Cottages and Hostels' policies on an ongoing basis to ensure that these risks are appropriately managed. The source of risk exposure and how each is managed is outlined below:

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligation. The Cottages and Hostels' credit risk is primarily attributable to receivables. Management believes that the credit risk with respect to accounts receivable is not significant.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT [Cont'd]

Liquidity risk

Liquidity risk is the risk that the Cottages and Hostels will not be able to meet their financial obligations as they become due. As at March 31, 2012, the Cottages and Hostels had cash of $639,945.

To the extent that the Cottages and Hostels do not believe they have sufficient liquidity to meet current obligations, consideration will be given to obtaining additional funds through third party funding or the Government, assuming these could be obtained.

Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and price risk will affect the Cottages and Hostels' operations or the value of their financial instruments. The Cottages and Hostels are not subject to foreign exchange or price risk.

Interest rate risk

Long-term debt, with the exception of the debt payable to Eastern Health, bears a fixed interest rate and, consequently, the Cottages and Hostels' cash flow exposure is not significant. Debt payable to Eastern Health bears interest at variable interest rates. Consequently, cash flow exposure exists but is not considered significant by management.

Fair value

The fair value of the Cottages and Hostels' short-term financial instruments approximates the carrying value due to the short-term maturity and normal credit terms of those instruments.

Long-term debt is considered to approximate fair value.

SCHEDULE OF FINANCIAL POSITION FOR NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION

As at March 31

	Agnes Cowan Hostel $	Northwest Rotary Janeway Hostel $	Lions Manor $	TCRHB Cottages $	Golden Heights Cottages $	Blue Crest Cottages $	Total 2012 $	Total 2011 $
ASSETS								
Current assets								
Cash and cash equivalents	395,693	14,004	80,248	46,731	50,584	52,685	639,944	614,712
Accounts receivable	20,167	—	—	—	—	—	20,167	20,254
Due from Newfoundland and Labrador Housing Corporation *[note 3]*	—	—	101,769	602	—	—	102,371	19,748
Prepaid expenses	—	—	14,460	2,454	5,400	11,418	33,732	33,730
	415,860	14,004	196,477	49,787	55,984	64,103	796,214	688,444
Capital assets *[note 4]*	4,527,808	712,580	1,247,973	333,669	440,085	718,857	7,980,972	8,868,272
Replacement reserve fund *[note 5]*	112,889	160,477	289,215	46,131	52,497	99,402	760,611	687,195
	5,056,557	887,061	1,733,665	429,587	548,566	882,362	9,537,797	10,243,911
LIABILITIES								
Current liabilities								
Due to Eastern Regional Health Authority	132,278	1,521,770	193,402	48,501	320,136	204,216	2,420,303	2,080,400
Due to Newfoundland and Labrador Housing Corporation *[note 3]*	—	—	—	—	—	—	—	24,366
Accounts payable and accrued liabilities	24,799	2,169	3,074	1,286	6,343	6,269	43,940	47,032
Current portion of long-term debt *[note 6]*	312,039	77,892	88,442	18,689	55,195	69,821	622,078	2,934,157
Current portion of severance pay *[note 9]*	—	—	—	—	—	—	—	14,361
	469,116	1,601,831	284,918	68,476	381,674	280,306	3,086,321	5,100,316
Long-term debt *[note 6]*	2,817,675	435,984	1,140,509	314,980	384,890	649,036	5,743,074	4,012,917
Deferred capital contributions *[note 8]*	1,003,118	—	—	—	—	—	1,003,118	1,112,490
Accrued severance pay *[note 9]*	33,558	—	—	—	—	—	33,558	35,903
Replacement reserve fund *[note 5]*	112,889	160,477	289,215	46,131	52,497	99,402	760,611	687,195
	4,436,356	2,198,292	1,714,642	429,587	819,061	1,028,744	10,626,682	10,948,821
FUND BALANCES								
Unrestricted	227,834	(1,708,552)	—	—	(270,495)	(146,382)	(1,897,595)	(1,513,621)
Investment in capital assets	392,367	397,321	19,023	—	—	—	808,711	808,711
	620,201	(1,311,231)	19,023	—	(270,495)	(146,382)	(1,088,884)	(704,910)
	5,056,557	887,061	1,733,665	429,587	548,566	882,362	9,537,798	10,243,911

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Schedule 2
[unaudited]

SCHEDULE OF REVENUE AND EXPENDITURES FOR NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION

Year ended March 31

	Agnes Cowan Hostel $	Northwest Rotary Janeway Hostel $	Lions Manor $	TCRHB Cottages $	Golden Heights Cottages $	Blue Crest Cottages $	Total 2012 $	Total 2011 $
REVENUE								
Rentals	1,381,998	—	166,253	28,959	103,249	124,800	1,805,259	1,635,926
Rental assistance subsidy	43,482	19,031	108,188	24,298	22,516	25,463	242,978	197,014
Amortization of deferred capital contributions *[note 8]*	109,372	—	—	—	—	—	109,372	109,372
Special funding	—	—	91,541	33,254	—	—	124,795	106,675
Laundry charge	13,445	—	4,680	910	—	—	19,035	18,806
Domestic electricity charge	—	—	9,860	1,940	—	—	11,800	12,130
Interest	6,532	2,362	1,837	686	—	—	11,417	11,764
Other	1,364	—	—	—	—	—	1,364	10,283
	1,556,193	21,393	382,359	90,047	125,765	150,263	2,326,020	2,101,970
EXPENDITURES								
Amortization of capital assets	409,689	274,056	72,017	14,511	53,749	63,277	887,299	658,012
Salaries and benefits	429,843	—	—	—	34,451	—	464,294	423,820
Interest on long-term debt	98,019	17,274	51,260	13,817	12,099	23,998	216,467	259,700
Utilities	108,130	8,829	66,379	13,170	33,191	39,208	268,907	253,370
Housekeeping services	225,227	—	—	—	—	—	225,227	225,227
Maintenance	120,977	—	144,683	37,644	21,539	28,866	353,709	344,849
Laundry and linen	163,940	—	—	—	—	—	163,940	147,075
Minor equipment	958	—	—	—	—	—	958	112,016
Municipal taxes	—	—	19,280	3,271	7,200	15,224	44,975	44,160
Administration	14,323	—	10,513	1,520	—	—	26,356	26,513
Other supplies	21,202	22	245	10	1,017	337	22,833	22,620
Snow clearing	—	—	15,457	4,079	8,164	10,885	38,585	34,491
Insurance	1,715	—	1,700	1,200	2,500	2,500	9,615	9,615
Security	—	6,009	—	—	—	—	6,009	6,667
Computer services	2,454	—	—	—	—	—	2,454	2,454
Professional fees	825	825	825	825	825	825	4,950	4,950
	1,597,302	307,015	382,359	90,047	174,735	185,120	2,736,578	2,575,539
Deficiency of revenue over expenditures before undernoted items	(41,109)	(285,622)	—	—	(48,970)	(34,857)	(410,558)	(473,569)
Transfer from replacement reserve fund	(3,457)	—	—	—	12,457	17,584	26,584	139,910
Deficiency of revenue over expenditures	(44,566)	(285,622)	—	—	(36,513)	(17,273)	(383,974)	(333,659)

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SCHEDULE OF CASH FLOWS FOR NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION

Year ended March 31

	Agnes Cowan Hostel $	Northwest Rotary Janeway Hostel $	Lions Manor $	TCRHB Cottages $	Golden Heights Cottages $	Blue Crest Cottages $	Total 2012 $	Total 2011 $
OPERATING ACTIVITIES								
Deficiency of revenue over expenditures	(44,566)	(285,622)	—	—	(36,513)	(17,273)	(383,974)	(333,659)
Adjustments for:								
Amortization of capital assets	409,689	274,056	72,017	14,511	53,749	63,277	887,299	658,012
Amortization of deferred capital contributions	(109,372)	—	—	—	—	—	(109,372)	(109,372)
Increase in severance pay accrual	(16,706)	—	—	—	—	—	(16,706)	(31,036)
Changes in non-cash working capital balances *[note 10]*	26,877	93,357	3,763	11,844	57,986	36,080	229,907	134,909
	265,922	81,791	75,780	26,355	75,222	82,084	607,154	318,854
INVESTING ACTIVITIES								
Purchase of capital assets	—	—	—	—	—	—	—	(82,420)
	—	—	—	—	—	—	—	(82,420)
FINANCING ACTIVITIES								
Repayment of long-term debt	(302,929)	(75,439)	(72,017)	(14,511)	(53,749)	(63,277)	(581,922)	(548,640)
Capital asset contributions	—	—	—	—	—	—	—	82,420
	(302,929)	(75,439)	(72,017)	(14,511)	(53,749)	(63,277)	(581,922)	(466,220)
Net increase (decrease) in cash during the year	(37,007)	6,352	3,763	11,844	21,473	18,807	25,232	(229,786)
Cash and cash equivalents, beginning of year	432,700	7,652	76,485	34,887	29,110	33,878	614,712	844,498
Cash and cash equivalents, end of year	395,693	14,004	80,248	46,731	50,583	52,685	639,944	614,712

ERNST & YOUNG

Non-Consolidated Financial Statements

Eastern Regional Health Authority – Operating Fund
March 31, 2012

ERNST & YOUNG

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the
Eastern Regional Health Authority

We have audited the non-consolidated statement of financial position of the **Eastern Regional Health Authority – Operating Fund** as at March 31, 2012, and the non-consolidated 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 non-consolidated financial statements

Management is responsible for the preparation and fair presentation of these non-consolidated 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 non-consolidated 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 non-consolidated 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 non-consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the non-consolidated 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 non-consolidated 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 non-consolidated 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 non-consolidated financial statements present fairly, in all material respects, the financial position of the **Eastern Regional Health Authority – Operating Fund** as at March 31, 2012 and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Comparative information

Without modifying our opinion, we draw attention to note 3 to the non-consolidated financial statements, which describes that the **Eastern Regional Health Authority - Operating Fund** adopted Canadian public sector accounting standards on April 1, 2011 with a transition date of April 1, 2010. These standards were applied retroactively by management to the comparative information in these non-consolidated financial statements, including the non-consolidated statements of financial position as at March 31, 2011 and April 1, 2010, and the non-consolidated statements of operations, changes in net debt and cash flows for the year ended March 31, 2011, and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

Basis of presentation and restriction on use

Without modifying our opinion, we draw attention to note 2 to the non-consolidated financial statements, which describes the basis of presentation of the non-consolidated financial statements of the **Eastern Regional Health Authority – Operating Fund**. These non-consolidated financial statements have been prepared for specific users and may not be suitable for another purpose.

Other matter

The non-consolidated financial statements as at March 31, 2011 and for the year then ended, prepared in accordance with Canadian generally accepted accounting principles as promulgated in Part V of the Canadian Institute of Chartered Accountants Handbook, were audited by other auditors who expressed an unqualified opinion on those financial statements in their report dated July 13, 2011.

Ernst & Young LLP

St. John's, Canada,
July 18, 2012

Chartered Accountants

Eastern Regional Health Authority - Operating Fund

NON-CONSOLIDATED STATEMENT OF OPERATIONS

Year ended March 31
[in thousands of dollars]

	Budget $ [unaudited - note 22]	2012 $	2011 $ [unaudited]
Revenue			
Provincial plan	1,202,911	**1,202,911**	1,175,250
Provincial plan capital grant	—	**44,800**	52,173
Other capital contributions	—	**5,083**	2,198
MCP	72,835	**73,302**	67,567
Inpatient	12,184	**10,260**	9,058
Resident	18,201	**18,005**	17,714
Outpatient	10,078	**8,015**	8,733
Other	40,446	**42,569**	36,266
	1,356,655	**1,404,945**	1,368,959
Expenditures			
Patient and resident services	365,641	**365,589**	351,763
Client services	253,337	**258,235**	274,202
Diagnostic and therapeutic	174,879	**175,989**	162,476
Support	150,968	**150,964**	145,794
Ambulatory care	125,400	**128,924**	116,670
Administration	114,428	**113,574**	109,165
Medical services	104,971	**105,373**	93,726
Other	35,997	**24,567**	29,636
Research and education	18,278	**18,227**	17,738
Amortization of tangible capital assets	—	**31,605**	27,767
Accrued severance pay	—	**10,125**	8,373
Accrued sick leave	—	**2,831**	1,996
Accrued vacation pay	—	**979**	3,270
Interest on long-term debt	10,387	**9,594**	9,715
	1,354,286	**1,396,576**	1,352,291
Annual surplus	2,369	**8,369**	16,668
Accumulated deficit, beginning of year		**(70,865)**	(87,533)
Accumulated deficit, end of year		**(62,496)**	(70,865)

See accompanying notes

Eastern Regional Health Authority - Operating Fund

NON-CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT

Year ended March 31
[in thousands of dollars]

	Budget $ *[unaudited]*	2012 $	2011 $ *[unaudited]*
Annual surplus	—	**8,369**	16,668
Changes in tangible capital assets			
Acquisition of tangible capital assets	—	**(49,883)**	(54,371)
Amortization of tangible capital assets	—	**31,605**	27,767
Increase in net book value of tangible capital assets	—	**(18,278)**	(26,604)
Changes in other non-financial assets			
Net change in prepaid expenses - (increase) decrease	—	**1,495**	(2,121)
Net change in supplies inventory - (increase) decrease	—	**(1,673)**	122
Amortization of deferred charges	—	**—**	84
Increase in other non-financial assets	—	**(178)**	(1,915)
Increase in net debt	—	**(10,087)**	(11,851)
Net debt, beginning of year	—	**(428,052)**	(416,201)
Net debt, end of year	—	**(438,139)**	(428,052)

See accompanying notes

Eastern Regional Health Authority - Operating Fund

NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at
[in thousands of dollars]

	March 31, 2012 $	March 31, 2011 $ [unaudited]	April 1, 2010 $ [unaudited]
Financial Assets			
Cash	**6,406**	—	—
Accounts receivable *[note 4]*	**22,684**	21,672	22,538
Due from government/other government entities *[note 5]*	**67,924**	94,410	74,690
Advance to General Hospital Hostel Association	**1,374**	1,497	1,617
Sinking fund investment *[note 12]*	**12,063**	10,670	9,333
	110,451	128,249	108,178
Liabilities			
Bank indebtedness *[note 7]*	—	11,614	1,047
Accounts payable and accrued liabilities *[note 8]*	**107,917**	106,629	97,533
Due to government/other government entities *[note 9]*	**24,617**	23,767	18,289
Employee future benefits			
Accrued sick leave *[note 18]*	**61,508**	58,677	56,681
Accrued severance pay *[note 17]*	**107,068**	96,943	88,570
Accrued vacation pay	**48,132**	47,153	43,883
Deferred revenue *[note 10]*			
Deferred capital grants	**50,597**	52,549	50,353
Deferred operating revenue	**7,750**	15,554	22,242
Long-term debt *[note 11]*	**141,001**	143,415	145,781
	548,590	556,301	524,379
Net debt	**(438,139)**	(428,052)	(416,201)
Non financial assets			
Deferred charges	—	—	84
Tangible capital assets *[note 6]*	**354,867**	336,589	309,985
Supplies inventory	**14,505**	12,832	12,954
Prepaid expenses	**6,271**	7,766	5,645
	375,643	357,187	328,668
Accumulated deficit	**(62,496)**	(70,865)	(87,533)

Contingencies *[note 15]*
Contractual obligations *[note 16]*

See accompanying notes

Approved by the Board:

Director Director

ERNST & YOUNG

Eastern Regional Health Authority - Operating Fund

NON-CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31
[in thousands of dollars]

	2012 $	2011 $ *[unaudited]*
Operating transactions		
Annual surplus	**8,369**	16,668
Adjustments for:		
Amortization of tangible capital assets	**31,605**	27,767
Capital grants provincial and other	**(49,883)**	(54,371)
Increase in accrued severance pay	**10,125**	8,373
Increase in accrued sick leave	**2,831**	1,996
Amortization of deferred charges	**—**	84
Changes in non-cash assets and liabilities related to operations *[note 13]*	**18,657**	(7,501)
Cash provided by (used in) operating transactions	**21,704**	(6,984)
Capital transactions		
Construction and purchase of tangible capital assets	**(49,883)**	(54,371)
Capital asset contributions	**49,883**	54,371
Cash provided by capital transactions	**—**	—
Investing transactions		
Sinking fund payments	**(1,393)**	(1,336)
Cash used in investing transactions	**(1,393)**	(1,336)
Financing transactions		
Increase (decrease) in bank indebtedness	**(11,614)**	10,567
Repayment of long-term debt	**(2,414)**	(2,367)
Repayment of advance to General Hospital Hostel Association	**123**	120
Cash provided by (used in) financing transactions	**(13,905)**	8,320
Net increase in cash	**6,406**	—
Cash, beginning of year	**—**	—
Cash, end of year	**6,406**	—
Supplementary disclosure of cash flow information		
Interest paid	**9,594**	10,461

See accompanying notes

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2012
[All amounts are in Canadian dollars, except amounts disclosed in tables which are presented in thousands of Canadian dollars]

1. NATURE OF OPERATIONS

The Eastern Regional Health Authority ["Eastern Health" or the "Authority"] is responsible for the governance of health services in the Eastern Region of the Province of Newfoundland and Labrador [the "Province"].

The mandate of Eastern Health spans the full health continuum, including primary and secondary level health and community services for the Eastern Region (Avalon, Bonavista and Burin Peninsulas, west to Port Blandford), as well as tertiary and other provincial programs/services for the entire Province. The Authority also has a mandate to work to improve the overall health of the population through its focus on public health as well as on health promotion and prevention initiatives. Services are both community and institutional based. In addition to the provision of comprehensive health care services, Eastern Health also provides education and research in partnership with all stakeholders.

Until October 2011, the Authority was responsible for child, youth and family related services. Effective October 31, 2011, a new department for child, youth and family services ["CYFS"] was formed by the Government of Newfoundland and Labrador, and the related operations were transferred from the Authority to the new CYFS department. The non-consolidated financial statements of the Authority include the operations of CYFS for the seven-month period ended October 31, 2011.

Eastern Health is a registered charity and, while registered, is exempt from income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The Authority considers itself to be an Other Government Organization ["OGO"]. Accordingly, these non-consolidated financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards ["PSA"] as promulgated by the Canadian Institute of Chartered Accountants ["CICA"]. Previously, the Authority's financial statements were prepared in accordance with Part V of the CICA Handbook ["Pre-changeover Accounting Standards" or "Previous GAAP"].

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

The significant accounting policies used in the preparation of these non-consolidated financial statements are as follows:

Basis of presentation

These non-consolidated financial statements reflect the assets, liabilities, revenue, and expenditures of the Operating Fund. Trusts administered by Eastern Health are not included in the non-consolidated statement of financial position. These non-consolidated financial statements have not been consolidated with those of other organizations controlled by Eastern Health because they have been prepared for the Authority's Board of Trustees and the department of Health and Community Services [the "Department"]. Since these non-consolidated financial statements have not been prepared for general purposes, they should not be used by anyone other than the specified users. Consolidated financial statements have been issued.

Revenue recognition

Provincial plan revenues without eligibility criteria and stipulations restricting their use are recognized as revenue when the government transfers are authorized.

Government transfers with stipulations restricting their use are recognized as revenue when the transfer is authorized and the eligibility criteria are met by the Authority, except when and to the extent the transfer gives rise to an obligation that constitutes a liability. When the transfer gives rise to an obligation that constitutes a liability, the transfer is recognized in revenue when the liability is settled.

Medical Care Plan ["MCP"], inpatient, outpatient and residential revenues are recognized in the period services are provided.

The Authority is funded by the Department for the total of its operating costs, after deduction of specified revenue and expenditures, to the extent of the approved budget. The final amount to be received by the Authority for a particular fiscal year will not be determined until the Department has completed its review of the Authority's financial statements. Adjustments resulting from the Department's review and final position statement will be considered by the Authority and reflected in the period of assessment.

Expense recognition

Expenses are recorded on the accrual basis as they are incurred and measurable based on receipt of goods or services and obligation to pay.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

Asset classification

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not to be consumed in the normal course of operations. Non-financial assets are acquired, constructed or developed assets that do not provide resources to discharge existing liabilities but are employed to deliver healthcare services, may be consumed in normal operations and are not for resale.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks, net of any overdrafts.

Inventory

Inventory is valued at the lower of cost and net realizable value, determined on a first-in, first-out basis.

Tangible capital assets

Capital assets are recorded at cost, although title to certain of these assets is held by the Government of Newfoundland and Labrador [the "Government"]. Contributed capital assets are recorded at their estimated fair value at the date of contribution. Minor equipment purchases are charged to operations in the year of acquisition.

Amortization is calculated on a straight-line and declining balance basis at the rates set out below.

It is expected that these rates will charge operations with the total cost of the assets less estimated salvage value over the useful lives of the assets.

Land improvements	10 years
Buildings and improvements	40 years
Equipment	5 – 7 years
Equipment under capital leases	7 – 10 years

Gains and losses on disposal of individual assets are recognized in operations in the period of disposal.

Construction in progress is not amortized until the project is substantially complete at which time the project costs are transferred to the appropriate asset class and amortized accordingly.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

Impairment of long-lived assets

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Authority's ability to provide goods and services, or when the value of future economic benefits associated with tangible capital assets is less than their net book value. The net write-downs are accounted for as expenses in the non-consolidated statement of operations.

Capital and operating leases

A lease that transfers substantially all of the benefits and risks associated with ownership of property is accounted for as a capital lease. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the asset's fair value. Assets acquired under capital leases are amortized on the same basis as other similar capital assets. All other leases are accounted for as operating leases and the payments are expensed as incurred.

Accrued vacation pay

Vacation pay is accrued for all employees as entitlement is earned.

Accrued severance

Employees are entitled to severance benefits as stipulated in their conditions of employment. The right to be paid severance pay vests with employees with nine years of continual service with Eastern Health or another public sector employer. Severance is payable when the employee ceases employment with Eastern Health and the public sector. The severance benefit obligation has been actuarially determined using assumptions based on management's best estimates of future salary and wage changes, employee age, years of service, the probability of voluntary departure due to resignation or retirement, the discount rate and other factors. Discount rates are based on the Province's long-term borrowing rate. Actuarial gains and losses are recognized immediately through the non-consolidated statement of operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

Accrued sick leave

Employees of Eastern Health are entitled to sick pay benefits which accumulate but do not vest. In accordance with PSA for post-employment benefits and compensated balances, Eastern Health recognizes the liability in the period in which the employee renders service. The obligation is actuarially determined using assumptions based on management's best estimates of the probability of use of accrued sick leave, future salary and wage changes, employee age, the probability of departure, retirement age, the discount rate and other factors. Discount rates are based on the Province's long-term borrowing rate. Actuarial gains and losses are recognized immediately through the non-consolidated statement of operations.

Pension costs

Employees are members of the Public Service Pension Plan and the Government Money Purchase Plan [the "Plans"] administered by the Government. Contributions to the Plans are required from both the employees and Eastern Health. The annual contributions for pensions are recognized as an expense and amounted to $40,724,565 for the year ended March 31, 2012 [2011 – $38,745,593].

Sinking funds

Sinking funds established for the partial retirement of Eastern Health's sinking fund debenture are held and administered in trust by the Government.

Contributed services

Volunteers contribute a significant amount of their time each year assisting Eastern Health in carrying out its service delivery activities. Due to the difficulty in determining fair value, contributed services are not recognized in these non-consolidated financial statements.

Financial instruments

Financial assets and liabilities are classified according to their characteristics and management's choices and intentions related thereto for the purpose of ongoing measurements. The fair value of a financial instrument is the estimated amount to be received or paid to terminate the instrument's agreement at the reporting date. Various market value data and other valuation techniques are used as appropriate to estimate the fair value of each type of financial instrument.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2012
[All amounts are in Canadian dollars, except amounts disclosed in tables which are presented in thousands of Canadian dollars]

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

Financial assets and liabilities are generally classified and measured as follows:

Asset/Liability	Classification	Measurement
Cash	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Bank indebtedness	Other liabilities	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Long-term debt	Other liabilities	Amortized cost

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, the disclosure of contingent assets and liabilities at the date of the non-consolidated financial statements, and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from these estimates.

3. TRANSITION TO PUBLIC SECTOR ACCOUNTING STANDARDS

Prior to the presentation of the March 31, 2012 non-consolidated financial statements, the Authority followed the recommendations of Pre-changeover Standards. In October 2009, the Public Sector Accounting Board ["PSAB"] finalized changes to accounting standards. As a result, for fiscal years ending on or after January 1, 2011, the Authority is required to reclassify itself in accordance with PSA standards. In accordance with recommendations of the Public Sector Accounting Handbook, the Authority determined that it is an OGO and PSA is the most appropriate framework for reporting purposes. The Authority adopted PSA for its fiscal year beginning April 1, 2011, with a transition date of April 1, 2010 [the "Transition Date"].

The impact of the conversion to PSA on the accumulated deficit at the Transition Date and on the comparative annual surplus for the year ended March 31, 2011 is presented in the reconciliations below. These accounting changes have been applied retroactively with restatement of prior periods.

3. TRANSITION TO PUBLIC SECTOR ACCOUNTING STANDARDS

Exceptions to retroactive application

The Authority ensured that the estimates reflected in the opening non-consolidated statement of financial position prepared in accordance with PSA were consistent with those in the non-consolidated statement of financial position as at the same date prepared under Previous GAAP adjusted, as needed, for any difference in accounting policy. Estimates required under PSA that were not required under Previous GAAP reflect the conditions that existed at the opening non-consolidated statement of financial position date prepared in accordance with PSA.

Exemptions applied

In accordance with Section PS 2125, *First-time Adoption by Government Organizations*, the Authority elected to apply the following exemptions:

Tangible capital asset impairment
As a result of applying this exemption, the Authority prospectively applied, as of the Transition Date, the impairment criteria and conditions for tangible capital assets set out in Section PS 3150, *Tangible Capital Assets*.

Retirement and post-employment benefits
As a result of applying this exemption, the Authority elected to recognize all cumulative actuarial gains and losses as at the Transition Date to PSA directly in accumulated deficit.

The Authority reviewed the first-time adoption standard and determined that none of the other exemptions were applicable.

Early adoption

Section PS 3410, *Government Transfers*, was amended by the PSAB in December 2010. The main changes pertain to recognition criteria for government transfers by the recipient. These amendments are effective for fiscal years beginning on or after April 1, 2012 and earlier adoption is encouraged. The Authority elected to early adopt the Section for the year ended March 31, 2012.

Section PS 3450, *Financial Instruments*, 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 period it adopts PSA for the first time, this standard cannot be applied retroactively. The Authority previously disclosed in its prior non-consolidated financial statements the various risks related to financial instruments as required by this standard. As a result, there was no significant impact to the Authority's non-consolidated financial statements upon early adoption of this standard.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2012
[All amounts are in Canadian dollars, except amounts disclosed in tables which are presented in thousands of Canadian dollars]

3. TRANSITION TO PUBLIC SECTOR ACCOUNTING STANDARDS [Cont'd]

The following tables present the reconciliation of account balances from Previous GAAP to PSA:

[i] Reconciliation of the April 1, 2010 non-consolidated statement of financial position:

	Footnotes	Previous GAAP $	Adjustments $	PSA Standards $
Financial Assets				
Accounts receivable	f	97,228	(74,690)	22,538
Due from government /other government entities	f	—	74,690	74,690
Advance to General Hospital Hostel Association		1,617	—	1,617
Trust funds	a	3,820	(3,820)	—
Sinking fund investment	b	—	9,333	9,333
		102,665	5,513	108,178
Liabilities				
Bank indebtedness		1,047	—	1,047
Accounts payable and accrued liabilities	f	115,822	(18,289)	97,533
Due to government /other government entities	f	—	18,289	18,289
Employee future benefits				
Accrued sick leave	e	—	56,681	56,681
Accrued severance pay	c, g	113,069	(24,499)	88,570
Accrued vacation pay		43,883	—	43,883
Deferred revenue				
Deferred capital contributions	d	123,209	(123,209)	—
Deferred capital grants		50,353	—	50,353
Deferred operating revenue		22,242	—	22,242
Trust funds	a	3,820	(3,820)	—
Long-term debt	b, c	136,448	9,333	145,781
		609,893	(85,514)	524,379
Net debt		(507,228)	91,027	(416,201)
Non financial assets				
Deferred charges		84	—	84
Tangible capital assets		309,985	—	309,985
Supplies inventory		12,954	—	12,954
Prepaid expenses		5,645	—	5,645
		328,668	—	328,668
Accumulated deficit	d, e, g	(178,560)	91,027	(87,533)

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2012
[All amounts are in Canadian dollars, except amounts disclosed in tables which are presented in thousands of Canadian dollars]

3. TRANSITION TO PUBLIC SECTOR ACCOUNTING STANDARDS [Cont'd]

[ii] Reconciliation of the March 31, 2011 non-consolidated statement of financial position:

	Footnotes	Previous GAAP $	Adjustments $	PSA Standards $
Financial Assets				
Accounts receivable	f	116,082	(94,410)	21,672
Due from government /other government entities	f	—	94,410	94,410
Advance to General Hospital Hostel Association		1,497	—	1,497
Trust funds	a	3,891	(3,891)	—
Sinking fund investment	b	—	10,670	10,670
		121,470	6,779	128,249
Liabilities				
Bank indebtedness		11,614	—	11,614
Accounts payable and accrued liabilities	f	130,396	(23,767)	106,629
Due to government /other government entities	f	—	23,767	23,767
Employee future benefits				
Accrued sick leave	e	—	58,677	58,677
Accrued severance pay	c, g	118,745	(21,802)	96,943
Accrued vacation pay		47,153	—	47,153
Deferred revenue				
Deferred capital contributions	d	159,619	(159,619)	—
Deferred capital grants		52,549	—	52,549
Deferred operating revenue		15,554	—	15,554
Trust funds	a	3,891	(3,891)	—
Long-term debt	b, c	132,745	10,670	143,415
		672,266	(115,965)	556,301
Net debt		(550,796)	122,744	(428,052)
Non financial assets				
Tangible capital assets		336,589	—	336,589
Supplies inventory		12,832	—	12,832
Prepaid expenses		7,766	—	7,766
		357,187	—	357,187
Accumulated deficit	d, e, g	(193,609)	122,744	(70,865)

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2012
[All amounts are in Canadian dollars, except amounts disclosed in tables which are presented in thousands of Canadian dollars]

3. TRANSITION TO PUBLIC SECTOR ACCOUNTING STANDARDS [Cont'd]

[iii] Resulting adjustments to annual surplus (deficit) for the year ended March 31, 2011:

	$
Annual deficit, March 31, 2011 – Previous GAAP	(15,049)
Reversal of amortization of deferred capital contributions *[d]*	(17,961)
Provincial plan capital grants *[d]*	54,371
Change to accrued severance pay *[g]*	(2,697)
Change to accrued sick leave *[e]*	(1,996)
Annual surplus, March 31, 2011 – PSA	16,668

Notes:

[a] Under Previous GAAP, the Authority recorded all trust funds that it administered on behalf of other government entities. Under PSA, trusts administrated by a government organization should be excluded from the government reporting entity statements and disclosed in a note to the financial statements, describing the trusts under administration. As a result, the Authority removed the trust fund amounts previously recorded at the Transition Date.

[b] Under Previous GAAP, the sinking fund investment was presented net of sinking fund debenture. Under Section PS 3230, *Long-term Debt*, external restrictions on assets such as sinking fund investments can be segregated and presented separately on the non-consolidated statement of financial position. As a result, the Authority reclassified the sinking fund investment and has presented it separately on the non-consolidated statement of financial position.

[c] Under Previous GAAP, the Authority presented a current portion of accrued severance pay and long-term debt on the non-consolidated statement of financial position. Under PSA, current assets and liabilities are not presented separately. As a result, the current portion classification was removed upon the Transition Date and the total associated obligations are presented within one line on the non-consolidated statement of financial position.

3. TRANSITION TO PUBLIC SECTOR ACCOUNTING STANDARDS [Cont'd]

[d] Under Previous GAAP, government transfers received and used for the purchase of capital assets were deferred and amortized to operations at the same rate the related assets were amortized. Under Section PS 3410, *Government Transfers*, funds received from the government and used for the purchase of capital assets are recognized as revenue when no stipulations exist and the related liability has been settled. As a result, the Authority removed the balance of deferred capital contributions at the Transition Date of $123,209,000 which resulted in a decrease in deferred capital contributions and a corresponding decrease in the accumulated deficit.

[e] Each employee of the Authority is entitled to a number of days of sick leave per fiscal year. Earned but unused sick leave is accrued and deferred. Under Previous GAAP, the Authority was not required to recognize a liability in respect of sick leave to the extent that the incapacity to work arising from injury or illness had not occurred. Under Section PS 3255, *Post-employment Benefits, Compensated Absences and Termination Benefits*, sick pay benefits that accumulate but do not vest are considered obligations. As a result, the Authority recorded an employee future benefit obligation related to sick leave, which resulted in an increase in the accumulated deficit at the Transition Date and an increase to the related expense in the non-consolidated statement of operations for 2011 and 2012.

[f] Under Previous GAAP, the Authority presented amounts due from and to government and other government entities within the respective accounts receivable and accounts payable balances on the non-consolidated statement of financial position. Section PS 1200, *Financial Statement Presentation*, suggests that amounts due from and to government and other government entities should be presented separately on the non-consolidated statement of financial position. As a result, the Authority has reclassified these amounts and presented them separately.

[g] Under Previous GAAP, the Authority recognized accrued severance pay, calculated based upon years of service and current salary levels. Under Section PS 3250, *Retirement Benefits*, the accrued severance pay would be classified as a retirement benefit and would follow the accrued benefit method, which is used to attribute the cost of the retirement benefit to the period of employee service through an actuarial valuation. As a result, the Authority recorded a change to the value of the accrued severance pay, which decreased the accumulated deficit at the Transition Date.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2012
[All amounts are in Canadian dollars, except amounts disclosed in tables which are presented in thousands of Canadian dollars]

4. ACCOUNTS RECEIVABLE

	March 31, 2012 $	**March 31, 2011 $** *[unaudited]*	**April 1, 2010 $** *[unaudited]*
Services to patients, residents and clients	**5,360**	7,672	8,799
Other	**17,324**	14,000	13,739
	22,684	21,672	22,538

5. DUE FROM GOVERNMENT/OTHER GOVERNMENT ENTITIES

	March 31, 2012 $	**March 31, 2011 $** *[unaudited]*	**April 1, 2010 $** *[unaudited]*
Government of Newfoundland and Labrador	**54,330**	65,751	60,288
Other government entities	**13,594**	28,659	14,402
	67,924	94,410	74,690

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2012
[All amounts are in Canadian dollars, except amounts disclosed in tables which are presented in thousands of Canadian dollars]

6. TANGIBLE CAPITAL ASSETS

	Land and land improvements $	Buildings and improvements $	Equipment $	Equipment under capital leases $	Construction in progress $	Total $
March 31, 2012						
Cost						
Opening balance	2,810	341,232	409,515	15,445	41,374	810,376
Additions	—	10,495	32,541	—	6,847	49,883
Disposals	—	—	(940)	—	—	(940)
Closing balance	2,810	351,727	441,116	15,445	48,221	859,319
Accumulated amortization						
Opening balance	492	134,918	323,591	14,786	—	473,787
Additions	—	8,841	22,665	99	—	31,605
Disposals	—	—	(940)	—	—	(940)
Closing balance	492	143,759	345,316	14,885	—	504,452
Net book value	2,318	207,968	95,800	560	48,221	354,867

	Land and land improvements $	Buildings and improvements $	Equipment $	Equipment under capital leases $	Construction in progress $	2011 Total $ *[unaudited]*	2010 Total $ *[unaudited]*
March 31, 2011							
Cost							
Opening balance	2,810	336,965	374,128	15,445	26,935	756,283	716,733
Additions	—	4,267	35,664	—	14,439	54,370	39,922
Disposals	—	—	(277)	—	—	(277)	(372)
Closing balance	2,810	341,232	409,515	15,445	41,374	810,376	756,283
Accumulated amortization							
Opening balance	474	127,694	303,512	14,618	—	446,298	421,417
Additions	18	7,224	20,356	168	—	27,766	24,881
Disposals	—	—	(277)	—	—	(277)	—
Closing balance	492	134,918	323,591	14,786	—	473,787	446,298
Net book value	2,318	206,314	85,924	659	41,374	336,589	309,985

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2012
[All amounts are in Canadian dollars, except amounts disclosed in tables which are presented in thousands of Canadian dollars]

7. BANK INDEBTEDNESS

The Authority has access to lines of credit totaling $64,000,000 in the form of revolving demand loans and/or bank overdrafts at its financial institution, which was unused as at March 31, 2012 [March 31, 2011 – $52,386,000; April 1, 2010 – $62,953,000]. The Authority's ability to borrow has been approved by the Province's Minister of Health and Community Services.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2012 $	**March 31, 2011 $** *[unaudited]*	**April 1, 2010 $** *[unaudited]*
Accounts payable and accrued liabilities	**67,588**	73,989	64,803
Salaries and wages payable	**35,588**	28,810	29,321
Employee/employer remittances	**4,741**	3,830	3,409
	107,917	106,629	97,533

9. DUE TO GOVERNMENT/OTHER GOVERNMENT ENTITIES

	March 31, 2012 $	**March 31, 2011 $** *[unaudited]*	**April 1, 2010 $** *[unaudited]*
Federal government	**11,251**	10,677	9,971
Provincial government	**7,387**	6,023	5,444
Other government entities	**5,979**	7,067	2,874
	24,617	23,767	18,289

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2012
[All amounts are in Canadian dollars, except amounts disclosed in tables which are presented in thousands of Canadian dollars]

10. DEFERRED REVENUE

	March 31, 2012 $	March 31, 2011 $ *[unaudited]*	April 1, 2010 $ *[unaudited]*
Deferred capital grants [a]			
Balance at beginning of year	**52,549**	50,353	33,944
Receipts during year	**47,931**	56,567	55,959
Recognized in revenue during year	**(49,883)**	(54,371)	(39,550)
Balance at end of year	**50,597**	52,549	50,353
Deferred operating revenue [b]			
Balance at beginning of year	**15,554**	22,242	32,898
Receipts during year	**1,245,195**	1,133,814	957,312
Recognized in revenue during year	**(1,252,999)**	(1,140,502)	(967,968)
Balance at end of year	**7,750**	15,554	22,242

[a] Deferred capital grants represent government transfers received with associated stipulations relating to the purchase of capital assets, resulting in a liability. These grants will be recognized as revenue when the related assets are acquired and the liability is settled.

[b] Deferred operating revenue represents externally restricted government transfers with associated stipulations relating to specific projects or programs, resulting in a liability. These transfers will be recognized as revenue in the period in which the resources are used for the purpose specified.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2012
[All amounts are in Canadian dollars, except amounts disclosed in tables which are presented in thousands of Canadian dollars]

11. LONG-TERM DEBT

	March 31, 2012 $	March 31, 2011 $ [unaudited]	April 1, 2010 $ [unaudited]
Sinking fund debenture, Series HCCI, 6.9%, to mature June 15, 2040, interest payable semi-annually on June 15 and December 15 [the "Debenture"].	**130,000**	130,000	130,000
Royal Bank of Canada (Central Kitchen), 6.06% loan maturing May 2014, payable in monthly instalments of principal and interest of $101,670.	**2,480**	3,508	4,485
Newfoundland and Labrador Housing Corporation 2.75% mortgage, maturing December 2020, repayable in blended monthly instalments of $18,216, secured by land and building with a net book value of $1,829,646.	**1,699**	1,869	2,022
Royal Bank of Canada (Veterans Pavilion), 4.18% loan, unsecured, maturing April 2013, payable in blended monthly instalments of $55,670.	**706**	1,329	1,928
Canadian Imperial Bank of Commerce loan, unsecured, bearing interest at prime lending rate less 0.625 basis points, maturing 2016, repayable in monthly instalments of $21,200 plus interest.	**1,121**	1,375	1,630
Newfoundland and Labrador Housing Corporation 10% mortgage, maturing December 2028, repayable in blended monthly instalments of $8,955, secured by land and building with a net book value of $935,778.	**886**	906	924
Bank of Montreal 4.96% term loan, unsecured, amortized to December 2014, repayable in blended monthly instalments of principal and interest of $7,070.	**146**	224	296
Newfoundland and Labrador Housing Corporation 2.40% mortgage, amortized to July 1, 2020, repayable in blended monthly instalments of $1,022, secured by property with a net book value of $1,910,869.	**93**	102	112
Canada Mortgage and Housing Corporation mortgages on land and buildings with a net book value of $4,619,334 – 8%, on Blue Crest Home; repayable in blended monthly instalments of $7,777, maturing November 2025.	**781**	811	840
10.5% on Golden Heights Manor, repayable in blended monthly instalments of $7,549, maturing August 2027.	**701**	719	734
2.65% on Golden Heights Manor, repayable in blended monthly instalments of $20,482, maturing June 2023.	**2,388**	2,572	2,740
Bank of Montreal, 3.82%, repaid during the prior period	**–**	–	70
	141,001	143,415	145,781

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2012
[All amounts are in Canadian dollars, except amounts disclosed in tables which are presented in thousands of Canadian dollars]

11. LONG-TERM DEBT [Cont'd]

Annual principal repayments to maturity are as follows:

	$
2013	2,528
2014	2,005
2015	945
2016	752
2017	621
Thereafter	134,150

12. SINKING FUND

A sinking fund investment, established for the partial retirement of the Debenture *[note 11]*, is held in trust by the Government. The balance at March 31, 2012 included interest earned in the amount of $3,841,000 [March 31, 2011 – $3,194,000; April 1, 2010 – $2,606,000].

The semi-annual interest payments on the Debenture are $4,485,000. The annual principal payment to the sinking fund investment until the maturity of the Debenture on June 15, 2040 is $747,500.

The semi-annual interest payments and mandatory annual Debenture sinking fund payments are guaranteed by the Government.

13. CHANGES IN NON-CASH ASSETS AND LIABILITIES RELATED TO OPERATIONS

	2012 $	2011 $ *[unaudited]*
Accounts receivable	**(1,012)**	866
Supplies inventory	**(1,673)**	122
Prepaid expenses	**1,495**	(2,121)
Accounts payable and accrued liabilities	**1,288**	9,096
Due from/to government/other government entities	**27,336**	(14,842)
Accrued vacation pay	**979**	3,270
Deferred capital grants	**(1,952)**	2,196
Deferred operating revenue	**(7,804)**	(6,088)
	18,657	(7,501)

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2012
[All amounts are in Canadian dollars, except amounts disclosed in tables which are presented in thousands of Canadian dollars]

14. TRUST FUNDS

Trusts administered by the Authority have not been included in these non-consolidated financial statements as they are excluded from the government reporting entity. At March 31, 2012, the balance of funds held in trust for residents of long-term care facilities was $4,250,000 [March 31, 2011 – $3,891,000; April 1, 2010 – $3,821,000]. These trust funds consist of a monthly comfort allowance provided to residents who qualify for subsidization of their boarding and lodging fees.

15. CONTINGENCIES

A number of claims have been filed against the Authority. An estimate of loss, if any, relative to these matters is not determinable at this time and no provision has been recorded in the accounts for these matters. In the view of management, the Authority's insurance program adequately addresses the risk of loss in these matters.

16. CONTRACTUAL OBLIGATIONS

The Authority has entered into a number of operating leases and multiple year contracts for the delivery of services and the purchase of assets. These contractual obligations will become liabilities in the future when the terms of the contracts are met. The disclosure below relates to the unperformed portion of the contracts:

	2013 $	2014 $	2015 $	2016 $	2017 $	Thereafter $
Future operating lease payments	12,623	1,217	11,782	11,555	10,437	71,575
Managed print services	2,435	2,435	2,435	2,435	2,435	—
Vehicles	194	194	70	7	—	—
	15,252	3,846	14,287	13,997	12,872	71,575

[All amounts are in Canadian dollars, except amounts disclosed in tables which are presented in thousands of Canadian dollars]

17. ACCRUED SEVERANCE PAY

The Authority provides a severance payment to employees upon retirement, resignation or termination without cause. In 2012, cash payments to retirees for the Authority's unfunded employee future benefits amounted to approximately $7,872,000 [2011 – $6,442,000]. The actuarial valuation for both the accrued severance pay and accrued sick leave was performed effective April 1, 2010, and an extrapolation of that valuation has been performed to March 31, 2011 and March 31, 2012.

	2012 $	2011 $ *[unaudited]*
Accrued benefit obligation, beginning of year	**96,943**	88,570
Benefits expense		
Current service cost	**6,741**	6,098
Interest cost	**4,481**	4,596
Actuarial loss	**6,775**	4,121
	114,940	103,385
Benefits paid	**(7,872)**	(6,442)
Accrued benefit obligation, end of year	**107,068**	96,943

The significant actuarial assumptions used in measuring the accrued severance pay and benefits expenses are as follows:

	2012 $	2011 $	2010 $
Discount rate – benefit cost	**3.85**	4.65	5.20
Rate of compensation increase	**4.00**	4.00	4.00

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2012
[All amounts are in Canadian dollars, except amounts disclosed in tables which are presented in thousands of Canadian dollars]

18. ACCRUED SICK LEAVE

	2012 $	2011 $ *[unaudited]*
Accrued benefit obligation, beginning of year	**58,677**	56,681
Benefits expense		
Current service cost	**6,329**	5,906
Interest cost	**2,669**	2,878
Actuarial loss	**2,741**	1,777
	70,416	67,242
Benefits paid	**(8,908)**	(8,565)
Accrued benefit obligation, end of year	**61,508**	58,677

The significant actuarial assumptions used in measuring the accrued sick leave and benefits expenses are as follows:

	2012 $	2011 $	2010 $
Discount rate – benefit cost	**3.85**	4.65	5.20
Rate of compensation increase	**4.00**	4.00	4.00

19. RELATED PARTY TRANSACTIONS

The Authority had the following transactions with the Government and other government controlled entities:

	2012 $	2011 $ *[unaudited]*
Grants from the Province	**1,247,711**	1,227,423
Transfers from other government entities	**85,222**	78,828
Transfers to other government entities	**(99,913)**	(98,239)
	1,233,020	1,208,012

20. CAPITAL MANAGEMENT

The Authority's objective when managing capital is to ensure it maintains adequate capital to support its continued operations.

The Authority is not subject to externally imposed capital requirements.

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial risk factors

The Authority is exposed to a number of risks as a result of the financial instruments on its non-consolidated statement of financial position that can affect its operating performance. These risks include credit risk, liquidity risk and market risk. The Authority's Board of Trustees has overall responsibility for the oversight of these risks and reviews the Authority's policies on an ongoing basis to ensure that these risks are appropriately managed. The source of risk exposure and how each is managed is outlined below:

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligation.

The Authority's credit risk is primarily attributable to accounts receivable. Eastern Health has a collection policy and monitoring processes intended to mitigate potential credit losses. Management believes that the credit risk with respect to accounts receivable is not material.

Liquidity risk

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations as they become due. The Authority has an authorized credit facility totaling $64,000,000, which is unused as at March 31, 2012. To the extent that the Authority does not believe it has sufficient liquidity to meet current obligations, consideration will be given to obtaining additional funds through third party funding or the Province, assuming these can be obtained.

Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and price risk, will affect the Authority's operations or the value of its financial instruments. The Authority is not subject to foreign exchange risk or interest rate price risk.

Long-term debt principally bears interest at fixed rates. The Authority does not consider its cash flow exposure to be significant.

[All amounts are in Canadian dollars, except amounts disclosed in tables which are presented in thousands of Canadian dollars]

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT [Cont'd]

Fair value

The fair value of the Authority's short-term financial instruments approximates their carrying value due to the short-term maturity and normal credit terms of those instruments.

The carrying value of long-term debt is considered to approximate fair value.

22. BUDGET

The Authority prepares an initial budget for a fiscal period that is approved by the Board of Trustees and Government [the "Original Budget"]. The Original Budget may change significantly throughout the year as it is updated to reflect the impact of all known service and program changes approved by the Government. Additional changes to services and programs that are initiated throughout the year would be funded through amendments to the Original Budget and an updated budget is prepared by the Authority. The updated budget amounts are reflected in the unaudited budget amounts as presented in the non-consolidated statement of operations [the "Budget"].

The Original Budget and Budget do not include amounts relating to certain non-cash and other items including capital asset amortization, the recognition of provincial capital grants and other capital contributions, adjustments required to the accrued benefit obligations associated with severance and sick leave, and adjustments to accrued vacation pay.

The Original Budget and Budget prepared by the Authority were not updated to reflect the transfer of CYFS' operations from the Authority to a separate department of the Government during 2012. Approximately $90,900,000 was included in the Original Budget which related to the CYFS budget. The transfer of CYFS is expected to result in a budget reduction of approximately $34,490,000 for the Authority.

The following presents a reconciliation of budgeted revenue for the year ended March 31, 2012:

	2012 $ *[unaudited]*
Original budgeted revenue	1,314,023
Adjustments during the year for service and program changes, net	25,332
Revised original budget	1,339,355
Stabilization funds approved by the Government	12,500
Deferred revenue recognized as approved by the Government	4,800
Final budget	1,356,655

EASTERN SCHOOL DISTRICT

AUDITOR'S REPORT
NON-CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2011

BYRON SMITH
CHARTERED ACCOUNTANT
MANAGEMENT CONSULTANT

BYRON SMITH
CHARTERED ACCOUNTANT
MANAGEMENT CONSULTANT

BYRON D. SMITH, B. Comm., C.F.E., C.A.

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AUDITOR'S REPORT

To the Board Members of:
Eastern School District

Report on the Financial Statements

I have audited the non-consolidated financial statements of the the Eastern School District, which comprise the non-consolidated statement of financial position as at December 31, 2010, and the non-consolidated statements of operations and changes in Capital Fund and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedure's 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 purposes 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.

The accounting policy with respect to Teachers' Severance Pay is described in Note 2. Canadian generally accepted accounting principles require that all accounts receivable should be recorded and disclosed on the financial statements. The liability for Teachers' Severance Pay has been recorded but no offsetting receivable has been recorded. In this respect, these financial statements are not in accordance with Canadian generally accepted accounting principles. If the accounts receivable were recorded in accordance with Canadian generally accepted accounting principles, changes to the amounts reported for accounts receivable, revenue, and excess of expenditures over revenue would be necessary.

Opinion

In my opinion, except for the effects of the failure to record accounts receivable as described in the preceding paragraph, these non-consolidated financial statements present fairly, in all material respects, the financial position of the Board as at June 30, 2011 and the results of its operations and changes in its capital financial position for the year then ended in accordance with Canadian generally accepted accounting principles and as explained in Note 1 to the non-consolidated financial statements and are in compliance with reporting requirements established for School Boards in the Province of Newfoundland and Labrador by the Department of Education.

Spaniard's Bay, NL
September 14, 2011

Byron Smith
CHARTERED ACCOUNTANT

Eastern School District
Non-Consolidated - Statement of Financial Position

As at June 30, 2011	2011	2010
Assets		
Current		
Cash (Note 4)	$ 14,366,925	$ 12,449,803
Short-term investments (Note 5)	894,425	875,628
Accounts receivable (Note 6)	3,451,491	2,346,068
Teachers' vacation pay (Note 7)	38,226,517	36,366,539
Prepaid expenses (Note 8)	667,814	660,108
	57,607,172	52,698,146
Cash restricted (Note 1)	5,350,000	5,251,597
Capital assets (Schedule 7 and Note 1)	250,316,205	227,081,592
	$313,273,377	$285,031,335
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 10)	$ 15,198,510	$ 12,418,587
Teachers' vacation pay (Note 7)	38,226,517	36,366,539
Current maturities (Schedule 8A)	500,231	648,884
Current portion of obligation under capital lease (Note 13)	840,250	834,802
	54,765,508	50,268,812
Long-term debt (Schedule 8)	1,914,419	1,779,335
Obligation under capital lease (Note 13)	819,856	1,554,596
Teachers' severance pay benefits (Note 2)	64,046,563	60,270,499
Other employee severance pay accrual (Note 1)	5,350,000	5,251,597
Other employee benefits (Note 11)	354,299	405,128
	127,250,645	119,529,967
District Equity		
Investment in capital assets (Note 12)	250,987,083	226,964,051
District deficiency (Note 19)	(64,964,351)	(61,462,683)
	186,022,732	165,501,368
	$313,273,377	$285,031,335

Contingent Liabilities (Note 17)

On Behalf of the Board:

_______________ Chairperson _______________ Treasurer

See accompanying notes to financial statements.

BYRON SMITH
CHARTERED ACCOUNTANT
MANAGEMENT CONSULTANT

Eastern School District
Non-Consolidated - Statement of Operations

For the Year Ended June 30, 2011	2011	2010
Current Revenue (Schedule 1)		
Provincial Government grants	$398,756,229	$382,250,924
Ancillary services	92,507	105,679
Miscellaneous	235,919	161,656
	399,084,655	382,518,259
Current Expenditures		
Administration (Schedule 2)	7,566,893	7,609,906
Instruction (Schedule 3)	328,799,371	313,561,647
Operations and maintenance (Schedule 4)	38,247,801	36,587,626
Pupil transportation (Schedule 5)	22,616,147	22,260,828
Miscellaneous (Schedule 6)	183,500	176,943
Interest (Schedule 8A)	117,146	164,045
	397,530,858	380,360,995
Excess of revenue over expenditures before undernoted items	1,553,797	2,157,264
Amortization of capital assets (Notes 1 and Schedule 7)	(16,375,975)	(14,673,442)
Transfer to capital	15,096,574	13,255,127
Excess of revenue over expenditures before teachers' severance	274,396	738,949
Net change in teachers' severance liability (Note 2)	(3,776,064)	(3,999,560)
Excess of (expenditures over revenue) revenue over expenditures	$ (3,501,668)	$ (3,260,611)

District deficiency, beginning of the year	$ (61,462,683)	$ (58,202,072)
Excess of (expenditures over revenue) revenue over expenditures	(3,501,668)	(3,260,611)
District deficiency, end of the year (Note 19)	$ (64,964,351)	$ (61,462,683)

See accompanying notes to financial statements.

BYRON SMITH
CHARTERED ACCOUNTANT
MANAGEMENT CONSULTANT

Eastern School District
Non-Consolidated - Statement of Cash Flows

For the Year Ended June 30, 2011	2011	2010
OPERATING ACTIVITIES		
Excess of (expenditures over revenue)		
revenue over expenditures	$ (3,501,668)	$ (3,260,611)
Items not affecting cash:		
Amortization of capital assets	16,375,975	14,673,442
Amortization of energy retrofit	33,970	35,137
Adjustment to carrying value of certain capital assets		130,892
Severance pay accrual	98,403	221,597
Teacher's severance liability	3,776,064	3,999,560
Other employee benefits liability	(50,829)	(33,469)
Short term investments	(18,797)	(2,077)
Accounts receivable	(1,105,423)	1,296,314
Prepaid expenses	(7,706)	(143,550)
Accounts payable and accrued liabilities	2,779,919	(1,991,378)
	18,379,908	14,925,857
INVESTING ACTIVITIES		
Capital expenditures - net	(39,644,556)	(65,633,703)
Proceeds on disposal of capital assets		91,880
Change in investment in capital assets	24,023,032	52,270,468
	(15,621,524)	(13,271,355)
FINANCING ACTIVITIES		
Proceeds from obligation under capital lease	105,374	146,900
Repayment of obligation under capital lease	(834,666)	(862,499)
Proceeds from long-term borrowings	648,655	
Repayment of long-term debt	(662,224)	(816,981)
	(742,861)	(1,532,580)
Change in cash resources	2,015,523	121,922
Cash, beginning of the year	17,701,400	17,579,478
Cash , end of the year	$ 19,716,923	$ 17,701,400
Consist of:		
Cash	$ 14,366,925	$ 12,449,803
Cash - restricted	5,350,000	5,251,597
	$ 19,716,925	$ 17,701,400
Supplementary cash flow information:		
Interest paid	$ 117,146	$ 164,045
Interest paid - bussing loans	64,976	66,896
	$ 182,122	$ 230,941

See accompanying notes to financial statements.

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Eastern School District
Non-Consolidated - Statement of Changes in Capital Fund

For the Year Ended June 30, 2011	2011	2010
70 Capital receipts		
71 Proceeds from bank loans		
013 Service vehicles	$ 373,433	
014 Pupil transportation	263,635	
015 Other and capital lease	105,374	$ 146,900
	742,442	146,900
72 EIC grants		
011 School construction and equipment	38,739,498	65,103,971
74 Sale of capital assets - proceeds		
011 Land and 012 buildings		64,411
014 Service vehicles		27,469
		91,880
75 Other capital revenues		
013 Recoveries of expenditures (Bus Loan Principal)	380,108	363,307
76 Transfer from (to) current fund	(15,096,574)	(13,255,125)
Add: Amortization - adjustment to residuals and disposals		189,251
Add: Amortization of capital assets - non cash items	16,375,975	14,673,442
	1,279,401	1,607,568
	$ 41,141,449	$ 67,313,626
80 Capital disbursements		
81 Additions to capital assets		
011 Land and sites	$ 1,170,514	$ 9,841
012 Buildings	37,568,983	65,426,736
013 Furniture and equipment - Schools	267,991	146,900
014 Furniture and equipment - other		22,421
015 Service vehicles	373,433	27,805
016 Pupil transportation	263,635	
	39,644,556	65,633,703
82 Principal repayment of long-term debt		
012 Equipment	948,201	1,157,364
014 Energy Performance Contract	548,692	522,559
	1,496,893	1,679,923
	$ 41,141,449	$ 67,313,626

See accompanying notes to financial statements.

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Nature of Operations

The Eastern School District is responsible for the operations and maintenance of all schools in the Eastern portion of the Province of Newfoundland and Labrador. The District was formed August 31, 2004 after the Government of Newfoundland and Labrador dissolved four previous boards known as Vista School District, Burin School District, Avalon West School District, and Avalon East School District.

1. Significant Accounting Policies

These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of accounting policies summarized below:

Fund Accounting

The accompanying financial statements have been prepared on a fund accounting basis which is generally accepted for School Boards. Fund accounting can be defined as "accounting procedures in which a self balancing group of accounts is provided for each fund." It is customary for School Boards to account separately for the current and capital funds. These financial statements include both the current and capital funds on a combined basis.

Common Controlled Entities

These financial statements are prepared on a Non-Consolidated basis.

These financial statements do not include school based financial activities which would consist of revenues, expenses and net assets controlled by school administration.

The District currently exercises control over corporations known as the Eastern Education Foundation Inc. and Newfoundland International Student Exchange Program Inc.

The net assets of the Eastern Education Foundation Inc. as at December 31, 2010 were $ 192,158 in accordance with the financial statements compiled by the Corporation. These amounts have not been consolidated with the Districts financial statements.

The net assets of the Newfoundland Student Exchange Program Inc. (NISEP) as at June 30, 2011 are recorded in note 10 (accounts payable) of these financial statements. Net funds generated from this Corporation are to be used for specific purposes and will be recognized as revenue in the District's financial statements when approved by the NISEP Management Committee. The NISEP Board has received a directive from the Government of Newfoundland and Labrador to wind up operations.

Revenue

The District's main source of funding is derived from the Government of Newfoundland and Labrador, Department of Education ("the Department"). The Department provides funding for operations, transportation, capital expenditures and teacher salaries and severance pay. Funding is included in revenue on the accrual basis and when the related expenditures have been incurred with the exception of funding for the teacher severance pay which is recorded when the severance is paid to employees (see note 2). Funding designated for specific purposes is deferred and included in revenue when the related expenditures have been incurred.

1. Significant Accounting Policies (Cont'd)

Property, Plant and Equipment

Capital assets assumed by the District on August 31, 2004, as a result of legislation passed pursuant to the *Schools Act, 1997* and the *Education Act*, were recorded based on the Carrying Values shown on the audited financial statements of the predecessor entities.

Tangible capital assets are amortized using the straightline basis over their estimated useful lives, using the following rates:

Buildings	25-60 years
Furniture and equipment	10 years
Service vehicles	5 years
Buses	12 years
Miscellaneous	5 years

Consistent with provincial government accounting policies, the District capitalizes items purchased during the year that are in the excess of $15,000.

Teachers' and Student Assistants' Payroll

The Government of Newfoundland and Labrador processes the payrolls and remits the source deductions directly to the appropriate agencies. The amounts recorded in the financial statements represent gross salaries and employee benefits as reported by the Department for the year.

Pension Costs

All permanent employees of the District are covered by pension plans administered by the Government of Newfoundland and Labrador. Contributions to these plans are required from both the employee and the District. Post retirement obligations to employees are the responsibility of the Government of Newfoundland and Labrador and, as such, the employer contributions for pensions and other retirement benefits are recognized in the accounts on a current basis.

Cash restricted - Other Employee Severance Pay Accrual

Consistent with government policy, the Board has in effect severance pay policies whereby employees are entitled to a severance payment upon leaving employment with the Board. Under these policies, a permanent employee who has nine (9) or more years of continuous service in the employ of the School Board is entitled to be paid on resignation, retirement, termination by reasons of disability, expiry of recall rights or, in the event of death, to the employee's estate, severance pay equal to the amount obtained by multiplying the number of combined years of continuous employment by the weekly salary to a maximum of twenty (20) weeks pay. The liability for severance pay has been accrued in the accounts for all employees who have a vested right to receive such payments.

The District records severance pay liability for employees other than teachers and has set aside sufficient funds to satisfy this liability in a separate bank account for this purpose.

Severance pay for teachers is paid directly to employees by the Department of Education.

Use of Accounting 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 revenue and expenditures during the reporting periods. Actual results could differ from those estimates.

Long-Lived Assets

Long-lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances indicating that the value of the assets may not be recoverable.

2. Teachers' Severance Pay Benefits

Pursuant to a directive issued by the Department during fiscal 1998, the District recorded the severance pay liability for teachers in the District. The *Schools Act, 1997* specifies that salaries and other compensation for teachers are the responsibility of the Department. The District received written approval from the Minister of Education for the deficit arising from the Department's requirement to record accrued teachers' severance.

The net change in the liability for the year ended is as follows:

	2011	2010
Balance, beginning of the year	$ 60,270,499	$ 56,270,939
Net increase, (decrease) for the period	3,776,064	3,999,560
Balance, end of the year	$ 64,046,563	$ 60,270,499

3. Bond Coverage

At balance sheet date, the Insurance Division of Treasury Board carried fidelity bond coverage covering District employees in the amount of $300,000 per occurrence.

4. Cash

	2011	2010
112 Current bank account	$ 14,339,631	$ 11,909,866
114 Teachers' payroll bank account	23,738	536,701
117 Other	3,556	3,236
	$ 14,366,925	$ 12,449,803

5. Short Term Investments

	2011	2010
121 Term deposits - restricted	$ 758,620	$ 739,823
122 Marketable securities	135,805	135,805
	$ 894,425	$ 875,628

Term deposits relate to funds specifically allocated for educational purposes within the Province of Newfoundland and Labrador. These amounts are not intended for general operations of the District.

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6. Accounts Receivable

	2011	2010
131 Provincial Government	$ 2,423,962	$ 1,991,594
138 Interest	20,766	9,077
139 Miscellaneous and travel advances	547,081	91,753
140 Goods and Service Tax Rebate	459,682	253,644
	$ 3,451,491	$ 2,346,068

7. Teachers' Vacation Pay

Pursuant to a directive issued by the Department during the fiscal year 2006, the District recorded the vacation pay liability for teachers in the District. The liability relates to teachers' salaries earned during the school year but not fully paid to teachers until subsequent to June 30. Accordingly, the District has recorded teachers' vacation pay receivable of $ 38,226,517 at June 30, 2011, (2010 - $ 36,366,539).

8. Prepaid Expenses

	2011	2010
141 Insurance	$ 13,932	$ 12,894
142 Municipal service fees	225,892	207,021
144 Other		
Workers' compensation	425,469	440,193
Other	2,521	
	$ 667,814	$ 660,108

9. Bank Indebtedness

The District had an authorized operating demand loan of $4,000,000, bearing interest at Royal Bank prime less 0.65% which was unused as at June 30, 2011 and June 30, 2010. In accordance with the *Schools Act, 1997*, the operating demand loan was supported by a letter of approval to borrow provided by the Minister of Education.

10. Accounts Payable and Accrued Liabilities

	2011	2010
21 111 Trade payables	$ 4,076,571	$ 3,069,732
112 Accrued liabilities	387,947	278,213
114 Wages	591,526	460,154
115 Payroll deductions	191,936	154,441
117 Deferred grants	6,055,545	4,875,837
118 Other - Specify		
Vacation pay accrual	2,420,973	2,165,633
Eastern School District Trust Fund	613,684	599,227
Scholarship fund	127,875	128,680
N.I.S.E.P. due to a related corporation	732,453	686,670
	$ 15,198,510	$ 12,418,587

11. Other Employee Benefits

	2011	2010
Unused pre-1985 sick leave	$ 354,299	$ 405,128

The District has recorded the obligation to pay certain employees at the termination of their employment for unused sick leave accumulated prior to January 1, 1985.

12. Investment in Capital Assets

	2011	2010
Investment in capital assets, beginning of the year	$226,964,051	$175,459,520
Add:		
Grants - contributions for capital construction	38,739,498	65,103,971
Gain on sale of capital assets		4,697
Insurance proceeds - capital		(27,469)
Capital purchases out of revenue	162,616	60,065
Principal repayment paid with operating grants	1,496,893	1,679,923
	267,363,058	242,280,707
Deduct adjustments:		
Cost of assets disposed		
Land		200,000
Other		
Amortization of capital assets	16,375,975	14,673,442
Adjustment to carrying value of certain capital assets		443,214
	16,375,975	15,316,656
Investment in capital assets, end of the year	$250,987,083	$226,964,051

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13. Obligation Under Capital Leases

The District had entered into a capital lease with Royal Bank of Canada to finance its Energy Performance capital expenditures (EPC). The lease was for $5,000,000 for 5 years including a purchase option of $2,750,000 which expired May 2008. During June 2008, the purchase option was refinanced for a period of 5 years with a purchase option of $1.

The District also entered into capital leases with the Royal Bank of Canada for various equipment purchases. The principal balance outstanding as at June 30, 2011 was $530,574 with a purchase option of $1.

Future minimum payments under these capital leases is as follows for the year ending in:

	Risographs	EPC	Copiers & Laptops	Total
2012	$ 40,495	$ 618,568	$ 243,470	$ 902,533
2013	40,205	567,021	142,189	749,415
2014			50,376	50,376
2015			47,007	47,007
	80,700	1,185,589	483,042	1,749,331
Less: amount representing interest	4,312	56,057	28,856	89,225
	76,388	1,129,532	454,186	1,660,106
Less: current portion	37,326	576,133	226,791	840,250
	$ 39,062	$ 553,399	$ 227,395	$ 819,856

Interest has been imputed at a rate of 4.89% for the EPC.
Interest has been imputed at various rates for the other leases.

14. Lease Commitments

The District has entered a new three year premises lease effective June 1, 2010 for the following annual amounts, before HST: year 1 - $644,279: year 2 - $666,925 and year 3 - $689,571.

Furthermore, the District is committed under the terms of various operating leases to make payments in the next four years approximately as follows:

2012	$	58,326
2013	$	58,326
2014	$	45,963
2015	$	21,239

15. Financial Instruments

The District's financial instruments consist of cash, short-term investments, accounts receivable, accounts payable, employee severance payables, employee benefits payable and long term obligations. It is management's opinion that the District is not exposed to significant interest rate risk, currency or credit risks arising from these financial statements.

The carrying value of the Districts financial instruments, with the exception of long-term receivables, approximate fair values due to the short-term maturity and normal credit terms of those instruments. The long-term receivables balance does not approximate fair value as it is non-interest bearing.

16. Insurance Subsidy

The cost of insuring school properties is incurred by the Provincial Government and no amount has been recorded in these accounts to reflect this cost.

17. Contingent Liabilities

Site restoration and remediation costs associated with school properties under the District are charged to operations as incurred. Estimated future site restoration and remediation costs have not been accrued in these financial statements since the obligation, if any, is presently not determinable. Such costs are normally funded by the Province.

The Board has a potential liability for accumulated sick leave to its employees in the amount of $14,246,827. This amount has not been included in the financial statements. The amount is calculated based on Board policy and on an interpretation of the agreement with unionized employees. Any payments to employees for sick leave is expensed in the period such payments are incurred.

18. Comparative Figures

Certain of the 2010 amounts have been reclassified to conform with the financial statement presentation adopted for 2011.

19. District Deficiency

The School District has an accumulated operating deficit of $ 64,964,351 , consisting primarily of the teacher's severance pay accrual of $ 64,046,563 , as required by the Provincial Government and as explained in notes 1 and 2.

	2011	2010
Deficit per Statement of Financial Position	$ 64,964,351	$ 61,462,683
Less: Teacher's Severance Pay Accrual	(64,046,563)	(60,270,499)
Net Accumulated Operating Deficit Position	$ 917,788	$ 1,192,184

Eastern School District
Schedule 1
Current Revenues

For the Year Ended June 30, 2011	2011	2010
Current Revenues		
32 010 **Provincial Government Grants**		
011 Regular operating grants	$ 58,506,446	$ 56,771,699
017 Directors, Assistant Directors and Senior Education Officers salaries and benefits	3,147,345	3,249,053
021 Teachers salaries and benefits	305,855,247	291,671,698
Student assistants salaries and benefits	8,829,484	8,361,603
031 Board owned pupil transportation	3,474,249	3,256,973
032 Contracted pupil transportation	16,277,269	16,233,867
033 Special needs pupil transportation	2,666,189	2,706,031
	398,756,229	382,250,924
34 010 **Ancillary Services**		
021 Revenues from rental of Schools and facilities	92,507	105,679
35 010 **Miscellaneous**		
011 Income on investments and bank	228,801	63,896
081 Special projects - net proceeds (expenses)	(36,603)	
092 Other		
Summer and night school fees - net revenues (expenses)	(6,617)	(16,147)
Sundry revenues	50,338	113,907
	235,919	161,656
Total Current Revenues	$399,084,655	$382,518,259

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Eastern School District
Schedule 2
Administration Expenditures

For the Year Ended June 30, 2011	2011	2010
011 Directors, Assistant Directors and Senior Education Officers salaries and benefits	$ 3,147,345	$ 3,249,053
012 Board office personnel salaries and benefits	2,659,911	2,613,121
013 Office supplies	102,935	100,749
014 Replacement furniture and equipment	32,966	19,273
015 Postage	32,907	25,462
016 Telephone	150,650	173,384
017 Office equipment rentals and repairs	15,341	18,028
018 Bank charges	305	632
019 Electricity	72,720	81,605
023 Repairs and maintenance	5,980	11,477
024 Travel	51,899	93,220
025 Board meeting expenses	150,270	132,361
026 Election expenses		108,795
027 Professional fees	185,616	111,939
028 Advertising and public relations	60,392	68,360
029 Membership dues	144,278	149,148
031 Municipal service fees	8,457	11,450
032 Rental of office space	733,172	621,666
034 Professional development and meetings	11,749	20,183
Total Administration expenditures	$ 7,566,893	$ 7,609,906

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Eastern School District
Schedule 3
Instruction Expenditures

For the Year Ended June 30, 2011	**2011**	**2010**
52 010 **Instructional Salaries**		
011 Regular Teachers	$256,215,536	$243,976,311
012 Substitute Teachers	12,183,487	12,236,328
013 Board paid staff	700,938	695,668
015 Employee benefits - teachers	37,435,807	35,459,279
016 School secretaries - salaries and benefits	5,599,871	5,174,486
018 Other		
Salaries and benefits - IT staff	1,250,780	1,188,263
Salaries and benefits - program assistants	79,489	65,171
Salaries and benefits - student assistants	8,829,484	8,361,603
	322,295,392	307,157,109
52 040 **Instructional Materials**		
041 General supplies	5,669,798	5,481,124
043 Teaching aids and library resource materials	77,913	175,878
	5,747,711	5,657,002
52 060 **Instructional Furniture and Equipment**		
061 Replacement	40,668	48,510
50 080 **Instructional Staff Travel**		
080 IT Travel	72,114	80,486
081 Program co-ordinators	437,996	459,558
082 Teachers' travel	47,581	36,533
083 Inservice and conferences	116,104	90,099
	673,795	666,676
52 090 **Other Instructional Costs**		
091 Postage and stationary	41,805	32,350
Total instruction expenditures	$328,799,371	$313,561,647

Eastern School District
Schedule 4
Operations and Maintenance Expenditures

For the Year Ended June 30, 2011	2011	2010
Salaries and benefits		
011 Janitorial	$ 14,657,639	$ 13,911,002
012 Maintenance	3,163,989	3,155,307
014 Electricity	6,590,245	6,306,880
015 Fuel	1,972,743	1,826,627
016 Municipal service fee	1,167,855	1,120,103
017 Telephone	1,702,826	1,582,596
018 Vehicle operating and travel	467,829	401,368
019 Janitorial supplies	848,444	866,051
021 Janitorial equipment	78,027	73,315
022 Repairs and maintenance - buildings (Fund 1)	2,787,960	3,859,699
023 Repairs and maintenance - buildings (Fund 2)	2,971,450	1,691,171
024 Equipment maintenance	18,705	20,299
025 Snow clearing	1,820,089	1,773,208
Total Operations and Maintenance expenditures	$ 38,247,801	$ 36,587,626

Eastern School District
Schedule 5
Pupil Transportation Expenditures

For the Year Ended June 30, 2011	2011	2010
54 010 **Operation and Maintenance of Board Owned Fleet**		
Salaries and Benefits		
011 Administration	$ 141,462	$ 135,145
012 Drivers and Mechanics	1,868,523	1,762,548
013 Payroll Tax	33,691	31,695
014 Debt Repayment- Interest	64,976	66,896
015 Principal	380,108	363,307
017 Gas and oil	439,944	386,316
018 Licenses	29,184	30,821
019 Insurance	36,841	33,827
021 Repairs and Maintenance - Fleet	280,962	262,456
022 Building	22,914	18,496
023 Tires and Tubes	45,586	46,099
024 Heat and Light	8,894	8,622
026 Snow Clearing	9,471	9,453
027 Office Supplies	11,447	6,264
028 Rent	20,467	
029 Travel	2,580	1,327
031 Professional Fees		640
032 Miscellaneous	50,660	52,533
033 Telephone	46,533	43,875
	3,494,243	3,260,320
54 040 **Contracted Services**		
041 Regular transportation	16,190,396	16,156,547
042 Handicapped	2,666,189	2,706,031
047 Salaries	239,628	130,012
048 Travel		6,000
050 Non funded equipment and expenses	7,070	1,918
051 Professional fees	18,621	
Total Pupil Transportation expenditures	$ 22,616,147	$ 22,260,828

Eastern School District
Schedule 6
Miscellaneous Expenses

For the Year Ended June 30, 2011	2011	2010
Miscellaneous Expenses:		
57 011 Bad debt expense	$ 188,869	$ 159,185
Other miscellaneous expenditures	5,369	17,758
Total Miscellaneous expenditures	$ 183,500	$ 176,943

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Eastern School District
Schedule 7
Capital Assets

For the Year Ended June 30, 2011

	Cost June 30, 2011	Accumulated Amortization 2011	NBV June 30, 2011	NBV June 30, 2010
12 210 **Land and Sites**	$ 9,241,975		$ 9,241,975	$ 8,071,461
12 220 **Buildings**				
221 Schools	401,425,318	$ 167,121,036	234,304,282	209,187,456
222 Administration	5,590,942	2,232,498	3,358,444	3,436,963
223 Residential	10,000	1,200	8,800	9,000
225 Other	452,854	418,338	34,516	37,644
	407,479,114	169,773,072	237,706,042	212,671,063
12 230 **Furniture and Equip.**				
231 Schools	31,715,324	30,378,128	1,337,196	4,407,130
232 Administration	3,173,731	3,173,731		
233 Residential	850	850		31
235 Other	27,648	27,648		995
	34,917,553	33,580,357	1,337,196	4,408,156
12 240 **Vehicles**				
241 Service vehicles	1,019,556	475,747	543,809	296,503
12 250 **Pupil Transportation**				
252 Building	152,886	27,501	125,385	126,443
Vehicles				
253 Buses	4,820,092	3,496,459	1,323,633	1,427,436
254 Service	59,383	44,538	14,845	22,268
	5,032,361	3,568,498	1,463,863	1,576,147
12 260 **Misc. Capital Assets**				
Computers	894,464	894,464		
Tools	18,161	18,161		
Water lines	29,151	5,831	23,320	24,292
	941,776	6,752,759	23,320	24,292
Subtotal	458,632,335	208,316,130	250,316,205	227,047,622
Energy retrofit	5,834,303	5,834,303		33,970
Total Capital Assets	$ 464,466,638	$ 214,150,433	$ 250,316,205	$ 227,081,592

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	Cost June 30, 2010	Additions 2011	Disposals 2011	Cost June 30, 2011
12 210 **Land and Sites**	$ 8,071,461	$ 1,170,514		$ 9,241,975
12 220 **Buildings**				
221 Schools	363,856,335	37,568,983		401,425,318
222 Administration	5,590,942			5,590,942
223 Residential	10,000			10,000
225 Other	452,854			452,854
	369,910,131	37,568,983		407,479,114
12 230 **Furniture and Equip.**				
231 Schools	31,447,333	267,991		31,715,324
232 Administration	3,173,731			3,173,731
233 Residential	850			850
235 Other	27,648			27,648
	34,649,562	267,991		34,917,553
12 240 **Vehicles**				
241 Service vehicles	646,123	373,433		1,019,556
12 250 **Pupil Transportation**				
252 Building	152,886			152,886
Vehicles				
253 Buses	5,030,070	263,635	$ (473,613)	4,820,092
254 Service	59,383			59,383
	5,242,339	263,635	(473,613)	5,032,361
12 260 **Misc. Capital Assets**				
Computers	894,464			894,464
Tools	18,161			18,161
Water lines	29,151			29,151
	941,776			941,776
Subtotal	419,461,392	39,644,556	(473,613)	458,632,335
Energy retrofit	5,834,303			5,834,303
Total Capital Assets	$ 425,295,695	$ 39,644,556	$ (473,613)	$ 464,466,638

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Eastern School District
Schedule 7B
Details of Capital Assets - Amortization

For the Year Ended June 30, 2011

	Accumulated Amortization 2010	Amortization 2011	Amortization on disposals 2011	Net Amortization 2011	Accumulated Amortization 2011
12 220 **Buildings**					
221 Schools	$ 154,668,879	$ 12,452,157		$ 12,452,157	$ 167,121,036
222 Administration	2,153,978	78,520		78,520	2,232,498
223 Residential	1,000	200		200	1,200
225 Other	415,210	3,128		3,128	418,338
	157,239,067	12,534,005		12,534,005	169,773,072
12 230 **Furniture and Equip.**					
231 Schools	27,040,202	3,337,926		3,337,926	30,378,128
232 Administration	3,173,731				3,173,731
233 Residential	819	31		31	850
235 Other	26,653	995		995	27,648
	30,241,405	3,338,952		3,338,952	33,580,357
12 240 **Vehicles**					
241 Service vehicles	349,620	126,127		126,127	475,747
12 250 **Pupil Transportation**					
252 Building	26,443	1,058		1,058	27,501
Vehicles					
253 Buses	3,602,634	367,438	$ (473,613)	(106,175)	3,496,459
254 Service	37,115	7,423		7,423	44,538
	3,666,192	375,919	(473,613)	(97,694)	3,568,498
12 260 **Misc. Capital Assets**					
Computers	894,464				894,464
Tools	18,161				18,161
Water lines	4,859	972		972	5,831
	917,484	972		972	918,456
Subtotal	192,413,768	16,375,975	(473,613)	15,902,362	208,316,130
Energy retrofit	5,800,333	33,970		33,970	5,834,303
Total Capital Assets	$ 198,214,101	$ 16,409,945	$ (473,613)	$ 15,936,332	$ 214,150,433

Writedown of Values:

Current year amortization for various schools includes an adjustment to residual values resulting in an additional writedown of values totalling $ 1,797,000.

Eastern School District
Schedule 8
Long-Term Debt

For the Year Ended June 30, 2011			**2011**	**2010**
211 **Bank Loans**				
Monthly Blended Payment	Interest Rate	Maturity Date		
$ 430	Prime + 2%	2011		$ 130,186
$ 9,443	Prime + 2%	2012	$ 358,860	472,158
$ 3,549	5.46%	2013	51,336	89,969
$ 6,936	3.10%	2016	385,020	
Total Bank loans			795,216	692,313
215 Less: current maturities			113,318	113,317
Total Bank loans (other than vehicle loans)			681,898	578,996

Certain loans are secured by a first charge over specific vehicles.

221 **Pupil Transportation Vehicle Bank Loans**				
Monthly Blended Payment	Interest Rate	Maturity Date		
$ 430	Prime + 2%	2011		5,186
$ 4,169	Prime + 2%	2012	45,886	95,882
$ 2,019	Prime + 2%	2012	14,130	38,352
$ 5,744	Prime + 2%	2013	255,820	307,851
$ 4,320	5.046%	2017	317,051	351,932
$ 3,910	Prime + 2%	2016	187,700	234,625
$ 4,336	Prime + 2%	2016	144,164	213,091
$ 1,095	Prime + 2%	2014	39,425	52,566
$ 1,679	Prime + 2%	2014	67,169	87,320
$ 521	Prime + 2%	2012	1,440	7,692
$ 521	Prime + 2%	2013	10,941	17,195
$ 4,393	4.55%	2015	285,438	324,214
$ 2,256	3.59%	2022	250,270	
Total Pupil Transportation Vehicle Bank Loans			1,619,434	1,735,906
223 Less: current maturities			386,913	535,567
Total Pupil Transportation Vehicle Bank Loan			1,232,521	1,200,339
Total Long-Term Debt			$ 1,914,419	$ 1,779,335

Eastern School District
Schedule 8A
Details of Long-Term Debt, Current Maturities and Interest Expense

For the Year Ended June 30, 2011

Long-Term Debt

Description	Balance Beginning of Year	Loans Obtained During Year	Principal Repayment for Year	Balance End of Year
Equipment	$ 692,313	$ 385,020	$ 282,117	$ 795,216
Transportation	1,735,906	263,635	380,107	1,619,434
Total Loans	$ 2,428,219	$ 648,655	$ 662,224	$ 2,414,650

Current Maturities

Description	Year 1	Year 2	Year 3	Year 4	Year 5
Equipment	$ 113,318	$ 113,318	$ 113,318	$ 18,887	
Pupil Transportation	386,913	298,446	217,253	194,836	$ 141,224
Total loans	$ 500,231	$ 411,764	$ 330,571	$ 213,723	$ 141,224

Interest Expense

	2011	2010
Equipment	$ 28,927	$ 38,286
Service vehicles	3,955	6,003
Energy management - capital lease	84,264	119,756
Total expense	$ 117,146	$ 164,045

Note: Interest expense related to bank loans for pupil transportation vehicles of $64,976 (2010 - $66,896) is included with Pupil Transportation Expenditures on schedule 5.

BYRON SMITH
CHARTERED ACCOUNTANT
MANAGEMENT CONSULTANT

Grant Thornton

Financial Statements

Egg Producers of Newfoundland and Labrador

December 31, 2011

Statement of responsibility

The accompanying financial statements are the responsibility of the management of the Egg Producers of Newfoundland and Labrador (the "Board") and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

The Board met with management and it's external auditors to review a draft of the financial statements and to discuss any significant financial reporting or internal control matters prior to their approval of the finalized financial statements.

Grant Thornton LLP as the Board's appointed external auditors, have audited the financial statements. The auditor's report is addressed to the Directors of the Board and appears on the following page. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the financial statements are free of material misstatement and present fairly the financial position and results of the Board in accordance with Canadian generally accepted accounting principles.

____________________ Chair ____________________ Director

Grant Thornton

Independent auditors' report

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To the Directors of

Egg Producers of Newfoundland and Labrador

We have audited the accompanying financial statements of Egg Producers of Newfoundland and Labrador, which comprise the statement of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010 and the statement of operations, changes in net financial assets and cash flows for the years then ended, December 31, 2011 and December 31, 2010 and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian public sector accounting 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 Board'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 Board'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.

Grant Thornton

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 Egg Producers of Newfoundland and Labrador as at December 31, 2011, December 31, 2010 and January 1, 2010 and its financial performance and its cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with Canadian public sector accounting standards.

Grant Thornton LLP

St. John's, Newfoundland and Labrador

April 20, 2012

Chartered Accountants

Egg Producers of Newfoundland and Labrador

Statement of Financial Position

	December 31 2011	December 31 2010	January 1 2010
Financial assets			
Cash and cash equivalents (Note 4)	**$ 72,255**	$ 193,297	$ 254,445
Receivables – current (Note 5)	**656,253**	461,115	506,840
Short term investment (Note 4)	**83,076**	82,054	-
	811,584	736,466	761,285
Liabilities			
Payables and accruals (Note 6)	**652,243**	632,310	678,222
Deferred grant revenue (Note 7)	**3,900**	-	14,896
	656,143	632,310	693,118
Net financial assets	**155,441**	104,156	68,167
Non-financial assets			
Prepaids	**8,418**	9,471	18,308
Tangible capital assets (less accumulated depreciation of $74,303; 2010 - $70,558)	**12,005**	15,542	20,455
	20,423	25,013	38,763
Accumulated surplus (Note 8)	**$ 175,864**	$ 129,169	$ 106,930

Commitments (Note 11)

On behalf of the Board

________________ Chair ________________ Director

See accompanying notes to the financial statements.

Egg Producers of Newfoundland and Labrador

Statement of Operations

Year Ended December 31	Actual 2011	Budget 2011	Actual 2010
Revenue			
Assessments	$ 3,273,172	$ -	$ 2,901,355
Less: Egg Farmers of Canada Levy	2,955,741	-	2,606,585
	317,431	318,050	294,770
Other revenue			
National egg conference	139,394	-	-
Government funded projects	70,504	-	27,967
Nest run- administrative fee	20,206	21,000	21,672
Promotional Allowance Program	18,996	20,000	20,000
Cost sharings	10,711	4,000	8,546
Miscellaneous	1,081	5,000	701
	578,323	368,050	373,656
Other costs			
Costs for Government funded projects	70,504	-	27,967
	507,819	368,050	345,689
Expenses (Page 16)			
Administration	$ 254,659	$ 286,800	$ 278,219
Field operations	52,570	39,500	40,063
Promotional, marketing & research	32,315	32,500	26,202
National egg conference	134,777	-	-
	474,321	358,800	344,484
Annual Surplus	$ 33,498	$ 9,250	$ 1,205

Accumulated surplus, beginning of year	$ 129,169	$ 129,169	$ 106,930
Annual Surplus	33,498	9,250	1,205
Change in Provincial Levy Fund (Note 8)	13,197	-	21,034
Accumulated surplus, end of year	$ 175,864	$ 138,419	$ 129,169

See accompanying notes to the financial statements.

Egg Producers of Newfoundland and Labrador

Statement of Changes in Net Financial Assets

Year Ended December 31	2011	2010
Annual Surplus	$ 33,498	$ 1,205
Acquisition of tangible capital assets	(208)	-
Change in Provincial Levy Fund	13,197	21,034
Amortization of tangible capital assets	3,745	4,913
Decrease in prepaids	1,053	8,837
Increase in net financial assets	51,285	35,989
Net financial assets, beginning of year	104,156	68,167
Net financial assets, end of year	$ 155,441	$ 104,156

See accompanying notes to the financial statements.

Egg Producers of Newfoundland and Labrador
Statement of Cash Flows

Year Ended December 31	2011	2010
Increase (decrease) in cash and cash equivalents		
Operating		
Annual surplus	$ 33,498	$ 1,205
Depreciation	3,745	4,913
	37,243	6,118
Change in non-cash operating working capital (Note 10)	(171,274)	(88,300)
	(134,031)	(82,182)
Investing		
Purchase of equipment	(208)	-
Provincial Variable Levy Fund	13,197	21,034
Net decrease in cash and cash equivalents	(121,042)	(61,148)
Cash and cash equivalents		
Beginning of year	193,297	254,445
End of year	$ 72,255	$ 193,297

See accompanying notes to the financial statements.

1. Nature of operations

The Organization, under the Province of Newfoundland and Labrador legislation, has a right and obligation to:

a) control the supply of eggs to meet consumer demand;
b) establish the minimum price for eggs at the farm gate level; and,
c) generally manage the production of eggs so that the price received by the producer is reflective of the cost of production while at the same time ensuring consistent supply, fair pricing and high quality for the product at the consumer level.

2. Summary of significant accounting policies

Basis of presentation

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants and reflect the following significant accounting policies.

Use of estimates

In preparing the Board's financial statements in conformity with Canadian public sector accounting standards, require 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. Items requiring the use of significant estimates include the useful life of capital assets and impairment of assets.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

Assessment revenue

Assessment revenue is recognized as follows:

Producers - upon billing based on minimum production levels for allocated quotas.

Importers - when levy stamps are sold.

Grant revenue

Revenues from grants are recognized as deferred revenue when amounts have been received but not all eligibility criteria or stipulations have been met.

2. Summary of significant accounting policies (cont'd.)

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks, and short term deposits with original maturities of three months or less. Bank borrowings are considered to be financing activities.

Short term investment

Short term investment consists of a term deposit cashable in full on the 15th day of each month and on the first and second anniversary of the issue date. Interest on the term deposit is recorded as earned.

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 generally extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the annual surplus, provides the change in net financial assets for the year.

Tangible capital assets

Tangible capital assets are recorded at cost. Depreciation is provided annually at rates calculated to write off the assets over their estimated useful life as follows, except in the year of acquisition when one half of the rate is used.

Furniture and equipment	20%, declining balance
Computer equipment	25% declining balance

Impairment of long-lived assets

Long-lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances indicating that the value of the assets may not be recoverable, as measured by comparing their net book value to the estimated undiscounted cash flows generated by their use. Impaired assets are recorded at fair value, determined principally using discounted future cash flows expected from their use and eventual disposition.

2. Summary of significant accounting policies (cont'd.)

Financial instruments

The Board considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. The Board accounts for the following as financial instruments:

- cash and cash equivalents;
- receivables;
- short term investment; and
- payables and accruals.

A financial asset or liability is recognized when the Board becomes party to contractual provisions of the instrument.

The Board initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Board subsequently measures its financial assets and financial liabilities at cost or amortized cost, except for derivatives and equity securities quoted in an active market, which are subsequently measured at fair value. Changes in fair value are recognized in annual surplus.

Financial assets measured at cost include cash and cash equivalents, short term investments and receivables.

Financial liabilities measured at cost include payables and accruals.

The Board removes financial liabilities, or a portion of, when the obligation is discharged, cancelled or expires.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. Previously recognized impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of the reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in net annual surplus.

3. Impact of the change in the basis of accounting

These financial statements are the first financial statements for which the Board has applied Canadian public sector accounting standards ("PSAB"). The financial statements for the period ended December 31, 2011 were prepared in accordance with PSAB. Comparative period information presented for the period ended December 31, 2010 was prepared in accordance with PSAB and the provisions set out in Section *PS 2125 First-time adoption by government organizations.*

The date of transition to PSAB is January 1, 2010, the adoption of the standards has resulted in a restatement of the Statement of Operations for the year ended December 31, 2010 as well as the deferred capital contributions and accumulated surplus as of January 1, 2010 and December 31, 2010.

As of January 1, 2010, the statement of financial position included deferred capital contributions for which there were no specific time frame requirements regarding the use of the funds and no terms for any unused funds. Therefore, the funds are not permitted to be deferred under Public Sector Standards and as a result, the following restatement has occurred:

(a) Adjustment to the statement of financial position as at January 1, 2010:

	As previously reported	Adjustment required	As restated
Liabilities			
Deferred capital contributions	$ 14,039	$ (14,039)	$ -
Adjustment to Egg Farmers of Canada payable*	228,829	26,773	**255,602**
	$ 242,868	$ 12,734	**$ 255,602**
Accumulated surplus	$ 119,664	$ (12,734)	**$ 106,930**

*This is an adjustment required due to an error in the prior period. This is not the result of the transition to Public Sector Standards.

(b) Reconciliation of previously reported annual surplus for December 31, 2010 with the annual surplus for December 31, 2010 shown in the financial statements:

	2010
Annual surplus, as previously reported at December 31, 2010	$ 4,714
Adjustment related to deferred capital contributions	(3,509)
Annual surplus, as adjusted at December 31, 2010	$ 1,205

The Board did not apply any of the transition exceptions and exemptions to full retrospective applications of PSAB.

3. Impact of the change in the basis of accounting (cont'd.)

(c) Adjustments to accumulated surplus as at December 31, 2010:

Accumulated surplus, as originally reported	$ 145,412
Adjustments to accumulated surplus	
Recognition of deferred capital contributions	10,530
Adjustment to Egg Farmers of Canada payable	(26,773)
Accumulated surplus, end of year as restated	$ 129,619

4. Cash and cash equivalents

Cash and cash equivalents and short term investments include $34,241 (2010 - $34,241) of Levy Surplus Fund cash, and $99,964 (2010 - $86,767) of Provincial Variable Levy Fund cash.

5. Receivables

	December 31 2011	December 31 2010	January 1 2010
Producers	**$ 260,433**	$ 194,434	$ 84,784
Government funding	-	-	33,400
HST Receivable	**33,087**	-	-
Other	**10,112**	537	4,087
Egg Farmers of Canada			
Egg lifts	**335,295**	243,389	358,406
Co-op funding	**11,055**	20,000	20,000
Cost sharing	**6,271**	2,755	6,163
	$ 656,253	$ 461,115	$ 506,840

6. Payables and accruals

	December 31 2011	December 31 2010	January 1 2010
Trade payables and accruals	**$ 54,087**	$ 65,110	$ 131,793
Producers- egg lifts	**400,509**	338,903	269,335
Egg farmers of Canada	**197,647**	219,531	255,602
Honorariums	-	8,766	-
Producer contributions	-	-	21,492
	$ 652,243	$ 632,310	678,222

7. Deferred grant revenue

	December 31 2011	December 31 2010	January 1 2010
Balance, beginning of year	$ -	$ 14,896	$ 14,896
Revenue			
Advances during the year	19,500	-	-
Expenses			
Project costs	15,600	14,896	-
	$ 3,900	$ -	$ 14,896

8. Accumulated Surplus

The accumulated surplus account is made up as follows:

	December 31 2011	December 31 2010	January 1 2010
Surplus	$ 41,659	$ 8,161	$ 6,956
Levy Surplus Fund	34,241	34,241	34,241
Provincial Levy Fund	99,964	86,767	65,733
	$ 175,864	$ 129,169	$ 106,930

The Levy Surplus Fund will be used to offset future years' adjustments to the Egg Farmers of Canada on marketings as well as other Board approved producer expenditures.

The Provincial Levy Fund is a special provincial levy on producers to fund removal of surplus product. The following are the changes to the Provincial Levy Fund throughout the year:

	December 31 2011	December 31 2010	January 1 2010
Balance, beginning of year	$ 86,767	$ 65,733	$ 56,974
Charges to producers	181,885	177,703	176,014
Payments to producers	(168,688)	(156,669)	(167,255)
Balance, end of year	$ 99,964	$ 86,767	$ 65,733

9. Credit facilities

The Organization has a letter of credit with the Bank of Montreal of $17,850 for the Egg Farmers of Canada.

10. Supplemental cash flow information

	2011	2010
Change in non-cash operating working capital		
Short term investment	**$ (1,022)**	$ (82,054)
Receivables	**(195,138)**	45,725
Prepaids	**1,053**	8,837
Payables and accruals	**19,933**	(45,912)
Deferred grant revenue	**3,900**	(14,896)
	$ (171,274)	$ (88,300)

11. Commitments

The Board is committed to minimum annual vehicle lease payments of $741 for the next year and office lease payments as follows:

2012	$	16,675
2013	$	16,800
2014	$	7,000

12. Employee future benefits

The Board operates a defined contribution pension plan for full time employees. The assets of the plan are held separately from those of the Board in an independently administered fund. Contributions paid and expensed by the Board during the year totalled $3,599 (2010 - $3,657).

13. Budget figures

The 2011 and 2012 budget figures presented in the statement of operations are figures provided by management and have not been audited.

14. Financial instruments

The Board's financial instruments consist of cash and cash equivalents, receivables, short term investment and payables and accruals. The book value of cash and cash equivalents, receivables, payables and accruals approximate fair value due to their short term maturity date. The short term investment is a term deposit and interest is accrued as earned, therefore the carrying value of this investment approximates its fair value.

Risks and concentrations

The Board is exposed to various risks through its financial instruments. The following analysis provides a measure of the Board's risk exposure and concentrations at December 31, 2011.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Board is exposed to this risk mainly in respect of its accounts payable. The Board reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due. In the opinion of management the liquidity risk exposure to the Board is low and not material.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Board's main credit risk relates to its receivables of $656,253 (2010 - $461,115). The Board receives levies, which are legislated by the Province, from egg producers and in the opinion of management the credit risk exposure to the Board is low.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Board is not exposed to any of these risks.

Egg Producers of Newfoundland and Labrador

Schedule of Expenses

December 31, 2011	2011	2010
	Actual	Actual
Administration		
Interest and bank charges	$ **2,411**	$ 3,551
Depreciation	**3,745**	4,913
Director's per diem	**13,399**	9,155
Equipment rental and repair	**9,202**	7,324
Federation of Agriculture	**8,000**	8,000
Fees, gazetting and insurance	**8,194**	8,601
Honorariums	**12,000**	12,000
Meeting expenses	**9,927**	10,158
Office supplies	**1,492**	1,519
Postage and courier	**822**	1,199
Professional fees	**15,716**	27,694
Property tax	**1,524**	1,423
Rent	**22,438**	30,750
Salaries and benefits	**105,706**	103,491
Telephone and utilities	**12,556**	13,285
Miscellaneous	**550**	-
Travel	**26,977**	35,156
	$ **254,659**	$ 278,219
Field Operations		
Inspector's salary	$ **8,943**	$ 2,888
Travel	**11,972**	4,685
Poultry Health Management Program	**25,714**	26,500
Vehicle insurance	**1,492**	1,541
Vehicle lease	**4,449**	4,449
	$ **52,570**	$ 40,063
Promotion		
Advertising	$ **27,017**	$ 22,140
Donation	**1,900**	-
Scholarships	**2,500**	2,500
Sundry	**898**	1,562
	32,315	26,202
National Egg Conference 2011	**134,777**	-
Total expenses	$ **474,321**	$ 344,484

Egg Producers of Newfoundland and Labrador

Comparative Financial Results – Five Years Actuals

2007-2011	Audited				
	2007	2008	2009	2010	**2011**
Revenue					
Assessments - net	$ 256,479	$ 264,905	$ 264,020	$ 294,770	**$ 317,431**
Other revenue					
National egg conference	-	-	-	-	**139,394**
Nest run - administrative fee	14,496	19,503	21,596	21,672	**20,206**
Promotional Allowance Program	-	14,047	20,000	20,000	**18,996**
Cost sharing – meetings	-	1,700	4,429	8,546	**10,711**
Innovation Fund	-	20,000	1,700	-	**-**
Interest and other revenue	3,860	2,953	712	701	**1,081**
	18,356	58,203	48,437	50,919	**190,388**
Total revenue	274,835	323,108	312,457	345,689	**507,819**
Expenses *					
Advertising	7,644	35,924	52,701	22,140	**27,016**
Bank charges	3,093	3,537	3,846	3,551	**2,411**
Depreciation	1,936	4,179	6,120	4,913	**3,745**
Directors' per diem	9,835	5,060	9,900	9,155	**13,399**
Equipment rental and repairs	8,116	7,214	9,469	7,324	**9,202**
Federation of Agriculture	8,000	9,000	8,000	8,000	**8,000**
Fees, gazetting and insurance	7,974	10,048	5,771	10,200	**9,686**
Honorarium	12,000	12,000	12,000	12,000	**12,000**
Inspection and Enforcement	-	-	-	-	**12,522**
Meetings	3,817	7,111	9,195	10,158	**9,927**
Moving expenses	-	-	2,476	-	**-**
National Egg Conference	-	-	-	-	**134,777**
Office supplies	3,866	1,101	2,903	1,519	**3,392**
Postage	792	2,398	1,067	1,199	**822**
Poultry Health Management Program	22,521	25,906	26,950	26,501	**25,714**
Professional fees	17,266	45,956	41,858	27,694	**15,716**
Property tax	-	-	-	1,423	**1,524**
Rent	12,000	12,000	22,938	30,750	**22,438**
Salaries and benefits	126,675	91,974	107,648	106,378	**114,648**
Saskatchewan judicial review	-	-	-	-	**-**
Scholarship	1,000	1,000	1,000	2,500	**2,500**
Sundry	2,092	5,164	4,573	1,504	**898**
Telephone and utilities	7,047	8,141	10,920	13,285	**12,558**
Travel	40,320	35,814	48,703	39,841	**26,977**
Vehicle lease	2,738	4,506	4,449	4,449	**4,449**
	298,732	328,033	392,487	344,484	**474,321**
Annual (deficiency) surplus	$ (23,897)	$ (4,925)	$ (80,030)	$ 1,205	**$ 33,498**

*Expenses prior to 2008 have been shown net of reimbursements received.

Egg Producers of Newfoundland and Labrador

Budget - 2011

January 1, 2011 - December 31, 2011

	Budget 2011	Audited Actual 2011	(Note 13) Budget 2012
Revenue			
Assessments – net	$ 318,050	$ 317,431	$ 317,763
Other revenue			
National egg conference	-	139,394	-
Nest run - administrative fee	21,000	20,206	21,000
Promotional Allowance Program	20,000	18,996	40,000
Cost Sharing - meetings	4,000	10,711	4,000
Interest and other revenue	5,000	1,081	200
	50,000	190,388	65,200
Total revenue	368,050	507,819	382,963
Expenses			
Advertising	28,000	27,016	56,000
APRI research center	1,500	-	1,500
Bank charges	3,900	2,411	2,500
Depreciation	6,000	3,745	6,000
Directors' per diem	10,000	13,399	10,000
Equipment rental and repairs	7,000	9,202	7,000
Federation of Agriculture	8,000	8,000	8,000
Fees, gazetting and insurance	9,000	9,686	9,000
Honorarium	12,000	12,000	12,000
ILT Poultry Program	1,000	-	1,000
Inspection and enforcement	8,000	12,522	8,000
Meetings	8,500	9,927	8,500
National Egg Conference	-	134,777	-
Office supplies	3,000	3,392	1,000
Postage	2,000	822	1,000
Poultry Health Management Program	26,000	25,714	26,000
Professional fees	12,000	15,716	12,000
Property tax	-	1,524	-
Rent	25,400	22,438	16,500
Salaries and benefits	120,000	114,648	120,000
Scholarship	1,000	2,500	1,000
Sundry	2,000	898	2,000
Telephone and utilities	15,000	12,558	15,000
Travel	45,000	26,977	40,000
Vehicle lease	4,500	4,449	7,800
	358,800	474,321	371,800
Annual Surplus	$ 9,250	$ 33,498	$ 11,163

Grant Thornton

Non-Consolidated Financial Statements

Health Care Foundation of St. John's Inc.

March 31, 2011

Grant Thornton

Independent auditor's report

Grant Thornton LLP
187 Kenmount Road
St. John's, NL
A1B 3P9

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To the Board of Directors of
Health Care Foundation of St. John's Inc.

We have audited the accompanying non-consolidated financial statements of Health Care Foundation of St. John's Inc., which comprise the non-consolidated statement of financial position as at March 31, 2011, and the non-consolidated statements of operations, net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these non-consolidated financial statements based on our audit. Except as explained in the following paragraph, 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 non-consolidated 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 non-consolidated 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.

Basis for qualified opinion
In common with many charitable organizations, the Foundation derives its revenues from donations and other fundraising activities, the completeness of which is not susceptible to conclusive audit verification. Accordingly, our verification of these revenues was limited to the amount recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary, excess of revenues over expenditures, assets and net assets.

Qualified opinion
In our opinion, except for the effects of the matter described in the Basis for qualified opinion paragraph, the non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of Health Care Foundation of St. John's Inc. as at March 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

St. John's, Newfoundland and Labrador

September 28, 2011

Chartered accountants

Health Care Foundation of St. John's Inc.
Non-Consolidated Statement of Operations
Year Ended March 31

	2011			2010
	Operating Fund	Restricted Fund	**Total**	Total
Revenue				
Annual giving	$ 398,499	$ 90,104	$ **488,603**	$ 442,914
Major gifts	71,135	950,004	**1,021,139**	1,130,913
Planned giving	27,256	60,724	**87,980**	136,031
Special events	701,572	310	**701,882**	523,555
Hospital Home Lottery	2,773,765	-	**2,773,765**	2,710,009
Interest	29,102	-	**29,102**	16,631
	4,001,329	1,101,142	**5,102,471**	4,960,053
Expenditures				
Salaries and benefits	473,253	-	**473,253**	454,530
Annual giving	97,361	255	**97,616**	115,931
Major gifts	19,223	-	**19,223**	26,372
Planned giving	-	-	**-**	1,229
Special events	189,376	310	**189,686**	137,036
Hospital Home Lottery	2,143,836	-	**2,143,836**	1,911,413
Administration	152,933	-	**152,933**	109,954
Communications	60,009	3,695	**63,704**	216,002
Amortization	3,538	-	**3,538**	3,834
	3,139,529	4,260	**3,143,789**	2,976,301
Excess of revenue over expenditures before undernoted contributions	861,800	1,096,882	**1,958,682**	1,983,752
Grants				
Grants to Eastern Health	39,747	1,546,008	**1,585,755**	1,556,230
Scholarships and grants	30,140	-	**30,140**	-
	69,887	1,546,008	**1,615,895**	1,556,230
Excess of revenue over expenditures (expenditures over revenue)	$ 791,913	$ (449,126)	$ **342,787**	$ 427,522

See accompanying notes to the non-consolidated financial statements.

Health Care Foundation of St. John's Inc.
Non-Consolidated Statement of Changes in Net Assets

Year Ended March 31			2011	2010
	Operating Fund	Restricted Fund	**Total**	Total
Net assets, beginning of year	$ 1,512,754	$ 755,202	**$ 2,267,956**	$ 1,840,434
Excess of revenue over expenditures (expenditures over revenue)	791,913	(449,126)	**342,787**	427,522
Fund transfer	(348,000)	348,000	**-**	-
Net assets, end of year	$ 1,956,667	$ 654,076	**$ 2,610,743**	$ 2,267,956

See accompanying notes to the non-consolidated financial statements.

Health Care Foundation of St. John's Inc.
Non-Consolidated Statement of Financial Position

March 31			2011	2010
	Operating Fund	Restricted Fund	**Total**	Total
Assets				
Current				
Cash and cash equivalents (Note 7)	$ 1,923,060	$ 680,532	**$ 2,603,592**	$ 2,452,103
Receivables	130,521	242	**130,763**	805
Prepaids	13,378	-	**13,378**	6,816
	2,066,959	680,774	**2,747,733**	2,459,724
Equipment (Note 6)	22,820	-	**22,820**	1,578
	$ 2,089,779	$ 680,774	**$ 2,770,553**	$ 2,461,302
Liabilities				
Current				
Payables and accruals	$ 10,306	$ 1,430	**$ 11,736**	$ 52,127
Deferred revenue	32,600	-	**32,600**	5,000
Due to Eastern Regional Health Authority	25,497	25,268	**50,765**	76,189
Accrued vacation pay	64,709	-	**64,709**	60,030
	133,112	26,698	**159,810**	193,346
Net Assets				
Restricted net assets	-	654,076	**654,076**	755,202
Unrestricted net assets	1,956,667	-	**1,956,667**	1,512,754
	1,956,667	654,076	**2,610,743**	2,267,956
	$ 2,089,779	$ 680,774	**$ 2,770,553**	$ 2,461,302

Commitment (Note 8)

On behalf of the Board

_______________ Director _______________ Director

See accompanying notes to the non-consolidated financial statements.

Health Care Foundation of St. John's Inc.
Non-Consolidated Statement of Cash Flows

Year Ended March 31	2011			2010
	Operating Fund	Restricted Fund	**Total**	Total
Increase (decrease) in cash and cash equivalents				
Operating				
Excess of revenue over expenditures (expenditures over revenue)	$ 791,913	$ (449,126)	**$ 342,787**	$ 427,522
Amortization	3,538	-	**3,538**	3,834
Decrease in deferred compensation	-	-	-	(17,067)
	795,451	(449,126)	**346,325**	414,289
Changes in non-cash operating working capital (Note 7)	(188,782)	18,726	**(170,056)**	(465,678)
	606,669	(430,400)	**176,269**	(51,389)
Investing				
Purchase of equipment	(24,780)	-	**(24,780)**	-
Financing				
Transfer of funds between operating and restricted funds	(348,000)	348,000	-	-
Net increase (decrease) in cash and cash equivalents	233,889	(82,400)	**151,489**	(51,389)
Cash and cash equivalents				
Beginning of year	1,689,171	762,932	**2,452,103**	2,503,492
End of year	$ 1,923,060	$ 680,532	**$ 2,603,592**	$ 2,452,103

See accompanying notes to the non-consolidated financial statements.

1. Nature of operations

The Health Care Foundation of St. John's Inc. (the "Foundation") raises funds to meet the financial needs of the Eastern Regional Health Authority for capital projects, equipment, programs and research directly related to the health and welfare of the people of Newfoundland and Labrador, while promoting public awareness of these needs.

The Foundation is a registered charity and is exempt from income tax.

2. Summary of significant accounting policies

Basis of presentation

These non-consolidated financial statements include all assets, liabilities, revenue and expenditures of the Foundation, including the Health Care Foundation of St. John's Inc. Hospital Home Lottery.

Fund accounting

The Foundation employs fund accounting, classifying financial statement items in either the operating or restricted fund.

The operating fund provides funds to help support the St. Clare's Mercy Hospital, General Hospital - Health Sciences Centre, Dr. L.A. Miller Centre, Waterford Hospital and the Dr. Walter Templeman Center.

The restricted fund consists of donations which are restricted by the donors to specific purposes and which are recorded to reflect their designation.

Use of estimates

In preparing the Foundation's non-consolidated financial statements in conformity with Canadian generally accepted accounting principles, management is required 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 non-consolidated financial statements, and reported amounts of revenue and expenditures during the year. Actual results could differ from these estimates.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits with original maturities of three months or less.

Equipment

Equipment is recorded at cost and amortized on a straight line basis over five years.

2. **Summary of significant accounting policies** (cont'd.)

Impairment of long-lived assets

Long-lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances indicating that the value of the assets may not be recoverable, as measured by comparing their net book value to the estimated undiscounted cash flows generated by their use. Impaired assets are recorded at fair value, determined principally using discounted future cash flows expected from their use and eventual disposition.

Deferred revenue

Revenue received during the year related to ticket sales or sponsorships for events taking place subsequent to year end have been deferred and will be recognized when the event takes place.

Accrued vacation pay

Vacation pay is accrued for all employees as entitlement to these payments is earned.

Deferred compensation

Deferred compensation pay is accounted for on an accrual basis and is calculated based upon years of service and current salary levels. Deferred compensation is only recorded in the accounts for employees who have a vested right to receive such a payment. No provision for deferred compensation is recorded in the accounts for any employee who has less than nine years of service. No employees have reached this experience milestone at March 31, 2011. Deferred compensation is payable when the employee ceases employment with the Foundation.

Revenue recognition

The Foundation follows the restricted fund method of accounting for contributions whereby restricted contributions are recognized as revenue when received or receivable and when collectibility is reasonably assured.

Unrestricted contributions, excluding donations, are recognized as revenue when received or receivable and when collectibility is reasonably assured.

Revenue from donations, including pledges, and other fundraising activities is recognized in the accounts of the Foundation in the year in which it is received.

Revenue and expenses for the Hospital Home Lottery for the current year are recorded on a gross basis as required under EIC 123, as the Foundation acted as the principal in the transactions. Based upon the terms and conditions of the Lottery agreements, the Foundation assumed the risks associated with the Lottery.

2. Summary of significant accounting policies (cont'd.)

Donated materials and services

Donated material and services are recorded in the financial statements when the fair value of these items can be reasonably estimated. The Foundation has recognized $15,280 (2010 - $8,225) as donated materials and services during the year. These included prizes for various events.

Pension costs

Employees of the Foundation are included in the Public Service Pension Plan and the Government Money Purchase Plan administered by the Government of Newfoundland and Labrador. Contributions to the plans are required from both the employees and the Foundation. The annual contributions for pensions are recognized as an expenditure in the accounts on a current basis. The total pension expense for the Foundation for the year was $26,333 (2010 - $24,798).

Financial instruments

The CICA Handbook Section 3855, "Financial Instruments - Recognition and Measurement", requires the Foundation to revalue all of its financial assets and liabilities, including any derivatives and embedded derivatives in certain contracts, at fair value on the initial date of implementation and at each subsequent financial reporting date.

This standard also requires the Foundation to classify financial assets and liabilities according to their characteristics and management's choices and intentions related thereto for the purposes of ongoing measurements. Classification choices for financial assets include: a) held for trading - measured at fair value with changes in fair value recorded in net earnings; b) held to maturity - recorded at amortized cost with gains and losses recognized in net earnings in the period that the asset is no longer recognized or impaired; c) available-for-sale - measured at fair value with changes in fair value recognized in net assets for the current period until realized through disposal or impairment; and d) loans and receivables - recorded at amortized cost with gains and losses recognized in net earnings in the period that the asset is no longer recognized or impaired.

Classification choices for financial liabilities include: a) held for trading - measured at fair value with changes in fair value recorded in net earnings; and b) other - measured at amortized cost with gains and losses recognized in net earnings in the period that the liability is no longer recognized.

Subsequent measurement for these assets and liabilities are based on either fair value or amortized cost using the effective interest method, depending upon their classification. Any financial asset or liability can be classified as held for trading as long as its fair value is reliably determinable.

2. **Summary of significant accounting policies** (cont'd.)

In accordance with this standard, the Foundation's financial assets and liabilities are generally classified and measured as follows:

Asset/Liability	Classification	Measurement
Cash and cash equivalents	Held for trading	Fair value
Receivables	Loans and receivables	Amortized cost
Payables and accruals	Other liabilities	Amortized cost

Other accounts, such as prepaids, equipment and deferred revenue are not within the scope of these accounting standards as they are not financial instruments.

The fair value of a financial instrument is the estimated amount that the Foundation would receive or pay to terminate the instrument agreement at the reporting date. To estimate the fair value of each type of financial instrument, various market value data was used as appropriate. The fair value of cash, receivables and payables approximated their carrying value.

3. **Risk management**

The Foundation's policy for managing significant risks includes policies, procedures, and oversight designed to reduce the risks identified to an appropriate threshold. The Board of Directors is provided with timely and relevant reports on the management of significant risks. Significant risks managed by the Foundation include liquidity and credit risks.

Liquidity risk

Liquidity risk is the risk that the Foundation will be unable to meet its contractual obligations and financial liabilities. The Foundation manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient cash available to meet its obligations and liabilities.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Foundation's credit risk is attributable to receivables. Management believes that the credit risk concentration with respect to financial instruments included in receivables is remote.

4. Capital management

The primary objective of the Foundation's capital management is to provide adequate funding to ensure efficient operations and to deliver its mandate to provide funding for capital projects, equipment, programs and research directly related to the health and welfare of the people of Newfoundland and Labrador, while promoting public awareness of these needs.

The capital structure consists of both unrestricted and restricted net assets, the purposes of which are described in Note 2.

5. Control of not-for-profit entity

The Foundation controls the Ever Green Environmental Corporation (formerly the Waterford Foundation Inc.). The Ever Green Environmental Corporation is a registered charitable organization incorporated to raise funds for public awareness and provide programs and services for mental health clients in Newfoundland and Labrador.

On November 1, 2002, the Health Care Foundation of St. John's Inc. assumed the operations of the General Hospital Health Foundation, the St. Clare's Mercy Hospital Foundation, and the Capital Campaign Fund. The Ever Green Environmental Corporation continues to operate as a separate entity, but reports to the Board of Directors of the Health Care Foundation of St. John's Inc.

The Ever Green Environmental Corporation has not been consolidated in the Foundations' financial statements. A financial summary of this non-consolidated entity as at March 31, 2011 and for the year then ended is as follows:

	2011	2010
Financial position		
Total assets	$ 2,917,589	$ 2,941,367
Total liabilities	1,778,938	1,765,141
Total net assets	1,138,651	1,176,226
	$ 2,917,589	$ 2,941,367
Results of operations		
Total revenue	$ 1,932,069	$ 1,823,383
Total expenditures	1,969,644	1,983,627
Excess of expenditures over revenue	$ (37,575)	$ (160,244)
Cash flows		
Cash and cash equivalents from operations	$ 154,606	$ 89,627
Cash and cash equivalents used in financing and investing activities	(82,906)	(326,463)
Increase in cash and cash equivalents	$ 71,700	$ (236,836)

5. Control of not-for-profit entity (cont'd.)

The financial information presented for the current year is derived from the audited financial statements of the Ever Green Environmental Corporation. The comparative figures have been restated to conform to the most recent financial information provided by Ever Green Environmental Corporation.

Subsequent to year end, the Board of Directors of the Health Care Foundation of St. John's Inc. has passed a motion that Ever Green Environmental Corporation shall operate as a charity independent of the Health Care Foundation of St. John's Inc.

6. Equipment

			2011	2010
	Cost	Accumulated Amortization	**Net Book Value**	Net Book Value
Furniture and equipment	$ 24,780	$ 2,478	**$ 22,302**	
Computer equipment	23,913	23,395	**518**	$ 1,578
	$ 48,693	$ 25,873	**$ 22,820**	$ 1,578

7. Supplemental cash flow information

			2011	2010
	Operating Fund	Restricted Fund	**Total**	Total
Change in non-cash operating working capital				
Receivables	$ (130,045)	$ 87	**$ (129,958)**	$ 9,712
Receivable from Hospital Home Lottery trust fund	-	-	**-**	60,479
Prepaids	(6,562)	-	**(6,562)**	2,262
Payables and accruals	(35,230)	(5,161)	**(40,391)**	(34,034)
Payable to Hospital Home Lottery Trust Fund	-	-	**-**	(38,166)
Deferred revenue	27,600	-	**27,600**	4,200
Due to Eastern Regional Health Authority	(49,224)	23,800	**(25,424)**	(468,287)
Accrued vacation pay	4,679	-	**4,679**	(1,844)
	$ (188,782)	$ 18,726	**$ (170,056)**	$ (465,678)

7. Supplemental cash flow information (cont'd.)

Cash and cash equivalents consist of the following:

	2011	2010
Balance with bank – Hospital Home Lottery	$ 2,408	$ 3,295
Balance with the bank and cash on hand	1,920,652	1,685,876
Balance with bank (restricted)	680,532	762,932
	$ 2,603,592	$ 2,452,103

8. Commitment

The Foundation is committed to minimum annual payments in the next five years under a lease agreement for office space as follows:

2012	$ 62,491
2013	$ 51,129
2014	$ 51,129
2015	$ 51,129
2016	$ 34,086

9. Related party transactions

The Foundation operates for the purpose of accumulating funds to help support the various sites of the Eastern Regional Health Authority. Transactions between these related parties are measured at their exchange amounts.

HERITAGE FOUNDATION OF NEWFOUNDLAND AND LABRADOR

FINANCIAL STATEMENTS

31 MARCH 2011

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Chairperson and Members
Heritage Foundation of Newfoundland and Labrador
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Heritage Foundation of Newfoundland and Labrador which comprise the balance sheet as at 31 March 2011, and the statements of revenues, expenses and fund balance and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Auditor's Report (cont.)

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Heritage Foundation of Newfoundland and Labrador as at 31 March 2011, and its financial performance for the year then ended in accordance with Canadian generally accepted accounting principles.

WAYNE R. LOVEYS, CMA
Auditor General (A)

14 September 2011
St. John's, Newfoundland and Labrador

HERITAGE FOUNDATION OF NEWFOUNDLAND AND LABRADOR
BALANCE SHEET

31 March	2011	2010
ASSETS		
Current		
Cash	$ 27,869	$ 73,723
Investments (Note 2)	1,408,543	1,151,210
Accounts receivable (Note 3)	22,359	51,355
Investment income receivable	14,765	3,216
Prepaid expenses	383	374
	$ 1,473,919	$ 1,279,878
LIABILITIES AND FUND BALANCE		
Current		
Accounts payable and accrued liabilities	$ 51,331	$ 35,410
Deferred revenue (Note 4)	972,689	760,233
Accrued severance pay	67,411	61,934
	1,091,431	857,577
Fund balance (Note 5)	382,488	422,301
	$ 1,473,919	$ 1,279,878

Grant commitments (Note 8)

See accompanying notes

Signed on behalf of the Foundation: ______________ **Chairperson** ______________ **Member**

HERITAGE FOUNDATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF REVENUES, EXPENSES AND FUND BALANCE
For the Year Ended 31 March

	2011 Actual	2011 Budget	2010 Actual
REVENUES			
Province of Newfoundland and Labrador (Note 4)	$ 468,334	$ 700,000	$ 676,931
Investment income	18,881	-	19,879
Miscellaneous	3,596	-	9,275
Government of Canada (Note 6)	-	-	208,080
	490,811	700,000	914,165
EXPENSES			
Board travel and meetings	11,912	16,400	6,695
Church conference	20,147	25,000	1,865
Easement registration	502	700	404
Fisheries Heritage Preservation Initiative	28,433	75,000	39,554
Heritage districts	2,475	1,500	7,423
Heritage grants	91,010	219,104	95,289
Historic Places Initiative (Note 6)	-	-	208,080
Intangible Cultural Heritage Strategy (Note 7)	103,567	97,462	129,020
Miscellaneous	12,900	18,000	6,566
Office supplies	4,076	5,000	2,181
Other projects	4,000	-	40,000
Plaquing	-	4,000	1,746
Professional fees	5,165	5,000	5,100
Public relations	-	6,000	1,035
Salaries and benefits	205,642	221,000	165,250
Special projects	7,000	1,000	-
Telephone	5,671	5,500	1,582
Travel	28,124	10,000	35
	530,624	710,666	711,825
Excess of (expenses over revenues) revenues over expenses	(39,813)	(10,666)	202,340
Fund balance, beginning of year	422,301	422,301	219,961
Fund balance, end of year	$ 382,488	$ 411,635	$ 422,301

See accompanying notes

HERITAGE FOUNDATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF CASH FLOWS

For the Year Ended 31 March	2011	2010
Cash flows from operating activities		
Excess of (expenses over revenues) revenues over expenses	$ (39,813)	$ 202,340
Changes in non-cash working capital		
Accounts receivable	28,996	(29,440)
Investment income receivable	(11,549)	9,191
Prepaid expenses	(9)	8,148
Accounts payable and accrued liabilities	15,921	(15,766)
	(6,454)	174,473
Increase in deferred revenue (Note 4)	212,456	10,057
Increase in accrued severance pay	5,477	4,535
	211,479	189,065
Cash flows from investing activities		
Purchase of capital assets from capital contributions	-	(2,998)
Cash flows from financing activities		
Contribution from Government of Canada to purchase capital assets	-	2,998
Net increase in cash and cash equivalents	211,479	189,065
Cash and cash equivalents, beginning of year	1,224,933	1,035,868
Cash and cash equivalents, end of year	$ 1,436,412	$ 1,224,933
Cash and cash equivalents include:		
Cash	$ 27,869	$ 73,723
Investments	1,408,543	1,151,210
	$ 1,436,412	$ 1,224,933

See accompanying notes

Authority

The Heritage Foundation of Newfoundland and Labrador (the Foundation) operates under the authority of the *Historic Resources Act*. Its affairs are managed by members of the Foundation appointed by the Lieutenant-Governor in Council.

The objectives of the Foundation are:

(a) to stimulate an understanding of and appreciation for the architectural heritage of the Province;

(b) to support and contribute to the preservation, maintenance and restoration of buildings and other structures of architectural or historical significance in the Province; and

(c) to contribute to the increase and diffusion of knowledge about the architectural heritage of the Province.

1. Summary of significant accounting policies

These financial statements have been prepared by the Foundation's management in accordance with Canadian generally accepted accounting principles. The budget information disclosed in these financial statements is presented on a cash basis. Outlined below are the significant accounting policies followed.

(a) Capital assets

Capital assets consist of systems development and office and computer equipment which were capitalized at cost at the time of acquisition and now have a net book value of $0.

Minor capital asset purchases are charged to operations in the year of acquisition.

(b) Investments

Investments are recorded at cost, which because of their short-term nature approximates market value.

1. Summary of significant accounting policies (cont.)

(c) Severance pay

Severance pay is calculated based on years of service and current salary levels. Entitlement to severance pay vests with employees after nine years of continuous service. Accordingly no provision has been made for employees with less than nine years of continuous service. The amount is payable when the employee ceases employment with the Foundation unless the employee transfers to another entity in the public service, in which case the liability is transferred with the employee to the other entity.

(d) Investment income

Investment income is recorded as earned.

2. Investments

	2011		2010
	Cost	**Market Value**	Cost
Short-term investments	**$ 1,408,543**	**$ 1,408,543**	$ 1,151,210

Investments consist of guaranteed investment certificates, with maturity dates ranging from 11 July 2011 to 18 November 2011 and interest rates ranging from 1.2% to 2.3%.

3. Accounts receivable

	2011	2010
Province of Newfoundland and Labrador	**$ 13,461**	$ 34,275
Harmonized sales tax	**8,898**	17,080
	$ 22,359	$ 51,355

4. Deferred revenue

Deferred revenue as at 31 March 2011 consists of contributions received from the Province of Newfoundland and Labrador and the Government of Canada to be used for the payment of heritage grants and other heritage initiatives as directed by the Province.

4. Deferred revenue (cont.)

	2011	2010
Balance, beginning of year	$ 760,233	$ 750,176
Contribution from Province of Newfoundland and Labrador:		
Operating expenses and payment of heritage grants	500,000	495,000
Fisheries Heritage Preservation Initiative	75,000	75,000
Intangible Cultural Heritage Strategy	100,000	100,000
Graduate Employment Program	5,790	-
Contribution from Government of Canada:		
Historic Places Initiative	-	225,068
	680,790	895,068
Less: Contributions recognized in income during year:		
Province of Newfoundland and Labrador:		
Cultural Ministers meeting	(25,000)	-
Operating expenses and payment of heritage grants	(291,010)	(318,046)
Fisheries Heritage Preservation Initiative	(43,089)	(53,775)
Intangible Cultural Heritage Strategy	(103,445)	(116,758)
Graduate Employment Program	(5,790)	-
Other projects	-	(40,000)
Historic Places Initiative - remaining balance at conclusion of the Initiative	-	(148,352)
	(468,334)	(676,931)
Government of Canada:		
Historic Places Initiative	-	(208,080)
	(468,334)	(885,011)
Increase during the year	212,456	10,057
Balance, end of year	$ 972,689	$ 760,233

5. Fund balance

Section 25 of the *Historic Resources Act* requires the Foundation to maintain a Fund of monies voted to it by the Legislature and of other monies received by way of gift, bequest, donation or otherwise. Disbursements from the Fund may be made by the Foundation for the purposes set out in the Legislation. As at 31 March 2011, the fund balance was $382,488 (2010 - $422,301)

6. Government of Canada

On 4 April 2003, the Province entered into a Contribution Agreement with the Government of Canada to fund the Historic Places Initiative (the Agreement). The objectives of the Agreement were to develop an online Provincial Registry of Historic Places and to develop and implement programs related to promoting and integrating the Historic Places Initiative at the Provincial level in Newfoundland and Labrador. The Agreement concluded as at 31 March 2010.

7. Intangible Cultural Heritage Strategy

In 2008, the Province appointed the Foundation to lead and implement the Province's Intangible Cultural Heritage Strategy. The mission of the Strategy is to safeguard and sustain the Intangible Cultural Heritage of Newfoundland and Labrador for present and future generations, as a vital part of the identities of Newfoundlanders and Labradorians, and as a valuable collection of unique knowledge and customs. During the year the Foundation received a contribution of $100,000 (2010 - $100,000) from the Province in support of this Strategy and recognized $103,445 (2010 - $116,758) in income in accordance with expenses incurred of $103,567 (2010 - $129,020) related to the Strategy. The income is included in the $468,334 (2010 - $676,931) in revenue received from the Province.

8. Grant commitments

As at 31 March 2011, the Foundation had committed $430,300 (2010 - $244,000) in the form of heritage grants approved but not yet disbursed or rescinded. A heritage grant of $17,000 which had been committed during the year ended 31 March 2011 was subsequently rescinded by the Heritage Foundation of Newfoundland and Labrador Board in a meeting held on 14 May 2011. This subsequently reduced the heritage grant commitments by $17,000. Future disbursements related to these heritage grants will be recorded as reductions to deferred revenue. The Foundation adopted a policy with respect to heritage grant commitments requiring that all grants approved will be available for a period of two years from the date of grant approval. Clients not utilizing the heritage grants within this timeframe will forfeit their right to these heritage grants, unless an extension is granted.

As at 31 March 2011, the Foundation had also committed $22,300 (2010 - $21,000) in the form of Fisheries Heritage Preservation Initiative grants approved but not yet disbursed or rescinded. Future disbursements related to these Fisheries Heritage Preservation Initiative grants will be recorded as reductions to deferred revenue. The Foundation's policy with respect to Fisheries Heritage Preservation Initiative grant commitments requires that all grants approved will be available for a period of one year from the date of grant approval. Clients not utilizing the Fisheries Heritage Preservation Initiative grants within this timeframe will forfeit their right to these grants, unless an extension is granted.

9. Operating lease obligation

Office equipment has been leased by the Foundation. Minimum lease payments for the next year are as follows:

2012	$ 3,247

10. Related party transactions

The Foundation leases office space from the Province of Newfoundland and Labrador at an annual rate of $1.

11. Financial instruments

The Foundation's financial instruments recognized on the balance sheet consist of cash, investments, accounts receivable, investment income receivable and accounts payable and accrued liabilities. The carrying values of these instruments approximate current fair value due to their nature and the short-term maturity associated with them. Accounts receivable is due from the Government of Canada and the Province of Newfoundland and Labrador and therefore there is no credit risk associated with this amount.

12. Economic dependence

As a result of its reliance on future transfers from the Province of Newfoundland and Labrador to fund its operations, the Foundation's ability to continue operations is dependent upon the decisions of Government.

13. Income taxes

The Foundation is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

14. Prior year accounting overstatement

In the prior year, the Foundation estimated investment income receivable at $32,165 on the Balance Sheet and $48,828 in investment income on the Statement of Revenues, Expenses and Fund Balance, which resulted in an excess of revenues over expenses of $231,289 and a Fund balance of $451,250. This estimate has been adjusted during 2011 by $28,949. As a result, the prior year's balances have been restated and now reflect the adjusted investment income amount. The investment income receivable has been restated to $3,216 and the investment income has been restated to $19,879, resulting in the restatement of the excess of revenues over expenses to $202,340 and the Fund balance to $422,301.

HERITAGE FOUNDATION OF NEWFOUNDLAND AND LABRADOR

FINANCIAL STATEMENTS

31 MARCH 2012

Management's Report

Management's Responsibility for the Heritage Foundation of Newfoundland and Labrador Financial Statements

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that transactions are properly authorized, assets are safeguarded and liabilities are recognized.

Management is also responsible for ensuring that transactions comply with relevant policies and authorities and are properly recorded to produce timely and reliable financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews internal financial information on a periodic basis and external audited financial statements yearly.

The Auditor General conducts an independent audit of the annual financial statements of the Foundation, in accordance with Canadian generally accepted auditing standards, in order to express an opinion thereon. The Auditor General has full and free access to financial management of the Heritage Foundation of Newfoundland and Labrador.

On behalf of the Heritage Foundation of Newfoundland and Labrador.

George Chalker
Executive Director

Madonna Sullivan
Financial Manager

19 September 2012

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Chairperson and Members
Heritage Foundation of Newfoundland and Labrador
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Heritage Foundation of Newfoundland and Labrador which comprise the statement of financial position as at 31 March 2012, 31 March 2011, and 1 April 2010, the statements of operations and accumulated surplus, change in net financial assets, and cash flows for the years ended 31 March 2012 and 31 March 2011, 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 audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Auditor's Report (cont.)

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 the Heritage Foundation of Newfoundland and Labrador as at 31 March 2012, 31 March 2011 and 1 April 2010, and its financial performance and its cash flows for the years ended 31 March 2012 and 31 March 2011 in accordance with Canadian public sector accounting standards.

TERRY PADDON, CA
Auditor General

19 September 2012
St. John's, Newfoundland and Labrador

HERITAGE FOUNDATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF FINANCIAL POSITION
As at

	31 March 2012	31 March 2011	1 April 2010
		Restated (Note 2) (Note 22)	Restated (Note 2)
FINANCIAL ASSETS			
Cash	**$ 145,532**	$ 27,869	$ 73,723
Portfolio investments (Note 6)	**1,381,890**	1,408,543	1,151,210
Accounts receivable (Note 7)	**42,057**	37,124	54,571
	1,569,479	1,473,536	1,279,504
LIABILITIES			
Accounts payable and accrued liabilities (Note 8)	**60,616**	51,331	35,410
Employee future benefits (Note 9)	**74,640**	67,411	61,934
Deferred revenue (Note 10)	**1,013,380**	885,443	760,233
	1,148,636	1,004,185	857,577
Net financial assets	**420,843**	469,351	421,927
NON-FINANCIAL ASSETS			
Tangible capital assets, net (Note 11)	**4,619**	14,746	28,281
Prepaid expenses	**383**	383	374
	5,002	15,129	28,655
Accumulated surplus (Note 12)	**$ 425,845**	$ 484,480	$ 450,582

Commitments (Note 16)

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

Signed on behalf of the Foundation: ____________ **Chairperson** ____________ **Member**

HERITAGE FOUNDATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
For the Year Ended 31 March

	2012 Budget	2012 Actual	2011 Actual
	(Note 18)		Restated (Note 2) (Note 22)
REVENUES			
Province of Newfoundland and Labrador (Note 19)	$ 680,165	$ 551,438	$ 555,580
Other Provincial revenue	-	4,500	-
Income from portfolio investments	28,000	27,314	18,881
Miscellaneous	1,000	5,257	3,596
	709,165	588,509	578,057
EXPENSES (Note 13)			
Heritage grants	200,000	107,793	91,010
Fisheries Heritage Preservation Initiative	75,000	18,757	28,433
Special projects (Note 14)	7,000	8,325	52,187
Administration	308,500	370,378	268,962
Intangible Cultural Heritage Strategy (Note 15)	116,533	141,891	103,567
	707,033	647,144	544,159
Annual surplus (deficit)	2,132	(58,635)	33,898
Accumulated surplus, beginning of year	484,480	$ 484,480	$ 450,582
Accumulated surplus, end of year	$ 486,612	$ 425,845	$ 484,480

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

HERITAGE FOUNDATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the Year Ended 31 March

	2012 Budget	2012 Actual	2011 Actual
	(Note18)		Restated (Note 2) (Note 22)
Annual surplus (deficit)	$ -	$ (58,635)	$ 33,898
Tangible capital assets			
Amortization of tangible capital assets	-	10,127	13,535
	-	10,127	13,535
Prepaid expenses			
Acquisition of prepaid expense	-	(1,800)	(1,800)
Use of prepaid expense	-	1,800	1,791
	-	-	(9)
Increase (decrease) in net financial assets	-	(48,508)	47,424
Net financial assets, beginning of year	-	469,351	421,927
Net financial assets, end of year	$ -	$ 420,843	$ 469,351

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

HERITAGE FOUNDATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF CASH FLOWS
For the Year Ended 31 March

	2012	2011
		Restated (Note 2) (Note 22)
Operating transactions		
Annual surplus (deficit)	$ (58,635)	$ 33,898
Adjustment for non-cash items		
Amortization of tangible capital assets	10,127	13,535
	(48,508)	47,433
Change in non-cash operating items		
Accounts receivable	(4,933)	17,447
Accounts payable and accrued liabilities	9,285	15,921
Employee future benefits	7,229	5,477
Deferred revenue	127,937	125,210
Prepaid expenses	-	(9)
Cash provided from operating transactions	91,010	211,479
Investing transactions		
Purchase of portfolio investments	(1,650,000)	(2,014,469)
Redemption of portfolio investments	1,676,653	1,757,136
Cash (applied to) provided from investing transactions	26,653	(257,333)
Increase (decrease) in cash	117,663	(45,854)
Cash, beginning of year	27,869	73,723
Cash, end of year	$ 145,532	$ 27,869

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

1. Nature of operations

The Heritage Foundation of Newfoundland and Labrador (the Foundation) operates under the authority of the *Historic Resources Act*. Its affairs are managed by members of the Foundation appointed by the Lieutenant-Governor in Council.

The objectives of the Foundation are:

(a) to stimulate an understanding of and appreciation for the architectural heritage of the Province;

(b) to support and contribute to the preservation, maintenance and restoration of buildings and other structures of architectural or historical significance in the Province; and

(c) to contribute to the increase and diffusion of knowledge about the architectural heritage of the Province.

The Foundation is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

2. Conversion to Canadian public sector accounting standards

In accordance with recent recommendations of the Public Sector Accounting Board (PSAB), the Foundation has determined that it is an Other Government Organization within the Government Reporting Entity. Accordingly, commencing with the 2012 fiscal year, the Foundation has adopted Canadian public sector accounting (CPSA) standards. These financial statements are the first financial statements for which the Foundation has applied CPSA standards. The Foundation had previously been preparing its financial statements using Canadian generally accepted accounting principles (CGAAP). The changeover became effective on 1 April 2011 with retroactive application to 1 April 2010.

In accordance with Section PS 2125, *First-time adoption by Government Organizations*, the Foundation has prepared reconciliations to enable readers to understand the effects of the changeover on its comparative results and financial position.

2. Conversion to Canadian public sector accounting standards (cont.)

Statement of operations reconciliation

The following table presents the reconciliation of the statement of operations from the previous reporting framework to the current method of presentation for the year ended 31 March 2011.

Statement of operations	Notes	CGAAP 31 March 2011	Adjustments	CPSA Standards 31 March 2011
REVENUES				
Province of Newfoundland and Labrador	(d)	$ 468,334	$ 87,246	$ 555,580
Income from portfolio investments		18,881		18,881
Miscellaneous		3,596		3,596
		490,811	87,246	578,057
EXPENSES				
Administration	(a),(b)	$ -	$ 268,962	$ 268,962
Board travel and meetings	(b)	11,912	(11,912)	-
Cultural Ministers Meeting	(b)	20,147	(20,147)	-
Easement registration	(b)	502	(502)	-
Fisheries Heritage Preservation Initiative	(b)	28,433	-	28,433
Heritage districts	(b)	2,475	(2,475)	-
Heritage grants	(b)	91,010	-	91,010
Intangible Cultural Heritage Strategy	(b)	103,567	-	103,567
Miscellaneous	(b)	12,900	(12,900)	-
Office supplies	(b)	4,076	(4,076)	-
Other projects	(b)	4,000	(4,000)	-
Professional fees	(b)	5,165	(5,165)	-
Salaries and benefits	(b)	205,642	(205,642)	-
Special projects	(b)	7,000	45,187	52,187
Telephone	(b)	5,671	(5,671)	-
Travel	(b)	28,124	(28,124)	-
		530,624	13,535	544,159
Excess of (expenses over revenues) revenues over expenses		$ (39,813)	$ 73,711	$ 33,898

2. Conversion to Canadian public sector accounting standards (cont.)

Statement of financial position reconciliation

The following tables present the reconciliation of the statement of financial position from the previous reporting framework to the current method of presentation as at 31 March 2011 and at the transition date 1 April 2010.

Statement of financial position	Notes	CGAAP 31 March 2011	Adjustments	CPSA Standards 31 March 2011
FINANCIAL ASSETS				
Cash		$ 27,869	$	$ 27,869
Portfolio investments		1,408,543		1,408,543
Accounts receivable	(c)	37,124		37,124
		1,473,536		1,473,536
LIABILITIES				
Accounts payable and accrued liabilities		51,331		51,331
Employee future benefits	(c)	67,411		67,411
Deferred revenue	(d)	972,689	(87,246)	885,443
		1,091,431	(87,246)	1,004,185
Net financial assets		382,105	87,246	469,351
NON-FINANCIAL ASSETS				
Tangible capital assets, net	(a)	-	14,746	14,746
Prepaid expenses		383		383
		383	14,746	15,129
Accumulated surplus		$ 382,488	$ 101,992	$ 484,480

2. Conversion to Canadian public sector accounting standards (cont.)

Statement of financial position	Notes	CGAAP 1 April 2010	Adjustments	CPSA Standards 1 April 2010
FINANCIAL ASSETS				
Cash		$ 73,723	$	$ 73,723
Portfolio investments		1,151,210		1,151,210
Accounts receivable	(c)	54,571		54,571
		1,279,504		1,279,504
LIABILITIES				
Accounts payable and accrued liabilities		35,410		35,410
Employee future benefits	(c)	61,934		61,934
Deferred revenue		760,233		760,233
		857,577		857,577
Net financial assets		421,927		421,927
NON-FINANCIAL ASSETS				
Tangible capital assets, net	(a)	-	28,281	28,281
Prepaid expenses		374		374
		374	28,281	28,655
Accumulated surplus		$ 422,301	$ 28,281	$ 450,582

2. Conversion to Canadian public sector accounting standards (cont.)

(a) Under CGAAP, contributions from government that were designated for the acquisition of tangible capital assets were applied towards the initial cost of the tangible capital assets with any remaining balance being amortized over the useful life of the related tangible capital asset. As there was no remaining balance, the tangible capital assets had a net book value of $0 on the balance sheet (statement of financial position for the current year) and no amortization expense was necessary. Under CPSA standards, contributions designated for the acquisition of tangible capital assets cannot be applied towards the cost of the related tangible capital asset. Therefore, retroactive adjustments were made to recognize the contributions from government related to tangible capital asset acquisitions as revenue when the related tangible capital assets were acquired and to record amortization expense related to the tangible capital assets. This resulted in tangible capital assets having a net book value of $14,746 (1 April 2010 - $28,281) being recorded as at 31 March 2011 and amortization expense of $13,535 being recorded for the year ended 31 March 2011.

(b) Under CPSA standards, the Foundation is required to report its expenses by function or major program on the statement of operations. Therefore, certain expenses had to be reclassified on a retroactive basis.

(c) Certain comparative figures have been reclassified to conform to the financial statement classifications adopted in 2012.

(d) Certain comparative figures have been restated to correct an overstatement as explained in Note 22.

3. Changes in accounting standards: early adoption of released CICA Public Sector Accounting Handbook sections

In March 2011, the PSAB approved new Section PS 3450, *Financial Instruments*, Section PS 2601, *Foreign Currency Translation* to replace current Section PS 2600, *Foreign Currency Translation* and Section PS 1201, *Financial Statement Presentation* to replace current Section PS 1200, *Financial Statement Presentation*. Government organizations are required to adopt the three sections in the same year. In addition, in March 2012, the PSAB approved Section PS 3041, *Portfolio Investments*, to replace Section PS 3040, *Portfolio Investments*. The four sections are effective 1 April 2012 for government organizations but earlier adoption is permitted.

The Foundation decided to early adopt these sections for the year ending 31 March 2012. The adoption of sections PS 3450, PS 2601, and PS 1201 had no significant impact on the Foundation's financial statements.

3. Changes in accounting standards: early adoption of released CICA Public Sector Accounting Handbook sections (cont.)

The primary implication of adopting section PS 3041 is that the Foundation can no longer apply section PS 3030, *Temporary Investments*. As a result, when temporary investments cannot be accounted for as cash equivalents (*i.e.;* when the investments have a maturity of three months or less from the date of acquisition) they have to be accounted for as portfolio investments. The Foundation had previously been accounting for its investments as temporary investments. Under PS 3041, the Foundation will now have to account for its investments as portfolio investments as the investments have a maturity of greater than three months from the date of acquisition. The primary implication of this change is that the Foundation will now have to present its purchases and redemptions of portfolio investments on the statement of cash flows.

4. Summary of significant accounting policies

(a) Basis of accounting

These financial statements are prepared by management in accordance with Canadian public sector accounting standards for provincial reporting entities established by the PSAB. The Foundation does not prepare a statement of re-measurement gains and losses as the Foundation does not enter into relevant transactions or circumstances that are being addressed by the statement.

(b) Portfolio investments

The Foundation invests in Guaranteed Investment Certificates. The portfolio investments are recorded at cost, which due to the current market rate associated with these investments, approximates market value.

(c) Deferred revenue

Deferred revenue consists of contributions received from the Province of Newfoundland and Labrador to be used for the payment of heritage grants and other heritage initiatives as directed by the Province. These contributions are recognized as revenue in the fiscal year the related expenses are incurred.

4. Summary of significant accounting policies (cont.)

(d) Employee future benefits

i. Severance pay is calculated based on years of service and current salary levels. Entitlement to severance pay vests with employees after nine years of continuous service, and accordingly a liability has been recorded for these employees. No liability or provision has been recorded for employees with less than nine years of continuous service as the amount would be insignificant. The amount is payable when the employee ceases employment with the Foundation unless the employee transfers to another entity in the public service, in which case the liability is transferred with the employee to the other entity.

ii. The employees of the Foundation are covered by the *Public Service Pensions Act, 1991*, or a self-directed RRSP. For employees covered by the self-directed RRSP, the Foundation will contribute 6% of the employee's salary to the self-directed RRSP but there is no requirement for the employee to match the contributions. Contributions to the Public Service Pension Plan are required from certain employees and are matched by the Foundation. Contributions related to the Public Service Pension Plan are remitted to the Province of Newfoundland and Labrador Pooled Pension Fund from which pensions will be paid to employees when they retire. The Public Service Pension Plan is a defined benefit plan, providing a pension on retirement based on the member's age at retirement, length of service and the average of the best five years of earnings.

The contributions of the Foundation to both the self-directed RRSPs and the Public Service Pension Plan are recorded as an expense for the year.

(e) Tangible capital assets

Tangible capital assets are recorded at cost, including amounts that are directly related to the acquisition of the assets.

The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over their estimated useful lives as follows:

Systems development	5 years
Office and computer equipment	5 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Foundation's ability to provide services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations and accumulated surplus.

Minor tangible capital asset purchases are charged to operations in the year of acquisition.

4. Summary of significant accounting policies (cont.)

(f) Prepaid expenses

Prepaid expenses are charged to the expense over the periods expected to benefit from it.

(g) Revenues

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

The Foundation recognizes government transfers as revenues when the transfer is authorized, any eligibility criteria are met, and reasonable estimates of the amounts can be made.

Income from portfolio investments is recorded as earned.

(h) Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

(i) 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 reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include the useful life of tangible capital assets and estimated employee future benefits.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

5. Accounting pronouncements

Section PS 3410 Revised, *Government Transfers*

In December 2010, Section PS 3410, *Government Transfers*, was amended by the PSAB. These amendments are effective for fiscal years beginning on or after 1 April 2012 but earlier adoption is encouraged. The main changes pertain to recognition criteria for government transfers, affecting how the Foundation accounts for such transfers. The Foundation is still evaluating the impact of adopting the revised section in the coming year.

6. Portfolio investments

	31 March 2012	31 March 2011	1 April 2010
Portfolio investments, at cost	**$ 1,381,890**	$ 1,408,543	$ 1,151,210
Portfolio investments, at market	**$ 1,381,890**	$ 1,408,543	$ 1,151,210

Investments consist of Guaranteed Investment Certificates, with maturity dates ranging from 18 June 2012 to 17 June 2013 and interest rates ranging from 1.27% to 2.35%.

7. Accounts receivable

	31 March 2012	31 March 2011	1 April 2010
Investment income receivable	**$ 18,734**	$ 14,765	$ 3,216
Harmonized sales tax receivable	**14,515**	8,898	17,080
Province of Newfoundland and Labrador	**6,165**	13,461	32,775
Trade accounts receivable	**2,643**	-	1,500
	$ 42,057	$ 37,124	$ 54,571

There is no allowance for doubtful accounts since all amounts are considered collectible.

8. Accounts payable and accrued liabilities

	31 March 2012	31 March 2011	1 April 2010
Trade accounts payables and accruals	**$ 24,565**	$ 21,504	$ 9,254
Accrued employee benefits	**36,051**	29,827	26,156
	$ 60,616	$ 51,331	$ 35,410

9. Employee future benefits

(a) Severance pay

Employee future benefits consist of the liability for severance pay of $74,640 (2011 - $67,411; 2010 - $61,934).

(b) Retirement benefits

Effective for the year ended 31 March 2012, the Foundation and its employees contribute to the Public Service Pension Plan in accordance with the *Public Service Pensions Act, 1991*. The Government of Newfoundland and Labrador administers the Public Service Pension Plan, including payment of pension benefits to employees to whom the *Act* applies. The Public Service Pension Plan is a multi-employer, defined benefit plan.

The plan provides a pension to employees based on their length of service and rates of pay. The maximum contribution rate for eligible employees was 8.6% (2011 - 8.6%). The Foundation's contributions equal the employees' contributions to the plan. The Foundation is not required to make contributions in respect of any actuarial deficiencies of the plan. The pension expense for the Foundation at 31 March 2012 was $890 (2011 - $0).

For those employees not covered by the Public Service Pension Plan, the Foundation will make an annual contribution equal to 6% of the employee's salary to a self-directed RRSP. There is no requirement that the employee make a matching contribution. Contributions to self-directed RRSPs for the year ended 31 March 2012 were $13,197 (2011 - $11,831)

10. Deferred revenue

Deferred revenue as at 31 March 2012 consists of contributions received from the Province of Newfoundland and Labrador to be used for the payment of heritage grants and other heritage initiatives as directed by the Province.

	31 March 2012	31 March 2011	1 April 2010
Registered Heritage Structures	$ 712,985	$ 620,779	$ 521,510
Fisheries Heritage Preservation Program	108,515	103,382	91,864
Ecclesiastical Structures	75,000	35,000	-
Municipal Planning	70,000	70,000	70,000
Downtown Revitalization	46,880	46,880	46,880
Cultural Ministers' Meeting	-	-	25,000
Intangible Cultural Heritage	-	9,402	4,979
	$ 1,013,380	$ 885,443	$ 760,233

11. Tangible capital assets

	Systems development	Office and computer equipment	Total
Cost			
Balance, 1 April 2010	$ 267,096	$ 65,558	$ 332,654
Additions	-	-	-
Balance, 31 March 2011	267,096	65,558	332,654
Additions	-	-	-
Balance, 31 March 2012	267,096	65,558	332,654
Accumulated amortization			
Balance, 1 April 2010	244,580	59,793	304,373
Amortization expense	11,240	2,295	13,535
Balance, 31 March 2011	255,820	62,088	317,908
Amortization expense	8,550	1,577	10,127
Balance, 31 March 2012	264,370	63,665	328,035
Net book value, 31 March 2012	**$ 2,726**	**$ 1,893**	**$ 4,619**
Net book value, 31 March 2011	$ 11,276	$ 3,470	$ 14,746
Net book value, 1 April 2010	$ 22,516	$ 5,765	$ 28,281

12. Accumulated surplus

Section 25 of the *Historic Resources Act* requires the Foundation to maintain a Fund of monies voted to it by the Legislature and of other monies received by way of gift, bequest, donation or otherwise. Disbursements from the Fund may be made by the Foundation for the purposes set out in the Legislation. The Fund consists of the accumulated surplus of the Foundation. As at 31 March 2012, the Fund balance was $425,845 (2011 - $484,480; 2010 - $450,582)

13. Expenses by object

The following is a summary of expenses by object:

	2012 Actual	2011 Actual
Salaries and benefits	$ 370,885	$ 281,896
Grants	131,772	146,139
Professional services	60,158	7,339
Purchased services	37,213	75,213
Travel	28,964	13,872
Amortization	10,127	13,535
Communications	5,622	5,671
Property, furnishings and equipment	2,403	494
	$ 647,144	$ 544,159

14. Special projects

The Foundation incurred expenses related to the following special projects.

	2012 Actual	2011 Actual
Heritage Canada conference	$ -	$ 25,040
Cultural Ministers Meeting	2,625	20,147
Other	5,700	7,000
	$ 8,325	$ 52,187

15. Intangible Cultural Heritage Strategy

In 2008, the Province appointed the Foundation to lead and implement the Province's Intangible Cultural Heritage Strategy. The mission of the Strategy is to safeguard and sustain the Intangible Cultural Heritage of Newfoundland and Labrador for present and future generations, as a vital part of the identities of Newfoundlanders and Labradorians, and as a valuable collection of unique knowledge and customs. During the year, the Foundation recognized $123,533 (2010 - $109,235) in revenue related to the Strategy. The Foundation also incurred expenses of $141,891 (2011 - $103,567) related to the Strategy.

16. Commitments

(a) Grant commitments

As at 31 March 2012, the Foundation had committed $560,320 (2011 - $430,300) in the form of heritage grants approved but not yet disbursed or rescinded. Future disbursements related to these heritage grants will be recorded as reductions to deferred revenue. The Foundation adopted a policy with respect to heritage grant commitments requiring that all grants approved be available for a period of two years from the date of grant approval. Clients not utilizing the heritage grants within this timeframe will forfeit their right to these heritage grants, unless an extension is granted.

As at 31 March 2012, the Foundation had also committed $10,300 (2011 - $22,300) in the form of Fisheries Heritage Preservation Initiative grants approved but not yet disbursed or rescinded. Future disbursements related to these Fisheries Heritage Preservation Initiative grants will be recorded as reductions to deferred revenue. The Foundation's policy with respect to Fisheries Heritage Preservation Initiative grant commitments requires that all grants approved be available for a period of one year from the date of grant approval. Clients not utilizing the Fisheries Heritage Preservation Initiative grants within this timeframe will forfeit their right to these grants, unless an extension is granted.

(b) Operating lease obligation

Office equipment has been leased by the Foundation. Minimum lease payments over the term of the lease are as follows:

2013	$ 3,246
2014	3,246
2015	3,246
2016	3,246
	$ 12,984

17. Financial instruments

The Foundation's financial instruments recognized on the statement of financial position consist of cash, portfolio investments, accounts receivable, and accounts payable and accrued liabilities. The carrying value of cash, accounts receivable, and accounts payable and accrued liabilities approximate current fair value due to their nature and the short-term maturity associated with them. The carrying value of portfolio investments approximates the current market value due to the current market rate associated with these investments.

Risk management

The Foundation recognizes the importance of managing significant risks and this includes oversight designed to reduce the risks identified to an appropriate threshold. A significant risk currently managed by the Foundation is liquidity risk.

Liquidity risk

Liquidity risk is the risk that the Foundation will be unable to meet its grant commitments and financial liabilities. The Foundation manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient resources available to meet its commitments and liabilities.

18. Budgeted figures

Budgeted figures, which have been prepared on a cash basis, are provided for comparison purposes and have been derived from the estimates approved by the Board of Directors of the Foundation.

19. Related party transactions

(a) The Foundation receives grant funding from the Province of Newfoundland and Labrador. During the year, the Foundation received grants totalling $679,375 (2011 - $680,790). The Foundation recognized $551,438 (2011 - $555,580) in revenue from the Province of Newfoundland and Labrador.

(b) The Foundation leases office space from the Province of Newfoundland and Labrador at an annual rate of $1.

(c) The Foundation received revenues of $4,500 (2011 - $0) from related parties.

(d) The Foundation incurred expenses of $10,000 (2011 - $10,000) with related parties.

(e) Accounts receivable includes amounts due from related parties of $8,265 (2011 - $13,461; 2010 - $34,275)

20. Comparative figures

Certain comparative figures as at 31 March 2011 and 1 April 2010 and for the year ended 31 March 2011 have been reclassified to conform to current year's presentation.

21. Non-financial assets

The recognition and measurement of non-financial assets is based on their service potential. These assets will not provide resources to discharge liabilities of the Foundation. For non-financial assets, the future economic benefit consists of their capacity to render service to further the Foundation's objectives.

22. Prior year accounting overstatement

In the prior year, the Foundation recorded deferred revenue at $972,689 on the balance sheet (statement of financial position for the current year) and Province of Newfoundland and Labrador revenue at $468,334 on the statement of revenues, expenses and fund balance, (statement of operations and accumulated surplus for the current year), which resulted in an excess of expenses over revenues of $39,813 and a Fund balance of $382,488. The excess of expenses over revenues has been reclassified as annual surplus (deficit) and the Fund balance has been reclassified as accumulated surplus for the current year. The deferred revenue balance was overstated by $87,246 as at 31 March 2011 and has been revised to correct this overstatement. As a result, the prior year's balances have been restated and now reflect the adjusted deferred revenue balance. Deferred revenue has been restated to $885,443 and Province of Newfoundland and Labrador revenue has been restated to $555,580, resulting in the restatement of the annual surplus (deficit) by an increase of $87,246 and the accumulated surplus by an increase of $87,246. In addition, further adjustments were required to the revised annual surplus (deficit) and the revised accumulated surplus as a result of the conversion to Canadian public sector accounting standards as explained in Note 2.

Financial Statements

Janeway Children's Hospital Foundation

March 31, 2012

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Janeway Children's Hospital Foundation

We have audited the accompanying financial statements of the **Janeway Children's Hospital Foundation** [the "Foundation"], which comprise the statement of financial position as at March 31, 2012, and the statements of operations and changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Basis for qualified opinion

The Foundation derives revenue from the general public in the form of donations and other fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to revenues, excess of revenues over expenditures, assets and fund balances.

Qualified opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of **Janeway Children's Hospital Foundation** as at March 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Other matter

The financial statements as at March 31, 2011 and for the year then ended were audited by other auditors who expressed a qualified opinion on those statements in their report dated August 2, 2011.

Ernst & Young LLP

St. John's, Canada
June 27, 2012

Chartered accountants

STATEMENT OF OPERATIONS

Year ended March 31

	General Fund $	In-Memoriam Fund $	Endowment Fund $	2012 $	2011 $
REVENUES					
Miracle Network Telethon projects and donations	2,065,551	—	—	2,065,551	1,954,025
Interest and other investment income *[note 4]*	201,360	—	92,608	293,968	230,833
Restricted donations	281,179	—	—	281,179	725,401
Golf	135,345	—	—	135,345	134,867
Christmas Appeal	117,216	—	—	117,216	115,789
Bequests and in-memoriam	23,150	20,862	30,163	74,175	58,120
Radiothon	44,947	—	—	44,947	55,724
Jeans Day	21,952	—	—	21,952	25,138
Other funding	56,628	—	—	56,628	21,030
Atlantic Fundraising Association	—	—	—	—	85,670
	2,947,328	20,862	122,771	3,090,961	3,406,597
EXPENDITURES					
Salaries and benefits	433,958	—	—	433,958	420,646
Miracle Network Telethon *[Schedule 1]*	304,768	—	—	304,768	331,928
Professional fees	202,309	—	—	202,309	45,042
Christmas Appeal *[Schedule 2]*	46,332	—	—	46,332	42,290
Golf	22,022	—	—	22,022	24,026
General administration	22,004	—	—	22,004	16,648
Maintenance contract	12,036	—	—	12,036	11,495
Public relations and advertising	13,321	—	—	13,321	15,744
Travel and conferences	9,245	—	—	9,245	11,962
Jeans Day	3,593	—	—	3,593	3,399
Radiothon	2,716	—	—	2,717	1,134
Planned giving	3,571	4,016	—	7,587	12,725
	1,075,875	4,016	—	1,079,892	937,039
Excess of revenues over expenditures before undernoted items	1,871,453	16,846	122,771	2,011,069	2,469,558
Donations *[note 5]*					
Eastern Regional Health Authority	1,053,890	—	—	1,053,890	1,681,058
Other	236,897	—	—	236,897	239,827
	1,290,787	—	—	1,290,787	1,920,885
Excess of revenues over expenditures	580,666	16,846	122,771	720,282	548,673

See accompanying notes

ERNST & YOUNG

A member firm of Ernst & Young Global Limited

STATEMENT OF FINANCIAL POSITION

As at March 31

	General Fund $	In-Memoriam Fund $	Endowment Fund $	2012 $	2011 $
ASSETS					
Current assets					
Cash and cash equivalents	—	164,069	39,480	203,549	832,941
Investments *[note 4]*	1,944,527	—	—	1,944,527	972,606
Receivables	5,408	—	—	5,408	6,486
Due from Eastern Regional Health Authority	—	—	112,790	112,790	110,850
Prepaid expenses	80,458	—	—	80,458	96,656
	2,030,393	164,069	152,270	2,346,732	2,019,539
Investments *[note 4]*	3,401,970	—	1,129,381	4,531,351	4,791,590
	5,432,363	164,069	1,281,651	6,878,083	6,811,129
LIABILITIES AND FUND BALANCES					
Current liabilities					
Bank indebtedness	94,596	—	—	94,596	—
Accounts payable and accrued liabilities	32,451	—	—	32,451	51,108
Due to Eastern Regional Health Authority	625,389	—	—	625,389	1,341,761
Deferred contributions	27,789	—	—	27,789	36,696
	780,225	—	—	780,225	1,429,565
Accrued severance pay	31,281	—	—	31,281	35,270
	811,506	—	—	811,506	1,464,835
Fund balances					
Unrestricted fund balances	4,601,236	164,069	—	4,765,305	4,167,793
Restricted fund balances	19,621	—	1,281,651	1,301,272	1,178,501
	4,620,857	164,069	1,281,651	6,066,577	5,346,294
	5,432,363	164,069	1,281,651	6,878,083	6,811,129

See accompanying notes

Commitments *[note 8]*

Approved on behalf of the Board

Lloyd Powell Director

Lynn Sparkes Director

STATEMENT OF CHANGES IN FUND BALANCES

Year ended March 31

	General Fund	In-Memoriam Fund	Endowment Fund	2012	2011
	$	$	$	$	$
Fund balances, beginning of year	**4,040,192**	**147,223**	**1,158,880**	**5,346,295**	4,797,621
Excess of revenues over expenditures	**580,665**	**16,846**	**122,771**	**720,282**	548,673
Fund balances, end of year	**4,620,857**	**164,069**	**1,281,651**	**6,066,577**	5,346,294

See accompanying notes

STATEMENT OF CASH FLOWS

Year ended March 31

	General Fund $	In-Memoriam Fund $	Endowment Fund $	2012 $	2011 $
OPERATING ACTIVITIES					
Excess of revenues over expenditures	580,665	16,846	122,771	720,282	1,440,564
Adjustments for:					
(Decrease) increase in severance pay accrual	(3,989)	—	—	(3,989)	9,146
Changes in non-cash operating working capital *[note 6]*	(726,660)	—	(1,940)	(728,600)	802,358
	(149,984)	16,846	120,831	(12,307)	2,252,068
INVESTING ACTIVITIES					
Change in investments	(549,074)	—	(162,608)	(711,682)	(2,019,369)
	(549,074)	—	(162,608)	(711,682)	(2,019,369)
Net (decrease) increase in cash and cash equivalents	(699,058)	16,846	(41,777)	(723,989)	232,699
Cash and cash equivalents, beginning of year	604,462	147,222	81,257	832,941	1,492,133
(Bank indebtedness) cash and cash equivalents, end of year	(94,596)	164,068	39,480	108,952	1,724,832
Represented by					
Cash and cash equivalents	—	164,069	39,480	203,549	832,941
Bank indebtedness	(94,596)	—	—	(94,596)	—
	(94,596)	164,069	39,480	108,953	832,941

See accompanying notes

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2012

1. NATURE OF OPERATIONS

The Janeway Children's Hospital Foundation [the "Foundation"] is a registered charitable organization created to raise funds to meet the financial needs of the Janeway Children's Health and Rehabilitation Centre for capital projects, equipment, programs and research directly related to the health and welfare of Newfoundland and Labrador children, while promoting public awareness of these needs.

As a registered charity, the Foundation is exempt from income tax and may issue charitable donation receipts.

2. IMPACT OF ADOPTING NEW ACCOUNTING POLICIES

In December 2009, the Public Sector Accounting Board approved an amendment to the Introduction to Public Sector Accounting Standards that eliminates the category of government business-type organizations, resulting in the need to reclassify these entities as either government not-for-profit organizations ["GNFPO"] or other government organizations.

The Foundation considers itself to be a GNFPO and therefore will be required to follow Public Sector Accounting Standards ["PSAS"].

Effective April 1, 2012, the Foundation will adopt PSAS and must report under the new standards for its financial statements for the year ended March 31, 2013, including comparative figures. Management is currently finalizing the impact of the adoption of these standards and the adjustments on transition date as at April 1, 2011.

3. SIGNIFICANT ACCOUNTING POLICIES

The Foundation has elected to use the exemption provided by the Canadian Institute of Chartered Accountants ["CICA"] permitting not-for-profit organizations not to apply Sections 3862 and 3863 of the CICA Handbook which would otherwise have applied to the financial statements of the Foundation for the year ended March 31, 2010. The Foundation applies the requirements of Section 3861 of the CICA Handbook.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations, the more significant of which are as follows:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [Continued]

Fund accounting

The Foundation applies the restricted fund method of accounting for contributions.

The General Fund contains all of the operating assets, liabilities, revenues and expenditures of the Foundation related to the Foundation's mandate to raise funds to meet the financial needs of the Janeway Children's Health and Rehabilitation Centre for capital projects, equipment, programs and research.

The In-Memoriam Fund represents donations received from donors for a designated purpose. These donations are held in bank accounts or invested until disbursed for specific projects.

The Endowment Fund represents donations received from donors along with any bequests and in-memoriam donations that have not been designated for a specific purpose. These donations are held in bank accounts and are disbursed based on recommendations from the Board of Directors.

Revenue recognition

Revenue from donations is recognized in the accounts of the Foundation in the year in which it is received. Contributions received for expenditures for a future period are deferred and recognized as revenue when the expenditure is incurred. All other revenues are recognized as earned and when collectability is reasonably assured.

In-kind contributions are recorded when fair value is determinable.

Capital contributions

Capital contributions are recorded as deferred contributions and amortized to income on the same basis as the amortization expense related to the capital assets purchased. Capital contributions for capital assets that are not amortized are recorded as direct increases in fund balances.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short-term investments with maturities of three months or less.

Capital assets

Capital assets, which consist of equipment, are recorded at cost and amortized on a straight-line basis over five years.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [Continued]

Vacation pay and other benefits

Vacation pay and other benefits are recorded in the accounts of the Foundation on the accrual basis.

Severance pay

Severance pay is accounted for on an accrual basis and is calculated based upon years of service and current salary levels for employees who have a vested right to receive such a payment. No provision for severance pay is recorded for any employee who does not have a vested right to the payment. The amount is payable when the employee ceases employment with the Foundation.

Pension costs

Employees of the Foundation are members of the Public Service Pension Plan and the Government Money Purchase Plan [the "Plans"] administered by the Government of Newfoundland and Labrador. Contributions to the Plans are required from both the employees and the Foundation. The annual contributions for pensions are recognized as an expenditure in the accounts on a current basis and amounted to $16,393 for the year ended March 31, 2012 [2011 – $16,368].

Financial instruments

The Foundation's financial assets and liabilities are generally classified and measured as follows:

Asset/Liability	Classification	Measurement
Cash and cash equivalents	Held-for-trading	Fair value
Investments	Held-for-trading	Fair value
Receivables	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities, due to Eastern Regional Health Authority	Other financial liabilities	Amortized cost

The Foundation has determined that it does not have derivatives or embedded derivatives.

Use of estimates

In preparing the Foundation's financial statements in conformity with Canadian generally accepted accounting principles, management is required 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 expenditures during the reporting period. Actual results could differ from these estimates.

Janeway Children's Hospital Foundation

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2012

4. INVESTMENTS

	2012 $	2011 $
Guaranteed investment certificate, due November 30, 2013, bearing interest at 2.25%	**1,108,340**	—
Guaranteed investment certificate, due April 14, 2012, bearing interest at 2.55%	**1,155,869**	1,127,051
Guaranteed investment certificate, due December 3, 2012, bearing interest at 3.15%	**322,442**	312,595
Guaranteed investment certificate, due December 3, 2013, bearing interest at 3.75%	**544,702**	525,014
Guaranteed investment certificate, due December 2, 2012, bearing interest at 2.70%	**466,216**	453,959
Guaranteed investment certificate, due May 18, 2013, bearing interest at 3.4%	**798,423**	772,167
Managed money portfolio	**2,079,886**	1,600,803
Guaranteed investment certificates, matured during the year	**—**	972,606
	6,475,879	5,764,195
Less current portion	**1,944,527**	972,606
	4,531,351	4,791,590

Included in interest and other investment income for the year ended March 31, 2012 is an unrealized gain of $179,083.

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2012

5. DONATIONS

	2012 $	2011 $
Eastern Regional Health Authority		
Janeway Children's Health and Rehabilitation Centre	**924,596**	807,067
Janeway Research	**79,294**	92,333
Janeway Rehab Technical Aid Lending Library	**—**	20,000
Janeway Pediatric Research and Family Resource Centre	**50,000**	761,658
	1,053,890	1,681,058
Other		
Janeway Child Life Dept.	**11,130**	—
Bursaries and fellowships	**80,000**	58,500
RBC Reach Out Program	**—**	40,000
Other Hospital Funding	**20,000**	26,973
Rainbow Riders program	**7,500**	7,500
Asthma program	**8,148**	1,000
Child Abuse grant	**758**	—
Breaking Barriers Youth Group Program – JW Rehab	**800**	—
Environmental grant	**1,561**	—
Youth Ostomy Camp 2011	**2,000**	—
Pastoral Care/Rehab Teen Group	**—**	854
Memorial University	**100,000**	100,000
Canadian Diabetes	**—**	5,000
Broken Earth (Dr. Andrew Furey)	**5,000**	—
	236,897	239,827
	1,290,787	1,920,885

6. SUPPLEMENTAL CASH FLOW INFORMATION

	2012 $	2011 $
Receivables	**1,078**	(65,032)
Prepaid expenses	**16,198**	(3,428)
Accounts payable and accrued liabilities	**(18,657)**	9,672
Deferred contributions	**(8,907)**	4,649
Due to Eastern Regional Health Authority	**(718,312)**	856,497
	(728,600)	802,358

7. RELATED PARTY TRANSACTIONS

Transactions between the Foundation and Eastern Regional Health Authority ["Eastern Health"] are measured at their exchange value.

8. COMMITMENTS

During the year, the Foundation committed to disburse $1,000,000 [2011 - $1,050,000] to Eastern Health to benefit the Janeway Children's Health and Rehabilitation Centre, depending on the financial results of the Foundation for the year. During the year, $1,259,503 [2011 - $1,741,399] of current and previously committed funds were disbursed. The outstanding commitments from the current and prior years of approximately $4,161,910 relating to capital equipment and research are expected to be disbursed in future fiscal years of the Foundation.

9. CAPITAL MANAGEMENT

The capital structure of the Foundation consists of fund balances. The Foundation's objective when managing capital is to ensure it maintains adequate capital to support its continued operations.

The Foundation is not subject to externally imposed capital requirements.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial risk factors

The Foundation has exposure to credit risk, liquidity risk and market risk. The Foundation's Board of Directors has overall responsibility for the oversight of these risks and reviews the Foundation's policies on an ongoing basis to ensure that these risks are appropriately managed. The source of risk exposure and how each is managed is outlined below.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligation. The Foundation's credit risk is primarily attributable to receivables, cash and cash equivalents and investments. Management believes that the credit risk with respect to receivables is not material. The Foundation's cash and cash equivalents and investments are distributed among bank and investments accounts. The Foundation does not expect any liquidity issues or credit losses on these instruments.

Liquidity risk

Liquidity risk is the risk that the Foundation will not be able to meet its financial obligations as they become due. To the extent that the Foundation does not believe that it has sufficient liquidity to meet current obligations, consideration will be given to obtaining additional funds through third-party financing, assuming this can be obtained.

Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and price risk, will affect the Foundation's excess of revenues over expenditures or the value of its financial instruments. The Foundation is not subject to foreign exchange risk.

Interest rate risk

The Foundation's investments bear interest at fixed rates. Consequently, the cash flow exposure to interest rate risk is not significant.

Price risk

The value of the Foundation's managed money portfolio and shares are exposed to fluctuations in the quoted market price, depending on a number of factors, including general market conditions and company-specific operating performance.

Fair value

The fair value of the Foundation's financial instruments approximates the carrying value due to the short-term maturity and normal credit terms of those instruments, except for investments which are recorded based on quoted market value.

11. COMPARATIVE FIGURES

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

MIRACLE NETWORK TELETHON EXPENSES

Year ended March 31

	2012 $	2011 $
Advertising	**22,709**	40,661
Affiliation fees	**37,339**	45,140
Broadcasting costs	**109,943**	98,570
General administration	**25,046**	27,752
Office and miscellaneous	**1,917**	870
Postage	**16,512**	15,854
Printing	**9,279**	7,727
Professional fees	**11,063**	17,841
Merchandise	**53,568**	57,183
Telephone	**4,442**	5,368
Travel	**12,950**	14,962
	304,768	331,928

CHRISTMAS APPEAL EXPENSES

Year ended March 31

	2012	2011
	$	$
Advertising	**5,228**	7,458
Contractual services	**12,542**	9,755
Office and miscellaneous	**2,171**	1,059
Postage	**14,488**	13,616
Printing	**11,903**	10,402
	46,332	42,290

LABRADOR-GRENFELL REGIONAL HEALTH AUTHORITY

INDEPENDENT AUDITOR'S REPORT
AND
CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2012

STATEMENT OF MANAGEMENT RESPONSIBILITY

The accompanying Consolidated Financial Statements are the responsibility of the management of the Labrador Grenfell Regional Health Authority and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

The Authority has met with management and it's external auditors to review a draft of the financial statements and to discuss any significant financial reporting or internal control matters prior to their approval of the finalized consolidated financial statements.

BDO Canada LLP, Chartered Accountants as the Board's appointed external auditors, have audited the Financial Statements. The Auditors' report is addressed to the Board of Directors and appears on the following page. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the Consolidated Financial Statements are free of material misstatement and present fairly the financial position and results of the Board in accordance with Canadian generally accepted accounting principles.

Ray Norman
Board Chair

Eric M. Power, CGA

Eric Power
Chief Executive Officer, Acting

Independent Auditor's Report

To the Board of Directors of the Labrador-Grenfell Regional Health Authority

We have audited the accompanying consolidated financial statements of the Labrador-Grenfell Regional Health Authority, which comprise the consolidated statement of financial position as at March 31, 2012, 2011 and April 1, 2010, the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the Labrador-Grenfell Regional Health Authority as at March 31, 2012, 2011 and April 1, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Clarenville, Newfoundland
July 5 , 2012

Chartered Accountants

LABRADOR-GRENFELL REGIONAL HEALTH AUTHORITY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2012

	March 31 2012	(Note 2) March 31 2011	(Note 2) April 1 2010
	$	$	$
FINANCIAL ASSETS			
Cash	806,889	981,754	476,048
Restricted cash (Note 5)	1,602,909	1,625,377	1,712,951
Receivables (Note 6)	21,386,351	17,525,307	12,004,688
Inventories for resale (Note 3d)	725,802	798,979	779,322
	24,521,951	20,931,417	14,973,009
LIABILITIES			
Bank indebtedness (Note 7)	9,614,967	-	1,669,870
Payables and accruals	12,043,866	14,061,478	10,207,191
Post retirement benefits, post employment benefits and compensated absences			
Accrued vacation pay	6,930,804	6,774,566	6,278,128
Accrued Sick Leave (Note 8)	6,879,496	6,786,746	6,704,945
Accrued severance pay (Note 8)	10,945,360	10,191,157	9,487,987
Other accrual benefits	2,893,041	2,803,540	2,451,206
Deferred revenue (Note 9)			
Operating	4,414,004	5,058,814	4,273,935
National Child Benefit (NCB) initiatives	2,532,738	2,509,330	2,606,526
Capital	17,105,934	19,692,628	15,977,573
Special purpose funds	679,628	702,096	789,934
Long-term debt (Note 10)	1,109,117	2,366,547	2,480,190
	75,148,955	70,946,902	62,927,485
Net Financial Assets (Debt)	(50,627,004)	(50,015,485)	(47,954,476)
NON-FINANCIAL ASSETS			
Inventories - supplies (Note 3h)	1,623,596	1,567,719	1,412,209
Prepaid expenses (Note 3i)	4,143,947	3,022,548	2,030,617
Tangible capital assets (Note 11)	44,515,527	37,906,923	31,783,208
	50,283,070	42,497,190	35,226,034
Accumulated Deficit (Note 2)	(343,934)	(7,518,295)	(12,728,442)

Signed on behalf of the Board:

Trustee

David Kelley

Trustee

The accompanying notes and supplementary schedules are an integral part of these financial statements.

LABRADOR-GRENFELL REGIONAL HEALTH AUTHORITY

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT)

YEAR ENDED MARCH 31, 2012

	2012	*(Note 2)* 2011
	$	$
Annual Surplus	7,174,361	5,210,147
Acquisition of tangible capital assets	(11,804,622)	(10,701,427)
Amortization of tangible capital assets	5,196,018	4,577,712
	(6,608,604)	(6,123,715)
Use of prepaid expense	(1,121,395)	(991,930)
Other expenses to acquire non-financial assets	(55,881)	(155,511)
	(1,177,276)	(1,147,441)
(Increase) decrease in net financial assets (debt)	(611,519)	(2,061,009)
Net financial assets (debt) at beginning of year	(50,015,485)	(47,954,476)
Net financial assets (debt) at end of year	(50,627,004)	(50,015,485)

The accompanying notes and supplementary schedules are an integral part of these financial statements.

LABRADOR-GRENFELL REGIONAL HEALTH AUTHORITY
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2012

	Budget (Note 15) 2012	2012	(Note 2) 2011
	$	$	$
Revenues			
Provincial plan - Operating	146,922,381	147,206,780	134,584,342
Provincial plan - Capital	11,804,673	11,804,673	10,724,765
National Child Benefit	4,468,706	4,336,984	3,495,532
Transportation and Works	1,285,485	1,285,500	2,867,600
MCP physicians	21,243,400	18,263,302	16,253,930
Child Youth and Family Services Agreement	9,627,547	10,087,648	7,891,214
Inpatient	2,129,500	1,270,491	1,936,994
Outpatient	2,356,800	1,439,039	1,281,818
Long-term care	1,534,100	1,514,481	1,561,049
Other	6,035,592	14,038,645	14,484,791
	207,408,184	211,247,543	195,082,035
Expenses			
Administration	21,744,939	18,786,431	20,582,091
Support services	32,430,143	37,044,036	39,367,232
Nursing inpatient services	26,121,434	28,854,633	26,143,402
Ambulatory care services	20,448,907	22,508,996	19,752,389
Diagnostic and therapeutic services	15,782,703	17,704,742	15,784,954
Community and social services (Note 16)	59,205,100	56,256,997	48,081,139
Medical services	23,838,319	21,593,213	18,781,914
Research	91,355	107,475	86,215
Education	1,040,112	789,156	834,537
Apartment complexes	-	316,815	360,619
Foundation	-	110,689	97,395
	200,703,012	204,073,182	189,871,888
Surplus (deficit)	6,705,172	7,174,361	5,210,147
Accumulated Deficit, Beginning of Year		(7,518,295)	(12,728,442)
Accumulated Deficit, End of Year		(343,934)	(7,518,295)

The accompanying notes and supplementary schedules are an integral part of these financial statements.

LABRADOR-GRENFELL REGIONAL HEALTH AUTHORITY
CONSOLIDATED STATEMENT OF CASH FLOW
YEAR ENDED MARCH 31, 2012

	2012	(Note 2) 2011
	$	$
Cash Flows		
Operations:		
Surplus	7,174,361	5,210,147
Amortization of capital assets	5,196,018	4,577,712
Gain on disposal of assets	-	(1,500)
	12,370,379	9,786,359
Changes in:		
Receivables	(3,861,044)	(5,520,619)
Inventories	17,300	(175,167)
Prepaid expenses	(1,121,399)	(991,931)
Payables and accruals	(2,017,612)	3,854,287
Accrued vacation pay	156,238	496,438
Deferred revenue relating to operating and NCB program	(621,403)	687,683
Accrued severance pay	754,203	703,170
Accrued Sick Leave	92,750	81,801
Other accrual benefits	89,501	352,334
	5,858,914	9,274,355
Investing Activities		
Changes in restricted cash	22,468	87,574
	22,468	87,574
Capital Activities		
Proceeds from the sale of capital assets	-	1,500
Additions to capital assets	(11,804,622)	(10,701,427)
	(11,804,622)	(10,699,927)
Financing Activities		
Deferred revenue		
Capital	(2,586,694)	3,715,055
Special purpose funds	(22,468)	(87,838)
Repayment of long-term debt	(1,257,430)	(113,643)
	(3,866,592)	3,513,574
Net change in cash and cash equivalents for year	(9,789,832)	2,175,576
Cash and cash equivalents, beginning of year	981,754	(1,193,822)
	(8,808,078)	981,754

Cash consists of:

	2012	2011
	$	$
Cash (Bank indebtedness) (Note 7)	(8,808,078)	981,754

The accompanying notes and supplementary schedules are an integral part of these financial statements

1. Nature of Operations

Labrador-Grenfell Regional Health Authority ("the Authority") manages and operates all health facilities, services and programs in Northern Newfoundland and all of Labrador. The Authority manages and controls the operations of the following facilities:

Labrador Health Centre, Happy Valley-Goose Bay
Harry L. Paddon Memorial Home, Happy Valley-Goose Bay
Captain William Jackman Memorial Hospital, Labrador City
Charles S. Curtis Memorial Hospital, St. Anthony
John M. Gray Centre, St. Anthony

And all medical clinics, nursing stations, community health centres, facilities programs and services in the geographic area.

The operations of the Authority are primarily funded by the Government of Newfoundland and Labrador ("the Government").

The Authority is incorporated under the Regional Health Authorities Act of Newfoundland and Labrador and is exempt from income taxes under the *Income Tax Act*.

2. Conversion to Public Sector Accounting Standards and Prior Period Adjustment

Commencing with the 2011/12 fiscal year, the Authority has adopted Canadian public sector accounting ("PSAB") standards. These consolidated financial statements are the first consolidated financial statements for which the Authority has applied Canadian public sector accounting standards.

The Authority also identified three prior period adjustments which have been reflected in the financial statements.

The impact of the conversion to Canadian public sector accounting standards and the prior period adjustments on the accumulated surplus/deficit at the date on transition and the comparative annual surplus, as is presented below. These accounting changes have been applied retroactively with restatement of prior periods:

	Previously Stated April 1, 2010	PSAB Adjustments 2010	Prior Period Adjustments 2010	Restated 2010
	$	$	$	$
Tangible capital assets	26,519,861	(195,714)	5,459,061	31,783,208
Deferred contributions relating to capital assets	(23,075,849)	23,075,849		Nil
Sick leave payable	Nil	(6,704,945)		(6,704,945)
Severance obligation	10,118,179		(630,192)	(9,487,987)

2. Conversion to Public Sector Accounting Standards and Prior Period Adjustment (continued)

Tangible capital assets

a. **PSAB adjustments**
PSA Handbook Section 3150 states that works of art would not be recognized as tangible capital assets in government financial statements because a reasonable estimate of the future benefits associated with such property cannot be made. As such, the Authority has written off artwork with a value of $195,174 in the transition to PSAB.

b. **Prior period adjustment - amortization policy**
As a result of the half-year rule for the amortization of tangible capital asset additions not being applied consistently, the Authority has determined that amortization was overstated by $1,056,107.

c. **Prior period adjustment - capitalization of building improvements**
The Authority receives funding for improvements to buildings operated by the Authority but owned by the Province and did not capitalize these improvements. As a result, tangible capital assets were understated by $4,402,954.

Deferred contributions relating to capital assets
Previously, the Authority recognized revenue from government transfers for tangible capital asset purchases over the useful life of the assets. PSA Handbook Section 3410 states that government transfers should be recognized as revenue as long as the transfer is authorized, eligibility criteria have been met and a reasonable estimate for the amount can be made. As a result, it is no longer appropriate to defer capital contributions by government once the tangible capital assets have been purchased, resulting in $23,075,849 being adjusted to the accumulated deficit.

Sick leave payable
PSA Handbook Section 3255 requires that compensated absences that do not vest or accumulate should be recognized as a liability by the Authority when the event that obligates the Authority occurs. As a result, an actuarially estimated liability of $6,704,945 for sick leave payable has been booked as of April 1, 2010.

Severance obligation
As a result of the actuarial valuation performed for the year ending March 31, 2012, the Authority has determined that the severance obligation as at March 31, 2010 was understated by $630,192.

2. Conversion to Public Sector Accounting Standards and Prior Period Adjustment (continued)

A reconciliation of the Accumulated Deficit as of March 31, 2011 is as follows:

	March 31, 2011
	$
Accumulated deficit beginning of year as originally reported	(34,996,196)
Adjustments to accumulated deficit	
Transition to PSAB	
Adjustment to tangible capital assets	(195,714)
Adjustment to sick leave obligation	(6,704,945)
Adjustment to deferred capital contributions	23,075,849
Prior period adjustments	
Adjustment to severance estimate	630,192
Adjustment due to amortization policy	1,059,418
Adjustment due to capitalization of assets	4,402,954
Accumulated deficit beginning of year as restated	(12,728,442)
Annual deficit for the year as originally reported	(1,137,288)
Adjustments to annual deficit for the year	
Transition to PSAB	
Adjustment to sick leave obligation	(81,801)
Adjustment to deferred capital contributions	1,610,521
Prior period adjustments	
Adjustment to severance estimate	133,983
Adjustment due to amortization policy	64,042
Adjustment due to capitalization of assets	4,620,690
Annual deficit for the year as restated	5,210,147
Accumulated deficit - end of year	**(7,518,295)**

The Authority has elected to use the following exemptions upon its transition to PSAB:

a. Compensated absences - the Authority has elected to recognize all cumulative amounts relating to actuarial gains and losses resulting from the initial actuarial valuations of these benefits at the date of transition in the accumulated deficit;
b. Business combinations - the Authority has elected to apply Section PS 2510 on a prospective basis to any acquisitions subsequent to the date of transition;
c. Tangible capital asset impairment - the Authority has elected to apply the conditions for a write-down of a tangible capital asset in Section PS 3150 on a prospective basis from the date of transition.

3. Summary of Significant Accounting Policies

a. Basis of accounting

These consolidated financial statements are prepared by management in accordance with Canadian public sector accounting standards for provincial reporting entities established by the Canadian Public Sector Accounting Board.

3. Summary of Significant Accounting Policies (continued)

b. Basis of consolidation

The consolidated financial statements reflect the assets, liabilities, revenues, and expenses of the Authority, the St. Anthony Interfaith Home 12 Unit Apartment Complex, the St. Anthony Interfaith Home 20 Unit Apartment Complex and the Grenfell Foundation Inc.

c. Restricted Cash

Restricted Cash relates to funds held for Special Purpose Funds and Endowment Funds.

b. Inventories for resale

Inventories held for resale include pharmaceuticals and are recorded at the lower of cost or net realizable value.

e. Retirement benefits, post-employment benefits and compensated absences

i. The employees of the Authority are included in the Public Service Pension Plan and the Government Money Purchase Plan administered by the Government. The Government also provides for the continuation of certain dental and medical benefits for retirees.

   The Government determines the required plan contributions annually.

   The contribution of the Authority to the plan is recorded as an expense for the year.

ii. The costs of insured benefits reflected in these consolidated financial statements are the employer's portion of the insurance premiums owed for coverage of employees during the period.

iii. The cost of non-vesting sick leave benefits are actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement, long-term inflation rates and discount rates.

iv. The accrued benefit obligation and current service cost for the severance valuation are actuarially determined based on date of hire, hourly rates and hours per pay. The expected benefit is projected to each year from the valuation date, reflecting management's best estimate of salary escalation and whether an individual is "vested" (i.e., if they have completed 9 years of continuous service).

f. Deferred revenue

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the delivery of specific services and transactions. These amounts are recognized as revenue in the fiscal year the related expenses are incurred, services are performed or when stipulations are met.

3. Summary of Significant Accounting Policies (continued)

g. Tangible capital assets

The Authority has control over certain land, buildings and equipment, with the title resting with the Government and consequently these assets are not recorded as tangible capital assets. No lease payments are required for the use of these assets.

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development.

The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a declining balance basis over their estimated useful lives as follows:

Land improvements	20%
Buildings	5%
Leasehold improvements	5%
Equipment and vehicles	20%

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Authority's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the consolidated statement of operations.

Contributed capital assets are recorded into revenues at their fair market value on the date of donation, except in circumstances where fair value cannot be reasonably determined, which are then recognized at nominal value. Transfers of capital assets from related parties are recorded at carrying value.

Works of art, historical treasures, intangible assets and items inherited by right of the Crown, such as artwork displayed in the facilities are not recognized in these consolidated financial statements.

h. Inventories of supplies

Inventories of supplies include medical, surgical, general supplies, fuel oil and pharmaceuticals.

Medical surgical and general supplies are valued at the lower of cost, determined on an average cost basis and net realizable value.

Fuel oil and pharmaceuticals are valued at the lower of cost, determined on a first-in, first-out basis and net realizable value.

i. Prepaid expenses

Prepaid expenses include equipment service contracts, insurances and other miscellaneous items that are charged to expense over the periods expected to benefit from it.

3. Summary of Significant Accounting Policies (continued)

j. Revenues

Provincial plan revenues are recognized in the period in which entitlement arises. Revenue from MCP physician services, inpatient, outpatient, long-term residents and community-based services are recognized in the period services are provided.

k. Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed. Interest expense includes debt servicing costs such as amortization of discounts and premiums, foreign exchange gains and losses, and issuance costs.

l. Measurement uncertainty

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements and the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include amortization rates and estimated retirement benefits, post-employment benefits and compensated absences.

Estimates are based on the best information available at the time of preparation of the consolidated financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these consolidated financial statements. Actual results could differ from these estimates.

4. Changes in Accounting Policies

The Authority adopted the following new accounting policies:

1. Government transfers
   On April 1, 2011, the Authority early-adopted the PSA Handbook Section PS 3410 "Government Transfers", which replaced the existing government transfers standard. The new standard establishes standards on how to account for and report government transfers and is effective for years beginning on or after April 1, 2012. This accounting change had no impact on the Authority's consolidated financial statements.

5. Restricted Cash

	2012	2011
	$	$
Deferred contributions -special purpose funds	608,592	631,060
Endowment fund	994,317	994,317
	1,602,909	1,625,377

6. Accounts Receivable

	2012	2011
	$	$
Government of Newfoundland and Labrador	7,724,600	13,652,864
Government of Canada	9,185,060	540,341
Patient	3,230,411	2,445,494
Other	2,227,122	1,693,908
Less provision for doubtful accounts	(980,842)	(807,300)
	21,386,351	17,525,307

7. Bank Indebtedness

The Authority has access to a $15 million line of credit in the form of a revolving demand loan bearing interest at prime with the Royal Bank of Canada. The line of credit has been approved by the minister of Health and Community Services. In addition, this line of credit carries a Province of Newfoundland and Labrador guarantee for $5 million up to $15 million with the first $10 million being unsecured.

At March 31, 2012, the balance owing was $9,617,967 (2011 - Nil.)

8. Retirement benefits, post-employment benefits and compensated absences

The Authority provides their employees, upon termination, retirement or death with at least 9 years of service, with severance benefits equal to 1 week of pay per year of service up to a maximum of 20weeks. The Authority provides these benefits through an unfunded defined benefit plan.

The Authority also provides their employees with sick leave benefits that accumulate, but do not vest, as follows:

	Accumulation Rate	Maximum Accumulation	Maximum utilization per 20-year period
NLNU hired up to December 1, 2006	15 hours per 162.5 hours	1,800 hours	N/A
NLNU hired after December 1, 2006	7.5 hours per 162.5 hours	1,800 hours	1,800 hours
CUPE/NAPE hired up to May 4, 2004	2 days per month	N/A	480 days
CUPE/NAPE hired after May 4, 2004	1 day per month	N/A	240 days
CUPE/NAPE hired up to May 4, 2004 - 12-hour shifts	15 hours per 162.5 hours	N/A	3,600 hours
CUPE/NAPE hired after May 4, 2004 - 12-hour shifts	7.5 hours per 162.5 hours	N/A	1,800 hours

In addition, while management employees do not accrue additional sick leave days, they may use accrued sick leave banks after first using two days of paid leave.

8. Retirement benefits, post-employment benefits and compensated absences (continued)

The accrued benefit obligations for post-employment benefit plans as at March 31, 2012, are based on an actuarial valuation for accounting purposes as at March 31, 2012. The accrued benefit obligations relating to March 31, 2011 were extrapolated by the actuary using assumptions from March 31, 2011.

The actuarial valuation is based on assumptions about future events. The economic assumptions used in these valuations are the Authority's best estimates of expected rates of:

	2012	2011
Wages and salary escalation	4.00%	4.00%
Interest (discount rate on accrued benefit obligations)	3.85%	4.65%

a. Severance and sick leave liabilities

	2012			2011
	Severance	Sick Leave	Total	Total
	$	$	$	$
Accrued benefit obligations, end of year	12,182,906	7,406,257	**19,589,163**	17,662,083
Unamortized actuarial loss, end of year	(1,237,546)	(526,761)	**(1,764,307)**	(684,180)
Accrued benefit liability, end of year	10,945,360	6,879,496	**17,824,856**	16,977,903

b. Severance and sick leave expenses

	2012			2011
	Severance	Sick Leave	Total	Total
	$	$	$	$
Current year benefit cost	905,784	985,765	**1,891,549**	1,739,725
Interest on accrued benefit obligation	500,969	319,706	**820,675**	840,587
Recognized actuarial gains	36,459	16,170	**52,629**	-
Employee future benefit expenses	1,443,212	1,321,641	**2,764,853**	2,580,312

9. Deferred Revenue

Deferred revenues are set aside for specific purposes as required either by legislation, regulation or agreement:

March 31, 2012	Balance at beginning of year	Receipts during year	Transferred to revenue	Balance at end of year
	$	$	$	$
Operating	5,058,814	7,909,558	8,554,368	4,414,004
NCB initiatives	2,509,330	4,360,389	4,336,981	2,532,738
Capital	19,692,628	9,339,927	11,926,621	17,105,934
Special Purpose Funds	702,096	716,963	739,431	679,628
	27,962,868	22,326,837	25,557,401	24,732,304

March 31, 2011	Balance at beginning of year	Receipts during year	Transferred to revenue	Balance at end of year
	$	$	$	$
Operating	4,273,935	2,750,319	1,965,440	5,058,814
NCB initiatives	2,606,526	3,398,336	3,495,532	2,509,330
Capital	15,977,573	14,439,820	10,724,765	19,692,628
Special Purpose Funds	789,934	447,273	535,111	702,096
	23,647,968	21,035,748	16,720,848	27,962,868

The Authority receives funding for various government programs and other special purposes throughout the year. These operating and NCB revenues are recognized in the fiscal year the related expenses are incurred, services are performed or when stipulations are met. Contributions related to Tangible capital assets are deferred and recognized as the assets are purchased.

10. Long-Term Debt

Long-term liabilities reported on the consolidated statement of financial position are comprised of a 10% Canada Mortgage and Housing Corporation first mortgage on land and building of Harry L. Paddon Memorial Home, repayable in $11,245 monthly instalments, interest included. This mortgage was fully repaid in the year.

	2012	2011
	$	$
Canada Mortgage Housing Coporation 10% first mortgage on land and building of Harry L. Paddon Memorial Home, repayable $11,245 monthly, interest included - paid off in 2012.	-	1,156,517
Newfoundland and Labrador Housing Corporation 2.860% first mortgage on land and building of 20 unit apartment complex, repayable $6,357 monthly, interest included, and maturing January 2019	482,351	550,189
Newfoundland and Labrador Housing Corporation 4.31% first mortgage on land and building of 12 unit apartment complex, repayable $5,073 monthly, interest included, and maturing October 2025	626,766	659,841
	1,109,117	2,366,547

The aggregate amount of principal payments estimated to be required in each of the next five years is as follows:

	$
2013	99,908
2014	103,107
2015	106,673
2016	110,449
2017	114,099

The authority has received federal assistance through Canada Mortgage and Housing Corporation pursuant to Section 56.1 of the National Housing Act. The purpose of the assistance is to reduce operating costs in order to enable the Authority to provide housing to low and moderate income individuals. The amount of assistance received in 2012 was $2,100 (2011 - $25,205)

11. Tangible Capital Assets

March 31, 2012

	Land	Land improvements	Buildings	Leasehold improvements	Equipment and vehicles	2012 Total
	$	$	$	$	$	$
Cost						
Opening Balance	11,203	187,055	35,220,137	223,678	60,370,074	96,012,147
Additions	-	29,009	5,609,852	-	6,165,761	11,804,622
Disposals	-	-	-	-	(2,677)	(2,677)
Write-downs	-	-	-	-	-	-
Closing Balance	11,203	216,064	40,829,989	223,678	66,533,158	107,814,092
Accumulated Amortization						
Opening Balance	-	156,467	15,488,210	94,896	42,365,650	58,105,223
Amortization	-	4,049	970,019	6,439	4,215,512	5,196,019
Disposals	-	-	-	-	(2,677)	(2,677)
Write-downs	-	-	-	-	-	-
Closing Balance	-	160,516	16,458,289	101,335	46,578,485	63,298,565
Net book value	**11,203**	**55,548**	**24,371,700**	**122,342**	**19,954,673**	**44,515,527**

Buildings cost includes work in progress of $3,394,154 (2011 - $2,369,432). Buildings are not amortized until construction of the asset is complete.

The Authority has works of art displayed in its facilities valued at $195,714 not recognized in these consolidated financial statements.

11. Tangible Capital Assets, continued

March 31, 2011

	Land	Land improvements	Buildings	Leasehold improvements	Equipment and vehicles	2011 Total
	$	$	$	$	$	$
Cost						
Opening Balance	11,203	187,055	30,185,303	223,678	54,704,980	85,312,219
Additions	-	-	5,034,834	-	5,666,593	10,701,428
Disposals	-	-	-	-	(1,500)	(1,500)
Write-downs	-	-	-	-	-	-
Closing Balance	11,203	187,055	35,220,137	223,678	60,370,073	96,012,146
Accumulated Amortization						
Opening Balance	-	155,032	14,708,947	88,118	38,576,914	53,529,011
Amortization	-	1,435	779,262	6,778	3,790,237	4,577,712
Disposals	-	-	-	-	(1,500)	(1,500)
Write-downs	-	-	-	-	-	-
Closing Balance	-	156,467	15,488,210	94,896	42,360,314	58,105,223
Net book value	**11,203**	**30,588**	**19,731,927**	**128,782**	**18,004,422**	**37,906,923**

Buildings cost includes buildings work in progress of $2,369,432 (2010 - $1,618,980). Buildings are not amortized until construction of the asset is complete.

The Authority has works of art displayed in its facilities valued at $195,714 not recognized in these consolidated financial statements.

12. Contractual Obligations

The Authority has entered into a number of multiple-year contracts for the delivery of services. These contractual obligations will become liabilities in the future when the terms of the contracts are met. Disclosure relates to the unperformed portion of the contracts.

Contractual obligations	2013	2014	2015	2016	2017
	$	$	$	$	$
Future operating lease payments - properties	549,342	320,099	143,445	-	-
Future operating lease payments - vehicles	214,126	186,924	89,387	2,202	-
Future operating lease payments - equipment	87,903	87,903	82,497	748	-
Service contracts	812,692	481,325	378,494	188,840	43,424
	1,664,063	1,076,251	693,823	191,790	43,424

13. Expenses by Object

The following is a summary of expenses by object:

	2012	2011
	$	$
Salaries and benefits	125,567,405	114,832,465
Medical supplies	9,474,680	8,751,309
Other supplies	7,464,747	13,461,810
Direct client costs	24,564,028	21,562,703
Amortization of tangible capital assets	5,196,081	4,577,704
Sundry - other	31,806,241	26,685,897
	204,073,182	189,871,888

14. Trusts under Administration

At March 31, 2012, the balance of funds held in trust for Long Term Care Residents was $379,829 (2011 - $235,060).

15. Budgeted figures

Public Sector Accounting Standards (PSAB) requires the Authority to present budget information in the statements of operations in accordance to PSAB accounting standards.

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Board of Directors. The following table presents the changes to the Authority's budget in order for the budget presented to be in compliance with PSAB.

	2012	2011
	$	$
Financial Plan by approved by Board	-	-
Add (less) PSAB budget adjustments		
Capital grants revenue	11,804,673	10,724.785
Amortization of tangible capital assets	(5,099,501)	(4,483,926)
Budget surplus reported in financial statements	6,705,172	6,240,859

16. Child, Youth and Family Services

On March 26, 2012, Government transitioned 95 staff and all program delivery responsibilities from the Authority to the Department of Child, Youth and Family Services. Child, Youth and Family Services program funding and expenditures was $16,793,000 in 2012 (2011 - $15,140,000).

LABRADOR SCHOOL BOARD

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

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BDO Canada LLP
53 Bond Street, Suite 200
PO Box 8505
St. John's NL A1B 3N9 Canada

Independent Auditor's Report

To the Trustees of Labrador School Board

We have audited the accompanying financial statements of Labrador School Board, which comprise the Balance Sheet as at June 30, 2011 and Statement of Current Revenues, Expenditures and Board Deficiency and Statement of Changes in Capital Fund for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion

The Board does not amortize its tangible capital assets which is required in accordance with Canadian generally accepted accounting principles. The Board is unable to estimate the effect of not amortizing its tangible capital assets on its assets and expenses.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Labrador School Board as at June 30, 2011 and the results of its operations and its capital fund for the year then ended in accordance with Canadian generally accepted accounting principles

Other Matters

The comparative figures were audited by Belanger Clarke Follett & McGettigan whose practice now operates under BDO Canada LLP.

BDO Canada LLP
CHARTERED ACCOUNTANTS

St. John's, Newfoundland and Labrador
October 28, 2011

LABRADOR SCHOOL BOARD
BALANCE SHEET
AS AT JUNE 30, 2011

	2011 $	2010 $
ASSETS		
Current		
Cash (Supplementary Information 1)	1,519,043	2,708,171
Short-term investments (Supplementary Information 2)	3,021,099	510,218
Accounts receivable (Note 4)	4,644,153	4,975,559
Prepaid expenses (Supplementary Information 3)	15,513	59,516
	9,199,808	8,253,464
Capital assets (Schedule 8)	46,450,409	45,629,739
	55,650,217	53,883,203
LIABILITIES		
Current		
Bank indebtedness (Note 5)	-	-
Accounts payable and accrued liabilities (Note 6)	7,405,168	6,664,982
Current maturities (Schedule 9B)	152,323	163,500
	7,557,491	6,828,482
Long-term debt (Schedule 9)	633,202	464,742
Accrued support staff severance (Note 2)	956,402	890,145
Accrued teacher severance (Note 2)	6,048,680	5,935,453
Accrued executive staff paid leave (Note 2)	265,286	183,068
	15,461,060	14,301,890
Contingent liabilities (Note 12)		
BOARD EQUITY		
Investment in capital assets (Note 8)	46,459,731	45,639,061
Board deficiency (Note 9)	(6,332,295)	(6,118,519)
Restricted fund - Labrador West School Committee (Note 7)	61,721	60,772
	40,189,157	39,581,314
	55,650,217	53,883,203

Signed on behalf of the Board:

Director

Director

See accompanying notes to financial statements.

LABRADOR SCHOOL BOARD
STATEMENT OF CURRENT REVENUES, EXPENDITURES AND BOARD DEFICIENCY
YEAR ENDED JUNE 30, 2011

	2011	2010
	$	$
Current Revenues (Schedule 1)		
Local taxation	-	-
Provincial Government and other grants	39,147,151	39,496,579
Donations	-	-
Ancillary services	240,684	221,540
Miscellaneous	3,712,106	3,461,671
	43,099,941	43,179,790
Current Expenditures		
Administration (Schedule 2)	1,936,580	1,866,363
Instruction (Schedule 3)	33,424,305	33,911,746
Operations and maintenance (Schedule 4)	5,103,877	5,316,188
Pupil transportation (Schedule 5)	2,384,691	2,382,172
Ancillary services (Schedule 6)	243,123	213,675
Interest (Schedule 9C)	7,364	7,953
	43,099,941	43,698,096
Deficiency of revenues over expenditures before transfer to capital fund, teacher severance and teacher summer pay	-	(518,306)
Transfer to Capital Fund	-	-
Net decrease in board equity from operations	-	(518,306)
Teacher severance	(113,227)	(209,488)
Teacher summer pay	(18,331)	534,458
Executive staff paid leave	(82,218)	(44,841)
Net decrease in board equity	(213,776)	(238,177)
Board deficiency, beginning of year (Note 9)	(6,118,519)	(5,880,342)
Board deficiency, end of year (Note 9)	(6,332,295)	(6,118,519)
Board equity (deficiency) exclusive of teacher severance, teacher summer pay and executive staff paid leave for year:		
Board deficiency per above	(6,332,295)	(6,118,519)
Add: Accrued teacher severance	6,048,680	5,935,453
Add: Summer pay - teachers (Note 6)	3,413,989	3,432,320
Add: Executive staff paid leave	265,286	183,068
Revised board equity	3,395,659	3,432,322

See accompanying notes to financial statements.

LABRADOR SCHOOL BOARD
STATEMENT OF CHANGES IN CAPITAL FUND
YEAR ENDED JUNE 30, 2011

			2011 $	2010 $
70		Capital Receipt		
71		Proceeds from bank loans		
	014	School construction	-	-
	012	Equipment	-	-
	013	Service vehicles	-	-
	014	Pupil transportation	-	-
	015	Other - energy performance contracting	-	-
			-	-
72		EIC Grants		
	011	School construction and equipment	-	-
	013	Other	-	-
			-	-
73		Donations		
	011	Cash receipts	-	-
	012	Non-cash receipts	-	-
	013	Restricted use	-	-
			-	-
74		Sale of Capital Assets Proceeds		
	011	Land	-	-
	012	Buildings	-	-
	013	Equipment	-	-
	014	Service vehicles	-	-
	015	Pupil transportation vehicles	-	-
	016	Other	-	-
			-	-
75		Other Capital Revenues		
	011	Interest on capital fund investments	-	-
	012	Premiums on debentures	-	-
	013	Recoveries of expenditures	1,088,013	1,242,950
	015	Insurance proceeds	-	-
	017	Miscellaneous	-	-
			1,088,013	1,242,950
Total Capital Receipts				
77		Transfer from reserve account	-	-
78		Transfer to/from current fund	-	-
			-	-
Total			1,088,013	1,242,950

.../Continued

See accompanying notes to financial statements.

LABRADOR SCHOOL BOARD
STATEMENT OF CHANGES IN CAPITAL FUND
YEAR ENDED JUNE 30, 2011

			2011 $	2010 $
80		Capital Disbursements		
81		Additions to Capital Assets		
	011	Land and sites	30,740	208,441
	012	Building	693,900	1,034,509
	013	Furniture and equipment - school	-	-
	014	Furniture and equipment - other	-	-
	015	Services Vehicles	-	
	016	Pupil transportation	363,373	-
	017	Other	-	-
			1,088,013	1,242,950
82		Principal Repayment of Loans		
	011	School construction	-	-
	012	Equipment	-	-
	013	Services vehicles	-	-
	014	Other - teachers' residences	-	-
			-	-
83		Miscellaneous Disbursements		
	013	Other	-	-
Total Capital Disbursements			1,088,013	1,242,950

See accompanying notes to financial statements.

LABRADOR SCHOOL BOARD
CURRENT REVENUES
YEAR ENDED JUNE 30, 2011

			2011 $	2010 $
Current Revenues				
31	010	Local Taxation		
	011	School taxes	-	-
32		Provincial Government and Other Grants		
	010	Regular operating grants	7,291,081	7,029,401
	011	Maintenance operating grant	313,174	807,590
	012	Special grants (details on bottom Schedule 1)	3,112,193	2,982,086
	013	Payroll tax	-	-
		Salaries and benefits		
	017	Directors and assistant directors	661,030	639,831
	021	Regular teachers	26,908,969	26,883,336
	022	Student assistants	621,872	636,591
	023	Substitute teachers	969,606	1,117,657
	030	Pupil Transportation		
	031	Board owned	2,357,834	2,382,173
	032	Contracted	15,200	-
	033	Special needs	8,385	-
	034	Other	554,748	442,651
33	010	Donations		
	012	Cash receipts	-	-
	013	Non-cash receipts	-	-
	014	Restricted use	-	-
34	010	Ancillary Services		
	011	Revenue from rental of residences	240,684	221,540
	015	Interest	45,165	36,934
	021	Revenues from rental of schools and facilities (net)	-	-
	022	Internally generated funds	-	-
	031	Cafeterias	-	-
	032	Other	-	-
			43,099,941	43,179,790
Special Grants				
		Fiscal Finance Agreement	2,537,464	2,333,468
		Adult Basic Education	108,035	111,177
		Natuashish grant	-	11,285
		Sheshatshiu grant	-	95,325
		Mining company	-	87,500
		Francophone	74,340	66,030
		French immersion	20,365	22,023
		Grenfell	139,869	71,278
		Aboriginal education and initiatives	232,120	184,000
			3,112,193	2,982,086

See accompanying notes to financial statements.

SCHEDULE 2

LABRADOR SCHOOL BOARD
ADMINISTRATION EXPENDITURES
YEAR ENDED JUNE 30, 2011

			2011 $	2010 $
51	011	Salaries and benefits - director and assistant directors	661,030	607,532
	012	Salaries and benefits - board office personnel	831,901	834,432
	013	Office supplies	22,928	28,487
	014	Replacement furniture and equipment	9,060	33,919
	015	Postage	21,987	6,248
	016	Telephone	65,026	46,013
	017	Office equipment rentals and repairs	12,090	12,566
	018	Bank charges	-	-
	019	Electricity	5,218	5,157
	021	Fuel	-	-
	022	Insurance	2,448	2,872
	023	Repairs and maintenance (office building)	-	-
	024	Travel	124,843	104,857
	025	Board meeting expenses	59,488	46,174
	026	Election expenses	-	26,553
	027	Professional fees	47,208	42,606
	028	Advertising	34,390	29,570
	029	Membership dues	21,030	22,072
	031	Municipal taxes	3,544	1,420
	034	Miscellaneous	598	1,866
	035	Payroll tax	13,789	14,019
			1,936,580	1,866,363

See accompanying notes to financial statements.

SCHEDULE 3

LABRADOR SCHOOL BOARD
INSTRUCTION EXPENDITURES
YEAR ENDED JUNE 30, 2011

			2011 $	2010 $
52	010	Instructional salaries (gross)		
	011	Teachers' salaries - regular	23,522,818	23,616,024
	012	Teachers' salaries - substitute	847,726	969,181
	013	Teachers' salaries - board paid	167,967	157,768
	013	Teachers' salaries - student assistants	609,115	636,395
	014	Augmentation	-	47,500
	015	Employee benefits	3,509,829	4,005,602
	016	School secretaries - salaries and benefits	676,365	674,619
	017	Payroll tax	30,106	39,005
	018	Other instructional salaries and benefits	1,363,062	1,438,926
			30,726,989	31,585,020
52	040	Instructional materials		
	041	General supplies	394,165	443,651
	042	Library resource materials	-	-
	043	Teaching aids	94,287	93,790
	044	Textbooks	-	9,300
		Other (Note 11)	952,382	772,738
			1,440,834	1,319,479
52	060	Instructional furniture and equipment		
	061	Replacement	205,506	98,017
	062	Rentals and repairs	103,512	136,786
			309,018	234,803
52	080	Instructional staff travel		
	081	Program co-ordinators	87,375	70,204
	082	Teachers' travel	46,800	33,306
	083	In-service and conference	665,372	565,904
		Students' travel	-	-
			799,548	669,414
52	090	Other instructional costs		
	091	Postage and stationery	5,890	2,666
	092	Other - Francophone Board funds	-	-
		Other - Health and Community living	142,027	100,364
			147,917	103,030
			33,424,305	33,911,746

See accompanying notes to financial statements.

LABRADOR SCHOOL BOARD
OPERATIONS AND MAINTENANCE EXPENDITURES
YEAR ENDED JUNE 30, 2011

			2011 $	2010 $
53	011	Salaries and benefits - janitorial	1,139,506	1,147,043
	012	Salaries and benefits - maintenance	1,096,927	1,109,709
	013	Payroll tax	58,430	38,947
	014	Electricity	376,218	378,087
	015	Fuel	346,931	412,026
	016	Municipal service fees	64,854	55,316
	017	Telephone	178,831	138,149
	018	Vehicle operating and travel	62,238	47,890
	019	Janitorial supplies	328,164	201,061
	021	Janitorial equipment	30,876	27,071
	022	Repairs and maintenance - buildings	730,432	1,003,935
	023	Repairs and maintenance - equipment	69	6,074
	024	Contracted services - janitorial	38,246	92,643
	025	Snowclearing	143,627	128,199
	027	Other - mechanical water and sewer	236,507	243,487
	027	Other - salaries and benefits - computer technologies	268,974	283,940
	027	Other - maintenance occupation health and safety	3,047	2,612
			5,103,877	5,316,188

LABRADOR SCHOOL BOARD
PUPIL TRANSPORTATION EXPENDITURES
YEAR ENDED JUNE 30, 2011

			2011 $	2010 $
54	010	Operations and Maintenance of Board Owned Fleet		
	011	Salaries and benefits - administration	166,266	178,800
	012	Salaries and benefits - drivers and mechanics	1,473,176	1,432,040
	013	Payroll tax	25,330	24,625
	014	Debt repayment - interest	20,632	14,606
	014	Debt repayment - principal	-	-
	017	Gas and oil	243,429	222,107
	018	Licenses	15,458	23,772
	019	Insurance	10,863	15,850
	021	Repairs and maintenance - fleet	184,151	219,497
	022	Repairs and maintenance - building	27,852	38,180
	023	Tires and tubes	16,150	36,583
	024	Heat and light	14,551	14,205
	025	Municipal services	4,667	3,462
	026	Snowclearing	15,482	12,708
	027	Office supplies	5,464	2,799
	029	Travel	17,262	7,938
	031	Professional fees	2,452	2,603
	032	Miscellaneous	4,044	3,368
	033	Telephone	24,759	26,267
		Rent	78,911	78,911
		Occupational health and safety training	3,271	264
			2,354,170	2,358,585
54	040	Contracted Services		
	041	Regular transportation	17,141	15,557
	042	Handicapped	13,380	8,030
			2,384,691	2,382,172

See accompanying notes to financial statements.

LABRADOR SCHOOL BOARD
ANCILLARY SERVICES
YEAR ENDED JUNE 30, 2011

			2011	2010
			$	$
55		Ancillary Services		
	011	Operation of teachers' residence	243,123	213,675
	013	Janitorial	-	-
	031	Cafeterias	-	-
	032	Other	-	-
			243,123	213,675

See accompanying notes to financial statements.

LABRADOR SCHOOL BOARD
MISCELLANEOUS EXPENDITURES
YEAR ENDED JUNE 30, 2011

	2011 $	2010 $
57 001 Miscellaneous	-	-

See accompanying notes to financial statements.

SCHEDULE 8

LABRADOR SCHOOL BOARD
DETAILS OF CAPITAL ASSETS
YEAR ENDED JUNE 30, 2011

			Balance June 30, 2010	Additions	Disposals	Balance June 30, 2011
			$	$	$	$
Land and sites						
12	210	Land and Sites	231,024	30,740	-	261,764
	211	Pavement	150,638	-	-	150,638
			381,662	30,740	-	412,402
12	220	Buildings				
	221	Schools	37,191,713	19,210	-	37,210,923
	222	Administration	283,947	660,749	-	944,696
	223	Residential	2,833,548	13,941	-	2,847,489
	224	Recreation	-	-	-	-
	225	Other - maintenance	263,899	-	-	263,899
			40,573,107	693,900	-	41,267,007
12	230	Furniture and equipment	2,852,466	-	-	2,852,466
12	240	Vehicles				
	241	Service vehicles	-	-	-	-
12	250	Pupil Transportation				
	251	Land	-	-	-	-
	252	Building	-	-	-	-
	253	Vehicles - buses	1,645,156	363,373	298,796	1,709,733
	254	Vehicles - service	177,348	-	-	177,348
	255	Equipment	-	-	-	-
	256	Other	-	-	-	-
			1,822,504	363,373	298,796	1,887,081
12	260	Miscellaneous Capital				
	261	Other	-	31,453	-	31,453
Total Capital Assets			45,629,739	1,119,466	298,796	46,450,409

See accompanying notes to financial statements.

LABRADOR SCHOOL BOARD
DETAILS OF LONG-TERM DEBT
YEAR ENDED JUNE 30, 2011

	2011 $	2010 $
Bank loans, mortgages and debentures, approved by the Board and the Government of Newfoundland and Labrador		
22 210 Loans Other Than Pupil Transportation		
Reference Number		
211 Bank Loans		
Prime minus __ , repayable __ monthly, repaid during year	-	-
212 Mortgages		
____, repayable $____, monthly, maturing	-	-
____, repayable $____, monthly, maturing	-	-
____, repayable $____, monthly, maturing	-	-
	-	-
Total 212		
213 Vehicles		
____, repayable $____, monthly, maturing		
____, repayable $____, monthly, maturing	-	-
Total 213	-	-
214 Other		
____, repayable $____, monthly, maturing	-	-
Subtotal	-	-
216 Less: Current Maturities	-	-
Total Loans Other than Pupil Transportation	-	-

.../Continued

See accompanying notes to financial statements.

LABRADOR SCHOOL BOARD
DETAILS OF LONG-TERM DEBT
YEAR ENDED JUNE 30, 2011

	2011 $	2010 $
22 220 Loans - Pupil Transportation		
Reference Number		
221 Vehicle Bank Loans		
Prime minus .25%, repayable $2,172 monthly, maturing 2013	49,954	76,018
Prime minus .25% repayable $2,517 monthly, maturing 2012	30,035	60,241
Prime minus .25%, repayable $1,696 monthly, maturing 2015	86,490	106,841
Prime minus .25%, repayable $581 monthly, maturing 2014	20,912	27,882
Prime minus .25%, repayable $3,137 monthly, maturing 2011	3,536	29,583
Prime minus .25%, repayable $598 monthly, maturing 2018	-	41,181
Prime minus .25%, repayable $2,924 monthly, maturing 2018	251,408	286,496
Prime minus .25%, repayable $2,523 monthly, maturing 2023	343,190	-
Subtotal	785,525	628,242
223 Less: Current Maturities	152,323	163,500
Total Loans - Pupil Transportation	633,202	464,742
Total Long-term Debt	633,202	464,742

See accompanying notes to financial statements.

LABRADOR SCHOOL BOARD
SUMMARY OF LONG-TERM DEBT
YEAR ENDED JUNE 30, 2011

Description	Rate %	Balance June 30, 2010 $	Loans Obtained During Year $	Principal Repayment For Year $	Balance June 30, 2011 $
(A) School construction		-	-	-	-
(B) Equipment		-	-	-	-
(C) Service vehicles		-	-	-	-
(D) Other		-	-	-	-
(E) Bus acquisition	Prime - 0.25	628,242	350,758	193,475	785,525
Total Loans		628,242	350,758	193,475	785,525
Less: Current Maturities					152,323
Total Loans					633,202

See accompanying notes to financial statements.

LABRADOR SCHOOL BOARD
SCHEDULE OF CURRENT MATURITIES
YEAR ENDED JUNE 30, 2011

Description	2012 $	2013 $	2014 $	2015 $	2016 $
(A) School construction	-	-	-	-	-
(B) Equipment	-	-	-	-	-
(C) Service Vehicles	-	-	-	-	-
(D) Other	-	-	-	-	-
(E) Pupil transportation	152,323	116,578	92,684	85,716	70,446
Total	152,323	116,578	92,684	85,716	70,446

See accompanying notes to financial statements.

SCHEDULE 9C

LABRADOR SCHOOL BOARD
SCHEDULE OF INTEREST EXPENDITURES
YEAR ENDED JUNE 30, 2011

	2011 $	2010 $
Description		
012 Capital		
School construction	-	-
Equipment	-	-
Service vehicles	-	-
Other - teachers' residences	-	-
Pupil transportation	-	-
	-	-
Total Capital		
013 Current - operating loans	-	-
Current - supplier interest charges	7,364	7,953
Total current	7,364	7,953
Total Interest Expense	7,364	7,953

See accompanying notes to financial statements.

LABRADOR SCHOOL BOARD
SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2011

			2011 $	2010 $
1.		Cash		
		Current		
11	110	Cash on hand and in bank		
	111	Cash on hand	1,000	1,000
	112	Bank - current	152,979	(3,870)
	113	Bank - savings - Labrador West School Committee	-	-
	113	Bank - bonus savings account	1,363,855	2,712,076
	114	Bank - teachers' payroll	1,209	(1,035)
	115	Bank - non teachers' payroll	-	-
	116	Bank - coupon (debenture)	-	-
		Capital		
11	210	Cash on Hand and in Bank	-	-
	211	Cash on Hand and in Bank	-	-
	212	Bank - current	-	-
	213	Bank - savings	-	-
	214	Bank - other	-	-
Total Cash on Hand and in Bank			1,519,043	2,708,171
2.		Short Term Investments		
		Current		
11	121	Term deposits	3,021,099	510,218
	122	Canada Savings Bonds	-	-
	123	Other	-	-
		Capital		
11	221	Term deposits	-	-
	222	Canada Savings Bonds	-	-
	223	Other	-	-
Total Short Term Investments			3,021,099	510,218

.../Continued

See accompanying notes to financial statements.

			2011	2010
			$	$
3.		Prepaid Expenses		
		Current		
11	141	Insurance	-	6,700
	142	Municipal services fees	14,307	17,400
	143	Supplies	-	-
	144	Other - WHSCC	-	-
	144	Other - travel	-	-
	144	Other - miscellaneous	1,206	35,416
		Capital		
11	241	Other	-	-
			15,513	59,516

1. DESCRIPTION OF OPERATIONS

The Labrador School Board is a learning organization which is mandated to organize and administer primary, elementary and secondary education within the school board.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared on a fund accounting basis which is generally accepted for School Boards. Fund accounting can be defined as "accounting procedures in which a self-balancing group of accounts is provided for each fund". It is customary for School Boards to account separately for the current and capital funds.

A summary of significant accounting policies adopted by the Board, relating to their use of fund accounting, is as follows:

(a) Grants received by the Board are recorded in either the current or capital funds, depending on their source. Grants from the Department of Education are treated as current revenue while those from the Newfoundland and Labrador Education Investment Corporation are mostly recorded as capital revenues.

(b) The Board does not calculate or record amortization on any of its capital assets.

(c) As a result of the amalgamation of former school boards to form the Labrador School Board, described below, historical cost information related to capital assets is not always available.

In instances where the historical cost of a capital assets is unknown, only the proceeds received on the disposition of the capital assets are credited to the capital assets account.

If the historical cost of a capital asset is known, the disposition of the capital assets is recorded by removing the full cost of the asset from the capital asset account.

(d) All capital expenditures financed out of current revenue funds are recorded as an expenditure in the current account.

(e) Principal repayment of Pupil Transportation Loans are recorded as current expenditures. All other principal repayment of bank loans are recorded as capital expenditures.

.../Continued

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Severance Pay

The Board has in effect severance pay policies whereby employees are entitled to a severance payment upon leaving employment with the Board. Under these policies, a permanent employee who has nine (9) or more years of continuous service in the employ of the School Board is entitled to be paid on resignation, retirement, termination by reasons of disability, expiry of recall rights or, in the event of death, to the employee's estate, severance pay equal to the amount obtained by multiplying the number of completed years of continuous employment by his weekly salary to a maximum of twenty (20) weeks pay. This liability for severance pay has been accrued in the accounts for all employees who have a vested right to receive such payments.

Severance pay for teachers is paid through the Department of Education.

Executive staff paid leave

Executive staff paid leave is paid through the Department of Education.

Other

Effective January 1, 1997, the Labrador School Board was formed through the amalgamation of the Labrador West Integrated School Board, the Labrador East Integrated School Board and the Roman Catholic School Board for Labrador. The amalgamation was accounted for using the pooling of interests method where by the assets and liabilities of each School Board were combined to become the assets of the new Labrador School Board.

Measurement Uncertainty

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, disclosure of contingent assets and liabilities at the date of the financial statements and the recorded amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in the period in which they become known. Actual results could differ from these estimates.

3. FINANCIAL INSTRUMENTS

The school board's financial instruments consist of cash, short-term investments, accounts receivable, accounts payable and accrued liabilities, long-term debt, accrued support staff severance, accrued teacher severance and accrued executive staff paid lease. Unless otherwise noted, it is management's opinion that the school board is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

4. ACCOUNTS RECEIVABLE

			2011 $	2010 $
		Current		
11	131	Provincial Government Grant	4,411,139	4,126,938
	132	Transportation	-	-
	133	Federal Government	101,624	100,832
	134	School taxes	-	-
	136	Other School Boards	-	-
	137	Rent	-	-
	138	Interest	-	-
	139	Travel advances and miscellaneous	131,390	747,789
		Capital		
11	231	EIC - construction grants	-	-
	233	Local contributions	-	-
	234	Other School Boards	-	-
	235	Other - Department of Education	-	-
			4,644,153	4,975,559
	Less:	Allowance for uncollectible Government Grants	-	-
			4,644,153	4,975,559

5. BANK INDEBTEDNESS - CURRENT

			2011 $	2010 $
21	131	On operating credit	-	-
	132	On current account	-	-
			-	-

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

			2011 $	2010 $
		Current		
21	111	Trade payables	769,027	529,995
	112	Accrued - liabilities	25,000	34,729
	113	Accrued - interest	-	-
	114	Accrued - wages	465,259	186,752
	115	Payroll deductions	73,087	62,471
	116	Retail sales tax	-	-
	117	Deferred grants	2,658,805	2,418,715
	119	Summer pay - teachers	3,413,989	3,432,320
	122	Department of Education	-	-
		Capital		
21	211	Trade payables	-	-
	212	Accrued - liabilities	-	-
	213	Accrued - interest	-	-
	217	Deferred grants	-	-
	218	Other	-	-
			7,405,168	6,664,982

7. RESTRICTED FUND

	2011 $	2010 $
Labrador West School Committee	61,721	60,772

The restricted surplus represents unexpended funding set aside for the benefit of the Labrador West School Committee. The available funds must be spent in Labrador West.

8. INVESTMENT IN CAPITAL ASSETS

			2011	2010
			$	$
		Balance, beginning, as previously reported	45,639,061	44,640,012
		Transfer of operating funds to capital fund	-	-
		Principal repayment of housing loan	-	-
		Proceeds from bussing loans (net)	-	-
		Addition to schools	756,093	1,242,950
		Purchase of busses	363,373	-
			46,758,527	45,882,962
		Deduct adjustments:		
		Cost of assets sold		
		Land	-	-
		Buildings	-	-
		Buses	298,796	243,901
		Service vehicles	-	-
23	221	Balance, ending	46,459,731	45,639,061

9. BOARD DEFICIENCY

	2011 $	2010 $
Balance, beginning	(6,118,519)	(5,880,342)
Excess (deficiency) of revenue over expenditures	(213,776)	(238,177)
Balance, ending	(6,332,295)	(6,118,519)

The Board deficiency is comprised as follows:

	2011 $	2010 $
Deficit upon amalgamation at January 1, 1997	(504,281)	(504,281)
Deficits that are the responsibility of the Department of Education:		
Teachers' severance	(6,048,680)	(5,935,453)
Executive staff paid leave	(265,286)	(183,068)
Teacher's summer pay	(18,331)	-
Surplus attributable to Board operations since amalgamation	504,283	504,283
Board deficiency, end of year	(6,332,295)	(6,118,519)

10. COMMITMENTS

At the balance sheet date, the Board has the following commitments:

The Board has entered into various lease agreements with estimated future payments as follows:

	$
2012	31,315

11. OTHER INSTRUCTIONAL MATERIALS

	2011 $	2010 $
Native Peoples	68,993	72,387
Labrador Studies	62,195	27,547
Modern Technology	118,172	124,569
Teacher Orientation - North Coast	9,333	25,864
Creative Arts Festival	33,443	16,141
Lifeskills Program	69,294	39,560
Special Projects - Housing	286,555	216,248
Innu - Sheshatshiu	-	19,873
Labrador North Sports Meet	34,940	30,618
Mushuau Innu Natuashish	-	8,748
Grenfell Library Program	211,371	149,399
Labrador West Funds	2,071	24,625
Music Supplies	49,789	5,049
Stepping Into the Future	6,226	12,110
	952,382	772,738

12. CONTINGENT LIABILITIES

The Lavers Inquiry is currently investigating allegations of abuse at schools formerly run by various churches in certain parts of Labrador. The possibility or magnitude of any resulting liability arising to the Board is not known.

A human rights complaint has been filed against the Board. A response to this complaint has been filed on behalf of the Board. The Board is awaiting a determination by the Human Rights Commission as to whether the complaint will be referred to a Board of Enquiry.

13. OTHER

The Board is preparing to change its accounting policies to accounting policies recommended by the Public Sector Accounting Board (PSAB). During the year, management has prepared a Tangible Capital Assets schedule which will allow it to change its accounting policy related to the reporting of capital assets.

When the change in the accounting policy is implemented in 2012, the Board will record amortization of its tangible capital assets in accordance with Public Sector Accounting Board standards.

It is anticipated that the transition to PSAB will be implemented for the year ending June 30, 2012.

14. MANAGING CAPITAL

The Board is subject to externally imposed capital management requirements pursuant to its credit facility. These requirements are consistent with normal commercial debt terms. Management acts to ensure that the company complies with the requirements and is not aware of any violations that would result in the bank taking any actions against the Board.

LIVESTOCK OWNERS COMPENSATION BOARD

LIVESTOCK OWNERS COMPENSATION FUND

FINANCIAL STATEMENTS

31 MARCH 2012

Management's Report

Management's Responsibility for the Livestock Owners Compensation Board, Livestock Owners Compensation Fund Financial Statements

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that transactions are properly authorized, assets are safeguarded and liabilities are recognized.

Management is also responsible for ensuring that transactions comply with relevant policies and authorities and are properly recorded to produce timely and reliable financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews internal financial information periodically and external audited financial statements yearly.

The Auditor General conducts an independent audit of the annual financial statements of the Board in accordance with Canadian generally accepted auditing standards, in order to express an opinion thereon. The Auditor General has full and free access to financial management of the Livestock Owners Compensation Board.

On behalf of the Livestock Owners Compensation Board.

C. MacDonald

Ms. Cynthia MacDonald, P.Ag.
Director of Agriculture Business Development

21 June 2012

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Board of Directors
Livestock Owners Compensation Board
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Livestock Owners Compensation Board, Livestock Owners Compensation Fund, which comprise the statement of financial position as at 31 March 2012, the statements of operations and accumulated surplus, 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

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

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

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

Auditor's Report (cont.)

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Livestock Owners Compensation Board, Livestock Owners Compensation Fund, as at 31 March 2012, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

TERRY PADDON, CA
Auditor General

21 June 2012
St. John's, Newfoundland and Labrador

LIVESTOCK OWNERS COMPENSATION BOARD
LIVESTOCK OWNERS COMPENSATION FUND
STATEMENT OF FINANCIAL POSITION
As at

		31 March 2012		31 March 2011		1 April 2010
				(Note 2)		(Note 2)
FINANCIAL ASSETS						
Cash	$	5,186	$	4,349	$	5,016
Due from the Province		1,500		1,400		1,200
		6,686		5,749		6,216
LIABILITIES						
Accounts payable and accrued liabilities		1,507		1,403		1,203
		1,507		1,403		1,203
Net financial assets		5,179		4,346		5,013
NON-FINANCIAL ASSETS		-		-		-
Accumulated surplus	$	5,179	$	4,346	$	5,013

The accompanying notes are an integral part of these financial statements

Signed on behalf of the Board:

C. MacDonald
Chairperson

Gerald Wiebe
Member

LIVESTOCK OWNERS COMPENSATION BOARD
LIVESTOCK OWNERS COMPENSATION FUND
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
For the Year Ended 31 March

	2012 Budget	2012 Actual	2011 Actual
	(Note 7)		(Note 2)
REVENUES			
Province of Newfoundland and Labrador			
Payments on behalf of the Board (Note 5)	$ -	$ **9,024**	$ 8,428
Premiums from livestock owners		**1,060**	1,001
Miscellaneous	-	**2**	-
	-	**10,086**	9,429
EXPENSES			
Bank Charges		**4**	3
Indemnity Claims		**225**	1,665
Professional Services (Note 5)	-	**1,800**	1,700
Salaries (Note 5)	-	**7,224**	6,728
	-	**9,253**	10,096
Annual surplus (deficit)	-	**833**	(667)
Accumulated surplus, beginning of year	4,346	**4,346**	5,013
Accumulated surplus, end of year	$ 4,346	$ **5,179**	$ 4,346

The accompanying notes are an integral part of these financial statements

1. Nature of operations

The Livestock Owners Compensation Board (the Board) operates under the authority of the *Livestock Insurance Act*. The purpose of the Board is to operate the Livestock Owners Compensation Fund to provide insurance to farmers of the Province to restrict the amount of livestock loss. Its affairs are managed by a Board of Directors appointed by the Lieutenant-Governor in Council. These statements are a representation of the activities of the Livestock Owners Compensation Fund.

The Board is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

2. Conversion to Canadian Public Sector Accounting Standards

Commencing with the 2012 fiscal year, the Livestock Owners Compensation Board has adopted Canadian public sector accounting standards. These financial statements are the first financial statements for which the Board has applied Canadian public sector accounting standards. The changeover became effective on 1 April 2011 with retroactive application to 1 April 2010.

The conversion affects primarily only the presentation of the financial statements except that government transfers previously reported in equity as contributed capital are now recorded as part of the accumulated surplus. As a result, the accumulated surplus at 1 April 2010 has increased by $78,895 from a deficit of $73,882 to a surplus of $5,013.

3. Summary of significant accounting policies

(a) Basis of accounting

These financial statements are prepared by management in accordance with Canadian public sector accounting standards for provincial reporting entities established by the Canadian Public Sector Accounting Board. The Board does not prepare a statement of change in net financial assets and a statement of cash flows as this information is readily apparent from the other statements.

(b) Revenue recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues.

(c) Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

The Board is administered as a division of the Department of Natural Resources. Expenses related to salaries, and professional services are paid directly by the Department and are reflected in these financial statements as expenses of the Board and as revenue from the Province.

4. Financial instruments

The Board's financial instruments consist of cash, due from the Province, and accounts payable and accrued liabilities. The carrying values of these instruments approximate current fair value due to their nature and the short-term maturity associated with them.

5. Related party transactions

The Board is administered by employees of the Department of Natural Resources. Salary costs of $7,224 (2011 - $6,728) and professional services cost of $1,800 (2011 - $1,700) applicable to the operation of the Board have been paid by the Department and are reflected in these financial statements as expenses of the Board and as revenue from the Province.

6. Comparative figures

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

7. Budgeted figures

Budgeted figures have not been presented as the Board does not prepare a budget consistent with the presentation of the statement of operations and accumulated surplus.

MARBLE MOUNTAIN DEVELOPMENT CORPORATION

Financial Statements

Year Ended April 30, 2012

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Marble Mountain Development Corporation

We have audited the accompanying financial statements of Marble Mountain Development Corporation, which comprise the balance sheet as at April 30, 2012 and the statements of income, deficit and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information..

Management's responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles and for such internal controls as management considers is necessary to enable the preparation of the 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 whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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, these financial statements present fairly, in all material respects, the balance sheet of Marble Mountain Development Corporation as at April 30, 2012 and the results of its income and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Canada LLP

CHARTERED ACCOUNTANTS

Corner Brook, Newfoundland and Labrador
June 11, 2012

MARBLE MOUNTAIN DEVELOPMENT CORPORATION

Balance Sheet

As at April 30, 2012

	2012	2011
Assets		
Current		
Cash	$ 8,080	$ 7,140
Accounts receivable	26,134	68,828
Inventory *(Note 2)*	33,876	57,617
Prepaid expenses	23,210	18,754
	91,300	152,339
Capital assets *(Notes 2, 4)*	14,901,405	15,708,338
Deferred charges *(Note 2)*	7,253	14,506
	$ 14,999,958	$ 15,875,183
Liabilities		
Current		
Bank indebtedness *(Note 5)*	$ 1,884,430	$ 1,889,203
Accounts payable and accrued liabilities *(Note 6)*	677,540	631,387
Current portion of obligations under capital lease *(Note 9)*	59,577	74,431
Deferred revenue	11,500	21,630
	2,633,047	2,616,651
Long term debt *(Note 12)*	300,000	300,000
Obligations under capital lease *(Note 9)*	255,780	127,926
Deferred government assistance *(Notes 2, 7)*	5,733,513	5,595,903
	8,922,340	8,640,480
Shareholder equity		
Contributed surplus	23,130,703	23,130,703
Deficit, as restated	(17,053,085)	(15,896,000)
	6,077,618	7,234,703
	$ 14,999,958	$ 15,875,183

Contingent liability *(Note 10)*

Lease committments

On behalf of the Board

_______________ *Director*

_______________ *Director*

MARBLE MOUNTAIN DEVELOPMENT CORPORATION

Statement of Deficit

Year Ended April 30, 2012

	2012	2011
Deficit - beginning of year, as restated	**$ (15,916,397)**	$ (14,860,238)
Excess of expenses over revenue	**3,585**	(163,059)
	(15,912,812)	(15,023,297)
Amortization	**1,140,273**	872,703
Deficit - end of year	**$ (17,053,085)**	$ (15,896,000)

MARBLE MOUNTAIN DEVELOPMENT CORPORATION
Statement of Income
Year Ended April 30, 2012

	2012	2011
Income (loss) from operations		
Lift Operations *(Schedule 1)*	$ (571,531)	$ (514,098)
Repair Shop *(Schedule 2)*	36,027	28,534
Rental *(Schedule 3)*	145,894	113,206
Cafeteria *(Schedule 4)*	19,256	9,271
Bar *(Schedule 5)*	32,981	41,276
Ski School *(Schedule 6)*	11,443	13,879
Events *(Schedule 7)*	77,276	42,803
Marketing *(Schedule 8)*	(39,916)	(82,178)
Marble Villa *(Schedule 9)*	235,728	135,437
Operating grant	400,000	400,000
Wage Subsidy Grant	1,200	-
	348,358	188,130
Expenses		
Administration	14,252	18,110
Advertising	2,441	2,669
Bad debts	3,256	6,390
Board and committee meetings	1,709	5,117
Communications	14,057	11,311
Directors fees *(Note 11)*	5,180	5,480
Interest and bank charges	56,876	75,473
Interest on capital leases	17,237	21,324
Labour services	203,659	186,030
Miscellaneous	2,055	1,381
Professional fees	8,054	7,000
Travel and conference	15,997	10,904
	344,773	351,189
Excess of expenses over revenue	$ 3,585	$ (163,059)

MARBLE MOUNTAIN DEVELOPMENT CORPORATION

Statement of Cash Flows

Year Ended April 30, 2012

	2012	2011
Operating activities		
Cash receipts from customers	$ 2,687,941	$ 2,243,256
Cash paid to suppliers and employees	(2,085,210)	(2,233,856)
Interest paid	(55,311)	(142,925)
Cash flow from (used by) operating activities	547,420	(133,525)
Investing activities		
Purchase of capital assets	(805,107)	(412,200)
Proceeds on disposal of capital assets	150,400	6,700
Cash flow used by investing activities	(654,707)	(405,500)
Financing activities		
Proceeds (repayment) of bank indebtedness	(4,773)	619,324
Proceeds from obligations under capital lease	186,913	28,685
Repayment of obligations under capital lease	(73,913)	(108,480)
Cash flow from financing activities	108,227	539,529
Increase in cash flow	940	504
Cash - beginning of year	7,140	6,636
Cash - end of year	$ 8,080	$ 7,140
Cash consists of:		
Cash	$ 8,080	$ 7,140

1. Description of operations

The Corporation is a "Non-Profit Development Corporation" incorporated under the Corporations Act of Newfoundland and Labrador. Its affairs are managed by a Board of Directors appointed by the Lieutenant Governor in Council. The Province of Newfoundland and Labrador holds 100% of the issued common shares. The Corporation is a not-for-profit organization under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

2. Summary of significant accounting policies

Inventory

Inventory is valued at the lower of cost and net realizable value.

Capital assets

Capital assets purchased by the Corporation are accounted for at cost. Donated assets are recorded at the estimated fair market value. Amortization is provided for on a straight-line basis over the estimated life of the assets as follows:

Area improvements	30 years
Buildings	15-40 years
Computer equipment	3 years
Equipment under capital lease	10 years
Furniture and fixtures	5 years
Lifts	30 years
Rental equipment	3 years
Signs	5 years
Vehicles	3-20 years

Deferred charges

Deferred charges represent the unamortized cost of purchasing uniforms for snow school instructors. Amortization of the deferred charge is provided on the straight-line basis over 3 years and is recorded as ski patrol expense in lift operations.

Government assistance and other contributions

Provincial government grants and other contributions related to the acquisition of capital assets are accounted for as contributed surplus. Federal government grants and other contributions related to the acquisition of capital assets are recorded as deferred government grants and amortized to income in relationship to the amortization of the asset involved. Government assistance and other contributions related to capital assets retired from service are credited against the related capital asset in the year of retirement.

Government grants related to operations are accounted for as revenue or as a reduction of the expense to which the grant relates.

(continues)

2. Summary of significant accounting policies *(continued)*

Revenue Recognition

We recognize revenues when they are earned, specifically when all the following conditions are met:

- services are provided or products are delivered to customers
- there is clear evidence that an arrangement exists
- amounts are fixed or can be determined
- our ability to collect is reasonably assured.

Measurement uncertainty

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, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates include providing for amortization of capital assets and goodwill. Actual results could differ from these estimates.

Financial risk management objectives and policies

The corporation's risk management policies are part of the overall management of the entity's operations. Management's direct involvement in day-to-day operations identifies risks and variances from expectations leading to changes in risk management activities, requirements and actions. As part of the overall management of the entity's operations, management considers avoidance of undue concentrations of risk, and employs appropriate investment and credit management policies to manage the corporation's exposure.

3. Financial instruments

The Corporation's financial instruments consist of cash, accounts receivable, bank indebtedness, accounts payable and accrued liabilities, obligations under capital leases, and long-term debt. Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

4. Capital assets

	Cost	Accumulated amortization	**2012 Net book value**	2011 Net book value
Area improvements	$ 10,711,703	$ 6,472,991	**$ 4,238,712**	$ 4,582,560
Buildings	10,604,700	4,123,519	**6,481,181**	6,715,572
Computer equipment	18,683	18,683	**-**	4,663
Equipment under capital lease	643,389	224,135	**419,254**	559,065
Furniture and fixtures	802,281	802,281	**-**	27,888
Lifts	5,200,165	3,014,939	**2,185,226**	2,085,340
Rental equipment	109,513	95,441	**14,072**	30,320
Signs	96,781	86,799	**9,982**	-
Vehicles	7,426,699	5,873,721	**1,552,978**	1,702,930
	$ 35,613,914	$ 20,712,509	**$ 14,901,405**	$ 15,708,338

5. Bank indebtedness

	2012	2011
Line of credit	**$ 1,884,430**	$ 1,889,203

The line of credit is authorized in the amount of $2,087,000 and bears interest at the rate of bank prime plus 0%. It is secured by a Provincial Government guarantee and letter of indemnity and overdraft agreement signed by the Board of Directors.

6. Accounts payable and accrued liabilities

	2012	2011
Trade	**$ 542,555**	$ 406,215
Harmonized sales tax payable	**95,077**	89,654
Payroll deductions payable	**39,907**	131,519
Wages payable	**-**	4,000
	$ 677,539	$ 631,388

7. Deferred government assistance - capital assets

	2012	2011
Balance, at beginning of year	**$ 5,595,903**	$ 5,498,056
Plus: deferred government assistance received for the year	**450,000**	400,000
Less: amount transferred to income by reduction of amortization expense for the year	**(312,390)**	(302,153)
Balance, at end of year	**$ 5,733,513**	$ 5,595,903

Of the amount of deferred government assistance received, there remains $25,000 for the next fiscal year operations to be spent on capital items.

8. Government assistance and other contributions - operations

Province of Newfoundland and Labrador - Operating grant

For the year ended April 30, 2012, an administrative operating grant of $400,000 (2011 - $400,000) was approved and received. For the year ended April 30, 2012, a capital grant of $450,000 (2011 - $400,000) was received. For the year ended April 30, 2012 a marketing grant of $200,000 (2011 - 0) was received.

The above administrative operating grant is subject to the terms and conditions as outlined in the contribution agreement

9. Obligations under capital lease

	2012	2011
National Leasing refinanced during the year	$ -	$ 171,188
National Leasing bearing interest at 8.723% per annum, repayable in monthly blended payments of $908. The lease matures on December 1, 2014 and is secured by a charge over specific equipment.	16,854	25,854
National Leasing bearing interest at 3.86% per annum, repayable in monthly blended payments of $307. The lease matures on December 1, 2012 and is secured by a charge over specific equipment.	1,773	5,315
National Leasing bearing interest at 5.65% per annum, repayable in monthly blended payments of $4,960. The lease matures on December 1, 2016 and is secured by a charge over specific equipment.	286,896	-
National Leasing bearing interest at 8.952% per annum, repayable in monthly blended payments of $357. The lease matures on December 1, 2014 and is secured by a charge over specific equipment.	9,834	-
	315,357	202,357
Amounts payable within one year	(59,577)	(74,431)
	$ 255,780	$ 127,926

10. Contingent liability

As at April 30, 2012, a supplier had claimed that the Corporation owed it approximately $70,005 for services rendered. The Corporation's management feels the claim is unfounded and the likelihood of any loss resulting therefrom is undeterminable. Therefore, the Corporation has not recorded a provision for losses that may result from the claim.

11. Related party transactions

During the year ended April 30, 2012, director's fees of $5,180 (2011 - $5,480) were paid in aggregate to the Board of Directors of the Corporation.

12. Long term debt

	2012	2011
Department of Innovation, Trade and Rural Development, non-interest bearing and repayable in annual installments based on 20% of available cash flow. Due 2015.	$ 300,000	$ 300,000
Amounts payable within one year	-	-
	$ 300,000	$ 300,000

Principal repayment terms are approximately:

2015	$ 300,000
	$ 300,000

The above long term debt is secured by a chattel mortgage on specific equipment. Long term debt repayments required to meet retirement provisions are based on available cash flow which is defined as net profit plus amortization less principal payments on long-term debt and capital leases. The Corporation has until 2015 to repay the loan in full.

13. Capital management

The corporation's capital consists of shareholder's equity. The corporation's primary objectives in managing its capital consist of safeguarding its ability to continue as a going concern and sourcing sufficient capital to provide its services. The corporation's primary policy in regards to managing capital is a requirement that committed future expenditures do not exceed current capital resources. The corporation's primary process for managing capital consists of the ongoing assessment of current capital resources against budgeted events and administrative expenditures. The corporation is not subject to any externally imposed capital requirements. There have been no changes in the corporation's objectives for managing capital or the definition thereof as compared to the previous year.

14. Patrol Operating Expenses

	2012	2011
Wages	$ 72,660	$ 67,950
Supplies	9,292	7,051
Telephone	140	143
Radio Rental	1,105	930
Sundry	437	739
	$ 83,634	$ 76,813

MARBLE MOUNTAIN DEVELOPMENT CORPORATION

Lift Operations *(Schedule 1)*

Year Ended April 30, 2012

	2012	2011
Revenue		
Lift Ticket Revenue	$ 599,061	$ 524,524
Season Pass Revenue	541,820	488,047
Children Center Revenue	9,731	6,634
Miscellaneous Revenue	1,053	5,598
	1,151,665	1,024,803
Expenditures		
Children's centre	19,423	15,284
Communications	6,434	10,366
Management contract	112,000	112,000
Equipment rental	11,208	11,806
Heating and electricity	202,230	144,045
Insurance	123,350	116,191
Interest and bank charges	55,311	43,009
Labour services	450,135	406,873
Lift repairs	108,407	104,462
Maintenance		
Building	30,945	47,229
Slopes	43,324	33,211
Miscellaneous	18,803	11,605
Municipal fees	32,000	12,000
Security	299	299
Patrol expenses *(Note 14)*	83,634	76,813
Snowclearing	14,025	30,395
Snowmaking		
Electricity	112,776	109,902
Labour services	42,422	31,851
Equipment maintenance	109,426	59,491
Supplies	31,293	21,668
Vehicle operating		
Repairs	31,363	77,203
Fuel	70,387	55,337
Uniforms	14,001	7,861
	1,723,196	1,538,901
Loss from operations	$ (571,531)	$ (514,098)

MARBLE MOUNTAIN DEVELOPMENT CORPORATION

Repair Shop *(Schedule 2)*

Year Ended April 30, 2012

	2012	2011
Revenue	$ 54,838	$ 42,849
Expenditures		
Labour	17,911	13,438
Miscellaneous	50	-
Supplies	850	877
	18,811	14,315
Income from operations	$ 36,027	$ 28,534

MARBLE MOUNTAIN DEVELOPMENT CORPORATION

Rental *(Schedule 3)*

Year Ended April 30, 2012

	2012	2011
Revenue	**$ 198,758**	$ 161,029
Expenditures		
Communications	**539**	294
Labour	**51,208**	46,070
Supplies	**1,117**	1,459
	52,864	47,823
Income from operations	**$ 145,894**	$ 113,206

MARBLE MOUNTAIN DEVELOPMENT CORPORATION

Cafeteria *(Schedule 4)*

Year Ended April 30, 2012

	2012	2011
Revenue	**$ 262,527**	$ 214,728
Cost of sales	**129,516**	99,340
Gross profit	**133,011**	115,388
Expenditures		
Communications	**186**	411
Labour services	**102,327**	96,482
Miscellaneous	**1,449**	295
Repairs and maintenance	**300**	298
Supplies	**9,493**	8,631
	113,755	106,117
Income from operations	**$ 19,256**	$ 9,271

MARBLE MOUNTAIN DEVELOPMENT CORPORATION

Bar *(Schedule 5)*

Year Ended April 30, 2012

	2012	2011
Revenue	$ 158,626	$ 139,549
Cost of sales	62,679	47,491
Gross profit	95,947	92,058
Expenditures		
Communications	267	170
Entertainment	4,428	6,141
Labour services	34,470	33,068
Licenses and fees	658	-
Repairs and maintenance	671	2,454
Secuity	2,413	867
Special events	16,712	5,669
Supplies	1,934	2,413
Utilities	1,413	-
	62,966	50,782
Income from operations	$ 32,981	$ 41,276

MARBLE MOUNTAIN DEVELOPMENT CORPORATION

Ski School *(Schedule 6)*

Year Ended April 30, 2012

	2012	2011
Revenue	$ 125,701	$ 118,391
Expenditures		
Communications	318	233
Kruncher Club	4,555	-
Labour services	103,246	99,977
Miscellaneous	499	1,114
Supplies	1,185	1,373
Training	3,601	1,815
Uniforms	854	-
	114,258	104,512
Income from operations	$ 11,443	$ 13,879

MARBLE MOUNTAIN DEVELOPMENT CORPORATION

Events

Year Ended April 30, 2012

(Schedule 7)

	2012	2011
Revenue	$ 267,778	$ 190,240
Cost of sales	62,332	42,462
Gross profit	205,446	147,778
Expenditures		
Communications	908	1,078
Interest and bank charges	-	3,188
Labour services	113,924	89,419
Maintenance	3,822	4,271
Miscellaneous	4,697	3,409
Supplies	4,819	3,610
	128,170	104,975
Income from operations	$ 77,276	$ 42,803

MARBLE MOUNTAIN DEVELOPMENT CORPORATION
Marketing *(Schedule 8)*
Year Ended April 30, 2012

		2012		2011
Revenue				
Marketing Revenue - Sponsorship	$	27,000	$	20,307
Marketing Revenue - Advertising		20,670		24,405
Marketing Grant		200,000		-
		247,670		44,712
Expenditures				
Advertising				
Internet		11,653		8,673
Marketing campaign		1,366		2,986
Print		1,404		8,883
Radio		2,200		4,097
Television		4,843		22,311
Communications		3,324		3,146
Labour services		59,758		61,210
Marketing agency		181,753		179
Membership fees		2,076		3,120
Office and postage		124		129
Ski shows and familiarization tours		-		6,250
Supplies		19,033		5,872
Travel and meetings		52		34
		287,586		126,890
Loss from operations	$	(39,916)	$	(82,178)

MARBLE MOUNTAIN DEVELOPMENT CORPORATION

Marble Villa *(Schedule 9)*

Year Ended April 30, 2012

	2012	2011
Revenue	$ 408,029	$ 296,678
Expenditures		
Cable television	4,362	4,224
Communications	5,913	5,507
Heat and light	39,574	36,597
Labour	59,675	62,164
Insurance	6,159	6,116
Laundry	1,101	-
Marketing	4,080	5,114
Miscellaneous	1,937	575
Repairs and maintenance	39,297	27,850
Supplies	10,203	13,094
	172,301	161,241
Income from operations	$ 235,728	$ 135,437

MEMORIAL UNIVERSITY OF NEWFOUNDLAND

Consolidated Financial Statements
with Supplementary Schedules

March 31, 2012

INDEPENDENT AUDITORS' REPORT

To the Board of Regents of
Memorial University of Newfoundland

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

Management's responsibility for the consolidated financial statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of **Memorial University of Newfoundland** as at March 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst + Young LLP

St. John's, Canada
July 5, 2012

Chartered Accountants

Memorial University of Newfoundland **Statement 1**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31
[thousands of dollars]

	2012	2011
ASSETS		
Current		
Cash and cash equivalents	**10,538**	12,693
Restricted cash *[note 4]*	**6,195**	4,702
Short-term investments	**114,536**	92,870
Accounts receivable	**68,017**	65,691
Accrued interest receivable	**2,991**	3,654
Inventory and prepaid expense	**6,926**	6,400
Total current assets	**209,203**	186,010
Long-term receivable	**-**	991
Investments *[note 5]*	**95,071**	90,973
Capital assets, net *[note 6]*	**259,477**	193,776
	563,751	471,750
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET DEFICIENCY		
Current		
Bank indebtedness *[note 7]*	**15,139**	16,531
Accounts payable and accrued liabilities	**33,877**	53,412
Deferred revenue	**41,806**	32,966
Current portion of employee future benefits *[note 8]*	**16,233**	14,856
Current portion of long-term debt *[note 9]*	**494**	303
Total current liabilities	**107,549**	118,068
Long-term debt *[note 9]*	**960**	346
Derivative liability *[note 7]*	**2,365**	1,644
Employee future benefits *[note 8]*	**162,020**	135,291
Total liabilities	**272,894**	255,349
Deferred contributions *[note 10]*	**322,166**	238,257
Net deficiency		
Net assets restricted for endowment purposes	**72,903**	66,548
Unrestricted net deficiency	**(104,212)**	(88,404)
Total net deficiency	**(31,309)**	(21,856)
	563,751	471,750

See accompanying notes
Contingencies *[note 13]*

On behalf of the Board:

Chair of the Board of Regents   Chair of the Finance Committee

CONSOLIDATED STATEMENT OF OPERATIONS

Year ended March 31
[thousands of dollars]

	2012	2011
REVENUE		
Government grants	**402,356**	383,633
Other revenue	**63,773**	52,204
Student fees	**59,631**	59,174
Amortization of deferred capital contributions *[note 10]*	**21,325**	22,229
Sales and services	**16,646**	16,065
Investment income *[note 5]*	**577**	11,343
	564,308	544,648
EXPENSES		
Salaries	**308,313**	286,192
Employee benefits	**62,326**	83,654
Materials and supplies	**36,742**	34,336
Repairs and maintenance	**30,509**	28,285
Employee future benefits	**28,331**	18,523
Utilities	**25,593**	22,552
Scholarships, bursaries and awards	**25,079**	24,225
Amortization of capital assets	**21,065**	22,110
Travel and hosting	**16,599**	16,280
Externally contracted service	**16,406**	15,348
Professional fees	**13,354**	11,044
Other operating expenses	**10,734**	13,041
Equipment rentals	**3,680**	4,595
Derivative liability loss (gain)	**721**	(151)
Interest expense	**680**	821
External cost recoveries	**(20,910)**	(17,696)
	579,222	563,159
Excess of expenses over revenue	**(14,914)**	(18,511)

See accompanying notes

CONSOLIDATED STATEMENT OF CHANGES IN NET DEFICIENCY

As at March 31
[thousands of dollars]

	Restricted for Endowment Purposes	Unrestricted	2012	2011
Balance, beginning of year	**66,548**	**(88,404)**	**(21,856)**	(6,654)
Excess of revenue over expenses (expenses over revenue)	**894**	**(15,808)**	**(14,914)**	(18,511)
Endowment contributions	**5,461**	**–**	**5,461**	3,309
Balance, end of year	**72,903**	**(104,212)**	**(31,309)**	(21,856)

See accompanying notes

Memorial University of Newfoundland **Statement 4**

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31
[thousands of dollars]

	2012	2011
OPERATING ACTIVITIES		
Excess of expenses over revenue	**(14,914)**	(18,511)
Items not affecting cash:		
Amortization of capital assets	**21,065**	22,110
Net increase in deferred contributions related to expenses of future periods	**22,937**	3,142
Increase in long-term portion of employee future benefits	**26,729**	17,198
Increase in current portion of employee future benefits	**1,377**	1,248
Amortization of deferred capital contributions	**(21,325)**	(22,229)
Loss on disposal of capital assets	**159**	508
Increase (decrease) in derivative liability	**721**	(151)
Decrease in long-term receivable	**991**	1,000
Unrealized loss (gain) on investments	**3,726**	(6,000)
Change in non-cash working capital	**(12,884)**	17,968
Cash provided by operating activities	**28,582**	16,283
INVESTING ACTIVITIES		
Capital assets acquired	**(85,973)**	(40,245)
Increase in restricted cash	**(1,493)**	(1,944)
Increase in short-term investments	**(21,666)**	(26,832)
Increase in investments	**(7,824)**	(3,361)
Cash used in investing activities	**(116,956)**	(72,382)
FINANCING ACTIVITIES		
Decrease in bank indebtedness	**(1,392)**	(1,150)
Endowment contributions	**5,461**	3,309
Addition to deferred capital contributions	**82,297**	36,803
Decrease in long-term debt	**(147)**	(140)
Cash provided by financing activities	**86,219**	38,822
Net change in cash and cash equivalents during the year	**(2,155)**	(17,277)
Cash and cash equivalents, beginning of year	**12,693**	29,970
Cash and cash equivalents, end of year	**10,538**	12,693
SUPPLEMENTARY INFORMATION		
Interest paid	**680**	821

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2012

1. AUTHORITY AND PURPOSE

Memorial University of Newfoundland [the "University"] is a corporation operating under the authority of the *Memorial University Act*. It is a comprehensive research university offering a full range of undergraduate, graduate and continuing studies programs. The academic governance of the University is vested in the Senate. The University is a not-for-profit entity, governed by a Board of Regents, the majority of whom are appointed by the Province of Newfoundland and Labrador. The University 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 (Canada)* are met.

2. SIGNIFICANT ACCOUNTING POLICIES

General

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles [GAAP]. The significant accounting policies are summarized as follows:

Use of estimates

The preparation of consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates. Estimates are reviewed periodically and, as adjustments become necessary, they are reported in operations in the period during which they become known.

Consolidated financial statements

These financial statements have been prepared on a consolidated basis, reporting the operations and financial position of the University and the following related not-for-profit organizations that are controlled by the University:

C-CORE
The Canadian Centre for Fisheries Innovation
Genesis Group Inc.
The Memorial University of Newfoundland Botanical Garden Incorporated
Memorial University Recreation Complex
Western Sports and Entertainment Inc.
Campus Childcare Inc.
Newfoundland Quarterly Foundation
Edutech Services Inc. (dissolved as of August 2, 2011)

Cash and cash equivalents

Cash and cash equivalents consist primarily of cash, treasury bills and bankers' acceptances. Investments with original maturities of three months or less are classified as cash equivalents.

Short-term investments

Investments in debt securities, whether or not quoted in an active market, are initially recorded at fair value plus financing fees and transaction costs that are directly attributable to their acquisition or disposal. These debt securities are thereafter carried at amortized cost using the straight-line amortization method.

Revenue recognition

The University follows the deferral method of accounting for contributions, which include donations and government grants. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions externally restricted for purposes other than endowment are deferred and recognized as revenue in the year during which related expenses are recognized. Contributions of capital assets are recorded at fair market value at the date of the contribution and deferred and amortized to operations on the same basis as the related asset. Endowment contributions are recognized as direct increases in the net assets in the year during which they are received. Revenues from contracts, sales and student fees are recognized when the goods or services are provided and collection is reasonably assured.

Contributed services

Volunteers, including volunteer efforts from the staff of the University, contribute an indeterminable number of hours per year to assist the University in carrying out its service delivery activities. The costs that would otherwise be associated with these contributed services are not recognized in these consolidated financial statements as their fair value cannot be determined.

Capital assets

Purchased capital assets are recorded at cost. Donated capital assets are recorded at fair value at the date of acquisition. Repairs and maintenance expenditures are charged to expenses. Betterments which extend the estimated life of an asset are capitalized.

The University's permanent art collection is expensed as incurred and the value of donated art is not recognized in these consolidated financial statements.

Capital assets are amortized over their estimated useful lives using the following rates and methods. Half a year's amortization is taken in the year of acquisition and no amortization is taken in the year of disposal.

Buildings	8%	declining balance
Furniture and equipment	20%	declining balance
Computers	30%	declining balance
Banner systems	20%	declining balance
Vehicles	30%	declining balance
Library collection	10 years	straight-line

Inventory

Inventory is valued at the lower of cost and net realizable value.

The amount of inventories recognized as an expense during the year amounted to $12.9 million [2011 – $12.7 million].

Investments and investment income

Investments are carried at fair value. The value of investments recorded in the consolidated financial statements is determined as follows: short-term notes and treasury bills are valued based on cost plus accrued income, which approximates fair value; bonds and publicly traded securities are determined based on the latest bid prices; and investments in pooled funds are valued at their value as reported by the pooled fund managers. Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

Investment income, which consists of interest, dividends, income distributions from pooled funds and realized and unrealized gains and losses, net of related expenses, is recorded as revenue in the consolidated statement of operations.

Employee future benefits

Pension plan

The employees of the University participate in a defined benefit pension plan [the "Plan"] administered under the *Memorial University Pensions Act* with any deficiencies being funded by the Province of Newfoundland and Labrador. Payments to the Plan consist of contributions from employees and from the University as prescribed in the *Pension Benefits Act (1997)* [PBA]. In addition, where the Plan experiences a solvency deficiency, the employer is required to contribute an amount sufficient to liquidate the deficiency within five years of the solvency valuation date. The University's contributions to the Plan are recorded as an expense in the consolidated statement of operations. The assets and obligations of the Plan are not recorded in the University's consolidated financial statements.

The Plan is being funded in accordance with the March 31, 2010 actuarial valuation. The special payment required in the 2013 fiscal year in respect of the going concern deficiency identified in the 2010 valuation amounts to $19.7 million.

With respect to solvency funding, the University has received an extension to solvency funding relief effective January 1, 2011, which expires on December 31, 2015. An exemption from the obligation to fund the Plan on a solvency basis was first granted in 2002 and this was continued through to December 31, 2010. At March 31, 2011, the current funding exemption was not yet in place and the University recognized a solvency funding payment due to the Plan of $13.0 million. As a consequence of the exemption, this amount is no longer payable and has been reversed. The University's special payment for the year ended March 31, 2012 has been reduced accordingly.

The most recent valuation of the Plan was prepared as at March 31, 2011 for internal management purposes. Eckler Ltd. has completed an extrapolation of the going concern results, which has revealed an estimated going concern deficiency of $293.8 million at March 31, 2012. Under the PBA, a going concern deficiency must be funded over a period of not more than 15 years while a solvency deficiency is to be funded over a maximum five-year period. The going concern deficiency of $293.8 million includes $78.7 million in respect of past service costs related to the introduction of indexing in 2004. This indexing liability is being financed under a special PBA provision through both employee and employer contributions over the remaining period of 32.25 years. In accordance with the PBA, the balance of the going concern deficiency, namely $215.1 million, would normally be liquidated over a period of not more than 15 years. If Plan funding were based on the March 31, 2012 extrapolation, the first annual payment in respect of this balance would be $19.9 million.

Other benefits

Post-employment
In addition to the University's Pension Plan previously discussed, the University also has defined benefit plans for other post-employment benefits. These benefits are actuarially determined using the projected benefit method prorated on service and administration's best estimate of salary escalation, retirement ages of employees and escalation in covered benefit expense outlays. Gains (losses) are fully recognized in the current year. These benefits include:

Supplemental Retirement Income Plan [SRIP]
Voluntary Early Retirement Income Plan [VERIP]
Other post-employment benefits [which include severance, group life insurance and health care benefits]

Vacation
Accrued vacation for employees represents vacation earned but not yet taken as at year-end. It is expected that accrued vacation will be taken in the next fiscal year.

Additional disclosure is provided in *note 8.*

Agency obligations

The University acts as an agent which holds resources and makes disbursements on behalf of various unrelated groups. The University has no discretion over such agency transactions. Resources received in connection with such agency transactions are reported as liabilities and subsequent distributions are recorded as decreases to these liabilities.

Derivative financial instruments

Derivative financial instruments are utilized by the University in the management of interest rate exposure related to its bank indebtedness. The University may also enter into foreign exchange forward contracts to eliminate the risk of fluctuating foreign exchange rates on future commitments. The University does not utilize derivative financial instruments for trading or speculative purposes.

The University enters into interest rate swaps in order to reduce the impact of fluctuating interest rates on its floating rate bank indebtedness. These swap agreements require the periodic exchange of payments without the exchange of the notional principal amount on which the payments are based.

Derivative financial instruments are classified as held-for-trading and carried at fair value with the change in fair value being recorded on the consolidated statement of operations.

Financial instruments

The University applies the Canadian Institute of Chartered Accountants [CICA] *Handbook* Section 3861, *Financial Instruments – Disclosure and Presentation.* The disclosures required by Section 3861 are provided in *note 12.*

3. CHANGES IN ACCOUNTING POLICY

In December 2009, the Public Sector Accounting Board approved an amendment to the Introduction to Public Sector Accounting Standards that eliminates the category of government business-type organizations resulting in the need to reclassify these entities as either government not-for-profit organizations [GNFPO] or other government organizations.

The University is a GNFPO and therefore will be required to follow Public Sector Accounting Standards.

Effective April 1, 2012, the University will adopt Public Sector Accounting Standards with Section 4200 and will report under the new standards for its financial statements for the year ended March 31, 2013, including comparative figures. Management is currently finalizing the impact of the adoption of these standards and the adjustments on transition date as at April 1, 2011.

4. RESTRICTED CASH

Restricted cash consists of premiums paid to Manulife Financial on behalf of employees which are held in an interest-bearing bank account to be used to fund future rate increases or enhancements in the long-term disability and basic term life insurance plans. The related liability is included in accounts payable and accrued liabilities.

5. INVESTMENTS

[thousands of dollars]	2012		2011	
	Cost	Fair Value	Cost	Fair Value
Fixed income	**50,788**	**53,862**	43,052	46,361
Equities	**38,857**	**41,209**	37,400	44,612
	89,645	**95,071**	80,452	90,973

Investment income

[thousands of dollars]	2012	2011
Investment income	**4,693**	5,882
Unrealized (loss) gain on investments	**(3,726)**	6,000
Less: related expenses	**(390)**	(539)
	577	11,343

6. CAPITAL ASSETS

[thousands of dollars]	2012			2011
	Cost	**Accumulated Amortization**	**Net Book Value**	**Net Book Value**
Buildings	**320,859**	**139,883**	**180,976**	120,499
Furniture and equipment	**104,805**	**62,627**	**42,178**	38,659
Computers	**24,572**	**18,670**	**5,902**	4,592
Banner systems	**3,078**	**1,549**	**1,529**	434
Vehicles	**4,356**	**3,985**	**371**	435
Library collection	**140,842**	**112,321**	**28,521**	29,157
	598,512	339,035	**259,477**	193,776

Capital assets include certain assets under capital leases with a net book value of $2.3 million [2011 – $1.6 million].

7. BANK INDEBTEDNESS

Pursuant to Section 41 of the *Memorial University Act*, the University has received approval from the Lieutenant-Governor in Council to borrow to finance two capital projects. The projects involved the construction of a new residence complex for Grenfell Campus [Project 1] and the implementation of an energy performance program in five buildings on the University's main campus in St. John's [Project 2]. The debt has been negotiated using bankers' acceptances [BAs] which mature during the 2012/13 fiscal year. Management expects to refinance these loans through BAs for the balance of the term of the loan. Disclosure related to interest rate risk is provided in *note 12*.

Derivative liability

Project 1 interest rate swap transaction involves the exchange of the underlying floating rate Canadian BA for a fixed interest rate of 4.76% expiring April 12, 2017 with a notional amount of $3.0 million. The fair value of this interest rate swap is $0.32 million [2011 – $0.24 million].

Project 2 interest rate swap transaction involves the exchange of the underlying floating rate Canadian BA for a fixed interest rate of 5.12% expiring October 1, 2022 with a notional amount of $13.8 million. The fair value of this interest rate swap is $2.05 million [2011 – $1.40 million].

8. EMPLOYEE FUTURE BENEFITS

Supplemental Retirement Income Plan [SRIP]

In May 1996, the Board of Regents approved a SRIP to provide benefits to employees of the University whose salaries exceed the Canada Revenue Agency maximum pensionable salary and whose defined benefit pension, therefore, exceeds the maximum benefit payable from the Plan.

The significant actuarial assumptions used in measuring SRIP include a discount rate of 4.45% [2011 – 5.2%] and an average compensation increase of 4.5% [2011 – 4.5%].

Voluntary Early Retirement Income Plan [VERIP]

In February and May 1996, the University offered faculty and staff, who reached age 55 and attained a minimum of 10 years pensionable service, an opportunity to take an early retirement under the provisions of the VERIP.

Subject to eligibility criteria, the Plan provided an incentive of enhanced pension benefits of up to five years' pensionable service and waiver of actuarial reduction, if applicable, or a lump-sum early retirement payment. The early retirement incentive is unfunded. Current-year payments are funded on an annual basis from operations.

The significant actuarial assumption used in measuring VERIP includes a discount rate of 4.45% [2011 – 5.2%].

Other benefits

The University has a number of other post-employment benefits providing group life insurance and health care benefits on a cost shared basis to retired employees, and in certain cases, their surviving spouses. In addition, the University pays severance to certain employee groups upon termination, retirement or death, provided they meet certain eligibility criteria. Vacation liability is also accrued and is expected to be used by employees in the next fiscal year.

The significant actuarial assumptions used in measuring other benefits include a discount rate of 4.45% [2011 – 5.2%] and an average rate of compensation increase of 4.5% [2011 – 4.5%].

	SRIP		VERIP		Other Benefits	
[thousands of dollars]	2012	2011	2012	2011	2012	2011
Accrued benefit obligation						
Balance, beginning of year	**11,911**	9,327	**5,935**	5,992	**118,546**	103,710
Current service cost	**655**	451	**-**	-	**4,349**	3,668
Interest cost	**619**	540	**309**	341	**6,276**	6,198
Benefits paid	**(334)**	(309)	**(555)**	(545)	**(3,600)**	(3,244)
Actuarial loss	**2,708**	1,902	**415**	147	**16,074**	8,214
	15,559	11,911	**6,104**	5,935	**141,645**	118,546
Current plan expense						
Current service expense	**655**	451	**-**	-	**4,349**	3,668
Interest cost	**619**	540	**309**	341	**6,276**	6,198
Actuarial loss	**2,708**	1,902	**415**	147	**16,074**	8,214
	3,982	2,893	**724**	488	**26,699**	18,080

A summary of these accrued benefit obligations are as follows:

[thousands of dollars]	2012	2011
Employee future benefits	**141,645**	118,546
Supplemental retirement income plan	**15,559**	11,911
Voluntary early retirement income plan	**6,104**	5,935
Accrued vacation	**14,945**	13,755
	178,253	150,147
Less: current portion	**16,233**	14,856
Long-term employee future benefits	**162,020**	135,291

9. LONG-TERM DEBT

[thousands of dollars]	2012	2011
RBC Royal Bank, fixed term demand loan, related to Harlow campus, 5.19% interest, repayable in nine equal annual, blended payments of $121, maturing in April 2012, unsecured	**118**	227
CMHC mortgage on Queen's College, 5.875% interest, repayable in 50 equal, blended payments of $29 semi-annually, maturing in June 2019, secured	**311**	349
Capital leases negotiated through the RBC Royal Bank, varying interest rates, payable in equal annual installments, secured by assets under lease	**1,025**	73
	1,454	649
Less: current portion	**494**	303
	960	346

Annual repayments of long-term debt over the next five years are as follows:

[thousands of dollars]

2013	494
2014	389
2015	389
2016	48
2017	51

10. DEFERRED CONTRIBUTIONS

Expenses of future periods

Deferred contributions related to expenses of future periods represent unspent externally restricted grants and donations for research and programs.

[thousands of dollars]	2012	2011
Balance, beginning of year	**64,323**	61,180
Grants and donations received during the year	**83,518**	63,754
Less: expenses incurred during the year	**60,581**	60,611
Balance, end of year	**87,260**	64,323

Capital assets

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

[thousands of dollars]	2012	2011
Balance, beginning of year	**173,934**	159,361
Additional contributions received	**82,297**	36,802
Less: amounts amortized to revenue	**21,325**	22,229
Balance, end of year	**234,906**	173,934

Total deferred contributions

[thousands of dollars]	2012	2011
Expenses of future periods	**87,260**	64,323
Capital assets	**234,906**	173,934
Balance, end of year	**322,166**	238,257

11. MEMORIAL UNIVERSITY ACT

In accordance with the *Memorial University Act*, the University is normally prohibited from recording a deficit on its consolidated financial statements. During 1996, pursuant to Section 36 of the *Memorial University Act*, the University received approval from the Lieutenant-Governor in Council to record a deficit of up to $5.0 million in 1996 and an additional $10.0 million in 1997 as a result of the recognition of the liabilities related to VERIP for faculty and staff. During 2001, the University received approval from the Lieutenant-Governor in Council to exclude from the definition of a deficit, pursuant to Section 36 of the *Memorial University Act*, any amounts resulting from the recognition of the liabilities related to recording vacation pay entitlements, severance and any other post-employment benefits.

12. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the University's designation of such instruments. The standards require that all financial assets be classified as either held-for-trading [HFT], available-for-sale [AFS], held-to-maturity [HTM], or loans and receivables and all financial liabilities to be classified as either HFT or other liabilities [OL]. Subsequent to initial recognition, the standards require that all financial assets and liabilities be measured at fair value with the exception of loans and receivables, securities classified as HTM, liabilities classified as OL, and AFS financial assets that do not have quoted market prices in an active market. These are measured at amortized cost using the effective interest rate method [EIM].

Classification of financial instruments

The University has designated its financial instruments as shown in the following table. The financial instruments are measured as follows based on their classification.

Asset/liability	Classification	Measurement
Cash, cash equivalents, restricted cash and short-term investments	Held-for-trading	Fair value
Investments	Held-for-trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost using EIM
Accrued interest receivable	Loans and receivables	Amortized cost using EIM
Long-term receivable	Loans and receivables	Amortized cost using EIM
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost using EIM
Bank indebtedness	Other financial liabilities	Amortized cost using EIM
Long-term debt	Other financial liabilities	Amortized cost using EIM
Derivative liability	Held-for-trading	Fair value

Held-for-trading

HFT financial assets and liabilities are financial assets typically acquired for resale prior to maturity. They are measured at fair value at the consolidated statement of financial position date. Interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses from market fluctuations are included in the consolidated statement of operations.

Loans and receivables

Loans and receivables are accounted for at amortized cost using EIM.

Other financial liabilities

Other liabilities are recorded at amortized cost and include all liabilities and long-term debt.

Embedded derivatives

There are no embedded derivatives in the consolidated financial statements of the University.

Credit risk

The University is exposed to credit risk with respect to accounts receivable from students and clients. Services are provided to a large number of students and entities, which minimizes the concentration of credit risk. The University routinely monitors the receivable balances and establishes an appropriate allowance for doubtful accounts based upon factors surrounding credit risk, historical trends, and other information.

Interest rate risk

The University's exposure to interest rate risk relates to its floating interest rate bank indebtedness which utilizes BAs. The University has managed this floating interest rate risk by entering into interest rate swap agreements with the RBC Royal Bank to offset the movement in the BA rates. Any change in BA rates will be offset by a corresponding change in the interest rate swap. The fair value of these interest rate swap agreements are recorded in the consolidated statement of financial position and the change in value is reflected in the consolidated statement of operations.

Liquidity risk

The University is exposed to liquidity risk with respect to its contractual obligations and financial liabilities. This risk is managed by maintaining adequate cash and cash equivalents. The University believes that cash and cash equivalents on hand, future cash flows from government grants and student fees will be adequate to meet its financial obligations.

Market risk

The University is exposed to market risk on its investments due to future fluctuations in market prices. This risk is managed by a Statement of Investment Policy and Objectives approved by the Board of Regents which includes investment policy provisions for an acceptable asset mix structure and quality constraints on fixed income instruments.

13. CONTINGENCIES

(a) Canadian University Reciprocal Insurance Exchange [CURIE]

The University participates in a self-insurance cooperative involving a contractual agreement to share the insurance property and liability risks of member universities for a term of not less than five years.

In the event that premiums are not sufficient to cover claims settlements, the member universities would be subject to an assessment in proportion to their participation. For the year ended December 31, 2011, CURIE has a surplus of $6.9 million and a cumulative subscribers' equity of $47.9 million. The University's pro rata share is approximately 3% on an ongoing basis.

(b) Class action lawsuit

In 2007, a class action lawsuit was filed on behalf of all former employees of the University who retired or terminated employment on or before December 31, 1992 and were entitled to receive post-retirement life, health and dental group insurance benefits. The lawsuit alleges that this group of retirees was entitled to receive these insurance benefits for life, at no cost to the group of retirees. This action has been certified as a class action and the University has sought leave to appeal from the decision certifying the action. The University continues to defend its position and the potential exposure to this claim is indeterminable at the present time.

14. CAPITAL DISCLOSURES

The University considers its capital to be its net assets. Its restricted net assets consist of amounts restricted for endowment purposes. The University's objectives when managing its capital are to safeguard its ability to continue as a going concern in order to provide services to its students and research funding agencies. Annual budgets are developed and monitored to ensure the University's capital is maintained at an appropriate level. The University has no external restrictions imposed on its capital, excluding its endowments.

15. COMPARATIVE FIGURES

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

Grant Thornton

Consolidated Financial Statements

Multi-Materials Stewardship Board

March 31, 2012

Statement of responsibility

The accompanying financial statements are the responsibility of the management of the Multi-Materials Stewardship Board (the "Board") and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

The Board met with management and its external auditors to review a draft of the financial statements and to discuss any significant financial reporting or internal control matters prior to their approval of the finalized financial statements.

Grant Thornton LLP as the Board's appointed external auditors, have audited the financial statements. The auditors' report is addressed to the Directors of the Board and appears on the following page. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the financial statements are free of material misstatement and present fairly the financial position and results of the Board in accordance with Canadian public sector accounting standards.

____________________ Chair ____________________ Director

Grant Thornton

Independent auditors' report

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To the Directors of the

Multi-Materials Stewardship Board

We have audited the accompanying consolidated financial statements of the Multi-Materials Stewardship Board, which comprise the consolidated statement of financial position at March 31, 2012, March 31, 2011 and April 1, 2010 and the consolidated statements of operations, changes in accumulated surplus, changes in net financial assets and cash flows for the years ended March 31, 2012 and March 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated 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 the consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the consolidated 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 Board'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 consolidated 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, these consolidated financial statements present fairly, in all material respects, the financial position of the Multi-Materials Stewardship Board as at March 31, 2012, March 31, 2011 and April 1, 2010 and the results of its operations, net financial assets and its cash flows for the years ended March 31, 2012 and March 31, 2011 in accordance with Canadian public sector accounting standards.

Grant Thornton LLP

St. John's, Newfoundland and Labrador

June 22, 2012

Chartered Accountants

Multi-Materials Stewardship Board
Consolidated Statement of Financial Position

	March 31 2012	March 31 2011	(Note 4) April 1 2010
Financial assets			
Cash and cash equivalents	**$ 14,815,868**	$ 16,429,334	$ 17,967,396
Receivables (Note 5)	**2,852,775**	2,975,112	2,886,846
Notes receivable at amortized cost of non-interest bearing notes, repayable over the next five years, utilizing an interest rate of prime plus 1%	**84,979**	116,615	66,760
Inventories for sale (Note 6)	**75,921**	79,554	63,411
Long term investments	**1,037,205**	768,122	756,474
	18,866,748	20,368,737	21,740,887
Liabilities			
Payables and accruals	**2,152,796**	710,215	958,343
Grants payable	**1,670,743**	1,781,580	1,786,083
Accrued stockpile costs	**3,148,221**	-	-
Unearned revenue	**1,971,953**	1,995,290	1,857,829
Performance bonds payable	**663,825**	404,886	355,227
Accrued severance pay	**98,735**	22,302	-
	9,706,273	4,914,273	4,957,482
Net financial assets	**9,160,475**	15,454,464	16,783,405
Non-financial assets			
Prepaids	**$ 103,989**	$ 146,348	$ 47,105
Tangible capital assets (Page 16)	**707,111**	259,746	303,889
	811,100	406,094	350,994
Accumulated surplus	**$ 9,971,575**	$ 15,860,558	$ 17,134,399

Commitments (Note 8)

On behalf of the Board

_______________ Chairperson _______________ Director

See accompanying notes to the consolidated financial statements.

Multi-Materials Stewardship Board
Consolidated Statement of Operations

Year Ended March 31	Actual 2012	(Note 9) Budget 2012	(Note 12) Actual 2011
	Total	Total	Total
Revenue			
Gross revenue from deposits	**$ 23,095,506**	$ 22,546,134	$ 22,792,026
By-product revenue	**2,767,506**	2,252,233	2,330,976
Income from Organics program	**83,162**	-	1,100
Income from Household Hazardous Waste Program	**41,393**	46,018	38,557
	25,987,567	24,844,385	25,162,659
Cost of sales			
Deposits refunded	**8,459,534**	8,886,257	8,325,098
Green School Program	**1,049,804**	743,000	753,050
Handling fees	**6,892,132**	7,185,024	6,394,837
Stockpile costs (Note 11)	**4,276,160**	2,421,315	721,730
Regional processing	**1,625,758**	1,765,073	1,645,239
Freight and transportation	**3,717,693**	4,042,778	3,455,209
Depot fees	**357,520**	471,600	335,526
Quality assurance facilities	**122,958**	118,000	101,970
	26,501,559	25,633,047	21,732,659
Annual (deficit) surplus before expenses and other activities	**(513,992)**	(788,662)	3,430,000
Expenses			
Administrative expenses (Page 17)	**3,116,618**	3,253,850	2,569,358
Grant disbursements	**2,402,727**	3,115,923	2,262,316
	5,519,345	6,369,773	4,831,674
Annual deficit before other activities	**(6,033,337)**	(7,158,435)	(1,401,674)
Other activities			
Loss on disposal of tangible capital assets	**(6,505)**	-	-
Loss on foreign exchange	**(8,521)**	-	-
Interest and sundry income	**173,302**	114,699	127,833
Note receivable grant expense	**(13,922)**	-	-
	144,354	114,699	127,833
Annual deficit	**$ (5,888,983)**	$ (7,043,736)	$ (1,273,841)

See accompanying notes to the consolidated financial statements.

Multi-Materials Stewardship Board
Consolidated Statement of Changes in Accumulated Surplus

Year Ended March 31	**Actual 2012**	(Note 9) Budget 2012	Actual 2011
Accumulated surplus, beginning of year	**$ 15,860,558**	$ 15,860,558	$ 17,134,399
Annual deficit	**(5,888,983)**	(7,043,736)	(1,273,841)
Accumulated surplus, end of year	**$ 9,971,575**	$ 8,816,822	$ 15,860,558

See accompanying notes to the consolidated financial statements.

Multi-Materials Stewardship Board

Consolidated Statement of Changes in Net Financial Assets

Year Ended March 31	**Actual 2012**	(Note 9) Budget 2012	Actual 2011
Annual deficit	**$ (5,888,983)**	$ (7,043,736)	$ (1,273,841)
Acquisition of tangible capital assets	**(523,150)**	(296,300)	(37,348)
Amortization of tangible capital assets	**68,081**	111,600	81,491
Loss on disposal of tangible capital assets	**6,505**	-	-
Cash received from disposal from tangible capital assets	**1,200**	-	-
Increase in prepaids	**42,358**	-	(99,243)
Decrease in net assets	**(6,293,989)**	(7,228,436)	(1,328,941)
Net financial assets, beginning of year	**15,454,464**	15,454,464	16,783,405
Net financial assets, end of year	**$ 9,160,475**	$ 8,226,028	$ 15,454,464

See accompanying notes to the consolidated financial statements.

Multi-Materials Stewardship Board
Consolidated Statement of Cash Flows

Year Ended March 31	2012	2011
(Decrease) increase in cash and cash equivalents		
Operating		
Annual deficit	**$ (5,888,983)**	$ (1,273,841)
Amortization	**68,081**	81,491
Loss on disposal of tangible capital assets	**6,505**	-
	(5,814,397)	(1,192,350)
Change in non-cash items (Note 7)	**4,624,956**	(318,823)
Cash applied to operating transactions	**(1,189,441)**	(1,511,173)
Capital		
Cash used to acquire tangible capital assets	**(523,150)**	(37,348)
Cash received from disposal of tangible capital assets	**1,200**	-
Cash applied to capital transactions	**(521,950)**	(37,348)
Investing		
Decrease (increase) in notes receivable	**31,636**	(49,855)
Increase in long term investments	**(269,083)**	(11,647)
Cash applied to investing transactions	**(237,447)**	(61,502)
Financing		
Increase in performance bonds payable	**258,939**	49,659
Increase in accrued severance pay	**76,433**	22,302
Cash provided by financing transactions	**335,372**	71,961
Decrease in cash and cash equivalents	**(1,613,466)**	(1,538,062)
Cash and cash equivalents, beginning of year	**16,429,334**	17,967,396
Cash and cash equivalents, end of year	**$ 14,815,868**	$ 16,429,334

See accompanying notes to the consolidated financial statements.

1. Nature of operations

The Multi-Materials Stewardship Board is a statutory corporation established pursuant to The Environmental Protection Act. This Board manages the Used Beverage Container Deposit Refund System, the Used Tire Recycling Program and the Newfoundland and Labrador Waste Management Trust Fund in the Province of Newfoundland and Labrador and is mandated to support and promote the protection, enhancement and wise use of the environment through waste management programs. The Board is a government organization and reports to the Minister of Environment and Conservation.

The Board is exempt from income taxes under Section 149(1)(d) of the Canadian Income Tax Act.

2. Basis of consolidation

These consolidated financial statements include the accounts of the Multi-Materials Stewardship Board and the Newfoundland and Labrador Waste Management Trust Fund.

The Multi-Materials Stewardship Board Newfoundland and Labrador Waste Management Trust Fund is a restricted fund, managed by the Board, and its accounts have been grouped in these financial statements for consolidation purposes. Separate audited financial statements have been issued for this Trust Fund, with an audit report date of June 22, 2012.

3. Summary of significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants and reflect the following significant accounting policies.

Use of estimates

In preparing the Board's financial statements in conformity with Canadian public sector accounting standards, management is required 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. Items requiring the use of significant estimates include the useful life of tangible capital assets, rates of amortization and impairment of long-lived assets, accrued stockpile costs, unearned revenue and accrued severance pay.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

3. Summary of significant accounting policies (cont'd.)

Foreign currency transactions

Transactions denominated in foreign currencies are recorded in Canadian dollars at exchange rates in effect at the related transaction dates. Monetary assets and liabilities denominated in foreign currencies are adjusted to reflect exchange rates at the balance sheet date. Exchange gains and losses arising on the translation of monetary assets and liabilities are included in the determination of income.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits with original maturities of three months or less. Cash and cash equivalents also include a balance of $54,500 (2011 - $55,000 and 2010 - $6,080) in restricted cash related to the performance bonds payable.

Long term investments

Long term investments include guaranteed investment certificates with original maturities greater than one year. At March 31, 2012 $608,320 (2011 - $349,888 and 2010 - $349,147) of these investments are restricted to repay performance bonds at the end of the contracts if all conditions have been met by the parties involved.

Inventories for sale

Inventories, which are comprised of aluminium beverage containers and PET beverage containers, are valued at the lower of cost and net realizable value. Inventory is costed based on net realizable value using current market prices.

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 generally extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the annual deficit, provides the change in net financial assets for the year.

Tangible capital assets

Tangible capital assets are recorded at cost. Amortization is provided annually at rates calculated to write-off the assets over their estimated lives as follows:

Used beverage equipment	30%, declining balance
Office furniture and equipment	20%, declining balance
Leasehold improvements	5 years, straight line
Computer hardware	30%, declining balance
MIDAS software	10%, declining balance
Computer software	30%, declining balance
Bags and tubs	30%, declining balance
Vehicle	30%, declining balance

3. Summary of significant accounting policies (cont'd.)

Impairment of long-lived assets

Long-lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances indicating that the value of the assets may not be recoverable, as measured by comparing their net book value to the estimated undiscounted cash flows generated by their use. Impaired assets are recorded at fair value, determined principally using discounted future cash flows expected from their use and eventual disposition.

Unearned revenue

Unearned revenue consists of deposits on containers yet to be returned for redemption and recycling. The amount recorded by the Board as unearned revenue consists of sixty days of deposits received from distributors, adjusted by an estimated recovery rate of 66% (2011 - 66% and 2010 - 68%).

Accrued severance pay

Severance pay is accounted for on an accrual basis and is recognized when an employee joins the Board, and is calculated based upon years of service, current salary levels and assumptions with respect to retention. Severance pay is payable when the employee ceases employment with the Board and has achieved nine years of continual service.

Revenue recognition

Deposit revenue is recognized when remittances are collected plus an estimated accrual based on subsequent receipts, as well as historical data.

By-product revenue is recognized upon shipment and when all significant contractual obligations have been satisfied and collection is reasonably assured.

Income from the Household Hazardous Waste Program is recognized as the municipalities are invoiced and collection is reasonably assured.

Income from the Organic's Program is recognized once the compost bins are delivered and collection is reasonably assured.

Other income is recognized as earned.

Financial instruments

The Board considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. The Board accounts for the following as financial instruments:

- cash and cash equivalents;
- receivables;
- notes receivable;
- long term investments;
- payables and accruals;
- grants payable; and
- performance bond payable.

3. **Summary of significant accounting policies** (cont'd.)

A financial asset or liability is recognized when the Board becomes party to contractual provisions of the instrument.

The Board initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Board subsequently measures its financial assets and financial liabilities at cost or amortized cost, except for derivatives and equity securities quoted in an active market, which are subsequently measured at fair value. Changes in fair value are recognized in annual deficit.

Financial assets measured at fair value include cash and cash equivalents and long term investments; financial assets measured at cost include receivables; and financial assets measured at amortized cost include notes receivable.

Financial liabilities measured at cost include payables and accruals, grants payable and performance bonds payable.

The Board removes financial liabilities, or a portion of, when the obligation is discharged, cancelled or expires.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. Previously recognized impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of the reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in net annual surplus.

Adoption of new accounting policies

During the year, the Board transitioned to PSAB standards, as part of this transition, the Board has also early adopted the new standards included in PS 3450 Financial Instruments. The Public Sector Accounting Board encouraged early adoption of this standard in the year of transition to PSAB.

4. **Impact of the change in the basis of accounting**

These consolidated financial statements are the first financial statements for which the Board has applied Canadian public sector accounting standards ("PSAB"). The consolidated financial statements for the year ended March 31, 2012 were prepared in accordance with PSAB. Comparative period information presented for the year ended March 31, 2011 was prepared in accordance with PSAB and the provisions set out in Section *PS 2125 First-time adoption by government organizations.*

4. Impact of the change in the basis of accounting (cont'd.)

The date of transition to PSAB is April 1, 2010. The Board's transition from Canadian generally accepted accounting principles (previously "GAAP") to PSAB has had no significant impact on the opening accumulated surplus as at April 1, 2010 or the consolidated statement of operations for the year ended March 31, 2011 or the statement of cash flows for the year ended March 31, 2011.

As a result, the reconciliations and disclosures required by Section PS 2125 First-time adoption by government organizations for the accumulated surplus at the transition date, the comparative period deficit and the consolidated statement of cash flows are not necessary and have not been presented in these consolidated financial statement notes.

5. Receivables

	March 31 2012	March 31 2011	April 1 2010
Deposits	**$ 2,598,013**	$ 2,570,233	$ 2,352,643
Trade and other	**254,762**	404,879	534,203
	$ 2,852,775	$ 2,975,112	$ 2,886,846

6. Inventories for sale

	March 31 2012	March 31 2011	April 1 2010
Aluminum beverage containers	**$ 50,156**	$ 47,300	$ 52,450
PET beverage containers	**25,765**	32,254	10,961
	$ 75,921	$ 79,554	$ 63,411

7. Supplemental cash flow information

	March 31 2012	March 31 2011
Change in non-cash items		
Receivables	**$ 122,337**	$ (88,266)
Inventories	**3,633**	(16,143)
Prepaids	**42,358**	(99,243)
Payables and accruals	**1,442,581**	(248,129)
Grant payable	**(110,837)**	(4,503)
Accrued stockpile costs	**3,148,221**	-
Unearned revenue	**(23,337)**	137,461
	$ 4,624,956	$ (318,823)

8. Commitments

The Board is committed to minimum annual lease payments for property and equipment for the next five years as follows: 2013 - $246,300; 2014 - $199,280; 2015 - $177,693; 2016 - $156,555 and 2017 - $156,555.

The Board has entered into the following agreements:

(i) processing and transportation of beverage containers up to July, 2014;
(ii) collection of used tires in Labrador West area to April, 2015;
(iii) collection and transportation of used tires in the island portion of Newfoundland and Labrador and the Labrador Straits to February, 2013;
(iv) collection of used tires in Happy Valley-Goose Bay area to February, 2013;
(v) transportation of used tires collected in Labrador to May, 2013;
(vi) transportation and disposal of processed glass to March, 2013;
(vii) baling of used tires and crushing/removal of tire rims to August, 2012;
(viii) loading and transportation of stockpile tires to date of completion; and
(ix) household hazardous waste collection and disposal to December 31, 2012.

9. Budget figures

The 2012 budget figures presented in the consolidated financial statements are provided by management and have not been audited.

10. Financial instruments

The Board's policy for managing significant risks includes policies, procedures and oversight designed to reduce the risks identified to an appropriate threshold. The Board of Directors is provided with timely and relevant reports on the management of significant risks. Significant risks managed by the Board include liquidity and credit risks.

Risks and concentrations

The Board is exposed to various risks through its financial instruments. The following analysis provides a measure of the Board's risk exposure and concentrations at March 31, 2012.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Board is exposed to this risk mainly in respect of its payables and accruals. The Board reduces its exposure to liquidity risk by monitoring its cash flows and ensuring that it has sufficient cash available to meet its obligations and liabilities. In the opinion of management the liquidity risk exposure to the Board is low and not material.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Board's credit risk is attributable to receivables. Management believes that the credit risk concentration with respect to financial instruments included in receivables is remote.

11. Stockpile costs

In June 2004, the Board terminated its contract under the Used Tire Recycling Program with its previous contractor. Subsequent to this termination, the Board assumed responsibility for the Program and implemented a contingency plan for the storage of used tires. As of April 2010, growth of the stockpile has been halted with ongoing generation of tires being shipped to Quebec. In February 2012, a contract commenced for the removal of the stockpile. As at March 31, 2012, management has estimated future stockpile removal costs to be $3,102,305, which has been accrued in the stockpile costs.

12. Comparative figures

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

Multi-Materials Stewardship Board

Consolidated Schedule of Tangible Capital Assets

Year Ended March 31, 2012

	Used Beverage Equipment	Office Furniture & Equipment	Leasehold Improvements	Computer Hardware	Computer Software	MIDAS Software	Bags and Tubs	Vehicle	**2012**	2011
Cost										
Cost, beginning of year	$ 144,928	$ 150,911	$ 35,073	$ 99,696	$ 225,494	$ -	$ 402,955	$ 9,048	**$ 1,068,105**	$ 1,030,757
Additions during the year	23,526	11,087	-	27,300	97,435	363,802	-	-	**523,150**	37,648
Disposals during the year	-	(23,787)	(26,160)	-	-	-	-	(9,048)	**(58,995)**	-
Cost, end of year	$ 168,454	$ 138,211	$ 8,913	$ 126,996	$ 322,929	$ 363,802	$ 402,955	$ -	**$ 1,532,260**	$ 1,068,105
Accumulated Amortization										
Accumulated amortization, beginning of year	$ 97,487	$ 93,123	$ 31,046	$ 63,018	$ 189,845	$ -	$ 327,655	$ 6,185	**$ 808,359**	$ 726,868
Amortization	14,676	11,152	736	12,177	9,403	-	19,729	208	**68,081**	81,491
Reversal of accumulated amortization relating to disposals	-	(18,738)	(26,160)	-	-	-	-	(6,393)	**(51,291)**	-
Accumulated amortization, end of year	112,163	85,537	5,622	75,195	199,248	-	347,384	-	**825,149**	808,359
Net book value of tangible capital assets	$ 56,291	$ 52,674	$ 3,291	$ 51,801	$ 123,681	$ 363,802	$ 55,571	$ -	**$ 707,111**	$ 259,746

Multi-Materials Stewardship Board
Consolidated Schedule of Administrative Expenses

Year Ended March 31	2012	2011
Advertising	$ 118,330	$ 88,372
Amortization	68,081	81,491
Directors' remuneration	12,505	14,233
Dues, licences and education	9,518	6,192
Equipment rental	33,026	16,162
Insurance	10,272	10,761
Interest and bank charges	4,674	3,665
Marketing and communications	381,396	250,184
Meetings and entertainment	12,068	12,117
Miscellaneous	14,507	5,516
Professional fees	174,104	183,072
Rent	109,926	109,854
Repairs and maintenance	343	1,392
Stationery and office supplies	44,485	41,734
Supplies	32,423	28,744
Telecommunications	28,929	55,482
Travel - Board and staff	100,714	89,043
Vehicle operating	27,823	22,652
Wages and benefits	1,933,494	1,548,692
	$ 3,116,618	$ 2,569,358

MUNICIPAL ASSESSMENT AGENCY INC.

FINANCIAL STATEMENTS
Year ended March 31, 2012

JOHN F. MORGAN

Chartered Accountant
6 Lambe's Lane
St. John's, NL A1B 4E9
Office: (709) 576-6776
Fax: (709) 576-6777

INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying financial statements for Municipal Assessment Agency Inc., which comprise the balance sheet as at March 31, 2012, and the statement of revenues, expenses and equity, and statement of changes in financial position 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 Public Sector Accounting Standards and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that 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 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 presentation of the financial statements.

I believe that the audit evidence we 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 Municipal Assessment Agency Inc. as at March 31, 2012, and its financial performance and its cash flows for the year then ended in accordance with Public Sector Accounting Standards.

CHARTERED ACCOUNTANT

St. John's, Newfoundland
May 29, 2012

MUNICIPAL ASSESSMENT AGENCY INC.

BALANCE SHEET
AS AT MARCH 31, 2012

ASSETS

	2012	2011
CURRENT ASSETS:		
Cash	$1,280,246	$1,016,969
Accounts receivable (note 2)	88,878	114,012
Current portion of long term receivables (note 3)	13,454	17,166
Prepaid expenses	48,327	84,811
	1,430,905	1,232,958
Long term receivables (note 3)	15,935	26,521
Severance reserve fund (note 4)	960,084	988,780
Capital assets (note 5)	1,496,129	1,281,252
	$3,903,053	$3,529,511

LIABILITIES AND SHAREHOLDER'S EQUITY

CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	$ 166,218	$ 164,584
Accrued vacation pay (note 6)	277,370	305,692
	443,588	470,276
Accrued severance pay (note 6)	960,084	988,780
	1,403,672	1,459,056

SHAREHOLDER'S EQUITY

CAPITAL:		
Authorized and issued		
1 Common share	1	1
Equity from operations	2,499,380	2,070,454
	2,499,381	2,070,455
	$3,903,053	$3,529,511

Commitments and contingencies (note 6 and note 7)

On behalf of the board:

Fred Best

MUNICIPAL ASSESSMENT AGENCY INC.

STATEMENT OF REVENUES, EXPENSES AND EQUITY
FOR THE YEAR ENDED MARCH 31, 2012

	2012	2011
REVENUES:		
Assessment services	$5,540,482	$5,462,613
Valuation revenue	44,415	25,304
Interest revenue	15,472	12,993
Municipal training	2,230	2,579
Secondment revenue (note 1)	-	71,391
	5,602,599	5,574,880
EXPENSES:		
Salaries	3,323,521	3,414,379
Benefits	603,262	630,826
Travel	336,587	294,494
Information technology	203,116	185,644
Postage and courier	136,833	121,084
Premises and equipment lease	80,627	75,955
Professional fees	71,089	66,102
Repairs and maintenance	58,062	48,927
Telephone	56,372	61,459
Printing	50,069	68,621
Office supplies	40,048	47,353
Utilities	26,129	25,646
Advertising and public relations	23,029	28,918
Insurance	20,220	21,232
Payroll processing	4,926	4,725
Bank charges	2,499	1,725
Meetings and events	173	2,497
Exchange gain/loss	(16,746)	4,643
	5,019,816	5,104,230
Excess of revenues over expenses before the following:	582,783	470,650
Provision for severance and vacation pay (note 6)	8,411	105,454
Amortization of capital assets	133,469	97,345
Loss on disposal of capital assets	10,049	1,838
Bad debt expense (recovery)	1,928	1,384
Excess of revenues over expenses	428,926	264,629
Equity from operations, beginning of year	2,070,454	1,805,825
EQUITY FROM OPERATIONS, END OF YEAR	$2,499,380	$2,070,454

Commitments and contingencies (note 6 and note 7)

MUNICIPAL ASSESSMENT AGENCY INC.

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 2012

	2012	2011
OPERATING ACTIVITIES:		
Excess of revenues over expenses	$ 428,926	$ 264,629
Items not affecting cash:		
Amortization of capital assets	133,469	97,345
Decrease in long-term receivable	14,298	62,970
Decrease in severance pay accrual	(28,696)	44,288
Decrease in vacation pay accrual	(28,322)	27,467
Loss on disposition of capital assets	10,049	1,838
Net change in non-cash working capital balance	63,253	97,686
CASH PROVIDED BY OPERATING ACTIVITIES	592,977	596,223
INVESTING ACTIVITIES:		
Purchase of capital assets	(358,396)	(1,800)
Recovery of building costs	-	6,000
CASH USED IN INVESTING ACTIVITIES	(358,396)	4,200
Increase (decrease) in cash position	234,581	600,423
Cash position, beginning of year	2,005,749	1,405,326
CASH POSITION, END OF YEAR	$2,240,330	$2,005,749

Cash is represented by:		
Operating cash	$1,280,246	$1,016,969
Severance reserve fund	960,084	988,780
	$2,240,330	$2,005,749

Commitments and contingencies (note 6 and note 7)

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2012

General:

The Municipal Assessment Agency Inc. (the "Corporation") was incorporated April 2, 1997, under the laws of the Province of Newfoundland and Labrador to carry out assessment services for various municipalities throughout the Province of Newfoundland and Labrador pursuant to the Assessment Act. Prior to this date, these services were performed by the Department of Municipal and Provincial Affairs, Government of Newfoundland and Labrador (the "Department").

The Corporation has one common share with a par value of $1.00 issued to the Minister of Municipal and Provincial Affairs, Government of Newfoundland and Labrador.

The Corporation is a crown corporation and, accordingly, is exempt from income taxes under Subsection 149(1)(d) of the Income Tax Act.

1. Summary of significant accounting policies:

The financial statements of the Corporation have been prepared within the framework of Public Sector Accounting Standards which require the use of estimates and assumptions that affect the amounts reported and disclosed in these statements and related notes. Any variations between these estimates and actual amounts are not expected to materially affect reported results. The more significant accounting policies of the Corporation are as follows:

(a) Capital assets

Capital assets purchased by the Corporation are recorded at cost. Amortization is recorded on a declining balance basis over the assets estimated useful lives at the following rates:

Furniture and equipment	20%
Computer hardware and software	30%
Integrated assessment system	30%
Buildings	4%

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2012

1. Summary of significant accounting policies (continued):

(b) Revenue recognition

Revenue for the provision of assessment and valuation serviees is recognized when the services are rendered.

Secondment revenue relates to employees who have been seconded out to government departments. The employee's salary is paid by the Agency and the government departments are invoiced on a monthly basis. Secondment revenue is recognized when the services are rendered. Secondment revenue ended on March 31, 2011.

(c) Accrued severance pay

Severance pay is accounted for on an accrued basis and is calculated based upon years of service and current salary levels. The right to be paid severance pay vests with employees with nine years of continued service and accrues to a maximum of twenty years and, accordingly, no provision has been made in the accounts for employees with less than nine years of continued service. The amount is payable when the employee ceases employment with the Corporation. The cash amount of the accrued severance pay is segregated into a severance reserve fund.

(d) Redundancy pay

Redundancy pay is recognized as a liability when it is probable that employees will be entitled to benefits and the amount can be reasonably estimated.

(e) Fair Value of Financial Instruments

The company has evaluated the fair values of its financial instruments based on the current interest rate environment, related market values and current pricing of financial instruments with comparable terms. The carrying value of its financial instruments is considered to approximate fair value, unless otherwise indicated.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2012

2. Accounts receivable:

	2012	2011
Trade receivables	$ 32,382	$ 50,003
HST recoverable	52,690	62,959
Employee receivable	3,806	1,050
	$ 88,878	$ 114,012

3. Long term receivables:

The Agency has entered into a contract with several of its customers to receive payment on the outstanding amounts over a period of 48 months, provided all future fees are paid on a current basis.

4. Severance reserve fund:

The Agency has internally restricted funds for the accrued severance pay liability. These funds are to be used to pay any accrued severance and not to be used in normal business operations. The restricted funds are held in the Agency's operating account that bears interest.

5. Capital assets:

	2012			2011
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer hardware and software	$ 453,614	$ 393,709	$ 59,905	$ 59,518
Furniture and equipment	247,460	191,014	56,446	80,385
Integrated assessment system	1,443,704	1,136,741	306,963	32,508
Buildings	1,028,653	164,059	864,594	900,620
Land	208,221	-	208,221	208,221
	$3,381,652	$1,885,523	$1,496,129	$1,281,252

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2012

6. Severance and vacation pay:

The provision for severance and vacation pay consists of the following:

Severance pay	**2012**	**2011**
Opening balance	$ 988,780	$ 944,492
Severance paid out	(65,429)	(33,699)
Current year expense	36,733	77,987
Closing balance	$ 960,084	$ 988,780

Vacation pay	**2012**	**2011**
Opening balance	$ 305,692	$ 278,225
Current year expense	(28,322)	27,467
Closing balance	$ 277,370	$ 305,692

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2012

7. Commitments and Contingencies:

The Agency has a lease for office space in Corner Brook, Newfoundland. The term of the lease is 5 years, starting October 1, 2007 and ending on September 30, 2012, with the option to renew for a further term of up to 5 years. The monthly rental fee is $4,174. Future minimum lease payments total $25,044 and include the following payments over the next 6 months: 2012 - $25,044.

The Agency has a lease for office space in Clarenville, Newfoundland. The term of the lease is 5 years, starting May 1, 2008 and ending on April 30, 2013. The monthly rental fee is $350. Future minimum lease payments total $4,550 and include the following payments over the next 13 months: 2012 - $3,150; 2013 - $1,400.

The Agency has a lease for office space in Grand Falls Windsor, Newfoundland. The term of the lease is 3 years, starting February 1, 2011 and ending on January 31, 2014. The monthly rental fee is $695. Future minimum lease payments total $15,290 and include the following payments over the next 3 years: 2012 - $6,255, 2013 - $8,340, 2014 - $695.

The Agency has prepared property valuations which are subject to litigation to which the Agency has been included as a third party defendant. These claims could be considered to be in the normal course of the Agency's activities. Neither the possible outcome nor the amount of possible settlement can be foreseen. Therefore, no provision has been made in the financial statements.

The Agency has entered into an agreement to upgrade its IAS Property Tax System software. The agreement commenced on April 28, 2011 and will continue through December 31, 2013. The upgrade has cost the Agency approximately $331,018 to date and is expected to cost an additional $591,772 to completion.

8. Comparative Figures:

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