



**Province of Newfoundland  
and Labrador**

**Public Accounts  
Volume IV (M - Z)**

**Financial Statements of  
Crown Corporations,  
Boards and Authorities**

**For The Year Ended  
31 March 2005**







**Province of Newfoundland and Labrador**

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Boards and Authorities**

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## INTRODUCTION

The reproduction of the available financial statements of Crown Corporations, Boards and Authorities are presented through the publication of the Public Accounts, Volume IV. This Volume is produced alphabetically in two books, A to L and M to Z. The fiscal years noted in the table of contents are based on the fiscal year end of the organization.

The Public Accounts for the year ended 31 March 2005 consists of three other volumes:

**Volume I – Consolidated Summary Financial Statements** 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.

**Volume II – Consolidated Revenue Fund Financial Statements** presents the financial position of the Fund and the results of its activities.

**Volume III – Consolidated Revenue Fund Supplementary Statements and Schedules** presents the unaudited summary statements, detailed departmental statements, schedules and notes of the Fund and are prepared on a basis consistent with the Estimates of the Province.

The Public Accounts of the Province are tabled in the House of Assembly in accordance with Section 60 of the *Financial Administration Act*.



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St. John's Regional Health and Community Services Board	2005	1055
Student Loan Corporation of Newfoundland and Labrador	2005	1067
The Rooms Corporation of Newfoundland and Labrador Inc.	2004	1075
	2005	1085
Vista School District	2004	1095
Waterford Foundation Inc.	2004	1125
	2005	1133
Western Health Care Corporation	2005	1143
Western Regional Health and Community Services Board	2005	1157
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The financial statements of the following agencies were not received in time for inclusion in this volume.

<b>NAME</b>	<b>Year</b>
Avalon East School Board	2004
Bull Arm Site Corporation	2005
Grenfell Foundation, Inc.	2005
Health Care Foundation of St. John's Inc.	2005
Newfoundland and Labrador Government Sinking Fund	2005
Newfoundland and Labrador Petroleum Products Pricing Commission	2004
Newfoundland and Labrador Legal Aid Commission	2005
Newfoundland Government Fund Limited	2004



**MARBLE MOUNTAIN DEVELOPMENT  
CORPORATION**

**AUDITED FINANCIAL STATEMENTS**

April 30, 2005

# SQUIRE & HYNES

Chartered Accountants

57 Park Street, P.O. Box 248  
Corner Brook, Newfoundland, A2H 6C9  
Tel: (709) 634-8256 Fax: (709) 639-1647 email: accountants@squirehynes.ca

## AUDITORS' REPORT

To the Directors of  
Marble Mountain Development Corporation

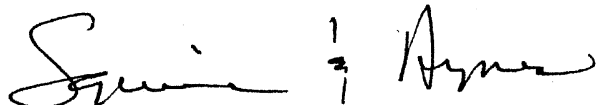
We have audited the balance sheet of Marble Mountain Development Corporation as at April 30, 2005 and the statements of revenue, expenditures and deficit and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The Corporation's policy is not to amortize its property, plant and equipment. Canadian generally accepted accounting principles require that property, plant and equipment with a limited life held by not-for-profit organizations be amortized over their useful lives. The Corporation's policy is not to amortize its government assistance relating to the purchase of property, plant and equipment. Canadian generally accepted accounting principles require that government assistance be amortized on the same basis as the amortization expense of the related property, plant and equipment to which it relates.

In our opinion, except for the effects of the above as described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Corporation as at April 30, 2005 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

June 10, 2005



Richard C. Squire, C.A., C.B.V.  
Kenneth L. Hynes, C.A.

MARBLE MOUNTAIN DEVELOPMENT CORPORATION

BALANCE SHEET  
As at April 30, 2005

	2005	2004
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>	<b>\$</b>	<b>\$</b>
Cash	16,589	13,484
Accounts receivable (note 1)	116,406	146,805
Inventory	34,237	44,311
Prepaid expenses	87,842	106,569
Due from Marble Mountain Management Corporation (note 13)	<u>194,903</u>	<u>196,410</u>
	449,977	507,579
<b>PROPERTY, PLANT AND EQUIPMENT (note 2)</b>	<u>33,871,365</u>	<u>33,878,705</u>
<b>DEFERRED CHARGE</b>	<u>11,845</u>	-
	<u>34,333,187</u>	<u>34,386,284</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Bank indebtedness (note 3)	1,509,661	1,564,137
Accounts payable and accrued liabilities (note 4)	298,753	358,681
Deferred revenue	406,500	406,000
Current portion - obligations under capital leases (note 5)	<u>46,548</u>	<u>80,632</u>
	2,261,462	2,409,450
<b>OBLIGATIONS UNDER CAPITAL LEASES (note 5)</b>	-	40,500
<b>LONG-TERM DEBT (note 6)</b>	300,000	300,000
<b>GOVERNMENT ASSISTANCE AND OTHER CONTRIBUTIONS (note 7)</b>	<u>32,363,529</u>	<u>32,382,710</u>
	<u>34,924,991</u>	<u>35,132,660</u>
<b>SHAREHOLDER'S DEFICIENCY</b>		
<b>SHARE CAPITAL (note 9)</b>	-	-
<b>DEFICIT</b>	<u>(591,804)</u>	<u>(746,376)</u>
	<u>(591,804)</u>	<u>(746,376)</u>
	<u>34,333,187</u>	<u>34,386,284</u>
Lease commitments (note 11)		
Contingent liability (note 12)		

On behalf of the Board:

 Director

 Director



**MARBLE MOUNTAIN DEVELOPMENT CORPORATION**

**STATEMENT OF REVENUE, EXPENDITURES AND DEFICIT**  
For the year ended April 30, 2005

	2005	2004
	\$	\$
<b>REVENUE</b>		
Income (loss) from operations		
Lift operations – Schedule I	(340,802)	(302,039)
Rental and repair shop – Schedule II	150,619	89,334
Cafeteria – Schedule III	34,838	41,958
Bar – Schedule IV	45,217	48,690
Ski school – Schedule V	43,783	26,461
Events – Schedule VI	14,588	10,739
Marketing – Schedule VII	(93,557)	(70,473)
Marble Villa – Schedule VIII	173,174	139,319
Interest income	1,249	1,317
Operating grant (note 8(a))	<u>400,000</u>	<u>525,000</u>
	<u>429,109</u>	<u>510,306</u>
<b>EXPENDITURES</b>		
Directors' fees (note 13)	5,640	6,132
Advertising	792	286
Labour services	155,592	169,652
Management fees (note 13)	4,020	5,410
Administration	6,853	6,187
Communications	6,535	7,940
Travel	678	519
Interest and bank charges	75,162	95,787
Professional fees	8,619	10,019
Board and committee meetings	10,290	8,670
Miscellaneous	356	861
Cost of property, plant and equipment retired from service during the year (note 14)	<u>-</u>	<u>23,850</u>
	<u>274,537</u>	<u>335,313</u>
<b>EXCESS OF REVENUE OVER EXPENDITURES FOR THE YEAR</b>	<b>154,572</b>	<b>174,993</b>
Deficit at beginning of year	<u>(746,376)</u>	<u>(921,369)</u>
<b>DEFICIT AT END OF YEAR</b>	<b>(591,804)</b>	<b>(746,376)</b>

**MARBLE MOUNTAIN DEVELOPMENT CORPORATION**

**STATEMENT OF CASH FLOWS**

For the year ended April 30, 2005

	2005	2004
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	2,119,505	1,878,836
Cash paid to suppliers and employees	(2,265,315)	(2,206,510)
Interest received	1,249	1,317
Interest paid	<u>(100,341)</u>	<u>(95,787)</u>
	<u>(244,902)</u>	<u>(422,144)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment	(26,058)	(31,257)
Proceeds on disposal of property, plant and equipment	<u>1,618</u>	<u>-</u>
	<u>(24,440)</u>	<u>(31,257)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of capital lease obligations	(74,584)	(74,879)
Decrease (increase) in due from Marble Mountain Management Corporation	1,507	(5,072)
Operating grant	-	525,000
Marketing grant	-	50,000
Operating grant received in advance	<u>400,000</u>	<u>400,000</u>
	<u>326,923</u>	<u>895,049</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	57,581	441,648
Cash and cash equivalents at beginning of year (note)	<u>(1,550,653)</u>	<u>(1,992,301)</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (note)</b>	<u>(1,493,072)</u>	<u>(1,550,653)</u>

Note to the statement of cash flows

**CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of cash on hand and balances with banks, and investments in money market instruments. Cash and cash equivalents included in the statement of cash flows comprise the following balance sheet amounts:

	2005	2004
	\$	\$
Cash	16,589	13,484
Bank indebtedness	<u>(1,509,661)</u>	<u>(1,564,137)</u>
	<u>(1,493,072)</u>	<u>(1,550,653)</u>

## MARBLE MOUNTAIN DEVELOPMENT CORPORATION

### NOTES TO FINANCIAL STATEMENTS

For the year ended April 30, 2005

#### GENERAL

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 principal business activity of the Corporation is managing and controlling the operations of the area known as the Marble Mountain Development area.

#### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Inventory

Inventory is recorded at the lower of cost and net realizable value.

##### Property, plant and equipment

Property, plant and equipment purchased by the Corporation are stated at cost. Donated assets are recorded at their estimated fair market value. No provision for amortization of property, plant and equipment is recorded in the financial statements of the Corporation.

##### Deferred charge

Deferred charge represents the unamortized cost of purchasing uniforms for snow school instructors. Amortization of the deferred charge is provided on the straight-line basis over three years and is recorded as ski patrol expense in lift operations.

##### Government assistance and other contributions

Government grants and other contributions related to the acquisition of property, plant and equipment are recorded as deferred credits. The deferred credits related to the acquisition of property, plant and equipment have not been amortized. Government assistance and other contributions related to property, plant and equipment retired from use are credited against the property, plant and equipment in the year of retirement.

Government grants related to operations are recorded as revenue or as a reduction of the expense to which the grant relates.

##### 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimated.

**MARBLE MOUNTAIN DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended April 30, 2005

**1. ACCOUNTS RECEIVABLE**

	2005	2004
	\$	\$
Trade	116,406	144,027
Harmonized Sales Tax receivable	-	2,778
	116,406	146,805

**2. PROPERTY, PLANT AND EQUIPMENT**

	2005	2004
	\$	\$
Snowmaking – water intake system	1,624,229	1,624,229
Buildings		
Maintenance building	413,919	413,919
Day Lodge	6,905,762	6,902,974
Buildings – other	116,641	116,641
Condominium	3,157,617	3,157,617
	10,593,939	10,591,151
Equipment		
Snowmaking	4,359,522	4,359,522
Chairlifts	2,318,412	2,318,412
Snowgroomers	651,422	601,602
T-bars/platter lift	120,824	120,824
Ski rental	283,022	265,342
Racing	64,127	64,127
Detachable quad lift	2,302,738	2,302,738
	10,100,067	10,032,567

**MARBLE MOUNTAIN DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended April 30, 2005

**2. PROPERTY, PLANT AND EQUIPMENT (Continued)**

	2005	2004
	\$	\$
Other		
Heritage tree	120,856	120,856
Motor vehicles	61,395	43,946
Slopes, roads and parking lots	8,345,166	8,345,166
Furniture and equipment	737,144	637,567
Land assembly	1,870,356	1,870,356
Equipment under capital lease	270,000	464,654
Snowboard park	34,822	34,822
Playground equipment	23,965	23,965
Walking trails	89,426	89,426
	11,553,130	11,630,758
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>	<b>33,871,365</b>	<b>33,878,705</b>

**3. BANK INDEBTEDNESS**

	2005	2004
	\$	\$
Outstanding cheques in excess of funds on deposit	-	27,714
Line of credit	1,509,661	1,536,423
	1,509,661	1,564,137

The line of credit is authorized in the amount of \$2,100,000 and bears interest at the rate of bank prime less .5%. It is secured by a Provincial Government guarantee and letter of indemnity and overdraft agreement signed by the Board of Directors.

**4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	2005	2004
	\$	\$
Trade	261,698	319,200
Harmonized Sales Tax payable	2,512	-
Payroll deductions payable	34,543	39,481
	298,753	358,681

**MARBLE MOUNTAIN DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended April 30, 2005

**5. OBLIGATIONS UNDER CAPITAL LEASES**

The following is a schedule of future minimum lease payments under capital leases expiring in the year 2006, together with the present balance of the obligations under the capital leases.

	2005	2004
Future minimum lease payments due for the years ending April 30,	\$	\$
2005	-	83,466
2006	<u>46,928</u>	<u>46,928</u>
	46,928	130,394
Less: Amount representing interest (22%)	<u>380</u>	<u>9,262</u>
	46,548	121,132
Less: Current portion – obligations under capital leases	<u>46,548</u>	<u>80,632</u>
	-	<u>40,500</u>

The above capital lease obligation includes a \$40,500 buy out option which was exercised subsequent to year end.

**6. LONG-TERM DEBT**

	2005	2004
	\$	\$
Department of Innovation, Trade and Rural Development loan, non-interest bearing and repayable in annual installments based on 20% of available cash flow. Due 2015.	<u>300,000</u>	<u>300,000</u>

The above long-term debt is secured by 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. In the current year, there is no available cash flow, therefore no repayment is due. The Corporation has until 2015 to repay the loan in full.

**MARBLE MOUNTAIN DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended April 30, 2005

**7. GOVERNMENT ASSISTANCE AND OTHER CONTRIBUTIONS - CAPITAL**

The Corporation has recorded government grants and other contributions related to the acquisition of capital assets as deferred credits.

	<u>2005</u>	<u>2004</u>
	\$	\$
Tourism Development Subsidiary Agreement	2,499,000	2,499,000
Province of Newfoundland and Labrador		
Department of Municipal and Provincial Affairs	560,167	560,167
Department of Tourism and Culture	13,671,934	13,671,934
Department of Employment and Labour Relations	21,200	21,200
Department of Innovation, Trade and Rural Development	2,732,512	2,732,512
Department of Finance	3,056,696	3,056,696
Atlantic Canada Opportunities Agency	8,377,562	8,377,562
Government of Canada		
Department of Industry, Science and Technology	44,395	44,395
Department of Employment and Immigration	5,000	5,000
Natural Resources Canada/Mining Sector	1,727,000	1,727,000
Department of Public Works and Government Services	315,721	315,721
Marble Mountain Ski Club	2,099,114	2,099,114
1999 Canada Winter Games Host Society	83,265	83,265
Heritage Tree Committee	<u>1,074</u>	<u>1,074</u>
	35,194,640	35,194,640
Less amount related to capital assets retired from service or sold	<u>(2,831,111)</u>	<u>(2,811,930)</u>
	<u>32,363,529</u>	<u>32,382,710</u>

**8. GOVERNMENT ASSISTANCE AND OTHER CONTRIBUTIONS – OPERATIONS**

Province of Newfoundland and Labrador – Operating grants

(a) For the year ended April 30, 2005, an administrative operating grant in the amount of \$400,000 (2004 - \$525,000) was approved and received.

(b) For the year ended April 30, 2005, a marketing grant in the amount of nil (2004 – \$50,000) was approved and received from the Department of Tourism.

The above contributions are subject to the terms and conditions as outlined in the applicable contribution agreements.

**9. SHARE CAPITAL**

The Province of Newfoundland and Labrador holds 100% of the issued common shares of the Corporation.

## MARBLE MOUNTAIN DEVELOPMENT CORPORATION

### NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended April 30, 2005

#### 10. INCOME TAXES

The Corporation is a non-profit corporation wholly owned by the Province of Newfoundland and Labrador and as such is not subject to Federal or Provincial income taxes under the Canadian Income Tax Act.

#### 11. LEASE COMMITMENTS

The corporation leases equipment under long-term leases which expire at various times between 2007 and 2010. The future minimum lease payments under these long-term leases is approximately as follows:

	\$
2006	15,893
2007	15,893
2008	5,932
2009	2,882
2010	1,441

#### 12. CONTINGENT LIABILITY

As at April 30, 2005, a supplier had claimed that the Corporation owed it approximately \$70,005 for services rendered. The Corporation's management feels that the claim is unfounded and the likelihood of any loss resulting therefrom is undeterminable. Therefore, the Corporation has not recorded in its accounts any provision for losses that may result from the claim.

#### 13. RELATED PARTY TRANSACTIONS

As at April 30, 2005, the Corporation was owed \$194,903 (2004 - \$196,410) from Marble Mountain Management Corporation. This receivable relates to the balance outstanding as a result of labour services provided, cash transfers, equipment rental and the transfer of operating assets.

During the year ended April 30, 2005, a management fee was paid to the Chairperson of the Board of Directors in the amount of \$4,020 (2004 - \$5,410). In addition, directors' fees of \$5,640 (2004 - \$6,132) were paid in total to the Board of Directors of the Corporation.

#### 14. PROPERTY, PLANT AND EQUIPMENT RETIRED FROM SERVICE

During the year the Corporation retired property, plant and equipment which were no longer required in the operation. Property, plant and equipment retired from service which were purchased with government assistance has been recorded as a reduction to government assistance. The other property, plant and equipment retired from service has been charged to operations.



**MARBLE MOUNTAIN DEVELOPMENT CORPORATION**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

For the year ended April 30, 2005

**15. FINANCIAL INSTRUMENTS**

The Corporation's financial instruments consist of cash, accounts receivable, due from Marble Mountain Management Corporation, bank indebtedness, accounts payable and accrued liabilities, deferred revenue, obligations under capital leases, and long-term debt. Unless otherwise noted, it is management's opinion that the entity is not exposed to significant currency or credit risks from these financial instruments. However, the entity is exposed to interest rate risk on its operating line of credit. The interest rate is variable and is subject to interest rate volatility. The fair values of these financial instruments approximates their carrying values unless otherwise noted.

**MARBLE MOUNTAIN DEVELOPMENT CORPORATION**

**SCHEDULE I  
STATEMENT OF REVENUE AND EXPENDITURES - LIFT OPERATIONS  
For the year ended April 30, 2005**

	2005	2004
	\$	\$
<b>REVENUE</b>		
Lift tickets	471,548	421,616
Season passes	379,124	306,634
Tenant - revenue	12,694	11,997
Children's centre	11,844	8,714
Other	2,326	3,187
Facilities rental	5,230	9,863
	<u>882,766</u>	<u>762,011</u>
<b>EXPENDITURES</b>		
Management contract	74,250	74,250
Snowmaking		
Electricity	89,094	84,350
Labour services	18,134	36,354
Equipment maintenance	59,111	12,901
Snowgun rental	11,886	10,500
Vehicle operating		
Repairs	8,443	9,698
Fuel	38,151	39,737
Lift repairs	117,551	81,404
Maintenance		
Equipment	593	130
Building	42,444	41,681
Slopes	1,848	18,861
Labour services	309,761	258,242
Heating and electricity	85,813	83,834
Insurance	140,445	140,089
Ski patrol	73,258	63,430
Supplies	24,635	22,120
Municipal fees	17,500	17,500
Interest and bank charges	22,908	17,003
Security	3,065	360
Children's centre	17,863	12,488
Miscellaneous	9,437	9,813
Snowclearing	12,610	10,148
Communications	14,707	11,681
Equipment rental	6,415	-
Licence and fees	475	-
Uniforms	6,741	-
Special Events	3,833	7,476
Cost of property, plant and equipment retired from service during the year (note 14)	12,597	-
	<u>1,223,568</u>	<u>1,064,050</u>
<b>EXCESS OF EXPENDITURES OVER REVENUE</b>	<b>(340,802)</b>	<b>(302,039)</b>

**MARBLE MOUNTAIN DEVELOPMENT CORPORATION**

**SCHEDULE II**  
**STATEMENT OF REVENUE AND EXPENDITURES - RENTAL AND REPAIR SHOP**  
For the year ended April 30, 2005

	2005	2004
	\$	\$
<b>REVENUE</b>	<u>198,795</u>	<u>155,054</u>
<b>EXPENDITURES</b>		
Labour services	44,564	42,440
Supplies	2,365	2,253
Miscellaneous	443	522
Communications	254	365
Equipment rental	550	400
Cost of property, plant and equipment retired from service during the year (note 14)	-	19,740
	<u>48,176</u>	<u>65,720</u>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<u>150,619</u>	<u>89,334</u>

**MARBLE MOUNTAIN DEVELOPMENT CORPORATION**

**SCHEDULE III**  
**STATEMENT OF REVENUE AND EXPENDITURES - CAFETERIA**  
For the year ended April 30, 2005

	2005	2004
	\$	\$
<b>REVENUE</b>	239,329	238,613
<b>COST OF SALES</b>	<u>124,962</u>	<u>117,140</u>
<b>GROSS PROFIT</b>	<u>114,367</u>	<u>121,473</u>
<b>EXPENDITURES</b>		
Repairs and maintenance	891	1,295
Miscellaneous	1,939	2,045
Supplies	7,556	6,431
Communications	526	620
Labour services	68,617	66,702
Workplace, Health and Safety Compensation Commission – CWR Holdings Inc. contract	-	2,422
	<u>79,529</u>	<u>79,515</u>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<u>34,838</u>	<u>41,958</u>

MARBLE MOUNTAIN DEVELOPMENT CORPORATION

SCHEDULE IV

STATEMENT OF REVENUE AND EXPENDITURES - BAR

For the year ended April 30, 2005

	2005	2004
	\$	\$
<b>REVENUE</b>	141,271	149,476
<b>COST OF SALES</b>	<u>47,590</u>	<u>54,638</u>
<b>GROSS PROFIT</b>	<u>93,681</u>	<u>94,838</u>
<b>EXPENDITURES</b>		
Entertainment	9,010	8,963
Repairs and maintenance	734	370
Labour services	26,018	22,528
Communications	470	592
Security	1,135	1,331
Accommodations - bands	4,858	7,475
Special events	5,358	4,086
Supplies	80	84
Licenses and fees	<u>801</u>	<u>719</u>
	<u>48,464</u>	<u>46,148</u>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<u>45,217</u>	<u>48,690</u>

**MARBLE MOUNTAIN DEVELOPMENT CORPORATION**

**SCHEDULE V**  
**STATEMENT OF REVENUE AND EXPENDITURES - SKI SCHOOL**  
For the year ended April 30, 2005

	2005	2004
	\$	\$
<b>REVENUE</b>	<u>134,450</u>	<u>95,348</u>
<b>EXPENDITURES</b>		
Labour services	76,311	57,634
Uniforms	6,247	5,495
Training	3,953	1,934
Advertising	183	458
Supplies	401	-
Miscellaneous	648	503
Krunchers Club	2,534	2,393
Communications	390	470
	<u>90,667</u>	<u>68,887</u>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<u>43,783</u>	<u>26,461</u>

**MARBLE MOUNTAIN DEVELOPMENT CORPORATION**

**SCHEDULE VI**  
**STATEMENT OF REVENUE AND EXPENDITURES - EVENTS**  
For the year ended April 30, 2005

	2005	2004
	\$	\$
<b>REVENUE</b>	126,102	107,830
<b>COST OF SALES</b>	<u>36,204</u>	<u>35,535</u>
<b>GROSS PROFIT</b>	<u>89,898</u>	<u>72,295</u>
<b>EXPENDITURES</b>		
Labour services	63,066	53,619
Maintenance	540	438
Supplies	5,357	3,295
Miscellaneous	1,043	2,919
Travel	492	-
Interest and bank charges	2,203	-
Entertainment	1,186	-
Communications	<u>1,423</u>	<u>1,285</u>
	<u>75,310</u>	<u>61,556</u>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<u>14,588</u>	<u>10,739</u>

**MARBLE MOUNTAIN DEVELOPMENT CORPORATION**

**SCHEDULE VII  
STATEMENT OF REVENUE AND EXPENDITURES - MARKETING**  
For the year ended April 30, 2005

	2005	2004
	\$	\$
<b>REVENUE</b>		
Sponsorship	32,584	30,636
Advertising	32,953	
Department of Tourism, Culture and Recreation Grant (note 8(b))	-	50,000
	<u>65,537</u>	<u>111,189</u>
<b>EXPENDITURES</b>		
Advertising		
Television	53,622	73,901
Print	6,271	25,419
Radio	35,780	35,545
Internet	2,250	4,822
Atlantic Marketing Initiatives	-	4,369
UK/International marketing	383	-
Labour services	36,014	21,128
Communications	3,751	3,036
Complementary Villa Rooms	7,719	5,052
Membership fees	2,055	1,812
Travel and meetings	279	1,003
Brochures	1,420	3,771
Ski shows and familiarization tours	4,981	386
Office and postage	290	98
Supplies	4,279	1,320
	<u>159,094</u>	<u>181,662</u>
<b>EXCESS OF EXPENDITURES OVER REVENUE</b>	<b>(93,557)</b>	<b>(70,473)</b>



**MARBLE MOUNTAIN DEVELOPMENT CORPORATION**

**SCHEDULE VIII**  
**STATEMENT OF REVENUE AND EXPENDITURES – MARBLE VILLA**  
For the year ended April 30, 2005

	2005	2004
	\$	\$
<b>REVENUE</b>		
Rental revenue	<u>300,356</u>	<u>268,488</u>
<b>EXPENDITURES</b>		
Housekeeping	23,333	20,730
Heat and light	33,113	27,705
Repairs and maintenance	16,101	21,963
Labour services	17,137	21,205
Security	3,435	3,044
Common area expense	6,900	6,900
Insurance	7,890	7,674
Communications	5,834	5,073
Cable television	4,348	4,296
Supplies	5,739	6,541
Interest and bank charges	68	597
Travel	68	95
Marketing	2,359	1,521
Professional fees	300	-
Bad debt expense	209	-
Miscellaneous	348	681
Administration	-	1,144
	<u>127,182</u>	<u>129,169</u>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<u>173,174</u>	<u>139,319</u>

**MARBLE MOUNTAIN MANAGEMENT  
CORPORATION**

**AUDITED FINANCIAL STATEMENTS**

April 30, 2005

# SQUIRE & HYNES

Chartered Accountants

57 Park Street, P.O. Box 248  
Corner Brook, Newfoundland, A2H 6C9  
Tel: (709) 634-8256 Fax: (709) 639-1647 email: accountants@squirehynes.ca

## AUDITORS' REPORT

To the Directors of  
Marble Mountain Management Corporation

We have audited the balance sheet of Marble Mountain Management Corporation as at April 30, 2005 and the statements of revenue, expenditures and deficit and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at April 30, 2005 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

June 10, 2005



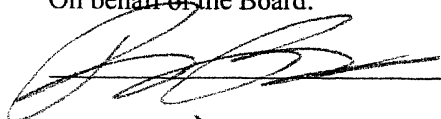
Richard C. Squire, C.A., C.B.V.  
Kenneth L. Hynes, C.A.

**MARBLE MOUNTAIN MANAGEMENT CORPORATION**

**BALANCE SHEET**  
As at April 30, 2005

	2005	2004
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>	\$	\$
Cash	4,124	5,631
<b>PROPERTY, PLANT AND EQUIPMENT (note 1)</b>	-	-
	<u>4,124</u>	<u>5,631</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities (note 2)	<u>194,903</u>	<u>196,410</u>
<b>SHAREHOLDER'S DEFICIENCY</b>		
<b>SHARE CAPITAL (note 3)</b>		
Authorized and issued 500 Common shares	1	1
<b>DEFICIT</b>	<u>(190,780)</u>	<u>(190,780)</u>
	<u>(190,779)</u>	<u>(190,779)</u>
	4,124	5,631

On behalf of the Board:

 Director

 Director

**MARBLE MOUNTAIN MANAGEMENT CORPORATION**  
**STATEMENT OF REVENUE, EXPENDITURES AND DEFICIT**  
For the year ended April 30, 2005

	2005	2004
	\$	\$
<b>REVENUE</b>		
Labour services	428,370	382,515
Interest income	<u>174</u>	<u>123</u>
	<u>428,544</u>	<u>382,638</u>
 <b>EXPENDITURES</b>		
Wages and benefits	428,534	382,588
Interest and bank charges	<u>10</u>	<u>50</u>
	<u>428,544</u>	<u>382,638</u>
 <b>EXCESS OF REVENUE OVER EXPENDITURES</b>		
Deficit at beginning of year	-	-
	<u>(190,780)</u>	<u>(190,780)</u>
 <b>DEFICIT AT END OF YEAR</b>		
	<u>(190,780)</u>	<u>(190,780)</u>

**MARBLE MOUNTAIN MANAGEMENT CORPORATION**

**STATEMENT OF CASH FLOWS**  
For the year ended April 30, 2005

	2005	2004
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	428,370	382,515
Cash paid to suppliers and employees	(428,534)	(382,588)
Interest received	174	123
Interest paid	<u>(10)</u>	<u>(50)</u>
	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in payable to Marble Mountain Development Corporation	<u>(1,507)</u>	<u>5,072</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(1,507)	5,072
Cash and cash equivalents at beginning of year (note)	<u>5,631</u>	<u>559</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (note)</b>	<u>4,124</u>	<u>5,631</u>

Note to the statement of cash flows

**CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of cash on hand and balances with banks, and investments in money market instruments.

# MARBLE MOUNTAIN MANAGEMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS

For the year ended April 30, 2005

### GENERAL

The Corporation is incorporated under the *Corporations Act* of Newfoundland and Labrador. The Province of Newfoundland and Labrador holds 100% of the issued common shares.

The principal activity of the Corporation is providing labour services for Marble Mountain Development Corporation.

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Property, plant and equipment

Property, plant and equipment are stated at cost. Amortization of property, plant and equipment is provided on the straight-line basis. At April 30, 2005 property, plant and equipment were fully amortized.

#### Government assistance and other contributions

Government grants related to operations are recorded as revenues in the year to which they pertain.

#### 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimated.

### 1. PROPERTY, PLANT AND EQUIPMENT

	2005		2004	
	Cost	Accumulated amortization	Net	Net
	\$	\$	\$	\$
Uniforms and ski suits	29,207	29,207	-	-
Ski equipment – demo	7,748	7,748	-	-
Ski equipment – rental	36,363	36,363	-	-
Other equipment	750	750	-	-
	<u>74,068</u>	<u>74,068</u>	-	-

**MARBLE MOUNTAIN MANAGEMENT CORPORATION**

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the year ended April 30, 2005

**2. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<u>2005</u>	<u>2004</u>
	\$	\$
Marble Mountain Development Corporation (note 5)	<u>194,903</u>	<u>196,410</u>

**3. SHARE CAPITAL**

The Province of Newfoundland and Labrador holds 100% of the issued common shares of the Corporation.

**4. INCOME TAXES**

The Corporation is a non-profit corporation wholly owned by the Province of Newfoundland and Labrador and as such is not subject to Federal or Provincial income taxes under the Canadian Income Tax Act.

**5. RELATED PARTY TRANSACTIONS**

As at April 30, 2005 the Corporation owed \$194,903 to Marble Mountain Development Corporation. This payable related to the balances outstanding as a result of labour services provided, cash transfers, equipment rental and transfer of operating assets.

**6. FINANCIAL INSTRUMENTS**

The company's financial instruments consist of cash and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the entity is not exposed to significant interest, currency or credit risks from these financial instruments. The fair values of these financial instruments approximates their carrying values, unless otherwise noted.





**Multi-Materials Stewardship Board**  
**Consolidated Financial Statements**  
March 31, 2005

Grant Thornton 

## Auditors' Report

To the Directors of the  
**Multi-Materials Stewardship Board**

We have audited the consolidated statement of financial position of the **Multi-Materials Stewardship Board** at March 31, 2005, and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Board's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Board as at March 31, 2005, and the consolidated results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Grant Thornton LLP*

St. John's, Newfoundland  
June 8, 2005

Grant Thornton LLP  
Chartered Accountants

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## Multi-Materials Stewardship Board Consolidated Statement of Operations

Year Ended March 31	2005	2004
Revenue		
Gross revenue from deposits	\$16,714,651	\$17,232,998
By-product revenue	<u>1,943,612</u>	<u>1,542,128</u>
	18,658,263	18,775,126
Cost of sales (Note 8)	<u>14,148,197</u>	<u>13,912,905</u>
Gross margin	4,510,066	4,862,221
Miscellaneous income	<u>346,407</u>	<u>298,564</u>
Income before expenses	<u>4,856,473</u>	<u>5,160,785</u>
Expenses		
Administrative (Page 10)	2,085,429	2,241,132
Grant disbursements	<u>1,205,745</u>	<u>1,083,316</u>
	<u>3,291,174</u>	<u>3,324,448</u>
Excess of revenue over expenses	<u>\$ 1,565,299</u>	<u>\$ 1,836,337</u>

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See accompanying notes to the consolidated financial statements.

**Multi-Materials Stewardship Board  
Consolidated Statement of Changes in  
Net Assets**

Year Ended March 31			2005	2004
	Invested in Capital Assets	Unrestricted Net Assets	Total	Total
Net assets, beginning of year	\$ 430,890	\$12,940,467	\$13,371,357	\$11,535,020
Excess of (expenses over revenue) revenue over expenses	(130,528)	1,695,827	1,565,299	1,836,337
Investments in capital assets	<u>55,814</u>	<u>(55,814)</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 356,176</u>	<u>\$14,580,480</u>	<u>\$14,936,656</u>	<u>\$13,371,357</u>

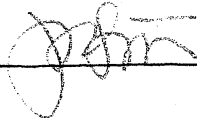
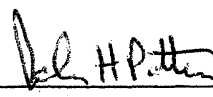
See accompanying notes to the consolidated financial statements.

**Multi-Materials Stewardship Board  
Consolidated Statement of Financial  
Position**


March 31	2005	2004
<b>Assets</b>		
Current		
Cash and cash equivalents	\$15,235,974	\$13,573,714
Receivables (Note 4)	1,672,493	1,570,193
Inventories	70,355	160,870
Prepays	<u>55,132</u>	<u>40,744</u>
	17,033,954	15,345,521
Property and equipment (Note 5)	<u>356,176</u>	<u>430,890</u>
	<u>\$17,390,130</u>	<u>\$15,776,411</u>
<b>Liabilities</b>		
Current		
Payables and accruals	\$ 439,831	\$ 552,413
Grants payables	174,650	174,630
Unearned revenue (Note 3(h))	<u>1,433,328</u>	<u>1,205,122</u>
	2,047,809	1,932,165
Performance bonds payable	<u>405,665</u>	<u>472,889</u>
	<u>2,453,474</u>	<u>2,405,054</u>
<b>Net Assets</b>		
Net assets invested in capital assets	356,176	430,890
Unrestricted net assets	<u>14,580,480</u>	<u>12,940,467</u>
	<u>14,936,656</u>	<u>13,371,357</u>
	<u>\$17,390,130</u>	<u>\$15,776,411</u>

Commitments (Note 7)

On behalf of the Board


 \_\_\_\_\_ Chairperson
 
 \_\_\_\_\_ Director

See accompanying notes to the consolidated financial statements.

Grant Thornton 

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## Multi-Materials Stewardship Board Consolidated Statement of Cash Flows

Year Ended March 31

2005

2004


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Increase (decrease) in cash and cash equivalents

<b>Operating</b>		
Excess of revenue over expenses	\$ 1,565,299	\$ 1,836,337
Depreciation	<u>130,530</u>	<u>131,715</u>
	1,695,829	1,968,052
Change in non-cash operating working capital (Note 6)	<u>89,469</u>	<u>(992,880)</u>
	<u>1,785,298</u>	<u>975,172</u>
<b>Financing</b>		
(Decrease) increase in performance bonds payable	<u>(67,224)</u>	<u>337,889</u>
<b>Investing</b>		
Purchase of property and equipment	<u>(55,814)</u>	<u>(193,562)</u>
Net increase in cash and cash equivalents	1,662,260	1,119,499
Cash and cash equivalents		
Beginning of year	<u>13,573,714</u>	<u>12,454,215</u>
End of year	<u>\$15,235,974</u>	<u>\$13,573,714</u>

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See accompanying notes to the consolidated financial statements.

Grant Thornton 

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# Multi-Materials Stewardship Board

## Notes to the Consolidated Financial Statements

March 31, 2005

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### 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 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 corporation is exempt from income taxes under Section 149(1)(d) of the Canadian Income Tax Act.

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### 2. Basis of consolidation

These consolidated financial statements include the accounts of the Multi-Materials Stewardship Board and the Multi-Materials Stewardship Board Waste Management Trust Fund.

The Multi-Materials Stewardship Board Waste Management Trust Fund is a restricted fund, managed by the Board, and its accounts have been grouped in these financial statements for consolidated purposes. Separate audited financial statements have been issued for this restricted fund, with an audit report date of June 6, 2005.

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### 3. Summary of significant accounting policies

#### (a) 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 the unrestricted funds are included in the net assets invested in capital assets account; and
- iii) depreciation of capital assets is included in the net assets invested in capital assets account.

#### (b) Use of estimates

In preparing the Board's 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 financial statements, and reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.



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# Multi-Materials Stewardship Board

## Notes to the Consolidated Financial Statements

March 31, 2005

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

#### (c) Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits with original maturities of one year or less. Cash and cash equivalents also include a balance of \$405,665 (2004 - \$472,889) in restricted cash related to the performance bond payable.

#### (d) Revenue recognition

Deposit revenue is recognized when remittances are collected plus an estimated accrual based on subsequent receipts.

By product revenue is recognized upon shipment and when all significant contractual obligations have been satisfied and collection is reasonably assured.

Miscellaneous income is recognized as earned.

#### (e) Inventories

Inventories are valued at the lower of cost and net realizable value.

#### (f) Depreciation

Rates and bases of depreciation applied to write-off the cost of property and equipment over their estimated lives are as follows:


Leasehold improvements	20%, straight line
Office furniture and equipment	20%, declining balance
Computer hardware	30%, declining balance
Computer software	30%, declining balance
Bags and tubs	30%, declining balance
Vehicle	30%, declining balance

#### (g) 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.

#### (h) 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 67% (March 31, 2004 - 68%).

Grant Thornton 

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# Multi-Materials Stewardship Board

## Notes to the Consolidated Financial Statements

March 31, 2005

4. Receivables	<u>2005</u>	<u>2004</u>
Deposits	\$ 1,638,276	\$ 1,483,909
Trade and other	<u>34,217</u>	<u>86,284</u>
	<u>\$ 1,672,493</u>	<u>\$ 1,570,193</u>

5. Property and equipment			<u>2005</u>	<u>2004</u>
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Leasehold Improvements	\$ 26,160	\$ 13,671	\$ 12,489	\$ 17,272
Office furniture and equipment	76,746	33,007	43,739	24,100
Computer hardware	218,135	134,711	83,424	103,645
Computer software	159,524	92,523	67,001	72,270
Bags and tubs	263,758	124,270	139,488	199,268
Vehicle	<u>24,093</u>	<u>14,058</u>	<u>10,035</u>	<u>14,335</u>
	<u>\$ 768,416</u>	<u>\$ 412,240</u>	<u>\$ 356,176</u>	<u>\$ 430,890</u>

6. Supplemental cash flow information	<u>2005</u>	<u>2004</u>
Change in non-cash operating working capital		
Receivables	\$ (102,300)	\$ (275,989)
Inventories	90,515	(72,420)
Prepays	(14,388)	21,588
Payables and accruals	(112,582)	196,106
Grants payable	20	(766,013)
Unearned revenue	<u>228,204</u>	<u>(96,152)</u>
	<u>\$ 89,469</u>	<u>\$ (992,880)</u>

### 7. Commitments

The Board is committed to minimum annual rent payments for office space up to October, 2005 of \$54,331, and for annual rent payments for warehouse space up to February, 2006 for \$70,329.

The Board is committed to minimum annual lease payments for equipment up to October, 2005 of \$808.

The Board has entered into an agreement for processing and transportation of beverage containers to March 2009. The Board has also entered into an agreement for the collection and transportation of used tires in the Province of Newfoundland and Labrador to February, 2010.

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## **Multi-Materials Stewardship Board**

### **Notes to the Consolidated Financial Statements**

March 31, 2005

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#### **8. Interim contingency 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 collection and storage of used tires. Included in cost of sales is \$1,311,532 for labour, storage, transportation and disposal costs of the used tires under the responsibility of the Board. The costs were incurred until the Board was able to make arrangements with another contractor under the Used Tire Recycling Program.

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#### **9. Financial instruments**

Fair values of financial instruments are disclosed in the notes to the financial statements when they differ materially from the carrying amounts. Where amounts receivable and payable are subject to normal credit terms, their carrying amount is used as an approximation of their fair values.

## Multi-Materials Stewardship Board Consolidated Schedule of Administrative Expenses

Year Ended March 31	2005	2004
Advertising	\$ 8,307	\$ 2,811
Depreciation	130,530	131,715
Directors' remuneration	19,540	57,240
Dues, licenses and education	16,067	16,451
Equipment rental	9,075	15,495
Insurance	8,990	9,407
Interest and bank charges	7,143	8,425
Marketing and communications	565,425	631,990
Meetings and entertainment	2,496	9,883
Miscellaneous	7,022	7,488
Professional fees	64,104	175,227
Rent	82,861	65,569
Repairs and maintenance	28,531	48,818
Rocaps supplies	35,476	51,177
Stationery and office supplies	34,112	31,493
Sponsorship	-	4,117
Telecommunications	23,450	26,296
Travel – board and staff	67,868	94,337
Vehicle operating	11,096	17,516
Wages and benefits	<u>963,336</u>	<u>835,677</u>
	<u>\$ 2,085,429</u>	<u>\$ 2,241,132</u>



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**MUNICIPAL ASSESSMENT  
AGENCY INC.**

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**FINANCIAL STATEMENTS**

**Year ended March 31, 2005**

# **JOHN F. MORGAN**

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*Chartered Accountant  
Suite 901, TD Place, 140 Water Street  
St. John's, NF A1C 6H6  
Office: (709) 576-6776  
Fax: (709) 576-6777*

## **AUDITORS' REPORT**

To the Shareholder of  
Municipal Assessment Agency Inc.

We have audited the balance sheet of Municipal Assessment Agency Inc. as at March 31, 2005 and the statements of revenue, expenses and equity and changes in financial position for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements.

An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at March 31, 2005 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

St. John's, Newfoundland  
May 26, 2005



CHARTERED  
ACCOUNTANT

# MUNICIPAL ASSESSMENT AGENCY INC.

## BALANCE SHEET

AS AT MARCH 31, 2005

	2005	2004
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 722,545	\$ 630,290
Accounts receivable (note 2)	147,335	123,533
Prepaid expenses	49,635	60,082
	919,515	813,905
Long-term receivables (note 3)	3,626	19,845
Severance reserve fund (note 4)	670,817	644,831
Capital assets (note 5)	341,316	396,713
	\$1,935,274	\$1,875,294

## LIABILITIES AND SHAREHOLDER'S EQUITY

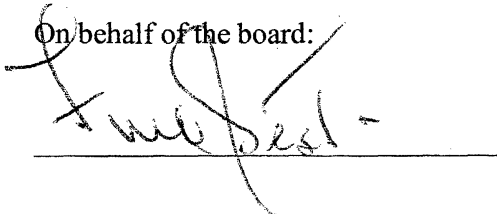
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 92,939	\$ 86,902
Accrued vacation pay (note 6)	149,498	185,713
Deferred contributions - operating (note 7)	-	4,180
	242,437	276,795
Accrued severance pay (note 6)	670,817	644,831
Deferred contributions - capital (note 8)	78,264	109,569
	991,518	1,031,195

## SHAREHOLDER'S EQUITY

Capital		
Authorized and issued		
1 Common share	1	1
Equity from operations	943,755	844,098
	943,756	844,099
	\$1,935,274	\$1,875,294

Commitments and contingencies (note 6)

On behalf of the board:







# MUNICIPAL ASSESSMENT AGENCY INC.

## STATEMENT OF REVENUES, EXPENSES AND EQUITY

FOR THE YEAR ENDED MARCH 31, 2005

	2005	2004
<b>REVENUES:</b>		
Assessment services	\$4,122,510	\$3,823,403
Valuation revenue	-	9,139
Interest revenue	43,295	44,333
	<u>4,165,805</u>	<u>3,876,875</u>
<b>EXPENSES:</b>		
Salaries	2,353,700	2,599,129
Benefits	511,906	460,606
Travel	232,691	291,438
Information technology	217,989	239,302
Premises and equipment lease	180,172	182,100
Postage and courier	101,077	88,886
Bad debt expense	69,690	703
Telephone	65,904	65,703
Printing	51,476	29,639
Professional fees	48,380	72,355
Office supplies	37,376	36,986
Advertising and public relations	21,256	26,192
Insurance	17,388	10,840
Payroll processing	4,162	3,895
Bank charges	720	1,141
Staff training	-	2,444
	<u>3,913,887</u>	<u>4,111,359</u>
Excess of expenses over revenues before the following	251,918	(234,484)
Provision for severance and vacation pay (note 6)	62,434	61,227
Amortization of deferred contributions - capital (note 8)	(31,305)	(43,982)
Amortization of capital assets	121,132	149,468
Excess of revenues over expenses (expenses over revenues)	<u>99,657</u>	<u>(401,197)</u>
Equity from operations, beginning of year	844,098	1,245,295
<b>Equity from operations, end of year</b>	<b>\$ 943,755</b>	<b>\$ 844,098</b>

# MUNICIPAL ASSESSMENT AGENCY INC.

## STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED MARCH 31, 2005

	2005	2004
Operating activities:		
Excess of revenues over expenses (expenses over revenues)	\$ 99,657	\$ (401,197)
Items not affecting cash:		
Amortization of capital assets	121,132	149,468
Amortization of deferred contributions	(31,305)	(43,982)
Increase in long-term receivable	16,219	26,076
Increase in severance pay accrual	25,986	30,654
Increase (decrease) in vacation pay accrual	(36,215)	16,309
Increase (decrease) in deferred contributions - operating	-	(2,090)
Net change in non-cash working capital balance	(11,498)	66,698
Cash provided by operating activities	183,976	(158,064)
Investing activities:		
Purchase of capital assets	(65,735)	(59,573)
Increase (decrease) in cash position	118,241	(217,637)
Cash position, beginning of year	1,275,121	1,492,758
Cash position, end of year	\$1,393,362	\$1,275,121
Cash is represented by:		
Operating cash	\$ 722,545	\$ 630,290
Severance reserve fund	670,817	644,831
	\$1,393,362	\$1,275,121

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# MUNICIPAL ASSESSMENT AGENCY INC.

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## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2005

### General:

Effective April 2, 1997, the Municipal Assessment Agency Inc. (the "Corporation") was incorporated 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 generally accepted accounting principles 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 are 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%

The Corporation is currently using furniture, equipment and computers provided by the Department. As title to these assets have not been transferred to the Corporation, they have not been recorded in the accounts.

#### (b) Revenue recognition

Government assistance related to acquisition of capital assets is deferred and amortized to income on the same basis as the related capital assets are amortized.

Revenue for the provision of assessment and valuation services is recognized when the services are rendered.

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# MUNICIPAL ASSESSMENT AGENCY INC.

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## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2005

**1. Summary of significant accounting policies (continued):**

**(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.

**2. Accounts receivable:**

	<u>2005</u>	<u>2004</u>
Trade receivables	\$ 252,129	\$ 183,045
Accrued interest	-	2,434
HST recoverable	50,106	24,597
Employee receivable	1,317	-
Allowance for doubtful accounts	<u>(156,217)</u>	<u>(86,545)</u>
	<u>\$ 147,335</u>	<u>\$ 123,531</u>

**3. Long-term receivable**

The Agency has entered into a contract with several of its customers to receive payment on the outstanding amounts over a period from two to four years, provided all future fees are paid on a current basis.

**4. Severance reserve fund:**

The Corporation has segregated funds for the accrued severance pay liability. The segregated funds are held in an interest bearing account at prime less 2%. The Corporation has internally restricted these funds to be used to pay any accrued severance and not to be used in normal business operations.

# MUNICIPAL ASSESSMENT AGENCY INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 20045

**5. Capital assets:**

	<u>2005</u>		<u>2004</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Computer hardware and software	\$ 348,483	\$ 247,177	\$ 101,306	\$ 110,380
Furniture and equipment	164,701	84,041	80,660	58,690
Integrated assessment system	<u>1,101,632</u>	<u>942,282</u>	<u>159,350</u>	<u>227,643</u>
	<u>\$ 1,614,816</u>	<u>\$ 1,273,500</u>	<u>\$ 341,316</u>	<u>\$ 396,713</u>

**6. Severance and vacation pay:**

As at the time of incorporation, the Corporation assumed liabilities for severance pay, vacation and accrued overtime associated with employees transferred to the Corporation resulting in an opening deficit in the amount of \$366,950. During fiscal 2001, an agreement was reached with the province to fund this liability by a payment of \$160,000, which represented the present value of the liability as calculated by management.

The provision for severance and vacation pay consists of the following:

<b>Severance pay</b>	<u>2005</u>	<u>2004</u>
Opening balance	\$ 644,831	\$ 614,177
Current year expense	54,370	44,918
Usage	<u>(28,384)</u>	<u>(14,264)</u>
Closing balance	<u>\$ 670,817</u>	<u>\$ 644,831</u>
<b>Vacation pay</b>	<u>2005</u>	<u>2004</u>
Opening balance	\$ 185,713	\$ 169,403
Current year expense	8,065	16,310
Usage	<u>(44,280)</u>	<u>-</u>
Closing balance	<u>\$ 149,498</u>	<u>\$ 185,713</u>

**7. Deferred Contributions Operating:**

Under a long term service contract credits were deferred and recognized as revenue over the three year life of the contract. As of March 31, 2005 the total amount was recognized.

# MUNICIPAL ASSESSMENT AGENCY INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2005

### 8. Deferred Contributions - Capital:

The Corporation received Government funding in prior years that was deferred for future operating expenses and capital expenditures. During the year, the Corporation recognized the following deferred contributions.

	<u>2005</u>	<u>2004</u>
Opening balance	\$ 109,569	\$ 153,551
Capital contribution recognized	<u>31,305</u>	<u>43,982</u>
Closing balance	<u>\$ 78,264</u>	<u>\$ 109,569</u>



**NEWFOUNDLAND AND LABRADOR  
ARTS COUNCIL**

**FINANCIAL STATEMENTS**

**31 MARCH 2005**





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

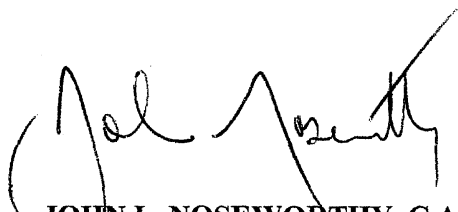
**AUDITOR'S REPORT**

To the Members  
Newfoundland and Labrador Arts Council  
St. John's, Newfoundland and Labrador

I have audited the balance sheet of the Newfoundland and Labrador Arts Council as at 31 March 2005 and the statement of revenues, expenses and deficit for the year then ended. These financial statements are the responsibility of the Council's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at 31 March 2005 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.



**JOHN L. NOSEWORTHY, C.A.**  
**Auditor General**

St. John's, Newfoundland and Labrador  
24 June 2005

**NEWFOUNDLAND AND LABRADOR ARTS COUNCIL  
BALANCE SHEET**

**31 March**

**2005**

**2004**

**ASSETS**

**Current**

Cash	\$ 6,878	\$ 15,460
Short term investments, at cost	883	-
Accounts receivable (Note 2)	70,657	36,865
Prepaid expenses	1,457	1,846
	<u>79,875</u>	<u>54,171</u>

**Capital assets (Note 3)**

- -

<b>Arts Fund assets (Note 4)</b>	<u>140,148</u>	<u>146,933</u>
	<u>\$ 220,023</u>	<u>\$ 201,104</u>

**LIABILITIES AND EQUITY**

**Current**

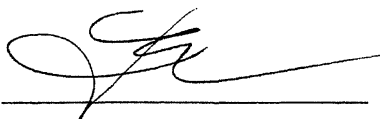
Accounts payable and accrued liabilities	\$ 73,873	\$ 89,126
Deferred revenue (Note 5)	50,000	2,430
	<u>123,873</u>	<u>91,556</u>

**Equity**

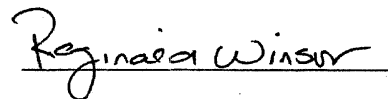
Deficit from operations	(43,998)	(37,385)
Arts Fund (Note 4)	140,148	146,933
	<u>96,150</u>	<u>109,548</u>
	<u>\$ 220,023</u>	<u>\$ 201,104</u>

*See accompanying notes*

Signed on behalf of the Council:



Chairperson



Member

**NEWFOUNDLAND AND LABRADOR ARTS COUNCIL**  
**STATEMENT OF REVENUES, EXPENSES AND DEFICIT**  
**For the Year Ended 31 March**

**2005**

**2004**

	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
<b>REVENUES</b>			
Province of Newfoundland and Labrador grants	\$ 739,700	\$ 739,700	\$ 744,700
Projects (Note 6)	122,637	124,637	327,546
Interest	1,060	2,000	883
	<u>863,397</u>	<u>866,337</u>	<u>1,073,129</u>
<b>EXPENSES</b>			
Grants awarded			
Sustaining grants	250,000	250,000	250,000
Project	236,104	240,000	246,670
Professional Artists Travel Fund grants	9,500	9,000	13,000
Labrador initiative	7,500	7,500	7,500
	<u>503,104</u>	<u>506,500</u>	<u>517,170</u>
Projects (Note 7)	123,537	128,137	345,888
Operating expenses (Note 8)	243,369	233,357	210,535
	<u>870,010</u>	<u>867,994</u>	<u>1,073,593</u>
<b>Excess of expenses over revenues</b>	<b>(6,613)</b>	<b>(1,657)</b>	<b>(464)</b>
<b>Deficit from operations, beginning of year</b>	<b>(37,385)</b>	<b>(37,385)</b>	<b>(36,921)</b>
<b>Deficit from operations, end of year</b>	<b>\$ (43,998)</b>	<b>\$ (39,042)</b>	<b>\$ (37,385)</b>

*See accompanying notes*

**NEWFOUNDLAND AND LABRADOR ARTS COUNCIL**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2005**

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**Authority**

The Newfoundland and Labrador Arts Council (the Council) operates under the authority of the *Arts Council Act* of the Province of Newfoundland and Labrador. The Council has the responsibility of fostering and promoting the study and enjoyment of and the production of works in the arts. The Council consists of twelve members appointed by the Lieutenant-Governor in Council.

**1. Significant accounting policies**

These financial statements have been prepared by the Council's management in accordance with Canadian generally accepted accounting principles. The budget disclosed in these financial statements is presented on a cash basis. The Council does not prepare a statement of cash flows since the changes in cash flows are readily apparent from the other statements. Outlined below is the significant accounting policy followed.

Capital assets

All capital assets are recorded at cost at the time of acquisition. Any contributions received toward the purchase of capital assets are recorded as a reduction in the cost of those assets. The cost of other capital asset additions for which no contributions are received are considered minor and are charged to expenses in the year of acquisition. Capital assets consist of computers and furniture and office equipment. Capital asset purchases over the past few years have been minor and any difference between the amount amortized based upon estimated useful life and that expensed by the Council is not material.

**2. Accounts receivable**

	<u>2005</u>	<u>2004</u>
Due from Province of Newfoundland and Labrador for strategic plan	\$ 50,000	\$ -
Harmonized Sales Tax	19,657	21,865
Other	1,000	15,000
	<hr/> \$ 70,657	<hr/> \$ 36,865

**3. Capital assets**

	<u>2005</u>	<u>2004</u>
Furniture, fixtures and equipment	\$ 83,357	\$ 83,357
Less: Expensed in year of acquisition	(79,442)	(79,442)
Contributions to capital assets	(3,915)	(3,915)
	<hr/> \$ -	<hr/> \$ -

**NEWFOUNDLAND AND LABRADOR ARTS COUNCIL**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2005**

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**4. Arts Fund**

The Arts Fund was created pursuant to Section 9 of the *Arts Council Act*. The principal of the Fund is to be kept intact and only the interest earned on the invested principal may be disbursed, at the discretion of the Council, to foster and promote the study, enjoyment and production of works in the arts. This Fund is comprised of monies received from the Consolidated Revenue Fund of the Province of Newfoundland and Labrador and from gifts and bequests received without terms. Interest earned on the Fund is held in trust in the Fund until it is withdrawn. For the year ended 31 March 2005 interest of \$3,215 (2004 - \$ 4,409) has been earned through investment of the Fund.

The Fund is comprised of monies received from:

	<u>2005</u>	<u>2004</u>
Province of Newfoundland and Labrador	\$ 40,000	\$ 40,000
Gifts and bequests as per Section 12(2) of the <i>Arts Council Act</i>	10,352	10,352
	<u>50,352</u>	<u>50,352</u>
Interest, beginning of year	96,581	92,172
Interest earned	3,215	4,409
Interest used to fund projects	(10,000)	-
Interest, end of year	<u>89,796</u>	<u>96,581</u>
	<u>\$ 140,148</u>	<u>\$ 146,933</u>

At 31 March 2005, the Fund consists of investments of \$64,067, cash of \$56,081 and \$20,000 due to the Fund from general operations. At 31 March 2004, the Fund consisted of investments of \$146,933.

**5. Deferred revenue**

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

	<u>2005</u>	<u>2004</u>
Province of Newfoundland and Labrador grant for strategic plan	\$ 50,000	\$ -
Winterset Award	-	1,823
Arts Smarts	-	607
	<u>\$ 50,000</u>	<u>\$ 2,430</u>

**NEWFOUNDLAND AND LABRADOR ARTS COUNCIL**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2005**

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**6. Revenues - Projects**

	<u>Actual</u>	2005 <u>Budget</u>	2004 <u>Actual</u>
Arts Smarts	\$ 86,457	\$ 86,457	\$ 117,097
Winterset Award	14,823	14,823	13,845
Interest from Arts Fund	10,000	10,000	-
Arts awards	8,500	10,500	6,500
HRSD – Summer Career Placement Program	1,857	1,857	1,860
Larry Jackson Award	500	500	1,000
Rhonda Payne Award	500	500	500
Aliant Cultural Innovations Program	-	-	128,227
Atlantic Scene	-	-	38,500
CEDA Senior Artists Research and Development Program	-	-	18,417
Cultural Human Resources Council Internship	-	-	1,600
	<u>\$ 122,637</u>	<u>\$ 124,637</u>	<u>\$ 327,546</u>

**7. Expenses - Projects**

	<u>Actual</u>	2005 <u>Budget</u>	2004 <u>Actual</u>
Arts Smarts	\$ 79,892	\$ 86,457	\$ 117,097
Arts awards	25,965	24,000	24,842
Winterset Award	14,823	14,823	13,845
HRSD – Summer Career Placement Program	1,857	1,857	1,860
Larry Jackson Award	500	500	1,000
Rhonda Payne Award	500	500	500
Aliant Cultural Innovations Program	-	-	128,227
Atlantic Scene	-	-	38,500
CEDA Senior Artists Research and Development Program	-	-	18,417
Cultural Human Resources Council Internship	-	-	1,600
	<u>\$ 123,537</u>	<u>\$ 128,137</u>	<u>\$ 345,888</u>

**NEWFOUNDLAND AND LABRADOR ARTS COUNCIL**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2005**

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**8. Operating expenses**

	2005		2004
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
Salaries and employee benefits	\$ 190,335	\$ 181,000	\$ 165,126
Travel and Council meetings	16,446	17,000	13,953
Office and postage	16,218	15,800	11,428
Project evaluating fees	8,633	8,500	8,922
Miscellaneous	4,175	3,757	3,587
Telephone	3,566	3,500	2,945
Professional services	2,100	1,800	1,800
Advertising	1,896	2,000	2,774
	<hr/> \$ 243,369	<hr/> \$ 233,357	<hr/> \$ 210,535

**9. Related party transactions**

The Council leases office space from the Province of Newfoundland and Labrador at an annual rate of \$1.

**10. Operating lease obligation**

A photocopier has been leased for a five year term commencing 1 November 2002. Future minimum lease payments over the next 3 years are as follows:

2006	\$4,422
2007	\$4,422
2008	\$3,316

**11. Pensions**

Council staff are subject to the *Public Service Pensions Act*. Employee contributions are matched by the Council 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 Council's share of pension contributions for 2005 was \$11,428 (2004 - \$9,757).

**12. Economic dependence**

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

**NEWFOUNDLAND AND LABRADOR ARTS COUNCIL**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2005**

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**13. Financial instruments**

The Council's financial instruments recognized on the balance sheet consist of cash, short-term investments, accounts 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.

**14. Income taxes**

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

**15. Accounting change**

During the year the Council commenced recording accrued vacation pay for its employees. This accounting change was applied retroactively with the Council's 2004 financial statements, as previously reported, being amended to reflect the impact of the change. As a result, accounts payable and accrued liabilities as previously reported has increased and surplus from operations has decreased, both by \$38,952, and operating expenses and excess of expenses over revenues have both decreased by \$10,974.

**16. Comparative figures**

Certain comparative figures have been reclassified to conform with the current year's presentation.





**Newfoundland and Labrador Centre for  
Health Information  
Financial Statements  
March 31, 2005**

**Grant Thornton **

Grant Thornton LLP  
Chartered Accountants  
Management Consultants

## Auditors' Report

### To the Directors of the Newfoundland and Labrador Centre for Health Information

We have audited the statement of financial position of the **Newfoundland and Labrador Centre for Health Information** at March 31, 2005 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Centre's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Newfoundland and Labrador Centre for Health Information as at March 31, 2005 and the results of its operations and its cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

*Grant Thornton LLP*

St. John's, Newfoundland  
June 30, 2005

Grant Thornton LLP  
Chartered Accountants

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**Newfoundland and Labrador Centre for  
Health Information**  
**Statements of Operations and Changes in Net Assets**

Year Ended March 31 2005 2004

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Revenue		
Government grants	\$ 1,924,319	\$ 1,591,400
Canada Health Infoway	2,884,360	1,978,658
Research funding	408,307	229,066
Other	350,138	71,004
Amortization of deferred capital contributions	<u>1,950,329</u>	<u>1,546,885</u>
	<u>7,517,453</u>	<u>5,417,013</u>
Expenditure		
Advertising	1,770	798
Consulting fees	2,596,431	1,624,010
Contract services	1,000	-
Data communications	132,400	40,163
Depreciation	1,857,261	1,526,433
Meetings	575	1,205
Miscellaneous	3,489	10,027
Office supplies	80,518	117,800
Professional fees	4,368	10,912
Rent	122,462	115,199
Salaries and benefits	2,145,859	1,489,376
Software maintenance	118,159	221,857
Telephone	42,607	31,566
Training	16,423	16,476
Travel	<u>190,652</u>	<u>113,335</u>
	<u>7,313,974</u>	<u>5,319,157</u>
Excess of revenue over expenditure	<u>\$ 203,479</u>	<u>\$ 97,856</u>
<hr/>		
Net assets, beginning of year	\$ 576,144	\$ 478,288
Excess of revenue over expenditure	<u>203,479</u>	<u>97,856</u>
Net assets, end of year	<u>\$ 779,623</u>	<u>\$ 576,144</u>

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See accompanying notes to the financial statements.

**Newfoundland and Labrador Centre for  
Health Information  
Statement of Financial Position**

March 31 2005 2004

**Assets**

Current

Cash and cash equivalents	\$ -	\$ 3,320
Receivables (Note 3)	<u>1,765,670</u>	<u>1,710,766</u>
	1,765,670	1,714,086

Capital assets (Note 4)	<u>1,423,707</u>	<u>2,148,683</u>
	<u>\$ 3,189,377</u>	<u>\$ 3,862,769</u>

**Liabilities**

Current

Payables and accruals (Note 5)	\$ 203,430	\$ 381,122
Deferred capital contributions (Note 6)	746,918	859,026
Deferred revenue	<u>629,994</u>	<u>370,965</u>
	1,580,342	1,611,113

Deferred capital contributions (Note 6)	623,978	1,521,501
Accrued severance pay	<u>205,434</u>	<u>154,011</u>
	2,409,754	3,286,625

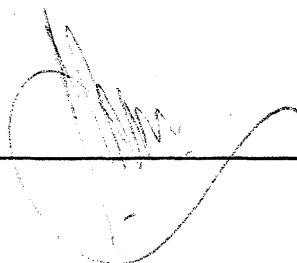
**Net Assets**

Net assets	<u>779,623</u>	<u>576,144</u>
	<u>\$ 3,189,377</u>	<u>\$ 3,862,769</u>

Commitments (Note 8)

On behalf of the Board

 Director

 Director

See accompanying notes to the financial statements.

Grant Thornton 

# Newfoundland and Labrador Centre for Health Information Statement of Cash Flows

Year Ended March 31

2005

2004

Increase (decrease) in cash and cash equivalents

**Operating activities**

Excess of revenue over expenditure	\$ 203,479	\$ 97,856
Items not requiring a cash outlay		
Depreciation	1,857,261	1,526,433
Amortization of deferred capital contributions	(1,950,329)	(1,546,885)
Increase in severance pay accrual	<u>51,423</u>	<u>14,415</u>
	<b>161,834</b>	<b>91,819</b>

Change in non-cash operating working capital (Note 7)	<u>26,433</u>	<u>(562,214)</u>
---	---------------	------------------

Cash provided by (used in) operating activities	<u>188,267</u>	<u>(470,395)</u>
---	----------------	------------------

**Financing activities**

Capital contributions	1,077,806	480,973
Decrease in contractual obligations	<u>-</u>	<u>(745,413)</u>

Cash provided by (used in) financing activities	<u>1,077,806</u>	<u>(264,440)</u>
---	------------------	------------------

**Investing activities**

Receivables - capital	-	1,264,961
Transfer to Department of Health and Community Services	(137,108)	(20,261)
Purchase of capital assets	<u>(1,132,285)</u>	<u>(506,545)</u>

Cash (used in) provided by investing activities	<u>(1,269,393)</u>	<u>738,155</u>
---	--------------------	----------------

(Decrease) increase in cash and cash equivalents	<b>(3,320)</b>	<b>3,320</b>
--	----------------	--------------

Cash and cash equivalents

Beginning of year	<u>3,320</u>	<u>-</u>
-------------------	--------------	----------

End of year	<u>\$ -</u>	<u>\$ 3,320</u>
-------------	-------------	-----------------

See accompanying notes to the financial statements.

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# Newfoundland and Labrador Centre for Health Information

## Notes to the Financial Statements

March 31, 2005

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### 1. Nature of operations

The Newfoundland and Labrador Centre for Health Information (the Centre) was established on August 22, 1997 to lead the development of a provincial Health Information Network, to promote information standards, and capture and analyze relevant health statistics in Newfoundland and Labrador. The Centre was formed to implement the recommendations of the Health System Information Task Force, including the Management Information Systems Project, which was administered by the Newfoundland and Labrador Health and Community Services Association.

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### 2. Summary of significant accounting policies

These financial statements have been prepared within the framework of Canadian generally accepted accounting principles, the more significant of which are as follows:

#### Basis of accounting

These financial statements include only the assets, liabilities, revenues and expenditures relating to the operations carried on under the name of Newfoundland and Labrador Centre for Health Information.

#### Use of estimates

In preparing the Centre'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 reported amounts of revenue and expenditure during the year. Actual results could differ from these estimates.

#### Revenue recognition

Government grants are recognized in the period in which entitlement arises. Revenue received for a future period is deferred until that future period and is reflected as deferred revenue. Revenue from research and other contracts is recognized as the related expenditures are incurred.

#### Administrative expenditures

The Centre is administered by contractual employees, salaried employees and employees seconded from and paid by the provincial Department of Health and Community Services. Administrative expenditures related to the Centre which are paid through the Department of Health and Community Services are not reflected in these statements.

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# Newfoundland and Labrador Centre for Health Information

## Notes to the Financial Statements

March 31, 2005

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

#### Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks.

#### Depreciation

Rates and basis of depreciation applied to write off the cost of capital assets over their estimated lives are as follows:

Computer equipment	20%, straight line
Office furniture	15%, straight line
Computer software	33%, straight line
Unique Personal Identifier	33%, straight line
Pharmacy Network	33%, straight line

#### 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.

#### Capital contributions

Capital contributions are recorded as deferred contributions and amortized to income on a straight line basis using the same rates as depreciation expense related to the capital assets purchased.

#### Severance pay

Severance pay is accounted for on an accrual 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 continual service, and accordingly no provision has been made in accounts for employees with less than nine years of continual service. As well, no provision has been made for contractual employees and employees seconded from the provincial Department of Health and Community Services. Severance pay is payable when the employee ceases employment with the Centre.

#### Pension costs

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



# Newfoundland and Labrador Centre for Health Information

## Notes to the Financial Statements

March 31, 2005

3. Receivables		2005	2004
Government of Newfoundland and Labrador		\$ 141,923	
Health Care Corporation of St. John's		382,577	\$ 38,124
Canada Health Infoway		425,017	1,537,763
Harmonized sales tax		635,748	-
Other		180,405	134,879
		<u>\$ 1,765,670</u>	<u>\$ 1,710,766</u>

4. Capital assets		2005	2004	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Computer equipment	\$ 822,475	\$ 550,778	\$ 271,697	\$ 324,434
Office furniture	73,948	53,065	20,883	24,862
Computer software	1,372,451	539,700	832,751	233,258
Unique Personal Identifier	3,401,478	3,370,939	30,539	1,038,332
Pharmacy Network	787,757	519,920	267,837	527,797
	<u>\$6,458,109</u>	<u>\$ 5,034,402</u>	<u>\$ 1,423,707</u>	<u>\$ 2,148,683</u>

5. Payables and accruals		2005	2004
Trade and sundry		\$ 52,218	\$ 286,183
Vacation and compensatory pay		151,212	94,939
		<u>\$ 203,430</u>	<u>\$ 381,122</u>

6. Deferred capital contributions		2005	2004
Current			
Opening balance		\$ 859,026	\$ 875,048
Capital contributions		1,077,806	480,973
Transfer to Department of Health and Community Services		(137,108)	(20,261)
Purchase of capital assets		<u>(1,052,806)</u>	<u>(476,734)</u>
Ending balance		<u>\$ 746,918</u>	<u>\$ 859,026</u>
Long term			
Opening balance		\$ 1,521,501	\$ 2,591,652
Purchase of capital assets		1,052,806	476,734
Amortization of deferred contributions		<u>(1,950,329)</u>	<u>(1,546,885)</u>
Ending balance		<u>\$ 623,978</u>	<u>\$ 1,521,501</u>

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# Newfoundland and Labrador Centre for Health Information

## Notes to the Financial Statements

March 31, 2005

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7. Supplemental cash flow information	<u>2005</u>	<u>2004</u>
Change in non-cash operating working capital		
Receivables	\$ (54,904)	\$ (848,291)
Payables and accruals	(177,692)	95,112
Deferred revenue	<u>259,029</u>	<u>190,965</u>
	<u>\$ 26,433</u>	<u>\$ (562,214)</u>

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### 8. Commitments

The Centre is committed under an operating lease agreement for the rental of office space to make annual payments as follows: 2006 - \$122,218; and 2007 - \$91,664.

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### 9. Financial instruments

The Centre's primary financial instruments recognized in the statement of financial position consist of receivables, payables and accruals, deferred capital contributions, deferred revenue, contractual obligations and accrued severance pay. The carrying value of the primary financial instruments of the Centre approximate fair value due to the normal trade credit terms and conditions of those instruments.



**NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY**  
**NEWFOUNDLAND AND LABRADOR CROP INSURANCE FUND**  
**FINANCIAL STATEMENTS**  
**31 MARCH 2005**



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

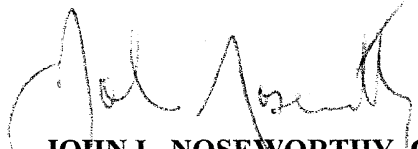
**AUDITOR'S REPORT**

To the Board of Directors  
Newfoundland and Labrador Crop Insurance Agency  
Corner Brook, Newfoundland and Labrador

I have audited the balance sheet of the Newfoundland and Labrador Crop Insurance Agency, Newfoundland and Labrador Crop Insurance Fund as at 31 March 2005 and the statement of revenues, expenses and deficit for the year then ended. These financial statements are the responsibility of the Agency's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Newfoundland and Labrador Crop Insurance Agency, Newfoundland and Labrador Corp Insurance Fund as at 31 March 2005 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

  
**JOHN L. NOSEWORTHY, C.A.**  
**Auditor General**

St. John's, Newfoundland and Labrador  
23 June 2005

**NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY  
 NEWFOUNDLAND AND LABRADOR CROP INSURANCE FUND  
 BALANCE SHEET**

31 March

2005

2004

**ASSETS**

**Current**

Cash	\$ 89,771	\$ 80,506
Accounts receivable (Note 2)	4,409	2,691
	<u>\$ 94,180</u>	<u>\$ 83,197</u>

**LIABILITIES AND EQUITY**

**Current**

Accounts payable and accrued liabilities (Note 3)	\$ 950	\$ 1,816
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**Equity**

Contributions – Province of Newfoundland and Labrador	280,000	280,000
Deficit	(186,770)	(198,619)
	<u>93,230</u>	<u>81,381</u>
	<u>\$ 94,180</u>	<u>\$ 83,197</u>

*See accompanying notes*

Signed on behalf of the Board:

C McDonald  
Chair

[Signature]  
Member

**NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY  
NEWFOUNDLAND AND LABRADOR CROP INSURANCE FUND  
STATEMENT OF REVENUES, EXPENSES AND DEFICIT**

**For the Year Ended 31 March**

**2005**

**2004**

**REVENUES**

Government of Canada (Note 4)	\$ 156,671	\$ 196,707
Province of Newfoundland and Labrador (Note 4)	104,448	131,137
Premiums from insured persons	20,823	8,328
Appeal administration fee	-	200
	<b>281,942</b>	<b>336,372</b>

**EXPENSES**

Administration (Note 5)		
Arbitration expenses	1,411	-
Bank charges	67	9
Board expenses	1,669	1,604
Equipment	-	1,421
Professional services	1,250	1,200
Purchased services	3,786	7,546
Refund of appeal fee	200	25
Salaries and employee benefits	140,579	156,826
Supplies	7,080	10,141
Transportation and communications	21,785	19,072
	<b>177,827</b>	<b>197,844</b>
Indemnity claims	<b>92,266</b>	<b>61,111</b>
	<b>270,093</b>	<b>258,955</b>
<b>Excess of revenues over expenses</b>	<b>11,849</b>	<b>77,417</b>
<b>Deficit, beginning of year</b>	<b>(198,619)</b>	<b>(276,036)</b>
<b>Deficit, end of year</b>	<b>\$ (186,770)</b>	<b>\$ (198,619)</b>

*See accompanying notes*

**NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY**  
**NEWFOUNDLAND AND LABRADOR CROP INSURANCE FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 MARCH 2005**

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**Authority**

The Newfoundland and Labrador Crop Insurance Agency (the Agency) operates under the authority of the *Crop Insurance Act*. The purpose of the Agency is to operate the Newfoundland and Labrador Crop Insurance Fund which provides insurance to farmers of the Province through restricting the amount of financial loss due to crop failure. 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 Newfoundland and Labrador Crop Insurance Fund.

**1. Significant accounting policies**

These financial statements have been prepared by the Agency's management in accordance with Canadian generally accepted accounting principles. The Agency does not prepare a statement of cash flows since the changes in cash flows are readily apparent from the other statements.

**2. Accounts receivable**

	<u>2005</u>	<u>2004</u>
Province of Newfoundland and Labrador	\$ 1,217	\$ 1,816
<u>Premiums from insured persons</u>	<u>6,247</u>	<u>3,930</u>
	7,464	5,746
<u>Less: allowance for doubtful accounts</u>	<u>3,055</u>	<u>3,055</u>
	<u>\$ 4,409</u>	<u>\$ 2,691</u>

**3. Accounts payable and accrued liabilities**

	<u>2005</u>	<u>2004</u>
Premiums overpayment	\$ -	\$ 866
<u>Province of Newfoundland and Labrador</u>	<u>950</u>	<u>950</u>
	<u>\$ 950</u>	<u>\$ 1,816</u>



**NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY**  
**NEWFOUNDLAND AND LABRADOR CROP INSURANCE FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 MARCH 2005**

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**4. Premium contributions and administration expenditures**

Under an agreement with the Government of Canada, the Province of Newfoundland and Labrador recovers 60% of the total government contribution for premiums and administration expenses.

	<u>2005</u>	<u>2004</u>
Province of Newfoundland and Labrador		
Premiums contributions	\$ 33,317	\$ 52,013
Payments for administration	71,131	79,124
	<u>\$ 104,448</u>	<u>\$ 131,137</u>
Government of Canada		
Premiums contributions	\$ 49,975	\$ 78,021
Payments for administration	106,696	118,686
	<u>\$ 156,671</u>	<u>\$ 196,707</u>

**5. Payments on behalf of the Agency for administration**

Agency staff are employees of the Department of Natural Resources. Salaries and other costs of \$177,560 (2004 - \$197,810) applicable to the operation of the Agency have been paid by the Department and are reflected in these financial statements as expenses of the Agency and as revenue in the form of payments made by the Province and the Government of Canada.

**6. Economic dependence**

As a result of the Agency's reliance on Provincial funding to meet its operating costs, the Agency's ability to continue viable operations is dependent upon continued funding from the Province.

**7. Financial instruments**

The Agency's financial instruments recognized on the balance sheet consist of cash, accounts 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. 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 the financial instruments.

**NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY  
NEWFOUNDLAND AND LABRADOR CROP INSURANCE FUND  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 2005**

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**8. Income taxes**

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

**9. Comparative figures**

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



**NEWFOUNDLAND AND LABRADOR  
EDUCATION INVESTMENT CORPORATION**

**FINANCIAL STATEMENTS**

**20 MAY 2005**



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

**AUDITOR'S REPORT**

To the Chairperson and Members  
Newfoundland and Labrador Education  
Investment Corporation  
St. John's, Newfoundland and Labrador

I have audited the balance sheet of the Newfoundland and Labrador Education Investment Corporation as at 20 May 2005 and the statement of revenues, expenses and deficit for the period then ended. These financial statements are the responsibility of the Corporation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at 20 May 2005 and the results of its operations for the period then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink, appearing to read 'John L. Noseworthy'.

**JOHN L. NOSEWORTHY, C.A.**  
**Auditor General**

St. John's, Newfoundland and Labrador  
6 September 2005

**NEWFOUNDLAND AND LABRADOR EDUCATION INVESTMENT CORPORATION  
BALANCE SHEET**

**20 May 2005**

**20 May  
2005**

**31 March  
2004**

**(with comparative figures as at 31 March 2004)**

**ASSETS**

Accounts receivable	\$	-	\$	102,349
Due from related parties		-		254,922
Due from the Province of Newfoundland and Labrador		-		4,000,000
Harmonized Sales Tax receivable		-		726,390
	\$	-	\$	5,083,661

**LIABILITIES AND EQUITY**

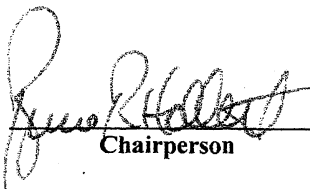
Bank overdraft	\$	-	\$	77,866,459
Accounts payable and accrued liabilities		-		773,794
Advances received from the Department of Education		-		325,749
Holdbacks payable		-		1,192,803
Due to related parties		-		49,852
		-		80,208,657

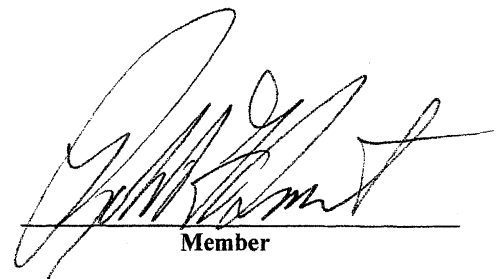
**Equity**

Share capital		-		-
Deficit		-		(75,124,996)
		-		(75,124,996)
	\$	-	\$	5,083,661

*See accompanying notes*

Signed on behalf of the Board:

  
Chairperson

  
Member

**NEWFOUNDLAND AND LABRADOR EDUCATION INVESTMENT CORPORATION**  
**STATEMENT OF REVENUES, EXPENSES AND DEFICIT**

**For the Period Ended 20 May 2005**

**(with comparative figures for the year ended 31 March 2004)**

	2005	2004
<b>REVENUES</b>	<b>\$ 218</b>	<b>\$ -</b>
<b>EXPENSES</b>		
Administration	480,982	505,445
Bank charges	2,167,482	2,313,444
Funded initiatives	14,790,084	22,408,098
	<b>17,438,548</b>	<b>25,226,987</b>
<b>Excess of expenses over revenues</b> <b>before transfer from the Province</b>	<b>(17,438,330)</b>	<b>(25,226,987)</b>
<b>Transfer from the Province (Note 2)</b>	<b>22,035,900</b>	<b>11,618,100</b>
<b>Excess of revenues over expenses (expenses over revenues)</b>	<b>4,597,570</b>	<b>(13,608,887)</b>
<b>Additional transfer from the Province for dissolution (Note 3)</b>	<b>70,527,426</b>	<b>-</b>
<b>Deficit, beginning of year</b>	<b>(75,124,996)</b>	<b>(61,516,109)</b>
<b>Deficit, end of year</b>	<b>\$ -</b>	<b>\$ (75,124,996)</b>

*See accompanying notes*

**NEWFOUNDLAND AND LABRADOR EDUCATION INVESTMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**20 May 2005**

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**Authority**

The Newfoundland and Labrador Education Investment Corporation (the Corporation) was incorporated on 27 March 1998 under the *Corporations Act* of the Province of Newfoundland and Labrador. The Province holds 100% of the issued common shares. The affairs of the Corporation are managed by a board of directors (the Board) appointed by the Lieutenant-Governor in Council. All Board members are full-time employees of the Province of Newfoundland and Labrador.

The objective of the Board was to provide funds to school boards and others for the construction, renovation, extension and equipping of educational facilities in the Province and to carry out other business or objectives as directed by the Lieutenant-Governor in Council.

As directed by Government, the Department of Education assumed the Corporation's objectives as of 31 March 2005 and instructed the Board to dissolve the Corporation (dissolution date 20 May 2005). In April 2005, the Board approved the extension of the fiscal year end from 31 March 2005 to 20 May 2005. As a result, these financial statements represent the Corporation's final financial position and results of operations.

**1. Significant accounting policies**

These financial statements have been prepared by the Board's management in accordance with Canadian generally accepted accounting principles. The Corporation does not prepare a statement of cash flows since the changes in cash flows are readily apparent from the other statements.

**2. Related party transactions**

During the period, a non-repayable amount of \$22,035,900 (2004-\$11,618,100) was approved by the Government of Newfoundland and Labrador and subsequently transferred to the Corporation.

The Corporation was administered by employees of the Department of Education and the Department of Finance. Projects funded by the Corporation were primarily managed by the Department of Transportation and Works. Costs of administration were paid directly by the departments and reimbursed by the Corporation.

**3. Transfer from the Province/Cessation of business**

On 22 March 2005, Government authorized the Minister of Finance and President of Treasury Board to issue monies to facilitate retiring the debt of the Corporation and to have all assets and liabilities assigned to the Department of Education, with any residual cash paid over to the Consolidated Revenue Fund. On 31 March 2005, cheques were issued in the amount of \$70,737,054 to pay off the line of credit belonging to the Corporation. In April 2005, \$209,628 was deposited into the Consolidated Revenue Fund representing the residual cash balance of the Corporation. This resulted in a net transfer from the Province for dissolution of \$70,527,426. The Corporation ceased doing business on 20 May 2005 and filed for dissolution with the Registry of Companies on 23 August 2005.




**NEWFOUNDLAND AND LABRADOR EDUCATION INVESTMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**20 May 2005**

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**4. 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.

**Newfoundland and Labrador  
Farm Products Corporation  
Financial Statements  
May 31, 2005**

**Grant Thornton **

Grant Thornton LLP  
Chartered Accountants  
Management Consultants

## Auditors' Report

To the Honourable Minister of Natural Resources

We have audited the balance sheet of **Newfoundland and Labrador Farm Products Corporation** at May 31, 2005, and the statements of loss and deficit and cash flows for the fourteen months then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at May 31, 2005, and the results of its operations and its cash flows for the fourteen months then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures for the year ended March 31, 2004 were unaudited and compiled by management. We have not examined, and do not express an opinion on, the financial statements for the year ended March 31, 2004.

*Grant Thornton LLP*

St. John's, Newfoundland  
June 15, 2005

Grant Thornton LLP  
Chartered Accountants

187 Kenmount Road  
St. John's  
Newfoundland and Labrador  
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**Newfoundland and Labrador Farm Products Corporation**

**Statements of Loss and Deficit**

(Note 10)

Fourteen Months Ended May 31

2005

2004

Revenue

Government of Newfoundland and Labrador

Corner Brook grant (Note 7)

\$ 51,661

Gain on sale of property and equipment

\$ 72,647

-

Other

109

1,278

72,756

52,939

Expenses

Corner Brook plant (Note 7)

67,371

72,780

Inventory write down

25,000

-

Depreciation

1,261

1,341

Administrative

729

33

94,361

74,154

Net loss

\$ (21,605)

\$ (21,215)

Deficit, beginning of year

\$(11,972,358)

\$(11,951,143)

Net loss

(21,605)

(21,215)

Deficit, end of year

\$(11,993,963)

\$(11,972,358)

See accompanying notes to the financial statements.

Grant Thornton 

**Newfoundland and Labrador Farm Products Corporation**

**Balance Sheet**

May 31 (Note 10)  
2005 2004

**Assets**

Current

Cash and cash equivalents	\$ 31,011	\$ 16,147
Receivables (Note 4)	7,407	2,487
Inventories (Note 5)	<u>-</u>	<u>25,000</u>
	<b>38,418</b>	43,634

Property and equipment (Note 6)	<u>-</u>	<u>15,571</u>
	<b>\$ 38,418</b>	<b>\$ 59,205</b>

**Liabilities**

Current

Payables and accruals	<b>\$ 6,785</b>	<b>\$ 5,967</b>
-----------------------	-----------------	-----------------

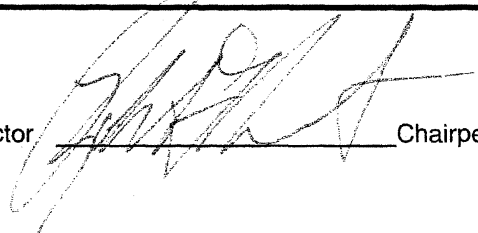
**Surplus**

Contributed surplus	12,025,596	12,025,596
Deficit	<b>(11,993,963)</b>	<b>(11,972,358)</b>
	<u>31,633</u>	<u>53,238</u>
	<b>\$ 38,418</b>	<b>\$ 59,205</b>

On behalf of the Board

 B. L. CA.

Director



Chairperson

See accompanying notes to the financial statements.

Grant Thornton 

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# Newfoundland and Labrador Farm Products Corporation

## Statement of Cash Flows

Fourteen Months Ended May 31

2005

2004

---

Increase (decrease) in cash and cash equivalents

<b>Operating</b>		
Net loss	\$ (21,605)	\$ (21,215)
Depreciation	1,261	1,341
Gain on sale of property and equipment	<u>(72,647)</u>	<u>-</u>
	(92,991)	(19,874)
Change in non-cash operating working capital (Note 8)	<u>20,898</u>	<u>(90,425)</u>
	<u>(72,093)</u>	<u>(110,299)</u>
<b>Investing</b>		
Proceeds on sale of property and equipment	<u>86,957</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	14,864	(110,299)
Cash and cash equivalents		
Beginning of year	<u>16,147</u>	<u>126,446</u>
End of year	<u>\$ 31,011</u>	<u>\$ 16,147</u>

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See accompanying notes to the financial statements.

Grant Thornton 

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# Newfoundland and Labrador Farm Products Corporation

## Notes to the Financial Statements

May 31, 2005

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### 1. Nature of operations

The Corporation is a Provincial Crown Corporation, which operates under the authority of the Farm Products Corporation Act and reports on its operations to the Minister of Natural Resources.

The Corporation is dependent upon the Government of Newfoundland and Labrador ("Government") to fund its annual operating costs.

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### 2. Sale of Corner Brook Facilities

On April 1, 2002 the Corporation entered into a lease with Maple Valley Food Products Limited for the period April 1, 2002 to September 30, 2003 for use of the Corporation's building and equipment. The lease was extended pending a proposal call for sale of these facilities. As a result of the proposal call, all property and equipment of the Corner Brook facility was sold in May 2005 for proceeds of \$86,957.

As a result of the sale, it is the intention of the Corporation to seek approval from Government to wind up the Corporation once all financial matters are concluded.

---

### 3. Summary of significant accounting policies

#### Basis of presentation

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Significant accounting policies are set out below.

#### Use of estimates

In preparing the Corporation'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 reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

#### Operating grants

Operating grants received from Government are normally treated as a reduction of the operating loss for the year. A grant of \$500,000 received in 1998/99 was earmarked towards divestiture and operating activities of the Corner Brook plant beyond April 1, 1999, and was recorded as a deferred grant. A further \$200,000 was provided by Government to the Corporation in 2001/02 to cover costs to September 30, 2003. During the year \$Nil (2004 - \$51,661) (see Note 7) of the deferred grant was used to offset expenditures for the Corner Brook plant.

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# Newfoundland and Labrador Farm Products Corporation

## Notes to the Financial Statements

May 31, 2005

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

#### Depreciation

Rates of depreciation applied to write-off the cost of property and equipment over their estimated lives are as follows:

Buildings	5%, declining balance
Machinery and equipment	20% declining balance and units of production
Office furniture and equipment	20%, declining balance

#### Cash and cash equivalents

Cash and cash equivalents include cash on hand and balance with banks.

#### Inventories

Inventory is valued at net realizable value.

#### Income taxes

The Corporation is a Crown entity and as such is not subject to either federal or provincial income taxes.

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4. Receivables	<u>2005</u>	<u>2004</u>
Harmonized Sales Tax	\$ <u>7,407</u>	\$ <u>2,487</u>

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5. Inventories	<u>2005</u>	<u>2004</u>
Materials and supplies – Corner Brook Plant	\$ <u>-</u>	\$ <u>25,000</u>

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Materials and supplies relate to tools and spare parts for machinery and equipment. These items were sold as part of the sale of property and equipment in May 2005 for proceeds of \$Nil.



# Newfoundland and Labrador Farm Products Corporation

## Notes to the Financial Statements

May 31, 2005

6. Property and equipment	<u>2005</u>	<u>2004</u>
	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ -	\$ 1
Buildings	-	12,930
Machinery and equipment	-	2,584
Office furniture and equipment	-	56
	<u>\$ -</u>	<u>\$ 15,571</u>

### 7. Corner Brook expenses

During 2003/04 the deferred grant was reduced by \$51,661 representing Corner Brook's net expenditures. In addition, during 2003/04 Corner Brook costs totaling \$21,119 were financed from internal financial resources of Newfoundland and Labrador Farm Products, for total net expenditures of \$72,780. As at March 31, 2004, the deferred grant was \$Nil.

Details of Corner Brook net expenditures are as follows:

	<u>2005</u>	<u>2004</u>
Heat and light	\$ 56,282	\$ 48,139
Consulting services	5,746	-
Municipal taxes	2,533	15,579
Office and administration	1,810	1,514
Audit fees	1,000	2,000
Insurance	-	11,072
	<u>67,371</u>	<u>78,304</u>
Corner Brook share of interest revenue	-	(4,024)
Over estimate of termination benefits	-	(1,500)
	<u>\$ 67,371</u>	<u>\$ 72,780</u>

---

# Newfoundland and Labrador Farm Products Corporation

## Notes to the Financial Statements

May 31, 2005

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<b>8. Supplemental cash flow information</b>	<b><u>2005</u></b>	<b>2004</b>
Change in non-cash operating working capital		
Receivables	\$ (4,920)	\$ 7,893
Inventories	25,000	-
Payables and accruals	818	(46,657)
Deferred grant	<u>-</u>	<u>(51,661)</u>
	<b><u>\$ 20,898</u></b>	<b><u>\$ (90,425)</u></b>

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### **9. Financial instruments**

Fair values of financial instruments are disclosed in the notes to the financial statements when they differ from the carrying amounts. Where amounts receivable and payable are subject to normal credit terms, their carrying amount is used as an approximation of their fair values.

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### **10. Comparative figures**

The prior year comparative figures are for the 12 months ended March 31, 2004.



**Newfoundland and Labrador Film  
Development Corporation**

**Financial Statements**

**March 31, 2005**

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**Auditors' Report**

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To the Board  
Newfoundland and Labrador Film Development Corporation

We have audited the balance sheet of Newfoundland and Labrador Film Development Corporation as at March 31, 2005 and the statement of operations, surplus, cash flow and schedule of receipts and commitments - Equity Investment Program for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Note 1 describes the accounting policies used with respect to the Corporation's program grants, loans and equity investments and their recoveries, and costs incurred by Provincial government departments for services rendered. In this respect the financial statements are not in accordance with Canadian generally accepted accounting principles.

In our opinion, except for the effects of the failure to record program grants, loans and equity investments and costs incurred by Provincial government departments for services rendered as mentioned in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2005 and the results of its operations and cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

*PINSENT & ASSOCIATES*

**Pinsent & Associates**  
Certified General Accountants

St. John's, NL  
July 4, 2005

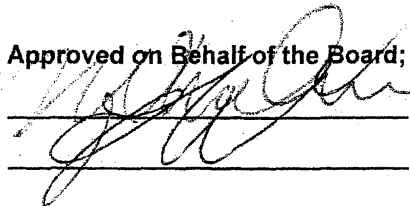
# Newfoundland and Labrador Film Development Corporation

## Balance Sheet

As At March 31, 2005

	Note	2005	2004
<b>Assets</b>			
<b>Current Assets</b>			
Cash		\$ 151,843	\$ 257,911
Short term investments		-	89,898
Accounts receivable, net of allowances		26,655	14,751
Prepaid		8,768	11,030
<b>Total Current Assets</b>		<b>187,266</b>	<b>373,590</b>
Property, plant and equipment	2.	12,545	15,710
<b>Total Assets</b>		<b>\$ 199,811</b>	<b>\$ 389,300</b>
<b>Liabilities and Shareholders' Equity</b>			
<b>Current Liabilities</b>			
Payables and accruals		\$ 36,934	\$ 26,871
Equity investment program payables		39,533	265,578
Holdbacks payable - Equity investment program		111,971	61,026
<b>Total Liabilities</b>		<b>188,438</b>	<b>353,475</b>
<b>Equity</b>			
Share capital	7.	3	3
Surplus - end of year		11,370	35,822
<b>Total Equity</b>		<b>11,373</b>	<b>35,825</b>
<b>Total Liabilities &amp; Equity</b>		<b>\$ 199,811</b>	<b>\$ 389,300</b>

Approved on Behalf of the Board;



# Newfoundland and Labrador Film Development Corporation

## Statement of Operations

For the Year Ended March 31, 2005

	Note	2005	2004
<b>Revenue</b>			
Canada-Newfoundland Comprehensive Economic Development Agreement (CEDA)		\$ -	\$ 550,000
Atlantic Canada Opportunities Agency - Business Development Program (BDP)		420,000	-
Provincial Government - Department of Tourism, Culture and Recreation		180,000	-
HST rebate		-	32,845
Film Pro-expense reimbursement		-	3,953
Interest income		1,573	231
<b>Total revenue</b>		<b>601,573</b>	<b>587,029</b>
<b>Operating expenses</b>			
Advertising and promotion		1,142	2,249
Conferences and travel	8.	102,882	96,213
Amortization of tangible assets		4,228	5,108
Guest productions		-	7,006
Office administration		96,384	91,766
Printed materials		1,863	1,544
Professional fees		12,830	29,540
Promotional and publications		14,567	37,009
Salaries and wages		326,802	260,276
Sponsorships	9.	41,427	50,805
Miscellaneous expense		3,950	-
<b>Total operating expenses</b>		<b>606,075</b>	<b>581,516</b>
<b>Net (Loss)Income</b>		<b>\$ (4,502)</b>	<b>\$ 5,513</b>

# Newfoundland and Labrador Film Development Corporation

## Statement of Surplus

For the Year Ended March 31, 2005

	Note	2005	2004
Surplus - beginning of year	\$	35,822	\$ 19,523
Net income (loss)		(4,502)	5,511
Excess of receipts over commitments (commitments over receipts) - Equity Investment Program (EIP) - Schedule of Receipts and Commitments		(19,950)	10,788
<b>Surplus - end of year</b>	<b>\$</b>	<b>11,370</b>	<b>\$ 35,822</b>



# Newfoundland and Labrador Film Development Corporation

## Statement of Cash Flow

For the Year Ended March 31, 2005

	Note	2005	2004
<b>Cash flow from operating activities</b>			
Net income (loss) for the period	\$	(4,502)	\$ 5,511
Excess of receipts over commitments (commitments over receipts)		(19,950)	10,788
Amortization		4,228	5,108
		(20,224)	21,407
<b>Changes in non-cash working capital balances</b>			
Decrease (increase) in accounts receivable		(11,904)	14,091
Accounts payable and accrued liabilities		(165,036)	178,247
Decrease (increase) in prepaid expense		2,262	(1,050)
<b>Total cash flow from operating activities</b>		<b>(194,902)</b>	<b>212,695</b>
<b>Cash flows from/used in investing activities</b>			
Property, plant and equipment additions		(1,064)	(2,495)
Net increase in cash and cash equivalents		(195,966)	210,200
Net cash and cash equivalents, beginning of period		347,809	137,609
<b>Net cash and cash equivalents, end of period</b>	\$	<b>151,843</b>	\$ 347,809
Cash and cash equivalents consist of the following:			
Cash	\$	151,843	\$ 257,911
Short term investments		-	89,898
<b>Cash and cash equivalents</b>	\$	<b>151,843</b>	\$ 347,809

# Newfoundland and Labrador Film Development Corporation

## Notes to the Financial Statements

March 31, 2005

### 1. Accounting Policies

#### Basis of preparation

The accounting policies of the Corporation are in accordance with Canadian generally accepted accounting principles applied on a basis consistent with that of the preceding year except for policies relating to program grants, loans and equity investments. Outlined below are those policies considered particularly significant.

#### Nature of operations

The Corporation is incorporated under the laws of the Province of Newfoundland and Labrador. Its primary purpose is to promote the development of, and to stimulate employment and investment in, the Newfoundland film and video industry by providing financial and other assistance.

The Corporation has been designated by the Province's Finance Minister to administer the Newfoundland Film Tax Credit Program, including registration of productions, review of tax credit applications and recommendations to the Department of Finance.

The Corporation is exempt from paying income taxes under Section 149 of the Canadian Income Tax Act.

#### Measurement uncertainty

The preparation of 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 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 and may have impact on future periods.

#### Fair values

The company has determined that the estimated fair value of the financial assets and liabilities do not differ considerably from their book value.

#### Amortization

Property, plant and equipment is carried at cost. Amortization is provided annually at rates indicated, calculated to write off the assets over their useful lives, except in the year of acquisition when one-half of the rate is used.

#### Program grants, loans and equity investments

Program grants, loans and equity investments are charged to current expenditures as disbursed. Recoveries derived from equity investments are recorded as revenue when received. Recoveries of project development loans are offset against expenditures when received.

Cost incurred by Provincial government departments providing certain services to the Corporation are not reflected in these statements.

# Newfoundland and Labrador Film Development Corporation

## Notes to the Financial Statements

March 31, 2005

### 2. Property, Plant and Equipment

Property, plant and equipment consists of the following:

			2005		2004
		Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	30%	\$ 32,395	\$ (26,372)	\$ 6,023	\$ 8,052
Furniture & fixtures	20%	21,275	(14,753)	6,522	7,468
Computer software	100%	378	(378)	-	190
<b>Total</b>		<b>\$ 54,048</b>	<b>\$ (41,503)</b>	<b>\$ 12,545</b>	<b>\$ 15,710</b>

### 3. Equity Investments

Production assistance in the form of equity investment is provided to eligible producers for the financing of productions that will provide employment and economic benefits to Newfoundlanders and Labradorians. Equity investments are made with the condition of repayment through participation in revenue generated by projects. Revenue is recorded as received.

The total of these equity investments of the Corporation to March 31, 2005 was \$5,646,230; (2004 - \$4,136,549; 2003 - \$3,516,975; 2002 - \$2,584,797; 2001 - \$1,770,781; 2000 - \$662,506).

Recoupment of \$43,246 had been received to March 31, 2005.

### 4. Project Development Loans

The Corporation provides loans to qualified applicants to support the process of film and video development that takes an idea through the stages of research, writing, market analysis and costing. This work must precede the completion of production financing arrangements. Support for the development of a project does not necessarily imply support for a production. All project development loans are charged to current expenditures when disbursed.

Project development loans are interest free and are to be repaid on the earlier of the first day of principal photography or on the optioning, sale, or transfer of the property to a third party. Total development loans to March 31, 2005 were \$1,303,367; (2004 - \$1,124,214; 2003 - \$749,542; 2002 - \$509,756; 2001 - \$323,342; 2000 - \$179,393).

### 5. Commitments

Because of the lead times required to obtain all the resources necessary to complete film and video productions, the Corporation approves applications for funding which will not result in program disbursements until subsequent fiscal periods.

As at March 31, 2005, the Corporation was contractually committed to advance funds totaling \$759,683 from the Equity Investment Program as investments and loans in respect of current and future projects.

The Corporation has entered into a one-year rental agreement with Imperial House Inc. commencing May 1, 2005.

# Newfoundland and Labrador Film Development Corporation

## Notes to the Financial Statements

March 31, 2005

### 6. Economic Dependence

The Corporation is economically dependant on the Federal and Provincial governments for annual funding.

### 7. Shareholders' Equity

Authorized:

600 common shares of no par value

Issued and outstanding shares:

600 common shares

	2005	2004
Common shares	\$ 3	\$ 3

### 8. Conferences and Travel

Financial contributions (reimbursements) received from Industry Canada (under the Trade Routes Program) were applied against conference and travel expenses. The composition of these expenses and financial contributions are as follows:

	2005	2004
Conferences and travel	\$ 112,523	\$ 96,213
Less: Reimbursements from Industry Canada	(9,641)	-
Net Conference and Travel Expenses	<u>\$ 102,882</u>	<u>\$ 96,213</u>

### 9. Sponsorships

Financial contributions (reimbursements) received from Atlantic Canada Film Partners (ACFP) were applied against sponsorship expenses. The composition of these expenses and financial contributions are as follows:

	2005	2004
Sponsorships	\$ 66,924	\$ 100,902
Less: Reimbursements from ACFP	(25,496)	(50,097)
Net Sponsorship Expenses	<u>\$ 41,427</u>	<u>\$ 50,805</u>

### 10. Financial Instruments

The Corporation's financial instruments consist of receivables, accounts payable, equity investment payables, holdback payables, and commitments. Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest, currency, or credit risk arising from these financial instruments. The fair value of the instruments approximates their carrying values, unless otherwise noted.

# Newfoundland and Labrador Film Development Corporation

Notes to the Financial Statements

March 31, 2005

## 11. Comparative Figures

Prior year figures have been reclassified where applicable to conform with the current year presentation and these figures were prepared by another auditor.

# Newfoundland and Labrador Film Development Corporation

## Schedule of Receipts and Commitments - Equity Investment Program

For the Year Ended March 31, 2005

	Note	2005	2004
<b>Receipts:</b>			
Government Funding	Equity Investment Program	1,500,000	1,000,000
Recoupment	Equity Investment Program	18,399	15,024
<b>Reduction of funding:</b>			
Red Door Films Inc.	Red Door	89,045	-
<b>Funding which has lapsed:</b>			
Best Boy Productions Inc.	Deaf Defying	18,000	-
Factory Lane Productions Inc.	The Karluk	8,000	-
Rink Rat Productions Inc.	A Woman Between Two Islands	6,880	-
Rink Rat Productions Inc.	Dark Tickle	9,315	-
Springwater Productions Inc.	Mina Hubbards Way	23,000	-
Upskydown Films	Heber Peach	10,380	-
		<b>1,683,019</b>	<b>1,015,024</b>
<b>Current year commitments:</b>			
2M Innovative Inc.	Hatching Matching & Dispatching	212,735	5,570
Above and Beyond Inc.	Above and Beyond	151,222	-
Alpha Productions Inc.	Boys From the Fringe	300	72,179
Augusta Productions Inc.	Pleasant Street	-	29,500
Augusta Productions Inc.	Duckworth	-	11,440
Best Boy Productions Inc.	Deaf Defying	-	18,000
Dark Flowers Productions Inc.	Hospital City	-	54,000
Edge of the Earth Productions Inc.	Letters to Eliza	-	3,766
Edge of the Earth Productions Inc.	Traces	11,412	-
Factory Lane Productions Inc.	A Life in Pictures	-	5,276
Factory Lane Productions Inc.	Girl Culture	20,250	-
Factory Lane Productions Inc.	Romancing the Labrador	-	7,814
Factory Lane Productions Inc.	The Karluk	-	8,000
Fire Crown Productions Inc.	Laughtershock	-	7,200
Fire Crown Productions Inc.	The Elsie Holloway Story	-	4,500
Fire Crown Productions Inc.	Face of the Beothucks	-	11,880
Fire Crown Productions Inc.	Stealing Mary	89,000	-
George Street TV Productions	George Street TV	54,929	-
Girl Culture Inc.	Girl Culture	40,500	-
Going the Distance Inc.	Going the Distance	-	157,000
Jim Byrd Productions Inc.	Colony of Unrequited Dreams	-	18,000

# Newfoundland and Labrador Film Development Corporation

## Schedule of Receipts and Commitments - Equity Investment Program

For the Year Ended March 31, 2005

	Note	2005	2004
<b>Current year commitments (cont'd)</b>			
Kickham East Productions Inc.	Crackie	11,100	-
Kickham East Productions Inc.	Rabbittown	12,408	-
Kickham East Productions Inc.	The Boughwolfen	-	8,160
Kickham East Productions Inc.	The Bread Maker	-	15,000
Kickham East Productions Inc.	The Adventures of Cookie Clowe	-	4,127
Kickham East Productions Inc.	Come Hell or High Water	-	7,000
Lazybank Productions	Accordian Voices	7,040	-
Life with Derek Inc.	Life with Derek	750,000	-
Morag Productions Inc.	Dr. Olds of Twillingate	-	19,134
Morag Productions Inc.	Destinies Apart	14,679	69,300
Morag Productions Inc.	Disaster at Sea	15,000	-
Morag Productions Inc.	Love and Savagery	18,284	-
Morag Productions Inc.	Newfoundlanders: on the Edge	-	9,433
Morag Productions Inc.	Surfing in Newfoundland	13,500	-
Nanobody Productions Inc.	Nanobods	16,751	13,200
The NL Motion Picture Plant Ltd.	The Jack Tales	-	9,000
Newfound Films Inc.	Down to the Dirt	6,389	-
Newfound Films Inc.	St. John's, West	-	6,160
Pope Productions Inc.	Above and Beyond	171,457	-
Pope Productions Inc.	Legends and Lore	5,922	-
Pangur Ban Productions Inc.	Reaching Finisterre	-	12,000
Pope Productions Inc.	Media Jam	-	10,000
Pope Productions Inc.	Lots & Man Overboard	-	66,645
Pope Productions Inc.	Atlantic Sound	11,215	-
Pope Productions Inc.	Gander	-	25,671
Pope Productions Inc.	Hey Day	13,457	-
Pope Productions Inc.	Tempting Providence	7,519	-
Quest for the Sea NL Inc.	Quest for the Sea	-	10,000
Red Ochre Productions Inc.	Making Love in St. Pierre	6,825	500
Red Ochre Productions Inc.	Mr. Capone Est Arrive	-	7,000
Rink Rat Productions Inc.	A Woman Between Two Islands	-	6,880
Rink Rat Productions Inc.	The Breaks	-	8,000
Rink Rat Productions Inc.	Dark Tickle	-	9,315

# Newfoundland and Labrador Film Development Corporation

## Schedule of Receipts and Commitments - Equity Investment Program

For the Year Ended March 31, 2005

	Note	2005	2004
<b>Current year commitments (cont'd)</b>			
Rock Island Productions Inc.	Bloomsday Carbareet	-	109,620
Ruby Line Productions Inc.	Raising Rover	-	68,986
Ruby Line Productions Inc.	Girl Culture	-	7,000
Sky Bridge Productions	Ferry Command	11,404	-
Springwater Productions Inc.	Homegown	25,272	-
Springwater Productions Inc.	Jean Claude Roy	4,049	-
Springwater Productions Inc.	Mina Hubbard's Way	-	23,000
Upskydown Films	Heber Peach	-	10,380
Upskydown Films	Secrets Whispered	-	17,600
Zing Studios Inc.	George Street TV	-	37,000
Ruby Line Productions Inc.	Girl Culture	350	-
		<u>1,702,969</u>	<u>1,004,236</u>
Excess of receipts over commitments (commitments over receipts)		<u>\$ (19,950)</u>	<u>\$ 10,788</u>
Closing Balance		<u>\$ (9,389)</u>	<u>\$ 10,561</u>





**NEWFOUNDLAND AND LABRADOR  
HERITAGE CORPORATION**

**FINANCIAL STATEMENT**

**22 APRIL 2005**



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

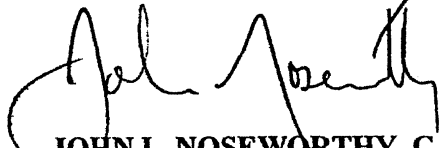
**AUDITOR'S REPORT**

To the Chairperson and Members  
Newfoundland and Labrador Heritage Corporation  
St. John's, Newfoundland and Labrador

I have audited the balance sheet of the Newfoundland and Labrador Heritage Corporation as at 22 April 2005. This financial statement is the responsibility of the Corporation's management. My responsibility is to express an opinion on this financial statement based on my audit.

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

In my opinion, this financial statement presents fairly, in all material respects, the financial position of the Corporation as at 22 April 2005 in accordance with Canadian generally accepted accounting principles.

  
**JOHN L. NOSEWORTHY, C.A.**  
Auditor General

St. John's, Newfoundland and Labrador  
16 May 2005

**NEWFOUNDLAND AND LABRADOR HERITAGE CORPORATION**

**BALANCE SHEET**

22 April 2005

22 April  
2005

31 March  
2004

(with comparative figures as at 31 March 2004)

**ASSETS**

**Current**

Harmonized sales tax receivable	\$	-	\$	789,259
Accrued receivables		-		139,078

- 928,337

<b>Capitalized cost (see Schedule)</b>		-		45,470,986
--	--	---	--	------------

\$ - \$ 46,399,323

**LIABILITIES AND EQUITY**

**Current**

Accounts payable and accrued liabilities	\$	-	\$	593,800
Holdbacks payable		-		636,041
Deferred contribution - Province of Newfoundland and Labrador		-		1,222,855

- 2,452,696

<b>Bank overdraft</b>		-		43,946,627
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- 46,399,323

**Equity**

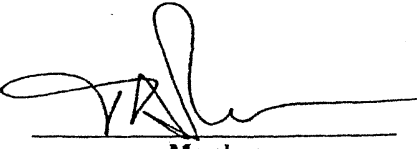
Share capital		-		-
---------------	--	---	--	---

\$ - \$ 46,399,323

*See accompanying notes*

Signed on behalf of the Board:

  
Chairperson

  
Member

**NEWFOUNDLAND AND LABRADOR HERITAGE CORPORATION**  
**NOTES TO FINANCIAL STATEMENT**  
**22 April 2005**

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**Authority**

The Newfoundland and Labrador Heritage Corporation (the Corporation) was incorporated on 23 December 1999 under the *Corporations Act* of the Province of Newfoundland and Labrador. The Province holds the single issued common share. The affairs of the Corporation are managed by a board of directors (the Board) appointed by the Lieutenant-Governor in Council. All board members are full-time employees of the Province of Newfoundland and Labrador.

The objective of the Board was to organize, promote and co-ordinate the design, construction and financing of a facility to accommodate an art gallery, museum and archives ("The Rooms") at St. John's. This objective has been completed and the Corporation was dissolved on 22 April 2005. In April 2005, the Board of Management approved the extension of the fiscal year end from 31 March 2005 to 22 April 2005. As a result, this financial statement represents the Corporation's final financial position. As well, the schedule to the statement reflects the capital cost of "The Rooms" up to cessation of business on 22 April 2005.

**1. Significant accounting policies**

This financial statement has been prepared by the Board's management in accordance with Canadian generally accepted accounting principles. Outlined below is the significant accounting policy followed:

**Capitalization of construction costs**

Capital assets are recorded at cost. Direct construction costs, overhead costs directly attributable to construction and interest costs are capitalized. Amortization is not charged on capitalized work-in-progress.

**Deferred contributions**

The Corporation follows the deferral method with respect to externally restricted contributions.

**2. Transfer to the Province/Cessation of Business**

In March 2005, approval was given by Government to assign any and all outstanding assets and liabilities to the Province, with any residual cash to be paid to the Consolidated Revenue Fund. The Corporation's residual cash balance of \$671 was transferred to the Consolidated Revenue Fund on 12 April 2005. The Corporation ceased doing business on 22 April 2005 and filed for dissolution with the Registry of Companies on that date.

**3. 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.

**4. Comparative figures**

Certain comparative figures have been reclassified to conform with the current year's presentation.

**NEWFOUNDLAND AND LABRADOR HERITAGE CORPORATION**  
**SCHEDULE OF CAPITAL COST UP TO CESSATION OF BUSINESS**

**22 April 2005** **22 April** **31 March**  
**(with comparative figures as at 31 March 2004)** **2005** **2004**

---

**THE ROOMS**

Construction, site preparation and excavation	\$ 38,572,879	\$ 36,705,489
Capitalized interest	3,381,292	2,138,583
Consultant's fees	2,779,236	2,778,716
Exhibitions	2,179,155	1,522,793
Archaeological investigation	1,186,823	1,166,112
Relocation - Seniors centre	626,167	633,875
Project Services - Department of Transportation and Works	569,650	517,381
Administration	8,492	8,037
<b>Total Capitalized Costs</b>	<b>\$ 49,303,694</b>	<b>\$ 45,470,986</b>

During the period 1 April 2004 to 22 April 2005, the Corporation expended \$3.8 million in capitalized costs, which brought the total capitalized cost of "The Rooms" to \$49.3 million (\$45.5 million to 31 March 2004).



**NEWFOUNDLAND AND LABRADOR  
HOUSING CORPORATION**

**FINANCIAL STATEMENTS**

**31 MARCH 2005**





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

## AUDITOR'S REPORT

To the Chairperson and Members  
Newfoundland and Labrador Housing Corporation  
St. John's, Newfoundland and Labrador

I have audited the balance sheet of the Newfoundland and Labrador Housing Corporation as at 31 March 2005 and the statements of revenues, expenses and deficit, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 March 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink, appearing to read 'John L. Noseworthy'.

**JOHN L. NOSEWORTHY, C.A.**  
**Auditor General**

St. John's, Newfoundland and Labrador  
24 June 2005, except as to Note 2 which is as of 4 August 2005

**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**  
**BALANCE SHEET**

**31 March**

**2005**

**2004**

(000's)

(000's)

**ASSETS**

Accounts receivable (Note 3)	\$ 1,337	\$ 1,603
Due from Canada Mortgage and Housing Corporation (CMHC)	53	959
Due from the Province of Newfoundland and Labrador		
- Labrador Housing Programs (Note 4)	6,569	7,266
Inventory and prepaid expenses (Note 5)	3,338	3,184
Mortgages and loans receivable (Note 6)	31,960	37,264
Receivable from municipalities re: land transfers (Note 7)	2,753	2,895
Repossessed units (Note 8)	7	45
Land assemblies (Note 9)	7,952	8,452
Rental properties (Note 10)	227,564	235,615
Capital assets (Note 11)	5,610	5,916

**\$ 287,143**

**\$ 303,199**

**LIABILITIES AND EQUITY**

Bank indebtedness	\$ 2,654	\$ 6,148
Accounts payable and accrued liabilities	7,780	7,274
Due to Canada Lands Corporation (CLC)	58	745
Deferred revenue (Note 12)	945	1,045
Group health and life insurance retirement benefits (Note 13)	9,432	9,179
Capital replacement fund (Note 14)	8,008	7,599
Mortgage insurance fund (Note 15)	3,393	3,407
Mortgages, debentures and similar indebtedness (Note 16)	44,524	51,000
CMHC investment in cost-shared programs (Note 17)	152,503	161,701

**229,297**

**248,098**

**Equity**

Contributed capital - Province of Newfoundland and Labrador (Note 18)	62,861	62,861
Deficit	(5,015)	(7,760)

**57,846**

**55,101**

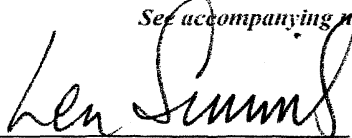
**\$ 287,143**

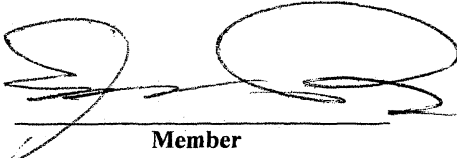
**\$ 303,199**

**Contingent liabilities (Note 19)**

**Commitments (Note 20)**

Signed on behalf of the Board:

*See accompanying notes*  
  
 Chairperson

  
 Member

**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**  
**STATEMENT OF REVENUES, EXPENSES AND DEFICIT**

For the Year Ended 31 March

	2005	2004
	(000's)	(000's)
<b>REVENUES</b>		
CMHC (Note 22)	\$ 60,730	\$ 57,827
Rent	19,573	19,473
Province of Newfoundland and Labrador operating grant	9,910	11,125
Interest	8,240	8,912
Land assemblies sales	597	1,632
Profit from land sales by municipalities	288	-
Other income	245	178
	<b>99,583</b>	<b>99,147</b>
<b>EXPENSES</b>		
CLC share of land assemblies profits	49	627
CMHC share of interest revenue	1,170	1,407
Grants to homeowners	7,728	6,500
Community based housing operating subsidies	10,250	10,737
Interest expense	4,089	3,564
Land assemblies costs (Note 9)	463	741
Losses on mortgages, loans and repossessions	261	169
Loss from land sales by municipalities	-	36
Loss on sale of rental properties	190	61
Mortgage subsidies	2,053	2,275
Net administration (Note 23)	14,068	16,136
Rent supplement subsidies	3,485	3,426
Rental unit expenses (Note 24)	52,144	52,150
Rental properties write-down	418	237
Rental properties write-off	470	-
	<b>96,838</b>	<b>98,066</b>
<b>Excess of revenues over expenses</b>	<b>2,745</b>	<b>1,081</b>
<b>Surplus (deficit), beginning of year, as previously reported</b>	<b>(7,760)</b>	<b>338</b>
<b>Adjustment for group health and life insurance retirement benefits (Note 2)</b>	<b>-</b>	<b>(9,179)</b>
<b>Deficit, beginning of year, as restated</b>	<b>(7,760)</b>	<b>(8,841)</b>
<b>Deficit, end of year</b>	<b>\$ (5,015)</b>	<b>\$ (7,760)</b>

See accompanying notes

**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended 31 March**

	2005	2004
	(000's)	(000's)
<b>Cash flows from operating activities:</b>		
Excess of revenues over expenses	\$ 2,745	\$ 1,081
Add (deduct) non-cash items:		
Mortgage subsidies	2,053	2,275
Losses on mortgages, loans and repossessions	261	169
Amortization of rental properties (Note 24)	6,144	5,625
Amortization of community based housing	567	515
Amortization of Labrador Housing Programs	837	697
Market value write-down of rental properties	418	237
Write-off of rental properties	470	-
Loss on sale of rental properties and capital assets	190	61
Amortization of capital assets	360	506
CLC portion of non-cash items	49	627
CMHC portion of non-cash items	1,029	660
Group health and life insurance retirement benefits (Note 13)	253	-
	<b>15,376</b>	<b>12,453</b>
<b>Net change in other operating items</b>	<b>1,774</b>	<b>2,065</b>
	<b>17,150</b>	<b>14,518</b>
<b>Cash flows from investing activities:</b>		
Advances of mortgages and loans	(2,364)	(2,595)
Principal recoveries of mortgages and loans	5,392	5,597
Investment in rental properties	(49)	(112)
Sale of rental properties	311	1,017
Investment in capital assets	(54)	(18)
Labrador Housing Programs	(140)	(1,339)
	<b>3,096</b>	<b>2,550</b>
<b>Cash flows from financing activities:</b>		
Repayments of mortgages, debentures, and similar indebtedness	(6,476)	(9,381)
Increase in CLC investment in land	1	60
Increase in CMHC investment in cost-shared programs	-	203
Repayments of CLC investment in land	(50)	(892)
Repayments of CMHC investment in cost-shared programs	(10,227)	(10,168)
	<b>(16,752)</b>	<b>(20,178)</b>
<b>Decrease (increase) in bank indebtedness</b>	<b>3,494</b>	<b>(3,110)</b>
<b>Bank indebtedness, beginning of year</b>	<b>(6,148)</b>	<b>(3,038)</b>
<b>Bank indebtedness, end of year</b>	<b>\$ (2,654)</b>	<b>\$ (6,148)</b>

See accompanying notes

**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2005**

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**Authority**

The Newfoundland and Labrador Housing Corporation (the Corporation) operates under authority of the *Housing Corporation Act*. The purpose of the Corporation is to provide cost-effective housing and related programs for the benefit of the residents of the Province with priority given to those most in need. Its affairs are governed by a Board of Directors appointed by the Lieutenant-Governor in Council.

**1. 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) Mortgages and loans receivable

An allowance for mortgages and loans impairment is estimated based on the value of accounts referred to a collection agency and the accounts with reported arrears balances. The security and source of funding for the accounts that are in arrears are considered in this estimation.

(b) Repossessed units

Repossessed units are valued at the lower of cost and net realizable value based on appraised values and the estimated recovery of cost through social housing rental programs.

(c) Land assemblies

Land assemblies are valued at the lower of cost and net realizable value. Items capitalized as the cost of land assemblies include land acquisition costs, development costs and interest.

Land assembly sales are recognized as earned. A portion of the sales revenue is deferred to cover future anticipated costs relative to the land sold. The percentage of revenue deferred is equal to the percentage of cost to complete on a project by project basis.

(d) Rental properties

Rental properties are valued at the lower of cost less accumulated amortization and net recoverable amount. Items capitalized as the cost of a project include land acquisition costs, development and construction costs, interest and other related carrying charges. In instances where properties have been transferred from Government departments, costs have been recorded at \$1. Amortization is calculated using the methods described below based on the expected future useful life of all assets as follows:

**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2005**

---

**1. Significant accounting policies (cont.)**

(d) Rental properties (cont.)

Non-profit housing

- |                    |                           |
|--------------------|---------------------------|
| - Capital cost     | Sinking fund, 25-50 years |
| - Renovation costs | Sinking fund, 15 years    |

Market housing

- |                    |                         |
|--------------------|-------------------------|
| - Capital cost     | 2% declining balance    |
| - Renovation costs | Straight line, 15 years |

(e) Capital assets

All capital assets are capitalized at cost at the time of acquisition. Amortization is calculated using the methods described below based on the expected future useful life of all assets as follows:

Office buildings	2% declining balance
Furniture and office equipment	Straight line, 10 years
Computer hardware	Straight line, 3 years
Computer software	Straight line, 10 years
Vehicles	Straight line, 5 years

(f) 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. The amount is payable when the employee ceases employment with the Corporation 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.

**2. Accounting change**

Group health and life insurance retirement benefits

Due to changes in accounting standards approved by the Canadian Institute of Chartered Accountants, an actuarial review was undertaken to determine the Corporation's liability related to group health and life insurance retirement benefits. This accounting change was applied retroactively without restatement of the prior year with respect to the statement of revenues, expenses and deficit. The balance sheet as at 31 March 2004 was restated with a resulting increase to the total liabilities and deficit of \$9,179,000.

The Corporation has established its liability related to group health and life insurance retirement benefits as at 31 March 2004. The increase in the liability for 2005 has been recognized as employee benefits expense by the Corporation.

**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2005**

**3. Accounts receivable**

	2005 (000's)	2004 (000's)
Land sales, net of allowance for cancellations of \$1,375,864 (2004 - \$1,375,864)	\$ -	\$ 942
Rents	203	211
Miscellaneous	1,259	593
	1,462	1,746
Less: allowance for doubtful accounts	125	143
	\$ 1,337	\$ 1,603

**4. Due from the Province of Newfoundland and Labrador - Labrador Housing Programs**

In March 2000, the Province directed the Corporation to fund the renovation of existing dwellings and construction of new dwellings in Northern Coastal Labrador. In March 2002, the Province directed the Corporation to fund the construction of a personal care home in Battle Harbour.

Under these initiatives, title to these dwellings is held by the homeowners with the Province repaying the renovation and construction costs over a 15 year period. As at 31 March 2005 the amount due from the Province was \$6,569,000 (2004 - \$7,266,000).

**5. Inventory and prepaid expenses**

	2005 (000's)	2004 (000's)
Inventory	\$ 481	\$ 356
Prepaid expenses	2,857	2,828
	\$ 3,338	\$ 3,184

**6. Mortgages and loans receivable**

	2005 (000's)	2004 (000's)
Subsidized mortgages to homeowners	\$ 13,751	\$ 17,309
Residential Rehabilitation Assistance Program loans	11,883	13,952
Provincial Home Repair Program	8,056	7,889
Other mortgages and loans	2,619	2,703
	36,309	41,853
Less: allowance for impaired accounts	4,349	4,589
	\$ 31,960	\$ 37,264

**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2005**

**6. Mortgages and loans receivable (cont.)**

The allowance for impaired mortgages and loans relates primarily to the Residential Rehabilitation Assistance Program loans portfolio.

**7. Receivable from municipalities re: land transfers**

In September 1998, the Province directed the Corporation to enter into agreements with municipalities to transfer its banked and developed industrial and commercial land. The agreements will transfer these lands to the municipalities under a mortgage arrangement and provide for a share of future land sales revenue to the Corporation.

The receivable is valued at the lower of the carrying value of the land at the date of transfer and the Corporation's share of the net realizable value of the land as outlined in the agreement. The estimated net realizable value is determined using management's best estimates of future sales. Management recognizes that changes in future conditions, such as market demand, assumed in making these estimates are not predictable. Consequently, adjustments to the carrying value of the receivable from municipalities re: land transfers are possible depending on the impact of any changes and management's best estimate of them.

As of 31 March 2005, twenty agreements have been completed for the transfer of lands to municipalities at a carrying value of \$2,753,000 (2004 - \$2,895,000).

**8. Repossessed units**

	2005 (000's)	2004 (000's)
Repossessed units	\$ 24	\$ 147
Less: allowance for impairment	17	102
	<u>\$ 7</u>	<u>\$ 45</u>

**9. Land assemblies**

	2005 (000's)	2004 (000's)
Land assemblies, beginning of year	\$ 8,452	\$ 8,404
Cost incurred during the year:		
Land acquisition and development	(175)	230
Interest, capitalized	138	559
	<u>8,415</u>	<u>9,193</u>
Less: cost of earned sales recognized during year	463	741
<u>Land assemblies, end of year</u>	<u>\$ 7,952</u>	<u>\$ 8,452</u>



**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2005**

**9. Land assemblies (cont.)**

Land assemblies are valued at the lower of cost and net realizable value. The estimated net realizable value is determined using management's best estimates of future sales and costs. Management recognizes that changes in future conditions, such as market demand, assumed in making these estimates, are not predictable. Consequently, material adjustments to the carrying value of the asset are possible depending upon the impact of any changes and management's best estimate of them. In September 1998, the Province directed the Corporation to divest of the majority of its land holdings.

**10. Rental properties**

	2005			2004	
	Cost	Accumulated	Write down to Net Recoverable	Net	Net
	(000's)	Amortization	Amount	Book Value	Book Value
	(000's)	(000's)	(000's)	(000's)	(000's)
Non-profit housing					
- Capital cost	\$ 262,057	\$ 41,908	\$ 655	\$ 219,494	\$ 227,011
- Renovation costs	4,980	1,292	-	3,688	4,070
Market housing					
- Capital cost	6,711	2,490	-	4,221	4,373
Leased land	161	-	-	161	161
	<b>\$ 273,909</b>	<b>\$ 45,690</b>	<b>\$ 655</b>	<b>\$ 227,564</b>	<b>\$ 235,615</b>

**11. Capital assets**

	2005			2004	
	Cost	Accumulated	Net	Net	
	(000's)	Amortization	Book Value	Book Value	
	(000's)	(000's)	(000's)	(000's)	
Office buildings	\$ 7,499	\$ 2,376	\$ 5,123	\$ 5,227	
Furniture and office equipment	133	71	62	76	
Computer hardware	82	32	50	14	
Computer software	808	606	202	279	
Vehicles	1,838	1,665	173	320	
	<b>\$ 10,360</b>	<b>\$ 4,750</b>	<b>\$ 5,610</b>	<b>\$ 5,916</b>	

**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2005**

**12. Deferred revenue**

	2005 (000's)	2004 (000's)
Rentals	\$ 945	\$ 1,045

Deferred revenue rentals consist of rental payments received by the Corporation in advance of the due dates.

**13. Group health and life insurance retirement benefits**

All retired employees of the Corporation are eligible to participate in the group insurance plans. Under the plans, the Corporation pays 50% of the total premium charged towards the benefits of both active employees and retirees for both the life insurance and health benefits under the plans. As at 31 March 2005, the plans provided benefits to 143 retirees.

**Group health and life insurance retirement benefits liability**

Details of the group health and life insurance retirement benefits liability are outlined in the table below:

	Estimated Accrued Benefit Obligation (000's)	Unamortized Experience Losses 2005 (000's)	Net Liability 2005 (000's)	Net Liability 2004 (000's)	Change (000's)
Group health retirement benefits	\$ 8,825	\$ (548)	\$ 8,277	\$ 8,030	\$ 247
Group life insurance retirement benefits	1,175	(20)	1,155	1,149	6
	<b>\$ 10,000</b>	<b>\$ (568)</b>	<b>\$ 9,432</b>	<b>\$ 9,179</b>	<b>\$ 253</b>

There are no fund assets associated with these plans.

**Group health and life insurance retirement benefits expense**

In these statements group health and life insurance retirement benefits costs have been determined as the cost of benefits accrued during the period. Interest on the liability has been accrued for the same period.

The change in the liability for the current period is comprised of the following amounts:

**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2005**

**13. Group health and life insurance retirement benefits (cont.)**

	Corporation's Share of Current Period Costs (000's)	Interest Expense on the Liability (000's)	Corporation's Current Period Contributions (000's)	Current Period Amortization of Experience Changes (000's)	Change (000's)
Group health retirement benefits	\$ 154	\$ 548	\$ (455)	\$ -	\$ 247
Group life insurance retirement benefits	47	76	(117)	-	6
	<u>\$ 201</u>	<u>\$ 624</u>	<u>\$ (572)</u>	<u>\$ -</u>	<u>\$ 253</u>

**Experience gains or losses**

Experience gains or losses are amortized over the estimated average remaining service life of active participants. The amortization amount will be included with retirement costs in the financial statements commencing in the year subsequent to the year in which the experience gain or loss arose.

The unamortized experience loss at 31 March 2005 resulted from a change in the discount rate used by the actuaries.

**14. Capital replacement fund**

In accordance with program guidelines for non-profit and urban native housing projects, sponsor groups are required to set aside funds for the replacement of major capital items. The funds are held on behalf of the project sponsors and are released as eligible capital replacement expenditures are incurred.

Transactions relating to the capital replacement fund during the year are as follows:

	2005 (000's)	2004 (000's)
Balance, beginning of year	\$ 7,599	\$ 7,362
Annual funding provisions	541	500
Capital replacement expenditures	(132)	(263)
<u>Balance, end of year</u>	<u>\$ 8,008</u>	<u>\$ 7,599</u>

**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
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**15. Mortgage insurance fund**

Upon signing the Canada - Newfoundland Social Housing Agreement (see Note 22), the Corporation assumed liability for all losses and costs that may be incurred in respect of a portfolio of loans that are owned and were previously insured by Canada Mortgage and Housing Corporation (CMHC). In return, CMHC provided the Corporation with a \$3,000,000 mortgage insurance fund as protection against future losses. Losses on loans are deducted from the fund, while interest earnings were added to the fund until 1 April 2003. The Corporation ceased accruing interest as of 1 April 2003.

	<b>2005</b>	<b>2004</b>
	(000's)	(000's)
Balance, beginning of year	\$ 3,407	\$ 2,654
Losses for the year	(14)	(23)
Mortgages transferred to mortgages and loans receivable	-	776
<b>Balance, end of year</b>	<b>\$ 3,393</b>	<b>\$ 3,407</b>

The fund covers a portfolio of federal loans totaling \$172,716,166. The majority of these loans relate to either Social Housing projects that receive significant federal/provincial annual operating subsidies or nursing home accommodations with Provincial Government guarantees. While an independent actuarial valuation of the fund has not been carried out, the fund is considered adequate by the Corporation's management.

**16. Mortgages, debentures and similar indebtedness**

	<b>2005</b>	<b>2004</b>
	(000's)	(000's)
<b>With fixed terms of repayment</b>		
(a) CMHC fixed rate term debentures, at an interest rate of 6.22% repayable in blended annual instalments of \$2,483,256, with final due dates ranging from December 2021 to January 2030.	\$ 28,557	\$ 29,275
(b) Canadian Imperial Bank of Commerce fixed rate bankers acceptances, at an interest rate of 3.16/3.45/3.18%, due on 25 April 2005.	15,967	21,725
	<b>\$ 44,524</b>	<b>\$ 51,000</b>

**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**  
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**16. Mortgages, debentures and similar indebtedness (cont.)**

Principal repayments for the next five years on the \$44,524,000 of debt with fixed terms of repayment are as follows:

	(000's)
2006	\$ 16,722
2007	\$ 804
2008	\$ 854
2009	\$ 908
2010	\$ 968

**17. CMHC investment in cost-shared programs**

	2005 (000's)	2004 (000's)
Non-profit rental housing	\$ 91,100	\$ 91,988
Rural and native housing	52,073	58,187
Home repair assistance	9,330	11,526
	<b>\$ 152,503</b>	<b>\$ 161,701</b>

The principal and interest payments required to amortize CMHC's investment in non-profit rental housing and rural and native housing is funded entirely through the annual federal grant paid by CMHC, pursuant to the Canada - Newfoundland Social Housing Agreement signed in April 1997 (see Note 22).

Repayment of CMHC's investment in the home repair assistance programs has no fixed term and is dependant upon future repayments of principal and interest on mortgages and loans.

**18. Contributed capital - Province of Newfoundland and Labrador**

Contributed capital represents accumulated capital advances made to the Corporation by the Province. These advances are utilized by the Corporation to develop housing projects, land assemblies and related programs for the benefit of the residents of the Province.

**19. Contingent liabilities**

(a) Claims have been filed against the Corporation for:

- (i) General damages related to the enforcement of a Sales and Development Agreement for a shopping mall complex.

**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
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**19. Contingent liabilities (cont.)**

- (ii) \$100,000 relating to funds withheld from a contractor for deficiencies on houses constructed. This claim was filed by the contractor against both the Corporation (the mortgagee) and the homeowners of the houses.
- (iii) Special damages related to an alleged breach of contract and/or negligence relating to the sale of an apartment and commercial complex property.

The above claims have not progressed far enough to enable the formation of a definite opinion as to their outcome. Therefore, the likelihood and the amount of loss to the Corporation is not determinable at this time.

- (b) The Corporation has provided guarantees on outstanding mortgage balances totaling \$609,370 for qualifying homeowners. Presently the probability of loss resulting from these guarantees is unlikely.
- (c) In 1996, the Corporation learned that possible environmental liabilities exist with respect to potential large quantities of fuel left in abandoned fuel storage facilities in the Stephenville area. The Corporation has removed some of the underground tanks and fuel lines and has undertaken some further study. To date, expenditures related to this work have totalled \$2,600,000. As well, based on the studies completed to date, further remediation is estimated to cost \$10,000,000.
- (d) In 1998, the Corporation learned that possible environmental liabilities exist with respect to environmental contaminants including hydrocarbons and various heavy metals in the soil and groundwater on 20 hectares of the total 102 hectares in the Paradise area. Title to this site had been transferred to the Town of Paradise during 1998-99 as part of the Corporation's land divestiture program; however, the Corporation will be liable for any costs that must be incurred to clean up the site. Information received from a study completed in January 2000 indicates that the estimated costs of undertaking site remediation based on the information to date is in the order of \$6,000,000.
- (e) During 1999, the Corporation learned of possible environmental liabilities relating to 16 underground fuel tanks in its Buckmaster's Circle rental property. As a result of an environmental study conducted in 2000, the cost of environmental remediation related to this property is estimated at \$1,000,000. To date, expenditures related to this work have totalled \$309,000.
- (f) During 1999, the Corporation learned of possible environmental liabilities relating to 70 underground fuel tanks in some of its rental properties throughout the Province. The scope and extent of the environmental remediation required will be determined as the tanks are replaced. In accordance with environmental regulations, the tanks will be replaced by 2007.

**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2005**

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**20. Commitments**

The Corporation has commitments totaling \$1,317,562 comprised of uncompleted purchase and construction contracts at year end of \$408,000 and commitments under lending programs of \$909,562.

**21. Financial instruments**

The Corporation's short-term financial instruments recognized on the balance sheet consist of accounts receivable, due from CMHC, bank indebtedness, accounts payable and accrued liabilities, and due to CLC. 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 the short-term financial instruments.

The Corporation's long-term financial instruments recognized on the balance sheet consist of due from the Province of Newfoundland and Labrador - Labrador Housing Programs, mortgages and loans receivable, receivable from municipalities re: land transfers, group health and life insurance retirement benefits, and mortgages, debentures and similar indebtedness. Any estimated impairment of mortgages and loans receivable and receivable from municipalities re: land transfers is provided for through an allowance for impaired accounts and no further credit risk exists for these long-term receivables. Interest rates on the majority of mortgages and loans receivable and on mortgages, debentures and similar indebtedness are fixed to maturity. Therefore, the carrying values of these long-term financial instruments approximate their fair value and these instruments are not subject to any material interest rate risk.

**22. Revenue from CMHC**

CMHC's share of program subsidies and administration costs are as follows:

	<b>2005</b>	<b>2004</b>
	<b>(000's)</b>	<b>(000's)</b>
1997 Canada-Newfoundland Social Housing Agreement	\$ 54,729	\$ 54,780
Provincial Home Repair Program	5,712	2,584
Residential Rehabilitation Assistance Program	276	448
<u>Mortgages</u>	<u>13</u>	<u>15</u>
	<b>\$ 60,730</b>	<b>\$ 57,827</b>

On 22 April 1997, the Corporation signed the Canada - Newfoundland Social Housing Agreement with CMHC replacing all existing social housing program agreements between the two parties relating to social housing programs, with the exception of certain loan and mortgage programs.

**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2005**

**23. Net administration**

	2005	2004
	(000's)	(000's)
Advertising and promotion	\$ 55	\$ 77
Computer system costs	960	1,140
General	402	421
Office equipment leases	46	56
Office equipment purchases	34	28
Office supplies	145	143
Rent, heat, light, cleaning and maintenance	984	1,264
Salaries and employee benefits	10,821	12,345
Telephone and postage	314	339
Travel and vehicle costs	320	360
<b>Total administration</b>	<b>14,081</b>	<b>16,173</b>
<b>Less: recharged to capital projects</b>	<b>13</b>	<b>37</b>
<b>Net administration</b>	<b>\$ 14,068</b>	<b>\$ 16,136</b>

**24. Rental unit expenses**

	2005	2004
	(000's)	(000's)
Amortization	\$ 6,144	\$ 5,625
Bad debts	177	161
Heat, light and operating	8,713	7,802
Interest on long-term debt	20,258	21,019
Municipal taxes	4,474	4,366
Repairs and maintenance	12,378	13,177
	<b>\$ 52,144</b>	<b>\$ 52,150</b>

**25. Pensions**

Under the *Housing Corporation Act*, Corporation staff are subject to the *Public Service Pensions Act*. Employee contributions are matched by the Corporation and remitted to the Province of Newfoundland and Labrador Pooled Pension Fund from which pensions will be paid to employees when they retire. The Corporation's share of pension contributions for 2005 was \$910,000 (2004 - \$986,000).



**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**  
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**26. Self-insurance**

With the exception of certain high-risk projects, the Corporation follows the policy of self-insuring its rental properties for property damage such as fire, water and vandalism. The costs of these repairs are charged to rental unit expenses.

**27. Province of Newfoundland and Labrador contribution**

The Province of Newfoundland and Labrador contributes approximately 10% of the Corporation's total revenues. The contribution enables the Corporation to carry out its overall mandate and to meet its fiscal challenges.

The Corporation's ability to continue to fulfill its mandate is dependent upon the decisions of the Province of Newfoundland and Labrador.

**28. Comparative figures**

Certain comparative figures have been reclassified to conform with the current year's presentation.

**NEWFOUNDLAND AND LABRADOR HYDRO  
FINANCIAL STATEMENTS**

**December 31, 2004**

# Auditors' Report

To the **Lieutenant Governor in Council**  
**Province of Newfoundland and Labrador**

We have audited the consolidated balance sheet of **Newfoundland and Labrador Hydro** as at December 31, 2004, and the consolidated statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence

supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2004, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by The Hydro Corporation Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.



Chartered Accountants  
St. John's, Newfoundland and Labrador  
Canada  
February 15, 2005

# Consolidated Balance Sheet

<i>As at December 31 (millions of dollars)</i>	<b>2004</b>	2003
<b>ASSETS</b>		
Capital assets (Note 2)		
Capital assets in service	<b>2,653.5</b>	2,632.5
Less contributions in aid of construction	<b>106.9</b>	106.5
	<b>2,546.6</b>	2,526.0
Less accumulated depreciation	<b>816.3</b>	780.5
	<b>1,730.3</b>	1,745.5
Construction in progress	<b>54.2</b>	47.5
	<b>1,784.5</b>	1,793.0
Current assets		
Cash and cash equivalents	<b>4.0</b>	0.1
Accounts receivable	<b>67.2</b>	56.5
Current portion of long-term receivables (Note 3)	<b>41.5</b>	35.5
Current portion of rate stabilization plan	<b>8.6</b>	-
Fuel and supplies at average cost	<b>48.3</b>	48.5
Prepaid expenses	<b>2.0</b>	2.5
	<b>171.6</b>	143.1
Long-term receivables (Note 3)	<b>97.7</b>	130.7
Sinking funds (Note 10)	<b>87.1</b>	70.1
Investments (Note 4)	<b>5.2</b>	5.2
Deferred charges (Note 6)	<b>85.0</b>	89.2
	<b>2,231.1</b>	2,231.3

*See accompanying notes*

# Consolidated Balance Sheet

<i>As at December 31 (millions of dollars)</i>	<b>2004</b>	2003
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>		
Long-term debt (Note 7)	<b>1,422.1</b>	1,447.8
Current liabilities		
Bank indebtedness	<b>8.0</b>	6.7
Short-term borrowing	-	1.8
Accounts payable and accrued liabilities	<b>49.1</b>	51.6
Accrued interest	<b>30.3</b>	30.5
Long-term debt due within one year (Note 7)	<b>28.4</b>	30.7
Promissory notes (Note 7)	<b>157.8</b>	149.8
	<b>273.6</b>	271.1
Rate stabilization plan	<b>5.5</b>	-
Long-term payable (Note 8)	<b>1.1</b>	-
Employee future benefits (Note 9)	<b>35.4</b>	32.0
Non-controlling interest in LCDC (Note 2)	<b>2.5</b>	2.5
Shareholder's equity		
Share capital		
Common shares of par value of \$1 each		
Authorized 25,000,000 shares; issued 22,503,942 shares	<b>22.5</b>	22.5
Contributed capital (Notes 2 and 4)		
Lower Churchill Development	<b>15.4</b>	15.4
Muskrat Falls Project	<b>2.2</b>	2.2
Gull Island Project	<b>96.4</b>	100.0
Retained earnings	<b>354.4</b>	337.8
	<b>490.9</b>	477.9
Commitments and contingencies (Note 12)	-	-
	<b>2,231.1</b>	2,231.3

See accompanying notes

On behalf of the Board:



Dean MacDonald  
Director



Ken Marshall  
Director

# Consolidated Statement of Income and Retained Earnings

<i>Year ended December 31 (millions of dollars)</i>	<b>2004</b>	2003
Revenue		
Energy sales	<b>439.8</b>	407.8
Recovery of costs in rate stabilization plan	<b>34.2</b>	16.7
Guaranteed winter availability	<b>14.6</b>	11.9
Rentals and royalties	<b>0.3</b>	0.3
Other	<b>4.6</b>	4.8
	<b>493.5</b>	441.5
Expenses		
Operations and administration	<b>123.4</b>	125.8
Fuels	<b>83.1</b>	84.6
Amortization of costs in rate stabilization plan	<b>34.2</b>	16.7
Power purchased	<b>36.1</b>	26.1
Depreciation	<b>45.8</b>	45.0
Interest (Note 11)	<b>103.7</b>	99.3
	<b>426.3</b>	397.5
Net income before unusual items	<b>67.2</b>	44.0
Unusual items (Note 2)		
Write-down of capital assets	-	(130.9)
Less non-controlling interest	-	12.3
	-	(118.6)
Net income (loss)	<b>67.2</b>	(74.6)
Retained earnings, beginning of year	<b>337.8</b>	453.5
	<b>405.0</b>	378.9
Dividends	<b>50.6</b>	41.1
Retained earnings, end of year	<b>354.4</b>	337.8

*See accompanying notes*

# Consolidated Statement of Cash Flows

<i>Year ended December 31 (millions of dollars)</i>	<b>2004</b>	2003
Cash provided by (used in)		
Operating activities		
Net income (loss)	<b>67.2</b>	(74.6)
Adjusted for items not involving a cash flow		
Depreciation	<b>45.8</b>	45.0
Amortization of deferred charges	<b>3.7</b>	4.1
Rate stabilization plan	<b>(3.1)</b>	20.5
Loss on disposal of capital assets	<b>1.7</b>	3.2
Other	-	(0.6)
Foreign exchange gain	<b>(0.1)</b>	(1.0)
Write-down of capital assets (net of non-controlling interest)	-	118.6
	<b>115.2</b>	115.2
Change in non-cash balances related to operations		
Accounts receivable	<b>(10.7)</b>	5.5
Fuel and supplies	<b>0.2</b>	(0.5)
Prepaid expenses	<b>0.5</b>	-
Accounts payable and accrued liabilities	<b>(0.2)</b>	(8.2)
Accrued interest	<b>(0.2)</b>	2.8
Employee future benefits	<b>3.4</b>	2.4
Long-term receivable	<b>21.8</b>	(49.6)
Long-term payable	<b>1.1</b>	-
	<b>131.1</b>	67.6
Financing activities		
Long-term debt issued	-	125.0
Long-term debt retired	<b>(20.8)</b>	(36.8)
Foreign exchange loss recovered	<b>2.7</b>	5.2
Decrease in short-term borrowing	<b>(1.8)</b>	(1.5)
Increase (decrease) in promissory notes	<b>8.0</b>	(31.7)
Decrease in contributed capital	<b>(3.6)</b>	-
Dividends	<b>(50.6)</b>	(41.1)
	<b>(66.1)</b>	19.1
Investing activities		
Net additions to capital assets	<b>(40.1)</b>	(67.3)
Proceeds from the disposal of capital assets	<b>1.1</b>	0.8
Increase in sinking funds	<b>(21.6)</b>	(19.2)
Reductions (additions) to deferred charges	<b>0.5</b>	(3.9)
Change in accounts payable related to investing activities	<b>(2.3)</b>	0.5
	<b>(62.4)</b>	(89.1)
Net increase (decrease) in cash	<b>2.6</b>	(2.4)
Cash position, beginning of year	<b>(6.6)</b>	(4.2)
Cash position, end of year	<b>(4.0)</b>	(6.6)
Cash position is represented by		
Cash and cash equivalents	<b>4.0</b>	0.1
Bank indebtedness	<b>(8.0)</b>	(6.7)
	<b>(4.0)</b>	(6.6)
Supplementary disclosure of cash flow information		
Income taxes paid	<b>0.2</b>	0.2
Interest income received	<b>0.2</b>	0.6
Interest paid	<b>112.0</b>	109.6

See accompanying notes

# Notes to Consolidated Financial Statements

Newfoundland and Labrador Hydro (Hydro) is incorporated under a special act of the Legislature of the Province of Newfoundland and Labrador (Province) as a Crown Corporation and its principal activity is the development, generation and sale of electric power. Hydro and its subsidiary and jointly controlled companies, other than Twin Falls Power Corporation Limited (Twin Falls), are exempt from paying income taxes under Section 149 (1) (d) of the Income Tax Act.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Presentation

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

Preparation of these consolidated financial statements requires the use of estimates and assumptions that affect the amounts reported and disclosed in these statements and related notes. Actual results may differ from these estimates.

### Rates and Regulations

#### (Excluding Sales by Subsidiaries)

Hydro's earnings from its electrical sales to most customers within the Province are regulated on the basis of return on rate base. As well, Hydro's borrowing and capital expenditure programs are subject to review and approval by the Public Utilities Board of Commissioners (PUB).

Rates charged rural customers do not recover the full costs of providing the service but Hydro recovers the resulting deficit from other customers.

Hydro has adopted selected accounting treatments that differ from that for enterprises not subject to rate regulation. The more significant of these include the following:

#### Rate Stabilization Plan

On January 1, 1986, Hydro, having received the concurrence of the PUB, implemented a Rate Stabilization Plan (RSP) which primarily provides for the deferral of cost variances resulting from changes in fuel prices, levels of precipitation and load. Adjustments are required in retail rates to cover the amortization of the balance in the plan and are implemented on July 1 of each year. Similar adjustments required in industrial rates are implemented on January 1 of each year. RSP balances which accumulated prior to December 31, 2003 (Note 3), have been converted to a long-term receivable. Any subsequent balances accumulating in the RSP including financing charges, are to be recovered in the following year, with the exception of hydraulic variation, which will be recovered or refunded at a rate of 25 per cent of the outstanding balance at year-end. Additionally, a fuel rider is calculated annually based on the forecast fuel price and is added or subtracted from the rates that would otherwise be in effect.

#### Foreign Exchange Losses

Foreign exchange losses related to long-term debt, including current portion, are subject to the rate setting process. The PUB has accepted the inclusion by Hydro of realized foreign exchange losses in rates charged to customers. Any such loss, net of any gain, not recovered due to the operation of the rate setting process is deferred

to the time of the next rate hearing for inclusion in the new rates to be set at that time. This amortization is included in interest expense. Commencing in 2002, the PUB ordered Hydro's deferred foreign exchange losses, net of the \$10.0 million provision previously accumulated, be amortized over a forty-year period (Note 6).

#### Capital Assets and Depreciation

Hydro follows the capitalization and depreciation policies as described in Note 1, which have been approved by the PUB.

#### Deferred Regulatory Costs

In 2004, the PUB approved the deferral of external costs associated with the general rate application and hearing, in the amount of \$1,800,000, which is to be amortized over a 3-year period.

#### Principles of Consolidation

The consolidated financial statements include the financial statements of Hydro and its subsidiary companies, Gull Island Power Company Limited (GIPCo), (100% owned) and Lower Churchill Development Corporation Limited (LCDC), (51% owned).

Effective June 18, 1999, Hydro, Churchill Falls (Labrador) Corporation Limited (CF(L)Co) and Hydro-Québec entered into a shareholders' agreement which provided, among other matters, that certain of the strategic operating, financing and investing policies of CF(L)Co be subject to approval jointly by representatives of Hydro and Hydro-Québec. Although Hydro retains its 65.8% ownership interest, the agreement changed the nature of the relationship between Hydro and Hydro-Québec, with respect to CF(L)Co, from that of majority and minority shareholders, respectively, to that of joint venturers. Accordingly, Hydro has adopted the proportionate consolidation method of accounting for its interest in CF(L)Co subsequent to the effective date of the shareholders' agreement.

CF(L)Co is incorporated under the laws of Canada and has completed and commissioned a hydroelectric generating plant and related transmission facilities situated in Labrador which has a rated capacity of 5,428,000 kilowatts (CF(L)Co Project). A power contract with Hydro-Québec, dated May 12, 1969 (Power Contract) provides for the sale of substantially all the energy from the CF(L)Co Project until 2041. CF(L)Co receives certain benefits from Hydro-Québec, including significant revenues, under a guaranteed winter availability contract through 2041.

CF(L)Co holds 33.33% of the equity share capital of Twin Falls and is a party with other shareholders in a participation agreement which gives CF(L)Co joint control of Twin Falls. This investment is accounted for by the proportionate consolidation method.

The cost of Hydro's investment in CF(L)Co exceeded the equity in the book value of the net assets acquired by \$77.1 million. This amount is assigned to capital assets and is being amortized on a straight-line basis at the rate of 1.5% per annum. As at December 31, 2004, \$34.7 million (2003 - \$33.6 million) had been amortized.

Under the terms and conditions of the Churchill Falls (Labrador) Corporation (Lease) Act, 1961, CF(L)Co must pay rentals and royalties to the Province annually.



## Notes to Consolidated Financial Statements

A portion of Hydro's shareholding in CF(L)Co is deposited in a voting trust pursuant to an agreement with Hydro-Québec.

GIPCo is incorporated under the laws of Canada. Its objective was to develop the hydroelectric potential at Gull Island on the Lower Churchill River in Labrador, and construct a direct current transmission system from Labrador to the island of Newfoundland (Gull Island Project), (Note 4).

LCDC is incorporated under the laws of Newfoundland and Labrador and was established with the objective of developing all or part of the hydroelectric potential of the Lower Churchill River (Lower Churchill Development), (Note 4).

Twin Falls is incorporated under the laws of Canada and has developed a 225 megawatt hydroelectric generating plant on the Unknown River in Labrador. The plant has been inoperative since 1974.

### Cash Equivalents and Short-Term Investments

Cash equivalents and short-term investments consist primarily of Canadian treasury bills and banker's acceptances. Those with original maturities at date of purchase of three months or less are classified as cash equivalents whereas those with original maturities beyond three months and less than 12 months are classified as short-term investments. Both are stated at cost, which approximates market value. As at December 31, 2004, and 2003, there were no cash equivalents or short-term investments outstanding.

### Capital Assets and Depreciation

Expenditures for additions, improvements and renewals are capitalized and normal expenditures for maintenance and repairs are charged to operations.

During 2004, Hydro adopted the recommendations of the Canadian Institute of Chartered Accountants' (CICA) Handbook Section 3110, *Asset Retirement Obligations*. This new accounting standard requires that the company recognize the fair value of the future expenditures required to settle legal obligations associated with the retirement of capital assets, to the extent that it is reasonably estimable. As it is expected that Hydro's assets will be used for an indefinite period, no removal date can be determined and consequently, a reasonable estimate of the fair value of any related asset retirement obligation cannot be determined at this time. If it becomes possible to estimate the fair value of the cost of removing assets that Hydro is legally required to remove, an asset retirement obligation will be recognized at that time.

### Hydro, GIPCo and LCDC

Construction in progress includes the costs incurred in preliminary feasibility studies, engineering and construction of new generation, transmission and distribution facilities. Interest is charged to construction in progress at rates equivalent to the weighted average cost of capital.

Contributions in aid of construction are funds received from customers and governments toward the incurred cost of capital assets, or the fair value of assets contributed. Contributions are treated as a reduction to capital assets and the net capital assets are depreciated.

Depreciation is calculated on hydroelectric generating plant and on transmission plant in service on the sinking fund method using interest factors ranging from 5.25% to 15.79%. Depreciation on other plant in service is calculated on the straight-line method. These methods are designed to fully amortize the cost of the facilities, after deducting contributions in aid of construction, over their estimated service lives.

Estimated service lives of the major assets are as follows:

#### Generation Plant

Hydroelectric	. . . . .	50, 75 and 100 years
Thermal	. . . . .	25 and 30 years
Diesel	. . . . .	20 years

#### Transmission

Lines	. . . . .	40 and 50 years
Switching stations	. . . . .	40 years

#### Distribution System

	. . . . .	30 years
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#### Other

	. . . . .	.3 to 50 years
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### CF(L)Co

CF(L)Co uses the group depreciation method for certain capital assets other than the generation plant, transmission and terminals and service facilities.

Depreciation is provided on a straight-line basis over the following estimated useful lives:

#### Generation Plant

Hydroelectric	. . . . .	67 years
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#### Transmission and Terminals

	. . . . .	67 years
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#### Service facilities

	. . . . .	67 years
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#### Other

	. . . . .	.5 to 100 years
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Losses on other than normal retirements are charged to operations in the year incurred as adjustments to depreciation expense.

### Debt Discount and Financing Expenses

These costs are amortized on a straight-line basis over the lives of the respective debt issues.

### Promissory Notes

Promissory Notes bear interest from 2.10% to 2.86% per annum (2003 - 2.66% to 2.93%) with carrying value approximating fair value due to their short-term nature.

### Revenue Recognition

Revenue is recorded on the basis of power deliveries made.

Deferred revenue represents amounts billed under the Power Contract in excess of energy delivered. Amounts related to energy delivered in excess of the base amount, as defined by the Power Contract, are recorded as receivables. Differences between amounts related to energy delivered and the base amounts are determined annually and are subject to interest at 7% per annum (2003 - 7%).

# Notes to Consolidated Financial Statements

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Foreign Currency Translation

Foreign currency transactions are translated into their Canadian dollar equivalent as follows:

- (a) At the transaction date, each asset, liability, revenue or expense is translated using exchange rates in effect at that date.
- (b) At each balance sheet date monetary assets and liabilities are adjusted to reflect exchange rates in effect at that date.
  - (i) Under the provisions of the Power Contract CF(L)Co's exposure for a foreign exchange loss is limited. CF(L)Co recovers a portion of the difference between actual foreign exchange rates prevailing at the settlement dates of its First Mortgage Bonds and a Weighted Average Exchange Rate as defined in the Power Contract. The portion of the unrealized foreign exchange loss which is recoverable on the settlement dates, is included in long-term receivables (Note 3).

### Financial Instruments

From time to time, Hydro enters into interest rate swap agreements to manage interest rate risk. Net receipts or payments under the swap agreements are recorded as adjustments to interest expense.

### Employee Future Benefits

Employees participate in the Province's Public Service Pension Plan, a multi-employer defined benefit plan. The employer's contributions are expensed as incurred.

Hydro provides group life insurance and health care benefits on a cost-shared basis to retired employees, in addition to a severance payment upon retirement. The expected cost of providing these other employee future benefits is accounted for on an accrual basis, and has been actuarially determined using the projected benefit method prorated on service and management's best estimate of salary escalation, retirement ages of employees, and expected health care costs. The excess of net cumulative actuarial gains and losses over 10% of the accrued benefit obligation are amortized over the expected average remaining service life of the employee group, which is approximately 12 years.

## 2. CAPITAL ASSETS

	Capital Assets in Service	Contributions in Aid of Construction	Accumulated Depreciation	Construction in Progress
<i>millions of dollars</i>				
<b>2004</b>				
Generation Plant				
Hydroelectric	<b>1,350.4</b>	<b>20.5</b>	<b>278.2</b>	<b>0.2</b>
Thermal	<b>228.1</b>	-	<b>177.4</b>	-
Diesel	<b>56.8</b>	<b>6.5</b>	<b>24.1</b>	<b>0.4</b>
Transmission and Distribution	<b>730.9</b>	<b>55.1</b>	<b>183.2</b>	<b>0.2</b>
Service facilities	<b>22.0</b>	-	<b>10.1</b>	-
Project costs (Note 4)	-	-	-	-
Capital studies (Note 4)	-	-	-	-
Other	<b>265.3</b>	<b>24.8</b>	<b>143.3</b>	<b>53.4</b>
	<b>2,653.5</b>	<b>106.9</b>	<b>816.3</b>	<b>54.2</b>
<i>millions of dollars</i>				
2003				
Generation Plant				
Hydroelectric	1,347.3	20.5	267.0	0.2
Thermal	227.0	-	175.7	-
Diesel	59.5	6.7	23.4	-
Transmission and Distribution	718.2	54.9	168.5	0.6
Service facilities	22.0	-	9.8	-
Project costs (Note 4)	-	-	-	-
Capital studies (Note 4)	-	-	-	-
Other	258.5	24.4	136.1	46.7
	2,632.5	106.5	780.5	47.5

## Notes to Consolidated Financial Statements

Included in the above amounts are CF(L)Co assets in service amounting to \$639.3 million (2003 - \$636.1 million) which are pledged as collateral for long-term debt.

As at December 31, 2003, Management reviewed the carrying balance of its Capital Assets in Service and Construction in Progress for hydro-electric developments in Labrador. As Hydro had been unable to successfully conclude development plans at that time, it decided to write-down project costs related to GIPCo by

\$96.3 million, capital studies related to LCDC by \$25.0 million, and construction in progress by \$9.6 million, to its best estimate of the net recoverable amount. The write-down of capital studies also resulted in a reduction of \$12.3 million in the non-controlling interest in LCDC. The project costs in GIPCo and capital studies in LCDC were funded by the shareholder in prior years through the provision of contributed capital.

### 3. LONG-TERM RECEIVABLES

<i>millions of dollars</i>	<b>2004</b>	2003
Rate Stabilization Plan		
Retail	<b>101.7</b>	114.8
Industrial	<b>32.3</b>	40.9
	<b>134.0</b>	155.7
Hydro-Québec		
Unrealized foreign exchange	<b>4.3</b>	9.5
Other	<b>0.9</b>	1.0
	<b>5.2</b>	10.5
Less current portion of long-term receivables	<b>41.5</b>	35.5
	<b>97.7</b>	130.7

The receivable arising from the RSP bears interest at the weighted average cost of capital which is approximately 7.2% and

is to be recovered over a five-year period, which commenced in 2003

### 4. INVESTMENTS

<i>millions of dollars</i>	<b>2004</b>	2003
Lower Churchill Option	<b>5.2</b>	5.2

LCDC was incorporated in 1978 pursuant to the provisions of an agreement (Principal Agreement), between the Province and the Government of Canada. The Province and the Government of Canada own equity interests of 51% and 49% of LCDC, respectively. The Principal Agreement provides that future issues of Class A common shares shall preserve, as nearly as possible, this ratio of beneficial ownership. Hydro is the designate for the Province's shareholding in LCDC.

Upon agreement to continue with the Lower Churchill Development, GIPCo's assets and the hydroelectric development rights to the Lower Churchill River, (Water Rights), will be acquired by LCDC pursuant to the provisions of an agreement between LCDC and the Province, (Option Agreement). The purchase price in respect of GIPCo's assets will be a maximum of \$100.0 million less \$5.2 million representing the value assigned to 520 Class A

common shares of LCDC issued pursuant to the signing of the Option Agreement. As consideration for GIPCo's assets, LCDC will issue a 10% Convertible Demand Debenture in the amount of \$94.8 million. LCDC will issue 3,000 Class B common shares, without nominal or par value, to the Province in consideration of the Water Rights and the Province will transfer such shares to Hydro. The parties have agreed that the value of each Class B common share is \$10,000. The Option Agreement expires November 24, 2005.

Hydro holds 1,540 Class A common shares of LCDC which have a stated value of \$10,000 each. 520 shares were acquired in 1979 pursuant to signing of the Option Agreement and 510 shares were acquired in each of the years 1980 and 1981, by way of capital contributions from the Province.

## Notes to Consolidated Financial Statements

### 5. JOINT VENTURE

The following amounts included in the consolidated financial statements represent Hydro's proportionate share of CFLCo's assets

and liabilities at December 31, 2004, and its proportionate interest in CFLCo's operations for the year ended December 31, 2004.

<i>millions of dollars</i>	<b>2004</b>	2003
Current assets	<b>25.1</b>	24.0
Long-term assets	<b>338.6</b>	347.9
Current liabilities	<b>23.8</b>	29.4
Long-term liabilities	<b>66.6</b>	84.0
Revenues	<b>63.9</b>	61.7
Expenses	<b>47.3</b>	48.5
Net income	<b>16.6</b>	13.2
Cash provided by (used in)		
Operating activities	<b>33.2</b>	34.1
Financing activities	<b>(21.0)</b>	(30.4)
Investing activities	<b>(5.3)</b>	(2.6)

### 6. DEFERRED CHARGES

<i>millions of dollars</i>	<b>2004</b>	2003
Debt discount, financing expenses and other	<b>16.9</b>	20.1
Accumulated amortization	<b>11.7</b>	12.9
	<b>5.2</b>	7.2
Foreign exchange losses realized	<b>96.3</b>	96.3
Accumulated provision	<b>10.0</b>	10.0
	<b>86.3</b>	86.3
Accumulated amortization	<b>6.5</b>	4.3
	<b>79.8</b>	82.0
Net deferred charges	<b>85.0</b>	89.2

## Notes to Consolidated Financial Statements

### 7. LONG-TERM DEBT

	Hydro	CF(L)Co	Total	Hydro	CF(L)Co	Total
<i>millions of dollars</i>	<b>2004</b>			2003		
Summary of long-term debt						
Long-term debt	<b>1,369.3</b>	<b>81.2</b>	<b>1,450.5</b>	1,377.2	101.3	1,478.5
Less payments due within one year	<b>13.8</b>	<b>14.6</b>	<b>28.4</b>	13.4	17.3	30.7
	<b>1,355.5</b>	<b>66.6</b>	<b>1,422.1</b>	1,363.8	84.0	1,447.8

Required repayments of long-term debt and sinking fund requirements over the next five years will be as follows:

<i>millions of dollars</i>	2005	2006	2007	2008	2009
	28.4	227.3	27.4	213.7	13.8

The payments due within one year include sinking fund requirements of \$10.0 million (2003 - \$10.0 million).

Details of long-term debt are as follows:

#### Hydro

Series	Interest Rate %	Year of Issue	Year of Maturity	<b>2004</b>	2003	
<i>millions of dollars</i>				<b>2004</b>	2003	
AC	5.05	2001	2006	<b>200.0</b>	200.0	
AA	5.50	1998	2008	<b>200.0</b>	200.0	
V	10.50	1989	2014	<b>125.0</b>	125.0	(a)
X	10.25	1992	2017	<b>150.0</b>	150.0	(a)
Y	8.40	1996	2026	<b>300.0</b>	300.0	(a)
AB	6.65	2001	2031	<b>300.0</b>	300.0	(a)
AD	5.70	2003	2033	<b>125.0</b>	125.0	(a)
Total debentures				<b>1,400.0</b>	1,400.0	
Less sinking fund investments in own debentures				<b>48.3</b>	43.8	
				<b>1,351.7</b>	1,356.2	
Government of Canada loans at 5.25% to 7.91% maturing in 2006 to 2014				<b>16.4</b>	18.8	
Other				<b>1.2</b>	2.2	
				<b>1,369.3</b>	1,377.2	
Less payments due within one year				<b>13.8</b>	13.4	
				<b>1,355.5</b>	1,363.8	

(a) Sinking funds have been established for these issues.

Promissory notes, debentures and long-term loans are unsecured and unconditionally guaranteed as to principal and interest and where applicable, sinking fund payments, by the Province. The

Province charges Hydro a guarantee fee of 1% annually on the total debt (net of sinking funds) guaranteed by the Province, outstanding as of the preceding December 31.

#### CF(L)Co

<i>millions of dollars</i>	<b>2004</b>	2003
First Mortgage Bonds		
7.750% Series A due December 15, 2007 (U.S. \$32.0; 2003 - U.S. \$43.6)	<b>38.3</b>	56.4
7.875% Series B due December 15, 2007	<b>3.2</b>	4.4
General Mortgage Bonds		
7.500% due December 15, 2010	<b>39.7</b>	40.5
	<b>81.2</b>	101.3
Less payments due within one year	<b>14.6</b>	17.3
	<b>66.6</b>	84.0

# Notes to Consolidated Financial Statements

## 7. LONG-TERM DEBT (Cont'd.)

### CF(L)Co (Cont'd.)

The First Mortgage Bonds, Series A and B, are repayable in fixed semi-annual and in contingent annual sinking fund instalments. There have been no contingent repayments required in the last five years.

The Deed of Trust and Mortgage securing the General Mortgage Bonds provides for semi-annual sinking fund payments and a balloon payment at maturity. Each semi-annual payment is equal to 1% of the aggregate principal amount outstanding on January 1, preceding each payment date. The General Mortgage Bonds are subordinate to the First Mortgage Bonds.

Due to the contingent nature of the amounts of certain of the sinking fund instalments, it is not possible to be precise concerning long-term debt repayments over the next five years; however fixed sinking fund payments are estimated to average \$9.2 million in each of the years 2005 to 2009 inclusive.

Under the terms of long-term debt instruments, CF(L)Co may pay cash dividends only out of earnings, as defined, accumulated from September 1, 1976. A shareholders' agreement signed in June, 1999 places additional restrictions on dividends, based on cash flow.

## 8. LONG-TERM PAYABLE

The long-term payable to Hydro-Québec, bears interest at 7.0% per annum and is repayable over a four-year period which commenced in

September 2004. The current portion of \$0.4 million (2003 - nil) is included in accounts payable and accrued liabilities.

## 9. EMPLOYEE FUTURE BENEFITS

### Pension Plan

Employees participate in the Province's Public Service Pension Plan, a multi-employer defined benefit plan. The employers' contributions of \$4.1 million (2003 - \$4.1 million) are expensed as incurred.

### Other Benefits

Additionally, Hydro provides group life insurance and healthcare benefits on a cost-shared basis to retired employees, and in certain cases, their surviving spouses, in addition to a severance payment upon retirement. The most recent actuarial valuation was performed as at December 31, 2004.

<i>millions of dollars</i>	<b>2004</b>	2003
Accrued benefit obligation		
Balance at beginning of year	<b>39.5</b>	37.5
Current service cost	<b>1.6</b>	1.3
Interest cost	<b>2.8</b>	2.6
Actuarial loss	<b>4.2</b>	-
Benefits paid	<b>(1.7)</b>	(1.9)
Balance at end of year	<b>46.4</b>	39.5
Plan deficit	<b>46.4</b>	39.5
Unamortized actuarial loss	<b>(10.7)</b>	(7.1)
Unamortized past service cost	<b>(0.3)</b>	(0.4)
Accrued benefit liability at end of year	<b>35.4</b>	32.0

<i>millions of dollars</i>	<b>2004</b>	2003
Current service cost	<b>1.6</b>	1.3
Interest cost	<b>2.8</b>	2.6
Actuarial losses	<b>4.2</b>	-
	<b>8.6</b>	3.9
Adjustments		
Difference between actual actuarial loss and amount recognized	<b>(3.4)</b>	0.4
Benefit expense	<b>5.2</b>	4.3

## Notes to Consolidated Financial Statements

### 9. EMPLOYEE FUTURE BENEFITS (CONT'D)

The significant actuarial assumptions used in measuring the company's accrued benefit obligations and benefit expense are as follows:

	2004	2003
Discount rate	<b>6.3%</b>	7.0%
Rate of compensation increase	<b>3.5%</b>	3.5%
Assumed healthcare trend rates:		
	2004	2003
Initial healthcare expense trend rate	<b>12.0%</b>	12.0%
Cost trend decline to	<b>5.0%</b>	5.0%
Year that rate reaches the rate it is assumed to remain at	<b>2010</b>	2010

A 1% change in assumed healthcare trend rates would have had the following effects for 2004:

	Increase	Decrease
Current service cost	<b>0.2</b>	(0.2)
Interest cost	<b>0.5</b>	(0.3)
Accrued benefits obligation	<b>6.7</b>	(2.1)

### 10. FINANCIAL INSTRUMENTS

#### Fair Value

The estimated fair values of financial instruments as at December 31, 2004 and 2003 are based on relevant market prices and information available at the time. The fair value of long-term receivable, long-term debt and the long-term payable is estimated based on the quoted market price for the same or similar debt instruments. The fair value estimates below are not necessarily indicative of the amounts that Hydro might receive or incur in actual market transactions. As a significant number of Hydro's assets and liabilities, including fuels and supplies and capital assets, do not meet the definition of financial instruments, the fair value estimates below do not reflect the fair value of Hydro as a whole.

Cash and cash equivalents, short-term investments, accounts receivable, bank indebtedness, accounts payable, accrued interest and promissory notes are all short-term in nature and as such, their carrying value approximates fair value. At December 31, 2004

of the total accounts receivable balance outstanding approximately 51.8% (2003 - 50.0%) is due from a regulated utility, and 19.8% (2003 - 24.0%) from Hydro-Québec.

#### Sinking Funds

Sinking fund investments consist of bonds, debentures, promissory notes and coupons issued by, or guaranteed by, the Government of Canada or any province of Canada, and have maturity dates ranging from 2009 to 2033. Hydro debentures which Management intends to hold to maturity are deducted from long-term debt while all other sinking fund investments are shown separately on the balance sheet as assets. Annual contributions to the various sinking funds are as per bond indenture terms, and are structured to ensure the availability of adequate funds at the time of expected bond redemption. Effective yields range from 4.77% to 9.86% (2003 - 5.33% to 9.86%).

	Carrying Value	Fair Value	Carrying Value	Fair Value
<i>millions of dollars</i>	2004		2003	
<b>Financial Assets</b>				
Sinking funds	<b>87.1</b>	<b>96.9</b>	70.1	76.3
Long-term receivable including amount due in one year	<b>139.1</b>	<b>139.0</b>	166.2	166.2
<b>Financial Liabilities</b>				
Long-term debt including amount due in one year	<b>1,450.5</b>	<b>1,766.9</b>	1,478.5	1,769.6
Long-term payable including amount due in one year	<b>1.5</b>	<b>1.6</b>	-	-

# Notes to Consolidated Financial Statements

## 11. INTEREST EXPENSE

<i>millions of dollars</i>	<b>2004</b>	2003
Gross interest		
Long-term debt	<b>110.4</b>	109.9
Promissory notes	<b>4.1</b>	5.7
	<b>114.5</b>	115.6
Amortization of debt discount and financing expenses	<b>1.1</b>	1.0
Provision for foreign exchange losses	<b>2.2</b>	2.2
Foreign exchange gain	<b>(0.2)</b>	(1.0)
	<b>117.6</b>	117.8
Less		
Recovered from Hydro-Québec	<b>2.2</b>	3.2 (a)
Interest capitalized during construction	<b>3.6</b>	7.3
Interest earned	<b>22.7</b>	21.9
Net interest expense	<b>89.1</b>	85.4
Debt guarantee fee	<b>14.6</b>	13.9
Net interest and guarantee fee	<b>103.7</b>	99.3

(a) Under the terms of the Power Contract, CF(L)Co recovers the difference between interest calculated at the rates prescribed in the Power Contract and interest paid on its long-term debt.

Also, CF(L)Co can request Hydro and Hydro-Québec to make advances against the issue of Subordinated Debt Obligations, to service its debt and to cover expenses if funds are not otherwise available. If such request fails to attract sufficient advances, CF(L)Co

can require Hydro-Québec to make additional advances, against the issue of units of Subordinate Debentures and shares of common stock, to service its debt and to cover its expenses that remain unfunded.

## 12. COMMITMENTS AND CONTINGENCIES

(a) Under the terms of a sublease with Twin Falls, expiring on December 31, 2014, CF(L)Co is required to deliver to Twin Falls, at an agreed price, horsepower equivalent to the installed horsepower of the Twin Falls plant and to maintain Twin Falls' plant and equipment.

The results of a recent Environmental Site Assessment (ESA) conducted at the Twin Falls Generating Station indicate higher than acceptable concentrations of contaminants in the soil and waters adjacent to the powerhouse. Further testing is to be conducted to determine the extent of contamination, and a remediation plan will be developed in consultation with regulatory agencies. At this time potential liability cannot be estimated due to insufficient knowledge of the extent of contamination. Further, there is uncertainty with respect to whether Twin Falls or CF(L)Co is responsible for any environmental liabilities that are determined to exist.

(b) Hydro has received claims instituted by various companies and individuals with respect to outages and other miscellaneous matters. The aggregate of these claims, less any amounts that have been provided for in Hydro's financial statements is approximately \$8.5 million (2003 - \$16.2 million). The final resolution of these matters is currently under negotiation.

Legal proceedings have been commenced against Hydro by one of its customers claiming approximately \$22.2 million related to outages and plant shutdowns. Hydro is defending this claim and Management believes that this claim will not be successful.

(c) Outstanding commitments for capital projects total approximately \$7.4 million at December 31, 2004 (2003 - \$14.1 million).

## 13. COMPARATIVE FIGURES

Certain of the 2003 comparative figures have been reclassified to conform with the 2004 financial statement presentation.





**NEWFOUNDLAND AND LABRADOR  
INDUSTRIAL DEVELOPMENT CORPORATION**

**FINANCIAL STATEMENTS**

**31 MARCH 2005**



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

**AUDITOR'S REPORT**

To the Board of Directors  
Newfoundland and Labrador Industrial  
Development Corporation  
St. John's, Newfoundland and Labrador

I have audited the balance sheet of the Newfoundland and Labrador Industrial Development Corporation as at 31 March 2005 and the statements of revenues, expenses and surplus, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 March 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink, appearing to read 'John L. Noseworthy'.

**JOHN L. NOSEWORTHY, C.A.**  
**Auditor General**

St. John's, Newfoundland and Labrador  
22 June 2005

**NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT  
CORPORATION  
BALANCE SHEET**

**31 March**

**2005**  
(000's)

**2004**  
(000's)

**ASSETS**

**Current**

Cash	\$ 163	\$ 293
Province of Newfoundland and Labrador grants receivable	1,750	-
	1,913	293
<b>Investments, at cost (Note 2)</b>	<b>33,950</b>	<b>30,450</b>
<b>Loans receivable (Note 3)</b>	<b>-</b>	<b>-</b>
	<b>\$ 35,863</b>	<b>\$ 30,743</b>


**LIABILITIES AND SURPLUS**

**Current**

Accounts payable and accrued liabilities	\$ 1,751	\$ 1
<b>Long-term debt (Note 4)</b>	<b>29,411</b>	<b>29,546</b>
	31,162	29,547
<b>Surplus</b>	<b>4,701</b>	<b>1,196</b>
	<b>\$ 35,863</b>	<b>\$ 30,743</b>

*See accompanying notes*

Signed on behalf of the Board:

  
Chairperson

  
Director

**NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT  
CORPORATION**

**STATEMENT OF REVENUES, EXPENSES AND SURPLUS  
For the Year Ended 31 March**

	<b>2005</b>	<b>2004</b>
	(000's)	(000's)
<b>REVENUES</b>		
Province of Newfoundland and Labrador grant (Note 2(d))	\$ 3,500	\$ -
<u>Interest and investment income</u>	<u>6</u>	<u>4</u>
	<b>3,506</b>	<b>4</b>
<b>EXPENSES</b>		
<u>Professional services</u>	<u>1</u>	<u>2</u>
<b>Excess of revenues over expenses</b>	<b>3,505</b>	<b>2</b>
<u>Surplus, beginning of year</u>	<u>1,196</u>	<u>1,194</u>
<u>Surplus, end of year</u>	<u>\$ 4,701</u>	<u>\$ 1,196</u>

*See accompanying notes*

**NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT  
CORPORATION**

**STATEMENT OF CASH FLOWS**

**For the Year Ended 31 March**

	<b>2005</b>	<b>2004</b>
	(000's)	(000's)
<b>Cash flows from operating activities</b>		
Excess of revenues over expenses	\$ 3,505	\$ 2
Changes in non-cash working capital	-	1
	<b>3,505</b>	<b>3</b>
<b>Cash flows from investing activities</b>		
Proceeds from share redemptions	-	135
Investment in Icewater Seafoods Inc.	(3,500)	-
	<b>(3,500)</b>	<b>135</b>
<b>Cash flows from financing activities</b>		
Repayment of long-term debt	(135)	-
<b>Net (decrease) increase in cash</b>	<b>(130)</b>	<b>138</b>
<b>Cash, beginning of year</b>	<b>293</b>	<b>155</b>
<b>Cash, end of year</b>	<b>\$ 163</b>	<b>\$ 293</b>

*See accompanying notes*

**NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT  
CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2005**

**Authority**

The Newfoundland and Labrador Industrial Development Corporation (NIDC) operates under the authority of the *Industrial Development Corporation Act*. The primary purpose of NIDC is to provide long-term financing to industrial and resource-based companies. Funding is secured through various means including borrowing from the Province of Newfoundland and Labrador (Province). The affairs of NIDC are managed by a Board of Directors appointed by the Lieutenant-Governor in Council.

**1. Basis of accounting**

These financial statements have been prepared by NIDC's management in accordance with Canadian generally accepted accounting principles.

**2. Investments**

	<b>2005</b>	<b>2004</b>
	(000's)	(000's)
Water rights held in Labrador	\$ 30,000	\$ 30,000
INCO Limited, 5 Common Shares	-	-
Griffiths Guitars International Limited, 43,269 Preference Shares	450	450
<u>Icewater Seafoods Inc., 35,000 Preference Shares</u>	<u>3,500</u>	<u>-</u>
	<b>\$ 33,950</b>	<b>\$ 30,450</b>

(a) Water rights held in Labrador

Pursuant to an agreement dated 24 November 1978, the Lower Churchill Development Corporation Limited (LCDC) has the option of purchasing NIDC's water rights to the Lower Churchill River in consideration for the issuance of 3,000 Class B common shares without nominal or par value. These shares will then be transferred to Newfoundland and Labrador Hydro. This option was to expire 24 November 1996 but has been extended to 24 November 2005. LCDC was incorporated under the *Corporations Act* and is owned 51% by Newfoundland and Labrador Hydro and 49% by the Government of Canada. LCDC was established with the objective of developing all or part of the hydro-electric potential of the Lower Churchill Basin.

**NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT  
CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2005**

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**2. Investments (cont.)**

(b) INCO Limited

During 1997-98, NIDC purchased five shares of INCO Limited at a cost of \$138.00 (\$27.60 per share).

(c) Griffiths Guitars International Limited

During 2003-04, NIDC converted a loan receivable from Griffiths Guitars International Limited to 43,269 preference shares. This was completed at the request of the Company as part of a refinancing package.

(d) Icwater Seafoods Inc.

During 2004-05, NIDC was authorized by the Province to provide funding to Icwater Seafoods Inc. in the amount of \$3,500,000 by way of a preference share investment in order to assist Icwater Seafoods Inc. in its acquisition of the Arnold's Cove seafood processing facility. These preference shares, having a par value of \$100 per share, are non-voting and redeemable with annual, fixed, preferential and cumulative dividends. The Province advanced funding to NIDC for this investment, by way of two \$1,750,000 grants. These advances were made in October 2004 and April 2005, with 17,500 preference shares purchased from each advance.

By Agreement dated 8 October 2004, NIDC has acquired for nominal consideration from High Liner Foods Incorporated, the previous operator of the Arnold's Cove seafood processing facility, its Enterprise Allocations, vessel designations and historic rights for Newfoundland offshore fishing areas, as defined by the Agreement.

By separate lease Agreement, also dated 8 October 2004, the Corporation leased these Enterprise Allocations, vessel designations and historic rights for Newfoundland offshore fishing areas, to Icwater Seafoods Inc. and Icwater Harvesting Inc. This lease is for a period of twenty years and subject to certain restrictions and conditions contained in the lease agreement.

**3. Loans receivable**

	2005	2004
	(000's)	(000's)
Loans receivable	\$ 250	\$ 250
Allowance for doubtful accounts	(250)	(250)
	\$ -	\$ -



**NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT  
CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2005**

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**3. Loans receivable (cont.)**

During 1998-1999, NIDC was authorized by the Province to provide a loan of \$250,000 to Picadilly Plastic Inc. The loan was repayable in blended semi-annual payments of principal and interest of \$37,709 commencing in August 2002. The loan was non-interest bearing for the first three years and thereafter was at an interest rate of 8.75%. In accordance with the Debenture Agreement securing the loan, NIDC subordinated its security position during 1999-2000 which enabled the company to obtain additional long-term financing. Due to financial difficulties, Picadilly Plastic Inc. has not made any payments, has ceased operations, and its assets have been tendered for sale by the first mortgagor. An allowance for doubtful accounts of \$250,000 has been recorded in these financial statements for the full amount of this loan.

**4. Long-term debt**

	2005 (000's)	2004 (000's)
Non-interest bearing notes payable to the Province, no fixed terms of repayment or maturity dates	\$ 29,411	\$ 29,546

**5. Distribution of earnings**

Pursuant to Section 30 of the *Industrial Development Corporation Act*, the balance that the Minister of Finance considers to be available out of the net profits of NIDC is to be paid to the Province at such intervals and in a manner that the Minister may direct by notice to the Chairperson of the Board.

**6. Related party transactions**

NIDC is administered by employees of the Department of Finance. The costs of administration are paid directly by the Department and are not reflected in these financial statements.

**7. Financial instruments**

The Corporation's short-term financial instruments recognized on the balance sheet consist of cash, grants 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.

The Corporation's long-term financial instruments recognized on the balance sheet consist of loans receivable and non-interest bearing long-term debt. The carrying value of the long-term debt approximates fair value to the Corporation and is not subject to any material interest rate risk. The loans receivable has been fully allowed for and is disclosed at a nil amount.

**NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT  
CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2005**

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**8. 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.

**9. Income taxes**

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



**NEWFOUNDLAND AND LABRADOR  
LEGAL AID COMMISSION**

**FINANCIAL STATEMENTS**

**31 MARCH 2004**



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

**AUDITOR'S REPORT**

To the Board of Commissioners  
Newfoundland and Labrador Legal Aid Commission  
St. John's, Newfoundland and Labrador

I have audited the balance sheet of the Newfoundland and Labrador Legal Aid Commission as at 31 March 2004 and the statements of revenues, expenses and deficit, and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at 31 March 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink, appearing to read "John L. Noseworthy".

**JOHN L. NOSEWORTHY, C.A.**  
**Auditor General**

St. John's, Newfoundland and Labrador  
14 July 2004

**NEWFOUNDLAND AND LABRADOR LEGAL AID COMMISSION**  
**BALANCE SHEET**

31 March

2004

2003

**ASSETS**

**Current**

Cash	\$ 26,447	\$ 236,635
Accounts receivable (Note 2)	<u>208,001</u>	<u>248,633</u>

	234,448	485,268
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<b>Funds deposited in trust (Note 3)</b>	<b>94,923</b>	<b>101,730</b>
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<b>Capital assets (Note 4)</b>	<b><u>300,256</u></b>	<b><u>224,705</u></b>
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	<b>\$ 629,627</b>	<b>\$ 811,703</b>
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**LIABILITIES AND DEFICIT**

**Current**

Accounts payable and accrued liabilities (Note 5)	\$ 1,002,618	\$ 933,725
Deferred revenue	<u>161,601</u>	<u>177,614</u>

	1,164,219	1,111,339
--	-----------	-----------

<b>Accrued severance pay</b>	<b>855,073</b>	<b>814,124</b>
------------------------------	----------------	----------------

<b>Funds deposited in trust (Note 3)</b>	<b><u>94,923</u></b>	<b><u>101,730</u></b>
--	----------------------	-----------------------

	2,114,215	2,027,193
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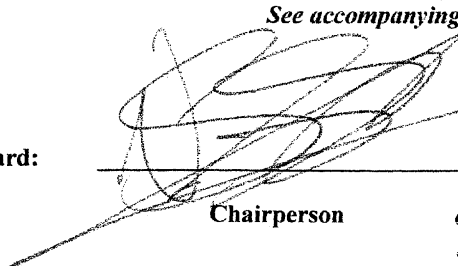
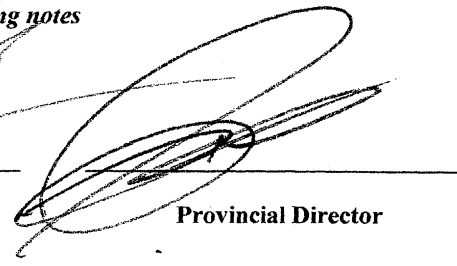
<b>Deficit</b>	<b><u>(1,484,588)</u></b>	<b><u>(1,215,490)</u></b>
----------------	---------------------------	---------------------------

	<b>\$ 629,627</b>	<b>\$ 811,703</b>
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**Contingent liabilities (Note 6)**

*See accompanying notes*

Signed on behalf of the Board:

	
Chairperson	Provincial Director

**NEWFOUNDLAND AND LABRADOR LEGAL AID COMMISSION**  
**STATEMENT OF REVENUES, EXPENSES AND DEFICIT**  
**For the Year Ended 31 March**

**2004**

**2003**

	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
<b>REVENUES</b>			
Province of Newfoundland and Labrador operating grant	\$ 7,105,600	\$ 6,830,440	\$ 6,844,200
Law Foundation of Newfoundland and Labrador grant	206,639	300,000	100,121
Government of Canada grant	20,000	-	30,000
Interest	10,144	-	14,039
Other	52,466	95,000	25,898
	<u>7,394,849</u>	<u>7,225,440</u>	<u>7,014,258</u>
<b>EXPENSES</b>			
Amortization	86,145	-	94,913
Bar fees and insurance	78,307	78,841	67,179
Capital asset purchases	-	138,500	-
Commissioners' fees and expenses	120,767	73,500	108,509
Conference and education	45,778	41,000	31,075
Family Justice Central Project (Note 7)	85,582	165,000	151,495
Legal fees and disbursements	633,040	421,900	491,908
Library	47,042	32,150	39,446
Miscellaneous	23,469	13,022	25,573
Office and equipment rental	429,090	431,464	419,334
Office expense	197,612	106,523	312,207
Salaries and benefits	5,810,042	5,628,940	5,553,303
Telephone and light	73,863	80,000	74,875
Travel	33,210	14,600	23,481
	<u>7,663,947</u>	<u>7,225,440</u>	<u>7,393,298</u>
<b>Excess of expenses over revenues</b>	<b>(269,098)</b>	<b>-</b>	<b>(379,040)</b>
<b>Deficit, beginning of year</b>	<b>(1,215,490)</b>	<b>(1,215,490)</b>	<b>(836,450)</b>
<b>Deficit, end of year</b>	<b>\$ (1,484,588)</b>	<b>\$ (1,215,490)</b>	<b>\$ (1,215,490)</b>

*See accompanying notes*

**NEWFOUNDLAND AND LABRADOR LEGAL AID COMMISSION**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended 31 March**

**2004**

**2003**

**Cash flows from operating activities**

Excess of expenses over revenues	\$ (269,098)	\$ (379,040)
Adjustment for non-cash items		
Amortization	86,145	94,913
	<u>(182,953)</u>	<u>(284,127)</u>
Changes in non-cash working capital		
Accounts receivable	40,632	(6,830)
Prepaid expenses	-	40,350
Accounts payable and accrued liabilities	68,893	76,851
Deferred revenue	<u>(16,013)</u>	<u>34,633</u>
	<u>93,512</u>	<u>145,004</u>
Increase in accrued severance pay	40,949	94,650
	<u>(48,492)</u>	<u>(44,473)</u>
<b>Cash flows from investing activities</b>		
Purchase of capital assets	<u>(161,696)</u>	<u>(93,724)</u>
<b>Net decrease in cash</b>	<b>(210,188)</b>	<b>(138,197)</b>
<b>Cash, beginning of year</b>	<b>236,635</b>	<b>374,832</b>
<b>Cash, end of year</b>	<b>\$ 26,447</b>	<b>\$ 236,635</b>

*See accompanying notes*



**NEWFOUNDLAND AND LABRADOR LEGAL AID COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2004**

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**Authority**

The Newfoundland and Labrador Legal Aid Commission (the Commission) operates under the authority of the *Legal Aid Act*. The purpose of the Commission is to establish and administer a plan of legal aid for the residents of the Province of Newfoundland and Labrador.

The affairs of the Commission are managed by a Board of Commissioners consisting of the Deputy Minister of Justice and the Provincial Director of the Commission, and five members appointed by the Lieutenant-Governor in Council.

**1. Significant accounting policies**

These financial statements have been prepared by the Commission's management in accordance with Canadian generally accepted accounting principles. The budget disclosed in these financial statements is presented on a cash basis. Outlined below are the significant accounting policies followed.

(a) Revenue recognition

Revenue for legal services is recognized on completion of services provided for legal action.

(b) Capital assets

Capital assets are recorded at cost at the time of acquisition. The budget for the purchase of capital assets was \$138,500 (2003 - \$153,500). Actual purchases totalled \$161,696 (2003 - \$93,724).

Amortization is recorded as follows:

Office furniture and equipment - Straight line basis over a period of five years from the date of purchase.

Software development - Straight line basis over a period of five years from the date of purchase.

Computer equipment - Straight line basis over a period of five years from the date of purchase.

Leasehold improvements - Straight line basis over the remaining life of the rental agreement.

**NEWFOUNDLAND AND LABRADOR LEGAL AID COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2004**

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**1. Significant accounting policies (cont.)**

(c) Severance pay

Severance pay is calculated based on 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 public service.

**2. Accounts receivable**

	<u>2004</u>	<u>2003</u>
Trade	\$ 369,082	\$ 394,575
Harmonized Sales Tax	41,292	31,331
Government of Canada	-	30,000
	<u>410,374</u>	<u>455,906</u>
Less: allowance for doubtful accounts	<u>(202,373)</u>	<u>(207,273)</u>
Net accounts receivable	<u>\$ 208,001</u>	<u>\$ 248,633</u>

**3. Funds deposited in trust**

Funds deposited in trust of \$94,923 (2003 - \$101,730) represent amounts received by the Commission for legal services which have yet to be completed. Once legal services have been completed, these deposits will be combined with the general funds of the Commission.

**4. Capital assets**

	<u>2004</u>			<u>2003</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Office furniture and equipment	\$ 675,591	\$ 606,141	\$ 69,450	\$ 89,637
Software development	172,124	142,654	29,470	1,871
Computer equipment	433,543	232,397	201,146	132,874
Leasehold improvements	18,345	18,155	190	323
	<u>\$ 1,299,603</u>	<u>\$ 999,347</u>	<u>\$ 300,256</u>	<u>\$ 224,705</u>

**NEWFOUNDLAND AND LABRADOR LEGAL AID COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2004**

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**5. Accounts payable and accrued liabilities**

	<u>2004</u>	<u>2003</u>
Trade	\$ 150,682	\$ 184,619
Salaries and benefits	851,936	749,106
	<u>\$ 1,002,618</u>	<u>\$ 933,725</u>

**6. Contingent liabilities**

As at 31 March 2004, several claims had been filed against the Commission. These actions have not progressed far enough to enable the formation of a definite opinion as to their outcome. The likelihood of loss or the amount of possible loss to the Commission is not determinable at this time.

**7. Family Justice Central Project**

On 14 March 2002, an agreement was signed between the Government of Canada and the Province that provided for funding to the Province for a Family Justice Central Project. The agreement covers a portion of the costs of a pilot project for the development, implementation, and evaluation of the delivery of integrated justice services in the family law area in Central Newfoundland. The agreement covered the period 1 September 2001 to 31 March 2003 and provided for funding to be paid to the Province in the amount of \$165,000 in 2002-03 and \$83,000 in 2001-02. The agreement was extended to 31 March 2004 and provided for additional funding of up to \$130,019 to be paid to the Province in 2003-04. This funding was included in the grant provided to the Commission by the Province. Actual expenditures paid by the Commission for the project were as follows:

	<u>2004</u>	<u>2003</u>
Office expense	\$ 5,608	\$ 35,714
Office rental	3,600	3,900
Salaries and benefits	67,396	95,898
Telephone	4,441	5,680
Travel	4,537	10,303
	<u>\$ 85,582</u>	<u>\$ 151,495</u>

**8. Pensions**

Under the *Legal Aid Act*, Commission staff 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 pension contributions for 2004 was \$355,683 (2003 - \$328,340).

**NEWFOUNDLAND AND LABRADOR LEGAL AID COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2004**

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**9. Lease commitments**

The Commission has entered into agreements requiring lease payments for office rental for the next four years as follows:

2005	\$239,420
2006	\$239,420
2007	\$189,630
2008	\$ 20,518

**10. Economic dependence**

As a result of the Commission's reliance on Provincial funding to meet its cost of operations, the Commission's ability to continue viable operations is dependent upon continued funding from the Province.

**11. Financial instruments**

The Commission's financial instruments recognized in the balance sheet consist of cash, accounts receivable, and accounts payable and accrued liabilities, the carrying values of which approximate fair value due to the short-term maturity associated with these instruments. 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.

**12. 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.



# Deloitte

*Financial Statements of*

**NEWFOUNDLAND AND LABRADOR  
LIQUOR CORPORATION**

*March 31, 2005*

## Auditors' Report

### To the Board of Directors of Newfoundland and Labrador Liquor Corporation

We have audited the balance sheet of the Newfoundland and Labrador Liquor Corporation as at March 31, 2005 and the statements of earnings, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2005 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  
June 24, 2005

# NEWFOUNDLAND AND LABRADOR LIQUOR CORPORATION

## Statement of Earnings

Year ended March 31, 2005 (in thousands)

	<u>2005</u>	<u>2004</u>
	\$	\$
SALES	130,732	131,107
<hr/>		
COST OF GOODS SOLD		
Inventory, beginning of the year	22,723	24,161
Purchases	56,506	53,611
<hr/>		
Cost of goods available for sale	79,229	77,772
Less: inventory, end of the year	26,418	22,723
<hr/>		
	52,811	55,049
<hr/>		
GROSS PROFIT	77,921	76,058
<hr/>		
COMMISSION REVENUE ON SALE OF BEER	51,976	50,343
<hr/>		
OTHER INCOME		
Commission on licensee purchases	2,626	2,789
Interest	603	643
Miscellaneous	995	1,045
<hr/>		
	4,224	4,477
<hr/>		
EARNINGS FROM OPERATIONS	134,121	130,878
<hr/>		
ADMINISTRATIVE AND OPERATING EXPENSES (Schedule 1)	30,104	30,840
<hr/>		
NET EARNINGS	104,017	100,038



# NEWFOUNDLAND AND LABRADOR LIQUOR CORPORATION

## Statement of Retained Earnings

Year ended March 31, 2005 (in thousands)

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	<u>2005</u>	<u>2004</u>
	\$	\$
BALANCE, BEGINNING OF YEAR	43,121	36,683
NET EARNINGS	<u>104,017</u>	<u>100,038</u>
	147,138	136,721
PAYMENTS TO THE PROVINCE OF NEWFOUNDLAND AND LABRADOR	<u>105,370</u>	<u>93,600</u>
BALANCE, END OF YEAR	<u>41,768</u>	<u>43,121</u>

# NEWFOUNDLAND AND LABRADOR LIQUOR CORPORATION

## Balance Sheet

March 31, 2005 (in thousands)

	<u>2005</u>	<u>2004</u>
	\$	\$
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	14,957	15,689
Accounts receivable	5,830	6,108
Beer commissions receivable	4,550	4,770
Inventories, at cost (Note 3)	26,418	22,723
Prepaid expenses	521	448
	<u>52,276</u>	<u>49,738</u>
CAPITAL ASSETS (Note 4)	6,735	7,581
LEASED ASSETS (Note 5)	4,665	4,942
INTANGIBLE ASSETS (Note 6)	82	102
	<u>63,758</u>	<u>62,363</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	18,648	15,744
Accrued vacation pay	978	1,027
Current portion of obligation under capital lease (Note 7)	13	50
	<u>19,639</u>	<u>16,821</u>
ACCRUED SEVERANCE PAY	2,351	2,408
OBLIGATION UNDER CAPITAL LEASE (Note 7)	-	13
	<u>21,990</u>	<u>19,242</u>
<b>EQUITY</b>		
Retained earnings	41,768	43,121
	<u>63,758</u>	<u>62,363</u>

ON BEHALF OF THE BOARD:

  
CHAIRMAN OF THE BOARD

  
DIRECTOR

# NEWFOUNDLAND AND LABRADOR LIQUOR CORPORATION

## Statement of Cash Flows

Year ended March 31, 2005 (in thousands)

	<u>2005</u>	<u>2004</u>
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Net earnings	104,017	100,038
Adjustments for:		
Amortization	2,153	1,984
Gain on disposal of capital assets	(2)	(16)
Accrual for vacation pay	(49)	144
Accrual for severance pay	(57)	197
Net change in non-cash operating working capital	(366)	(1,858)
	<u>105,696</u>	<u>100,489</u>
<b>INVESTING ACTIVITIES</b>		
Proceeds on disposal of capital assets	3	48
Purchase of capital assets	(1,011)	(2,150)
	<u>(1,008)</u>	<u>(2,102)</u>
<b>FINANCING ACTIVITIES</b>		
Payments to the Province of Newfoundland and Labrador	(105,370)	(93,600)
Repayment of long term debt	-	(100)
Repayment of obligation under capital lease	(50)	(49)
	<u>(105,420)</u>	<u>(93,749)</u>
NET (DECREASE) INCREASE IN CASH	(732)	4,638
CASH, BEGINNING OF YEAR	15,689	11,051
CASH, END OF YEAR	14,957	15,689

# NEWFOUNDLAND AND LABRADOR LIQUOR CORPORATION

## Notes to the Financial Statements

March 31, 2005 (tabular amounts in thousands)

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### 1. DESCRIPTION OF BUSINESS

The Newfoundland and Labrador Liquor Corporation (the "Corporation") is a provincial crown corporation responsible for managing the importation, sale and distribution of beverage alcohol throughout Newfoundland and Labrador.

### 2. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following significant accounting policies:

#### *Revenue recognition*

Revenue is recognized when goods have been sold and all contractual obligations have been met and collection is reasonably assured.

#### *Inventories*

Inventory is carried at the lower of average cost and net realizable value.

#### *Capital assets*

Capital assets are recorded at cost. Amortization is recorded over the expected useful life of the assets on a straight line basis as follows:

Buildings	20 years
Store equipment and fixtures	5 years
Motor vehicles	3 years
Office furniture and equipment	5 years and 10 years
Plant and warehouse equipment	5 years

#### *Leased assets*

Leased assets are recorded at cost. Amortization is recorded over the terms of the leases on a straight line basis as follows:

Leasehold improvements	1 to 20 years
Leased land	30 years

#### *Intangible assets*

Intangible assets consist of a trademark which is recorded at cost and amortized on a straight line basis over a ten-year period.

# NEWFOUNDLAND AND LABRADOR LIQUOR CORPORATION

## Notes to the Financial Statements

March 31, 2005 (tabular amounts in thousands)

### 2. ACCOUNTING POLICIES (Continued)

#### *Severance pay*

A liability for severance pay is recorded in the accounts for all employees who have a vested right to receive such payment. No provision for severance pay liability is made for employees who have less than nine years of continual service.

#### *Use of estimates*

The preparation of the Corporation'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 as 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.

### 3. INVENTORIES

	<u>2005</u>	<u>2004</u>
	\$	\$
Head office	11,098	10,661
Branch stores	7,054	7,911
Stock in transit	7,190	3,127
Raw materials	1,035	938
Work in progress	41	86
	<u>26,418</u>	<u>22,723</u>

### 4. CAPITAL ASSETS

	<u>2005</u>		<u>2004</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
	\$	\$	\$	\$
Land	1,123	-	1,123	1,123
Buildings	7,139	4,443	2,696	2,966
Store equipment and fixtures	2,254	1,471	783	887
Motor vehicles	155	144	11	31
Office furniture and equipment	4,387	2,675	1,712	2,097
Plant and warehouse equipment	3,229	2,819	410	477
	<u>18,287</u>	<u>11,552</u>	<u>6,735</u>	<u>7,581</u>

# NEWFOUNDLAND AND LABRADOR LIQUOR CORPORATION

## Notes to the Financial Statements

March 31, 2005 (tabular amounts in thousands)

### 5. LEASED ASSETS

	2005		2004	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Leasehold improvements	10,966	6,416	4,550	4,790
Leased land	249	200	49	57
Leased equipment	147	81	66	95
	<u>11,362</u>	<u>6,697</u>	<u>4,665</u>	<u>4,942</u>

### 6. INTANGIBLE ASSETS

	2005		2004	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Trademark	203	121	82	102

### 7. OBLIGATION UNDER CAPITAL LEASE

	\$
IBM Canada Limited, capital equipment lease repayable in monthly instalments of \$5,226 to June 30, 2005	16
Less: interest on obligation	3
	<u>13</u>
Less: current portion	13
	<u>-</u>

# NEWFOUNDLAND AND LABRADOR LIQUOR CORPORATION

## Notes to the Financial Statements

March 31, 2005 (tabular amounts in thousands)

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### 8. FINANCIAL INSTRUMENTS

The Corporation's financial instruments included in current assets and current liabilities approximate fair value due to their short term to maturity. The Corporation intends to hold its long term debt instruments to maturity and therefore does not expect any differences between carrying value and fair market value will be recorded in the accounts.

### 9. LEASE COMMITMENTS

The Corporation has entered into rental leases covering retail outlets. Annual lease obligations for the next five years are as follows:

	\$
2006	1,135
2007	838
2008	681
2009	372
2010	197
	<hr/>
	3,223

### 10. RELATED PARTY TRANSACTIONS

The Corporation is leasing office and warehouse space in St. John's from the Department of Works, Services and Transportation. These leases are rent free; however, all operating and maintenance costs related to the buildings are the responsibility of the Corporation.

### 11. PENSIONS

The Corporation and its employees are subject to the Public Service Pensions Act effective June 26, 1973. Pension contributions deducted from employees' salaries are matched by the Corporation 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 Corporation's share of pension expense for the year is \$0.9 million (2004 - \$0.8 million).

### 12. COMPARATIVE FIGURES

Certain of the comparative information has been reclassified to conform with the presentation adopted in the current year.

SCHEDULE 1

**NEWFOUNDLAND AND LABRADOR LIQUOR CORPORATION**  
**Schedule of Administrative and Operating Expenses**

**Year ended March 31, 2005 (in thousands)**

	<u>2005</u>	<u>2004</u>
	\$	\$
Salaries and employee benefits	15,026	15,927
Agency store commission and expenses	4,196	4,118
Amortization on capital and leased assets	2,057	1,873
Marketing	1,740	1,442
Rent and municipal taxes	1,511	1,449
Interest and bank charges	793	722
Interest on long term debt	8	9
Other	4,773	5,300
	<b>30,104</b>	<b>30,840</b>





**NEWFOUNDLAND AND LABRADOR  
MUNICIPAL FINANCING CORPORATION**

**FINANCIAL STATEMENTS**

**31 MARCH 2005**



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

## AUDITOR'S REPORT

To the Board of Directors  
Newfoundland and Labrador Municipal Financing  
Corporation  
St. John's, Newfoundland and Labrador

I have audited the balance sheet of the Newfoundland and Labrador Municipal Financing Corporation as at 31 March 2005 and the statements of revenues, expenses and deficit, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 March 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink, appearing to read "John L. Noseworthy".

**JOHN L. NOSEWORTHY, C.A.**  
**Auditor General**

St. John's, Newfoundland and Labrador  
7 June 2005

**NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING CORPORATION  
BALANCE SHEET**

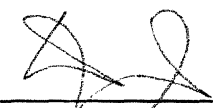
31 March

	2005	2004
	(000's)	(000's)
<b>ASSETS</b>		
<b>Current</b>		
Cash and term deposits	\$ 4,735	\$ 6,829
Investment - coupons (at cost)	5,076	5,038
- earned interest receivable	3,316	4,358
Accounts receivable	5,921	10,362
Accrued interest receivable	3,405	4,276
Current portion of loans receivable (Note 2)	33,383	33,901
	55,836	64,764
Long-term investment - coupons	9,758	13,917
Long-term loans receivable (Note 2)	213,934	223,655
Deferred charges (Note 3)	873	939
	\$ 280,401	\$ 303,275
<b>LIABILITIES AND DEFICIT</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 143	\$ 122
Accrued interest payable	4,578	6,044
Current portion of debenture debt (Note 4)	39,951	52,451
Current portion of deferred revenue (Note 5)	455	934
	45,127	59,551
Long-term debenture debt (Note 4)	234,657	246,736
Deferred revenue (Note 5)	522	845
Reserve fund (Note 6)	2,792	-
	283,098	307,132
Deficit	(2,697)	(3,857)
	\$ 280,401	\$ 303,275

*See accompanying notes*

Signed on behalf of the Board of Directors:

  
Chairperson

  
Director

**NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING CORPORATION  
STATEMENT OF REVENUES, EXPENSES AND DEFICIT**

**For the Year Ended 31 March**

	<b>2005</b>	<b>2004</b>
	(000's)	(000's)
<b>REVENUES</b>		
Interest on loans to municipal corporations	\$ 20,743	\$ 23,119
Sinking fund income	1,152	2,304
Short-term interest	1,116	1,449
Amortization of deferred revenue:		
Prepayment penalties	946	1,492
	<u>23,957</u>	<u>28,364</u>
<b>EXPENSES</b>		
Administrative and miscellaneous	203	214
Amortization of deferred charges:		
Issue expenses on debenture debt	194	252
Premiums and discounts on debenture debt	77	84
Interest on long-term debt	22,323	27,128
	<u>22,797</u>	<u>27,678</u>
<b>Excess of revenues over expenses</b>	<b>1,160</b>	<b>686</b>
<b>Deficit, beginning of year</b>	<b>(3,857)</b>	<b>(4,543)</b>
<b>Deficit, end of year</b>	<b>\$ (2,697)</b>	<b>\$ (3,857)</b>

*See accompanying notes*

**NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING CORPORATION**  
**STATEMENT OF CASH FLOWS**

For the Year Ended 31 March

	2005	2004
	(000's)	(000's)
<b>Cash flows from operating activities</b>		
Excess of revenues over expenses	\$ 1,160	\$ 686
Add (deduct) non-cash items:		
Sinking fund income	(1,152)	(2,304)
Amortization of issue expenses on debenture debt	194	252
Amortization of premiums and discounts on debenture debt	77	84
Amortization of prepayment penalties	(946)	(1,492)
Accrued interest income on coupons	(810)	(1,095)
	(1,477)	(3,869)
<u>Change in non-cash working capital</u>	<u>3,867</u>	<u>(724)</u>
	<u>2,390</u>	<u>(4,593)</u>
<b>Cash flows from financing activities</b>		
Proceeds from debenture issues	30,000	19,000
Retirement of debentures	(65,451)	(70,112)
Premiums and discounts on debenture debt	(44)	(22)
Issue expenses on debenture debt	(161)	(136)
Assets transferred from Sinking Fund	12,324	27,166
Sinking fund payments	(300)	(560)
Prepayment penalties	144	109
Reserve fund advances received	9,000	-
Reserve fund allocations to municipal corporations	(6,208)	(822)
	(20,696)	(25,377)
<b>Cash flows from investing activities</b>		
Investment - coupons purchased	(440)	(810)
Investment - coupons redeemed	6,413	6,809
Loans to municipal corporations	(25,195)	(20,315)
<u>Loan payments received from municipal corporations</u>	<u>35,434</u>	<u>35,354</u>
	<u>16,212</u>	<u>21,038</u>
<b>Decrease in cash and term deposits</b>	<b>(2,094)</b>	<b>(8,932)</b>
<b>Cash and term deposits, beginning of year</b>	<b>6,829</b>	<b>15,761</b>
<b>Cash and term deposits, end of year</b>	<b>\$ 4,735</b>	<b>\$ 6,829</b>

*See accompanying notes*

**NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2005**

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**Authority**

Newfoundland and Labrador Municipal Financing Corporation (the Corporation) was created by the *Municipal Financing Corporation Act*. The Corporation's primary function is to provide long-term financing for the capital requirements of municipal corporations by the issuance of its securities, and relending the funds to municipal corporations. The Corporation's affairs are managed by a Board of Directors appointed by the Lieutenant-Governor in Council. All board members are full-time employees of the Province of Newfoundland and Labrador (the Province).

**1. 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) Premiums, discounts and issue expenses on debenture debt

Premiums, discounts and issue expenses are deferred and amortized on a straight line basis over the life of the debenture issue to which they relate. In the case of the early retirement of debenture debt, a proportionate amount of the deferred balance is included with the gain or loss in the determination of net income for the period.

(b) Deferred revenue

Penalties are charged when municipal corporations prepay all or a portion of their loans with the Corporation. These penalties are deferred and amortized on a straight line basis over the average years remaining for these loans prior to payout.

**2. Loans receivable**

	<u>2005</u>	<u>2004</u>
	(000's)	(000's)
Loans receivable from municipal corporations	\$ 247,317	\$ 257,556
Less: current portion	<u>(33,383)</u>	<u>(33,901)</u>
Long-term portion	<u>\$ 213,934</u>	<u>\$ 223,655</u>

**NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2005**

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**2. Loans receivable (cont.)**

Loans to municipal corporations are made on the security of their debentures. Provisions exist for the recovery from the Province of any defaults by municipal corporations. Therefore, no allowance for doubtful accounts has been provided.

Principal payments receivable in each of the next five (5) years are as follows:

<u>Year</u>	<u>Amount</u> (000's)
2006	\$33,383
2007	\$31,270
2008	\$28,553
2009	\$26,576
2010	\$23,341

**3. Deferred charges**

	<u>2005</u> (000's)	<u>2004</u> (000's)
Issue expenses on debenture debt	\$ 629	\$ 662
Premiums and discounts on debenture debt	244	277
	<u>\$ 873</u>	<u>\$ 939</u>



**NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2005**

**4. Debenture debt**

The Corporation's debenture debt is unconditionally and fully guaranteed as to principal, interest and sinking fund payments, if any, by the Province. Details of long-term debt outstanding at 31 March 2005 are as follows:

Series	Remaining Term	Interest Rate %	Sinking Fund Balance (000's)	2005 (000's)	2004 (000's)	
MFC-12			\$ -	\$ -	\$ 13,000	
MFC-17	11 Dec 2005-06	10.250	-	3,000	4,500	(a)
MFC-21	1 Dec 2005-08	10.875	9,225	15,000	15,000	
MFC-22	15 Jun 2005-09	10.500	-	6,250	7,500	(b)
MFC-23			-	-	2,000	
MFC-24	30 May 2005	12.750	-	1,787	3,574	(c)
MFC-25	27 Nov 2005	12.250	-	1,666	3,332	(d)
MFC-26	30 May 2005-06	10.875	-	5,334	8,001	(e)
MFC-27	20 Nov 2005-06	10.250	-	3,332	4,998	(f)
MFC-28	30 Apr 2005-07	10.125-10.250	-	7,998	10,664	(g)
MFC-29	15 Dec 2005-07	9.500- 9.625	-	3,000	4,000	(h)
MFC-30	20 May 2005-08	8.875- 9.125	-	8,000	10,000	(i)
MFC-31	1 Dec 2005-08	8.250- 8.375	-	9,332	11,665	(j)
MFC-32	17 May 2005-08	9.125- 9.375	-	10,000	13,000	(k)
MFC-34	2 Sep 2005-07	9.960	-	10,000	10,000	
MFC-35			-	-	12,000	
MFC-36	15 May 2005-10	9.300- 9.600	-	7,500	8,750	(l)
MFC-37	10 Jan 2006-11	8.125- 8.375	-	12,000	14,000	(m)
MFC-38	1 Jun 2005-13	5.625- 6.000	-	11,000	12,200	(n)
MFC-39	16 Dec 2005-13	5.750- 6.125	-	14,500	16,500	(o)
MFC-40	14 Dec 2005-14	6.500- 6.850	-	12,600	14,200	(p)
MFC-41	17 Oct 2005-10	6.250- 6.500	-	8,400	9,700	(q)
MFC-42	5 Apr 2005-11	5.150- 5.900	-	11,400	12,700	(r)
MFC-43	20 Sep 2005-16	5.250- 6.500	-	28,000	30,000	(s)
MFC-44	15 Mar 2006-17	4.750- 6.125	-	12,000	13,000	(t)
MFC-45	26 Mar 2006-13	4.000- 5.375	-	24,000	26,000	(u)
MFC-46	2 Sep 2005-12	5.200	-	10,000	10,000	
MFC-47	17 Mar 2006-19	2.650- 5.200	-	17,734	19,000	(v)
MFC-48	29 Mar 2006-20	2.900- 5.200	-	30,000	-	(w)
Total			\$ 9,225	283,833	319,284	
Less: sinking funds				(9,225)	(20,097)	(x)
Net debenture debt				274,608	299,187	
Less: current portion				(39,951)	(52,451)	
Long-term portion				\$ 234,657	\$ 246,736	

**NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2005**

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**4. Debenture debt (cont.)**

- (a) On 11 December of each year, the Corporation is to redeem \$1,500,000 in the years 2005 to 2006 inclusive.
- (b) On 15 June of each year, the Corporation is to redeem \$1,250,000 in the years 2005 to 2009 inclusive.
- (c) On 30 May 2005, the Corporation is to redeem the \$1,787,000.
- (d) On 27 November 2005, the Corporation is to redeem the \$1,666,000.
- (e) On 30 May of each year, the Corporation is to redeem \$2,667,000 in the years 2005 to 2006 inclusive.
- (f) On 20 November of each year, the Corporation is to redeem \$1,666,000 in the years 2005 to 2006 inclusive.
- (g) On 30 April of each year, the Corporation is to redeem \$2,666,000 in the years 2005 to 2007 inclusive.
- (h) On 15 December of each year, the Corporation is to redeem \$1,000,000 in the years 2005 to 2007 inclusive.
- (i) On 20 May of each year, the Corporation is to redeem \$2,000,000 in the years 2005 to 2008 inclusive.
- (j) On 1 December of each year, the Corporation is to redeem \$2,333,000 in the years 2005 to 2008 inclusive.
- (k) On 17 May of each year, the Corporation is to redeem \$2,000,000 in the year 2005, \$6,000,000 in the year 2007, and \$2,000,000 in the year 2008.
- (l) On 15 May of each year, the Corporation is to redeem \$1,250,000 in the years 2005 to 2010 inclusive.
- (m) On 10 January of each year, the Corporation is to redeem \$2,000,000 in the years 2006 to 2011 inclusive.

**NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2005**

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**4. Debenture debt (cont.)**

- (n) On 1 June of each year, the Corporation is to redeem \$1,200,000 in the years 2005 to 2009 inclusive and \$1,250,000 in the years 2010 to 2013 inclusive.
- (o) On 16 December of each year, the Corporation is to redeem \$2,000,000 in the year 2005, \$2,500,000 in the years 2006 to 2008 inclusive and \$1,000,000 in the years 2009 to 2013 inclusive.
- (p) On 14 December of each year, the Corporation is to redeem \$1,700,000 in the years 2005 to 2006 inclusive, \$1,800,000 in the year 2007, \$1,200,000 in the years 2008 to 2009 inclusive and \$1,000,000 in the years 2010 to 2014 inclusive.
- (q) On 17 October of each year, the Corporation is to redeem \$1,400,000 in the years 2005 to 2007 inclusive, \$1,600,000 in the years 2008 to 2009 inclusive, and \$1,000,000 in the year 2010.
- (r) On 5 April of each year, the Corporation is to redeem \$1,300,000 in the year 2005, \$1,400,000 in the years 2006 to 2007 inclusive, \$1,500,000 in the year 2008, \$1,600,000 in the year 2009, \$1,700,000 in the year 2010 and \$2,500,000 in the year 2011.
- (s) On 20 September of each year, the Corporation is to redeem \$2,000,000 in the years 2005 to 2006 inclusive, \$2,800,000 in the years 2007 to 2011 inclusive and \$2,000,000 in the years 2012 to 2016 inclusive.
- (t) On 15 March of each year, the Corporation is to redeem \$1,000,000 in the years 2006 to 2017 inclusive.
- (u) On 26 March of each year, the Corporation is to redeem \$2,000,000 in the years 2006 to 2012 inclusive and \$10,000,000 in the year 2013.
- (v) On 17 March of each year, the Corporation is to redeem \$1,266,000 in the years 2006 to 2008 inclusive, \$1,276,000 in the year 2009 and \$1,266,000 in the years 2010 to 2019 inclusive.
- (w) On 29 March of each year, the Corporation is to redeem \$2,300,000 in the years 2006 to 2015 inclusive and \$1,400,000 in the years 2016 to 2020.

**NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2005**

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**4. Debenture debt (cont.)**

- (x) For debentures which have sinking fund requirements, the Corporation makes the required contributions to the Board of Trustees of the Newfoundland and Labrador Municipal Financing Corporation Sinking Fund. This is an unincorporated body appointed by the Lieutenant-Governor in Council. All board members are full-time employees of the Province.

Estimated sinking fund requirements and debenture maturities over the next five (5) years are as follows:

Year Ending 31 March	Sinking Fund Requirements (000's)	Debenture Maturities (000's)	Total Amount (000's)
2006	\$300	\$39,951	\$40,251
2007	\$300	\$35,098	\$35,398
2008	\$300	\$46,165	\$46,465
2009	-	\$28,209	\$28,209
2010	-	\$20,466	\$20,466

Debenture maturities reflect only securities maturing without sinking funds.

**5. Deferred revenue**

	2005 (000's)	2004 (000's)
Deferred revenue	\$ 977	\$ 1,779
Less: current portion	(455)	(934)
<u>Long-term portion</u>	<u>\$ 522</u>	<u>\$ 845</u>

**NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2005**

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**6. Reserve fund**

The Province funds a reserve fund established to mitigate arrears with respect to municipal loans. The reserve fund is allocated as the Department of Municipal and Provincial Affairs concludes negotiations with various municipal corporations with respect to restructuring debt due to the Corporation.

	2005 (000's)	2004 (000's)
Balance, beginning of year	\$ -	\$ 822
Add: funds advanced to Corporation during year	9,000	-
Less: amounts allocated to municipal corporations for debt restructuring	(6,208)	(822)
<b>Balance, end of year</b>	<b>\$ 2,792</b>	<b>\$ -</b>

**7. Financial instruments**

The Corporation's short-term financial instruments recognized on the balance sheet consist of cash and term deposits, short-term investments, accounts receivable, accrued interest receivable, accounts payable and accrued liabilities and accrued interest payable. The carrying values of these instruments approximate current fair value due to their nature and the short-term maturity associated with them. Since provisions exist for the recovery from the Province of any defaults by municipal corporations there is no credit risk associated with the Corporation's accounts receivable.

The Corporation's long-term financial instruments recognized on the balance sheet consist of long-term investments, long-term loans receivable and long-term debenture debt. The Corporation's policy is to hold its long-term investments to maturity, therefore their reported value is current fair value to the Corporation. Since provisions exist for the recovery from the Province of any defaults by municipal corporations there is no credit risk associated with the Corporation's long-term loans receivable and therefore, the amount presented in the balance sheet is the same as current fair value of the asset.

The majority of the Corporation's long-term debt is issued as serial debentures which are redeemed over a number of years at varying interest rates. In addition, the Corporation's long-term debenture debt is used to finance loans to the Province's various municipalities. The rates charged by the Corporation to these municipalities is calculated using the rates the Corporation is required to pay on its related debenture debt plus an additional percentage. Because provisions exist for the recovery from the Province of any defaults by municipal corporations and because the long-term debenture debt of the Corporation is specifically tied to these receivables, the long-term debenture debt as presented in the balance sheet is presented at current fair value and the Corporation is not subject to any rate risk relating to this debt.

**NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2005**

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**8. Economic dependence**

As a result of cost-sharing arrangements, the loans receivable from municipal corporations disclosed in Note 2 are serviced by both the municipal corporations and the Province. Due to the nature of these arrangements, the Province is in effect repaying a significant portion of the loans owing to the Corporation. Provisions exist for the recovery from the Province of any defaults by municipal corporations.

The Corporation's debentures are fully guaranteed by the Province as to principal, interest and sinking fund payments, if any. As at 31 March 2005, this guarantee covered net debenture debt and accrued interest totalling \$279,186,000 (2004 - \$305,231,000).

As a result, the Corporation's continued existence is dependent upon the decisions of the Province.

**9. Related party transactions**

The Corporation is administered by employees of the Department of Finance. The salary costs of these employees are paid by the Department of Finance, reimbursed by the Corporation, and are reflected in these financial statements.

**10. Income taxes**

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

**11. Going concern**

The Province of Newfoundland and Labrador has decided that it will no longer refinance its portion of completed municipal capital projects through the Corporation. As a result, the Corporation will be winding up its operations over the coming years as it repays its debenture debt.



**NEWFOUNDLAND AND LABRADOR  
STUDENT INVESTMENT AND  
OPPORTUNITY CORPORATION**

**FINANCIAL STATEMENTS**

**31 MARCH 2005**





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

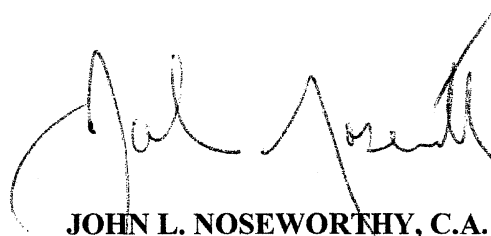
**AUDITOR'S REPORT**

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

I have audited the balance sheet of the Newfoundland and Labrador Student Investment and Opportunity Corporation as at 31 March 2005 and the statement of revenues, expenses and surplus for the year then ended. These financial statements are the responsibility of the Board's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Newfoundland and Labrador Student Investment and Opportunity Corporation as at 31 March 2005 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.



**JOHN L. NOSEWORTHY, C.A.**  
**Auditor General**

St. John's, Newfoundland and Labrador  
22 June 2005

**NEWFOUNDLAND AND LABRADOR STUDENT INVESTMENT AND  
OPPORTUNITY CORPORATION**

**BALANCE SHEET**

**31 March**

**2005**

**2004**

**ASSETS**

**Current**

Cash	\$ 2,270,348	\$ 2,794,327
Accounts receivable	4,886	5,275
Due from Province – operating grant	2,742	1,261
	<u>\$ 2,277,976</u>	<u>\$ 2,800,863</u>

**LIABILITIES AND EQUITY**

**Current**

Accounts payable	\$ 87,999	\$ 62,114
Due to Province – Special Purpose Fund	29,301	-
	<u>117,300</u>	<u>62,114</u>

**Equity**

Share capital (Note 2)	-	-
Equity	<u>2,160,676</u>	<u>2,738,749</u>
	<u>\$ 2,277,976</u>	<u>\$ 2,800,863</u>

**Commitments (Note 3)**

*See accompanying notes*

Signed on behalf of the Board:

  
Chairperson

  
Member

**NEWFOUNDLAND AND LABRADOR STUDENT INVESTMENT AND  
OPPORTUNITY CORPORATION**

**STATEMENT OF REVENUES, EXPENSES AND SURPLUS**

**For the Year Ended 31 March**

**2005**

**2004**

**REVENUES**

Grants from the Province of Newfoundland and Labrador	\$ 6,233,932	\$ 8,260,000
Investment income	58,852	78,840
	<b>6,292,784</b>	<b>8,338,840</b>

**EXPENSES**

Programs:

Student Works and Services Program (SWASP)		
– Paid Employment	1,348,009	1,662,238
Graduate Employment Program	1,006,533	763,416
Small Enterprise Co-op Placement Assistance Program	800,000	449,962
Youth Opportunities Program	748,802	1,450,000
Newfoundland and Labrador Conservation Corps	500,000	500,000
Student Employment Program (High School Students)	489,730	727,041
Student Works and Services Program – Community Service	377,498	484,901
Student Works and Services Program – Post Secondary	360,000	489,814
Grants to Youth Organizations	269,469	123,584
Tutoring/Work Experience	220,846	286,337
Faculty of Education Co-op Program	165,000	300,000
Year Round SWASP	121,824	74,607
Above and Beyond SWASP	80,000	79,995
Newfoundland and Labrador Youth Advisory Program	75,633	42,103
Student Summer Support	60,603	74,253
Tutoring for Tuition Program	49,317	19,088
Marine Camp Program	40,000	40,000
Rural Practice Work Experience for Medical Students Program	18,399	18,310
Social Worker Recruitment Program	16,912	36,534
Career Related Transitional Wage Program	1,490	29,510
Memorial University of Newfoundland Public Policy Program	-	120,000
Small Enterprise Co-op Placement Assistance Program		
– Volunteer Initiative	-	120,000
Community Access Program	-	100,000
Administration (Note 4)	120,792	162,213
	<b>6,870,857</b>	<b>8,153,906</b>

**Excess of (expenses over revenues)**

**revenues over expenses** (578,073) 184,934

**Surplus, beginning of year** 2,738,749 2,553,815

**Surplus, end of year** \$ 2,160,676 \$ 2,738,749

*See accompanying notes*

**NEWFOUNDLAND AND LABRADOR STUDENT INVESTMENT AND  
OPPORTUNITY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 MARCH 2005**

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**Authority**

The Newfoundland and Labrador Student Investment and Opportunity Corporation (the Corporation) was incorporated on 29 March 2001 under *The Corporations Act* of the Province of Newfoundland and Labrador. The Province holds the only issued common share. The affairs of the Corporation are managed by a board of directors (the Board) appointed under the direction of the Minister of Human Resources, Labour and Employment. All of the board members are full-time employees of the Province of Newfoundland and Labrador.

The objective of the Board is to hold funds and direct expenditures for programs aimed at providing employment experience for students and to assist them in earning money towards their post-secondary education.

**1. Significant accounting policies**

These financial statements have been prepared by the Board's management in accordance with Canadian generally accepted accounting principles. The Board does not prepare a statement of cash flows since there are no investing and financing activities and the changes in cash flows are readily apparent from the other statements.

**2. Share capital**

Share capital consists of:

Authorized  
One no par value share

Issued and Outstanding  
One no par value share

Pursuant to the direction of the Lieutenant-Governor in Council, as at 31 March 2005, the Minister of Human Resources, Labour and Employment holds the only issued share of the Corporation on behalf of the Province.

**3. Commitments**

As at 31 March 2005, the Corporation has entered into agreements representing commitments of \$1,376,781 (31 March 2004 - \$1,490,030).

**NEWFOUNDLAND AND LABRADOR STUDENT INVESTMENT AND  
OPPORTUNITY CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 2005**

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**4. Related party transactions**

The Corporation is administered by employees of Executive Council, the Department of Education, the Department of Human Resources, Labour and Employment and the Department of Finance. Programs funded by the Corporation are primarily managed by the Department of Human Resources, Labour and Employment. Costs of administration are paid directly by the departments and are reimbursed by the Corporation.

**5. Economic dependence**

As a result of its reliance on future transfers from the Province of Newfoundland and Labrador to fund its approved programs and operating costs, the Corporation's ability to continue is dependent upon the decisions of Government.

**6. 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.

**7. Financial instruments**

The Corporation's financial instruments recognized on the balance sheet consist of cash, accounts receivable, due from Province – operating grant, accounts payable and due from Province – Special Purpose Fund. The carrying values of these instruments approximate current fair value due to their nature and the short-term maturity associated with them.

**8. Comparative figures**

Certain comparative figures have been reclassified to conform with the current year's presentation.

Newfoundland Cancer Treatment and  
Research Foundation  
Financial Statements  
March 31, 2005

Grant Thornton 

## Auditors' Report

To the Board of Trustees  
Eastern Regional Integrated Health Authority

We have audited the statement of financial position of the **Newfoundland Cancer Treatment and Research Foundation** as at March 31, 2005 and the statements of operations, changes in net deficiency and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In common with many charitable organizations, the Foundation derives certain of its 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 amount recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to revenue, excess of expenditure over revenue, assets and net deficiency.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the revenues referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2005 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  
June 30, 2005

Grant Thornton LLP  
Chartered Accountants

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# Newfoundland Cancer Treatment and Research Foundation Statement of Operations

Year Ended March 31	2005	2004
<b>Revenue</b>		
Government of Newfoundland and Labrador	\$13,594,348	\$13,523,972
MCP grant	3,616,968	4,031,313
Fund development program	562,937	482,889
Investment income	135,894	212,590
Clinical trials	233,030	152,643
Third party billings	72,487	136,397
Cancer pathology network	26,962	29,968
Sundry	368,411	285,729
	<u>18,611,037</u>	<u>18,855,501</u>
<b>Expenditure</b>		
Advertising and public relations	17,417	32,368
Bad debts	-	164,042
Books and journals	24,529	22,593
Drugs and medical supplies	6,576,711	5,214,970
Insurance	43,450	27,697
Interest and bank charges	67,237	107,977
Laboratory supplies and other	64,903	57,550
Bi-annual Education Symposium and conferences	50,729	76,012
Membership fees	23,269	24,444
Minor equipment and furniture purchases	21,989	28,606
Peripheral clinics	46,572	52,295
Professional services	466,294	329,600
Professional training	169,649	186,417
Rent (including equipment rental)	21,673	23,069
Repairs and maintenance	810,804	722,265
Salaries and benefits	11,158,579	11,251,930
Search for staff and moving costs	11,168	23,717
Stationery and office supplies	150,438	170,516
Supplies and other	107,393	55,640
Telephone	104,861	109,890
Travel	87,805	102,925
	<u>20,025,470</u>	<u>18,784,523</u>
Excess of (expenditure over revenue)		
revenue over expenditure before undernoted items	<u>(1,414,433)</u>	<u>70,978</u>
Depreciation	927,108	989,453
Loss on disposal of capital assets	18,889	11,757
Amortization of deferred capital contributions		
Government	(581,338)	(611,845)
Other	(187,574)	(162,707)
Patient support programs and research	249,158	240,236
Contribution for computer equipment	29,601	-
Contribution to staff education	10,530	-
Contributions to minor equipment/other	6,204	17,771
Scholarships, bursaries, and grants	11,050	41,488
Increase in severance pay accrual	122,041	85,847
Decrease in vacation accrual	(41,399)	(24,283)
Increase in paid leave accrual	24,224	33,364
Donated art work	(795)	(5,459)
	<u>587,699</u>	<u>615,622</u>
Excess of expenditure over revenue	<u>\$ (2,002,132)</u>	<u>\$ (544,644)</u>

See accompanying notes to the financial statements.



**Newfoundland Cancer Treatment and  
Research Foundation  
Statement of Changes in Net Deficiency**

Year Ended March 31, 2005

	<u>Operating Fund</u>	<u>Capital Fund</u>	<u>Board Fund</u>	<u>Special Projects Fund</u>	<u>Total 2005</u>	<u>Total 2004</u>
Balance, beginning of year	\$ (4,129,488)	\$ 1,543,860	\$ 148,541	\$(186,797)	<b>\$(2,623,884)</b>	\$(2,079,240)
Excess of expenditure over revenue	<u>(1,967,705)</u>	<u>(176,290)</u>	<u>(60,711)</u>	<u>202,574</u>	<b><u>(2,002,132)</u></b>	<u>(544,644)</u>
Balance, end of year	<b><u>\$ (6,097,193)</u></b>	<b><u>\$ 1,367,570</u></b>	<b><u>\$ 87,830</u></b>	<b><u>\$ 15,777</u></b>	<b><u>\$(4,626,016)</u></b>	<b><u>\$(2,623,884)</u></b>

See accompanying notes to the financial statements.

**Newfoundland Cancer Treatment and  
Research Foundation  
Statement of Financial Position**

March 31

2005

2004

**Assets**

Current

Cash and cash equivalents	\$ 693,014	\$ 387,907
Temporary investments (Note 3)	2,138,199	1,682,919
Receivables (Note 4)	692,268	911,471
Prepays	<u>6,379</u>	<u>3,919</u>
	<b>3,529,860</b>	<b>2,986,216</b>
Investments (Note 3)	172,030	155,000
Capital assets (Note 5)	<u>7,764,320</u>	<u>8,282,355</u>
	<b><u>\$11,466,210</u></b>	<b><u>\$11,423,571</u></b>

**Liabilities**

Current

Bank indebtedness (Note 6)	\$ 885,592	\$ 862,504
Due to Health Care Corporation of St. John's	6,738,399	4,501,399
Payables and accruals	1,137,996	866,666
Deferred revenue	241,759	67,340
Accrued vacation pay	229,615	271,014
Accrued paid leave	57,588	33,364
Current portion of accrued severance pay	-	47,331
Current portion of long-term debt	<u>35,981</u>	<u>358,097</u>
	<b>9,326,930</b>	<b>7,007,715</b>
Accrued severance pay	989,550	820,178
Long-term debt (Note 7)	-	642,881
Deferred capital contributions (Note 8)	<u>5,775,746</u>	<u>5,576,681</u>
	<b><u>16,092,226</u></b>	<b><u>14,047,455</u></b>

**Net Deficiency**

Operating fund	(6,097,193)	(4,129,488)
Capital fund	1,367,570	1,543,860
Board fund		
Restricted	181,102	157,126
Unrestricted	(93,272)	(8,585)
Special Projects fund	<u>15,777</u>	<u>(186,797)</u>
	<b><u>(4,626,016)</u></b>	<b><u>(2,623,884)</u></b>
	<b><u>\$11,466,210</u></b>	<b><u>\$11,423,571</u></b>

Contingency (Note 10)


Commitments (Note 11)

On Behalf of the Board

 Director

 Director

See accompanying notes to the financial statements.

Grant Thornton 

**Newfoundland Cancer Treatment and  
Research Foundation  
Statement of Cash Flows**

Year Ended March 31

2005

2004

Increase (decrease) in cash and cash equivalents

**Operating**

Excess of expenditure over revenue	\$ (2,002,132)	\$ (544,644)
Add (deduct) items not requiring a cash outlay:		
Depreciation	927,108	989,453
Loss on disposal of capital assets	18,889	11,757
Amortization of deferred capital contributions	(768,912)	(774,552)
Investment income	67,978	88,192
Increase in severance pay accrual	122,041	85,847
Decrease in vacation pay accrual	(41,399)	(24,283)
Increase in paid leave accrual	24,224	33,364
Donated artwork	(795)	(5,459)
	<u>(1,652,998)</u>	<u>(140,325)</u>

Change in non-cash operating working  
capital (Note 9)

	<u>2,899,492</u>	<u>(289,183)</u>
	<u>1,246,494</u>	<u>(429,508)</u>

**Financing**

Increase in bank borrowings	23,088	339,224
Repayment of long-term debt	(964,997)	(334,354)
	<u>(941,909)</u>	<u>4,870</u>

**Investing**

(Increase) decrease in temporary investments	(540,292)	55,604
Purchase of capital assets	(427,163)	(1,016,952)
Capital asset contributions	967,977	1,235,689
Advances to Central West Health Corporation	-	(390,000)
	<u>522</u>	<u>(115,659)</u>

Net increase (decrease) in cash and cash equivalents

	<u>305,107</u>	<u>(540,297)</u>
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Cash and cash equivalents

Beginning of year	<u>387,907</u>	<u>928,204</u>
End of year	<u>\$ 693,014</u>	<u>\$ 387,907</u>

See accompanying notes to the financial statements.

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# Newfoundland Cancer Treatment and Research Foundation

## Notes to the Financial Statements

March 31, 2005

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### 1. Nature of operations

The Newfoundland Cancer Treatment and Research Foundation (the Foundation) was established in 1971 by an Act of the Provincial House of Assembly with a mandate to establish and co-ordinate a cancer control program in Newfoundland and Labrador. Through judicious employment of its resources and collaboration with institutions and community resources, the mission of the Foundation is to serve people of the province by providing excellent and comprehensive cancer treatment; prevention, screening and supportive programs; actively participating in the education of health care professionals and providers; continuing and fostering research of high quality; and, operating effective cancer registries.

The Foundation is a public organization and is exempt from income tax and may issue tax-deductible receipts to donors.

---

### 2. Summary of significant accounting policies

The accounting policies of the Foundation are in accordance with accounting principles generally accepted in Canada.

Outlined below are those policies considered particularly significant to the Foundation.

#### **Basis of presentation**

These financial statements include the accounts of the Operating, Capital, Board and Special Projects Funds of the Foundation.

#### **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 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, and balances with banks, net of any overdrafts. Bank borrowings are considered to be financing activities.

#### **Temporary investments**

Temporary investments are recorded at cost unless there is a loss in value other than a temporary decline.

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# Newfoundland Cancer Treatment and Research Foundation

## Notes to the Financial Statements

March 31, 2005

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

#### Capital assets

Capital assets purchased by the Foundation are recorded at cost and those donated to the Foundation are recorded at their estimated fair market value at the date of acquisition. Capital assets are amortized on a straight-line basis as follows:

Building	30 years
Biomedical and other equipment	15 years
Computer equipment	5 years
Office furniture and fixtures	10 years

Donated artwork is recorded at estimated fair market value and is not amortized.

#### 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.

#### Funds

Funds are classified as follows:

Operating fund - funds available for general purposes from the Government of Newfoundland and Labrador.

Capital fund - fund representing balance of net capital assets held by the Foundation and deferred capital contributions.

Board fund - fund is to be used for the purchase of capital assets, provision of patient support, education, and research programs, and expenditures not funded by government.

Special projects fund - fund is exclusive of board and operating funds and is managed by the Foundation for interested parties.

#### Severance pay

Severance pay is accounted for on the accrual basis and is calculated based upon years of service and current salary levels. Severance pay is only recorded in the accounts for employees who have a vested right to receive such a payment. No provision for the ultimate severance pay liability is made in the accounts 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.

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# Newfoundland Cancer Treatment and Research Foundation

## Notes to the Financial Statements

March 31, 2005

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

#### Capital contributions

Capital contributions are recorded as deferred contributions and amortized to income on straight-line basis using the same rates as depreciation related to the capital assets purchased. Capital contributions for non-depreciable capital assets are recorded as direct increases in net assets.

#### Revenue recognition

Provincial plan revenue is recognized in the period in which entitlement arises. Revenue received for a future period is deferred until that future period and is reflected as deferred revenue.

Unrestricted cash donations are recognized as revenue when they are received. Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

Clinical trials revenue is recognized in the period in which it is earned based on the terms of the individual contracts.

Third party billings revenue is recognized as revenue as services are rendered.

#### Budget funding


The Foundation is reimbursed by the Department of Health and Community Services for the total of its operating costs, after deduction of specified revenue and expenditure, to the extent of the approved budget.

#### 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 in the accounts on a current basis.

---

3. Temporary investments	<u>2005</u>	<u>2004</u>
Corporate bonds	\$ 762,760	\$ 641,799
Certificates of deposit	600,863	483,146
Government of Canada bonds	578,423	348,580
Guaranteed investment certificate	213,000	210,013
Provincial bonds	<u>155,183</u>	<u>154,381</u>
	2,310,229	\$ 1,837,919
Less: Long-term restricted investments - Dr. Kim Hong Endowment Fund	<u>(172,030)</u>	<u>(155,000)</u>
	<u>\$ 2,138,199</u>	<u>\$ 1,682,919</u>

Grant Thornton 

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# Newfoundland Cancer Treatment and Research Foundation

## Notes to the Financial Statements

March 31, 2005

### 3. Temporary investments (cont'd.)

Market yields on the corporate bonds range from 4.00% to 6.30%; maturity dates range from May 1, 2006 to July 22, 2013.

Market yields on certificates of deposit range from 5.25% to 6.55%; maturity dates range from June 2, 2005 to August 24, 2006.

Market yields on Government of Canada bonds range from 4.20% to 5.25%; maturity dates range from May 26, 2005 to April 15, 2019.

The guaranteed investment certificate is held with Canadian Imperial Bank of Commerce and yields interest at 1.95%, and matures on May 30, 2005.

Market yields on provincial bonds range from 5.00% to 5.34%; maturity dates range from February 1, 2006 to September 15, 2016.

4. Receivables	<u>2005</u>	<u>2004</u>
Due from Government of Newfoundland and Labrador		
Operating	\$ 70,836	\$ 5,335
Newfoundland Medical Commission (MCP)	198,848	773,146
Canadian Institutes of Health Research	84,890	155,279
Clinical trials	90,335	57,332
Other	<u>247,359</u>	<u>236,304</u>
	692,268	1,227,396
Less: allowance for doubtful accounts	<u>-</u>	<u>315,925</u>
	<u>\$ 692,268</u>	<u>\$ 911,471</u>

Receivables include \$9,069 (2004: \$2,014) of accrued interest on investments restricted under the Dr. Kim Hong Endowment Fund.

5. Capital assets			<u>2005</u>	<u>2004</u>
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Building	\$ 3,396,784	\$ 1,056,108	\$ 2,340,676	\$ 2,453,789
Biomedical and other equipment	9,463,274	4,377,514	5,085,760	5,398,554
Computer equipment	1,588,366	1,335,771	252,595	317,241
Office furniture and fixtures	554,305	510,833	43,472	71,749
Donated artwork	<u>41,817</u>	<u>-</u>	<u>41,817</u>	<u>41,022</u>
	<u>\$15,044,546</u>	<u>\$ 7,280,226</u>	<u>\$ 7,764,320</u>	<u>\$ 8,282,355</u>

# Newfoundland Cancer Treatment and Research Foundation

## Notes to the Financial Statements

March 31, 2005

### 6. Bank indebtedness

The Foundation has an unsecured line of credit of \$1,000,000 (2003 - \$1,000,000) of which \$885,592 (2003 - \$862,504) had been used as at March 31, 2005. The line of credit bears interest at the prime lending rate.

7. Long-term debt	<u>2005</u>	<u>2004</u>
Demand promissory note, bearing interest at prime plus 2.88% per annum, repayable in 120 equal blended instalments of \$34,651, maturing May 2005.	\$ 35,981	\$ 1,000,979
Less: current portion	<u>35,981</u>	<u>358,098</u>
	<u>\$ -</u>	<u>\$ 642,881</u>

8. Deferred capital contributions	<u>2005</u>	<u>2004</u>
Balance, beginning of year	\$ 5,576,681	\$ 5,505,544
Add (Deduct):		
Funds allocated to Central West Health Corporation	-	(390,000)
Give to Feel Good Campaign	353,980	400,000
Provincial grant	427,500	724,500
Fund development program	84,683	22,927
Memorial University of Newfoundland	-	86,262
Funds allocated from Central Region	68,744	-
Information management fund	28,496	-
Lawson Foundation Project	4,574	-
Seamless Care Program	-	2,000
Amounts amortized to revenue	<u>(768,912)</u>	<u>(774,552)</u>
Balance, end of year	<u>\$ 5,775,746</u>	<u>\$ 5,576,681</u>

Deferred capital contributions include the unamortized portions of contributed capital assets and restricted contributions.

9. Supplemental cash flow information	<u>2005</u>	<u>2004</u>
Change in non-cash operating working capital		
Receivables	\$ 219,203	\$ 150,342
Prepays	(2,460)	112
Due to Health Care Corporation of St. John's	2,237,000	639,059
Payables and accruals	271,330	(1,127,444)
Deferred revenue	<u>174,419</u>	<u>48,748</u>
	<u>\$ 2,899,492</u>	<u>\$ (289,183)</u>



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# Newfoundland Cancer Treatment and Research Foundation

## Notes to the Financial Statements

March 31, 2005

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### 10. Contingency

A claim has been filed against the Foundation by a former employee. No provision has been recorded in the accounts for this claim, as an estimate of loss, if any, is not determinable at this time.

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### 11. Commitments

The Foundation is committed under long-term operating leases for computer and other equipment to make annual lease payments as follows:

2006	\$ 21,500
2007	10,720
2008	<u>5,360</u>
	<u>\$ 37,580</u>

The Foundation has entered into a commitment with a supplier for the purchase of a HDR system over the next year for \$353,980.

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### 12. Other item

During the year, the fund development program of the Foundation was segregated into a new separate legal entity named the Dr. H. Bliss Murphy Cancer Care Foundation.

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### 13. Financial instruments

The Foundation's primary financial instruments recognized in the balance sheet consist of temporary investments, accounts receivable, current liabilities, accrued severance pay, and long-term debt. The carrying value of the primary financial instruments of the Foundation approximate fair value due to the normal trade credit terms and conditions of those instruments.

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### 14. Subsequent event

Effective April 1, 2005 the Foundation's operations were incorporated under the authority of the Eastern Regional Integrated Health Authority.

**Newfoundland Cancer Treatment and  
Research Foundation  
Operating and Capital Fund  
Financial Statements  
March 31, 2005**

**Grant Thornton **

Grant Thornton LLP  
Chartered Accountants  
Management Consultants

## Auditors' Report

To the Board of Trustees  
Eastern Regional Integrated Health Authority

We have audited the statement of financial position of the **Newfoundland Cancer Treatment and Research Foundation - Operating and Capital Fund** as at March 31, 2005 and the statements of operations, changes in net deficiency and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation's Operating and Capital Fund as at March 31, 2005 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  
June 30, 2005

Grant Thornton LLP  
Chartered Accountants

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# Newfoundland Cancer Treatment and Research Foundation Operating and Capital Fund Statement of Operations

Year Ended March 31	2005	2004
<b>Revenue</b>		
Government of Newfoundland and Labrador	\$13,594,348	\$ 13,523,972
MCP grant	3,616,968	4,031,313
Third party billings	72,487	136,397
Sundry	<u>392,331</u>	<u>248,194</u>
	<u>17,676,134</u>	<u>17,939,876</u>
<b>Expenditure</b>		
Advertising and public relations	8,403	9,769
Bad debts	-	164,042
Bank charges	14,298	26,215
Books and journals	22,761	22,292
Drugs and medical supplies	6,574,958	5,213,802
Insurance	43,450	27,697
Laboratory supplies and other	64,903	57,550
Meetings and conferences	44,388	48,575
Membership fees	12,273	14,024
Minor equipment and furniture purchases	21,989	25,173
Peripheral clinics	46,572	52,295
Professional services	324,206	264,322
Professional training	169,649	186,417
Rent (including equipment rentals)	21,673	23,069
Repairs and maintenance	809,545	715,017
Salaries and benefits	10,735,720	10,834,994
Search for staff and moving costs	11,168	23,717
Stationery and office supplies	102,728	108,280
Telephone	102,129	105,563
Travel	<u>53,364</u>	<u>84,825</u>
	<u>19,184,177</u>	<u>18,007,638</u>
Excess of expenditure over revenue before undernoted items	<u>(1,508,043)</u>	<u>(67,762)</u>
Depreciation	927,108	989,453
Loss on disposal of capital assets	18,889	11,757
Amortization of deferred capital contributions		
Government	(581,338)	(611,845)
Other	(187,574)	(162,707)
Contributions to special projects fund	66,836	-
Transfer to fund development fund	287,960	-
Increase in severance pay accrual	122,041	85,847
Decrease in vacation pay accrual	(41,399)	(24,283)
Increase in paid leave accrual	24,224	33,364
Donated art work	<u>(795)</u>	<u>(5,459)</u>
	<u>635,952</u>	<u>316,127</u>
Excess of expenditure over revenue	<u>\$ (2,143,995)</u>	<u>\$ (383,889)</u>

See accompanying notes to the financial statements.

**Newfoundland Cancer Treatment and  
Research Foundation  
Operating and Capital Fund  
Statement of Changes in Net Deficiency**

Year Ended March 31	2005			2004
	Operating Fund	Capital Fund	Total	Total
Balance, beginning of year	\$(4,129,488)	\$1,543,860	<b>\$(2,585,628)</b>	\$(2,201,739)
Excess of expenditure over revenue	<u>\$(1,967,705)</u>	<u>(176,290)</u>	<u><b>(2,143,995)</b></u>	<u>(383,889)</u>
Balance, end of year	<u><b>\$(6,097,193)</b></u>	<u><b>\$ 1,367,570</b></u>	<u><b>\$(4,729,623)</b></u>	<u><b>\$(2,585,628)</b></u>

See accompanying notes to the financial statements.

**Newfoundland Cancer Treatment and  
Research Foundation  
Operating and Capital Fund  
Statement of Financial Position**

March 31 2005 2004

**Assets**

Current

Cash and cash equivalents	\$ 693,014	\$ 387,907
Temporary investments (Note 3)	2,138,199	1,682,808
Receivables (Note 4)	683,199	909,457
Prepays	6,379	3,919
Due from other funds	<u>38,431</u>	<u>145,382</u>

3,559,222 3,129,473

Capital assets (Note 5) 7,764,320 8,282,355

\$11,323,542 \$11,411,828

**Liabilities**

Current

Bank indebtedness (Note 6)	\$ 885,592	\$ 862,504
Due to Health Care Corporation of St. John's	6,738,399	4,501,399
Payables and accruals	1,137,995	866,666
Deferred revenue	202,696	17,340
Accrued vacation pay	229,615	271,014
Accrued paid leave	57,588	33,364
Current portion of accrued severance pay	-	47,331
Current portion of long-term debt	<u>35,981</u>	<u>358,098</u>

9,287,866 6,957,716

Accrued severance pay 989,553 820,178

Long-term debt (Note 7) - 642,881

Deferred capital contributions (Note 8) 5,775,746 5,576,681

16,053,165 13,997,456

**Net Assets (Deficiency)**

Operating fund (6,097,193) (4,129,488)

Capital fund 1,367,570 1,543,860

(4,729,623) (2,585,628)

\$11,323,542 \$11,411,828

Contingency (Note 10)

Commitments (Note 11)

On Behalf of the Foundation

 Director

 Director

See accompanying notes to the financial statements.

**Grant Thornton** 

**Newfoundland Cancer Treatment and  
Research Foundation  
Operating and Capital Fund  
Statement of Cash Flows**

Year Ended March 31

2005

2004

Increase (decrease) in cash and cash equivalents

<b>Operating</b>		
Excess of expenditure over revenue	\$(2,143,995)	\$ (383,889)
Add (deduct) items not requiring a cash outlay		
Depreciation	927,108	989,453
Loss on disposal of capital assets	18,889	11,757
Amortization of deferred capital contributions	(768,912)	(774,552)
Increase in severance pay accrual	122,041	85,847
Decrease in vacation pay accrual	(41,399)	(24,283)
Increase in paid leave accrual	24,224	33,364
Donated artwork	(795)	(5,459)
	<u>(1,862,839)</u>	<u>(67,762)</u>
 Change in non-cash operating working capital (Note 9)	 <u>3,024,434</u>	 <u>(476,636)</u>
	<u>1,161,595</u>	<u>(544,398)</u>
 <b>Financing</b>		
Increase in bank borrowings	23,088	339,224
Repayment of long-term debt	(964,998)	(334,354)
	<u>(941,910)</u>	<u>4,870</u>
 <b>Investing</b>		
(Increase) decrease in temporary investments	(455,391)	170,494
Purchase of capital assets	(427,164)	(1,016,952)
Capital asset contributions	967,977	1,235,689
Advances to Central West Health Corporation	-	(390,000)
	<u>85,422</u>	<u>(769)</u>
 Net increase (decrease) in cash and cash equivalents	 305,107	 (540,297)
 Cash and cash equivalents		
Beginning of year	<u>387,907</u>	<u>928,204</u>
End of year	<u>\$ 693,014</u>	<u>\$ 387,907</u>

See accompanying notes to the financial statements.

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# Newfoundland Cancer Treatment and Research Foundation Operating and Capital Fund Notes to the Financial Statements

March 31, 2005

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## 1. Nature of operations

The Newfoundland Cancer Treatment and Research Foundation (the Foundation) was established in 1971 by an Act of the Provincial House of Assembly with a mandate to establish and co-ordinate a cancer control program in Newfoundland and Labrador. Through judicious employment of its resources and collaboration with institutions and community resources, the mission of the Foundation is to serve people of the province by providing excellent and comprehensive cancer treatment; prevention, screening and supportive programs; actively participating in the education of health care professionals and providers; continuing and fostering research of high quality; and operating effective cancer registries.

The Foundation is a public organization and is exempt from income tax and may issue tax-deductible receipts to donors.

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## 2. Summary of significant accounting policies

The accounting policies of the Foundation are in accordance with accounting principles generally accepted in Canada.

Outlined below are those policies considered particularly significant to the Foundation.

### 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 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 and balances with banks, net of any overdrafts. Bank borrowings are considered to be financing activities.

### Temporary investments

Temporary investments are recorded at cost unless there is a loss in value other than a temporary decline.

### Capital assets

Capital assets purchased by the Foundation are recorded at cost and those donated to the Foundation are recorded at their estimated fair market value at the date of acquisition. Capital assets are amortized on a straight-line basis as follows:

Building	30 years
Biomedical and other equipment	15 years
Computer equipment	5 years
Office furniture and fixtures	10 years

Donated artwork is recorded at estimated fair market value and is not amortized.



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# Newfoundland Cancer Treatment and Research Foundation Operating and Capital Fund Notes to the Financial Statements

March 31, 2005

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## 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.

### Severance pay

Severance pay is accounted for on the accrual basis and is calculated based upon years of service and current salary levels. Severance pay is only recorded in the accounts for employees who have a vested right to receive such a payment. No provision for the ultimate severance pay liability is made in the accounts 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.

### Capital contributions

Capital contributions are recorded as deferred contributions and amortized to income on straight-line basis using the same rates as depreciation expense related to the capital assets purchased. Capital contributions for non-depreciable capital assets are recorded as direct increases in net assets.

### Revenue recognition

Provincial plan revenue is recognized in the period in which entitlement arises. Revenue received for a future period is deferred until that future period and is reflected as deferred revenue.

Unrestricted cash donations are recognized as revenue when they are received. Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

Clinical trials revenue is recognized in the period in which it is earned based on the terms of the individual contracts.

Third party billings revenue is recognized as revenue as services are rendered.

### Budget funding

The Foundation is reimbursed by the Department of Health and Community Services for the total of its operating costs, after deduction of specified revenue and expenditure, to the extent of the approved budget.

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# Newfoundland Cancer Treatment and Research Foundation

## Operating and Capital Fund

### Notes to the Financial Statements

March 31, 2005

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

##### 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 in the accounts on a current basis.

---

3. Temporary investments	<u>2005</u>	<u>2004</u>
Corporate bonds	\$ 630,730	\$ 516,832
Certificates of deposit	570,863	483,146
Government of Canada bonds	568,423	318,436
Guaranteed investment certificates	213,000	210,013
Provincial bonds	<u>155,183</u>	<u>154,381</u>
	<u>\$ 2,138,199</u>	<u>\$ 1,682,808</u>

Market yields on the corporate bonds range from 4.00% to 6.30%; maturity dates range from May 1, 2006 to July 22, 2013.

Market yields on certificates of deposit range from 5.25% to 6.55%; maturity dates range from June 2, 2005 to August 24, 2006.


Market yields on Government of Canada bonds range from 4.20% to 5.25%; maturing dates range from May 26, 2005 to April 15, 2019.

The guaranteed investment certificate is held with Canadian Imperial Bank of Commerce and yields interest at 1.95%, and matures on May 30, 2005.

Market yields on provincial bonds range from 5.00% to 5.34%; maturity dates range from February 1, 2006 to September 15, 2016.

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4. Receivables	<u>2005</u>	<u>2004</u>
Due from Government of Newfoundland and Labrador		
Operating	\$ 70,836	\$ 5,335
Newfoundland Medicare Commission (MCP)	198,848	773,146
Canadian Institute for Health Research	84,890	155,279
Clinical trials	90,335	57,332
Other	<u>238,290</u>	<u>234,290</u>
	683,199	1,225,382
Less: allowance for doubtful accounts	<u>-</u>	<u>315,925</u>
	<u>\$ 683,199</u>	<u>\$ 909,457</u>

Grant Thornton 

**Newfoundland Cancer Treatment and  
Research Foundation  
Operating and Capital Fund  
Notes to the Financial Statements**

March 31, 2005

5. Capital assets			<u>2005</u>	<u>2004</u>
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Building	\$ 3,396,784	\$1,056,108	\$ 2,340,676	\$ 2,453,789
Biomedical and other equipment	9,463,274	4,377,514	5,085,760	5,398,554
Computer equipment	1,588,366	1,335,771	252,595	317,241
Office furniture and fixtures	554,305	510,833	43,472	71,749
Donated artwork	<u>41,817</u>	<u>-</u>	<u>41,817</u>	<u>41,022</u>
	<u>\$15,044,546</u>	<u>\$ 7,280,226</u>	<u>\$ 7,764,320</u>	<u>\$ 8,282,355</u>

**6. Bank indebtedness**

The Foundation has an unsecured operating line of credit of \$1,000,000 (2004 - \$1,000,000) of which \$885,592 (2004 - \$862,504) had been used as at March 31, 2005. The line of credit bears interest at the prime lending rate.

7. Long term debt	<u>2005</u>	<u>2004</u>
Demand promissory note, bearing interest at prime plus 2.88% per annum, repayable in 120 equal blended instalments of \$34,651, maturing May 2005.	\$ 35,981	\$ 1,000,979
Less: current portion	<u>35,981</u>	<u>358,098</u>
	<u>\$ -</u>	<u>\$ 642,881</u>

**Newfoundland Cancer Treatment and  
Research Foundation  
Operating and Capital Fund  
Notes to the Financial Statements**

March 31, 2005

<b>8. Deferred capital contributions</b>	<u>2005</u>	<u>2004</u>
Balance, beginning of year	\$ 5,576,681	\$ 5,505,544
Add (Deduct):		
Funds allocated to Central West Health Corporation	-	(390,000)
Give to Feel Good Campaign	353,980	400,000
Provincial grant	427,500	724,500
Fund development program	84,683	22,927
Memorial University of Newfoundland	-	86,262
Funds allocated from Central Region	68,744	-
Information Management and Technology Fund	28,496	-
Lawson Foundation Project	4,574	-
Seamless Care Program	-	2,000
Amounts amortized to revenue	<u>(768,912)</u>	<u>(774,552)</u>
Balance, end of year	<u>\$ 5,775,746</u>	<u>\$ 5,576,681</u>

Deferred capital contributions include the unamortized portions of contributed capital assets and restricted contributions.

<b>9. Supplemental cash flow information</b>	<u>2005</u>	<u>2004</u>
Change in non-cash operating working capital		
Receivables	\$ 226,258	\$ 138,163
Prepays	(2,460)	113
Due to Health Care Corporation of St. John's	2,237,000	639,059
Payables and accruals	271,329	(1,127,444)
Deferred revenue	185,356	(1,252)
Due to other funds	<u>106,951</u>	<u>(125,275)</u>
	<u>\$ 3,024,434</u>	<u>\$ (476,636)</u>

**10. Contingency**

A claim has been filed against the Foundation by a former employee. No provision has been recorded in the accounts for this claim, as an estimate of loss, if any, is not determinable at this time.

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**Newfoundland Cancer Treatment and  
Research Foundation  
Operating and Capital Fund  
Notes to the Financial Statements**

March 31, 2005

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**11. Commitments**

The Foundation is committed under long-term operating leases for computer and other equipment to make annual lease payments as follows:

2006	\$	21,500
2007		10,720
2008		<u>5,360</u>
	\$	<u>37,580</u>

The Foundation has entered into a commitment with a supplier for the purchase of a HDR system over the next year for \$353,980.

---

**12. Financial instruments**

The Foundation's primary financial instruments recognized in the balance sheet consist of temporary investments, accounts receivable, current liabilities, accrued severance pay, and long-term debt. The carrying value of the primary financial instruments of the Foundation approximate fair value due to the normal trade credit terms and conditions of those instruments.

---

**13. Subsequent event**

Effective April 1, 2005 the Foundation's operations were incorporated under the authority of the Eastern Regional Integrated Health Authority.

**NEWFOUNDLAND HARDWOODS LIMITED**

Auditor's Report

Financial Statements

Year ended March 31, 2005

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## AUDITOR'S REPORT

To the Shareholders of Newfoundland Hardwoods Limited:

I have audited the balance sheet of Newfoundland Hardwoods Limited as at March 31, 2005 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the company's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2005 and the results of its operations and the cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

CHARTERED ACCOUNTANT

Clarenville, Newfoundland  
July 07, 2005

**NEWFOUNDLAND HARDWOODS LIMITED**

Balance Sheet  
March 31, 2005

	<u>2005</u>	<u>2004</u>
<b><u>Assets</u></b>		
Current assets:		
Cash and term deposits	<u>\$ 128,987</u>	<u>131,087</u>
<b><u>Liabilities and Shareholders' Equity</u></b>		
Current liabilities:		
Payables and accruals	<u>\$ 1,500</u>	<u>1,500</u>
Total current liabilities	1,500	1,500
Contingent losses (Note 2)	--	--
Commitments (Note 3)	--	--
Shareholders' equity:		
Common shares of no par value:		
Authorized an unlimited number; issued and fully paid at stated value, 253 shares	25,300	25,300
Retained earnings, per accompanying statement	<u>102,187</u>	<u>104,287</u>
Total shareholders' equity	<u>127,487</u>	<u>129,587</u>
	<u>\$ 128,987</u>	<u>131,087</u>

See Accompanying Notes

Approved:  Director  
 Director



**NEWFOUNDLAND HARDWOODS LIMITED**

Statement of Income and Retained Earnings

Year ended March 31, 2005

	<u>2005</u>	<u>2004</u>
Revenue - interest	\$ --	--
Administrative expenses:		
Fees	300	--
Professional and consulting fees	<u>1,800</u>	<u>1,775</u>
	<u>2,100</u>	<u>1,775</u>
Net loss	(2,100)	(1,775)
Retained earnings, beginning of year	<u>104,287</u>	<u>106,062</u>
Retained earnings, end of year	<u>\$ 102,187</u>	<u>104,287</u>

See Accompanying Notes

**NEWFOUNDLAND HARDWOODS LIMITED**

Statement of Cash Flows

Year ended March 31, 2005

	<u>2005</u>	<u>2004</u>
Cash provided by operating activities:		
Net loss	\$ (2,100)	<u>(1,775)</u>
Decrease in cash	(2,100)	(1,775)
Cash, beginning of year	<u>131,087</u>	<u>132,862</u>
Cash, end of year	<u>\$ 128,987</u>	<u>131,087</u>

See Accompanying Notes

**NEWFOUNDLAND HARDWOODS LIMITED**

Notes to the Financial Statements

March 31, 2005

1. Divestiture:

During the 1996 fiscal year the company sold the property and equipment and inventory relating to its wood preservation and asphalt manufacturing operations. The Company has consequently ceased commercial operations.

2. Contingent losses:

Environmental concerns:

The Government of Newfoundland and Labrador, through an environmental indemnity, has released the current owner of any and all present and future liabilities which may result from the presence, release, loss, discharge, leakage or spillage of hazardous material on, at or from the properties formerly owned and operated by Newfoundland Hardwoods Limited up to the date of the said agreements.

3. Commitments:

The company had committed to the dismantling and removal of five surplus storage tanks from the present location. As of the balance sheet date, four of these tanks have been removed and the costs of such have been reflected in these financial statements.

**Newfoundland Ocean Enterprises Limited**  
**Consolidated Financial Statements**  
March 31, 2005

Grant Thornton 

Grant Thornton LLP  
Chartered Accountants  
Management Consultants

## Auditors' Report

To the Shareholders of  
Newfoundland Ocean Enterprises Limited

We have audited the consolidated balance sheet of **Newfoundland Ocean Enterprises Limited** at March 31, 2005 and the consolidated statements of earnings and deficit and cash flows for the year then ended. These consolidated financial statements are the responsibility of the company's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2005 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  
June 30, 2005

Grant Thornton LLP  
Chartered Accountants

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**Newfoundland Ocean Enterprises Limited**  
**Consolidated Statements of Earnings and Deficit**

Year Ended March 31	2005	2004
Revenue		
Recoveries and sundry	<u>\$ 328,450</u>	<u>\$ 29,075</u>
Expenses		
Interest	32,230	254,555
Other costs	<u>6,355</u>	<u>13,885</u>
	<u>38,585</u>	<u>268,440</u>
Net earnings (loss)	<u>\$ 289,865</u>	<u>\$ (239,365)</u>
Deficit, beginning of year	\$ (91,039,110)	\$ (90,799,745)
Net earnings (loss)	<u>289,865</u>	<u>(239,365)</u>
Deficit, end of year	<u>\$ (90,749,245)</u>	<u>\$ (91,039,110)</u>

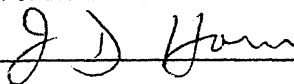
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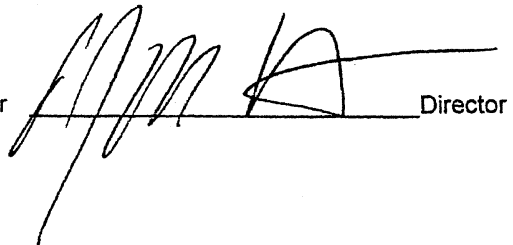
See accompanying notes to the consolidated financial statements.

**Newfoundland Ocean Enterprises Limited**  
**Consolidated Balance Sheet**

March 31	2005	2004
<b>Assets</b>		
Current		
Cash	\$ 67,730	\$ 154,695
Receivables	<u>-</u>	<u>65</u>
	<u>\$ 67,730</u>	<u>\$ 154,760</u>
<b>Liabilities</b>		
Current		
Bank indebtedness (Note 3)		\$ 5,450,000
Payables and accruals	<u>\$ 13,975</u>	<u>340,870</u>
	<u>13,975</u>	<u>5,790,870</u>
<b>Shareholders' Equity (Deficiency)</b>		
Capital stock (Note 4)	3,000	3,000
Contributed surplus (Note 5)	90,800,000	85,400,000
Deficit	<u>(90,749,245)</u>	<u>(91,039,110)</u>
	<u>53,755</u>	<u>(5,636,110)</u>
	<u>\$ 67,730</u>	<u>\$ 154,760</u>

On behalf of the Board

 Director

 Director

See accompanying notes to the consolidated financial statements.

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**Newfoundland Ocean Enterprises Limited**  
**Consolidated Statement of Cash Flows**

Year Ended March 31

2005


2004

Increase (decrease) in cash and cash equivalents

<b>Operating activities</b>		
Net earnings (loss)	\$ 289,865	\$ (239,365)
Change in non-cash operating working capital	<u>(326,830)</u>	<u>16,580</u>
	<u>(36,965)</u>	<u>(222,785)</u>
<b>Financing activities</b>		
(Repayment of) proceeds from bank borrowings	(5,450,000)	200,000
Contributed surplus	<u>5,400,000</u>	<u>-</u>
	<u>(50,000)</u>	<u>200,000</u>
Net decrease in cash and cash equivalents	(86,965)	(22,785)
Cash and cash equivalents		
Beginning of year	<u>154,695</u>	<u>177,480</u>
End of year	<u>\$ 67,730</u>	<u>\$ 154,695</u>

---

See accompanying notes to the consolidated financial statements.

Grant Thornton 



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# Newfoundland Ocean Enterprises Limited

## Notes to the Consolidated Financial Statements

March 31, 2005

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### 1. Operations

The Company ceased active operations on January 1, 1998.

---

### 2. Summary of significant accounting policies

#### Basis of presentation

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Significant accounting policies are set out below.

#### Principles of consolidation

The consolidated financial statements include the accounts of Newfoundland Ocean Enterprises Limited, its wholly owned subsidiaries Marystown Shipyard Limited and Vinland Industries Limited, and Vinland Industries, a Limited Partnership.

#### Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

#### Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks, net of any overdrafts. Bank borrowings are considered to be financing activities.

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### 3. Bank indebtedness

The Company repaid an operating line of credit during the year, using funds advanced by the Government of Newfoundland and Labrador under its guarantee of the Company's operating line of credit.

---

### 4. Capital stock

2005

2004

#### Authorized

An unlimited number of common shares of no par value

#### Issued

3 shares

\$ 3,000

\$ 3,000

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## **Newfoundland Ocean Enterprises Limited**

### **Notes to the Consolidated Financial Statements**

March 31, 2005

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#### **5. Contributed surplus**

During the year, the Government of Newfoundland and Labrador advanced to the Company funds, in the amount of \$5,400,000, to retire the operating loan.

During prior years, the Government of Newfoundland and Labrador advanced the Company funds, in the amount of \$85,400,000, to retire the bankers' acceptances and certain other debt.

---

#### **6. Financial instruments**

Fair values of financial instruments are disclosed in the notes to the financial statements when they differ from the carrying amounts. Where amounts receivable and payable are subject to normal credit terms, their carrying amount is used as an approximation of their fair values.



**NEWVEST REALTY CORPORATION**

**FINANCIAL STATEMENTS**

**31 DECEMBER 2004**



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

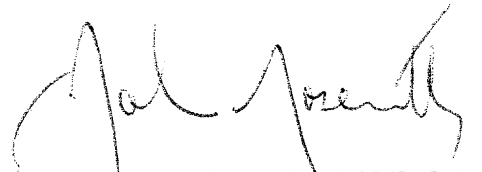
**AUDITOR'S REPORT**

To the Shareholder  
Newvest Realty Corporation

I have audited the balance sheet of Newvest Realty Corporation as at 31 December 2004 and the statements of income and retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all materials respects, the financial position of the Corporation as at 31 December 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



**JOHN L. NOSEWORTHY, C.A.**  
**Auditor General**

St. John's, Newfoundland and Labrador  
25 February 2005

**NEWVEST REALTY CORPORATION**  
**BALANCE SHEET**  
**31 December**

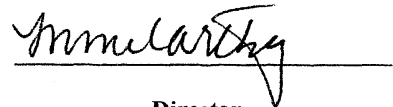
	2004	2003
	(000's)	(000's)
<b>ASSETS</b>		
Income producing properties (Note 2)	\$ 125,639	\$ 95,515
Deferred charges (Note 3)	1,789	1,126
Prepaid expenses	94	51
Accounts receivable	126	114
Cash and short-term investments	2,905	1,808
	<b>\$ 130,553</b>	<b>\$ 98,614</b>
<b>LIABILITIES AND EQUITY</b>		
Mortgages payable (Note 4)	\$ 63,121	\$ 45,770
Accounts payable and accrued liabilities	1,614	1,308
Dividends payable (Note 5)	1,500	791
	<b>66,235</b>	<b>47,869</b>
<b>Shareholder's equity</b>		
Share capital (Note 5)	60,405	48,405
Retained earnings	3,913	2,340
	<b>64,318</b>	<b>50,745</b>
	<b>\$ 130,553</b>	<b>\$ 98,614</b>
<b>Equity per share (Note 5)</b>	<b>\$ 10.65</b>	<b>\$ 10.48</b>

*See accompanying notes*

Signed on behalf of the Board:



Chairperson



Director

**NEWVEST REALTY CORPORATION**  
**STATEMENT OF INCOME AND RETAINED EARNINGS**  
**For the Year Ended 31 December**

	2004	2003
	(000's)	(000's)
<b>Income</b>		
Rents and parking	\$ 10,459	\$ 7,259
Expense recoveries	2,741	1,676
Investment and other income	33	24
	<u>13,233</u>	<u>8,959</u>
Less: Operating expenses	5,424	4,171
<b>Operating income</b>	<u>7,809</u>	<u>4,788</u>
<b>Other expenses</b>		
Administrative costs	55	100
Amortization of deferred charges	365	73
Asset management fees	345	214
Mortgage interest	3,071	1,802
	<u>3,836</u>	<u>2,189</u>
<b>Net income for the year</b>	3,973	2,599
<b>Retained earnings, beginning of year</b>	2,340	41
<b>Dividends (Note 5)</b>	(2,400)	(300)
<b>Retained earnings, end of year</b>	<u>\$ 3,913</u>	<u>\$ 2,340</u>

*See accompanying notes*

**NEWVEST REALTY CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended 31 December**

	2004	2003
	(000's)	(000's)
<b>Cash flows from operating activities</b>		
Net income for the year	\$ 3,973	\$ 2,599
Items not affecting cash		
Amortization of deferred charges	365	73
Changes in non-cash working capital		
Accounts receivable	(12)	(66)
Prepaid expenses	(43)	(29)
Accounts payable and accrued liabilities	306	671
	<u>4,589</u>	<u>3,248</u>
<b>Cash flows from investing activities</b>		
Additions to income producing properties	(30,124)	(58,660)
<b>Cash flows from financing activities</b>		
Deferred charges	(1,028)	366
Mortgage advances	18,500	41,582
Mortgage principal repayments	(1,149)	(7,597)
Dividends	(1,691)	(1)
Issuance of common shares (Note 5)	12,000	22,500
	<u>26,632</u>	<u>56,850</u>
<b>Increase in cash and short-term investments during the year</b>	<b>1,097</b>	<b>1,438</b>
<b>Cash and short-term investments, beginning of year</b>	<b>1,808</b>	<b>370</b>
<b>Cash and short-term investments, end of year</b>	<b>\$ 2,905</b>	<b>\$ 1,808</b>

*See accompanying notes*



**NEWVEST REALTY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 December 2004**

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**Authority**

Newvest Realty Corporation was incorporated on 9 August 2001 under the provisions of the *Canada Business Corporations Act*. It is also registered under the *Corporations Act* of the Province of Newfoundland and Labrador. The Corporation has its headquarters in Toronto, Ontario. All shares of the Corporation are held by the Province of Newfoundland and Labrador Pooled Pension Fund (the Fund). Board members are appointed by the Pension Investment Committee of the Fund. The purpose of the Corporation is to invest monies received from the Fund in Canadian real estate property.

The Corporation has an Investment Services Agreement with Bentall Investment Management Limited Partnership dated 30 June 2001, under which Bentall Investment Management Limited Partnership and a related entity are responsible for the acquisition, disposal, leasing and management of real estate properties and performance of all administrative functions on behalf of the Corporation.

**1. 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) Cash and short-term investments represent unrestricted cash and highly liquid money-market investments.
- (b) Income producing properties held for investment are recorded at cost. Amortization is not recorded on properties as it is not considered meaningful when the objective of the business is to acquire, develop and hold property for eventual sale. The Corporation capitalizes all direct costs relating to the acquisition of all properties. Leasing costs are capitalized and amortized on a straight-line basis over the term of the respective lease.
- (c) The Corporation accounts for its investments in co-ownerships on a proportionate consolidation basis whereby the Corporation includes its pro-rata share of the assets, liabilities, revenue and expenses of the co-ownerships on a line-by-line basis.
- (d) The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires that management make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management believes that the estimates utilized in preparing these financial statements are reasonable and prudent; however, actual results may differ from these estimates.
- (e) The Corporation defers and amortizes financing costs over the term of the related mortgages.

**2. Income producing properties**

For investment information purposes all properties are presented below at both cost and appraised values. Appraised values are in accordance with the Corporation's appraisal policy which requires that properties be appraised at least once every two years by professionally qualified independent appraisers. The external appraisals are completed in six month cycles on approximately one quarter of the Corporation's portfolio. The properties that are not externally appraised during each six month cycle are appraised by Bentall Investment Management Limited Partnership.

**NEWVEST REALTY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 December 2004**

**2. Income producing properties (cont.)**

	2004		2003	
	Cost (000's)	Appraised Value (000's)	Cost (000's)	Appraised Value (000's)
(a) Bayview Chateau and White Rock Gardens, White Rock, British Columbia	\$ 9,494	\$ 10,150	\$ 9,451	\$ 9,800
(b) Sperling Plaza, Burnaby, British Columbia	16,148	16,300	16,070	15,700
(c) 440 Eglinton Avenue East, Toronto, Ontario	12,407	9,900	12,212	11,000
(d) 2 Silver Maple Court, Brampton, Ontario	22,233	21,760	22,039	22,039
(e) Park and Tilford Shopping Centre, North Vancouver, British Columbia	36,142	38,100	35,743	35,755
(f) TD Creekside Corporate Centre (50% interest), Mississauga, Ontario	29,215	29,215	-	-
	<b>\$ 125,639</b>	<b>\$ 125,425</b>	<b>\$ 95,515</b>	<b>\$ 94,294</b>

**3. Deferred charges**

	2004 (000's)	2003 (000's)
(a) Deferred financing costs, net of accumulated amortization of \$170,435, amortized over the term of the mortgage.		
Bayview Chateau and White Rock Gardens	\$ 37	\$ 53
440 Eglinton Avenue East	127	142
2 Silver Maple Court	371	418
Park and Tilford Shopping Centre	44	52
	<b>579</b>	<b>665</b>
(b) Deferred recoverable expenditures, net of accumulated amortization of \$19,587, amortized over a 3 year recoverable period commencing August 2003	31	18
(c) Pre-acquisition costs	282	-
(d) Deferred lease revenue	102	-
(e) Deferred leasing costs, less accumulated amortization of \$263,424	795	443
	<b>\$ 1,789</b>	<b>\$ 1,126</b>

**4. Mortgages payable**

Mortgages payable represent financing obtained by the Corporation for the acquisition of income producing properties. For investment information purposes, principal values and appreciated values are shown. Details are as follows:

**NEWVEST REALTY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 December 2004**

**4. Mortgages payable (cont.)**

	2004		2003	
	Principal Value (000's)	Appreciated Value (000's)	Principal Value (000's)	Appreciated Value (000's)
(a) Bayview Chateau and White Rock Gardens, White Rock, British Columbia. Mortgage, held by The Manufacturers Life Insurance Company, repayable in monthly installments of \$32,152, including interest calculated at a rate of 6.5% per annum, maturing 1 May 2007, secured by a freehold first mortgage registered against title to the property, a general security agreement, and a first general assignment of rents.	\$ 4,582	\$ 4,803	\$ 4,671	\$ 4,919
(b) 440 Eglinton Avenue East, Toronto, Ontario. Mortgage, held by TD Canada Trust, repayable in monthly installments of \$42,092, including interest calculated at a rate of 5.663% per annum, maturing 1 April 2013.	6,573	7,004	6,706	6,882
(c) 2 Silver Maple Court, Brampton, Ontario. Mortgage, held by The Great West Life Assurance Company, repayable in monthly installments of \$90,207, including interest calculated at a rate of 5.68% per annum, maturing 1 February 2013.	12,311	13,077	12,691	12,691
(d) Park and Tilford Shopping Centre, North Vancouver, British Columbia. Mortgage, held by The Great West Life Assurance Company, repayable in monthly installments of \$137,927, including interest calculated at a rate of 5.88% per annum, maturing 1 September 2010.	21,297	22,027	21,702	21,702
(e) TD Creekside Corporate Centre, Mississauga Ontario. Mortgage (50% interest), held by Metropolitan Life Insurance Company, repayable in monthly installments of \$115,194, including interest calculated at a rate of 5.71% per annum, maturing 1 July 2014.	18,358	18,358	-	-
	<b>\$ 63,121</b>	<b>\$ 65,269</b>	<b>\$ 45,770</b>	<b>\$ 46,194</b>

**NEWVEST REALTY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 December 2004**

**4. Mortgages payable (cont.)**

Annual principal repayments totaling \$8.0 million (2003 - \$9.8 million) to be made during the next five years are as follows:

	(000's)
2005	\$ 1,422
2006	1,505
2007	1,594
2008	1,688
2009	1,787
	<hr/>
	\$ 7,996

**5. Share capital**

The authorized capital of the Corporation consists of an unlimited number of common shares without par value. The shares may be issued only to the Province of Newfoundland and Labrador Pooled Pension Fund. The sale, transfer or other disposition of common shares is restricted.

Changes in share capital are as follows:

	2004		2003	
	Number of shares	Amount (000's)	Number of shares	Amount (000's)
Issued and outstanding, beginning of year	4,840,500	\$ 48,405	2,590,500	\$ 25,905
Issued during the year for cash	1,200,000	12,000	2,250,000	22,500
Issued and outstanding, end of year	<b>6,040,500</b>	<b>\$ 60,405</b>	4,840,500	\$ 48,405

Equity per share is calculated as net asset value divided by the number of shares issued and outstanding at year end.

Dividends are payable to the holder of common shares on a quarterly basis based on the net income for the quarter ended, less reasonable reserves as determined by Bentall Investment Management Limited Partnership, divided by the number of issued and outstanding common shares.

**NEWVEST REALTY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 December 2004**

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**6. Co-ownerships**

The following amounts represent the Corporation's proportionate interest in unincorporated co-ownerships.

	2004 (000's)	2003 (000's)
Assets	\$ 29,630	\$ -
Liabilities	18,428	-
Income	1,055	-
Operating expenses	9	-
Mortgage interest	453	-

**7. Related party transactions**

During the year, charges of \$819,769 (2003 - \$661,837) were incurred for services from Bentall Investment Management Limited Partnership, a related party. These services are incurred in the normal course of business and are measured at the amount of consideration established and agreed to by the related parties.

The balances that have arisen from these transactions are charged in the financial statements to income producing properties, operating expenses and asset management fees.

**8. Financial instruments**

The Corporation's financial instruments recognized on the balance sheet consist of cash and short-term investments, accounts receivable, accounts payable and accrued liabilities, mortgages payable and dividends payable. The carrying values of these instruments approximate current fair value due to their nature and the terms and conditions associated with them.

**9. 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.

**10. Comparative figures**

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

**SCHOOL DISTRICT #2**  
**NORTHERN PENINSULA/LABRADOR SOUTH**  
**FINANCIAL STATEMENTS/AUDITOR'S REPORT**  
**August 31, 2004**



**DAVID G. PURCHASE**  
CHARTERED ACCOUNTANT

P.O. Box 902  
Suite 325  
Millbrook Mall  
Corner Brook, Newfoundland  
A2H 6J2  
Phone (709) 634-6790  
Fax (709) 634-6797

AUDITOR'S REPORT

To the Members of  
School District #2,  
Northern Peninsula/Labrador South

I have audited the balance sheet of the current and capital funds of School District #2, Northern Peninsula/Labrador South, as at August 31, 2004, and the statements of current revenue, expenditure and board equity, and changes in capital fund position for the fourteen months then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at August 31, 2004, and the results of its operations and the changes in its capital financial position for the fourteen months then ended in accordance with generally accepted accounting principles and as explained in Note 1 to the 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.

CORNER BROOK,  
NEWFOUNDLAND AND LABRADOR

5 November 2004

*David G. Purchase*

CHARTERED ACCOUNTANT



**DAVID G. PURCHASE**  
CHARTERED ACCOUNTANT

P.O. Box 902  
Suite 325  
Millbrook Mall  
Corner Brook, Newfoundland  
A2H 6J2  
Phone (709) 634-6790  
Fax (709) 634-6797

AUDITOR'S REPORT

To the Members of  
School District #2  
Northern Peninsula/Labrador South

In compliance with the requirements of Section 17 of the Schools Act,  
I report as follows on my examination of the accounts of School District  
#2, Northern Peninsula/Labrador South, for the fourteen months ended  
August 31, 2004.

SUFFICIENCY OF BONDS

Bond coverage of \$50,000 is carried on the Business Manager and  
others in the Board office responsible for the collection, receipt and  
depositing of Board funds. In addition, bond coverage of \$20,000 is  
carried covering School Board Principals, Vice Principals and Secretaries.

In my opinion, the bond coverage carried is sufficient.

CORNER BROOK,  
NEWFOUNDLAND AND LABRADOR

5 November 2004

*David G. Purchase*  
CHARTERED ACCOUNTANT



SCHOOL DISTRICT #2  
 NORTHERN PENINSULA/LABRADOR SOUTH  
 Balance Sheet  
 August 31, 2004  
 (With comparative figures as at June 30, 2003)

	<u>August 31</u> <u>2004</u>	<u>June 30</u> <u>2003</u>
<b><u>ASSETS</u></b>		
<b><u>Current Assets</u></b>		
Cash (Supp. Info. 1)	\$ 32,882	20,818
Short-Term Investments (Supp. Info. 2)	5,173	5,173
Accounts Receivable (Note 2)	419,087	2,959,044
Prepaid Expenses (Supp. Info. 3)	<u>14,142</u>	<u>85,905</u>
<b><u>Total Current Assets</u></b>	<u>471,284</u>	<u>3,070,940</u>
<b><u>Property and Equipment</u></b> (Sch. 8)	<u>33,965,574</u>	<u>37,961,998</u>
	<u>\$34,436,858</u>	<u>41,072,938</u>
<b><u>LIABILITIES AND BOARD EQUITY</u></b>		
<b><u>Current Liabilities</u></b>		
Bank Indebtedness (Note 3)	\$ 333,434	361,847
Accounts Payable and Accrued (Note 4)	5,109,159	7,795,498
Current Maturities (Schedule 9A)	<u>42,377</u>	<u>31,570</u>
<b><u>Total Current Liabilities</u></b>	<u>5,464,970</u>	<u>8,188,915</u>
<b><u>Long-Term Debt</u></b> (Schedule 9)	<u>309,081</u>	<u>260,028</u>
<b><u>Board Equity</u></b>		
Investment in Capital Assets (Note 6)	33,614,116	37,670,400
Reserve Account (Note 5)		
Board Equity	<u>(4,971,309)</u>	<u>(5,086,405)</u>
<b><u>Total Board Equity</u></b>	<u>28,642,807</u>	<u>32,583,995</u>
	<u>\$34,436,858</u>	<u>41,032,938</u>

APPROVED BY:

*A. Borden* Chairman  
*B. Foley* Secretary

See Accompanying Notes

SCHOOL DISTRICT #2  
 NORTHERN PENINSULA/LABRADOR SOUTH  
 Statement of Current Revenues, Expenditures and Board Equity  
 Fourteen months ended August 31, 2004  
 (With comparative figures for the year ended June 30, 2003)

	August 31 <u>2004</u>	June 30 <u>2003</u>
<b><u>Current Revenue (Schedule 1)</u></b>		
Provincial Government Grants	\$28,701,857	26,133,117
Donations	163,479	99,659
Ancillary Services	13,976	10,810
Miscellaneous	<u>300,463</u>	<u>248,367</u>
	<u>29,179,775</u>	<u>26,491,953</u>
<b><u>Current Expenditures</u></b>		
Administration (Schedule 2)	1,188,447	1,005,549
Instruction (Schedule 3)	22,708,746	21,408,156
Operations and Maintenance (Schedule 4)	3,658,015	2,986,579
Pupil Transportation (Schedule 5)	1,487,557	1,460,921
Ancillary Services (Schedule 6)		
Interest Expense (Schedule 9C)	2,570	9,008
Miscellaneous Expense (Schedule 7)		
	<u>29,045,335</u>	<u>26,870,213</u>
23 lll Excess of Expenditures over Revenue	134,440	(378,260)
Transfer (to) from Capital	<u>(19,344)</u>	<u>140,607</u>
	115,096	(237,653)
Board Deficit, Beginning of Period	<u>(5,086,405)</u>	<u>(4,848,752)</u>
Board Deficit, End of Period	<u><u>\$(4,971,309)</u></u>	<u><u>(5,086,405)</u></u>
Board Deficit consists of:		
Board Deficit Before Accruals	\$ (56,571)	(147,658)
Add: Accruals		
Teachers' Severance	(4,312,020)	(4,306,194)
Support Staff Severance and Annual Leave	<u>(602,718)</u>	<u>(632,553)</u>
Board Deficit, End of Period	<u><u>\$(4,971,309)</u></u>	<u><u>(5,086,405)</u></u>

**SCHEDULE DISTRICT #2**  
**NORTHERN PENINSULA/LABRADOR SOUTH**  
**Statement of Changes in Financial Position**  
**Fourteen months ended August 31, 2004**  
 (With comparative figures for the year ended June 30, 2003)

		August 31 <u>2004</u>	June 30 <u>2003</u>
60	<b><u>Operating Activities</u></b>		
011	Excess of Revenue over Expenditures	\$ 134,440	(378,260)
012	Changes in Non-Cash Working Capital		
013	- Short-Term Investments		
014	- Accounts Receivable	2,539,957	(197,620)
015	- Prepaid Expenses	71,763	(22,301)
014	- Accounts Payable & Accrued Expenses	(2,686,339)	281,205
015	- Current Maturities		
016	Other (Specify)		
		<u>59,821</u>	<u>(316,976)</u>
61	<b><u>Financing Activities</u></b>		
011	Proceeds from Bank Loans	99,560	--
012	Grants - Capital	45,614	176,941
013	Other Capital Revenues		
014	Changes in Long-Term Debt	(37,900)	(32,609)
015	Other - Debt Repayment by Operating	37,900	32,609
		<u>145,174</u>	<u>176,941</u>
62	<b><u>Investing Activities</u></b>		
011	Proceeds in Sale of Capital Assets	78,756	180,000
012	Additions to Property and Equipment	(243,274)	(216,334)
013	Other (Specify)		
		<u>(164,518)</u>	<u>(36,334)</u>
63	<b><u>Increase (Decrease) in Cash</u></b>	40,477	(176,369)
64	<b><u>Cash, Beginning of the Period</u></b>	<u>(341,029)</u>	<u>(164,660)</u>
65	<b><u>Cash, End of the Period</u></b>	<u>\$ (300,552)</u>	<u>(341,029)</u>
	 Cash, End of Period, consists of:		
	Cash	\$ 32,882	20,818
	Bank Indebtedness	<u>(333,434)</u>	<u>(361,847)</u>
		<u>\$ (300,552)</u>	<u>(341,029)</u>

See Accompanying Notes

SCHOOL DISTRICT #2  
 NORTHERN PENINSULA/LABRADOR SOUTH  
 Statement of Changes in Capital Fund  
 Fourteen months ended August 31, 2004  
 (With comparative figures for the year ended June 30, 2003)

		August 31 <u>2004</u>	June 30 <u>2003</u>
70	<b>Capital Receipts</b>		
71	<b>Proceeds from Bank Loans</b>		
	011 - School Construction	\$	
	012 - Equipment		
	013 - Service Vehicles		
	014 - Pupil Transportation	99,560	--
	015 - Other (Specify)	<u>          </u>	<u>          </u>
		<u>99,560</u>	<u>          </u>
72	<b>DEC Grants</b>		
	011 School Construction and Equipment		
	012 Other - EIC	45,614	176,941
		<u>45,614</u>	<u>176,941</u>
73	<b>Donations</b>		
	011 - Cash Receipts		
	012 - Non-Cash Receipts		
	013 - Restricted Use	<u>          </u>	<u>          </u>
74	<b>Sale of Capital Assets - Proceeds</b>		
	011 - Land	--	180,000
	012 - Buildings	78,756	--
	013 - Equipment		
	014 - Service Vehicles		
	015 - Pupil Transportation Vehicles		
	016 - Other (Specify)	<u>          </u>	<u>          </u>
		<u>78,756</u>	<u>180,000</u>
75	<b>Other Capital Revenues</b>		
	011 - Interest on Capital Fund Investments		
	012 - Premiums on Debentures		
	013 - Recoveries of Expenditures		
	015 - Insurance Proceeds		
	016 - Native Peoples Grants		
	017 - Miscellaneous (Specify)	<u>          </u>	<u>          </u>
	<b>Total Capital Receipts</b>	<u>          </u>	<u>          </u>
77	<b>Transfer from Reserve Account</b>	<u>          </u>	<u>          </u>
78	<b>Transfer (to) from Current Fund</b>	19,344	(140,607)
<b>Total</b>		<u>\$ 243,274</u>	<u>216,334</u>

See Accompanying Notes

**SCHOOL DISTRICT #2**  
**NORTHERN PENINSULA/LABRADOR SOUTH**  
**Statement of Changes in Capital Fund (Cont'd)**  
**Fourteen months ended August 31, 2004**  
**(With comparative figures for the year ended June 30, 2003)**

	<u>August 31</u> <u>2004</u>	<u>June 30</u> <u>2003</u>
<b>80      <u>Capital Disbursements</u></b>		
<b>81      <u>Additions to Property &amp; Equipment</u></b>	<b>\$</b>	
011    - Land and Sites		
012    - Buildings	98,100	216,334
013    - Furniture & Equipment - School	13,454	--
014    - Furniture & Equipment - Other		
015    - Service Vehicles		
016    - Pupil Transportation	131,720	--
017    - Other (Specify)		
	<hr/>	<hr/>
	<b>243,274</b>	<b>216,334</b>
<b>82      <u>Principal Repayment of Long-Term Debt</u></b>		
011    - School Construction		
012    - Equipment		
013    - Service Vehicles		
014    - Other (Specify)		
	<hr/>	<hr/>
<b>83      <u>Miscellaneous Disbursements</u></b>		
013    - Other (Specify)		
	<hr/>	<hr/>
<b>Total Capital Disbursements</b>	<b>\$ 243,274</b>	<b>216,334</b>

See Accompanying Notes

SCHOOL DISTRICT #2  
NORTHERN PENINSULA/LABRADOR SOUTH  
Notes to the Financial Statements  
Fourteen months ended August 31, 2004  
(With comparative figures for the year ended June 30, 2003)

1. 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 revenues while those from the Denominational Education Council are recorded as capital revenues.
- (b) Fixed asset additions are recorded at full cost in the capital fund.
- (c) The Board does not calculate or record depreciation on any of its fixed assets.
- (d) Principal Repayment of Pupil Transportation Loans are recorded as Current Expenditures. All other principal repayment of bank loans are recorded as Capital Expenditures.

**SCHOOL DISTRICT #2**  
**NORTHERN PENINSULA/LABRADOR SOUTH**  
**Notes to the Financial Statements**  
**Fourteen months ended August 31, 2004**  
 (With comparative figures for the year ended June 30, 2003)

			August 31 <u>2004</u>	June 30 <u>2003</u>
<b>2. <u>Accounts Receivable</u></b>				
<b><u>Current</u></b>				
11	131	Provincial Government	\$ 179,873	2,772,973
	132	Transportation	49,597	5,267
	133	Federal Government	96,248	70,985
	136	Other School Board		
	137	Rent		
	138	Interest	--	64
	139	Travel Advances and Misc.	93,369	109,755
<b><u>Capital</u></b>				
11	231	EIC - Construction Grants		
	233	Local Contributions		
	234	Other School Boards		
	235	Other (Specify)		
			<u>\$ 419,087</u>	<u>2,959,044</u>
<b>3. <u>Bank Indebtedness</u></b>				
21	131	On Operating Credit	\$ 333,435	361,847
	132	On Capital Account		
			<u>\$ 333,435</u>	<u>361,847</u>

Note 2: Included in Accounts Receivable - Provincial Government is an amount of \$143,459 representing an adjustment to the allocation for school utilities for the period ended August 31, 2004. This amount is subject to review by the Department of Education once the audited financial statements are submitted.

**SCHOOL DISTRICT #2**  
**NORTHERN PENINSULA/LABRADOR SOUTH**  
**Notes to the Financial Statements**  
**Fourteen months ended August 31, 2004**  
 (With comparative figures for the year ended June 30, 2003)

			August 31 <u>2004</u>	June 30 <u>2003</u>
<b>4. <u>Accounts Payable and Accrued</u></b>				
<b><u>Current</u></b>				
21	111	Trade Payable	\$ 18,618	143,021
	112	Accrued - Liabilities	9,700	6,000
	113	- Interest	--	866
	114	- Wages		
	115	Payroll Deductions	12,034	--
	116	Retail Sales Tax		
	117	Deferred Grants	154,069	179,775
	118	Other - Summer Pay Liability - Teachers	--	2,527,089
		- Severance Pay - Teachers	4,312,020	4,306,194
		- Severance Pay and Annual Leave		
		- Support Staff	602,718	632,553
<b><u>Capital</u></b>				
21	211	Trade Payable		
	212	Accrued - Liabilities		
	213	- Interest		
	217	Deferred Grants		
	218	Other (Specify)		
			<u>\$ 5,109,159</u>	<u>7,795,498</u>



SCHOOL DISTRICT #2  
 NORTHERN PENINSULA/LABRADOR SOUTH  
 Notes to the Financial Statements  
 Fourteen months ended August 31, 2004  
 (With comparative figures for the year ended June 30, 2003)

5. Reserve Account

Description:

NIL

Balance, Beginning of Period	\$	NIL	NIL
Less Transfer from Reserve			
Add Transfer to Reserve			
Balance, End of Period	\$	<u>NIL</u>	<u>NIL</u>

SCHOOL DISTRICT #2  
NORTHERN PENINSULA/LABRADOR SOUTH  
Notes to the Financial Statements  
Fourteen months ended August 31, 2004  
(With comparative figures for the year ended June 30, 2003)

	August 31 <u>2004</u>	June 30 <u>2003</u>
6. Investment in Capital Assets, Beginning of Period	\$37,670,400	37,421,457
Add:		
Debt Repayment - Principal by Operating Fund	39,700	32,609
Transfer of Operating Funds to Capital Fund	19,344	--
Grants - DEC - Contribution for Capital Const. - Other - Education Investment Corp.	45,614	176,941
Donations - (Specify)		
Proceeds from Sale of Capital Assets		
- Land	--	180,000
- Buildings	78,756	--
- Equipment		
- Vehicles		
- Other		
Interest on Capital Fund Investments		
Recoveries of Expenditures		
Insurance Proceeds - Capital		
Native Peoples Grants - Capital		
Miscellaneous (Specify)		
	<u>37,853,814</u>	<u>37,811,007</u>
Deduct Adjustments:		
Transfer of Capital Funds to Operating Fund	--	140,607
Cost of Assets Sold - Land		
- Buildings	4,239,698	--
- Equipment		
- Vehicles		
- Other		
	<u>4,239,698</u>	<u>140,607</u>
Other		
23 121 Investment in Capital Assets, End of Period	<u>\$33,614,116</u>	<u>37,670,400</u>

SCHOOL DISTRICT #2  
NORTHERN PENINSULA/LABRADOR SOUTH  
Notes to the Financial Statements  
Fourteen months ended August 31, 2004  
(With comparative figures for the year ended June 30, 2003)

7. Commitments:  
At balance sheet date the Board had the following commitments:

None

SCHEDULE 1.

SCHOOL DISTRICT #2  
 NORTHERN PENINSULA/LABRADOR SOUTH  
 Current Revenues  
 Fourteen months ended August 31, 2004  
 (With comparative figures for the year ended June 30, 2003)

	August 31 <u>2004</u>	June 30 <u>2003</u>
<b><u>Current Revenues</u></b>		
32 010 Provincial Government Grants	\$5,867,649	4,441,004
011 Regular Operating Grants		
016 Special Grants (Details on bottom of Schedule 1)	43,319	7,030
Salaries and Benefits		
017 - Superintendent and Asst. Supts.	353,490	296,367
021 - Regular Teachers	20,225,280	19,439,786
022 - Substitute Teachers	730,005	530,970
030 Pupil Transportation		
031 - Board Owned	550,444	506,472
032 - Contracted	797,172	785,456
033 - Handicapped	<u>134,498</u>	<u>126,032</u>
	<u>28,701,857</u>	<u>26,133,117</u>
33 010 Donations		
012 Cash Receipts		
013 Non-Cash Receipts		
014 Restricted Use	<u>163,479</u>	<u>99,659</u>
	<u>163,479</u>	<u>99,659</u>

SCHEDULE 1 (Cont'd)

SCHOOL DISTRICT #2  
 NORTHERN PENINSULA/LABRADOR SOUTH  
 Current Revenues  
 Fourteen months ended August 31, 2004  
 (With comparative figures for the year ended June 30, 2003)

		August 31	June 30
		<u>2004</u>	<u>2003</u>
34	010 <b>Ancillary Services</b>		
	011 Revenues from Rental of Residences	\$ 5,850	5,070
	021 Revenues from Rental of Schools and Facilities (Net)	8,126	5,740
	031 Cafeterias		
	032 Other (Specify)		
		<hr/>	<hr/>
		13,976	10,810
		<hr/>	<hr/>
35	010 <b>Miscellaneous</b>		
	011 Interest on Investments	6,676	2,547
	012 Bus Charters	2,010	4,834
	021 Recoveries of Expenditures	915	3,682
	031 Revenues from Other School Boards Federal Rebates - GST	161,975	146,215
	051 Insurance Proceeds		
	061 Bilingual Education Revenue	21,430	7,452
	071 Operating Rev. from Native Peoples Grant		
	081 Miscellaneous Federal Grants - HRDC	9,878	--
	091 Textbooks	92,096	79,570
	092 Sundry	5,483	4,067
		<hr/>	<hr/>
		300,463	248,367
		<hr/>	<hr/>
Total Current Revenues		<u>\$29,179,775</u>	<u>26,491,953</u>
 <u>Special Grants</u>			
	Administration - Textbooks	\$ 7,741	7,030
	Textbook Credit Allocation	9,962	--
	Alternate Texts	616	--
	Broadband Connectivity	25,000	--
		<hr/>	<hr/>
		\$ 43,319	7,030
		<hr/>	<hr/>

SCHEDULE 2.

SCHOOL DISTRICT #2  
 NORTHERN PENINSULA/LABRADOR SOUTH  
 Administration Expenditures  
 Fourteen months ended August 31, 2004  
 (With comparative figures for the year ended June 30, 2003)

		August 31	June 30
		<u>2004</u>	<u>2003</u>
51	Salaries and Benefits		
011	- Superintendents and Assistant Superintendents	\$ 372,941	298,681
012	- Board Office Personnel	441,694	345,839
013	Office Supplies	27,861	22,127
014	Replacement Furniture and Equipment	3,405	2,701
015	Postage	17,299	13,993
016	Telephone	49,555	29,896
017	Office Equipment Rentals and Repairs	2,008	2,218
018	Bank Charges	799	581
019	Electricity	11,801	10,777
021	Fuel	17,009	18,513
022	Insurance		
023	Repairs and Maintenance (Office Building)		
024	Travel	76,503	80,631
025	Board Meeting Expenses	82,324	100,048
026	Election Expenses		
027	Professional Fees	15,866	14,437
028	Advertising	46,752	41,186
029	Membership Dues	15,821	16,001
031	Municipal Service Fees		
032	Rental of Office Space		
033	Relocation Expenses		
034	Miscellaneous	--	3,287
035	Payroll Tax	<u>6,809</u>	<u>4,633</u>
	Total Administration Expenditures	<u>\$ 1,188,447</u>	<u>1,005,549</u>

SCHEDULE 3.

SCHOOL DISTRICT #2  
 NORTHERN PENINSULA/LABRADOR SOUTH  
 Instruction Expenditures  
 Fourteen months ended August 31, 2004  
 (With comparative figures for the year ended June 30, 2003)

		August 31 <u>2004</u>	June 30 <u>2003</u>
52	010 <b>Instructional Salaries (Gross)</b>		
	011 Teachers' Salaries - Regular	\$20,228,673	19,617,544
	012 - Substitute	680,510	532,784
	013 - Board Paid		
	014 Teachers' Severance	5,827	91,695
	015 Employee Benefits		
	016 School Secretaries - Salaries & Benefits	717,092	365,227
	017 Payroll Tax	11,187	4,633
	018 Other (Specify)		
		<u>21,643,289</u>	<u>20,611,883</u>
52	040 <b>Instructional Materials</b>		
	041 General Supplies	555,234	364,351
	042 Library Resource Materials		
	043 Teaching Aids		
	044 Textbooks	<u>102,431</u>	<u>83,551</u>
		<u>657,665</u>	<u>447,902</u>
52	060 <b>Instructional Furniture and Equipment</b>		
	061 Replacement	20,346	28,060
	062 Rentals and Repairs		
		<u>20,346</u>	<u>28,060</u>
50	080 <b>Instructional Staff Travel</b>		
	081 Program Co-ordinators	62,894	66,994
	082 Teachers' Travel	71,392	57,005
	083 Inservice and Conferences	<u>87,540</u>	<u>80,471</u>
		<u>221,826</u>	<u>204,470</u>
52	090 <b>Other Instructional Costs</b>		
	091 Postage and Stationery	54,256	59,905
	092 Miscellaneous - French Monitor	19,385	8,179
	- Computer Support Specialist	66,979	47,757
	- Broadband Connectivity	<u>25,000</u>	<u>--</u>
		<u>165,620</u>	<u>115,841</u>
	<b>Total Instruction Expenditures</b>	<u>\$22,708,746</u>	<u>21,408,156</u>

SCHEDULE 4.

SCHOOL DISTRICT #2  
 NORTHERN PENINSULA/LABRADOR SOUTH  
 Operations and Maintenance Expenditures - Schools  
 Fourteen months ended August 31, 2004  
 (With comparative figures for the year ended June 30, 2003)

	August 31 <u>2004</u>	June 30 <u>2003</u>
53 011 Salaries and Benefits - Janitorial	\$1,430,874	1,134,815
012 - Maintenance	224,686	137,711
013 Payroll Tax	25,744	16,722
014 Electricity	489,164	448,310
015 Fuel	421,530	523,544
016 Municipal Service Fee	46,820	44,969
017 Telephone	170,542	176,614
018 Vehicle Operating and Travel	91,508	72,299
019 Janitorial Supplies	93,631	49,407
021 Janitorial Equipment	712	1,149
022 Repairs and Maintenance - Buildings	537,849	265,090
023 - Equipment		
024 Contracted Services - Janitorial		
025 Snow Clearing	119,297	111,873
026 Rentals	822	--
027 Other - Cellular Telephone	<u>4,836</u>	<u>4,076</u>
Total Operations and Maintenance	<u>\$3,658,015</u>	<u>2,986,579</u>



SCHEDULE 5.

SCHOOL DISTRICT #2  
 NORTHERN PENINSULA/LABRADOR SOUTH  
 Pupil Transportation Expenditures  
 Fourteen months ended August 31, 2004  
 (With comparative figures for the year ended June 30, 2003)

		August 31 <u>2004</u>	June 30 <u>2003</u>
54	<b>010 Operation and Maintenance of Board</b>		
	<b>Owned Fleet</b>		
	Salaries and Benefits - Replacement Drivers \$	16,124	--
011	- Administration	20,000	20,000
012	- Drivers and Mechanics	303,691	300,600
	- Severance		
013	Payroll Tax	4,900	4,900
014	Debt Repayment - Interest	13,813	14,143
015	- Principal	39,700	32,609
016	Bank Charges		
017	Gas and Oil	47,480	60,790
018	Licenses	9,107	6,336
019	Insurance	9,784	3,800
021	Repairs and Maintenance - Fleet	48,103	52,211
022	- Building		
023	Tires and Tubes	4,843	9,537
024	Heat and Light		
025	Municipal Service		
026	Snow Clearing	2,500	2,500
027	Office Supplies		
028	Rent		
029	Travel	936	900
031	Professional fees	700	700
032	Miscellaneous	1,793	1,880
033	Telephone	400	400
034	Vehicle Leases		
		<u>523,874</u>	<u>511,306</u>
54	<b>040 Contracted Services</b>		
041	Regular Transportation	829,341	817,167
042	Handicapped	134,342	132,448
		<u>963,683</u>	<u>949,615</u>
	<b>Pupil Transportation Expenditures</b>	<u>\$ 1,487,557</u>	<u>1,460,921</u>

SCHEDULE 6.

SCHOOL DISTRICT #2  
 NORTHERN PENINSULA/LABRADOR SOUTH  
 Ancillary Services and Miscellaneous Expenses  
 Fourteen months ended August 31, 2004  
 (With comparative figures for the year ended June 30, 2003)

Ancillary Services

The Board owns and operates the following ancillary services:

		August 31 <u>2004</u>	June 30 <u>2003</u>
55	<b>Ancillary Services</b>		
	011 Operation of Teachers' Residences	\$	
	031 Cafeterias		
	032 Other (Specify)		
		_____	_____
		<u>\$ NIL</u>	<u>NIL</u>

SCHEDULE 7.

Miscellaneous Expenses (Specify)

The Board has incurred the following miscellaneous expenses:

		August 31 <u>2004</u>	June 30 <u>2003</u>
57	011 Miscellaneous Expenses (Specify)	<u>\$ NIL</u>	<u>NIL</u>

SCHEDULE 8.

SCHOOL DISTRICT #2  
 NORTHERN PENINSULA/LABRADOR SOUTH  
 Details of Property and Equipment  
 Fourteen months ended August 31, 2004  
 (With comparative figures for the year ended June 30, 2003)

		Balance June 30, 2003	Additions	Disposals	Balance August 31, 2004
12	210 <b>Land and Sites</b>				
	211 Land and Sites	\$ 646,250			646,250
12	220 <b>Buildings</b>				
	221 Schools	33,143,589	98,100	4,239,698	29,001,991
	222 Administration	1,257,522			1,257,522
	223 Residential	21,289			21,289
	224 Recreational				
	225 Other (Specify)				
		<u>34,422,400</u>	<u>98,100</u>	<u>4,239,698</u>	<u>30,280,802</u>
12	230 <b>Furniture and Equip.</b>				
	231 Schools	2,102,344	13,454		2,115,798
	232 Administration	110,574			110,574
	233 Residential				
	234 Recreational				
	235 Other (Specify)				
		<u>2,212,918</u>	<u>13,454</u>		<u>2,226,372</u>
12	240 <b>Vehicles</b>				
	241 Service Vehicles	20,354			20,354
12	250 <b>Pupil Transportation</b>				
	251 Land				
	252 Building				
	253 Vehicles - Buses	660,076	131,720		791,796
	254 - Service				
	255 Equipment				
	256 Other (Specify)				
		<u>660,076</u>	<u>131,720</u>		<u>791,796</u>
12	260 <b>Misc. Capital Assets</b>				
	261 Other (Specify)				
	<b>Total Property and Equipment</b>	<u>\$37,961,998</u>	<u>243,274</u>	<u>4,239,698</u>	<u>33,965,574</u>

SCHEDULE 9.

SCHOOL DISTRICT #2  
 NORTHERN PENINSULA/LABRADOR SOUTH  
 Details of Long-Term Debt  
 Fourteen months ended August 31, 2004  
 (With comparative figures for the year ended June 30, 2003)

Bank loans, mortgage and debentures,  
 approved by the Board and the Government  
 of Newfoundland and Labrador

22 210	Loans Other than Pupil Transportation	August 31 <u>2004</u>	June 30 <u>2003</u>
	<u>Ref. #</u>		
211	<b>Bank Loans</b>		
	_____ Repayable \$ _____ monthly, maturing _____	\$	
	_____ Repayable \$ _____ monthly, maturing _____		
	_____ Repayable \$ _____ monthly, maturing _____		
	_____ Repayable \$ _____ monthly, maturing _____		
	_____ Repayable \$ _____ monthly, maturing _____		
	_____ Repayable \$ _____ monthly, maturing _____		
	<b>Total 211</b>	<u>NIL</u>	<u>NIL</u>
212	<b>Mortgages</b>		
	_____ Repayable \$ _____ monthly, maturing _____		
	_____ Repayable \$ _____ monthly, maturing _____		
	_____ Repayable \$ _____ monthly, maturing _____		
	_____ Repayable \$ _____ monthly, maturing _____		
	_____ Repayable \$ _____ monthly, maturing _____		
	_____ Repayable \$ _____ monthly, maturing _____	<u>NIL</u>	<u>NIL</u>
	<b>Total 212</b>	<u>NIL</u>	<u>NIL</u>
213	<b>Debentures</b>		
	_____ Repayable \$ _____ monthly, maturing _____		
	_____ Repayable \$ _____ monthly, maturing _____	<u>NIL</u>	<u>NIL</u>
	<b>Total 213</b>	<u>NIL</u>	<u>NIL</u>
214	<b>Other (Please Specify)</b>		
	Subtotal	<u>NIL</u>	<u>NIL</u>
215	<b>Less Current Maturities</b>		
	<b>Total Loans Other than Pupil Transportation</b>	<u>NIL</u>	<u>NIL</u>

**SCHOOL DISTRICT #2**  
**NORTHERN PENINSULA/LABRADOR SOUTH**  
**Details of Long-Term Debt**  
**Fourteen months ended August 31, 2004**  
 (With comparative figures for the year ended June 30, 2003)

22 220 Loans - Pupil Transportation

	August 31 <u>2004</u>	June 30 <u>2003</u>
<u>Ref. #</u>		
221 <b>Vehicle Bank Loans</b>		
Prime Repayable \$ <u>516</u> monthly, maturing <u>2011</u>	\$ 42,327	49,553
Prime Repayable \$ <u>523</u> monthly, maturing <u>2012</u>	43,919	51,239
Prime Repayable \$ <u>521</u> monthly, maturing <u>2012</u>	48,983	56,279
Prime Repayable \$ <u>523</u> monthly, maturing <u>2013</u>	54,923	62,246
Prime Repayable \$ <u>548</u> monthly, maturing <u>2014</u>	64,614	72,281
Prime Repayable \$ <u>359</u> monthly, maturing <u>2008</u>	18,645	--
Prime Repayable \$ <u>542</u> monthly, maturing <u>2016</u>	78,047	--
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 _____		
<b>Total 221</b>	<u>351,458</u>	<u>291,598</u>
222 <b>Land, Buildings and Equipment Bank Loans</b>		
Repayable \$ _____ monthly, maturing _____		
Repayable \$ _____ monthly, maturing _____		
Repayable \$ _____ monthly, maturing _____		
Repayable \$ _____ monthly, maturing _____		
Repayable \$ _____ monthly, maturing _____		
<b>Total 222</b>	<u>NIL</u>	<u>NIL</u>
<b>Subtotal</b>	<u>351,458</u>	<u>291,598</u>
223 <b>Less Current Maturities</b>	<u>42,377</u>	<u>31,570</u>
<b>Total Loans - Pupil Transportation</b>	<u>309,081</u>	<u>260,028</u>
<b>Total Long-Term Debt</b>	<u>\$309,081</u>	<u>260,028</u>

**SCHOOL DISTRICT #2**  
**NORTHERN PENINSULA/LABRADOR SOUTH**  
**Summary of Long-Term Debt**  
**Fourteen months ended August 31, 2004**  
 (With comparative figures for the year ended June 30, 2003)

<u>Description</u>	<u>Ref. #</u>	<u>Rate</u>	<u>Balance Beginning of Period</u>	<u>Loans Obtained During Period</u>	<u>Principal Repayment for Period</u>	<u>Balance End of Period</u>
A) School Construction						
B) Equipment						
C) Service Vehicles						
D) Other						
E) Pupil Transportation			\$ 291,598	99,560	39,700	351,458
			-----	-----	-----	-----
Total Loans			<u>\$ 291,598</u>	<u>99,560</u>	<u>39,700</u>	<u>351,458</u>

SCHOOL DISTRICT #2  
 NORTHERN PENINSULA/LABRADOR SOUTH  
 Schedule of Current Maturities  
 Fourteen months ended August 31, 2004  
 (With comparative figures for the year ended June 30, 2003)

<u>Description</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
A) School Construction	\$				
B) Equipment					
C) Service Vehicles					
D) Other					
E) Pupil Transportation					
Loan 1	6,194	6,194	6,194	6,194	6,194
Loan 2	6,274	6,274	6,274	6,274	6,274
Loan 3	6,253	6,253	6,253	6,253	6,253
Loan 4	6,278	6,278	6,278	6,278	6,278
Loan 5	6,571	6,571	6,571	6,571	6,571
Loan 6	4,303	4,303	4,303	4,303	1,433
Loan 7	<u>6,504</u>	<u>6,504</u>	<u>6,504</u>	<u>6,504</u>	<u>6,504</u>
Total	<u>\$ 42,377</u>	<u>42,377</u>	<u>42,377</u>	<u>42,377</u>	<u>39,507</u>

**SCHOOL DISTRICT #2**  
**NORTHERN PENINSULA/LABRADOR SOUTH**  
**Schedule of Interest Expense**  
**Fourteen months ended August 31, 2004**  
**(With comparative figures for the year ended June 30, 2003)**

		August 31 <u>2004</u>	June 30 <u>2003</u>
	<u>Description</u>		
012	<b>Capital</b>		
	School Construction	\$	
	 Equipment		
	 Service Vehicles		
	 Other (Specify)		
		_____	_____
	 <b>Total Capital</b>	_____	_____
013	<b>Current</b> - Operating Loans	2,570	9,008
014	- Supplier Interest Charges		
		_____	_____
	<b>Total Current</b>	<u>2,570</u>	<u>9,008</u>
	<b>Total Interest Expense</b>	<u>\$ 2,570</u>	<u>9,008</u>



SCHOOL DISTRICT #2  
 NORTHERN PENINSULA/LABRADOR SOUTH  
 Supplementary Information  
 Fourteen months ended August 31, 2004  
 (With comparative figures for the year ended June 30, 2003)

1.	<u>Cash</u>		August 31 <u>2004</u>	June 30 <u>2003</u>
	<u>Current</u>			
11	110 Cash on Hand and in Bank			
	111 Cash on Hand	\$	634	369
	112 Bank - Current			
	113 - Savings			
	114 - Teachers' Payroll		32,248	20,449
	115 - Non-Teachers' Payroll			
	116 - Coupon (Debenture)			
	117 - Other (Specify)			
	<u>Capital</u>			
11	210 Cash on Hand and in Bank			
	211 Cash on Hand			
	212 Bank - Current			
	213 - Savings			
	214 - Other (Specify)			
	Total Cash on Hand and in Bank	\$	<u>32,882</u>	<u>20,818</u>
2.	<u>Short Term Investments</u>			
	<u>Current</u>			
11	121 Term Deposits	\$	5,173	5,173
	122 Canada Savings Bonds			
	123 Other (Specify)			
	<u>Capital</u>			
11	221 Term Deposits			
	222 Canada Savings Bonds			
	223 Other (Specify)			
	Total Short Term Investments	\$	<u>5,173</u>	<u>5,173</u>
3.	<u>Prepaid Expenses</u>			
	<u>Current</u>			
11	141 Insurance	\$	792	719
	142 Municipal Service Fees			
	143 Supplies		10,350	10,670
	144 Other - Travel		3,000	19,342
	- Used Textbooks		--	21,674
	- Workers Compensation		--	33,500
	<u>Capital</u>			
11	241 Other (Specify)			
		\$	<u>14,142</u>	<u>85,905</u>



**Northwest Rotary –  
Janeway Hostel Corporation  
Financial Statements  
March 31, 2004**

## Auditors' Report

To the Board of Directors of  
Northwest Rotary – Janeway Hostel Corporation

We have audited the statement of financial position of the Northwest Rotary – Janeway Hostel Corporation as at March 31, 2004 and the statements of operations and changes in deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Association as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at March 31, 2003 and for the year then ended were audited by other auditors who issued their report dated June 20, 2003.

*Deloitte & Touche LLP*

Chartered Accountants  
July 12, 2004

## Northwest Rotary – Janeway Hostel Corporation

### Statement of Operations and Changes in Deficit

Year Ended March 31	2004	2003
<b>Revenue</b>		
Room rentals	\$ -	\$ 81,141
Canada Mortgage and Housing Corporation Mortgage subsidy	27,373	38,271
Atlantic Fundraising Association	900	11,700
Interest	127	5,151
Miscellaneous	-	2,095
	<u>28,400</u>	<u>138,358</u>
<b>Expenditures</b>		
Interest on long term debt	56,362	62,349
Security	31,096	-
Utilities	11,761	23,719
Professional fees	3,112	2,500
General	884	698
Repairs and maintenance	-	23,611
Travel	-	54
Rent	-	3,750
Salaries and benefits	-	81,194
Insurance	-	2,355
Replacement reserve	-	2,286
Housekeeping supplies	-	869
	<u>103,215</u>	<u>203,385</u>
Excess of expenditures over revenue before the following	(74,815)	(65,027)
Canteen operations (Note 6)	-	3,958
Depreciation	(43,070)	(43,070)
Decrease in severance pay accrual	-	36,980
	<u>(117,885)</u>	<u>(67,159)</u>
Excess of expenditures over revenue	(117,885)	(67,159)
Deficit, beginning of year	<u>(96,488)</u>	<u>(29,329)</u>
Deficit, end of year	<u>\$ (214,373)</u>	<u>\$ (96,488)</u>

See accompanying notes to the financial statements.

**Northwest Rotary – Janeway Hostel Corporation**  
**Statement of Financial Position**

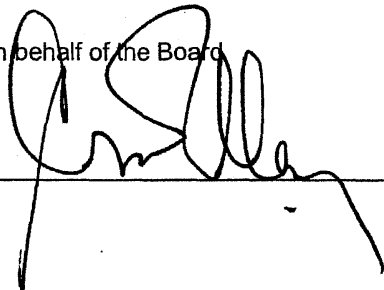

March 31 2004 2003

**Assets**

Current		
Cash and cash equivalents	\$ 9,475	\$ 63,515
Receivables	<u>1,783</u>	<u>2,386</u>
	11,258	65,901
Capital assets (Note 3)	1,444,544	1,487,614
Replacement reserve (Note 4)	<u>146,225</u>	<u>142,125</u>
	<u>\$ 1,602,027</u>	<u>\$ 1,695,640</u>

**Liabilities**

Current		
Payables and accruals	\$ 7,970	\$ 9,681
Current portion of long term debt (Note 5)	<u>41,870</u>	<u>47,995</u>
	49,840	57,676
Long term debt (Note 5)	1,005,349	1,042,296
Due to Health Care Corporation of St. John's - non-interest bearing, no set terms of repayment	614,986	550,031
Replacement reserve fund (Note 4)	<u>146,225</u>	<u>142,125</u>
	1,816,400	1,792,128
<b>Deficit</b>		
Deficit	<u>(214,373)</u>	<u>(96,488)</u>
	<u>\$ 1,602,027</u>	<u>\$ 1,695,640</u>

On behalf of the Board  Director  Director

See accompanying notes to the financial statements.

# Northwest Rotary – Janeway Hostel Corporation

## Statement of Cash Flows

Year Ended March 31	2004	2003
Increase (decrease) in cash and cash equivalents		
<b>Operating</b>		
Excess of expenditures over revenue	\$ (117,885)	\$ (67,159)
Items not requiring a cash outlay		
Depreciation	43,070	43,070
Accrued severance pay	-	(36,980)
Replacement reserve	<u>4,100</u>	<u>2,286</u>
	(70,715)	(58,783)
Change in non-cash operating working capital (Note 7)	<u>(1,108)</u>	<u>(2,726)</u>
Cash used in operating activities	<u>(71,823)</u>	<u>(61,509)</u>
<b>Financing</b>		
Repayment of long term debt	(43,072)	(43,069)
Advances from Health Care Corporation of St. John's	<u>64,955</u>	<u>94,239</u>
Cash provided by financing activities	<u>21,883</u>	<u>51,170</u>
<b>Investing</b>		
Interest earned - replacement reserve	<u>-</u>	<u>2,915</u>
Cash provided by investing activities	<u>-</u>	<u>2,915</u>
Net decrease in cash and cash equivalents	(49,940)	(7,424)
Cash and cash equivalents		
Beginning of year	<u>205,640</u>	<u>213,064</u>
End of year	<u>\$ 155,700</u>	<u>\$ 205,640</u>
<b>Represented by:</b>		
Cash	\$ 9,475	\$ 63,515
Replacement reserve	<u>146,225</u>	<u>142,125</u>
	<u>\$ 155,700</u>	<u>\$ 205,640</u>

See accompanying notes to the financial statements.

# Northwest Rotary – Janeway Hostel Corporation

## Notes to the Financial Statements

March 31, 2004

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### 1. Nature of operations

The Northwest Rotary-Janeway Hostel Corporation (the "Hostel") was established to provide affordable, on-site accommodations to outpatients undergoing treatment and family members of inpatients.

The Hostel is incorporated under the Corporations Act of Newfoundland and is a registered charity under the Income Tax Act.

On June 28, 2002, the Hostel ceased operations, and transferred all of its services to the General Hospital Hostel Association.

---

### 2. Summary of significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles, the more significant of which are as follows:

#### Use of estimates

In preparing the Hostel'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 reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

#### 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

Capital assets are recorded at cost, except for donated assets which are recorded at estimated fair market value.

Depreciation is provided for buildings each year in an amount equal to the annual repayment of principal on the long term debt.

Depreciation is not charged on other capital assets. A replacement reserve, in lieu of depreciation, is required under the terms of the mortgage agreement with Canada Mortgage and Housing Corporation (CMHC). This reserve is calculated by the application of prescribed rates to the various classifications of capital assets.

#### Accrued severance pay

Severance pay is accounted for on an accrual basis and is calculated based upon years of service and current salary levels. Severance pay is only recorded in the accounts for employees who have a vested right to receive such a payment. Severance is payable when the employee ceases employment with the Hostel.

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# Northwest Rotary – Janeway Hostel Corporation

## Notes to the Financial Statements

March 31, 2004

### 2. Summary of significant accounting policies (Continued)

#### Capital donations

Capital donations or other income of a capital nature are recorded directly in the surplus account "Net Assets" and do not appear in the statements of operations and changes in net assets, nor as a reduction in the cost of any capital asset.

#### Pension costs

Employees of the Hostel are covered by 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 Hostel. The annual contributions for pensions are recognized in the accounts on a current basis.

3. Capital assets			<u>2004</u>	<u>2003</u>
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ 95,000	\$ -	\$ 95,000	\$ 95,000
Buildings	1,566,814	415,886	1,150,928	1,193,998
Furniture and equipment	192,404	-	192,404	192,404
Fencing	<u>6,212</u>	<u>-</u>	<u>6,212</u>	<u>6,212</u>
	<u>\$ 1,860,430</u>	<u>\$ 415,886</u>	<u>\$ 1,444,544</u>	<u>\$ 1,487,614</u>

The accounts include the value of land to which the Hostel does not have title. The title to the land resides with the Province of Newfoundland and Labrador with whom the Hostel has a 40 year lease.

### 4. Replacement reserve

Under the terms of the agreement with CMHC, the replacement reserve account is to be credited in the amount of \$9,144 annually. As the facility has ceased operations there have been no contributions to the reserve since June, 2002. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. The funds in the account may only be used as approved by CMHC.

The Hostel has appropriated equity to the replacement reserve fund to satisfy the CMHC requirements.

	<u>2004</u>	<u>2003</u>
Balance, beginning of year	\$ 142,125	\$ 136,924
Contributions	-	2,286
Interest income	<u>4,100</u>	<u>2,915</u>
Balance, end of year	<u>\$ 146,225</u>	<u>\$ 142,125</u>



# Northwest Rotary – Janeway Hostel Corporation

## Notes to the Financial Statements

March 31, 2004

5. Long term debt	<u>2004</u>	<u>2003</u>
Newfoundland and Labrador Housing Corporation first mortgage payable in blended monthly instalments of principal and interest of \$8,803, maturing June 1, 2004, amortized to April 1, 2018.	\$ 1,047,219	\$ 1,090,291
Less: current portion	<u>41,870</u>	<u>47,995</u>
	<u>\$ 1,005,349</u>	<u>\$ 1,042,296</u>

As security for the mortgage, the Hostel has provided a first mortgage on land and building situated at Janeway Place, and an assignment of rents and leases.

The Hostel receives a subsidy from CMHC which reduces the effective interest rate to 2% per year.

Principal repayments required over the next five years are as follows:

2004 - \$41,870; 2005 - \$51,000; 2006 - \$53,900; 2007 - \$56,900; and 2008 - \$60,000.

6. Canteen operations	<u>2004</u>	<u>2003</u>
Canteen sales	\$ -	\$ 28,632
Cost of sales	<u>-</u>	<u>24,674</u>
Gross profit	<u>\$ -</u>	<u>\$ 3,958</u>

7. Supplemental cash flow information	<u>2004</u>	<u>2003</u>
Change in non-cash operating working capital		
Receivables	\$ 603	\$ 42,250
Inventory	-	5,197
Payables and accruals	<u>(1,711)</u>	<u>(50,173)</u>
	<u>\$ (1,108)</u>	<u>\$ (2,726)</u>

### 8. Financial instruments

The carrying value of the Hostel's financial instruments included in current assets and current liabilities approximates fair value due to the relatively short term to maturity of these instruments.

Long-term debt reflects fair value based on current borrowing rates available to the Hostel. The amount due to the Health Care Corporation of St. John's is non-interest bearing with no set terms of repayment and therefore does not reflect fair value.

### 9. Related party transactions

Expenditures include \$Nil (2003 - \$2,500) charged by the Health Care Corporation of St. John's for accounting services.



*Financial Statements of*

**NORTHWEST ROTARY –  
JANEWAY HOSTEL CORPORATION**

*March 31, 2005*

## Auditors' Report

To the Board of Directors of  
Northwest Rotary – Janeway Hostel Corporation

We have audited the statement of financial position of the Northwest Rotary – Janeway Hostel Corporation as at March 31, 2005 and the statements of operations, changes in fund balances and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants  
June 30, 2005

# NORTHWEST ROTARY - JANEWAY HOSTEL CORPORATION

## Statement of Operations

Year ended March 31, 2005

	<u>2005</u>	<u>2004</u>
	\$	\$
REVENUE		
Canada Mortgage and Housing Corporation mortgage subsidy (Note 5)	23,741	27,373
Atlantic Fundraising Association	-	900
Interest	57	127
	<u>23,798</u>	<u>28,400</u>
EXPENDITURES		
Security	34,224	31,096
Interest on long-term debt	30,267	56,362
Utilities	11,659	11,761
Repairs and maintenance	2,247	-
Professional fees	1,495	3,112
General	362	884
	<u>80,254</u>	<u>103,215</u>
EXCESS OF EXPENDITURES OVER REVENUE BEFORE AMORTIZATION	(56,456)	(74,815)
AMORTIZATION	(66,077)	(43,070)
EXCESS OF EXPENDITURES OVER REVENUE	<u>(122,533)</u>	<u>(117,885)</u>

**NORTHWEST ROTARY - JANEWAY HOSTEL CORPORATION**  
**Statement of Changes in Fund Balances**

Year Ended March 31, 2005

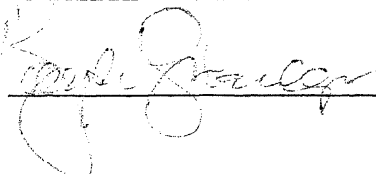
	2005		2004	
	Unrestricted Net Assets	Net Investment in Capital Assets	Total	Total
	\$	\$	\$	\$
BALANCE, BEGINNING OF YEAR	(611,698)	397,325	(214,373)	(96,488)
Excess of expenditures over revenue	(56,456)	(66,077)	(122,533)	(117,885)
Repayment of long-term debt	(66,075)	66,075	-	-
<b>BALANCE, END OF YEAR</b>	<b>(734,229)</b>	<b>397,323</b>	<b>(336,906)</b>	<b>(214,373)</b>

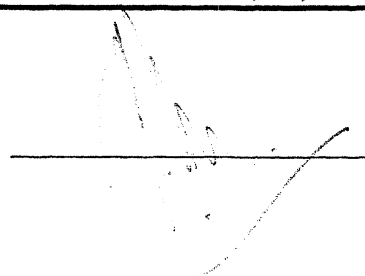
**NORTHWEST ROTARY - JANEWAY HOSTEL CORPORATION**  
**Statement of Financial Position**

March 31, 2005

	<u>2005</u>	<u>2004</u>
	\$	\$
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	17,634	9,475
Receivables	-	1,783
	<b>17,634</b>	<b>11,258</b>
CAPITAL ASSETS (Note 3)	1,378,467	1,444,544
REPLACEMENT RESERVE (Note 4)	149,558	146,225
	<b>1,545,659</b>	<b>1,602,027</b>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Payables and accruals	6,927	7,970
Current portion of long-term debt (Note 5)	57,480	41,870
	<b>64,407</b>	<b>49,840</b>
LONG-TERM DEBT (Note 5)	923,664	1,005,349
DUE TO HEALTH CARE CORPORATION OF ST. JOHN'S - NON-INTEREST BEARING, NO SET TERMS OF REPAYMENT	744,936	614,986
REPLACEMENT RESERVE FUND (Note 4)	149,558	146,225
	<b>1,882,565</b>	<b>1,816,400</b>
<b>FUND BALANCES</b>		
Unrestricted	(734,229)	(611,698)
Investment in capital assets	397,323	397,325
	<b>(336,906)</b>	<b>(214,373)</b>
	<b>1,545,659</b>	<b>1,602,027</b>

ON BEHALF OF THE BOARD:

 Director

 Director

# NORTHWEST ROTARY - JANEWAY HOSTEL CORPORATION

## Statement of Cash Flows

Year ended March 31, 2005

	<u>2005</u>	<u>2004</u>
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Excess of expenditures over revenue	(122,533)	(117,885)
Adjustment for:		
Amortization	66,077	43,070
Change in non-cash operating working capital (Note 6)	740	(1,108)
	<u>(55,716)</u>	<u>(75,923)</u>
<b>INVESTING ACTIVITY</b>		
Increase in replacement reserve	3,333	4,100
<b>FINANCING ACTIVITIES</b>		
Repayment of long-term debt	(66,075)	(43,072)
Advances from Health Care Corporation of St. John's	129,950	64,955
	<u>63,875</u>	<u>21,883</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>11,492</b>	<b>(49,940)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>155,700</b>	<b>205,640</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>167,192</b>	<b>155,700</b>
<b>REPRESENTED BY</b>		
Cash	17,634	9,475
Replacement reserve	149,558	146,225
	<u>167,192</u>	<u>155,700</u>

# NORTHWEST ROTARY – JANEWAY HOSTEL CORPORATION

## Notes to Financial Statements

March 31, 2005

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### 1. NATURE OF OPERATIONS

The Northwest Rotary-Janeway Hostel Corporation (the "Hostel") was established to provide affordable, on-site accommodations to outpatients undergoing treatment and family members of inpatients. On June 28, 2003, the Hostel ceased operations, and transferred all of its services to the General Hospital Hostel Association.

The Hostel is incorporated under the Corporations Act of Newfoundland and is a registered charity under the Income Tax Act.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles, the more significant of which are as follows:

#### *Revenue recognition*

Revenues are recognized as earned and when collection is reasonably assured.

#### *Cash and cash equivalents*

Cash and cash equivalents include cash on hand, balances with banks and short-term deposits with original maturities of one year or less. Bank borrowings are considered to be financing activities.

#### *Capital assets*

Capital assets are recorded at cost, except for donated assets, which are recorded at estimated fair market value.

Amortization is provided for buildings each year in an amount equal to the annual repayment of principal on the long-term debt, which approximates the useful life of the asset.

Amortization is not charged on other capital assets. A replacement reserve, in lieu of amortization, is required under the terms of the mortgage agreement with Canada Mortgage and Housing Corporation (CMHC).

#### *Use of estimates*

In preparing the Hostel'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 reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.



**NORTHWEST ROTARY – JANEWAY HOSTEL CORPORATION**  
**Notes to Financial Statements**  
**March 31, 2005**

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**3. CAPITAL ASSETS**

	2005			2004
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Land	95,000	-	95,000	95,000
Buildings	1,566,814	481,963	1,084,851	1,150,928
Furniture and equipment	192,404	-	192,404	192,404
Fencing	6,212	-	6,212	6,212
	<b>1,860,430</b>	<b>481,963</b>	<b>1,378,467</b>	<b>1,444,544</b>

The accounts include the value of land to which the Hostel does not have title. The title to the land resides with the Province of Newfoundland and Labrador with whom the Hostel has a 40 year lease.

**4. REPLACEMENT RESERVE**

Under the terms of the agreement with CMHC, the replacement reserve account is to be credited in the amount of \$9,144 annually. As the facility has ceased operations there have been no contributions to the reserve since June, 2002. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. The funds in the account may only be used as approved by CMHC.

The Hostel has appropriated equity to the replacement reserve fund to satisfy the CMHC requirements.

	<u>2005</u>	<u>2004</u>
	\$	\$
Balance, beginning of year	146,225	142,125
Interest income	3,333	4,100
Balance, end of year	<b>149,558</b>	<b>146,225</b>

**NORTHWEST ROTARY – JANEWAY HOSTEL CORPORATION**  
**Notes to Financial Statements**  
 March 31, 2005

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5. **LONG-TERM DEBT**

	<u>2005</u>	<u>2004</u>
	\$	\$
Newfoundland and Labrador Housing Corporation, 4.24% first mortgage, maturing June 1, 2008, amortized to April 1, 2018 payable in blended monthly instalments of principal and interest of \$8,135, maturing June 1, 2008.	981,144	1,047,219
Less: current portion	57,480	41,870
	<u>923,664</u>	<u>1,005,349</u>

As security for the mortgage, the Hostel has provided a first mortgage on land and building situated at Janeway Place, and an assignment of rents and leases.

The Hostel receives a subsidy from CMHC which reduces the effective interest rate to 2% per year.

Principal repayments required over the next five years are as follows:

	\$
2006	57,480
2007	59,943
2008	62,512
2009	65,190
2010	67,984

6. **SUPPLEMENTAL CASH FLOW INFORMATION**

Change in non-cash operating working capital is as follows:

	<u>2005</u>	<u>2004</u>
	\$	\$
Receivables	1,783	603
Payables and accruals	(1,043)	(1,711)
	<u>740</u>	<u>(1,108)</u>
Interest paid	<u>31,544</u>	<u>46,747</u>

**NORTHWEST ROTARY – JANEWAY HOSTEL CORPORATION**  
**Notes to Financial Statements**  
**March 31, 2005**

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**7. FINANCIAL INSTRUMENTS**

The carrying value of the Hostel's financial instruments included in current assets and current liabilities approximates fair value due to the relatively short term to maturity of these instruments.

Long-term debt reflects fair value based on current borrowing rates available to the Hostel. The amount due to the Health Care Corporation of St. John's is non-interest bearing with no set terms of repayment and therefore does not reflect fair value.

**OFFICE OF THE HIGH SHERIFF  
OF NEWFOUNDLAND AND LABRADOR**

**FINANCIAL STATEMENTS**

**31 MARCH 2005**



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

**AUDITOR'S REPORT**

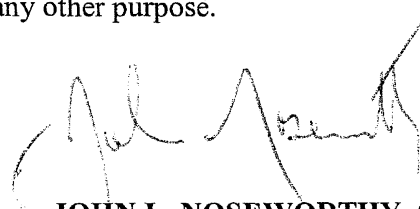
To the High Sheriff of Newfoundland and Labrador  
St. John's, Newfoundland and Labrador

I have audited the balance sheet of the Office of the High Sheriff of Newfoundland and Labrador as at 31 March 2005 and the statement of operations for the year then ended. These financial statements have been prepared to meet the information needs of the High Sheriff of Newfoundland and Labrador and the Government of Newfoundland and Labrador under Section 10 of the *Sheriff's Act, 1991*. The financial statements are the responsibility of the High Sheriff. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Office of the High Sheriff of Newfoundland and Labrador as at 31 March 2005 and the results of its operations for the year then ended in accordance with the basis of accounting described in Note 1 to the financial statements.

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 High Sheriff of Newfoundland and Labrador and the Government of Newfoundland and Labrador to meet their information needs under Section 10 of the *Sheriff's Act, 1991*. 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, C.A.**  
**Auditor General**

St. John's, Newfoundland and Labrador  
15 June 2005

**OFFICE OF THE HIGH SHERIFF OF NEWFOUNDLAND AND LABRADOR  
BALANCE SHEET**

31 March


2005

2004

	Trust Fund (Note 2)	Revenue Fund (Note 3)	Trial and Jury Fund (Note 4)		
<b>ASSETS</b>					
Cash	\$ 72,562	\$ 12,773	\$ 6,068	\$ 91,403	\$ 102,376
Accounts receivable	294	124,836	13,939	139,069	91,378
Inventory held in trust (Note 1)	1	-	-	1	1
	\$ 72,857	\$ 137,609	\$ 20,007	\$ 230,473	\$ 193,755
<b>LIABILITIES</b>					
Trust account, court orders	\$ 72,563	\$ -	\$ -	\$ 72,563	\$ 76,178
Due to Consolidated Revenue Fund	294	137,609	7	137,910	97,577
Trial and jury account, accountable advance	-	-	20,000	20,000	20,000
	\$ 72,857	\$ 137,609	\$ 20,007	\$ 230,473	\$ 193,755

*See accompanying notes*

Signed on behalf of the Office:

  
High Sheriff

**OFFICE OF THE HIGH SHERIFF OF NEWFOUNDLAND AND LABRADOR  
STATEMENT OF OPERATIONS**

For the Year Ended 31 March

2005

2004

	Trust Fund (Note 2)	Revenue Fund (Note 3)	Trial and Jury Fund (Note 4)		
<b>REVENUES</b>					
Court orders	\$ 3,049,336	\$ -	\$ -	\$ 3,049,336	\$ 2,697,521
Service fees	-	1,777,535	-	1,777,535	1,236,154
Registration fees, court orders	-	319,923	-	319,923	276,510
Replenishment of trial and jury bank account	-	-	43,483	43,483	25,953
Interest	4,304	-	324	4,628	8,560
	<b>\$ 3,053,640</b>	<b>\$ 2,097,458</b>	<b>\$ 43,807</b>	<b>\$ 5,194,905</b>	<b>\$ 4,244,698</b>
<b>EXPENSES</b>					
Court orders	\$ 3,049,336	\$ -	\$ -	\$ 3,049,336	\$ 2,697,521
Consolidated Revenue Fund	3,614	2,097,458	324	2,101,396	1,520,468
Trial and jury expenses	-	-	43,483	43,483	25,953
Bank fees	690	-	-	690	756
	<b>\$ 3,053,640</b>	<b>\$ 2,097,458</b>	<b>\$ 43,807</b>	<b>\$ 5,194,905</b>	<b>\$ 4,244,698</b>

*See accompanying notes*

**OFFICE OF THE HIGH SHERIFF OF NEWFOUNDLAND AND LABRADOR**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2005**

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**Authority**

The Office of the High Sheriff of Newfoundland and Labrador operates under the authority of the *Judgment Enforcement Act* and *Regulations*, which came in force 1 June 1997, and the *Sheriff's Act, 1991*. The Office is the enforcement arm of the Supreme Court of Newfoundland and Labrador and the Provincial Courts, and has the responsibility of enforcing all monetary judgments issued by these Courts. This includes the attachment and seizure of real and personal property. The Office is also responsible for the service of court documents, the administration of the jury system and court security.

**1. Basis of accounting**

These financial statements have been prepared by the Office of the High Sheriff in accordance with the significant accounting policies set out below to meet the information needs of the High Sheriff of Newfoundland and Labrador and the Government of Newfoundland and Labrador under Section 10 of the *Sheriff's Act, 1991*. The basis of accounting used in these financial statements materially differs from Canadian generally accepted accounting principles because revenues related to Court orders are being recognized on a cash basis and not all expenditures related to the operations of the Office of the High Sheriff are reflected in these statements.

**Significant accounting policies**

These financial statements have been prepared on the accrual basis of accounting except for Court order revenues which are recorded on a cash basis. Outlined below are the significant accounting policies followed.

(a) Administrative expenditures

The Office of the High Sheriff, 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 these costs.

(b) Inventory held in trust

Inventory consists of real or personal property seized by the Office of the High Sheriff as the result of a Court order and is recorded in these financial statements at a nominal value of \$1 as valuation of these assets is not readily determinable. These assets are recorded in the records of the Office of the High Sheriff at an estimated value for administrative purposes.

**2. Trust Fund**

The Trust Fund has been established to accommodate amounts collected from defendants and the payment of these funds to plaintiffs.





**PENINSULAS HEALTH CARE CORPORATION**  
**AUDITORS' REPORT**  
**FINANCIAL STATEMENTS - MARCH 31, 2004**

**AUDITORS' REPORT**

To the Board of Trustees of the **Peninsulas Health Care Corporation**

We have audited the consolidated balance sheet of the **Peninsulas Health Care Corporation** as at March 31, 2004 and the statements of changes in net assets, operations and cash flow for the year then ended. These financial statements are the responsibility of the Board's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2004 and the results of its operations and the changes in its cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

  
Chartered Accountants

Gander, Newfoundland

September 23, 2004

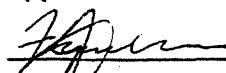
# PENINSULAS HEALTH CARE CORPORATION

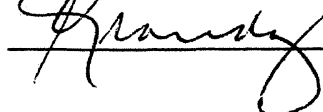
## Consolidated Balance Sheet

<b>March 31, 2004</b>	<b>2004</b>	<b>2003</b>
<b>Assets</b>		
Current assets:		
Receivables (Note 3)	\$ 3,621,613	3,657,511
Inventories (Note 4)	1,099,621	1,062,496
Prepays (Note 5)	<u>1,679,018</u>	<u>1,375,320</u>
Total current assets	6,400,252	6,095,327
Trust funds held on deposit	382,796	372,104
Capital assets (Note 6)	<u>14,371,646</u>	<u>16,286,669</u>
	<u>\$ 21,154,694</u>	<u>22,754,100</u>
<b>Liabilities</b>		
Current liabilities:		
Bank indebtedness (Note 7)	\$ 12,726,747	8,291,559
Payables and accruals (Note 8)	4,106,251	5,394,403
Accrued vacation pay	2,815,056	2,644,383
Deferred capital grants	640,803	1,373,300
Deferred donations - capital	-	120,751
- operating	39,274	44,653
Current portion of long-term debt	164,602	283,936
Current portion of accrued severance pay - estimated	<u>420,000</u>	<u>175,000</u>
Total current liabilities	20,912,733	18,327,985
Long-term debt (Note 9)	5,209,126	5,364,061
Trust funds payable	382,796	372,104
Accrued severance pay, less current portion of \$420,000	6,082,824	5,743,136
Unamortized deferred contributions related to capital assets (Note 10)	<u>7,698,924</u>	<u>9,539,422</u>
	<u>40,286,403</u>	<u>39,346,708</u>
<b>Net assets, per accompanying statement</b>		
Invested in capital assets	1,333,106	1,113,483
Unrestricted	<u>(20,464,815)</u>	<u>(17,706,091)</u>
	<u>(19,131,709)</u>	<u>(16,592,608)</u>
<b>Contingency (Note 16)</b>	<u>\$ 21,154,694</u>	<u>22,754,100</u>

See accompanying notes

Approved:

 Chairman

 Secretary-Treasurer

PENINSULAS HEALTH CARE CORPORATION

Consolidated Statement of Changes in Net Assets

Year ended March 31, 2004

	2004			2003
	Invested in Capital Assets	Unrestricted	Board Fund	Total
Balance, beginning: As previously reported	\$ 1,113,483	(17,706,091)	-	(14,579,196)
Prior years' adjustments to: Transfer 2002 operating grants to capital grants (Note 15)	-	-	-	( 400,000)
	1,113,483	(17,706,091)	-	(14,979,196)
Excess (deficiency) of revenue over expenditures, per accompanying statement	( 660,372)	( 1,699,756)	(178,973)	( 1,613,412)
Investment in capital assets (Note 11)	879,995	( 879,995)	-	-
Transfer to Board fund	-	( 178,973)	178,973	-
Balance, ending	\$ 1,333,106	(20,464,815)	-	(16,592,608)

See accompanying notes

**PENINSULAS HEALTH CARE CORPORATION**

**Consolidated Statement of Operations**

**Year ended March 31, 2004**

	<b>2004</b>	<b>2003</b>
Revenue:		
Provincial plan - operating	<b>\$ 55,234,223</b>	53,963,603
MCP physicians salaries	<b>9,962,028</b>	9,262,433
Patient-resident services - long-term care	<b>2,104,448</b>	2,061,980
- inpatient	<b>311,063</b>	202,135
- outpatient	<b>608,892</b>	437,625
CMHC mortgage interest subsidy (Note 9)	<b>83,928</b>	83,928
Other (Note 12)	<b><u>1,803,109</u></b>	<b><u>1,674,462</u></b>
	<b><u>70,107,691</u></b>	<b><u>67,686,166</u></b>
Expenditure:		
Administration	<b>6,835,328</b>	6,498,384
Support services	<b>14,529,286</b>	14,100,387
Nursing inpatient services - acute	<b>12,332,383</b>	12,123,337
- long-term care	<b>8,428,177</b>	8,177,120
Ambulatory care services	<b>4,684,017</b>	4,498,241
Diagnostic and therapeutic services	<b>11,053,570</b>	10,155,926
Medical services	<b>12,036,804</b>	10,927,235
Education services	<b>786,404</b>	709,964
Other	<b><u>366,119</u></b>	<b><u>405,788</u></b>
	<b><u>71,052,088</u></b>	<b><u>67,596,382</u></b>
Surplus prior to non-shareable items	<b>( 944,397)</b>	89,784
Non-shareable items:		
Amortization of deferred capital grants	<b>3,644,794</b>	2,042,082
Amortization	<b>( 4,305,166)</b>	( 2,530,813)
Accrued vacation pay - (increase) decrease	<b>( 170,672)</b>	( 251,575)
Accrued severance pay - (increase) decrease	<b>( 584,687)</b>	( 886,082)
Board operations - net (Note 13)	<b><u>( 178,973)</u></b>	<b><u>( 76,808)</u></b>
	<b><u>( 1,594,704)</u></b>	<b><u>( 1,703,196)</u></b>
Excess (deficiency) of revenue over expenditure (Notes 14 and 16)	<b><u>\$( 2,539,101)</u></b>	<b><u>( 1,613,412)</u></b>

See accompanying notes

# PENINSULAS HEALTH CARE CORPORATION

## Consolidated Statement of Cash Flow

Year ended March 31, 2004

2004

2003

	2004	2003
Cash flows:		
Operations:		
Excess (deficiency) of revenue over expenditure	\$( 2,539,101)	(1,613,412)
Amortization	4,305,166	2,530,813
Amortization of deferred capital grants	<u>( 3,644,794)</u>	<u>(2,042,082)</u>
	( 1,878,729)	(1,124,681)
Changes in:		
Receivables	35,898	1,238,441
Inventories	( 37,125)	( 125,746)
Prepays	( 303,698)	345,698
Payables and accruals	( 1,288,152)	332,006
Accrued vacation pay	170,672	251,576
Deferred capital grants	( 732,497)	( 17,845)
Deferred donations	( 126,130)	( 181,813)
Accrued severance pay	<u>584,688</u>	<u>886,082</u>
	<u>( 3,575,073)</u>	<u>1,603,718</u>
Investing:		
Additions to capital assets	<u>( 2,390,142)</u>	<u>(2,531,102)</u>
Financing:		
Capital lease of infusion pumps	14,646	-
Repayment of long-term debt	( 288,915)	( 557,893)
Grants received for the purchase of capital assets	1,313,433	2,015,307
Donations received for the purchase of capital assets	<u>490,863</u>	<u>700,709</u>
	<u>1,530,027</u>	<u>2,158,123</u>
Net increase (decrease) in cash	( 4,435,188)	1,230,739
Cash, net of bank indebtedness:		
Beginning	<u>( 8,291,559)</u>	<u>(9,522,298)</u>
Ending (Note 7)	<u>\$(12,726,747)</u>	<u>(8,291,559)</u>

See accompanying notes

# PENINSULAS HEALTH CARE CORPORATION

## Notes to the Financial Statements

March 31, 2004

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### 1. Nature of operations:

These financial statements reflect the operating assets, liabilities, revenue and expenditure of the following facilities and clinics operated by the Peninsulas Health Care Corporation Board.

#### *Facilities*

Dr. G.B. Cross Memorial Hospital  
Burin Peninsula Health Care Centre  
Bonavista Peninsula Health Centre  
Blue Crest Nursing Home

Golden Heights Manor Nursing Home  
Grand Bank Community Health Centre  
U.S. Memorial Health Centre

#### *Clinics*

English Harbour East  
Grand LePierre  
Parker's Cove  
Petit Forte

South East Bight  
St. Lawrence  
Terrenceville  
Trinity

The operations of the above entities were primarily funded by the Government of Newfoundland and Labrador (the Government) to provide health care services on the Government's behalf, causing all entities to be effectively under common control. As a result, these financial statements have been prepared using the pooling of interest method of accounting. Under this method, the book values of assets, liabilities and net assets of each of the entities being combined are added together to form the combined value of assets, liabilities and net assets of the Board.

### 2. Summary of significant accounting policies:

#### *Inventories*

Inventories are valued determined on the first in first out basis as follows:

General stores, at average cost  
Drugs, at cost

#### *Capital assets*

The Corporation has control over certain land, buildings and equipment, with the title resting with the Province of Newfoundland and Labrador. These assets are not recorded under capital assets.

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair market value at the date of contribution.

Capital assets are being amortized on a straight line basis over their estimated useful lives. Effective at the beginning of this year, the Corporation reassessed the useful lives of its assets and changed its annual straight line percentages to reflect the revised useful lives.

(Continued . . .)



# PENINSULAS HEALTH CARE CORPORATION

## Notes to the Financial Statements

March 31, 2004

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### 2. Summary of significant accounting policies (continued):

#### *Capital assets (continued):*

The revised percentages for the current year and those applied in previous years are as follows:

	<u>Current</u>	<u>Previous</u>
Land improvements	20%	10%
Buildings	2.5%	2.5 - 10%
Building service equipment	2.5%	10%
Equipment	20%	6.7 - 33.3%
Computer hardware	25%	30%
Computer software	14.3%	33.3%
Vehicles	20%	25%

#### *Revenue recognition*

Peninsulas Health Care Corporation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions related to capital assets are deferred and amortized to revenue at the same rates which the related capital assets are amortized.

### 3. Receivables:

	<u>2004</u>	<u>2003</u>
Provincial plan revenue grants - operating	\$ 343,816	186,777
Capital grants	150,000	945,000
Patients, capital donations, rents and other	1,296,483	973,105
MCP	1,522,746	1,390,349
HST	131,296	114,274
Cottage complexes	<u>314,467</u>	<u>176,843</u>
	3,758,808	3,786,348
Allowance for doubtful	<u>137,195</u>	<u>128,837</u>
	<u>\$ 3,621,613</u>	<u>3,657,511</u>

### 4. Inventories:

	<u>2004</u>	<u>2003</u>
General stores	\$ 765,006	720,242
Drugs	<u>334,615</u>	<u>342,254</u>
	<u>\$ 1,099,621</u>	<u>1,062,496</u>

# PENINSULAS HEALTH CARE CORPORATION

## Notes to the Financial Statements

March 31, 2004

### 5. Prepaids:

	<u>2004</u>	<u>2003</u>
Workers' Compensation	\$ 1,010,656	902,720
Equipment maintenance	449,510	338,348
Other	<u>218,852</u>	<u>134,252</u>
	<u>\$ 1,679,018</u>	<u>1,375,320</u>

### 6. Capital assets:

	<u>2004</u>			<u>2003</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land and land improvements	\$ 240,844	56,436	184,408	176,886
Buildings	15,251,642	7,645,456	7,606,186	7,740,093
Equipment	28,568,717	22,069,212	6,499,505	7,900,363
Software	2,454,078	2,425,360	28,718	376,371
Motor vehicles	<u>267,323</u>	<u>214,494</u>	<u>52,829</u>	<u>92,956</u>
	<u>\$ 46,782,604</u>	<u>32,410,958</u>	<u>14,371,646</u>	<u>16,286,669</u>

### 7. Bank indebtedness:

	<u>2004</u>	<u>2003</u>
Cash	\$ 73,420	61,128
Due to bank on current accounts	<u>(12,800,167)</u>	<u>(8,352,687)</u>
	<u>\$(12,726,747)</u>	<u>(8,291,559)</u>

The Board has access to a \$12 million line of credit in the form of revolving demand loans and/or bank overdrafts, bearing interest at Bank of Nova Scotia prime minus ¼%. These loans have been approved by the Minister of Health and Community Services.

Although the above bank indebtedness based on the accrual method of accounting is in excess of the approved limit, the actual overdrafts at the bank at year end amounted to \$10,616,356, which is within the approved limits.

### 8. Payables and accruals:

	<u>2004</u>	<u>2003</u>
Trade	\$ 1,532,480	3,043,348
Payroll deductions	545,943	449,871
Accrued - wages	1,933,312	1,544,929
- other	<u>94,516</u>	<u>356,255</u>
	<u>\$ 4,106,251</u>	<u>5,394,403</u>

**PENINSULAS HEALTH CARE CORPORATION**

**Notes to the Financial Statements**

**March 31, 2004**

**9. Long-term debt:**

	<u>2004</u>	<u>2003</u>
5.95% Royal Bank of Canada mortgage on Golden Heights Manor; repayable \$25,659 monthly, interest included; maturing July, 2023	<b>\$ 3,546,091</b>	3,642,480
CMHC mortgages on land and buildings:		
8%, on Blue Crest Home; repayable \$7,777 monthly, interest included; maturing November, 2025	<b>969,705</b>	985,826
10.5% on Golden Heights Manor; repayable \$7,549 monthly, interest included; maturing August, 2027	<b>801,970</b>	809,508
Scotia Mortgage Corporation mortgages on land and buildings:		
5.45%, on Viking; repayable \$138 weekly, interest included; maturing August, 2005	<b>9,687</b>	16,401
5.45%, on Simmons; repayable \$158 weekly, interest included; maturing August, 2005	<b>10,552</b>	18,297
4.90%, on Cholock; repayable \$616 monthly, interest included; maturing March, 2006	<b>13,831</b>	20,264
5.45%, on Prince; repayable \$176 weekly, interest included; maturing August, 2005	<b>12,386</b>	20,971
Capital leases:		
On infusion pumps; repayable through contracted supply purchases; maturing November, 2005	<b>9,506</b>	-
On telephone system; repayable \$5,181 monthly, interest included; matured during year	-	11,087
On CT scanner; repayable \$31,214 monthly, interest included; matured during year	-	123,163
	<u>5,373,728</u>	<u>5,647,997</u>
Less current portion	<u>164,602</u>	<u>283,936</u>
	<b><u>\$ 5,209,126</u></b>	<b><u>5,364,061</u></b>

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

2005	\$ 164,602
2006	156,792
2007	146,112
2008	155,872
2009	166,312

*Interest subsidy*

The Board 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 2004 was \$83,928 (2003 - \$83,928).

# PENINSULAS HEALTH CARE CORPORATION

## Notes to the Financial Statements

**March 31, 2004**

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### 10. Unamortized deferred contributions related to capital assets:

Deferred contributions related to capital assets represent restricted contributions with which capital assets were originally purchased. The changes in the deferred contribution balance for the year are as follows:

	<u>2004</u>	<u>2003</u>
Balance, beginning	\$ 9,539,422	8,865,488
Add (deduct):		
Capital asset grants	1,313,433	2,015,307
Donations for capital assets	<u>490,863</u>	<u>700,709</u>
	11,343,718	11,581,504
Less amortization	<u>3,644,794</u>	<u>2,042,082</u>
Balance, ending	<u>\$ 7,698,924</u>	<u>9,539,422</u>

### 11. Investment in capital assets:

	<u>2004</u>	<u>2003</u>
Repayment of long-term debt	\$ 288,915	557,893
Less above payments funded by capital grants	<u>(117,929)</u>	<u>(353,717)</u>
	170,986	204,176
Purchase of capital assets with unrestricted resources	<u>709,009</u>	<u>168,804</u>
	<u>\$ 879,995</u>	<u>372,980</u>

### 12. Other revenue:

	<u>2004</u>	<u>2003</u>
Recoveries - dietary	\$ 320,985	325,544
- salaries	411,902	311,707
- medical supplies and drugs	900,560	866,975
Rent	25,272	26,453
Miscellaneous	<u>144,390</u>	<u>143,783</u>
	<u>\$ 1,803,109</u>	<u>1,674,462</u>

# PENINSULAS HEALTH CARE CORPORATION

## Notes to the Financial Statements

March 31, 2004

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### 13. Board operations - net:

	<u>2004</u>	<u>2003</u>
Revenue:		
Interest	\$ 2,516	2,542
Preferred accommodations	3,541	36,611
Bursary recovery and other	-	102
	<u>6,057</u>	<u>39,255</u>
Expenditure:		
Bank charges and interest	<u>185,030</u>	<u>116,063</u>
	<u>\$(178,973)</u>	<u>( 76,808)</u>

### 14. Commitments:

#### *Operating leases*

The Corporation has a number of agreements whereby it leases equipment and property in addition to those disclosed under Note 9. 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:

2005	\$ 368,726
2006	263,079
2007	223,609
2008	223,609
2009	223,609

#### *Energy Performance Contract*

The Corporation entered into an Energy Performance Contract with Honeywell Limited in September, 2001 for the design and implementation of measures to improve energy efficiency, wherein Honeywell Limited guaranteed the energy savings component.

The contract is for \$1,316,846 and is to be repaid from operating and energy savings over a seven year period which commenced in September, 2002.

As support for the financing, Honeywell Limited has assigned to Scotiabank any funds due to them by the Corporation for the energy savings component of the contract.

In the opinion of management of the Corporation, the guaranteed energy savings component of Honeywell Limited is an offset to the obligation of the Corporation to Scotiabank, and as a consequence neither the capital expenditure or the financing obligation is reflected in the financial statements of the Corporation at March 31, 2004.

# PENINSULAS HEALTH CARE CORPORATION

## Notes to the Financial Statements

**March 31, 2004**

---

**15. Prior year's adjustment:**

*Conversion of operating funds to capital:*

During 2003, Government approval was given to convert \$400,000 of 2002 operating revenue grants to capital grants to help offset capital expenditure overruns in previous years.

The effect of this conversion was retroactively reflected in the financial statements for 2002.

**16. Contingency:**

As of March 31, 2004 there were a number of legal claims against the Corporation 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 Corporation with respect to these claims, but management believes any claims, if successful, will be covered by liability insurance.



**PENINSULAS HEALTH CARE CORPORATION**

**AUDITORS' REPORT**

**FINANCIAL STATEMENTS - MARCH 31, 2005**



AUDITORS' REPORT

To the Board of Trustees of the **Peninsulas Health Care Corporation**

We have audited the consolidated balance sheet of the **Peninsulas Health Care Corporation** as at March 31, 2005 and the statements of changes in net assets, operations and cash flow for the year then ended. These financial statements are the responsibility of the Board's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2005 and the results of its operations and the changes in its cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

*Walters Hoffe*  
Chartered Accountants

Gander, Newfoundland

June 24, 2005

**PENINSULAS HEALTH CARE CORPORATION**

**Consolidated Balance Sheet**

**March 31, 2005**

2005

2004

**Assets**

Current assets:

Receivables (Note 3)	\$ 2,802,175	3,621,613
Inventories (Note 4)	1,013,746	1,099,621
Prepays (Note 5)	<u>1,582,539</u>	<u>1,679,018</u>

Total current assets 5,398,460 6,400,252

Trust funds held on deposit 300,068 382,796

Capital assets (Note 6) 12,810,025 14,371,646

\$ 18,508,553 21,154,694

**Liabilities**

Current liabilities:

Bank indebtedness (Note 7)	\$ 12,003,676	12,726,747
Payables and accruals (Note 8)	3,821,632	4,106,251
Accrued vacation pay	3,122,450	2,815,056
Deferred grants - capital	955,972	640,803
- operating	266,441	-
Deferred donations - operating	38,566	39,274
Current portion of long-term debt	179,214	164,602
Current portion of accrued severance pay - estimated	<u>420,625</u>	<u>420,000</u>

Total current liabilities 20,808,576 20,912,733

Long-term debt (Note 9) 5,052,717 5,209,126

Trust funds payable 300,068 382,796

Accrued severance pay, less current portion of \$420,625 6,502,505 6,082,824

Unamortized deferred contributions related to capital assets (Note 10) 6,569,816 7,698,924

39,233,682 40,286,403

**Net assets, per accompanying statement**

Invested in capital assets 1,104,722 1,333,106

Unrestricted (21,829,851) (20,464,815)

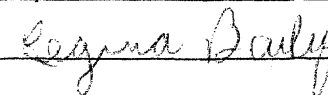
(20,725,129) (19,131,709)

Contingency (Note 15) \$ 18,508,553 21,154,694

See accompanying notes

Approved:

 Chairman

 Secretary-Treasurer

**PENINSULAS HEALTH CARE CORPORATION**

**Consolidated Statement of Changes in Net Assets**

**Year ended March 31, 2005**

	2005			2004
	<u>Invested in Capital Assets</u>	<u>Unrestricted</u>	<u>Board Fund</u>	<u>Total</u>
Balance, beginning	\$ 1,333,106	(20,464,815)	-	(19,131,709)
Excess (deficiency) of revenue over expenditures, per accompanying statement	( 582,748)	( 793,922)	(216,750)	( 1,593,420)
Investment in capital assets (Note 11)	292,032	( 292,032)	-	-
Transfer to Board fund	-	( 216,750)	216,750	-
Balance, ending	<u>\$ 1,042,390</u>	<u>(21,767,519)</u>	<u>-</u>	<u>(20,725,129)</u>

See accompanying notes

**PENINSULAS HEALTH CARE CORPORATION**

**Consolidated Statement of Operations**

**Year ended March 31, 2005**

**2005**

**2004**

Revenue:

Provincial plan - operating	<b>\$ 55,340,907</b>	55,234,223
MCP physicians salaries	<b>10,263,154</b>	9,962,028
Patient-resident services - long-term care	<b>2,025,884</b>	2,104,448
- inpatient	<b>411,480</b>	311,063
- outpatient	<b>735,040</b>	608,892
CMHC mortgage interest subsidy (Note 9)	<b>43,506</b>	83,928
Other (Note 12)	<b><u>1,725,337</u></b>	<u>1,803,109</u>
	<b><u>70,545,308</u></b>	<u>70,107,691</u>

Expenditure:

Administration	<b>6,337,056</b>	6,835,328
Support services	<b>14,379,774</b>	14,529,286
Nursing inpatient services - acute	<b>12,336,372</b>	12,332,383
- long-term care	<b>8,631,015</b>	8,428,177
Ambulatory care services	<b>4,634,579</b>	4,684,017
Diagnostic and therapeutic services	<b>11,005,700</b>	11,053,570
Medical services	<b>12,219,423</b>	12,036,804
Education services	<b>731,162</b>	786,404
Other	<b><u>336,449</u></b>	<u>366,119</u>
	<b><u>70,611,530</u></b>	<u>71,052,088</u>

Surplus (deficit) prior to non-shareable items ( 66,222) ( 944,397)

Non-shareable items:

Amortization of deferred capital grants	<b>2,613,211</b>	3,644,794
Amortization	<b>( 3,195,959)</b>	( 4,305,166)
Accrued vacation pay - (increase) decrease	<b>( 307,394)</b>	( 170,672)
Accrued severance pay - (increase) decrease	<b>( 420,306)</b>	( 584,687)
Board operations - net (Note 13)	<b><u>( 216,750)</u></b>	<u>( 178,973)</u>
	<b><u>( 1,527,198)</u></b>	<u>( 1,594,704)</u>

Excess (deficiency) of revenue over expenditure (Notes 14 and 15) **\$ ( 1,593,420)** ( 2,539,101)

See accompanying notes

**PENINSULAS HEALTH CARE CORPORATION**

**Consolidated Statement of Cash Flow**

**Year ended March 31, 2005**

**2005**

**2004**

Cash flows:

Operations:

Excess (deficiency) of revenue over expenditure	\$( 1,593,420)	( 2,539,101)
Amortization	3,195,959	4,305,166
Amortization of deferred capital grants	<u>( 2,613,211)</u>	<u>( 3,644,794)</u>
	<b>( 1,010,672)</b>	<b>( 1,878,729)</b>

Changes in:

Receivables	819,438	35,898
Inventories	85,875	( 37,125)
Prepays	96,479	( 303,698)
Payables and accruals	( 284,619)	( 1,288,152)
Accrued vacation pay	307,394	170,672
Deferred grants - capital	315,169	( 732,497)
- operating	266,441	-
Deferred donations	( 708)	( 126,130)
Accrued severance pay	<u>420,306</u>	<u>584,688</u>
	<b><u>1,015,103</u></b>	<b><u>( 3,575,073)</u></b>

Investing:

Additions to capital assets	<u>( 1,634,337)</u>	<u>( 2,390,142)</u>
-----------------------------	---------------------	---------------------

Financing:

Capital lease of infusion pumps	-	14,646
Repayment of long-term debt	( 141,797)	( 288,915)
Grants received for the purchase of capital assets	1,065,271	1,313,433
Donations received for the purchase of capital assets	<u>418,831</u>	<u>490,863</u>
	<b><u>1,342,305</u></b>	<b><u>1,530,027</u></b>

Net increase (decrease) in cash 723,071 ( 4,435,188)

Cash, net of bank indebtedness:

Beginning	<u>(12,726,747)</u>	<u>( 8,291,559)</u>
Ending (Note 7)	<b><u>\$(12,003,676)</u></b>	<b><u>(12,726,747)</u></b>

See accompanying notes

# PENINSULAS HEALTH CARE CORPORATION

## Notes to the Financial Statements

March 31, 2005

---

### 1. Nature of operations:

These financial statements reflect the operating assets, liabilities, revenue and expenditure of the following facilities and clinics operated by the Peninsulas Health Care Corporation Board.

#### *Facilities*

Dr. G.B. Cross Memorial Hospital  
Burin Peninsula Health Care Centre  
Bonavista Peninsula Health Centre  
Blue Crest Nursing Home

Golden Heights Manor Nursing Home  
Grand Bank Community Health Centre  
U.S. Memorial Health Centre

#### *Clinics*

English Harbour East  
Grand LePierre  
Parker's Cove  
Petit Forte

South East Bight  
St. Lawrence  
Terrenceville  
Trinity

The operations of the above entities were primarily funded by the Government of Newfoundland and Labrador (the Government) to provide health care services on the Government's behalf, causing all entities to be effectively under common control. As a result, these financial statements have been prepared using the pooling of interest method of accounting. Under this method, the book values of assets, liabilities and net assets of each of the entities being combined are added together to form the combined value of assets, liabilities and net assets of the Board.

### 2. Summary of significant accounting policies:

#### *Inventories*

Inventories are valued determined on the first in first out basis as follows:

General stores, at average cost  
Drugs, at cost

#### *Capital assets*

The Corporation has control over certain land, buildings and equipment, with the title resting with the Province of Newfoundland and Labrador. These assets are not recorded under capital assets.

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair market value at the date of contribution.

(Continued ...)

# PENINSULAS HEALTH CARE CORPORATION

## Notes to the Financial Statements

March 31, 2005

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### 2. Summary of significant accounting policies (continued):

Capital assets are being amortized on a straight line basis over their estimated useful lives at the following rates:

Land improvements	20%
Buildings	2.5%
Building service equipment	2.5%
Equipment	20%
Computer hardware	25%
Computer software	14.3%
Vehicles	20%

#### *Revenue recognition*

Peninsulas Health Care Corporation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions related to capital assets are deferred and amortized to revenue at the same rates which the related capital assets are amortized.

### 3. Receivables:

	<u>2005</u>	<u>2004</u>
Provincial plan revenue grants - operating	\$ 45,400	343,816
Capital grants	103,960	150,000
Patients, capital donations, rents and other	1,502,070	1,296,483
MCP	1,260,064	1,522,746
HST	111,265	131,296
Cottage complexes	<u>175,139</u>	<u>314,467</u>
	3,197,898	3,758,808
Allowance for doubtful	<u>395,723</u>	<u>137,195</u>
	<u>\$ 2,802,175</u>	<u>3,621,613</u>

### 4. Inventories:

	<u>2005</u>	<u>2004</u>
General stores	\$ 686,598	765,006
Drugs	<u>327,148</u>	<u>334,615</u>
	<u>\$ 1,013,746</u>	<u>1,099,621</u>

PENINSULAS HEALTH CARE CORPORATION

Notes to the Financial Statements

March 31, 2005

5. Prepaids:

	<u>2005</u>	<u>2004</u>
Workers' Compensation	\$ 944,926	1,010,656
Equipment maintenance	480,467	449,510
Other	<u>157,146</u>	<u>218,852</u>
	<u>\$ 1,582,539</u>	<u>1,679,018</u>

6. Capital assets:

	<u>2005</u>			<u>2004</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land and land improvements	\$ 240,844	58,316	182,528	184,408
Buildings	15,663,192	8,037,034	7,626,158	7,606,186
Equipment	29,667,956	24,785,210	4,882,746	6,499,505
Software	2,577,622	2,471,732	105,890	28,718
Motor vehicles	<u>267,324</u>	<u>254,621</u>	<u>12,703</u>	<u>52,829</u>
	<u>\$ 48,416,938</u>	<u>35,606,913</u>	<u>12,810,025</u>	<u>14,371,646</u>

7. Bank indebtedness:

	<u>2005</u>	<u>2004</u>
Cash	\$ 62,150	73,420
Due to bank on current accounts	<u>(12,065,826)</u>	<u>(12,800,167)</u>
	<u>\$(12,003,676)</u>	<u>(12,726,747)</u>

The Board has access to a \$12 million line of credit in the form of revolving demand loans and/or bank overdrafts, bearing interest at Bank of Nova Scotia prime minus ¼%. These loans have been approved by the Minister of Health and Community Services.

Although the above bank indebtedness based on the accrual method of accounting is in excess of the approved limit, the actual overdrafts at the bank at year end amounted to \$9,292,383 which is within the approved limits.

8. Payables and accruals:

	<u>2005</u>	<u>2004</u>
Trade	\$ 1,581,164	1,532,480
Payroll deductions	359,065	545,943
Accrued - wages	1,807,287	1,933,312
- other	<u>74,116</u>	<u>94,516</u>
	<u>\$ 3,821,632</u>	<u>4,106,251</u>



**PENINSULAS HEALTH CARE CORPORATION**

**Notes to the Financial Statements**

**March 31, 2005**

**9. Long-term debt:**

	<u>2005</u>	<u>2004</u>
5.95% Royal Bank of Canada mortgage on Golden Heights Manor; repayable \$25,659 monthly, interest included; refinanced during year	\$ -	3,546,091
CMHC mortgages on land and buildings:		
8%, on Blue Crest Home; repayable \$7,777 monthly, interest included; maturing November, 2025	951,907	969,705
10.5% on Golden Heights Manor; repayable \$7,549 monthly, interest included; maturing August, 2027	793,226	801,970
3.88% on Golden Heights Manor; repayable \$22,085 monthly, interest included; commenced March, 2005; maturing June, 2023	3,469,973	-
Scotia Mortgage Corporation mortgages on land and buildings:		
4.45%, on Viking; repayable \$138 weekly, interest included; maturing August, 2005	2,574	9,687
4.45%, on Simmons; repayable \$158 weekly, interest included; maturing August, 2005	2,316	10,552
4.45%, on Cholock; repayable \$616 monthly, interest included; maturing March, 2006	7,081	13,831
4.45%, on Prince; repayable \$176 weekly, interest included; maturing August, 2005	3,291	12,386
Capital lease:		
On infusion pumps; repayable through contracted supply purchases; maturing November, 2005	<u>1,563</u>	<u>9,506</u>
	<u>5,231,931</u>	<u>5,373,728</u>
Less current portion	<u>179,214</u>	<u>164,602</u>
	<u><b>\$ 5,052,717</b></u>	<u><b>5,209,126</b></u>

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

2006	\$179,214
2007	170,213
2008	178,210
2009	187,480
2010	196,399

*Interest subsidy*

The Board 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 2005 was \$43,506 (2004 - \$83,928).

# PENINSULAS HEALTH CARE CORPORATION

## Notes to the Financial Statements

**March 31, 2005**

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### 10. Unamortized deferred contributions related to capital assets:

Deferred contributions related to capital assets represent restricted contributions with which capital assets were originally purchased. The changes in the deferred contribution balance for the year are as follows:

	<u>2005</u>	<u>2004</u>
Balance, beginning	\$ 7,698,925	9,539,422
Add:		
Capital asset grants	1,065,271	1,313,433
Donations for capital assets	<u>418,831</u>	<u>490,863</u>
	9,183,027	11,343,718
Less amortization	<u>2,613,211</u>	<u>3,644,794</u>
Balance, ending	<u>\$ 6,569,816</u>	<u>7,698,924</u>

### 11. Investment in capital assets:

	<u>2005</u>	<u>2004</u>
Repayment of long-term debt	\$ 141,797	288,915
Less above payments funded by capital grants	<u>-</u>	<u>(117,929)</u>
	141,797	170,986
Purchase of capital assets with unrestricted resources	<u>150,235</u>	<u>709,009</u>
	<u>\$ 292,032</u>	<u>879,995</u>

### 12. Other revenue:

	<u>2005</u>	<u>2004</u>
Recoveries - dietary	\$ 325,836	320,985
- salaries	430,371	411,902
- medical supplies and drugs	849,101	900,560
Rent	52,609	25,272
Miscellaneous	<u>67,420</u>	<u>144,390</u>
	<u>\$ 1,725,337</u>	<u>1,803,109</u>

# PENINSULAS HEALTH CARE CORPORATION

## Notes to the Financial Statements

March 31, 2005

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### 13. Board operations - net:

	<u>2005</u>	<u>2004</u>
Revenue:		
Interest	\$ 2,932	2,516
Preferred accommodations	<u>5,015</u>	<u>3,541</u>
	<u>7,947</u>	<u>6,057</u>
Expenditure:		
Bank charges and interest	<u>224,697</u>	<u>185,030</u>
	<u>\$(216,750)</u>	<u>(178,973)</u>

### 14. Commitments:

#### *Operating leases*

The Corporation has a number of agreements whereby it leases equipment and property in addition to those disclosed under Note 9. 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:

2006	\$ 312,878
2007	265,356
2008	236,900
2009	276,176
2010	233,959

#### *Energy Performance Contract*

The Corporation entered into an Energy Performance Contract with Honeywell Limited in September, 2001 for the design and implementation of measures to improve energy efficiency, wherein Honeywell Limited guaranteed the energy savings component.

The contract is for \$1,316,846 and is to be repaid from operating and energy savings over a seven year period which commenced in September, 2002.

As support for the financing, Honeywell Limited has assigned to Scotiabank any funds due to them by the Corporation for the energy savings component of the contract.

In the opinion of management of the Corporation, the guaranteed energy savings component of Honeywell Limited is an offset to the obligation of the Corporation to Scotiabank, and as a consequence neither the capital expenditure or the financing obligation is reflected in the financial statements of the Corporation at March 31, 2005.

# PENINSULAS HEALTH CARE CORPORATION

## Notes to the Financial Statements

**March 31, 2005**

---

**15. Contingency:**

As of March 31, 2005 there were a number of legal claims against the Corporation 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 Corporation with respect to these claims, but management believes any claims, if successful, will be covered by liability insurance.

**16. Subsequent event:**

On April 1, 2005 the Peninsulas Health Care Corporation was amalgamated with various hospitals, community health services and long-term care boards in Eastern Newfoundland and the Avalon Peninsula to form the Eastern Regional Integrated Health Authority.



**PRIVATE TRAINING CORPORATION**

**TRAIN OUT FUND**

**FINANCIAL STATEMENTS**

**31 DECEMBER 2003**



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

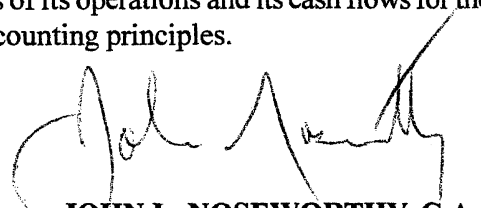
**AUDITOR'S REPORT**

To the Board of Directors  
Private Training Corporation  
St. John's, Newfoundland and Labrador

I have audited the balance sheet of the Private Training Corporation, Train Out Fund as at 31 December 2003 and the statements of revenue, expenses and surplus, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



**JOHN L. NOSEWORTHY, C.A.**  
**Auditor General**

St. John's, Newfoundland and Labrador  
19 May 2004

**PRIVATE TRAINING CORPORATION  
 TRAIN OUT FUND  
 BALANCE SHEET**

**31 December** **2003** **2002**

**ASSETS**

Current

Cash	\$ 308,551	\$ 246,869
Short-term investments, at cost	304,792	-
Accounts receivable (Note 2)	43,396	83,028
<u>Bond receivable</u>	<u>100,000</u>	<u>-</u>

	\$ 756,739	\$ 329,897
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**LIABILITIES AND SURPLUS**

Current

Accounts payable	\$ 3,721	\$ 3,110
<u>Train out payable</u>	<u>68,630</u>	<u>68,630</u>



	72,351	71,740
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<u>Surplus</u>	<u>684,388</u>	<u>258,157</u>
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	\$ 756,739	\$ 329,897
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*See accompanying notes*

Signed on behalf of the Corporation:

 Chairperson	 Director
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**PRIVATE TRAINING CORPORATION**  
**TRAIN OUT FUND**  
**STATEMENT OF REVENUE, EXPENSES AND SURPLUS**  
**For the Year Ended 31 December**

	2003	2002
<b>REVENUE</b>		
Contributions from institutions	\$ 234,434	\$ 248,063
Surety claims	200,000	125,000
Interest	8,214	2,504
	<u>442,648</u>	<u>375,567</u>
<b>EXPENSES</b>		
Audit fees	2,292	2,807
Bad debt	6,849	-
Board expenses	3,378	6,003
Chairperson stipend	3,353	3,731
Interest expense	-	3,239
Office expense	545	742
Train out expense	-	86,927
	<u>16,417</u>	<u>103,449</u>
<b>Excess of revenue over expenses</b>	<b>426,231</b>	<b>272,118</b>
<b>Surplus (Deficit), beginning of year</b>	<b>258,157</b>	<b>(13,961)</b>
<b>Surplus, end of year</b>	<b>\$ 684,388</b>	<b>\$ 258,157</b>

*See accompanying notes*

**PRIVATE TRAINING CORPORATION**  
**TRAIN OUT FUND**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended 31 December**

	2003	2002
<b>Cash flows from operating activities</b>		
Excess of revenue over expenses	\$ 426,231	\$ 272,118
Change in non-cash working capital		
Accounts receivable	39,632	9,455
Bond receivable	(100,000)	-
Accounts payable	611	(1,747)
Interest payable	-	(260)
Train out payable	-	(7,442)
	<b>366,474</b>	<b>272,124</b>
<b>Cash flows from financing activities</b>		
Repayment of loans	-	(85,930)
<b>Net increase in cash and cash equivalents</b>	<b>366,474</b>	<b>186,194</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>246,869</b>	<b>60,675</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 613,343</b>	<b>\$ 246,869</b>
<b>Cash and cash equivalents include:</b>		
Cash	\$ 308,551	\$ 246,869
Short-term investments	304,792	-
	<b>\$ 613,343</b>	<b>\$ 246,869</b>

*See accompanying notes*

**PRIVATE TRAINING CORPORATION**  
**TRAIN OUT FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 December 2003**

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**Authority**

The Private Training Corporation (the Corporation), established 1 January 1999, operates under the authority of the *Private Training Institutions Act*. The purpose of the Corporation is to operate the Train Out Fund to provide compensation to students to complete their training where a private training institution fails to fulfill its training to students due to closure, and to monitor the financial operations of all private training institutions. Private training institutions make contributions to the Fund based on a percentage of the student tuition.

**1. Significant accounting policies**

These financial statements have been prepared by the Corporation in accordance with Canadian generally accepted accounting principles.

**2. Accounts receivable**

	2003	2002
Contributions from institutions	\$ 50,245	\$ 83,028
Less: Allowance for doubtful accounts	(6,849)	-
	<u>\$ 43,396</u>	<u>\$ 83,028</u>

**3. Financial instruments**

The Corporation's financial instruments recognized in the balance sheet consist of cash, short-term investments, accounts receivable, bond receivable, accounts payable, and train out payable, the carrying values of which approximate fair value due to the relatively short-term maturity associated with these instruments.

**PRIVATE TRAINING CORPORATION**

**TRAIN OUT FUND**

**FINANCIAL STATEMENTS**

**31 DECEMBER 2004**



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

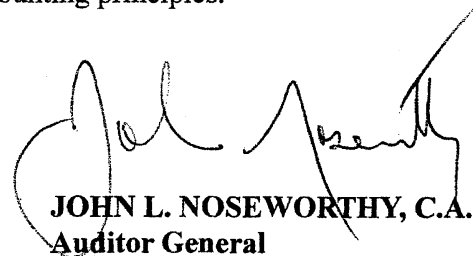
**AUDITOR'S REPORT**

To the Board of Directors  
Private Training Corporation  
St. John's, Newfoundland and Labrador

I have audited the balance sheet of the Private Training Corporation, Train Out Fund as at 31 December 2004 and the statements of revenue, expenses and surplus, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



**JOHN L. NOSEWORTHY, C.A.**  
**Auditor General**

St. John's, Newfoundland and Labrador  
29 March 2005

**PRIVATE TRAINING CORPORATION  
 TRAIN OUT FUND  
 BALANCE SHEET**

**31 December**

**2004**

**2003**

**ASSETS**

**Current**

Cash	\$ 221,816	\$ 308,551
Short-term investments, at cost	713,746	304,792
Accounts receivable (Note 2)	51,313	43,396
Bond receivable	-	100,000
	\$ 986,875	\$ 756,739



**LIABILITIES AND SURPLUS**

**Current**

Accounts payable	\$ 3,882	\$ 3,721
Train out payable	68,630	68,630
	72,512	72,351

<b>Surplus</b>	<b>914,363</b>	<b>684,388</b>
	\$ 986,875	\$ 756,739

*See accompanying notes*

Signed on behalf of the Corporation:    
 Chairperson Director

**PRIVATE TRAINING CORPORATION  
 TRAIN OUT FUND  
 STATEMENT OF REVENUE, EXPENSES AND SURPLUS  
 For the Year Ended 31 December**

	<b>2004</b>	<b>2003</b>
<b>REVENUE</b>		
Contributions from institutions	\$ 231,663	\$ 234,434
Surety claims	-	200,000
Interest	11,653	8,214
	<u>243,316</u>	<u>442,648</u>
<b>EXPENSES</b>		
Audit fees	959	2,292
Bad debt	10,000	6,849
Board expenses	-	3,378
Chairperson stipend	1,743	3,353
Office expense	639	545
	<u>13,341</u>	<u>16,417</u>
<b>Excess of revenue over expenses</b>	<b>229,975</b>	<b>426,231</b>
<b>Surplus, beginning of year</b>	<b>684,388</b>	<b>258,157</b>
<b>Surplus, end of year</b>	<b>\$ 914,363</b>	<b>\$ 684,388</b>

*See accompanying notes*

**PRIVATE TRAINING CORPORATION  
 TRAIN OUT FUND  
 STATEMENT OF CASH FLOWS  
 For the Year Ended 31 December**

**2004**

**2003**

**Cash flows from operating activities**

Excess of revenue over expenses	\$ 229,975	\$ 426,231
Change in non-cash working capital		
Accounts receivable	(7,917)	39,632
Bond receivable	100,000	(100,000)
Accounts payable	161	611
<b>Net increase in cash and cash equivalents</b>	<b>322,219</b>	<b>366,474</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>613,343</b>	<b>246,869</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 935,562</b>	<b>\$ 613,343</b>
<b>Cash and cash equivalents include:</b>		
Cash	\$ 221,816	\$ 308,551
Short-term investments, at cost	713,746	304,792
	<b>\$ 935,562</b>	<b>\$ 613,343</b>

*See accompanying notes*



**PRIVATE TRAINING CORPORATION  
TRAIN OUT FUND  
NOTES TO FINANCIAL STATEMENTS  
31 December 2004**

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**Authority**

The Private Training Corporation (the Corporation), established 1 January 1999, operates under the authority of the *Private Training Institutions Act*. The purpose of the Corporation is to operate the Train Out Fund to provide compensation to students to complete their training where a private training institution fails to fulfill its training to students due to closure, and to monitor the financial operations of all private training institutions. Private training institutions make contributions to the Fund based on a percentage of the student tuition.

**1. Significant accounting policies**

These financial statements have been prepared by the Corporation's management in accordance with Canadian generally accepted accounting principles.

**2. Accounts receivable**

	<u>2004</u>	<u>2003</u>
Contributions from institutions	\$ 68,162	\$ 50,245
Less: Allowance for doubtful accounts	<u>16,849</u>	<u>6,849</u>
	<u>\$ 51,313</u>	<u>\$ 43,396</u>

**3. Financial instruments**

The Corporation's financial instruments recognized on the balance sheet consist of cash, short-term investments, accounts receivable, bond receivable, accounts payable, and train out payable. 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 the financial instruments.

**PROVINCE OF NEWFOUNDLAND AND LABRADOR  
POOLED PENSION FUND**

**CONSOLIDATED FINANCIAL STATEMENTS**

**31 DECEMBER 2004**



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

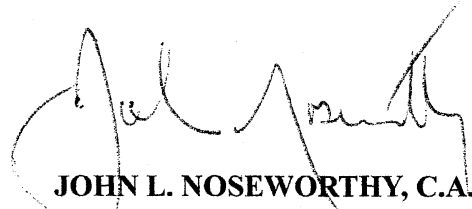
**AUDITOR'S REPORT**

To the Trustee  
Province of Newfoundland and Labrador  
Pooled Pension Fund  
St. John's, Newfoundland and Labrador

I have audited the consolidated statement of net assets available for benefits of the Province of Newfoundland and Labrador Pooled Pension Fund as at 31 December 2004 and the consolidated statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Fund's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the net assets available for benefits of the Fund as at 31 December 2004 and the changes in its net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.



**JOHN L. NOSEWORTHY, C.A.**  
**Auditor General**

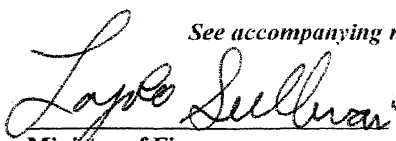
St. John's, Newfoundland and Labrador  
29 March 2005

**PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND  
CONSOLIDATED STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS**

31 December	2004	2003
	(000's)	(000's)
<b>ASSETS</b>		
Investments (Note 2)		
Short-term notes and deposits	\$ 92,984	\$ 49,468
Bonds and debentures	538,154	532,858
Equities - Canadian	1,303,451	1,153,891
- Foreign	777,066	682,316
Real estate (Note 3)	125,425	94,294
	<b>2,837,080</b>	<b>2,512,827</b>
Receivables		
Employee contributions	3,576	3,015
Employer contributions	3,514	2,964
Accrued investment income	7,806	6,661
Accounts receivable	126	114
	<b>15,022</b>	<b>12,754</b>
Cash	14,246	7,801
Prepaid expenses	94	51
Deferred charges	1,789	1,126
	<b>2,868,231</b>	<b>2,534,559</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	4,137	3,903
Refunds payable	433	540
Due to Province of Newfoundland and Labrador	1,754	776
Mortgages payable (Note 4)	65,269	46,194
	<b>71,593</b>	<b>51,413</b>
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>	<b>\$ 2,796,638</b>	<b>\$ 2,483,146</b>

*See accompanying notes*

Signed on behalf of the Fund:

  
Minister of Finance  
Trustee

  
Chairperson  
Pension Investment Committee

**PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND**  
**CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS**  
**For the Year Ended 31 December**

**2004**

**2003**

	<b>Public Service Pension Plan</b>	<b>Teachers' Pension Plan</b>	<b>Uniformed Services Pension Plan</b>	<b>Members of the House of Assembly Pension Plan</b>	<b>Provincial Court Judges' Pension Plan (Note 13)</b>	<b>Total</b>	<b>Total</b>
	<b>(000's)</b>	<b>(000's)</b>	<b>(000's)</b>	<b>(000's)</b>	<b>(000's)</b>	<b>(000's)</b>	<b>(000's)</b>
<b>Increase in net assets</b>							
Investments (Note 5)							
Investment income	\$ 67,098	\$ 29,237	\$ 1,567	\$ 592	\$ 49	\$ 98,543	\$ 73,816
Gain on sale of investments	49,167	21,425	1,148	433	36	72,209	6,138
Current period change in market value of investments	80,160	34,929	1,872	706	58	117,725	264,063
	<b>196,425</b>	<b>85,591</b>	<b>4,587</b>	<b>1,731</b>	<b>143</b>	<b>288,477</b>	<b>344,017</b>
Contributions							
Employee	78,013	36,430	2,330	395	198	117,366	115,750
Employer (Note 6)	77,256	34,458	2,320	395	198	114,627	112,886
Special payments (Note 6)	60,000	76,000	20,000	7,500	-	163,500	163,500
	<b>411,694</b>	<b>232,479</b>	<b>29,237</b>	<b>10,021</b>	<b>539</b>	<b>683,970</b>	<b>736,153</b>
<b>Decrease in net assets</b>							
Pensions	148,840	180,553	13,225	4,352	-	346,970	319,604
Refund of contributions with interest	11,260	1,589	836	1	-	13,686	11,892
Administrative costs (Note 7)	6,532	2,603	204	123	35	9,497	8,626
Transfers to other plans (Note 13)	-	-	-	-	325	325	-
	<b>166,632</b>	<b>184,745</b>	<b>14,265</b>	<b>4,476</b>	<b>360</b>	<b>370,478</b>	<b>340,122</b>
<b>Total increase in net assets</b>	<b>245,062</b>	<b>47,734</b>	<b>14,972</b>	<b>5,545</b>	<b>179</b>	<b>313,492</b>	<b>396,031</b>
<b>Net assets available for benefits, beginning of year</b>	<b>1,676,412</b>	<b>765,591</b>	<b>29,000</b>	<b>11,116</b>	<b>1,027</b>	<b>2,483,146</b>	<b>2,087,115</b>
<b>Net assets available for benefits, end of year</b>	<b>\$1,921,474</b>	<b>\$813,325</b>	<b>\$43,972</b>	<b>\$16,661</b>	<b>\$1,206</b>	<b>\$2,796,638</b>	<b>\$2,483,146</b>

*See accompanying notes*

**PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2004**

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**Authority and description**

The Province of Newfoundland and Labrador Pooled Pension Fund (the Fund) was created 1 July 1980 under the authority of the *Pensions Funding Act* for the purpose of providing for the funding of pension plans sponsored by the Province. The affairs of the Fund are managed by the Minister of Finance, as Trustee of the Fund. Section 9 of the *Act* states that where there are insufficient assets to meet the obligations of the Fund, or the equity apportioned to a plan is insufficient to meet the obligations of the plan, the Minister shall pay out of the Consolidated Revenue Fund sufficient monies as may be necessary to cover the deficiency.

The following pension plans participate in the Fund: Public Service Pension Plan, Teachers' Pension Plan, Uniformed Services Pension Plan, Members of the House of Assembly Pension Plan and the Provincial Court Judges' Pension Plan.

**(a) Public Service Pension Plan**

**(i) General**

The Plan is a contributory defined benefit pension plan covering full-time employees of the Government of the Province of Newfoundland and Labrador and various Crown corporations, agencies and commissions created by or under a statute of the Province.

**(ii) Employee contributions**

Employee contributions are equal to 8.6% of the Canada Pension Plan (CPP) basic exemption, plus 6.8% of the employee's salary between the CPP basic exemption and the Year's Maximum Pensionable Earnings (YMPE) under the CPP, plus 8.6% of the employee's salary in excess of the YMPE.

**(iii) Accrued service pensions**

A service pension is available based on the number of years of pensionable service times 2% of the member's best five years average salary. When a retired member reaches age 65, this pension is reduced by 0.6% of the member's best five years average salary up to average YMPE times years of pensionable service after 1 April 1967.

Employees who have reached age 50 and have at least 30 years of service are permitted to retire with a 0.5% reduction in pension benefit for each month under age 55.

Employees who have reached age 55 and have 30 years of service may retire with an unreduced pension. Employees age 55 or greater with less than 30 years service and with age and service equal to 85 may retire with a pension reduced by 0.5% for each month under age 60.

**PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2004**

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**Authority and description (cont.)**

**(a) Public Service Pension Plan (cont.)**

(iv) Disability pensions

A disability pension equal to the accrued service pension is available on permanent incapacity at any age with a minimum of five years pensionable service.

(v) Survivor pensions

A survivor pension of 60% of the member's accrued service pension is paid to the surviving principal beneficiary (and on the surviving principal beneficiary's death, to dependent children) following the death of a pensioner, a deferred pensioner or an employee with at least five years pensionable service. Where an employee with at least 5 years pensionable service dies before receiving a pension and a survivor benefit is payable, the surviving principal beneficiary may elect to receive either the survivor benefit, or the greater of the commuted value of the survivor benefit and the commuted value of the employee's pension entitlement.

(vi) Death refunds

The commuted value of the pension entitlement is payable when a survivor pension is not payable.

(vii) Termination benefits

On termination of employment, an employee may elect to receive a refund of the employee's own contributions with interest or, if the employee has at least five years pensionable service, may elect to receive a deferred pension or commuted value.

(viii) Indexing

Effective 1 October 2002 and each 1 October thereafter the amount of a pension or survivor benefit paid to an individual who has reached the age of 65 shall be adjusted by 60% of the Consumer Price Index for Canada for the previous calendar year as published by Statistics Canada, to a maximum of 1.2% of the annual pension or survivor benefit.

**(b) Teachers' Pension Plan**

(i) General

The Plan is a contributory defined benefit pension plan covering teachers employed by school boards or the Province of Newfoundland and Labrador and full-time employees of the Newfoundland and Labrador Teachers' Association.

**PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2004**

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**Authority and description (cont.)**

**(b) Teachers' Pension Plan (cont.)**

(ii) Employee contributions

Employee contributions are equal to 9.35% of salary.

(iii) Accrued service pensions

A service pension is available based on  $1/45^{\text{th}}$  of the member's best five years average salary times years of pensionable service prior to 1 January 1991, plus 2% of the member's best five years average salary times years of pensionable service after 1 January 1991. When a member who retired after 31 August 1998 reaches age 65, this pension is reduced by 0.6% of the member's best five years average salary up to average YMPE times years of pensionable service after 1 April 1967.

(iv) Disability pensions

A disability pension equal to the accrued service pension is available on permanent incapacity at any age with a minimum of five years pensionable service.

(v) Survivor pensions

A survivor pension of 60% of the member's accrued service pension is paid to the surviving principal beneficiary (and on the surviving principal beneficiary's death, to dependent children) following the death of a pensioner, a deferred pensioner or an employee with at least five years pensionable service.

(vi) Death refunds

A refund equal to employee's contributions with interest is payable when a survivor pension is not payable.

(vii) Termination benefits

On termination of employment, a teacher may elect to receive a refund of the teacher's own contributions with interest or, if the teacher has at least five years pensionable service, may elect to receive a deferred pension.



**PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2004**

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**Authority and description (cont.)**

**(b) Teachers' Pension Plan (cont.)**

(viii) Indexing

Effective 1 September 2002 and each 1 September thereafter the amount of a pension or survivor benefit paid to an individual who has reached the age of 65 shall be adjusted by 60% of the Consumer Price Index for Canada for the previous calendar year as published by Statistics Canada, to a maximum of 1.2% of the annual pension or survivor benefit. This provision only applies to a pension or survivor benefit where the teacher to whom that pension or benefit relates retires after 31 August 1998.

**(c) Uniformed Services Pension Plan**

(i) General

The Plan is a contributory defined benefit pension plan covering members of the Royal Newfoundland Constabulary, warders at various Provincial correctional institutions, and some members of the St. John's Regional Fire Department.

(ii) Employee contributions

Employee contributions are equal to 8.5% of the Canada Pension Plan (CPP) basic exemption, plus 6.7% of the employee's salary between the CPP basic exemption and the Year's Maximum Pensionable Earnings (YMPE) under the CPP, plus 8.5% of the employee's salary in excess of the YMPE. Grandfathered members contribute an additional 3.5% of salary, which is also matched by the Province.

(iii) Accrued service pensions

A service pension is available based on the number of years of pensionable service times 2% of the member's best three years average salary. When a retired member reaches age 65, this pension is reduced by 0.6% of the member's best three years average salary up to average YMPE times years of pensionable service after 1 April 1967. Grandfathered members have higher service pensions in recognition of higher contributions (as set out in Employee contributions above).

(iv) Disability pensions

A disability pension equal to the accrued service pension is available on permanent incapacity at any age with a minimum of five years pensionable service.

**PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2004**

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**Authority and description (cont.)**

**(c) Uniformed Services Pension Plan (cont.)**

(v) Survivor pensions

A survivor pension of 60% of the member's accrued service pension is paid to the surviving principal beneficiary (and on the surviving principal beneficiary's death, to dependent children) following the death of a pensioner, a deferred pensioner or an employee with at least five years pensionable service. For grandfathered members, the survivor pension is 55% of the member's accrued service pension. Where an employee with at least 5 years pensionable service dies before receiving a pension and a survivor benefit is payable, the surviving principal beneficiary may elect to receive either the survivor benefit, or the greater of the commuted value of the survivor benefit and the commuted value of the employee's pension entitlement.

(vi) Death refunds

The commuted value of the pension entitlement is payable when a survivor pension is not payable.

(vii) Termination benefits

On termination of employment, an employee may elect to receive a refund of the employee's own contributions with interest or, if the employee has at least five years pensionable service, may elect to receive a deferred pension or the commuted value.

**(d) Members of the House of Assembly Pension Plan**

(i) General

The Plan is a contributory defined benefit pension plan covering Members of the House of Assembly.

(ii) Member contributions

Members and Ministers are each required to pay 9% of their pensionable salary during the time served as a Member or Minister (may exclude first term).

**PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2004**

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**Authority and description (cont.)**

**(d) Members of the House of Assembly Pension Plan (cont.)**

(iii) Accrued service pensions

A service pension is available, subject to age and years of service criteria, after serving as a Member in at least two General Assemblies and for at least five years. The Member's pension is based on a percentage of the average of the Member's pensionable salary for the best three calendar years. The percentage is calculated as 5% for each of the first ten years, 4% for each of the next five years and 2.5% for each of the next two years of service as a Member. Ministers receive an additional pension calculated similarly and based on service and pensionable salary as a Minister (excluding Member's salary).

For Members elected for the first time after the 43<sup>rd</sup> General Assembly the percentage is calculated as 5% for each of the first ten years and 2.5% for each of the next ten years. For all Members who retired after 31 March 1998, when they reach age 65, this pension is reduced by 0.6% of the Member's best three years average salary up to average YMPE times years of pensionable service after 1 April 1967.

(iv) Disability pensions

A disability pension equal to the greater of the accrued service pension or 40% of pensionable salary is available if a Member becomes permanently disabled.

(v) Survivor pensions

A survivor pension of the greater of 60% of the accrued service pension or 25% of the last pensionable salary the Member received is paid to the spouse following the death of a Member who is eligible for a service pension. A benefit of 1/6<sup>th</sup> of the spouse's allowance is payable for each surviving dependent child (1/3<sup>rd</sup> if no surviving spouse).

(vi) Death refunds

A refund of the Member's contributions with interest is payable when a survivor pension is not payable.

(vii) Termination benefits

A Member who ceases to be a Member may elect to receive a refund of contributions with interest or, subject to eligibility criteria, may elect to receive a deferred pension.

**PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2004**

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**Authority and description (cont.)**

**(e) Provincial Court Judges' Pension Plan**

(i) General

The Plan is a contributory defined benefit pension plan covering all Provincial Court judges appointed on or after 1 April 2002, and to a judge who elected on or before 1 April 2002 to join the Plan.

The Plan is comprised of two components, a Registered Plan, which provides registered pension benefits allowable under the *Income Tax Act* (Canada), and a Supplementary Plan, which provides benefits in excess of the *Income Tax Act* (Canada) maximum benefit limits. These financial statements include only amounts that pertain to the Registered Plan.

(ii) Judges' contributions

Judges are required to pay 9% of their pensionable salary to the Registered Plan, up to the maximum allowed under the *Income Tax Act* (Canada). Amounts in excess of the maximum allowed are paid to the Supplementary Plan. Judges' contributions cease when they have accrued and paid contributions for twenty years of pensionable service.

(iii) Calculation of allowances on retirement

The annual amount of the allowance paid from the Registered Plan to a vested judge on normal retirement is the product of 2% of his or her annual salary on ceasing to be a judge, multiplied by the number of years of service as a judge, to a maximum of 20 years. The amount shall not exceed the maximum allowable benefit as determined under the *Income Tax Act* (Canada).

The annual amount of the allowance paid from the Supplementary Plan to a vested judge on normal retirement is the product of 3.33% of his or her annual salary on ceasing to be a judge, multiplied by the number of years of service as a judge, to a maximum of 20 years. A judge's supplementary allowance is reduced by the amount of the judge's registered allowance.

Normal retirement date is the first day of the month following the judge's 65<sup>th</sup> birthday.

(iv) Survivor benefits

A survivor benefit equal to 60% of the pensioner's or judge's registered allowance that he or she would have received had he or she reached age 65 on the date of death is paid to the surviving principal beneficiary. If a judge dies before receiving an allowance and a survivor benefit is payable, the surviving principal beneficiary may elect to receive the survivor benefit, or the greater of the commuted value of the survivor benefit and the commuted value of the judge's entitlement.

**PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2004**

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**Authority and description (cont.)**

**(e) Provincial Court Judges' Pension Plan (cont.)**

(v) Death refunds

The commuted value of the entitlement of a judge is payable when a survivor benefit is not payable.

(vi) Termination benefits

A judge who has stopped serving as a judge and who has less than two years of judge's service may elect to receive a refund of his or her contributions with interest.

A judge who has at least two years of judge's service may, subject to eligibility criteria, elect to transfer the commuted value of his or her entitlement under the Registered Plan to another approved retirement arrangement, receive a lump sum payment of his or her entitlement under the Supplementary Plan, or receive a deferred allowance.

(vii) Indexing

Effective 1 October 2002 and each 1 October thereafter, the amount of the allowance or survivor benefit paid to an individual who has reached the age of 65 shall be adjusted by 60% of the Consumer Price Index for Canada for the previous calendar year as published by Statistics Canada, to a maximum of 1.2% of the annual allowance or survivor benefit.

**1. Significant accounting policies**

These consolidated financial statements have been prepared by the Fund's management in accordance with Canadian generally accepted accounting principles. The consolidated financial statements present the aggregate financial position of the Fund as a separate financial reporting entity including the operations of its subsidiary Newvest Realty Corporation. They are prepared to assist plan members and others in reviewing the activities of the Fund for the fiscal period but they do not portray the funding requirements of the various plans or the benefit security of individual plan members. Outlined below are the significant accounting policies followed.

(a) Principles of consolidation

These consolidated financial statements include the assets, liabilities and the changes in net assets of the Fund and Newvest Realty Corporation, a wholly-owned subsidiary incorporated on 9 August 2001 under the *Canada Business Corporations Act* to invest monies received from the Fund in Canadian real estate property. Inter-entity transactions and balances have been eliminated in these consolidated financial statements.

**PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2004**

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**1. Significant accounting policies (cont.)**

(b) Gains and losses on investments

The cost of sales for all investment dispositions is calculated as the weighted average of their costs.

(c) Investment income

Investment income is allocated to the pension plans under the Fund based on the respective equity position, calculated on a market basis, of each plan after giving effect to a time weighting of receipts and disbursements. The proportionate share of investment income is then attributed to each plan.

Investment income consists of the following:

- (i) Dividend income which is recognized as of the date of record for North American equities and as of the date of receipt for non-North American equities.
- (ii) Bank interest and interest on bonds and debentures, and short-term notes and deposits, which is recognized as it is earned.
- (iii) Real estate income which is recognized on consolidation of Newvest Realty Corporation.
- (iv) Foreign exchange gains or losses.

(d) Current period change in the market value of investments

The current period change in the market value of investments is allocated to the pension plans under the Fund based on the respective equity position, calculated on a market basis, of each plan after giving effect to a time weighting of receipts and disbursements. The proportionate share of current period change in the market value of investments is then attributed to each plan.

**2. Investments**

All investments are valued as follows:

- (a) Short-term notes and deposits are valued at book value which approximates market value.
- (b) Bonds and debentures are valued at the last bid price on the valuation date.
- (c) Publicly traded equities are valued at the last board lot trade for a given stock. In instances where the quoted stock has not been traded on valuation date, the price of the last board lot bid price is quoted.

**PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2004**

**2. Investments (cont.)**

(d) The Fund holds its real estate investments through its sole ownership interest in Newvest Realty Corporation. Income producing properties acquired by the Corporation during the current year are recorded at cost. These properties are presented at their appraised values in accordance with the Corporation's appraisal policy which requires that properties be appraised at least once every two years by professionally qualified independent appraisers. The external appraisals are completed in six month cycles on approximately one quarter of the Corporation's portfolio. The properties that are not externally appraised during each six month cycle are appraised by Bentall Investment Management Limited Partnership. Any increases or decreases in value resulting from the appraisal process are reflected in the Fund's financial statements on consolidation.

**3. Real estate investments**

The Fund's investment in real estate as at 31 December 2004, which is comprised of real estate investments held by its wholly owned subsidiary, Newvest Realty Corporation, is as follows:

	<b>2004</b>	<b>2003</b>
	(000's)	(000's)
<b>Assets</b>		
Income producing properties (net)	\$ 125,425	\$ 94,294
Other assets	4,914	3,099
<b>Total assets</b>	<b>\$ 130,339</b>	<b>\$ 97,393</b>
<b>Liabilities and Equity</b>		
Mortgages payable	\$ 65,269	\$ 46,194
Other liabilities	3,114	2,099
Shareholders' equity	61,956	49,100
<b>Total liabilities and equity</b>	<b>\$ 130,339</b>	<b>\$ 97,393</b>
<b>Income and Expenses</b>		
Income	\$ 13,233	\$ 8,959
Operating expenses	(5,424)	(4,171)
Operating income	7,809	4,788
Other expenses	(3,836)	(2,189)
<b>Net income for the year</b>	<b>\$ 3,973</b>	<b>\$ 2,599</b>

**4. Mortgages payable**

Mortgages payable represent financing obtained by Newvest Realty Corporation for the acquisition of income producing properties. For investment information purposes, principal values and appreciated values are shown. Details are as follows:

**PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2004**

**4. Mortgages payable (cont.)**

	2004		2003	
	Principal Value (000's)	Appreciated Value (000's)	Principal Value (000's)	Appreciated Value (000's)
(a) Bayview Chateau and White Rock Gardens, White Rock, British Columbia. Mortgage, held by The Manufacturers Life Insurance Company, repayable in monthly installments of \$32,152, including interest calculated at a rate of 6.5% per annum, maturing 1 May 2007, secured by a freehold first mortgage registered against title to the property, a general security agreement, and a first general assignment of rents.	\$ 4,582	\$ 4,803	\$ 4,671	\$ 4,919
(b) 440 Eglinton Avenue East, Toronto, Ontario. Mortgage, held by TD Canada Trust, repayable in monthly installments of \$42,092, including interest calculated at a rate of 5.663% per annum, maturing 1 April 2013.	6,573	7,004	6,706	6,882
(c) 2 Silver Maple Court, Brampton, Ontario. Mortgage, held by The Great West Life Assurance Company, repayable in monthly installments of \$90,207, including interest calculated at a rate of 5.68% per annum, maturing 1 February 2013.	12,311	13,077	12,691	12,691
(d) Park and Tilford Shopping Centre, North Vancouver, British Columbia. Mortgage, held by The Great West Life Assurance Company, repayable in monthly installments of \$137,927, including interest calculated at a rate of 5.88% per annum, maturing 1 September 2010.	21,297	22,027	21,702	21,702
(e) TD Creekside Corporate Centre, Mississauga Ontario. Mortgage (50% interest), held by Metropolitan Life Insurance Company, repayable in monthly installments of \$115,194, including interest calculated at a rate of 5.71% per annum, maturing 1 July 2014.	18,358	18,358	-	-
	<b>\$ 63,121</b>	<b>\$ 65,269</b>	<b>\$ 45,770</b>	<b>\$ 46,194</b>



**PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2004**

**4. Mortgages payable (cont.)**

Annual principal repayments totalling \$8.0 million (2003 - \$9.8 million) to be made during the next five years are as follows:

(000's)
2005 - \$1,422
2006 - \$1,505
2007 - \$1,594
2008 - \$1,688
2009 - \$1,787
\$7,996

**5. Increase in net assets, investments**

	Investment income	Gain on sale of investments	Current period change in market value of investments	2004 Total	2003 Total
	(000's)	(000's)	(000's)	(000's)	(000's)
Canadian common stock	\$ 42,083	\$ 54,251	\$ 81,540	\$ 177,874	\$ 255,432
Foreign common stock	19,114	12,173	36,068	67,355	50,983
Bonds and debentures	31,694	5,785	824	38,303	36,324
Short-term notes and deposits	1,679	-	2	1,681	317
Real estate	3,973	-	(709)	3,264	961
	\$ 98,543	\$ 72,209	\$ 117,725	\$ 288,477	\$ 344,017

**6. Funding policy**

In accordance with legislation, the Province's funding requirement is to match employee contributions for current service. A matching of contributions may also occur for certain other types of prior service, which may be purchased under contract (see Note 9).

Also, the Province pays into the Fund amounts required to cover any actual plan deficiencies which may occur. A plan deficiency occurs when pension payments, refunds of contributions and administrative costs exceed a plan's fund balance.

During the 1997-98 fiscal year, Government started to make special payments to the Fund on behalf of the Public Service Pension Plan to address the unfunded liability of that Plan. Government contributed \$30 million in each of 1997-98 and 1998-99. In 1999-2000, 2000-01 and 2001-02 Government contributed \$40 million each year. Government's contribution in 2002-03 was \$45 million and increased to \$60 million in 2003-04. In accordance with legislation, contributions will continue at \$60 million yearly for the period of time that the Plan remains unfunded as established by Government's actuary on a plan termination basis.

**PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2004**

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**6. Funding policy (cont.)**

During the 1998-99 fiscal year, Government started to make special payments to the Fund on behalf of the Teachers' Pension Plan to address the unfunded liability of that Plan. In accordance with legislation, Government shall pay \$815 million to the Fund on behalf of the Plan. Government paid \$166 million towards this in each of 1998-99 and 1999-00. Since then, Government has paid \$76 million each fiscal year and will continue to do so until a total of \$815 million, including interest, has been paid.

On 18 February 2002, Government approved a special \$20 million payment to the Fund for 2001-02, and for each of the next four fiscal years, to partially finance the unfunded pension liability under the Uniformed Services Pension Plan.

On 14 March 2002, Government approved a special \$7.5 million payment to the Fund for 2001-02, and for each of the next four fiscal years, to partially finance the unfunded pension liability under the Members of the House of Assembly Pension Plan. However, it was determined that such payments were not allowable under the *Income Tax Act* (Canada) to fund the Registered Plan. During 2005, Government approved the discontinuation of payments scheduled to be made during 2005 and 2006.

**7. Administrative costs**

Administrative costs are direct costs of the Department of Finance, Pensions Division, and are allocated to the various pension plans based on a combination of expenses directly attributable to a plan, the number of members participating in the various pension plans and a time weighing of receipts and disbursements. Administrative costs are comprised as follows:

	<u>2004</u>	<u>2003</u>
	(000's)	(000's)
Investment management, consulting and custodial fees	\$ 6,548	\$ 5,673
Salaries and benefits	1,781	1,910
Computer charges	476	420
Actuarial consulting fees	341	206
Other expenses	196	209
Medical and professional fees	155	208
	<u>\$ 9,497</u>	<u>\$ 8,626</u>

**PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2004**

**8. Teachers' Indexing Fund**

The total fund balance relating to the Teachers' Pension Plan is comprised of the regular fund balance and the fund balance of the Teachers' Indexing Fund. In accordance with the most recent Teachers' Collective Agreement, contributions required to fund the indexing benefit introduced as of 1 September 2002 shall be deposited to a separate account. As at 31 December 2004 the increase and decrease in the net assets of the Fund related to the Teachers' Indexing Fund and the closing balance along with the closing balance of the Fund related to the Teachers' Regular Fund are comprised as follows:

	2004 (000's)	2003 (000's)
Teachers' Indexing Fund:		
Increases in net assets		
Contributions	\$ 6,115	\$ 6,099
Investment income	1,386	813
	<u>7,501</u>	<u>6,912</u>
Decreases in net assets		
Pensions	2	1
Administrative costs	42	19
	<u>44</u>	<u>20</u>
Increase in net assets	7,457	6,892
Teachers' Indexing Fund balance, beginning of year	<u>8,869</u>	<u>1,977</u>
Teachers' Indexing Fund balance, end of year	<u>16,326</u>	<u>8,869</u>
Teachers' Regular Fund balance	796,999	756,583
Teachers' Pension Plan combined balance	<u>\$ 813,325</u>	<u>\$ 765,452</u>

**9. Obligations for pension benefits**

The present value of accrued pension benefits was determined using the projected benefit method prorated on service and the best estimate assumptions of the Trustee of the Province of Newfoundland and Labrador Pooled Pension Fund. Actuarial valuations were performed for each plan as of the valuation dates noted below, by a firm of consulting actuaries. The unfunded liabilities at the most recent valuation date are shown in the following table. In addition, the table shows the unfunded liabilities for each plan as extrapolated by the actuaries to 31 December 2004.

**PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2004**

**9. Obligations for pension benefits (cont.)**

<b>Plan</b>	<b>Valuation Date</b>	<b>At Valuation Date</b>			<b>Extrapolated Unfunded Liability at 31 December 2004</b>
		<b>Actuarial Present Value</b>	<b>Asset Value</b>	<b>Unfunded Liability</b>	
		<b>(000's)</b>	<b>(000's)</b>	<b>(000's)</b>	<b>(000's)</b>
Public Service Pension Plan	12/31/2003	\$ 3,636,500	\$ 1,671,110	\$ 1,965,390	\$ 1,948,200
Teachers' Pension Plan	08/31/2003	2,952,440	779,390	2,173,050	2,263,600
Uniformed Services Pension Plan	12/31/2003	238,660	28,990	209,670	202,300
Members of the House of Assembly Pension Plan	12/31/2003	71,930	1,000	70,930	56,700
Provincial Court Judges' Pension Plan	04/01/2002	571	549	22	(50)
		<b>\$ 6,900,101</b>	<b>\$ 2,481,039</b>	<b>\$ 4,419,062</b>	<b>\$ 4,470,750</b>

The actuarial present values for the Public Service Pension Plan, the Teachers' Pension Plan and the Uniformed Services Pension Plan include the effects of future pension benefits accruing to members for periods of prior service that are being purchased under contract. These contracts provide for deferred payment terms, subject to interest, and have not been recognized in the Fund's assets. As at 31 December 2004, the total estimated value of payments to be received on these contracts is \$4.9 million (2003 - \$4.1 million).

**10. Related party transactions**

The following investments were held by the Fund as at 31 December 2004:

<b>Description</b>	<b>Face Value</b>	<b>Market Value</b>
	<b>(000's)</b>	<b>(000's)</b>
Province of Newfoundland and Labrador Debentures		
- Maturing from 11/03/2009 to 10/17/2033	\$ 9,085	\$ 9,737
Newvest Realty Corporation		
- 6,040,500 Common Shares	60,405	61,060
	<b>\$ 69,490</b>	<b>\$ 70,797</b>

**PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2004**

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**11. Portfolio management**

In accordance with an agreement dated 1 February 1997, between the Minister of Finance as Trustee of the Province of Newfoundland and Labrador Pooled Pension Fund and the Royal Trust Corporation of Canada, custodial and administrative services for the Fund are performed by the Corporation, as agent for the Trustee.

As at 31 December 2004, the external investment fund counselling group was comprised of the following firms:

Baillie Gifford Overseas Limited  
Bentall Investment Management Limited Partnership  
Beutel, Goodman & Company Ltd.  
Connor, Clark & Lunn Investment Management Ltd.  
Genus Capital Management  
Independence Investment Associates Inc.  
Mulvihill Capital Management Inc.  
Phillips, Hager & North Investment Management Ltd.  
Sprucegrove Investment Management Ltd.  
UBS Global Asset Management (Canada) Co.

**12. Financial instruments**

The Fund's financial instruments recognized in the Statement of Net Assets Available for Benefits consist of investments, which are carried at market value, and receivables, cash, accounts payable and accrued liabilities, refunds payable, due to Province of Newfoundland and Labrador, and mortgages payable, the carrying values of which approximate current fair value due to their nature and the terms and conditions of those instruments.

**13. Transfers to other plans**

Provincial Court Judges' Pension Plan

On 8 June 2004, Bill 24, *An Act to Create a Pension Plan for Provincial Court Judges*, received Royal Assent. The Plan consists of two components, a registered plan which is being administered within the Province of Newfoundland and Labrador Pooled Pension Fund, and a supplementary plan which will be administered within the accounts of the Consolidated Revenue Fund. As at 31 December 2004, assets of the registered plan and the supplementary plan were estimated by the Province's consulting actuary at \$1,206,000 and \$325,000 respectively. The Fund's financial statements have been adjusted to reflect this. Also, during 2005, an additional \$204,000 and related investment earnings will be transferred from the Public Service Pension Plan to the supplementary plan for retroactive contributions made by judges which have not yet been transferred from this plan to the Provincial Court Judges' Pension Plan.

**PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2004**

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**14. Subsequent event**

Members of the House of Assembly Pension Plan

Subsequent to year end, Government approved amendments to the Members of the House of Assembly Pension Plan to retroactively bring the Plan into compliance with the requirements of the *Income Tax Act* (Canada). The Plan will be restructured into two components, a registered plan which will continue to be administered within the Province of Newfoundland and Labrador Pooled Pension Fund, and a supplementary plan which will be administered within the accounts of the Consolidated Revenue Fund. Legislation will be presented to the House of Assembly during 2005 to amend the *Members of the House of Assembly Pensions Act* accordingly. As at 31 December 2004, assets of the registered plan and the supplementary plan were estimated by the Province's consulting actuary at \$6,881,000 and \$9,778,000 respectively.

**15. Income taxes**

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

**16. Comparative figures**

Certain comparative figures have been reclassified to conform with the current year's presentation.



**PROVINCIAL ADVISORY COUNCIL  
ON THE STATUS OF WOMEN -  
NEWFOUNDLAND AND LABRADOR**

**FINANCIAL STATEMENTS**

**31 MARCH 2005**





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

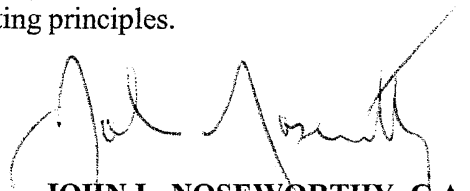
**AUDITOR'S REPORT**

To the Board of Directors  
Provincial Advisory Council on the Status  
of Women - Newfoundland and Labrador  
St. John's, Newfoundland and Labrador

I have audited the balance sheet of the Provincial Advisory Council on the Status of Women - Newfoundland and Labrador as at 31 March 2005 and the statements of revenues, expenses and equity, and cash flows for the year then ended. These financial statements are the responsibility of the Council's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at 31 March 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



**JOHN L. NOSEWORTHY, C.A.**  
**Auditor General**

St. John's, Newfoundland and Labrador  
28 June 2005

**PROVINCIAL ADVISORY COUNCIL ON THE STATUS OF WOMEN -  
NEWFOUNDLAND AND LABRADOR  
BALANCE SHEET**

**31 March** **2005** **2004**

**ASSETS**

**Current**

Cash	\$ 37,423	\$ 19,507
Accounts receivable	5,714	47,056
Prepaid expenses	1,247	1,247
	44,384	67,810
Capital assets (Note 2)	24,677	29,283
	\$ 69,061	\$ 97,093

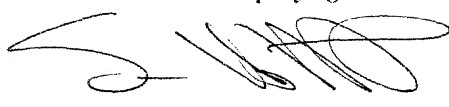
**LIABILITIES AND EQUITY**

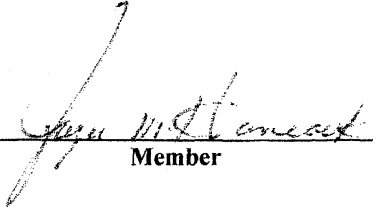
**Current**

Accounts payable and accrued liabilities	\$ 7,006	\$ 51,108
Long-term debt payable within one year (Note 3)	4,998	3,490
Deferred revenue	30,000	10,000
	42,004	64,598
Long-term debt (Note 3)	19,679	25,793
	61,683	90,391
<b>Equity</b>	<b>7,378</b>	<b>6,702</b>
	\$ 69,061	\$ 97,093

*See accompanying notes*

Signed on behalf of the Council:

  
\_\_\_\_\_  
President

  
\_\_\_\_\_  
Member

**PROVINCIAL ADVISORY COUNCIL ON THE STATUS OF WOMEN -  
NEWFOUNDLAND AND LABRADOR  
STATEMENT OF REVENUES, EXPENSES AND EQUITY  
For the Year Ended 31 March**

	2005	2004
<b>REVENUES</b>		
Province of Newfoundland and Labrador operating grant	\$ 297,600	\$ 298,982
Emerging Women's Group Funding	-	6,608
Miscellaneous	12,703	3,075
	<b>310,303</b>	<b>308,665</b>
<b>EXPENSES</b>		
Amortization	4,606	3,786
Council meetings	23,070	23,068
Interest on long-term debt	1,154	1,777
Operating expenses	65,250	64,062
Outreach	11,182	11,266
Salaries and employee benefits	187,427	212,958
Women's Provincial Conference	16,938	9,176
	<b>309,627</b>	<b>326,093</b>
<b>Excess of revenues over expenses (expenses over revenues)</b>	<b>676</b>	<b>(17,428)</b>
<b>Equity, beginning of year</b>	<b>6,702</b>	<b>24,130</b>
<b>Equity, end of year</b>	<b>\$ 7,378</b>	<b>\$ 6,702</b>

*See accompanying notes*

**PROVINCIAL ADVISORY COUNCIL ON THE STATUS OF WOMEN -  
NEWFOUNDLAND AND LABRADOR**

**STATEMENT OF CASH FLOWS**

**For the Year Ended 31 March**

**2005**

**2004**

**Cash flows from operating activities**

Excess of revenues over expenses (expenses over revenues)	\$ 676	\$ (17,428)
Adjustment for non-cash items		
Amortization	4,606	3,786
	<b>5,282</b>	<b>(13,642)</b>
Changes in non-cash working capital		
Accounts receivable	41,342	(36,554)
Prepaid expenses	-	5,147
Accounts payable and accrued liabilities	(44,102)	42,300
Deferred revenue	20,000	3,392
	<b>22,522</b>	<b>643</b>

**Cash flows from financing activities**

Repayment of long-term debt	(4,606)	(3,786)
<b>Net increase (decrease) in cash</b>	<b>17,916</b>	<b>(3,143)</b>
<b>Cash, beginning of year</b>	<b>19,507</b>	<b>22,650</b>
<b>Cash, end of year</b>	<b>\$ 37,423</b>	<b>\$ 19,507</b>

*See accompanying notes*

**PROVINCIAL ADVISORY COUNCIL ON THE STATUS OF WOMEN -  
NEWFOUNDLAND AND LABRADOR  
NOTES TO FINANCIAL STATEMENTS  
31 March 2005**

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**Authority**

The Provincial Advisory Council on the Status of Women - Newfoundland and Labrador (the Council) was established under the *Status of Women Advisory Council Act*. The purpose of the Council is to advise the Minister responsible for the Status of Women, the Government and the public on matters of interest and concern to women. Its affairs are managed by a Board of Directors appointed by the Lieutenant-Governor in Council.

**1. Significant accounting policies**

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

Capital assets

The capital assets consist of land and building which were capitalized at cost at the time of acquisition. These assets have been financed by debt and are amortized, except for the capital cost of the land, as the debt is repaid. Minor capital asset purchases are charged to operations in the year of acquisition.

**2. Capital assets**

	<u>2005</u>			<u>2004</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ 21,300	\$ -	\$ 21,300	\$ 21,300
Building	99,752	96,375	3,377	7,983
<b>Total</b>	<b>\$ 121,052</b>	<b>\$ 96,375</b>	<b>\$ 24,677</b>	<b>\$ 29,283</b>

**3. Long-term debt**

	<u>2005</u>	<u>2004</u>
Royal Trust first mortgage bearing interest at prime plus one percent with a capped rate of 5.875%, repayable in blended bi-weekly instalments of \$224; maturing 1 July 2009.	\$ 24,677	\$ 29,283
Less: current portion	4,998	3,490
	<b>\$ 19,679</b>	<b>\$ 25,793</b>

The long-term debt is secured by land and building at 131 LeMarchant Road in St. John's.

**PROVINCIAL ADVISORY COUNCIL ON THE STATUS OF WOMEN -  
NEWFOUNDLAND AND LABRADOR**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2005**

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**3. Long-term debt (cont.)**

The annual principal repayments of long-term debt required over the next five years, based on a capped rate of 5.875% are as follows:

2006	\$4,998
2007	\$5,189
2008	\$5,387
2009	\$5,592
2010	\$3,511

**4. Lease commitments**

In May 2003 the Council entered into a 5 year agreement for the lease of office equipment requiring annual lease payments of \$4,189.

**5. Pensions**

Council staff are subject to the *Public Service Pensions Act*. Employee contributions are matched by the Council and remitted to the Province of Newfoundland and Labrador Pooled Pension Fund from which pensions will be paid to employees when they retire. The Council's share of pension contributions for 2005 was \$11,509 (2004 - \$9,742).

**6. Economic dependence**

As the Council's revenue consists primarily of operating grants from the Province, its ability to continue viable operations is dependent upon the decisions of the Province.

**7. Financial instruments**

The Council's current financial instruments recognized on the balance sheet consist of cash, accounts 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.

The Council's long-term debt is comprised of a mortgage of \$24,677 at prime plus one percent with a capped rate of 5.875%. There is no rate risk associated with the mortgage and the carrying value of the debt approximates fair value.

**8. Income taxes**

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



**PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD**

**FINANCIAL STATEMENTS**

**31 MARCH 2005**





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

**AUDITOR'S REPORT**

To the Chairperson and Members  
Provincial Information and Library  
Resources Board  
Stephenville, Newfoundland and Labrador

I have audited the balance sheet of the Provincial Information and Library Resources Board as at 31 March 2005 and the statements of changes in net assets, revenue and expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at 31 March 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink, appearing to read "John L. Noseworthy".

**JOHN L. NOSEWORTHY, C.A.**  
**Auditor General**

St. John's, Newfoundland and Labrador  
31 May 2005

**PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD  
BALANCE SHEET**

31 March

2005

2004

**ASSETS**

**Current**

Cash	\$ 1,811,359	\$ 1,012,211
Accounts receivable (Note 2)	360,837	166,489
Prepaid expenses (Note 3)	189,719	169,677
	<b>2,361,915</b>	<b>1,348,377</b>
<b>Long-term investments (Note 4)</b>	<b>23,492</b>	<b>23,492</b>
<b>Capital assets (Note 5)</b>	<b>2,028,834</b>	<b>2,181,462</b>
	<b>\$ 4,414,241</b>	<b>\$ 3,553,331</b>

**LIABILITIES AND NET ASSETS**

**Current**

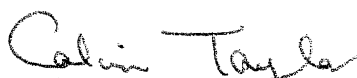
Accounts payable and accrued liabilities (Note 6)	\$ 502,298	\$ 464,052
Deferred revenue (Note 7)	919,419	221,133
Deposits - local libraries (Note 8)	7,521	2,171
	<b>1,429,238</b>	<b>687,356</b>
<b>Severance pay liability</b>	<b>1,030,762</b>	<b>1,061,968</b>
	<b>2,460,000</b>	<b>1,749,324</b>


**Net Assets**

Unrestricted net assets (deficit)	(74,593)	(377,455)
Net assets invested in capital assets	2,028,834	2,181,462
	<b>1,954,241</b>	<b>1,804,007</b>
	<b>\$ 4,414,241</b>	<b>\$ 3,553,331</b>

*See accompanying notes*

Signed on behalf of the Board:

  
Chairperson

  
Member

**PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**For the Year Ended 31 March**

**2005**

**2004**

	<b>Invested in Capital Assets</b>	<b>Unrestricted</b>		
<b>Net assets (deficit), beginning of year</b>	<b>\$ 2,181,462</b>	<b>\$ (377,455)</b>	<b>\$ 1,804,007</b>	<b>\$ 1,659,508</b>
Capital grant from Province	-	120,000	120,000	120,000
Less: Deferred capital grant	-	(20,000)	(20,000)	(30,000)
Excess of revenue over expenses (expenses over revenue)	(479,784)	530,018	50,234	54,499
Invested in capital assets	363,246	(363,246)	-	-
Proceeds from disposal of capital assets	(18,020)	18,020	-	-
Proceeds from extraordinary item	(18,070)	18,070	-	-
<b>Net assets (deficit), end of year</b>	<b>\$ 2,028,834</b>	<b>\$ (74,593)</b>	<b>\$ 1,954,241</b>	<b>\$ 1,804,007</b>

*See accompanying notes*

**PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD**  
**STATEMENT OF REVENUE AND EXPENSES**  
For the Year Ended 31 March

	2005	2004	
	<u>Actual</u>	<u>Budget</u> (Note 9)	<u>Actual</u>
<b>REVENUE</b>			
Operating grant from the Province	\$ 7,929,399	\$ 7,929,399	\$ 8,062,700
Other grants			
Computerization projects	580,573	-	988,390
Literacy projects	75,000	-	95,564
Miscellaneous	111,580	-	60,121
Interest	58,736	60,000	70,221
Fines and lost library materials	33,711	40,000	33,733
Gain on disposal of capital assets	17,590	-	-
Gain from demutualization	-	-	23,492
	<b>8,806,589</b>	<b>8,029,399</b>	<b>9,334,221</b>
<b>EXPENSES</b>			
Amortization	510,471	-	473,614
Books and periodicals	933,408	1,000,000	813,058
Computerization of libraries	431,205	344,000	573,291
Conferences and workshops	1,740	6,000	4,335
Freight and postage	56,024	44,700	39,760
Grants - local libraries (Schedule)	384,432	400,000	384,823
Heat and light	7,001	6,500	6,345
Insurance	110,349	119,793	125,841
Literacy projects	48,202	-	71,736
Loss on disposal of capital assets	-	-	130
Miscellaneous	2,763	-	4,177
Office and library supplies	87,014	143,750	105,782
Professional fees	6,561	8,000	7,411
Rental of premises	348,961	348,961	348,961
Repairs and maintenance	14,676	18,000	17,984
Salaries and benefits	5,661,610	5,960,458	6,106,665
Telephone	65,305	71,700	63,992
Travel	99,730	147,554	131,817
	<b>8,769,452</b>	<b>8,619,416</b>	<b>9,279,722</b>
<b>Excess of revenue over expenses</b> <b>(expenses over revenue)</b> <b>before extraordinary item</b>	<b>37,137</b>	<b>(590,017)</b>	<b>54,499</b>
<b>Extraordinary item (Note 10)</b>	<b>13,097</b>	<b>-</b>	<b>-</b>
<b>Excess of revenue over expenses</b> <b>(expenses over revenue)</b>	<b>\$ 50,234</b>	<b>\$ (590,017)</b>	<b>\$ 54,499</b>

See accompanying notes

**PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended 31 March**

	2005	2004
<b>Cash flows from operating activities</b>		
Excess of revenue over expenses	\$ 50,234	\$ 54,499
Adjustments for non-cash items		
Amortization	510,471	473,614
Gain from demutualization	-	(23,492)
Loss (gain) on disposal of capital assets	(17,590)	130
Gain from extraordinary item	(13,097)	-
	<u>530,018</u>	<u>504,751</u>
Change in non-cash working capital		
Accounts receivable	(194,348)	(40,783)
Prepaid expenses	(20,042)	42,570
Accounts payable and accrued liabilities	38,246	(112,868)
Deferred revenue	698,286	(306,613)
Deposits - local libraries	5,350	(715)
	<u>1,057,510</u>	<u>86,342</u>
Increase (decrease) in severance pay liability	(31,206)	4,684
	<u>1,026,304</u>	<u>91,026</u>
<b>Cash flows from investing activities</b>		
Additions to capital assets	(363,246)	(567,899)
Proceeds from disposal of capital assets	18,020	93
Proceeds from extraordinary item	18,070	-
	<u>(327,156)</u>	<u>(567,806)</u>
<b>Cash flows from financing activities</b>		
Capital grant	120,000	120,000
Deferred capital grant	(20,000)	(30,000)
	<u>100,000</u>	<u>90,000</u>
Net increase (decrease) in cash	799,148	(386,780)
Cash, beginning of year	1,012,211	1,398,991
Cash, end of year	<u>\$ 1,811,359</u>	<u>\$ 1,012,211</u>

*See accompanying notes*

**PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD**  
**SCHEDULE OF OPERATING GRANTS TO LOCAL LIBRARIES**  
**For the Year Ended 31 March**

**2005**

**2004**

**Eastern Division**

Arnold's Cove	\$ 825	\$ 1,299
Bay Roberts	59,803	59,661
Bell Island	1,055	1,117
Bonavista	3,534	2,829
Brigus	6,083	4,763
Burin	735	784
Carbonear	26,127	26,360
Catalina	3,473	2,756
Clareville	14,980	17,777
Conception Bay South	6,601	6,270
Fortune	485	691
Fox Harbour	928	804
Garnish	1,331	1,502
Grand Bank	6,276	7,013
Harbour Grace	4,379	3,409
Holyrood	5,810	5,591
Marystown	5,669	6,630
Mount Pearl	9,453	6,486
Old Perlican	2,585	2,622
Placentia	15,091	15,516
Pouch Cove	2,512	2,285
St. Brides	6,309	5,735
St. Lawrence	698	763
Southern Harbour	2,622	3,351
Torbay	1,357	1,275
Trepassey	6,132	8,307
Victoria	720	875
Whitbourne	3,408	5,485
Winterton	625	639
	<b>199,606</b>	<b>202,595</b>

**PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD**  
**SCHEDULE OF OPERATING GRANTS TO LOCAL LIBRARIES (Cont.)**  
**For the Year Ended 31 March**

**2005**

**2004**

**Central Division**

Baie Verte	4,310	4,000
Bishop's Falls	920	1,401
Botwood	5,793	5,249
Buchans	2,138	1,048
Carmanville	6,085	878
Centerville	852	1,006
Change Islands	690	747
Fogo	889	982
Gambo	796	660
Gander	19,199	17,803
Gaultois	2,230	2,611
Glenwood	1,270	1,550
Glovertown	711	772
Grand Falls-Windsor	3,715	3,530
Greenspond	3,703	3,531
Harbour Breton	721	1,963
Hare Bay	1,003	891
Harry's Harbour	4,285	3,411
Hermitage	862	1,090
King's Point	3,073	2,913
LaScie	3,320	3,209
Lewisporte	4,413	4,074
Lumsden	1,438	1,681
Musgrave Harbour	798	816
Norris Arm	2,838	1,904
Point Leamington	1,083	1,092
Robert's Arm	2,536	2,562
St. Albans	1,321	1,498
Seal Cove	954	1,025
Springdale	1,078	1,432
Summerford	1,110	1,596
Twillingate	1,108	1,066
Wesleyville	687	1,749
	<b>85,929</b>	<b>79,740</b>

**PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD**  
**SCHEDULE OF OPERATING GRANTS TO LOCAL LIBRARIES (Cont.)**  
**For the Year Ended 31 March**

**2005**

**2004**

**Western Newfoundland -  
 Labrador Division**

Bay St. George South	767	766
Burgeo	651	3,859
Cape St. George	627	477
Cartwright	643	645
Churchill Falls	608	413
Codroy Valley	565	633
Cormack	1,063	1,074
Corner Brook	4,375	4,779
Cow Head	5,230	4,645
Daniel's Harbour	558	1,702
Deer Lake	14,081	14,085
Happy Valley	495	771
Labrador City	14,778	15,313
L'Anse au Loup	2,022	1,943
Lark Harbour	964	723
Lourdes	519	537
Norris Point	-	458
Pasadena	2,652	552
Port au Port	4,065	2,759
Port aux Basques	10,114	10,644
Port Saunders	3,800	3,873
Ramea	973	855
Rocky Harbour	526	608
St. Anthony	1,302	2,009
St. Georges	748	767
St. Lunaire-Griquet	694	635
Sops Arm	735	751
Stephenville	19,715	20,422
Stephenville Crossing	808	913
Wabush	1,890	1,841
Woody Point	2,929	3,036
	<b>98,897</b>	<b>102,488</b>
	<b>\$ 384,432</b>	<b>\$ 384,823</b>



**PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2005**

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**Authority**

The Provincial Information and Library Resources Board (the Board) operates under the authority of the *Public Libraries Act*. The purpose of the Board is to operate the public libraries in the Province. A majority of the members of the Board are appointed by the Lieutenant-Governor in Council. The Board reports to the Minister of Education.

**1. Significant accounting policies**

These financial statements have been prepared by the Board's management in accordance with Canadian generally accepted accounting principles. The budget disclosed in these financial statements is presented on a cash basis. Outlined below are the significant accounting policies followed.

(a) Reporting entity

The reporting entity for the purpose of these financial statements is the Board's head office and divisional offices. The Board's head office includes Administration, Technical Services and the Provincial Resource Library. These financial statements include expenditures for grants made to local libraries under the jurisdiction of the three divisional library boards detailed in the Schedule to the financial statements. Funds raised by local libraries in excess of the grants provided by the Board or any expenditures in excess of these grants are not reflected in these financial statements.

(b) Capital assets

All capital assets are capitalized at cost at the time of acquisition. Amortization is calculated using the straight line method based on the expected future life of all assets as follows:

Buildings	40 years
Furniture and equipment	10 years
Motor vehicles	5 years
Computer equipment	3 years

(c) Severance pay

The calculation of severance pay is based on years of service and current salary levels. The entitlement to severance pay vests with employees after nine years of continuous service, and accordingly no provision has been made in the accounts for employees with less than nine years of continuous service. The amount is payable when the employee ceases employment with the Board. If the employee transfers to another entity included in the public service, then the liability is transferred with the employee to the other entity.

**PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2005**

**2. Accounts receivable**

	<u>2005</u>	<u>2004</u>
Federal Government		
Harmonized Sales Tax	\$ 35,231	\$ 31,889
Other	34,192	47,790
Provincial Government	268,962	72,332
Other	22,452	14,478
	<u>\$ 360,837</u>	<u>\$ 166,489</u>

**3. Prepaid expenses**

Prepaid expenses of \$189,719 (2004 - \$169,677) include inventory of supplies of \$53,642 (2004 - \$51,439) on hand at the Board's head office and the three divisional library board offices.

**4. Long-term investments**

Long-term investments consist of 1,678 shares of Sun Life Financial Services of Canada Inc. which were given to the Board as a result of the demutualization of Sun Life Assurance Company of Canada. The carrying value of the shares are recognized at the fair market value of \$23,492, as determined by the share price at the time of the transfer of shares to the Board. The fair market value of these shares was \$66,197 as at 31 March 2005.

**5. Capital assets**

	<u>2005</u>			<u>2004</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ 288,200	\$ -	\$ 288,200	\$ 288,200
Buildings	1,889,971	989,118	900,853	908,709
Furniture and equipment	1,250,185	777,823	472,362	581,231
Motor vehicles	132,011	90,937	41,074	63,411
Computer equipment	2,624,502	2,298,157	326,345	339,911
	<u>\$ 6,184,869</u>	<u>\$ 4,156,035</u>	<u>\$ 2,028,834</u>	<u>\$ 2,181,462</u>

**PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2005**

**6. Accounts payable and accrued liabilities**

	<u>2005</u>	<u>2004</u>
Accounts payable	\$ 50,036	\$ 32,160
<u>Accrued salaries and benefits</u>	<u>452,262</u>	<u>431,892</u>
	<u>\$ 502,298</u>	<u>\$ 464,052</u>

**7. Deferred revenue**

Deferred revenue represents money received from funding agencies that has not been utilized, and is available for specified expenditures in future years:

	<u>2005</u>	<u>2004</u>
Federal Government	\$ 6,900	\$ 870
Provincial Government	854,085	213,401
<u>Other</u>	<u>58,434</u>	<u>6,862</u>
	<u>\$ 919,419</u>	<u>\$ 221,133</u>

**8. Deposits - local libraries**

Funds raised by some local libraries have been deposited with the Board to cover the cost of wages for additional opening hours and for the purchase of books, periodicals and computers. The balance on deposit at 31 March 2005 was \$7,521 (2004 - \$2,171).

**9. Budget**

The 2005 budgeted expenditure exceeded the Province's current year provision for operating grants for the Board. The difference would be funded from cash surpluses carried forward from prior years.

**10. Extraordinary item**

In May 2004, the Carmanville Public Library and all of its contents were destroyed by fire. The Board received \$118,105 in insurance proceeds from the fire. This resulted in an extraordinary gain of \$13,097.

**11. Lease agreements**

The Board has entered into lease agreements for the rental of photocopiers, microfiche readers, postal equipment and various rental properties throughout the Province. Future minimum lease payments for the next five years are as follows:

2006	\$435,170
2007	\$348,414
2008	\$286,598
2009	\$280,651
2010	\$262,812

**PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2005**

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**12. Pensions**

Under the *Public Libraries Act*, Board staff are subject to the *Public Service Pensions Act*. Employee contributions 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 employees when they retire. The Board's share of pension contributions for 2005 was \$310,811 (2004 - \$323,218).

**13. Income taxes**

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.

**14. Economic dependence**

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

**15. Financial instruments**

The Board's financial instruments recognized on the balance sheet, in addition to the long-term investments described in Note 4, consist of cash, accounts receivable, accounts payable and accrued liabilities, and deposits - local libraries. The carrying values of these instruments approximate current fair value due to their nature and the short-term maturity or current market rate associated with them.





*Financial Statements of*

**PROVINCIAL PERINATAL PROGRAM**

*March 31, 2005*

## Auditors' Report

To the Directors of  
Provincial Perinatal Program

We have audited the statement of financial position of the Provincial Perinatal Program as at March 31, 2005 and the statement of operations and net assets for the year then ended. These financial statements are the responsibility of the Program's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Program as at March 31, 2005 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  
June 30, 2005

# PROVINCIAL PERINATAL PROGRAM

## Statement of Operations and Net Assets

Year ended March 31, 2005

	<u>2005</u>	<u>2004</u>
	\$	\$
REVENUE		
Provincial government		
Provincial perinatal program	291,145	286,700
Childbirth education program	25,884	15,068
Database project	7,659	-
Research project	2,023	-
	<hr/>	<hr/>
	326,711	301,768
	<hr/>	<hr/>
EXPENDITURES		
Salaries and employee benefits	240,130	234,779
Childbirth education program	25,884	15,068
Travel	24,150	15,862
Professional fees	11,480	11,625
Office supplies and books	10,787	5,960
Database project	7,659	10,250
Telephone	2,215	2,230
Equipment purchases	2,203	(337)
Research project	2,023	-
Other	516	450
Purchased services	237	580
	<hr/>	<hr/>
	327,284	296,467
	<hr/>	<hr/>
EXCESS OF REVENUE OVER EXPENDITURES		
(EXPENDITURES OVER REVENUE) BEFORE SEVERANCE	(573)	5,301
	<hr/>	<hr/>
INCREASE IN SEVERANCE PAY ACCRUAL	1,536	2,173
	<hr/>	<hr/>
EXCESS OF REVENUE OVER EXPENDITURES		
(EXPENDITURES OVER REVENUE)	(2,109)	3,128
	<hr/>	<hr/>
NET ASSETS, BEGINNING OF YEAR	219,494	216,366
	<hr/>	<hr/>
NET ASSETS, END OF YEAR	217,385	219,494
	<hr/>	<hr/>



**PROVINCIAL PERINATAL PROGRAM**  
**Statement of Financial Position**

March 31, 2005

	<u>2005</u>	<u>2004</u>
	\$	\$
<b>ASSETS</b>		
<b>CURRENT</b>		
Receivable		
Health Care Corporation of St. John's	353,777	347,150
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Payables and accruals	6,333	2,936
Accrued vacation pay	9,867	11,088
Deferred revenue – Childbirth education program	14,706	3,659
Deferred revenue – Provincial data base	67,341	75,000
Deferred revenue - Research project	1,636	-
	99,883	92,683
<b>ACCRUED SEVERANCE PAY</b>	<b>36,509</b>	<b>34,973</b>
	136,392	127,656
<b>NET ASSETS</b>		
Net assets	217,385	219,494
	353,777	347,150

ON BEHALF OF THE BOARD:

Carol A. Chafe Director  
 Sept. 20, 2005

Jessica M. Brange Director  
 Sept 20/05

# PROVINCIAL PERINATAL PROGRAM

## Notes to Financial Statements

March 31, 2005

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### 1. NATURE OF OPERATIONS

The Provincial Perinatal Program ("the Program") is organized to improve the quality of perinatal care in the Province of Newfoundland and Labrador.

The Program works with high-risk perinatal children identified as premature infants or children with specific neonatal concerns. It liaises closely with the Janeway Child Health Centre's Intensive Care Unit, Special Care Nursery, Physiotherapy and Social Work departments. There is also a close relationship with the Women's Health Program of the Health Care Corporation of St. John's (tertiary care centre for obstetrics), obstetrical units of regional health hospitals, public health nurses and family physicians.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles, the more significant of which are as follows:

#### *Revenue recognition*

The Program follows the deferral method of accounting for contributions whereby restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable of the amount can be reasonably estimated and collection is reasonably assured.

#### *Capital assets*

All capital asset additions are charged to operations in the year of acquisition.

#### *Accrued severance pay*

Severance pay is accounted for on an accrual basis and is calculated based upon years of service and current salary levels. Severance pay is only recorded in the accounts for employees who have a vested right to receive such a payment. Severance is payable when the employee ceases employment with the Program.

#### *Pension costs*

Employees of the Provincial Perinatal Program are covered by 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 Program. The annual contributions for pensions are recognized in the accounts on a current basis.

**PROVINCIAL PERINATAL PROGRAM**  
**Notes to Financial Statements**  
**March 31, 2005**

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

*Use of estimates*

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

**3. RELATED PARTY TRANSACTIONS**

The Program coordinates with the Health Care Corporation of St. John's to provide quality perinatal care. Transactions between these related parties are measured at their exchange value.

**4. FINANCIAL INSTRUMENTS**

The carrying value of the Program's financial instruments included in current assets and current liabilities approximates fair value due to the relatively short term to maturity of these instruments.

**5. STATEMENT OF CASH FLOWS**

The statement of cash flows has not been prepared because it would not provide any additional useful information in understanding the cash flows during the year.

**PUBLIC ACCOUNTANTS LICENSING BOARD**  
**FINANCIAL STATEMENTS**  
**31 DECEMBER 2004**



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

**AUDITOR'S REPORT**

To the Chair and Members  
Public Accountants Licensing Board  
St. John's, Newfoundland and Labrador

I have audited the balance sheet of the Public Accountants Licensing Board as at 31 December 2004 and the statement of revenue, expenses and equity for the year then ended. These financial statements are the responsibility of the Board's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at 31 December 2004 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink, appearing to read 'John L. Noseworthy'.

**JOHN L. NOSEWORTHY, C.A.**  
**Auditor General**

St. John's, Newfoundland and Labrador  
23 March 2005

**PUBLIC ACCOUNTANTS LICENSING BOARD**

**BALANCE SHEET**

**31 December**

**2004**

**2003**

**ASSETS**

**Current**

Cash	\$ -	\$ 14,995
Temporary investments, at cost	47,691	37,062
Sales tax receivable	748	950
Prepaid expense	779	413
	<u>\$ 49,218</u>	<u>\$ 53,420</u>

**LIABILITIES AND EQUITY**

**Current**

Bank indebtedness	\$ 560	\$ -
Accounts payable and accrued liabilities	2,016	2,183
Deferred revenue	-	11,000
	<u>2,576</u>	<u>13,183</u>
<b>Equity</b>	<u>46,642</u>	<u>40,237</u>
	<u>\$ 49,218</u>	<u>\$ 53,420</u>

*See accompanying notes*

Signed on behalf of the Board:

  
Chair

  
Member

**PUBLIC ACCOUNTANTS LICENSING BOARD**  
**STATEMENT OF REVENUE, EXPENSES AND EQUITY**  
**For the Year Ended 31 December**

2004

2003

**REVENUE**

Licences	\$ 24,700	\$ 24,200
Interest income	811	551
Sales tax rebate	-	4,482
	<u>25,511</u>	<u>29,233</u>

**EXPENSES**

Advertising	3,110	3,934
Board remuneration	3,130	6,690
Insurance	773	800
Interest and bank charges	198	179
Meeting expense	1,912	2,343
Office supplies	387	897
Professional fees	1,517	2,058
Secretarial services	3,375	3,420
Travel	4,704	5,562
	<u>19,106</u>	<u>25,883</u>

<b>Excess of revenue over expenses</b>	<b>6,405</b>	<b>3,350</b>
<b>Equity, beginning of year</b>	<b>40,237</b>	<b>36,887</b>
<b>Equity, end of year</b>	<b>\$ 46,642</b>	<b>\$ 40,237</b>

*See accompanying notes*

**PUBLIC ACCOUNTANTS LICENSING BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 December 2004**

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**Authority**

The Public Accountants Licensing Board (the Board) was established under authority of the *Public Accountancy Act*. The powers of the Board include granting licences to practice as a public accountant under the *Act*, keeping a roll of persons licensed, and prescribing the educational standards and other qualifications of applicants for a licence.

**1. Significant accounting policies**

These financial statements have been prepared by the Board's management in accordance with Canadian generally accepted accounting principles. The Board does not prepare a statement of cash flows since there are no investing and financing activities and the changes in cash flows are readily apparent from the other statements.

**2. Financial instruments**

The Board's financial instruments recognized on the balance sheet consist of cash, temporary investments, sales tax receivable, bank indebtedness, 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.

**3. Income taxes**

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





**Public Health Laboratory**  
**Financial Statements**  
March 31, 2003

Grant Thornton 

## Auditors' Report

### To the Board of Trustees Health Care Corporation of St. John's

We have audited the statement of financial position of **Public Health Laboratory** at March 31, 2003 and the statements of operations and changes in deficit for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Laboratory as at March 31, 2003 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

*Grant Thornton LLP*

St. John's, Newfoundland  
July 10, 2003

Grant Thornton LLP  
Chartered Accountants

## Public Health Laboratory

### Statements of Operations and Changes in Deficit

Year Ended March 31

2003

2002

Revenue		
Government of Newfoundland and Labrador	<u>\$ 3,161,964</u>	<u>\$ 2,935,605</u>
Expenditure		
Wages and benefits	1,351,186	1,372,017
Laboratory supplies	1,182,149	1,182,506
Professional fees	145,580	130,571
Operating supplies	129,106	101,211
Printing, stationery and office	52,932	64,584
Repairs and maintenance	40,107	41,627
Interest on capital lease	22,829	-
Travel	13,927	33,575
Minor equipment	9,909	23,247
Telephone	<u>7,292</u>	<u>6,791</u>
	<u>2,955,017</u>	<u>2,956,129</u>
Excess of revenue over expenditure (expenditure over revenue) before the following:	<u>206,947</u>	<u>(20,524)</u>
Depreciation	207,695	114,300
Amortization of deferred capital contributions	(37,112)	(28,571)
Increase in severance pay accrual	<u>15,065</u>	<u>53,450</u>
	<u>185,648</u>	<u>139,179</u>
Excess of revenue over expenditure (expenditure over revenue)	<u>\$ 21,299</u>	<u>\$ (159,703)</u>
<hr/>		
Deficit, beginning of year	\$ (327,979)	\$ (168,276)
Excess of revenue over expenditure (expenditure over revenue)	<u>21,299</u>	<u>(159,703)</u>
Deficit, end of year	<u>\$ (306,680)</u>	<u>\$ (327,979)</u>

See accompanying notes to the financial statements.

## Public Health Laboratory Statement of Financial Position

March 31 2003 2002

### Assets

#### Current

Cash	\$ 500	\$ 500
Receivables	5,082	416,087
Receivable from Health Care Corporation of St. John's	<u>190,047</u>	<u>-</u>
	195,629	416,587

Equipment (Note 3)	<u>628,374</u>	<u>783,980</u>
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	<u>\$ 824,003</u>	<u>\$ 1,200,567</u>
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### Liabilities

#### Current

Payables and accruals	\$ 39,817	\$ 31,863
Payable to Health Care Corporation of St. John's	-	364,172
Accrued vacation pay	143,761	141,241
Current portion of obligation under capital lease	<u>78,323</u>	<u>92,505</u>
	261,901	629,781

Obligation under capital lease (Note 4)	275,464	283,400
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Accrued severance pay	412,625	397,560
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Deferred capital contributions	<u>180,693</u>	<u>217,805</u>
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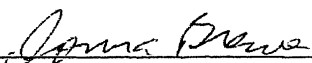

	1,130,683	1,528,546
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### Deficit

Deficit	<u>(306,680)</u>	<u>(327,979)</u>
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	<u>\$ 824,003</u>	<u>\$ 1,200,567</u>
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On behalf of the Board

	Trustee		Trustee
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See accompanying notes to the financial statements.

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# Public Health Laboratory

## Notes to the Financial Statements

March 31, 2003

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### 1. Nature of operations

The purpose of the Public Health Laboratory is to act as the provincial reference laboratory centre for clinical and public health microbiology and infectious disease surveillance and control. The Laboratory offers specialized and reference laboratory services to all physicians, hospitals, clinics and health related agencies in the province.

---

### 2. Summary of significant accounting policies

The financial statements have been prepared within the framework of Canadian generally accepted accounting principles, the more significant of which are as follows:

#### Basis of accounting

These financial statements include only the assets, liabilities, revenue and expenditure relating to the operations carried on under the name of the Public Health Laboratory.

#### Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and, the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

#### Capital assets

Capital assets are recorded at cost.

Depreciation on equipment is recorded on the straight-line basis at the following rates:

Equipment	15%
Computer equipment	20%

#### Capital contributions

Capital contributions are recorded as deferred contributions and amortized to income on a straight-line basis using the same rates as depreciation related to the capital assets purchased.

#### Accrued severance pay

Severance pay is accounted for on an accrual basis and is calculated based upon years of service and current salary levels. The right to be paid severance pay rests with employees with 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. Severance pay is payable when the employee ceases employment with the Laboratory.

#### Pension costs

Employees of the Public Health Laboratory are covered by 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 Public Health Laboratory. The annual contributions for pensions are recognized in the accounts on a current basis.

## Public Health Laboratory Notes to the Financial Statements

March 31, 2003

3. Equipment			2003	2002
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Equipment	\$ 1,352,164	\$ 1,154,038	\$ 198,126	\$ 258,242
Computer equipment	<u>602,290</u>	<u>172,042</u>	<u>430,248</u>	<u>525,738</u>
	<u>\$ 1,954,454</u>	<u>\$ 1,326,080</u>	<u>\$ 628,374</u>	<u>\$ 783,980</u>

### 4. Obligation under capital lease

The Laboratory has acquired computer equipment under the terms of a capital lease with the Royal Bank of Canada. The lease is repayable in monthly instalments of principal and interest of \$8,217, scheduled to expire in April 2008. Payments under the lease are as follows:

Fiscal year ended	
2004	\$ 98,599
2005	98,599
2006	98,599
2007	98,599
2008	<u>8,343</u>
	402,739
Less: amount representing interest at 6.37%	<u>48,952</u>
	353,787
Less: current portion	<u>78,323</u>
	<u>\$ 275,464</u>

### 5. Financial instruments

The Laboratory's primary financial instruments recognized in the balance sheet consist of receivables, current liabilities, long-term leasing arrangement and accrued severance. The carrying value of the primary financial instruments of the Laboratory approximate fair value due to the normal trade credit terms and conditions of these instruments.

**Deloitte**

**Public Health Laboratory  
Financial Statements  
March 31, 2004**



## Auditors' Report

To the Board of Trustees of  
Health Care Corporation of St. John's

We have audited the statement of financial position of the Public Health Laboratory as at March 31, 2004 and the statement of operations and changes in deficit for the year then ended. These financial statements are the responsibility of the Laboratory's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Laboratory as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at March 31, 2003 and for the year then ended were audited by other auditors who issued their report dated July 10, 2003.

*Deloitte + Touche LLP*

Chartered Accountants  
July 12, 2004

**Public Health Laboratory**  
**Statement of Operations and Changes in Deficit**

Year Ended March 31	2004	2003
Revenue		
Government of Newfoundland and Labrador	\$ 3,212,400	\$ 3,161,964
Expenditures		
Wages and benefits	1,442,656	1,351,186
Laboratory supplies	1,378,800	1,182,149
Professional fees	150,109	145,580
Operating supplies	145,688	129,106
Printing, stationery and office	66,010	52,932
Repairs and maintenance	68,947	40,107
Interest on capital lease	16,073	22,829
Travel	13,155	13,927
Minor equipment	26,326	9,909
Telephone	8,069	7,292
	<u>3,315,833</u>	<u>2,955,017</u>
Excess of revenue over expenditures (expenditures over revenue) before the following:	<u>(103,433)</u>	<u>206,947</u>
Depreciation	224,991	207,695
Amortization of deferred capital contributions	(55,280)	(37,112)
Increase in severance pay accrual	<u>12,046</u>	<u>15,065</u>
	<u>181,757</u>	<u>185,648</u>
Excess of revenue over expenditures (expenditures over revenue)	(285,190)	21,299
Deficit, beginning of year	<u>(306,680)</u>	<u>(327,979)</u>
Deficit, end of year	<u>\$ (591,870)</u>	<u>\$ (306,680)</u>

See accompanying notes to the financial statements.

**Public Health Laboratory  
Statement of Financial Position**

March 31

2004

2003

**Assets**

Current

Cash	\$ 500	\$ 500
Receivables	133,520	5,082
Receivable from Health Care Corporation of St. John's	<u>-</u>	<u>190,047</u>
	134,020	195,629

Capital assets (Note 3)

	<u>524,505</u>	<u>628,374</u>
	<u>\$ 658,525</u>	<u>\$ 824,003</u>

**Liabilities**

Current

Payables and accruals	\$ 37,666	\$ 39,817
Payable to Health Care Corporation of St. John's	302,485	-
Accrued vacation pay	179,370	143,761
Current portion of obligation under capital lease (Note 4)	<u>74,903</u>	<u>78,323</u>
	594,424	261,901

Obligation under capital lease (Note 4)

	-	275,464
--	---	---------

Accrued severance pay

	424,671	412,625
--	---------	---------

Deferred capital contributions

	<u>231,300</u>	<u>180,693</u>
	1,250,395	1,130,683

**Deficit**

Deficit	<u>(591,870)</u>	<u>(306,680)</u>
	<u>\$ 658,525</u>	<u>\$ 824,003</u>

On behalf of the Board

 Trustee

 Trustee

See accompanying notes to the financial statements.

# Public Health Laboratory

## Notes to the Financial Statements

March 31, 2004

---

### 1. Nature of operations

The purpose of the Public Health Laboratory (the "Laboratory") is to act as the provincial reference laboratory centre for clinical and public health microbiology and infectious disease surveillance and control. The Laboratory offers specialized and reference laboratory services to all physicians, hospitals, clinics and health related agencies in the province.

---

### 2. Summary of significant accounting policies

The financial statements have been prepared within the framework of Canadian generally accepted accounting principles, the more significant of which are as follows:

#### Basis of accounting

These financial statements include only the assets, liabilities, revenue and expenditures relating to the operations carried on under the name of the Public Health Laboratory.

#### Revenue recognition

Revenues are recognized as earned and when collection is reasonably assured.

#### Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and, the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

#### Capital assets

Capital assets are recorded at cost.

Depreciation on equipment is recorded on the straight-line basis at the following rates:

Equipment	15%
Computer equipment	20%

#### Capital contributions

Capital contributions are recorded as deferred contributions and amortized to income on a straight-line basis using the same rates as depreciation related to the capital assets purchased.

#### Accrued severance pay

Severance pay is accounted for on an accrual basis and is calculated based upon years of service and current salary levels. Severance pay is only recorded in the accounts for employees who have a vested right to receive such a payment. Severance is payable when the employee ceases employment with the Laboratory.

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# Public Health Laboratory

## Notes to the Financial Statements

March 31, 2004

### 2. Summary of significant accounting policies (Continued)

#### Pension costs

Employees of the Public Health Laboratory are covered by 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 Laboratory. The annual contributions for pensions are recognized in the accounts on a current basis.

3. Capital assets			2004	2003
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Equipment	\$ 1,473,285	\$ 1,266,263	\$ 207,022	\$ 198,126
Computer equipment	<u>602,290</u>	<u>284,807</u>	<u>317,483</u>	<u>430,248</u>
	<u>\$ 2,075,575</u>	<u>\$ 1,551,070</u>	<u>\$ 524,505</u>	<u>\$ 628,374</u>

### 4. Obligation under capital lease

The Laboratory has acquired computer equipment under the terms of a capital lease with the Royal Bank of Canada. The lease is repayable in monthly instalments of principal and interest of \$8,217, scheduled to expire in January 2005. Payments under the lease are as follows:

Fiscal year ended	
2005	\$ 76,980
Less: amount representing interest at 6.37%	<u>2,077</u>
	<u>\$ 74,903</u>

### 5. Financial instruments

The carrying value of the Laboratory's financial instruments included in current assets and current liabilities approximates fair value due to the relatively short term to maturity of these instruments.

### 6. Statement of cash flows

A statement of cash flows has not been prepared because it would not provide any additional useful information in understanding the cash flows during the year.

# Deloitte

*Financial Statements of*

## **PUBLIC HEALTH LABORATORY**

*March 31, 2005*

## Auditors' Report

To the Board of Trustees of  
Health Care Corporation of St. John's

We have audited the statement of financial position of the Public Health Laboratory as at March 31, 2005 and the statement of operations and deficit for the year then ended. These financial statements are the responsibility of the Laboratory's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Laboratory as at March 31, 2005 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  
June 30, 2005

**PUBLIC HEALTH LABORATORY**  
**Statement of Operations and Deficit**  
Year ended March 31, 2005

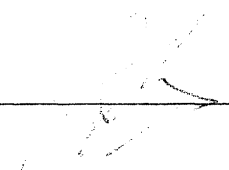
	<u>2005</u>	<u>2004</u>
	\$	\$
<b>REVENUE</b>		
Government of Newfoundland and Labrador	3,197,948	3,212,400
<b>EXPENDITURES</b>		
Wages and benefits	1,408,719	1,442,656
Laboratory supplies	1,316,093	1,378,800
Professional fees	179,103	150,109
Operating supplies	124,834	145,688
Repairs and maintenance	57,327	68,947
Printing, stationery and office	51,220	66,010
Travel	20,724	13,155
Telephone	10,691	8,069
Minor equipment	10,153	26,326
Bad debts	7,388	-
Interest on capital lease	2,082	16,073
	3,188,334	3,315,833
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>		
(EXPENDITURES OVER REVENUE)		
BEFORE UNDERNOTED ITEMS:	9,614	(103,433)
Amortization of capital assets	202,142	224,991
Amortization of deferred capital contributions	(52,356)	(55,280)
Increase in severance pay accrual	23,627	12,046
<b>EXCESS OF EXPENDITURES OVER REVENUE</b>	<b>(163,799)</b>	<b>(285,190)</b>
<b>DEFICIT, BEGINNING OF YEAR</b>	<b>(591,870)</b>	<b>(306,680)</b>
<b>DEFICIT, END OF YEAR</b>	<b>(755,669)</b>	<b>(591,870)</b>

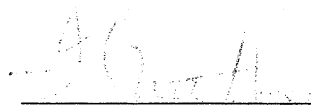


**PUBLIC HEALTH LABORATORY**  
**Statement of Financial Position**  
**March 31, 2005**

	<u>2005</u>	<u>2004</u>
	\$	\$
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	500	500
Receivables	15,222	133,520
	<u>15,722</u>	<u>134,020</u>
<b>CAPITAL ASSETS (Note 3)</b>	<b>356,162</b>	<b>524,505</b>
	<u>371,884</u>	<u>658,525</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Payables and accruals	99,458	37,666
Payable to Health Care Corporation of St. John's	193,061	302,485
Accrued vacation pay	207,792	179,370
Current portion of obligation under capital lease	-	74,903
	<u>500,311</u>	<u>594,424</u>
ACCRUED SEVERANCE PAY	448,298	424,671
DEFERRED CAPITAL CONTRIBUTIONS	178,944	231,300
	<u>1,127,553</u>	<u>1,250,395</u>
<b>DEFICIT</b>		
Deficit	(755,669)	(591,870)
	<u>371,884</u>	<u>658,525</u>

ON BEHALF OF THE BOARD:

  
 \_\_\_\_\_ Trustee

  
 \_\_\_\_\_ Trustee

# PUBLIC HEALTH LABORATORY

## Notes to Financial Statements

March 31, 2005

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### 1. NATURE OF OPERATIONS

The purpose of the Public Health Laboratory (the "Laboratory") is to act as the provincial reference laboratory centre for clinical and public health microbiology and infectious disease surveillance and control. The Laboratory offers specialized and reference laboratory services to all physicians, hospitals, clinics and health related agencies in the province.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles, the more significant of which are as follows:

#### *Basis of accounting*

These financial statements include only the assets, liabilities, revenue and expenditures relating to the operations carried on under the name of the Public Health Laboratory.

#### *Revenue recognition*

The Laboratory follows the deferral method of accounting for contributions whereby restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable and collectibility is reasonably assured.

#### *Capital assets*

Capital assets are recorded at cost.

Amortization is recorded on the straight-line basis at the following rates:

Equipment	15%
Computer equipment	20%

#### *Capital contributions*

Capital contributions are recorded as deferred contributions and amortized to income on a straight-line basis using the same rates as amortization related to the capital assets purchased.

#### *Accrued severance pay*

Severance pay is accounted for on an accrual basis and is calculated based upon years of service and current salary levels. Severance pay is only recorded in the accounts for employees who have a vested right to receive such a payment. Severance is payable when the employee ceases employment with the Laboratory.

# PUBLIC HEALTH LABORATORY

## Notes to Financial Statements

March 31, 2005

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Pension costs*

Employees of the Public Health Laboratory are covered by 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 Laboratory. The annual contributions for pensions are recognized in the accounts on a current basis.

#### *Use of estimates*

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and, the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

### 3. CAPITAL ASSETS

	2005			2004
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Equipment	1,525,024	1,374,518	150,506	207,022
Computer equipment	602,290	396,634	205,656	317,483
	2,127,314	1,771,152	356,162	524,505

### 4. RELATED PARTY TRANSACTIONS

The Laboratory coordinates with the Health Care Corporation of St. John's to provide a reference laboratory centre. Transactions between these related parties are measured at their exchange value.

### 5. FINANCIAL INSTRUMENTS

The carrying value of the Laboratory's financial instruments included in current assets and current liabilities approximates fair value due to the relatively short term to maturity of these instruments.

### 6. STATEMENT OF CASH FLOWS

A statement of cash flows has not been prepared because it would not provide any additional useful information in understanding the cash flows during the year.

**REGISTRAR OF THE SUPREME COURT**

**FINANCIAL STATEMENTS**

**31 MARCH 2005**



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

## AUDITOR'S REPORT

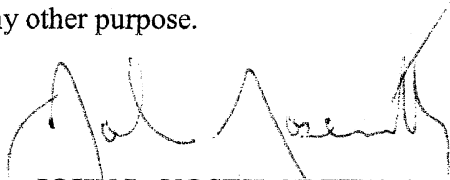
To the Registrar of the Supreme Court  
St. John's, Newfoundland and Labrador

I have audited the statement of fund balances of the Registrar of the Supreme Court as at 31 March 2005 and the statements of changes in fund balance for the Estate/Trust Fund, Supreme Court Fund and Administration Fund for the year then ended. These financial statements have been prepared to meet the information needs of the Registrar of the Supreme Court, the Chief Justice of the Trial Division of the Supreme Court of Newfoundland and Labrador, and the Government of Newfoundland and Labrador under Section 67 of the *Judicature Act*. The financial statements are the responsibility of the Registrar. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the balances of the Funds of the Registrar of the Supreme Court as at 31 March 2005 and the changes in fund balances for the year then ended in accordance with the basis of accounting described in Note 1 to the financial statements.

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 Registrar of the Supreme Court, the Chief Justice of the Trial Division of the Supreme Court of Newfoundland and Labrador, and the Government of Newfoundland and Labrador to meet their information needs under Section 67 of the *Judicature 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, C.A.**  
Auditor General

St. John's, Newfoundland and Labrador  
15 June 2005

**REGISTRAR OF THE SUPREME COURT**  
**STATEMENT OF FUND BALANCES**  
**31 March**

2005

2004

	Estate/Trust Fund (Note 2)	Supreme Court Fund (Note 3)	Administration Fund (Note 4)		
<b>ASSETS</b>					
Cash	\$ 5,214,193	\$ 5,463,590	\$ 174,371	\$ 10,852,154	\$ 9,024,730
Investments (Note 5)	15,671,533	1,680,161	-	17,351,694	14,482,380
Irrevocable letter of credit and securities	-	55,511	-	55,511	55,511
Real estate and other assets (Note 1)	1	-	-	1	1
<b>Total assets</b>	<b>\$ 20,885,727</b>	<b>\$ 7,199,262</b>	<b>\$ 174,371</b>	<b>\$ 28,259,360</b>	<b>\$ 23,562,622</b>
<b>Total Fund balances</b>	<b>\$ 20,885,727</b>	<b>\$ 7,199,262</b>	<b>\$ 174,371</b>	<b>\$ 28,259,360</b>	<b>\$ 23,562,622</b>

*See accompanying notes*

Signed:



Registrar

**REGISTRAR OF THE SUPREME COURT  
STATEMENT OF CHANGES IN FUND BALANCE  
ESTATE/TRUST FUND  
For the Year Ended 31 March**

	2005	2004
<b>INCREASES</b>		
Estate/trust assets received	\$ 5,141,325	\$ 4,783,001
Investment income	652,799	514,719
Pension, compensation and assistance	1,697,064	1,476,907
Recovery of unclaimed estates previously paid to Administration Fund	-	2,604
Revaluation of shares	-	2,144
Sale of chattels	37,560	19,070
Sale of real estate	2,268,848	1,353,506
	<b>9,797,596</b>	<b>8,151,951</b>
<b>DECREASES</b>		
Commissions charged and paid to Administration Fund	289,069	288,040
Estate/trust disbursements	4,474,479	3,233,216
Estates/trusts completed	3,356,241	2,818,363
Excess interest paid to Administration Fund	-	15,300
Harmonized sales tax paid to Administration Fund	43,303	42,681
Revaluation of shares	41	-
Unclaimed estates paid to Administration Fund	45	1,133
	<b>8,163,178</b>	<b>6,398,733</b>
<b>Net increase</b>	<b>1,634,418</b>	<b>1,753,218</b>
<b>Fund balance, beginning of year</b>	<b>19,251,309</b>	<b>17,498,091</b>
<b>Fund balance, end of year</b>	<b>\$ 20,885,727</b>	<b>\$ 19,251,309</b>

*See accompanying notes*

**REGISTRAR OF THE SUPREME COURT**  
**STATEMENT OF CHANGES IN FUND BALANCE**  
**SUPREME COURT FUND**  
**For the Year Ended 31 March**

	2005	2004
<b>INCREASES</b>		
Court actions (Payments into Court)	\$ 4,344,318	\$ 2,571,437
Divorce fees	6,660	6,510
Fees	1,365,002	1,052,358
Fines and bail	13,081	5,300
Investment income	136,089	106,422
Judgment recovery	200	-
Law society fees	14,856	14,982
	<b>5,880,206</b>	<b>3,757,009</b>
<b>DECREASES</b>		
Commissions charged and paid to Administration Fund	1,857	2,515
Court actions (Payments out of Court)	1,386,554	1,963,777
Divorce fees	6,860	6,550
Excess interest paid to Administration Fund	-	8,000
Fees paid to Consolidated Revenue Fund	1,366,867	1,060,686
Fines and bail	-	9,865
Judgment recovery	-	1,200
Law society fees	11,001	16,281
	<b>2,773,139</b>	<b>3,068,874</b>
<b>Net increase</b>	<b>3,107,067</b>	<b>688,135</b>
<b>Fund balance, beginning of year</b>	<b>4,092,195</b>	<b>3,404,060</b>
<b>Fund balance, end of year</b>	<b>\$ 7,199,262</b>	<b>\$ 4,092,195</b>

*See accompanying notes*



**REGISTRAR OF THE SUPREME COURT**  
**STATEMENT OF CHANGES IN FUND BALANCE**  
**ADMINISTRATION FUND**  
**For the Year Ended 31 March**

	2005	2004
<b>INCREASES</b>		
Commissions received from other Funds	\$ 290,926	\$ 290,555
Excess interest earned on other Funds	-	23,300
Harmonized sales tax received from Estate/Trust Fund	43,303	42,681
Harmonized sales tax refunded from Federal Government	-	2,275
Refunds to Special Reserve Fund	4,000	35,878
Unclaimed and undistributable amounts received from other Funds	45	1,133
	<u>338,274</u>	<u>395,822</u>
<b>DECREASES</b>		
Commissions paid to Consolidated Revenue Fund	291,526	292,160
Harmonized sales tax remitted to Federal Government	42,683	42,901
Office administration expenses paid from Special Reserve Fund	21,822	558
Professional fees	26,945	15,097
Unclaimed and undistributable amounts paid to Consolidated Revenue Fund	45	1,133
	<u>383,021</u>	<u>351,849</u>
<b>Net increase (decrease)</b>	<b>(44,747)</b>	<b>43,973</b>
<b>Fund balance, beginning of year</b>	<b>219,118</b>	<b>175,145</b>
<b>Fund balance, end of year</b>	<b>\$ 174,371</b>	<b>\$ 219,118</b>

*See accompanying notes*

**REGISTRAR OF THE SUPREME COURT**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2005**

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**Authority**

The Registrar of the Supreme Court (the Registrar) operates under the authority of the *Judicature Act*.

The Registrar administers estates of deceased persons when appointed personal representative by the Supreme Court of Newfoundland and Labrador and administers trusts of minors and mentally disabled persons when appointed guardian by the Court or by virtue of Section 20 of the *Mentally Disabled Persons' Estates Act*. The Registrar also has custody of monies paid to the Court in pending actions, as well as monies paid to the Court or to the Registrar under various statutes.

**1. Basis of accounting**

These financial statements have been prepared by the Registrar in accordance with the significant accounting policies set out below to meet the information needs of the Registrar, the Chief Justice of the Trial Division of the Supreme Court of Newfoundland and Labrador, and the Government of Newfoundland and Labrador under Section 67 of the *Judicature 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 Registrar 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 Office of the Registrar, 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. However, office administration expenditures paid from the Registrar's Special Reserve Fund under Section 72(2) of the *Judicature Act* are recorded in these financial statements in the amount of \$21,822 for the 2004-05 year (2003-04 \$558).

(b) Investments

Investments consist of Bank and Trust Company Guaranteed Investment Certificates, Canada Savings Bonds, mortgages, pre-arranged funerals, promissory notes, Registered Retirement Savings Plans/Incomes Funds and shares owned by estates at the dates of appointment of the Registrar. Such investments are recorded at face or market value, except for mortgages and promissory notes which are recorded at face value net of principal payments received.

**REGISTRAR OF THE SUPREME COURT**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2005**

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**1. Basis of accounting (cont.)**

Significant accounting policies (cont.)

(c) Real estate and other assets

Real estate and other assets are recorded in these financial statements at an aggregate nominal value of \$1 as valuation of these assets is not readily determinable. These assets are recorded in the client accounts at estimated market value for administrative purposes.

(d) Capital assets

Capital assets are charged to expenditure in the year of acquisition.

**2. Estate/Trust Fund**

The Registrar, in certain cases, is appointed by the Court as personal representative of the estates of deceased persons or as guardian of the trusts of minors and mentally disabled persons. The trust accounts of the Registrar include monies and other assets held on behalf of such estates/trusts.

**3. Supreme Court Fund**

The Supreme Court Fund consist mainly of monies received by the Registrar under, inter alia, the following Acts, and Rules and Regulations thereunder:

- (a) *Automobile Insurance Act*
- (b) *Direct Sellers Act*
- (c) *Elections Act, 1991*
- (d) *Expropriation Act*
- (e) *Judicature Act*
- (f) *Leaseholds in St. John's Act*
- (g) *Life Insurance Act*
- (h) *Municipalities Act*
- (i) *Public Utilities Acquisition of Lands Act*
- (j) *Real Estate Trading Act*
- (k) *Residential Tenancies Act (2000)*
- (l) *Unified Family Court Act*

**4. Administration Fund**

The Administration Fund was established to record monies collected pursuant to the Rules of the Supreme Court of Newfoundland and Labrador. It is comprised primarily of a Special Reserve Fund consisting of interest earned in the Estate/Trust Fund and Supreme Court Fund in excess of that allocated to clients in accordance with Section 72(1) of the *Judicature Act*. Other monies flowing through the Administration Fund include commissions and unclaimed and undistributable assets to be paid over to the Consolidated Revenue Fund, and Harmonized Sales Tax collected on commissions to be paid over to the Federal Government.

**REGISTRAR OF THE SUPREME COURT**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2005**

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**5. Investments**

	<u>2005</u>	<u>2004</u>
Total investments held for all Funds is comprised of the following:		
Guaranteed Investment Certificates and Canada Savings Bonds	\$ 16,442,259	\$ 13,579,073
Mortgages	129,280	5,000
Pre-arranged funerals	214,518	189,031
Promissory notes	-	28,806
Registered Retirement Savings Plans/Income Funds and Registered Education Savings Plans	545,711	640,259
Shares	19,926	40,211
	<u>\$ 17,351,694</u>	<u>\$ 14,482,380</u>

**6. Related party transactions**

Commissions earned and service fees are paid into the Province's Consolidated Revenue Fund.

**7. Income taxes**

The Registrar of the Supreme Court of Newfoundland and Labrador is an entity of the Crown and as such is not subject to Provincial or Federal income taxes.



**SPECIAL CELEBRATIONS CORPORATION  
OF NEWFOUNDLAND AND LABRADOR, INC.**

**FINANCIAL STATEMENTS**

**31 MARCH 2005**



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

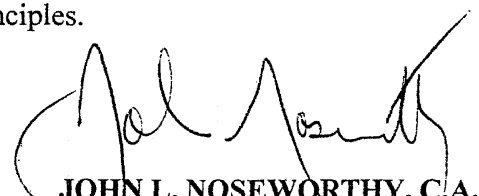
**AUDITOR'S REPORT**

To the Board of Directors  
Special Celebrations Corporation  
of Newfoundland and Labrador, Inc.  
St. John's, Newfoundland and Labrador

I have audited the balance sheet of the Special Celebrations Corporation of Newfoundland and Labrador, Inc. as at 31 March 2005 and the statements of revenues, expenses and surplus, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 March 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

  
**JOHN L. NOSEWORTHY, C.A.**  
**Auditor General**

St. John's, Newfoundland and Labrador  
10 June 2005

**SPECIAL CELEBRATIONS CORPORATION  
OF NEWFOUNDLAND AND LABRADOR, INC.  
BALANCE SHEET  
31 March**

2005

2004

**ASSETS**

**Current**

Cash	\$ 204,778	\$ 201,163
Accounts receivable (Note 2)	423	377

	205,201	201,540
--	---------	---------

<b>Tangible capital assets (Note 3)</b>	-	745
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	\$ 205,201	\$ 202,285
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**LIABILITIES AND SHAREHOLDER'S EQUITY**

**Current**

Accounts payable and accrued liabilities	\$ 11,796	\$ 10,996
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**Shareholder's equity**

Share capital

Authorized and issued 500 common shares of no par value	1	1
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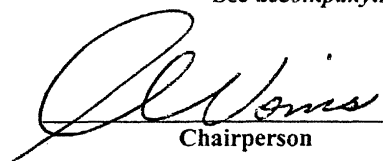
Surplus	193,404	191,288
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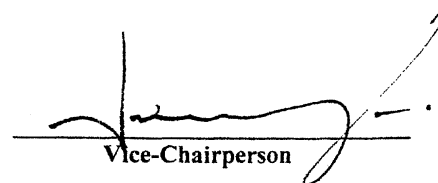
	193,405	191,289
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	\$ 205,201	\$ 202,285
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*See accompanying notes*

Signed on behalf of the Board:

  
Chairperson

  
Vice-Chairperson



**SPECIAL CELEBRATIONS CORPORATION  
 OF NEWFOUNDLAND AND LABRADOR, INC.  
 STATEMENT OF REVENUES, EXPENSES AND SURPLUS  
 For the Year Ended 31 March**

	2005	2004
<b>REVENUES</b>		
Bank interest	\$ 3,576	\$ 5,792
<b>EXPENSES</b>		
Access North - Snow Safari Program	-	9,492
Administration	715	5,584
Amortization	745	6,410
Bad debt expense	-	4,529
Staffing	-	38,523
	<u>1,460</u>	<u>64,538</u>
<b>Excess of revenues over expenses (expenses over revenues)</b>	<b>2,116</b>	<b>(58,746)</b>
<b>Surplus, beginning of year</b>	<b>191,288</b>	<b>250,034</b>
<b>Surplus, end of year</b>	<b>\$ 193,404</b>	<b>\$ 191,288</b>

*See accompanying notes*

**SPECIAL CELEBRATIONS CORPORATION  
OF NEWFOUNDLAND AND LABRADOR, INC.**

**STATEMENT OF CASH FLOWS**

**For the Year Ended 31 March**

**2005**

**2004**

**Cash flows from operating activities**

Excess of revenues over expenses (expenses over revenues)	\$ 2,116	\$ (58,746)
Adjustment for non-cash items		
Amortization	745	6,410
	2,861	(52,336)
Changes in non-cash working capital	754	56,320
<b>Net increase in cash</b>	<b>3,615</b>	<b>3,984</b>
<b>Cash, beginning of year</b>	<b>201,163</b>	<b>197,179</b>
<b>Cash, end of year</b>	<b>\$ 204,778</b>	<b>\$ 201,163</b>

*See accompanying notes*

**SPECIAL CELEBRATIONS CORPORATION  
OF NEWFOUNDLAND AND LABRADOR, INC.  
NOTES TO FINANCIAL STATEMENTS  
31 March 2005**

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**Authority**

The Special Celebrations Corporation of Newfoundland and Labrador, Inc. (the Corporation) was incorporated under the *Corporations Act* on 27 August 1998. All shares of the Corporation are held by the Minister of Tourism, Culture and Recreation on behalf of the Province. The purpose of the Corporation is to plan, organize, manage and supervise tourism special events for the Government of Newfoundland and Labrador. Its affairs are governed by a Board of Directors appointed by the Minister of Tourism, Culture and Recreation.

**1. Significant accounting policies**

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

Tangible capital assets

All tangible capital assets to which the Corporation has title are recorded at cost at the time of acquisition. Grants towards the acquisition of tangible capital assets are deducted from the related tangible capital asset cost with any amortization calculated on the net amount. Amortization is calculated on a straight line basis as follows:

Computer equipment - 2 years  
Furniture - 5 years

**2. Accounts receivable**

	2005	2004
Other	\$ 4,529	\$ 4,529
Bank interest	348	302
Harmonized sales tax	75	75
	4,952	4,906
<u>Less: Allowance for doubtful accounts</u>	<u>(4,529)</u>	<u>(4,529)</u>
	\$ 423	\$ 377

**SPECIAL CELEBRATIONS CORPORATION  
OF NEWFOUNDLAND AND LABRADOR, INC.  
NOTES TO FINANCIAL STATEMENTS  
31 March 2005**

**3. Tangible capital assets**

	2005			2004	
	Cost	Capital Grants	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	\$ 69,309	\$ 31,837	\$ 37,472	\$ -	\$ 745
Furniture	9,778	9,778	-	-	-
	\$ 79,087	\$ 41,615	\$ 37,472	\$ -	\$ 745

**4. Related party transactions**

The Province has provided certain office equipment and furnishings at no cost to the Corporation. These assets are not reflected in these financial statements.

**5. 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.

**6. 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.

**7. Financial instruments**

The Corporation's financial instruments recognized on the balance sheet consist of cash, accounts 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.





*Financial Statements of*

**ST. JOHN'S NURSING HOME BOARD  
(Regional Services and  
the Hoyles-Escasoni Complex)**

*March 31, 2005*

## Auditors' Report

To the Members of the Board of Directors of  
St. John's Nursing Home Board

We have audited the balance sheet of the St. John's Nursing Home Board (Regional Services and the Hoyles-Escasoni Complex) as at March 31, 2005, and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2005, 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  
May 19, 2005

**ST. JOHN'S NURSING HOME BOARD**  
**(Regional Services and the Hoyles-Escasoni Complex)**  
**Statement of Operations**

Year ended March 31, 2005

	<u>2005</u>	<u>2004</u>
	\$	\$
<b>REVENUE</b>		
Provincial plan	59,610,105	60,484,861
Less: amounts paid to nursing homes	29,488,915	29,941,412
	<b>30,121,190</b>	30,543,449
Residents	4,299,054	4,209,707
Other	827,112	789,494
	<b>35,247,356</b>	35,542,650
<b>EXPENDITURES</b>		
Nursing/inpatient services	17,968,831	18,227,555
Support services	9,505,439	9,517,054
Administration	4,690,858	4,854,524
Diagnostic and therapeutic services	1,871,545	2,058,360
Other	-	218,223
Education	85,633	103,641
Interest, municipal taxes and insurance	138,435	160,208
	<b>34,260,741</b>	35,139,565
<b>SURPLUS ON OPERATIONS</b>	<b>986,615</b>	403,085
<b>BOARD FUND OPERATIONS</b>	<b>(157,613)</b>	(188,402)
<b>SURPLUS BEFORE NON-SHAREABLE ITEMS</b>	<b>829,002</b>	214,683
<b>ADJUSTMENT FOR NON-SHAREABLE ITEMS:</b>		
Amortization of deferred capital contributions	295,105	317,275
Amortization of capital assets	(1,081,374)	(1,148,682)
Accrued vacation	(7,700)	(161,377)
Accrued severance	(232,882)	(88,059)
<b>EXCESS OF EXPENDITURES OVER REVENUE</b>	<b>(197,849)</b>	(866,160)



**ST. JOHN'S NURSING HOME BOARD**  
**(Regional Services and the Hoyles-Escasoni Complex)**  
**Statement of Changes in Fund Balances**  
**Year Ended March 31, 2005**


	2005			2004	
	Operating Fund	Net Investment in Capital Assets	Board Equity	Total	
				\$	\$
BALANCE, BEGINNING OF YEAR	(10,077,423)	12,401,377	157,613	2,481,567	3,347,727
Excess of revenue over expenditures (expenditures over revenue)	746,033	(786,269)	(157,613)	(197,849)	(866,160)
Repayment of lease principal	(306,430)	306,430	-	-	-
<b>BALANCE, END OF YEAR</b>	<b>(9,637,820)</b>	<b>11,921,538</b>	<b>-</b>	<b>2,283,718</b>	<b>2,481,567</b>

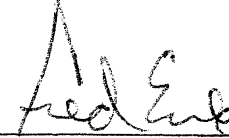
**ST. JOHN'S NURSING HOME BOARD**  
**(Regional Services and the Hoyles-Escasoni Complex)**  
**Balance Sheet**

**March 31, 2005**

	<u>2005</u>	<u>2004</u>
	\$	\$
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	176,463	-
Accounts receivable (Note 3)	1,005,461	1,201,615
Inventory	226,554	302,402
Prepaid expenses	42,041	46,577
	<b>1,450,519</b>	<b>1,550,594</b>
DEFERRED CHARGES (Note 12)	601,672	705,114
RESIDENTS' TRUST FUNDS	653,856	595,998
CAPITAL ASSETS (Note 4)	16,131,511	16,885,031
	<b>18,837,558</b>	<b>19,736,737</b>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>CURRENT</b>		
Bank indebtedness and short term loan (Note 5)	-	1,258,537
Accounts payable and accrued liabilities	2,719,211	2,170,923
Accrued vacation pay	1,672,267	1,664,567
Due to affiliated entities (Note 6)	1,095,968	976,595
Deferred operating grants	360,600	410,600
Deferred capital grants	920,376	1,005,589
Current portion of obligations under capital lease (Note 7)	318,928	298,183
	<b>7,087,350</b>	<b>7,784,994</b>
OBLIGATIONS UNDER CAPITAL LEASE (Note 7)	340,026	667,201
RESIDENTS' TRUST FUNDS	653,856	595,998
ACCRUED SEVERANCE PAY	4,921,589	4,688,707
DEFERRED CAPITAL CONTRIBUTIONS (Note 8)	3,551,019	3,518,270
	<b>16,553,840</b>	<b>17,255,170</b>
<b>CONTINGENCIES (Note 14)</b>		
<b>FUND BALANCES</b>		
Operating fund	(9,637,820)	(10,077,423)
Net investment in capital assets (Note 9)	11,921,538	12,401,377
Board equity	-	157,613
	<b>2,283,718</b>	<b>2,481,567</b>
	<b>18,837,558</b>	<b>19,736,737</b>

APPROVED ON BEHALF OF THE BOARD:

  
 \_\_\_\_\_ Director

  
 \_\_\_\_\_ Director

**ST. JOHN'S NURSING HOME BOARD**  
**(Regional Services and the Hoyles-Escasoni Complex)**  
**Statement of Cash Flows**  
**Year ended March 31, 2005**

	<u>2005</u>	<u>2004</u>
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Excess of expenditures over revenue	(197,849)	(866,160)
Adjustments for:		
Amortization of capital assets	1,081,374	1,148,682
Amortization of deferred capital contributions	(295,105)	(317,275)
Increase in severance pay accrual	232,882	88,059
Changes in non-cash working capital (Note 10)	816,686	(2,260,334)
	<u>1,637,988</u>	<u>(2,207,028)</u>
<b>INVESTING ACTIVITIES</b>		
Decrease in deferred charges	103,442	103,442
Purchase of capital assets	(327,854)	(724,131)
	<u>(224,412)</u>	<u>(620,689)</u>
<b>FINANCING ACTIVITIES</b>		
Repayment of obligations under capital lease	(306,430)	(271,026)
Deferred building and equipment grants	327,854	724,131
	<u>21,424</u>	<u>453,105</u>
<b>NET INCREASE (DECREASE) IN CASH RESOURCES</b>	<b>1,435,000</b>	<b>(2,374,612)</b>
<b>CASH (BANK INDEBTEDNESS), BEGINNING OF YEAR</b>	<b>(1,258,537)</b>	<b>1,116,075</b>
<b>CASH (BANK INDEBTEDNESS), END OF YEAR</b>	<b>176,463</b>	<b>(1,258,537)</b>
<b>SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Interest paid	46,026	81,596

**ST. JOHN'S NURSING HOME BOARD**  
**(Regional Services and the Hoyles-Escasoni Complex)**  
**Notes to the Financial Statements**  
**March 31, 2005**

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**1. DESCRIPTION OF BUSINESS**

The St. John's Nursing Home Board is a partnership of not-for-profit organizations that operates six homes in the St. John's region. It was constituted under the Hospital's Act by the Province of Newfoundland and Labrador and given the mandate to operate the Hoyles-Escasoni Complex, arrange agreements with nursing home owner/operators and assume responsibility for the St. John's Nursing Home budget with a goal of promoting quality care for the aged and young disabled.

During the year the Eastern Regional Integrated Health Authority (the "Authority") was created to assume the responsibility of governance for health services in the Eastern Region of Newfoundland and Labrador. As of April 1, 2005, the Authority has assumed responsibility for the operations of several institutional and community Boards in the Eastern Region, which includes the St. John's Nursing Home Board.

**2. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following significant accounting policies:

*Basis of presentation*

As at March 31, 2005, management and operations of all nursing homes had not been assumed by this Board. These financial statements reflect the operations of the St. John's Nursing Home Board regional services and those of the Hoyles-Escasoni Complex. These financial statements do not reflect the operations of the remaining homes, all of which have issued financial statements on an individual basis.

These financial statements include all assets, liabilities, revenues and expenditures of the Board and the Residents' trust. The Board maintains a trust fund for residents to fund incidental personal expenses. These funds are the property of the individual residents and the Board maintains these funds at their request.

*Fund accounting*

The Board employs fund accounting, classifying financial statement items in either the operating fund, net investment in capital assets or Board equity.

The operating fund includes the operating assets and liabilities of the Board. Income consists of revenue from providing accommodation and health care services (including grants and subsidies). Expenses of this fund consist of those incurred to provide accommodation and health care services. Additionally, it receives funds from the Department of Health and Community Services of the Government of Newfoundland and Labrador (the "Department") in the form of capital grants together with contributions from other sources restricted for capital purposes.

**ST. JOHN'S NURSING HOME BOARD**  
**(Regional Services and the Hoyles-Escasoni Complex)**  
**Notes to the Financial Statements**  
**March 31, 2005**

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Fund accounting (Continued)*

The net investment in capital assets represents assets purchased for the use of the operating fund.

Board equity fund contains assets held for special purposes which may be used at the discretion of the Board and to fund expenditures incurred for the benefit of the residents. Revenue consists primarily of bequests, donations and interest income. Expenses charged to these funds consist of items that are not funded by the Department.

*Revenue recognition*

The Board follows the deferral method of accounting for contributions whereby externally restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenditure is incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted contributions related to depreciable capital assets are recorded as deferred capital contributions and amortized to income on the same basis as the related capital assets are being amortized.

The Board is reimbursed by the Department for the total of its operating costs after deductions of specific revenue and expenditures. The final amount to be received by the Board for the 2005 fiscal year will not be determined until the Department has completed its review of the Board's financial statements. Adjustments resulting from the Department's reviews and final position statements will be considered by the Board and reflected in the year of assessment.

*Inventory*

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

*Capital assets*

Original capital assets transferred to the Board:

On October 1, 1987, the land, buildings and furniture and equipment of the Regional Services and the Hoyles-Escasoni Complex became the responsibility of the Board of Directors of the Hoyles-Escasoni Complex. On April 1, 1997 the capital assets became the responsibility of the Board of Trustees of the St. John's Nursing Home Board. The property transferred at this date, however, remains under the legal ownership of the Province of Newfoundland and Labrador. The financial statements have been prepared to reflect all assets under the responsibility of the Board. Accordingly, the amounts reported for land, buildings and furniture and equipment include an estimate by management of the market value of those assets transferred on October 1, 1987.

**ST. JOHN'S NURSING HOME BOARD**  
**(Regional Services and the Hoyles-Escasoni Complex)**  
**Notes to the Financial Statements**  
**March 31, 2005**

---

2. **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Capital assets (Continued)*

The valuation of the capital assets at October 1, 1987 was as follows:

	\$
Land	650,000
Buildings	16,100,000
Furniture and equipment	3,900,000
	<hr/>
	20,650,000
	<hr/>

Capital assets acquired after October 1, 1987:

Additions subsequent to October 1, 1987, for buildings, furniture and equipment are recorded at cost.

*Amortization of capital assets*

Amortization is calculated at the following rates based on the following estimated life expectancies:

	<u>Basis</u>	<u>Rate</u>
Buildings	Straight line	2.50%
Furniture and Equipment - Complex	Straight line	6.67%
Furniture and Equipment - Regional	Straight line	20%
Computer Equipment - Complex	Straight line	20%
Vehicles	Straight line	20%
Assets under capital lease - hardware	Straight line	25%
- software	Straight line	14.3%

*Vacation pay*

Vacation pay is accrued for all employees as entitlement to these payments is earned.

*Severance pay*

Severance pay is accrued for all employees for which the right to such compensation is vested. As the Province of Newfoundland and Labrador funds the Board on a cash basis, this item is disclosed as non-shareable.

No provision for the ultimate severance pay liability is made in the accounts for any employee who has less than nine years of service.

**ST. JOHN'S NURSING HOME BOARD**  
**(Regional Services and the Hoyles-Escasoni Complex)**  
**Notes to the Financial Statements**  
**March 31, 2005**

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Pension and other post employment benefits*

Employees of the Board are included in the Public Service Pension Plan and the Government Money Purchase Plan administered by the Government of Newfoundland and Labrador. The Government also provides for the continuation of certain dental and medical benefits for retirees. Contributions to the plans are required from both the employees and the Board. The annual contributions for pensions and other post employment benefits are recognized as an expense in the accounts on a current basis.

*Deferred charges*

Deferred charges include costs incurred relating to an energy performance contract as disclosed in Note 12. The deferred charges are being amortized over the 9.75 year life of the energy performance contract.

*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 revenues and expenditures during the reporting periods. Actual results could differ from those estimates.

**3. ACCOUNTS RECEIVABLE**

	<u>2005</u>	<u>2004</u>
	\$	\$
Province of Newfoundland and Labrador - operating grant	144,199	546,831
Residents, insurers and other	712,656	567,229
HST rebate from federal government	148,606	87,555
	<u>1,005,461</u>	<u>1,201,615</u>

**ST. JOHN'S NURSING HOME BOARD**  
**(Regional Services and the Hoyles-Escasoni Complex)**  
**Notes to the Financial Statements**  
**March 31, 2005**

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**4. CAPITAL ASSETS**

	2005		2004	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Land	650,000	-	650,000	650,000
Buildings	23,104,867	8,941,904	14,162,963	14,507,413
Furniture and equipment	6,944,006	6,185,240	758,766	824,345
Computer equipment	566,758	486,562	80,196	118,082
Vehicles	259,558	208,440	51,118	87,633
	<b>31,525,189</b>	<b>15,822,146</b>	<b>15,703,043</b>	<b>16,187,473</b>
Assets acquired under capital lease	1,504,827	1,076,359	428,468	697,558
	<b>33,030,016</b>	<b>16,898,505</b>	<b>16,131,511</b>	<b>16,885,031</b>

**5. BANK INDEBTEDNESS**

The Board has an authorized line of credit of \$6,600,000, the full amount of which was available at year end. This line of credit bears interest at the bank's prime lending rate less 0.625% and is unsecured. At April 1, 2005, the authorized limit of this line of credit was reduced to \$3,400,000.

**6. DUE TO AFFILIATED ENTITIES**

	<u>2005</u>	<u>2004</u>
	\$	\$
Saint Luke's Home	(39,262)	(129,893)
Masonic Park-Nursing Home	(92,003)	(40,004)
The Salvation Army Glenbrook Lodge	(276,652)	(218,632)
St. Patrick's Mercy Home	(585,849)	(425,348)
The Agnes Pratt Home	(102,202)	(162,718)
	<b>(1,095,968)</b>	<b>(976,595)</b>



**ST. JOHN'S NURSING HOME BOARD**  
**(Regional Services and the Hoyles-Escasoni Complex)**  
**Notes to the Financial Statements**  
**March 31, 2005**

---

**7. OBLIGATIONS UNDER CAPITAL LEASE**

Future minimum payments under capital leases, together with the balance of the obligation due under capital leases are as follows for the year ending in:

	\$
2006	354,188
2007	354,188
<hr/>	
Total minimum lease payments	708,376
Less: amount representing interest	49,422
<hr/>	
	658,954
Less: current portion	318,928
<hr/>	
Balance of the obligation	340,026
<hr/>	

Interest has been imputed at 6.84%.

**8. DEFERRED CAPITAL CONTRIBUTIONS**

Deferred capital contributions represent the unamortized portion of restricted contributions relating to capital assets which will be reported in revenue in future accounting periods. Deferred capital contributions are amortized on a basis and at a rate consistent with the amortization rate for the related asset purchased.

The changes in deferred capital contribution balance for the year are as follows:

	<u>2005</u>	<u>2004</u>
	\$	\$
Balance, beginning of the year	3,518,270	3,111,414
Grants received	327,854	724,131
Amortization for the year	(295,105)	(317,275)
<hr/>		
Balance, end of the year	3,551,019	3,518,270
<hr/>		

**ST. JOHN'S NURSING HOME BOARD**  
**(Regional Services and the Hoyles-Escasoni Complex)**  
**Notes to the Financial Statements**  
**March 31, 2005**

---

**9. NET INVESTMENT IN CAPITAL ASSETS**

	<u>2005</u>	<u>2004</u>
	\$	\$
Capital assets, net	16,131,511	16,885,031
Current portion of obligations under capital lease	(318,928)	(298,183)
Obligations under capital lease	(340,026)	(667,201)
Deferred capital contributions	(3,551,019)	(3,518,270)
<b>Net investment in capital assets</b>	<b>11,921,538</b>	<b>12,401,377</b>

The excess of expenditures over revenue reported in the statement of changes in fund balances for net investment in capital assets includes the following:

	<u>2005</u>	<u>2004</u>
	\$	\$
Amortization of deferred capital contributions	295,105	317,275
Amortization of capital assets	(1,081,374)	(1,148,682)
	<b>(786,269)</b>	<b>(831,407)</b>

**10. CHANGES IN NON-CASH WORKING CAPITAL**

	<u>2005</u>	<u>2004</u>
	\$	\$
Accounts receivable	196,154	(314,693)
Inventory	75,848	(59,766)
Prepaid expenses	4,536	(15,174)
Accounts payable and accrued liabilities	548,288	(1,653,381)
Due to affiliated entities	119,373	93,860
Deferred operating grants	(50,000)	336,847
Deferred capital grants	(85,213)	(809,404)
Accrued vacation pay	7,700	161,377
	<b>816,686</b>	<b>(2,260,334)</b>

**ST. JOHN'S NURSING HOME BOARD**  
**(Regional Services and the Hoyles-Escasoni Complex)**  
**Notes to the Financial Statements**  
**March 31, 2005**

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**11. COMMITMENT TO FUND ACCUMULATED OPERATING DEFICIT**

The St. John's Nursing Home Board has committed to funding any accumulated operating deficit that arises within the six nursing homes as funding becomes available from the Department of Health and Community Services. For the year ended March 31, 2005, the accumulated deficit of the homes, including the Hoyles-Escasoni Complex, totals \$3,645,636 as disclosed in Schedule 4.

**12. CONTRACTUAL AGREEMENTS**

The Board entered into an Energy Performance Contract on August 11, 1998 with the Enerplan/Rose Group for the design, implementation and monitoring of energy efficiency improvements. The cost of the contract was \$5,605,094. Lump sum amounts aggregating \$1,008,555 have been paid and recorded as deferred charges with the remaining balance of \$4,596,439 being financed by the Enerplan/Rose Group through CitiCapital Technology Finance Limited. The deferred charge amount is being amortized at \$103,442 annually for 9.75 years while the payments to the Enerplan/Rose Group are \$56,833 per month over a period of 9.75 years.

The Enerplan/Rose Group has assigned its payments under the contract to CitiCapital Technology Finance Limited. As at March 31, 2005, the outstanding balance of the financing through the Enerplan/Rose Group was \$3,355,630. The Board's obligation for payment is limited to actual cost savings as the Enerplan/Rose Group has guaranteed the reduction in operating costs would equal or exceed the costs incurred under the contract.

Funding for the contract is from operating savings and has been approved in this manner by the Province of Newfoundland and Labrador. As a result, the monthly payments and the amortization of the deferred charges relating to lump sum amounts under the contract are being reported in the Board's operating statements as a normal operating cost.

**13. FINANCIAL INSTRUMENTS**

The carrying values of the financial instruments included in current assets and current liabilities approximate fair value due to the short term to maturity of these financial instruments. The carrying value of capital lease obligations approximates fair value based upon current borrowing rates available to the Board.

**14. CONTINGENCIES**

A number of claims have been filed against the Board. No provision has been recorded in the accounts for these claims as the Board does not expect to incur any significant liability, and an estimate of loss, if any, is not determinable at this time.

**ST. JOHN'S NURSING HOME BOARD**  
**(Regional Services and the Hoyles-Escasoni Complex)**  
**Schedule of Expenditures for Government Reporting**  
**Year ended March 31, 2005**

	2005		2004	
	Regional	Hoyles-Escasoni	Total	Total
	\$	\$	\$	\$
<b>ADMINISTRATION</b>				
Executive offices	945,403	201,023	1,146,426	1,083,818
Finance	945,898	-	945,898	977,698
Human resources	918,820	-	918,820	1,106,498
Information systems	678,918	-	678,918	582,397
Materials management	432,440	-	432,440	378,847
Telecommunications	14,642	73,370	88,012	132,821
Planning and development	229,190	-	229,190	364,043
Quality initiatives	108,525	-	108,525	100,582
Volunteer services	66,302	-	66,302	64,455
Public relations	76,327	-	76,327	63,365
	<b>4,416,465</b>	<b>274,393</b>	<b>4,690,858</b>	<b>4,854,524</b>
<b>SUPPORT SERVICES</b>				
Food services	-	3,863,623	3,863,623	3,867,357
Housekeeping	-	1,704,544	1,704,544	1,799,807
Plant operations	211,396	1,495,627	1,707,023	1,474,971
Laundry	1,021,613	395,622	1,417,235	1,437,877
Plant maintenance	156,493	537,247	693,740	826,409
Resident transportation	6	55,291	55,297	73,184
Security	49,675	14,302	63,977	37,449
	<b>1,439,183</b>	<b>8,066,256</b>	<b>9,505,439</b>	<b>9,517,054</b>
<b>NURSING/INPATIENT SERVICES</b>				
Nursing services	719,847	16,312,826	17,032,673	17,440,782
Nursing administration	-	883,936	883,936	733,668
Medical administration	52,222	-	52,222	53,105
	<b>772,069</b>	<b>17,196,762</b>	<b>17,968,831</b>	<b>18,227,555</b>
<b>DIAGNOSTIC AND THERAPEUTIC SERVICES</b>				
Recreation therapy	75,625	451,368	526,993	571,696
Physiotherapy	345,294	67,352	412,646	501,876
Social work	87,817	271,553	359,370	380,655
Clinical nutrition	300,771	-	300,771	310,604
Occupational therapy	268,703	3,062	271,765	293,529
	<b>1,078,210</b>	<b>793,335</b>	<b>1,871,545</b>	<b>2,058,360</b>
<b>EDUCATION</b>				
	85,633	-	85,633	103,641
<b>INTEREST LONG-TERM DEBT, MUNICIPAL</b>				
TAXES AND INSURANCE	50,066	88,369	138,435	160,208
<b>OTHER</b>				
	-	-	-	218,223
	<b>7,841,626</b>	<b>26,419,115</b>	<b>34,260,741</b>	<b>35,139,565</b>

**ST. JOHN'S NURSING HOME BOARD**  
**(Regional Services and the Hoyles-Escasoni Complex)**  
**Schedule of Revenues and Expenditures for Government Reporting**  
**Year ended March 31, 2005**

	2005			2004
	<u>Regional</u>	<u>Hoyles- Escasoni</u>	<u>Total</u>	<u>Total</u>
	\$	\$	\$	\$
REVENUE				
Provincial plan	39,035,568	20,574,537	59,610,105	60,484,861
Less: paid to nursing homes	(29,488,915)	-	(29,488,915)	(29,941,412)
	9,546,653	20,574,537	30,121,190	30,543,449
Residents	-	4,299,054	4,299,054	4,209,707
Other	118,176	708,936	827,112	789,494
	9,664,829	25,582,527	35,247,356	35,542,650
EXPENDITURES				
Salaries	5,553,206	18,239,313	23,792,519	24,310,822
Employee benefits	1,166,221	4,085,641	5,251,862	5,613,258
Supplies - regular	1,909,303	2,946,982	4,856,285	4,832,803
Supplies - drugs	3,151	101,905	105,056	112,762
Supplies - medical and surgical	307	208,686	208,993	188,324
Lease - interest	46,026	-	46,026	81,596
Lease - principal	306,430	-	306,430	271,026
	8,984,644	25,582,527	34,567,171	35,410,591
SURPLUS ON OPERATIONS	680,185	-	680,185	132,059
Long term debt - principal	306,430	-	306,430	271,026
BOARD FUND OPERATIONS	(157,613)	-	(157,613)	(188,402)
SURPLUS BEFORE NON-SHAREABLE ITEMS	829,002	-	829,002	214,683
ADJUSTMENT FOR NON-SHAREABLE ITEMS:				
Amortization of deferred capital contributions	100,163	194,942	295,105	317,275
Amortization of capital assets	(369,233)	(712,141)	(1,081,374)	(1,148,682)
Accrued vacation	(44,661)	36,961	(7,700)	(161,377)
Accrued severance	(45,718)	(187,164)	(232,882)	(88,059)
EXCESS OF REVENUE OVER EXPENDITURES (EXPENDITURES OVER REVENUE)	469,553	(667,402)	(197,849)	(866,160)


**ST. JOHN'S NURSING HOME BOARD**  
**(Regional Services and the Hoyles-Escasoni Complex)**  
**Schedule of Capital Transactions Funding and Expenditures**  
**for Government Reporting**  
**Year ended March 31, 2005**

	<u>2005</u>	<u>2004</u>
	\$	\$
<b>SOURCE OF FUNDS</b>		
Deferred capital grant from prior year	1,005,589	1,814,993
Provincial capital grant in current year	849,100	734,074
Transfer from operations	160,000	-
Transfer from board fund	119,903	-
Contributions from other sources	2,667	-
Transfer to operating grant	(80,300)	(80,300)
Transfers to nursing homes	(903,789)	(602,266)
Transfer to deferred operating grant	-	(160,600)
Capital contribution from Charitable Golf Tournament	27,951	23,328
Capital contribution from Hoyles-Escasoni Foundation Inc.	67,109	491
Deferred capital grant from current year	(920,376)	(1,005,589)
	<u>327,854</u>	<u>724,131</u>
<b>EXPENDITURES</b>		
Purchase of capital assets	327,854	724,131
	<u>327,854</u>	<u>724,131</u>
<b>SURPLUS (DEFICIT) ON CAPITAL PURCHASES</b>	-	-

**ST. JOHN'S NURSING HOME BOARD**  
**(Regional Services and the Hoyles-Escasoni Complex)**  
**Schedule of Accumulated Operating Deficit**  
**for Government Reporting**  
**Year ended March 31, 2005**

	<u>2005</u>	<u>2004</u>
	\$	\$
<b>CURRENT ASSETS</b>		
Cash	176,463	-
Accounts receivable	1,005,461	1,201,615
Inventory	226,554	302,402
Prepaid expenses	42,041	46,577
	<u>1,450,519</u>	<u>1,550,594</u>
<b>CURRENT LIABILITIES</b>		
Bank indebtedness and short term loan	-	1,258,537
Accounts payable and accrued liabilities	2,719,211	2,170,923
Due to affiliated entities	1,095,968	976,595
Deferred operating grants	360,600	410,600
Deferred capital grants	920,376	1,005,589
	<u>5,096,155</u>	<u>5,822,244</u>
<b>ACCUMULATED OPERATING DEFICIT</b>	<b><u>(3,645,636)</u></b>	<b><u>(4,271,650)</u></b>

**St. John's Regional Health and Community  
Services Board  
Consolidated Financial Statements  
March 31, 2005**

**Grant Thornton **



## Auditors' Report

To the Chairperson and Members of the  
**Eastern Regional Integrated Health Authority**

We have audited the consolidated statement of financial position of **St. John's Regional Health and Community Services Board** at March 31, 2005 and the consolidated statements of operations, changes in net assets (deficiency) and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2005 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Grant Thornton LLP*

St. John's, Newfoundland  
June 8, 2005

Grant Thornton LLP  
Chartered Accountants

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**St. John's Regional Health and Community  
Services Board  
Consolidated Statement of Operations**

Year Ended March 31	2005	2004
Revenue		
Provincial Plan	\$ 80,160,845	\$ 78,566,522
Interest and other	<u>583,115</u>	<u>426,170</u>
	<u>80,743,960</u>	<u>78,992,692</u>
Cost of services		
Administration	6,426,791	6,595,482
Client services programs		
Addictions	1,254,337	1,238,909
Continuing Care	15,174,816	14,494,410
Health Promotion and Protection	4,917,875	5,544,620
Mental Health	3,993,375	3,864,628
Child, Youth and Family Services	25,081,006	23,969,142
Family and Rehabilitation	26,448,201	24,452,575
Community Corrections	1,120,292	1,182,435
Board Fund expenditures	<u>160,918</u>	<u>164,220</u>
	<u>84,577,611</u>	<u>81,506,421</u>
Deficit prior to non-shareable items	(3,833,651)	(2,513,729)
Non-shareable operating items		
Amortization of government capital assistance	113,115	109,319
Vacation pay	(230,603)	(240,663)
Depreciation	(192,070)	(199,683)
Severance pay	<u>(206,079)</u>	<u>(418,486)</u>
Deficiency of revenue over cost of services	<u>\$ (4,349,288)</u>	<u>\$ (3,263,242)</u>

See accompanying notes to the consolidated financial statements.

**St. John's Regional Health and Community  
Services Board**

**Consolidated Statement of Financial Position**

March 31 2005 2004

**Assets**

Current

Receivables	\$ 1,710,688	\$ 1,825,246
Prepays	<u>954,612</u>	<u>743,860</u>
	2,665,300	2,569,106

Capital assets (Note 3)	<u>1,780,963</u>	<u>1,852,903</u>
	<u>\$ 4,446,263</u>	<u>\$ 4,422,009</u>

**Liabilities**

Current

Bank indebtedness (Note 4)	\$ 6,306,763	\$ 3,885,288
Payables and accruals	5,137,053	3,991,551
Advance for Breast Screening Project (Note 5)	1,130,809	1,001,385
Vacation pay payable	1,897,814	1,667,211
Deferred revenue	2,653,734	2,349,391
Current portion of long term debt	<u>74,126</u>	<u>69,808</u>

17,200,299 12,964,634

Severance pay payable 4,218,113 4,012,034

Long term debt (Note 6) 928,021 1,002,147

Deferred government capital assistance (Note 7) 319,833 313,909

22,666,266 18,292,724

**Net Assets (Deficiency)**

Net assets invested in capital assets (Note 8) 458,983 467,039

Deficiency - Operating Fund (18,706,861) (14,552,791)

Unrestricted net assets - Board Fund 27,875 215,037

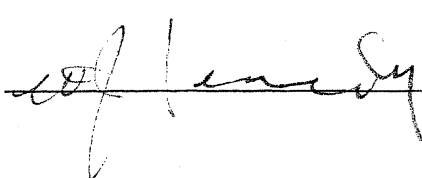
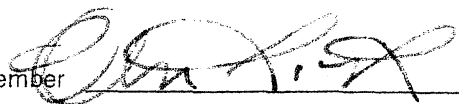
(18,220,003) (13,870,715)

\$ 4,446,263 \$ 4,422,009

Commitments (Note 10)

Contingencies (Note 11)

On behalf of the Board


Member

Member

See accompanying notes to the consolidated financial statements.

**St. John's Regional Health and Community Services Board**  
**Consolidated Statement of Changes in Net Assets (Deficiency)**

Year Ended March 31

2005 2004

	Net Assets Invested in Capital Assets	Deficiency Operating Fund	Unrestricted Net Assets Board Fund	Total	Total
Balances, beginning of year	\$ 467,039	\$ (14,552,791)	\$ 215,037	\$ (13,870,715)	\$ (10,607,473)
Deficiency of revenue over cost of services	(78,955)	(4,053,171)	(187,162)	(4,349,288)	(3,263,242)
Transfer for capital asset	1,091	(1,091)	-	-	-
Transfer for debt repayment	69,808	(69,808)	-	-	-
Balances, end of year	\$ 458,983	\$ (18,706,861)	\$ 27,875	\$ (18,220,003)	\$ (13,870,715)

Deficiency comprised of:

Balance prior to accrual for unfunded items	\$ 12,590,934
Vacation pay payable	1,897,814
Severance pay payable	4,218,113
	\$ 18,706,861

See accompanying notes to the consolidated financial statements.

Grant Thornton

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# St. John's Regional Health and Community Services Board

## Consolidated Statement of Cash Flows

Year Ended March 31

2005

2004

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Increase (decrease) in cash and cash equivalents

### Operating

Deficiency of revenue over cost of services	\$ (4,349,288)	\$ (3,263,242)
Amortization of government capital assistance	(113,115)	(109,319)
Depreciation	192,070	199,683
Severance pay	<u>206,079</u>	<u>418,486</u>
	(4,064,254)	(2,754,392)

Change in non-cash operating  
working capital (Note 9)

1,713,678      2,139,770

(2,350,576)      (614,622)

### Financing and Investing

Proceeds from long term debt	-	500,000
Repayment of long term debt	(69,808)	(49,921)
Capital contributions from Provincial Plan	119,039	91,337
Purchase of capital assets	(120,130)	(765,667)
(Decrease) increase in bank borrowings	<u>(3,275,000)</u>	<u>25,000</u>
	<u>(3,345,899)</u>	<u>(199,251)</u>

Net decrease in cash and cash equivalents

(5,696,475)      (813,873)

Cash and cash equivalents (Note 4)

Beginning of year      (610,288)      203,585

End of year      \$ (6,306,763)      \$ (610,288)

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See accompanying notes to the consolidated financial statements.

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# St. John's Regional Health and Community Services Board

## Notes to the Consolidated Financial Statements

March 31, 2005

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### 1. Nature of operations

#### Operating Fund

The Operating Fund is used to account for the operating activities of the Organization provided through the following programs: Addictions; Continuing Care; Health Promotion and Protection; Mental Health; Child, Youth and Family Services; Family and Rehabilitation; and Community Corrections. These health care services are provided in the areas of St. John's, Mount Pearl, Bell Island, Conception Bay South and the Southern Shore to St. Shotts and are delivered under the name Health and Community Services – St. John's Region.

Any investment revenue and interest earned on the operating accounts are credited to the Board Fund. The operations of the Board are conducted under the name St. John's Regional Health and Community Services Board - Board Fund.

#### Board Fund

The Board Fund is used to provide for any discretionary spending of the Board of Directors and as such excludes any cost shareable operating activities. The investment revenue and the interest earned on the operating account are fully credited to the Board Fund. The Board Fund may be used to partially offset any Operating Fund deficits.

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### 2. Significant accounting policies

#### Use of estimates

In preparing the organization'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 reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

#### Revenue recognition

St. John's Regional Health and Community Services Board follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Provincial Plan revenue is recognized when received or receivable for the fiscal year for which the amounts are approved by the Department of Health and Community Services.

#### Pension costs

Employees of the Board 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 Board. The annual contributions for pensions are recognized in the accounts on a current basis. Contributions paid and expensed by the organization for the year ended March 31, 2005 amounted to \$1,748,318.

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**St. John's Regional Health and Community  
Services Board**  
**Notes to the Consolidated Financial Statements**

March 31, 2005

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**2. Significant accounting policies (cont'd).**

**Cash and cash equivalents**

Cash and cash equivalents include cash on hand and balances with banks (net of overdraft). Bank borrowings are considered to be financing activities.

**Capital assets and depreciation**

Purchases of minor equipment are charged to cost of services in the year they are purchased. Major equipment purchases are recorded at their full cost under capital assets.

Rates and bases of depreciation applied to write-off the cost of capital assets over their estimated lives are as follows:

Buildings	4%, declining balance
Furniture and equipment	20%, declining balance
Medical equipment	20%, declining balance
Computer equipment	30%, declining balance
Leasehold improvements	10%, straight-line

**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**

A liability for severance pay is recorded in the accounts for all employees who have a vested right to receive such payments. No provision for the ultimate severance pay liability is made in the accounts for any employee who has less than nine years of continuous service.

**Government capital assistance**

Government grants relating to the acquisition of capital assets are recorded as deferred credits and amortized on the same basis as the related asset is depreciated. During the year a grant of \$119,039 (2004 - \$91,337) was received from the Department of Health and Community Services.

**Medical supplies**

Medical supplies are charged to cost of services when purchased.

**St. John's Regional Health and Community  
Services Board**  
**Notes to the Consolidated Financial Statements**

March 31, 2005

3. Capital assets		<u>2005</u>		<u>2004</u>
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ 20,000		\$ 20,000	\$ 20,000
Buildings	1,510,092	\$ 325,477	1,184,615	1,233,974
Furniture and equipment	796,711	579,348	217,363	247,031
Medical equipment	278,617	199,348	79,269	77,392
Computer equipment	947,682	689,018	258,664	250,766
Leasehold improvements	26,875	5,823	21,052	23,740
	<u>\$ 3,579,977</u>	<u>\$ 1,799,014</u>	<u>\$ 1,780,963</u>	<u>\$ 1,852,903</u>

4. Bank indebtedness		<u>2005</u>	<u>2004</u>
Operating line of credit			\$ (3,275,000)
Cash and cash equivalents		\$ (6,306,763)	(610,288)
		<u>\$ (6,306,763)</u>	<u>\$ 3,885,288</u>

The organization had an operating line of credit of \$8,500,000 supported by an authorization to borrow from the Province. This authority to borrow and related line of credit expired on March 31, 2005 and was transferred to the Eastern Regional Integrated Health Authority on April 1, 2005 as disclosed in Note 13.

**5. Advance for Breast Screening Project**

The Breast Screening Project is a project of the Department of Health and Community Services and does not fall within the responsibility or accountability of Health and Community Services - St. John's Region. The funding for this project is channelled through Health and Community Services - St. John's Region who pay the project expenses on behalf of the Department of Health and Community Services, and any unexpended funds are repayable to the Department of Health and Community Services.

6. Long term debt		<u>2005</u>	<u>2004</u>
5.35% Toronto Dominion Bank term loan, amortized to December 2018, repayable in equal monthly instalments of principal and interest of \$4,030.		\$ 472,011	\$ 494,465
6.41% Toronto Dominion Bank term loan, amortized to March 2012, repayable in equal monthly instalments of principal and interest of \$5,591.		378,536	420,228



**St. John's Regional Health and Community  
Services Board**  
**Notes to the Consolidated Financial Statements**

March 31, 2005

6. Long term debt (cont'd.)	<u>2005</u>	<u>2004</u>
6.45% Newfoundland and Labrador Housing Corporation mortgage, amortized to July 1, 2020, repayable in equal monthly instalments of principal and interest of \$1,293, secured by the property to which it relates.	<u>151,600</u>	<u>157,262</u>
	1,002,147	1,071,955
Less: current portion	<u>74,126</u>	<u>69,808</u>
	<u>\$ 928,021</u>	<u>\$ 1,002,147</u>

Principal repayments in each of the next five years are due as follows:  
2006 - \$74,126; 2007 - \$78,713; 2008 - \$83,542; 2009 - \$88,757; 2010 - \$94,253

Revenue other - includes a mortgage subsidy from Newfoundland and Labrador Housing Corporation (NLHC) in the amount of \$7,009 related to the above NLHC mortgage.

**7. Deferred government capital assistance**

Deferred contributions related to capital assets represent contributed capital assets and restricted contributions for the acquisition of capital assets. The changes in the deferred contributions balance for the year are as follows:

	<u>2005</u>	<u>2004</u>
Balance, beginning of year	\$ 313,909	\$ 331,891
Add: Capital contributions from Provincial Plan	119,039	91,337
Less: Amount amortized to revenue	<u>(113,115)</u>	<u>(109,319)</u>
Balance, end of year	<u>\$ 319,833</u>	<u>\$ 313,909</u>

8. Net assets invested in capital assets	<u>2005</u>	<u>2004</u>
Capital assets	\$ 1,780,963	\$ 1,852,903
Amounts financed by:		
Long term debt	(1,002,147)	(1,071,955)
Deferred government capital assistance	<u>(319,833)</u>	<u>(313,909)</u>
	<u>\$ 458,983</u>	<u>\$ 467,039</u>

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# St. John's Regional Health and Community Services Board

## Notes to the Consolidated Financial Statements

March 31, 2005

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9. Supplemental cash flow information	<u>2005</u>	<u>2004</u>
Change in non-cash operating working capital		
Receivables	\$ 114,558	\$ 2,401,906
Prepays	(210,752)	101,982
Payables and accruals	1,145,502	(1,136,887)
Advance for Breast Screening Project	129,424	223,027
Vacation pay payable	230,603	240,664
Deferred revenue	<u>304,343</u>	<u>309,078</u>
	<u>\$ 1,713,678</u>	<u>\$ 2,139,770</u>
Interest paid	<u>\$ 61,160</u>	<u>\$ 44,781</u>

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### 10. Commitments

The organization is committed to minimum annual rentals under lease agreements for office space and equipment as follows:

2006	\$ 1,323,535
2007	1,287,040
2008	1,103,635
2009	892,598
2010	889,088

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### 11. Contingencies

The Board has received notices of claims or intent to claim from several third parties. A provision for claims has been recorded where an amount is determinable. For other claims, no provision has been made either because the Board is not expected to incur any significant liability, or because an estimate of loss, if any, is not determinable at this time.

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### 12. Financial instruments

Fair values of financial instruments are disclosed in the notes to the financial statements when they differ from the carrying amounts. Where amounts receivable and payable are subject to normal credit terms, their carrying amount is used as an approximation of their fair values.

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### 13. Subsequent event

Effective April 1, 2005, the Board's operations including all assets and liabilities are assumed under the authority of the Eastern Regional Integrated Health Authority.



**STUDENT LOAN CORPORATION OF  
NEWFOUNDLAND AND LABRADOR**

**FINANCIAL STATEMENTS**

**31 MARCH 2005**



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

**AUDITOR'S REPORT**

To the Board of Directors  
Student Loan Corporation of Newfoundland and Labrador  
St. John's, Newfoundland and Labrador

I have audited the balance sheet of the Student Loan Corporation of Newfoundland and Labrador as at 31 March 2005 and the statements of revenues, expenses and deficit, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 March 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink, appearing to read 'John L. Noseworthy'.

**JOHN L. NOSEWORTHY, C.A.**  
**Auditor General**

St. John's, Newfoundland and Labrador  
15 June 2005

**STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR**  
**BALANCE SHEET**  
**31 March**

**2005**

**2004**

**ASSETS**

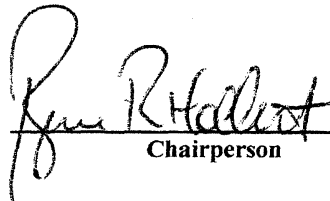
Cash	\$ 4,063,817	\$ 4,999,332
Accounts receivable	-	3,015,004
Student loans receivable (Note 2)	<u>185,229,195</u>	<u>176,902,984</u>
	189,293,012	184,917,320
<b>Capital assets (Note 3)</b>	<u>43,880</u>	<u>-</u>
	<u>\$ 189,336,892</u>	<u>\$ 184,917,320</u>

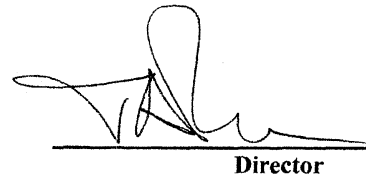
**LIABILITIES AND DEFICIT**

Accounts payable and accrued liabilities	\$ 245,452	\$ 60,367
Notes payable (Note 4)	<u>213,000,000</u>	<u>213,000,000</u>
	213,245,452	213,060,367
<b>Deficit</b>	<u>(23,908,560)</u>	<u>(28,143,047)</u>
	<u>\$ 189,336,892</u>	<u>\$ 184,917,320</u>

*See accompanying notes*

Signed on behalf of the Board:

  
 \_\_\_\_\_  
 Chairperson

  
 \_\_\_\_\_  
 Director

**STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR**  
**STATEMENT OF REVENUES, EXPENSES AND DEFICIT**  
For the year ended 31 March 2005 (with comparatives for the  
period 30 March 2004 to 31 March 2004)

	2005	2004
<b>REVENUES</b>		
Provincial grant revenue	\$ 16,624,719	\$ 2,190,106
Federal grant revenue	2,906,896	-
Student loan interest	9,525,669	751,354
Interest revenue	175,004	-
Other revenue	794	-
	<b>29,233,082</b>	<b>2,941,460</b>
<b>EXPENSES</b>		
Administrative fees	1,471,188	-
Amortization	851	-
Bad debt expense	8,368,655	28,798,516
Bank charges	12,299	35
Commission expense	-	95,850
Grant expense – Provincial	4,277,914	2,190,106
Grant expense – Federal	2,906,896	-
Interest expense	5,032,092	-
Interest relief expense	1,861,293	-
Miscellaneous expenses	488	-
Operating expenses	143,015	-
Salaries	390,067	-
Transition fees	533,837	-
	<b>24,998,595</b>	<b>31,084,507</b>
<b>Excess of revenues over expenses</b>		
<b>(expenses over revenues)</b>	<b>4,234,487</b>	<b>(28,143,047)</b>
<b>Deficit, beginning of period</b>	<b>(28,143,047)</b>	<b>-</b>
<b>Deficit, end of period</b>	<b>\$ (23,908,560)</b>	<b>\$ (28,143,047)</b>

*See accompanying notes*

**STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR  
STATEMENT OF CASH FLOWS**

For the year ended 31 March 2005 (with comparatives for the  
period 30 March 2004 to 31 March 2004)

	2005	2004
<b>Cash flows from operating activities</b>		
Excess of revenues over expenses (expenses over revenues)	\$ 4,234,487	\$ (28,143,047)
Add non-cash items		
Amortization	851	-
Bad debt expense	8,368,655	28,798,516
	<b>12,603,993</b>	<b>655,469</b>
Changes in non-cash operating items		
Accounts receivable	3,015,004	(3,015,004)
Accounts payable and accrued liabilities	185,085	60,367
Student loans receivable (Note 2)	(16,694,866)	(205,701,500)
	<b>(890,784)</b>	<b>(208,000,668)</b>
<b>Cash flows from investing activities</b>		
Acquisition of capital assets	(44,731)	-
<b>Cash flows from financing activities</b>		
Proceeds from notes payable	-	213,000,000
<b>Increase (decrease) in cash</b>	<b>(935,515)</b>	<b>4,999,332</b>
<b>Cash, beginning of period</b>	<b>4,999,332</b>	<b>-</b>
<b>Cash, end of period</b>	<b>\$ 4,063,817</b>	<b>\$ 4,999,332</b>

*See accompanying notes*



**STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 MARCH 2005**

---

**Authority**

The Student Loan Corporation of Newfoundland and Labrador was established on 30 March 2004 under the authority of the *Student Financial Assistance Act*. The objective of the Corporation is to act as the lender for all Provincial student loans. The affairs of the Corporation are managed by a Board of Directors comprised of senior government officials.

**1. Significant accounting policies**

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

Capital assets

All capital assets are recorded at cost at the time of acquisition. Amortization is calculated using the straight-line method based on the expected future life of all assets as follows:

Computer software	7 years
Computer hardware	4 years

**2. Student loans receivable**

The student loan portfolio consists of Provincial loans issued on or after 1 August 2000 and Provincial loans issued prior to 1 August where the student was still in school and did not receive additional loans.

As at 31 March 2005 approximately 20,100 loans totalling \$116,195,273 (2004 - 17,500 loans totalling \$113,061,539) were being repaid at an average interest rate of prime plus 2.5% (Class B loans) while 13,300 loans totalling \$83,061,338 (2004 - 13,500 loans totalling \$91,888,607) were not being repaid as the student was either still in attendance at an approved education institution or was within 6 months after the end of the study period (Class A loans).

**STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 MARCH 2005**

**2. Student loans receivable (cont.)**

Student loans receivable consist of the following:

	<u>2005</u>	<u>2004</u>
<b>Loans receivable</b>		
Class B principal	\$ 116,195,273	\$ 113,061,539
Class A principal	83,061,338	91,888,607
Loans defaulted	20,488,903	-
Interest receivable	2,650,852	751,354
	<u>222,396,366</u>	<u>205,701,500</u>
Less: allowance for doubtful accounts	(37,167,171)	(28,798,516)
	<u>\$ 185,229,195</u>	<u>\$ 176,902,984</u>

The allowance for doubtful accounts represents the Corporation's best estimate of future probable losses with respect to loans receivable. The estimation of an appropriate allowance involves significant judgment. These financial statements represent management's best estimates based on available information.

The net increase in student loans receivable during the year consists of the following:

	<u>2005</u>	<u>2004</u>
Student loans purchased	\$ -	\$ 207,140,252
Student loan interest	9,525,669	751,354
Interest relief	(1,861,293)	-
Student loan grants	(7,184,810)	(2,190,106)
Student loans disbursed	30,258,439	-
Student loan payments	(14,043,139)	-
	<u>\$ 16,694,866</u>	<u>\$ 205,701,500</u>

**3. Capital assets**

	<u>2005</u>			<u>2004</u>
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer software	\$ 42,551	\$ 669	\$ 41,882	\$ -
Computer hardware	2,180	182	1,998	-
	<u>\$ 44,731</u>	<u>\$ 851</u>	<u>\$ 43,880</u>	<u>\$ -</u>

**STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 MARCH 2005**

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**4. Notes payable**

	<u>2005</u>	<u>2004</u>
Issue of floating rate notes dated 31 March 2004 maturing 30 September 2005 and bearing interest at the 3-month Canadian Bankers' Acceptance rate plus 3 basis points, payable quarterly.	<u>\$ 213,000,000</u>	<u>\$ 213,000,000</u>

**5. Related party transactions**

The Province unconditionally guarantees the principal and interest outstanding on the notes payable of \$213,000,000.

**6. Economic dependence**

As a result of its reliance on the Government of Newfoundland and Labrador to address the future funding requirements of the student loans program, the Corporation's ability to continue is dependent upon the decisions of Government.

**7. Financial instruments**

The Corporation's short-term financial instruments recognized on the balance sheet consist of cash, and accounts payable and accrued liabilities. The carrying values of these instruments approximate current fair value due to their nature and short-term maturity associated with them.

The Corporation's long-term financial instruments recognized on the balance sheet consist of student loans receivable and notes payable. The student loans receivable are reported at cost with provision being made for any decline in their value. Therefore, no further credit risk exists relating to these loans. The Corporation's notes payable is at a floating rate determined by the 3-month Canadian Bankers' Acceptance rate plus 3 basis points, maturing in September 2005. This may subject the Corporation to interest rate risk caused by changes in the interest rate. The carrying values of these long-term financial instruments approximate their current fair value.

**8. 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.

**9. Comparative figures**

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

**THE ROOMS CORPORATION OF  
NEWFOUNDLAND AND LABRADOR INC.  
FINANCIAL STATEMENTS  
31 MARCH 2004**



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

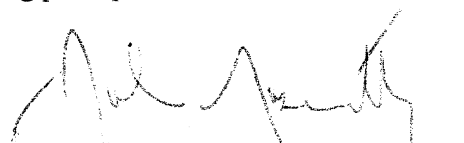
**AUDITOR'S REPORT**

To the Chairperson and Members  
The Rooms Corporation of  
Newfoundland and Labrador Inc.  
St. John's, Newfoundland and Labrador

I have audited the balance sheet of The Rooms Corporation of Newfoundland and Labrador Inc. as at 31 March 2004 and the statements of revenues, expenses and surplus, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 March 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

  
**JOHN L. NOSEWORTHY, C.A.**  
**Auditor General**

St. John's, Newfoundland and Labrador  
17 September 2004

**THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR INC.**  
**BALANCE SHEET**  
**31 March** **2004**

**ASSETS**

**Current**

Cash	\$ 1,290,170
Accounts receivable (Note 2)	180,452
Inventory	680

1,471,302

**Restricted cash (Note 3)** **25,000**

**Capital assets (Note 4)** **117,504**

\$ 1,613,806

**LIABILITIES AND SHAREHOLDER'S EQUITY**

**Current**

Accounts payable and accrued liabilities (Note 6)	\$ 303,373
Deferred revenue (Note 7)	762,246

1,065,619

**Shareholder's equity**

Share capital (Note 8)

Authorized and issued  
 500 common shares of no par value 1

Surplus 548,186

548,187

\$ 1,613,806

*See accompanying notes*

Signed on behalf of the Board of Directors:   
 Chairperson

\_\_\_\_\_  
 Member

**THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR INC.**  
**STATEMENT OF REVENUES, EXPENSES AND SURPLUS**  
**For the Year Ended 31 March**

2004

**REVENUES**

Province of Newfoundland and Labrador	\$ 4,127,057
Fees	157,793
External funding	156,443
Government of Canada	133,609
Donations	44,690
	4,619,592

**EXPENSES (See Schedule)**

Advertising	70,806
Amortization expense	19,787
Appraisals and acquisitions	68,080
Building expenses	128,328
Building readiness and moving	49,335
Conference and registration fees	7,127
Education and outreach	3,009
Exhibits	189,884
Meetings and openings	26,214
Office equipment	12,965
Office supplies	47,259
Professional services	106,975
Salaries and benefits	3,174,025
Telecommunications and courier	54,702
Travel	112,910
	4,071,406

<b>Excess of revenues over expenses</b>	<b>548,186</b>
<b>Surplus, beginning of year</b>	<b>-</b>
<b>Surplus, end of year</b>	<b>\$ 548,186</b>

*See accompanying notes*

**THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR INC.**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended 31 March**

**2004**

**Cash flows from operating activities**

Excess of revenues over expenses	\$ 548,186
Add non-cash items:	
Amortization expense	19,787
	<u>567,973</u>
Net change in non-cash working capital items	<u>884,487</u>
	<u>1,452,460</u>

**Cash flows from investing activities**

Purchase of capital assets	(137,291)
Restricted cash	(25,000)
	<u>(162,291)</u>

**Cash flows from financing activities**

Proceeds from issuance of share capital	<u>1</u>
	<u>1</u>
<b>Increase in cash</b>	<b>1,290,170</b>
<b>Cash, beginning of year</b>	<b>-</b>
<b>Cash, end of year</b>	<b>\$ 1,290,170</b>

*See accompanying notes*



**THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2004**

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**Authority**

The Rooms Corporation of Newfoundland and Labrador Inc. (the Corporation) was incorporated under the *Corporations Act* on 18 November 2002. All shares of the Corporation are held by the Minister of Tourism, Culture and Recreation on behalf of the Province. The purpose of the Corporation was to take control of the Provincial Archives, the Provincial Museum and the Art Gallery of Newfoundland and Labrador and all their ancillary organizations, activities and assets and to arrange for their transfer to the Fort Townsend locations in St. John's, Newfoundland and Labrador. The Corporation shall have responsibility for all aspects of the management and operation of these organizations and is accountable to the Minister of Tourism, Culture and Recreation. Its affairs are governed by a Board of Directors appointed by the Lieutenant-Governor in Council.

**1. 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) Capital assets**

Capital assets to which the Corporation has title are recorded at cost at the time of acquisition. Amortization is calculated on a straight line basis as follows:

Computer equipment and software – 3 years  
 Furniture and equipment – 7 years

**(b) Deferred revenue**

The Corporation follows the deferred method with respect to externally restricted revenue.

**2. Accounts receivable**

	<b>2004</b>
Province of Newfoundland and Labrador	\$ 58,092
Harmonized sales tax	44,074
Newfoundland and Labrador Heritage Corporation	39,377
Association of Newfoundland and Labrador Archives	24,586
Vancouver Museum Commission	8,508
Government of Canada	5,358
Other	457
	<b>\$ 180,452</b>

**THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2004**

**3. Restricted cash**

During the year, the Corporation received \$25,000 from a private donor to be deposited into an endowment fund for the future use of the Corporation. These funds have been deposited in the general bank account waiting for the endowment fund to be set up.

**4. Capital assets**

	<b>2004</b>		
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>
Computer equipment and software	\$ 104,782	\$ 17,464	\$ 87,318
Furniture and equipment	32,508	2,322	30,186
Capital assets transferred to the Corporation (Note 5)	1	1	-
	<b>\$ 137,291</b>	<b>\$ 19,787</b>	<b>\$ 117,504</b>

**5. Capital assets transferred to the Corporation**

During the year, the Corporation assumed title to the capital assets of the Provincial Archives, the Provincial Museum and the Art Gallery of Newfoundland and Labrador. The costs and accumulated amortization of these assets are unknown and a reasonable estimate of the amounts involved could not be determined. Therefore, the cost has been recorded as \$1 and the accumulated amortization has been recorded at \$1.

**6. Accounts payable and accrued liabilities**

	<b>2004</b>
Accounts payable	\$ 205,118
Accrued liabilities	80,377
Due to Newfoundland and Labrador Heritage Corporation	17,878
	<b>\$ 303,373</b>

**7. Deferred revenue**

	<b>2004</b>
Province of Newfoundland and Labrador	\$ 488,898
Government of Canada	217,625
Other	55,723
	<b>\$ 762,246</b>

**THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2004**

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**8. Share capital**

Share capital consists of:

Authorized  
500 common shares of no par value

Issued and Outstanding  
500 common shares

The Minister of Tourism, Culture and Recreation holds 500 shares on behalf of the Province of Newfoundland and Labrador.

**9. Related party transactions**

The Corporation is administered by employees of the Department of Tourism, Culture and Recreation. Salaries and other costs of operations are paid directly by the Department and are reimbursed by the Corporation.

**10. Commitments**

The Corporation has entered into contracts representing commitments of \$120,424 for work which was not performed as of 31 March 2004.

**11. Comparatives**

This is the first year of operations for the Corporation. Therefore, there are no comparative figures in these financial statements.

**12. Financial instruments**

The Corporation's financial instruments recognized on the balance sheet consist of cash, accounts receivable, and accounts payable and accrued liabilities, the carrying values of which approximate fair value due to the short-term maturity or current value associated with these instruments.

**13. Economic dependence**

As a result of its reliance on future transfers from the Province of Newfoundland and Labrador to ultimately finance its costs of operations, the Corporation's ability to continue is dependent upon the decisions of Government.

**14. 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.

**THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR INC.**  
**SCHEDULE OF EXPENSES**  
**For the Year Ended 31 March 2004**

	<b>Museum</b>	<b>Archives</b>	<b>Art Gallery</b>	<b>Marketing &amp; Communications</b>	<b>Building Operations and Finance</b>	<b>Total</b>
Advertising	\$9,225	\$ -	\$ -	\$61,581	\$ -	\$70,806
Amortization expense	-	-	-	-	19,787	19,787
Appraisals and acquisitions	7,992	5,354	22,351	32,383	-	68,080
Building expenses	35,262	-	-	-	93,066	128,328
Building readiness and moving	-	-	-	-	49,335	49,335
Conference and registration fees	4,485	2,207	435	-	-	7,127
Education and outreach	3,009	-	-	-	-	3,009
Exhibits	109,984	5,104	74,796	-	-	189,884
Meetings and openings	2,891	228	1,515	6,214	15,366	26,214
Office equipment	9,537	3,154	274	-	-	12,965
Office supplies	27,143	9,861	5,958	1,014	3,283	47,259
Professional services	58,159	32,263	10,555	-	5,998	106,975
Salaries and benefits	1,394,598	890,804	699,856	99,351	89,416	3,174,025
Telecommunications and courier	5,374	1,367	10,410	912	36,639	54,702
Travel	70,420	8,377	9,225	2,175	22,713	112,910
<b>Totals</b>	<b>\$1,738,079</b>	<b>\$958,719</b>	<b>\$835,375</b>	<b>\$203,630</b>	<b>\$335,603</b>	<b>\$4,071,406</b>



**THE ROOMS CORPORATION OF  
NEWFOUNDLAND AND LABRADOR INC.  
FINANCIAL STATEMENTS  
31 MARCH 2005**



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

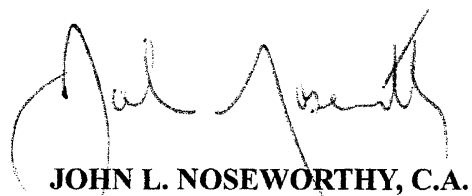
**AUDITOR'S REPORT**

To the Chairperson and Members  
The Rooms Corporation of  
Newfoundland and Labrador Inc.  
St. John's, Newfoundland and Labrador

I have audited the balance sheet of The Rooms Corporation of Newfoundland and Labrador Inc. as at 31 March 2005 and the statements of revenues, expenses and surplus, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 March 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



**JOHN L. NOSEWORTHY, C.A.**  
**Auditor General**

St. John's, Newfoundland and Labrador  
8 June 2005

**THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR INC.  
BALANCE SHEET**

31 March

2005

2004

**ASSETS**

**Current**

Cash (Note 2)	\$ 1,033,067	\$ 1,290,170
Accounts receivable (Note 3)	186,993	180,452
Inventory	20,196	680
Prepaid expenses	5,491	-

1,245,747 1,471,302

Restricted cash (Note 2) 51,000 25,000

Capital assets (Note 4) 81,685 117,504

\$ 1,378,432 \$ 1,613,806

**LIABILITIES AND SHAREHOLDER'S EQUITY**

**Current**

Accounts payable and accrued liabilities (Note 6)	\$ 207,189	\$ 303,373
Deferred revenue (Note 7)	544,027	762,246

751,216 1,065,619

**Shareholder's equity**

Share capital (Note 8)

Authorized and issued

500 common shares of no par value 1 1

Surplus 627,215 548,186


627,216 548,187

\$ 1,378,432 \$ 1,613,806

*See accompanying notes*

Signed on behalf of the Board of Directors:

  
Chairperson

  
Member



**THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR INC.  
STATEMENT OF REVENUES, EXPENSES AND SURPLUS**

**For the Year Ended 31 March**

**2005**

**2004**

**REVENUES**

Province of Newfoundland and Labrador	\$ 3,128,024	\$ 4,127,057
Government of Canada	117,426	133,609
External funding	66,660	156,443
Fees	54,410	157,793
Donations	33,119	44,690
	<b>3,399,639</b>	<b>4,619,592</b>

**EXPENSES (See Schedule)**

Advertising	49,542	70,806
Amortization expense	40,030	19,787
Appraisals and acquisitions	16,138	68,080
Building expenses	520,685	128,328
Building readiness and moving	48,858	49,335
Conference and registration fees	4,776	7,127
Education and outreach	2,160	3,009
Exhibits	105,344	189,884
Meetings and openings	12,883	26,214
Office equipment	12,094	12,965
Office supplies	25,826	47,259
Professional services	64,420	106,975
Salaries and benefits	2,281,642	3,174,025
Telecommunications and courier	49,249	54,702
Travel	86,963	112,910
	<b>3,320,610</b>	<b>4,071,406</b>

<b>Excess of revenues over expenses</b>	<b>79,029</b>	<b>548,186</b>
<b>Surplus, beginning of year</b>	<b>548,186</b>	<b>-</b>
<b>Surplus, end of year</b>	<b>\$ 627,215</b>	<b>\$ 548,186</b>

*See accompanying notes*

**THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR INC.**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended 31 March**

	2005	2004
<b>Cash flows from operating activities</b>		
Excess of revenues over expenses	\$ 79,029	\$ 548,186
Add non-cash items:		
Amortization expense	40,030	19,787
	119,059	567,973
<u>Net change in non-cash working capital items</u>	<u>(345,951)</u>	<u>884,487</u>
	(226,892)	1,452,460
<b>Cash flows from investing activities</b>		
Purchase of capital assets	(4,211)	(137,291)
Restricted cash	(26,000)	(25,000)
	(30,211)	(162,291)
<b>Cash flows from financing activities</b>		
Proceeds from issuance of share capital	-	1
	-	1
<b>Increase (decrease) in cash</b>	<b>(257,103)</b>	<b>1,290,170</b>
<b>Cash, beginning of year</b>	<b>1,290,170</b>	<b>-</b>
<b>Cash, end of year</b>	<b>\$ 1,033,067</b>	<b>\$ 1,290,170</b>

*See accompanying notes*

**THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2005**

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**Authority**

The Rooms Corporation of Newfoundland and Labrador Inc. (the Corporation) was incorporated under the *Corporations Act* on 18 November 2002. All shares of the Corporation are held by the Minister of Tourism, Culture and Recreation on behalf of the Province. The Corporation was established to: take control of the Provincial Archives, the Provincial Museum and the Art Gallery of Newfoundland and Labrador and all their ancillary organizations, activities and assets; arrange for their transfer to the Fort Townsend location in St. John's; and assume responsibility for all aspects of the management and operation of these organizations. The Corporation is accountable to the Minister of Tourism, Culture and Recreation. Its affairs are governed by a Board of Directors appointed by the Lieutenant-Governor in Council.

**1. 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) Capital assets**

Capital assets to which the Corporation has title are recorded at cost at the time of acquisition. Amortization is calculated on a straight line basis as follows:

Computer equipment and software – 3 years  
 Furniture and equipment – 7 years

**(b) Deferred revenue**

The Corporation follows the deferred method with respect to externally restricted revenue.

**2. Cash**

During 2004-05, the Corporation received \$26,000 from a private donor to sponsor an exhibit of a B-17 Bomber. To date, decisions relating to this exhibit are not finalized. The \$26,000 has been deposited into the Corporation's general bank account. During 2003-04, the Corporation received \$25,000 from a private donor to be deposited into an endowment fund for the future use of the Corporation. These funds have been deposited in the general bank account waiting for the endowment fund to be set up.

The Corporation's general bank account is comprised of the following:

	<b>2005</b>	<b>2004</b>
General operating cash	\$ 1,033,067	\$ 1,290,170
Restricted cash	51,000	25,000
	<b>\$ 1,084,067</b>	<b>\$ 1,315,170</b>

**THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2005**

**3. Accounts receivable**

	<b>2005</b>	<b>2004</b>
Province of Newfoundland and Labrador	\$ 114,900	\$ 58,092
Harmonized sales tax	41,063	44,074
Government of Canada	21,911	5,358
Other	9,119	457
Newfoundland and Labrador Heritage Corporation	-	39,377
Association of Newfoundland and Labrador Archives	-	24,586
Vancouver Museum Commission	-	8,508
	<b>\$ 186,993</b>	<b>\$ 180,452</b>

**4. Capital assets**

	<b>2005</b>			<b>2004</b>
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>	<b>Net Book Value</b>
Computer equipment and software	\$ 106,031	\$ 52,599	\$ 53,432	\$ 87,318
Furniture and equipment	35,470	7,217	28,253	30,186
Capital assets transferred to the Corporation (Note 5)	1	1	-	-
	<b>\$ 141,502</b>	<b>\$ 59,817</b>	<b>\$ 81,685</b>	<b>\$ 117,504</b>

These financial statements do not include the value of "The Rooms" building which contains the Provincial Archives, the Provincial Museum and the Art Gallery of Newfoundland and Labrador. Ownership of the building, which cost \$49.3 million to construct, is held by the Minister of Transportation and Works on behalf of the Province.

**5. Capital assets transferred to the Corporation**

During 2003-04, the Corporation assumed title to the capital assets of the Provincial Archives, the Provincial Museum and the Art Gallery of Newfoundland and Labrador. The costs and accumulated amortization of these assets are unknown and a reasonable estimate of the amounts involved could not be determined. Therefore, the cost has been recorded as \$1 and the accumulated amortization has been recorded at \$1.

**THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2005**

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**6. Accounts payable and accrued liabilities**

	<b>2005</b>	<b>2004</b>
Accounts payable	\$ 139,852	\$ 205,118
Accrued liabilities	67,337	80,377
Due to Newfoundland and Labrador Heritage Corporation	-	17,878
	<b>\$ 207,189</b>	<b>\$ 303,373</b>

**7. Deferred revenue**

	<b>2005</b>	<b>2004</b>
Province of Newfoundland and Labrador	\$ 371,257	\$ 488,898
Government of Canada	130,058	217,625
Other	42,712	55,723
	<b>\$ 544,027</b>	<b>\$ 762,246</b>

**8. Share capital**

Share capital consists of:

Authorized  
500 common shares of no par value

Issued and Outstanding  
500 common shares

The Minister of Tourism, Culture and Recreation holds all issued shares on behalf of the Province of Newfoundland and Labrador.

**9. Related party transactions**

The Corporation is administered by employees of the Department of Tourism, Culture and Recreation. Salaries and other costs of operations are paid directly by the Department and are reimbursed by the Corporation.

**10. Commitments**

The Corporation has entered into contracts representing commitments of \$67,622 for work which was not performed as of 31 March 2005.

**THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2005**

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**11. Financial instruments**

The Corporation's financial instruments recognized on the balance sheet consist of cash, accounts 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.

**12. Economic dependence**

As a result of its reliance on future transfers from the Province of Newfoundland and Labrador to ultimately finance its costs of operations, the Corporation's ability to continue operations is dependent upon the decisions of Government.

**13. 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.

**THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR INC.**  
**SCHEDULE OF EXPENSES**  
**For the Year Ended 31 March 2005**

	<b>Museum</b>	<b>Archives</b>	<b>Art Gallery</b>	<b>Marketing and Communications</b>	<b>Building Operations and Finance</b>	<b>Total</b>
Advertising	\$ 18,299	\$ 55	\$ 19,190	\$10,196	\$ 1,802	\$49,542
Amortization expense	-	-	-	-	40,030	40,030
Appraisals and acquisitions	2,868	-	11,095	2,175	-	16,138
Building expenses	35,838	-	-	-	484,847	520,685
Building readiness and moving	-	-	-	-	48,858	48,858
Conference and registration fees	2,251	2,030	495	-	-	4,776
Education and outreach	2,160	-	-	-	-	2,160
Exhibits	36,589	8,481	44,932	440	14,902	105,344
Meetings and openings	4,360	249	2,565	28	5,681	12,883
Office equipment	3,802	6,028	920	-	1,344	12,094
Office supplies	9,566	6,284	7,042	-	2,934	25,826
Professional services	19,334	2,776	34,390	800	7,120	64,420
Salaries and benefits	1,123,543	558,958	422,362	44,836	131,943	2,281,642
Telecommunications and courier	5,324	1,121	10,788	750	31,266	49,249
Travel	29,653	11,165	35,226	84	10,835	86,963
<b>Totals</b>	<b>\$1,293,587</b>	<b>\$597,147</b>	<b>\$589,005</b>	<b>\$59,309</b>	<b>\$781,562</b>	<b>\$3,320,610</b>

VISTA SCHOOL DISTRICT  
Financial Statements/Auditor's Report  
Year ended August 31, 2004

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DERRICK R. DRODGE  
CHARTERED ACCOUNTANT



AUDITOR'S REPORT

To the members of the VISTA SCHOOL DISTRICT:

I have audited the balance sheet of the current and capital funds of the VISTA SCHOOL DISTRICT as at August 31, 2004, and the related statements of current revenue, expenditures and District equity, cash flow and capital fund position for the fourteen months then ended. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these financial statements based on my audit.

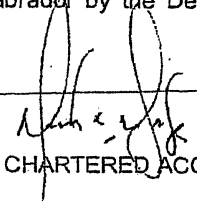
Except as explained in the following paragraphs, I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit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

Note 1c indicates that the District is not depreciating, but rather reflecting at cost, property and equipment acquired. The District contends that recording of depreciation would be difficult and costly and the cost would exceed the benefit of the information provided. In this regard, the financial statements are not in accordance with Canadian generally accepted accounting principles for not-for-profit organizations. The amount of depreciation that would be provided if Canadian generally accepted accounting principles were followed is not reasonably determined.

The District is required to report accrued teachers' severance of \$ 5,002,269 without any offsetting revenue or asset even though these amounts are funded directly by the Department of Education. Failure to record these offsetting revenues violate the matching principle of Canadian generally accepted accounting principles. Had the revenues been recorded, receivables and board equity would have increased by \$ 5,002,269 and current revenues would have increased and excess of expenditures over revenue would have decreased by \$ 173,018.

In my opinion, except for the effects noted in the two previous paragraphs, these financial statements present fairly, in all material respects, the financial position of the District as at August 31, 2004 and the results of its operations and the changes in its fund position for the fourteen months then ended in accordance with Canadian generally accepted accounting principles and are in compliance with reporting requirements established for School Districts in the Province of Newfoundland and Labrador by the Department of Education.

Clarenville, Newfoundland  
November 25, 2004

  
CHARTERED ACCOUNTANT

**DERRICK R. DRODGE**  
CHARTERED ACCOUNTANT

VISTA SCHOOL DISTRICT

Balance Sheet

August 31, 2004

	<u>2004</u>	<u>June 30 2003</u>
<b><u>Assets</u></b>		
Current assets:		
Cash (Supp. info. 1)	\$ 86,801	125
Short-term investments (Supp. info. 2)	--	--
Accounts receivable (Note 2)	517,696	524,308
Prepaid expenses (Supp. info. 3)	<u>41,498</u>	<u>24,079</u>
Total current assets	<u>645,995</u>	<u>548,512</u>
Property and equipment (Schedule 8)	<u>47,330,336</u>	<u>47,105,075</u>
	<u>\$ 47,976,331</u>	<u>47,653,587</u>
<b><u>Liabilities and District Equity</u></b>		
Current liabilities:		
Bank indebtedness (Note 3)	\$ 1,050	- 385,787
Accounts payable and accrued (Note 4)	5,818,862	8,374,262
Current maturities (Schedule 9B)	<u>168,744</u>	<u>110,006</u>
Total current liabilities	<u>5,988,656</u>	<u>8,870,055</u>
Long-term debt (Schedule 9)	<u>589,036</u>	<u>604,509</u>
District Equity:		
Investment in capital assets (Note 6)	46,723,117	46,369,274
District equity (deficit)	<u>(5,324,478)</u>	<u>(8,190,251)</u>
Total district equity	<u>41,398,639</u>	<u>38,179,023</u>
	<u>\$ 47,976,331</u>	<u>\$ 47,653,587</u>

See Accompanying Notes

Approved:

*W. Parsons*  
*Rich Martz*

Chairperson

Secretary

DERRICK R. DRODGE  
CHARTERED ACCOUNTANT

**VISTA SCHOOL DISTRICT**  
Statement of Current Revenues, Expenditures and District Equity  
Fourteen Months ended August 31, 2004

	<u>2004</u>	<u>2003</u> (Note 9)
<b>Current revenues (Schedule 1):</b>		
Provincial government grants	\$ 34,841,036	29,284,326
Donations	--	--
Ancillary services	--	--
Miscellaneous	<u>73,622</u>	<u>57,793</u>
	<u>34,914,658</u>	<u>29,342,119</u>
<b>Current expenditures:</b>		
Administration (Schedule 2)	1,263,576	1,021,007
Instruction (Schedule 3)	25,778,404	24,199,639
Operations and maintenance (Schedule 4)	2,834,225	2,517,041
Pupil transportation (Schedule 5)	1,753,886	1,793,772
Ancillary services (Schedule 6)	--	--
Interest expense (Schedule 9C)	50,893	46,181
Miscellaneous expense (Schedule 7)	--	--
Provision for doubtful receivables	<u>65,259</u>	<u>--</u>
	<u>31,746,243</u>	<u>29,577,640</u>
23 111 Excess of revenue over expenditures (expenditures over revenue)	3,168,415	(235,521)
Transfer to capital	<u>302,642</u>	<u>272,154</u>
Net increase (decrease) in Board equity	<u>2,865,773</u>	<u>(507,675)</u>
District equity (deficit):		
Beginning of period:		
As previously reported	(8,190,251)	(4,918,554)
Prior period adjustments (Note 8d)	<u>--</u>	<u>(2,764,022)</u>
As restated	(8,190,251)	(7,682,576)
End of period	<u>\$ (5,324,478)</u>	<u>(8,190,251)</u>

See Accompanying Notes

**DERRICK R. DRODGE**  
**CHARTERED ACCOUNTANT**

**VISTA SCHOOL DISTRICT**  
Statement of Changes in Cash Flows  
Fourteen Months ended August 31, 2004

	<u>2004</u>	<u>2003</u> <u>(Note 9)</u>
<b>60 Operating activities:</b>		
011 Excess of revenues over expenditures (expenditures over revenue)	\$ 3,168,415	(235,521)
012 Changes in non-cash working capital	--	--
013 - Short-term investments	--	--
014 - Accounts receivable	6,612	(14,417)
015 - Prepaid expenses	(17,419)	7,774
016 - Accounts payable and accrued expenses	(2,555,400)	518,487
017 - Current maturities	--	--
018 - Other	--	--
	<u>602,208</u>	<u>276,323</u>
<b>61 Financing activities:</b>		
011 Proceeds from bank loans	211,500	30,000
012 Grants - capital	48,135	78,625
013 Other capital revenues	--	51,091
014 Changes in long-term debt	(130,895)	(73,933)
015 Other	--	--
	<u>128,740</u>	<u>85,783</u>
<b>62 Investing activities:</b>		
011 Proceeds from sale of property and equipment	--	21,350
012 Additions to property and equipment	(259,535)	(379,287)
013 Other	--	--
	<u>(259,535)</u>	<u>(357,937)</u>
<b>63 Increase in cash</b>	<b>471,413</b>	<b>4,169</b>
<b>64 Cash, beginning of period</b>	<b><u>(385,662)</u></b>	<b><u>(389,831)</u></b>
<b>65 Cash, end of period</b>	<b><u>\$ 85,751</u></b>	<b><u>(385,662)</u></b>

See Accompanying Notes

**DERRICK R. DRODGE**  
**CHARTERED ACCOUNTANT**

**VISTA SCHOOL DISTRICT**  
Statement of Changes in Capital Fund  
Fourteen Months ended August 31, 2004

	<u>2004</u>	<u>2003</u> (Note 9)
<b>70 Capital receipts:</b>		
<b>71 Proceeds from bank loans:</b>		
011 - School construction	\$ --	--
012 - Equipment	--	--
013 - Service vehicles	--	30,000
014 - Pupil transportation	--	--
015 - Other	--	--
	<u>          </u>	<u>          </u>
	--	30,000
<b>72 EIC grants:</b>		
011 - School construction and equipment	48,135	78,625
012 - Other	--	51,091
	<u>          </u>	<u>          </u>
	48,135	129,716
<b>73 Donations:</b>		
011 - Cash receipts	--	--
012 - Non-cash receipts	--	--
013 - Restricted use	--	--
	<u>          </u>	<u>          </u>
	--	--
<b>74 Sale of capital assets - proceeds:</b>		
011 - Land	--	--
012 - Buildings	--	20,000
013 - Equipment	--	--
014 - Service vehicles	--	1,350
015 - Pupil transportation vehicles	--	--
016 - Other	--	--
	<u>          </u>	<u>          </u>
	--	21,350
<b>75 Other capital revenues</b>		
011 - Interest on capital fund investments	--	--
012 - Premiums on debentures	--	--
013 - Recoveries of expenditures	--	--
015 - Insurance proceeds	--	--
016 - Native peoples grants	--	--
017 - Miscellaneous	--	--
018 - Other - loan proceeds receivable	--	--
	<u>          </u>	<u>          </u>
	--	--
<b>Total capital receipts:</b>	<u>          </u>	<u>181,066</u>
<b>77 Transfer from reserve account</b>	--	--
<b>78 Transfer from current fund</b>	<u>302,641</u>	<u>272,154</u>
<b>Total</b>	<u>\$ 350,776</u>	<u>453,220</u>

See Accompanying Notes

Continued/...

**VISTA SCHOOL DISTRICT**  
**Statement of Changes in Capital Fund (continued)**  
**Fourteen Months ended August 31, 2004**

		<u>2004</u>	2003 (Note 9)
80	<b><u>Capital disbursements</u></b>		
81	<b>Additions to property and equipment:</b>		
011	- Land and sites	\$ --	--
012	- Buildings	219,639	124,129
013	- Furniture and equipment - schools	34,125	80,991
014	- Furniture and equipment - other	5,771	9,208
015	- Service vehicles	--	31,222
016	- Pupil transportation	--	--
017	- Other	--	--
		<u>259,535</u>	<u>379,287</u>
82	<b>Principal repayment of long-term debt:</b>		
011	- School construction	79,574	63,100
012	- Equipment	--	--
013	- Service vehicles	11,667	10,833
014	- Other	--	--
		<u>91,241</u>	<u>73,933</u>
83	<b>Miscellaneous disbursements:</b>		
013	- Other	--	--
	<b>Total capital disbursements</b>	<u>\$ 350,776</u>	<u>453,220</u>

See Accompanying Notes

**DERRICK R. DRODGE**  
**CHARTERED ACCOUNTANT**

**VISTA SCHOOL DISTRICT**  
Notes to the Financial Statements  
Fourteen Months ended August 31, 2004

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**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 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 Board, 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 EIC (Education Investment Corporation) are recorded as capital revenues. Also amounts paid to construction companies from the EIC on behalf of the District for capital projects are treated as capital revenues.
- (b) Fixed asset additions are recorded at full cost in the capital fund.
- (c) The District does not calculate or record depreciation of any of its fixed assets.
- (d) Principal repayment of pupil transportation loans are recorded as current expenditures. All other principal repayment of bank loans are recorded as capital expenditures.

The District has received directives from the Department instructing it to record accrued teachers' severance leave in the financial statements. As this amount is included without any offsetting revenue amount, it violates the matching principle, a fundamental principle of Canadian generally accepted accounting principles.

**DERRICK R. DRODGE**  
CHARTERED ACCOUNTANT

**VISTA SCHOOL DISTRICT**  
Notes to the Financial Statements  
Fourteen Months ended August 31, 2004

		<u>2004</u>	2003 (Note 9)
2.	<b><u>Accounts receivable:</u></b>		
	<u>Current</u>		
11	131 Provincial government grants	\$ 302,654	368,936
	132 Transportation	15,967	26,884
	133 Federal government - harmonized sales tax	102,519	90,348
	- other	--	14,703
	136 Other school districts	--	--
	137 Rent	--	--
	138 Interest	--	--
	139 Travel advances and miscellaneous	96,556	12,810
	Municipal grant - winter games complex	--	--
		<u>517,696</u>	<u>513,681</u>
	<u>Capital</u>		
11	231 EIC - construction grants	--	10,627
	233 Local contributions	--	--
	234 Other school districts	--	--
	235 Other - supplier credit	--	--
	- bank loan proceeds	--	--
	- allowance for doubtful accounts	--	--
		<u>--</u>	<u>10,627</u>
		<u>\$ 517,696</u>	<u>524,308</u>
		<u>2004</u>	2003 (Note 9)
3.	<b><u>Bank indebtedness:</u></b>		
21	131 On operating credit	\$ --	--
	132 On capital account	--	--
	On current account		
	- general	--	385,787
	- teachers' payroll	1,050	--
	- temporary bank loan	--	--
		<u>--</u>	<u>--</u>
		<u>\$ 1,050</u>	<u>385,787</u>

**DERRICK R. DRODGE**  
**CHARTERED ACCOUNTANT**



**VISTA SCHOOL DISTRICT**  
Notes to the Financial Statements  
Fourteen Months ended August 31, 2004

		<u>2004</u>	<u>2003</u> (Note 9)
4.	<b><u>Accounts payable and accrued:</u></b>		
	<u>Current</u>		
21	111 Trade payable	\$ 88,092	51,772
	112 Accrued - liabilities	19,240	16,152
	113 - interest	--	--
	114 - Wages:		
	- support staff	108,009	51,916
	- teachers	--	2,845,381
	- Severance pay:		
	- support staff (Note 8 a)	447,223	430,317
	- teachers (Note 1)	5,002,269	4,829,251
	- Vacation pay: (Note 8 a)	97,920	129,308
	115 Payroll deductions	--	--
	116 Retail sales tax	--	--
	117 Deferred grants	56,109	20,165
	118 Other	--	--
		<u>5,818,862</u>	<u>8,374,262</u>
	<u>Capital</u>		
21	211 Trade payable	--	--
	212 Accrued - liabilities	--	--
	213 - interest	--	--
	217 Deferred grants	--	--
	218 Other	--	--
		<u>5,818,862</u>	<u>8,374,262</u>

5. **Reserve account:**

Current

There were no current reserves provided for in the periods ended June 30, 2003 or August 31, 2004.

Capital

There were no capital reserves provided for in the periods ended June 30, 2003 or August 31, 2004.

**DERRICK R. DRODGE**  
**CHARTERED ACCOUNTANT**

**VISTA SCHOOL DISTRICT**  
Notes to the Financial Statements  
Fourteen Months ended August 31, 2004

	<u>2004</u>	<u>2003</u> <u>(Note 9)</u>
<b>6. <u>Investment in capital assets:</u></b>		
Beginning of year (Note 8 c):		
As previously sated	\$ 46,369,274	46,362,965
Prior period adjustment (Note 8 d)	<u>          --</u>	<u>1,004,023</u>
As restated	46,369,274	47,366,988
Add:		
Transfer of operating funds to capital fund	302,642	272,154
Grants - EIC - contribution for capital construction and equipment	48,135	78,625
Grants - other	--	51,091
Capital projects funded by EIC but paid directly to other sources on behalf of District	--	--
Donations	--	--
Proceeds from sale of property and equipment:		
- land	--	--
- buildings	--	20,000
- equipment	--	--
- vehicles	--	1,350
- other - busses	--	--
Interest on capital fund investments	--	--
Recoveries of expenditures	--	--
Insurance proceeds - capital	--	--
Native peoples grants - capital	--	--
Principal payment of bussing loans	<u>37,340</u>	<u>32,006</u>
	<u>46,757,391</u>	<u>47,822,214</u>
Deduct adjustments:		
Cost of assets sold		
- land	--	--
- buildings	34,274	1,431,991
- equipment	--	--
- vehicles	--	20,949
- other - busses	<u>          --</u>	<u>          --</u>
	<u>34,274</u>	<u>1,452,940</u>
<b>23 221 Investment in capital assets, end of year</b>	<u>\$ 46,723,117</u>	<u>46,369,274</u>

**DERRICK R. DRODGE**  
**CHARTERED ACCOUNTANT**

**VISTA SCHOOL DISTRICT**  
Notes to the Financial Statements  
Fourteen Months ended August 31, 2004

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**7. Commitments:**

At balance sheet date the District had the following commitments:

Lease of office and school equipment for the following which are accounted for as operating leases:

- One postage meter/mail processor with annual lease payments of \$ 3,712; matures 2005.
- One telephone system with monthly lease payments of \$ 223; matures 2005.
- One telephone system with monthly lease payments of \$ 93; matures 2005.
- Eight photocopiers with quarterly lease payments of \$ 4,573; matures 2007.
- One photocopier with annual lease payments of \$ 2,172; matures 2005.
- One photocopier with annual lease payments of \$ 2,172; matures 2006.
- Two photocopiers with quarterly lease payments of \$ 3,335; matures 2008.
- One photocopier with quarterly lease payments of \$ 543; matures 2005.
- One photocopier with quarterly lease payments of \$ 549; matures 2007.
- One photocopier with annual lease payments of \$ 2,172; matures 2005.
- One photocopier with annual lease payments of \$ 2,172; matures 2005.
- One photocopier with annual lease payments of \$ 1,533; matures 2005.

**DERRICK R. DRODGE**  
CHARTERED ACCOUNTANT

**VISTA SCHOOL DISTRICT**  
Notes to the Financial Statements  
Fourteen Months ended August 31, 2004

8. Other:

(a) Accrued severance and vacation pay:

In August 1994, the Department of Education issued an accounting directive requiring all Districts to calculate and disclose in the financial statements the accrual of severance and vacation pay for Board employees.

(i) Accrued severance pay:

During the period an additional amount of \$ 40,794 was accrued as follows:

Administration	\$ 5,507
Secretarial	7,940
Maintenance	1,924
Janitorial	23,896
Pupil transportation	1,263
Computer technicians	264

Severance paid to employees during the year ended August 31, 2004 were as follows:

Maintenance	\$ 827
Janitorial	22,552
Computer technicians	511

The District also has recorded an account receivable from the Department of Education to offset the accrued severance liability recorded for pupil transportation employees. This decision was based on the policy of the Department to give the Board budget adjustments for bussing severance payments. An additional amount of \$ 1,263 has been recorded as an account receivable for the 2004 accrual.

(ii) Accrued vacation pay:

All vacation pay earned during the period is included in the applicable wage expense.

(b) Bond coverage:

At balance sheet date, the Insurance Division of Treasury Board carried fidelity bond coverage covering District employees as follows:

Assistant Director of Finance and Administration and District employees	\$ 100,000
Principals, Vice Principals and staff	100,000

Based on our evaluation of the system of internal control and our overall knowledge of the District's operations, it is our opinion that this coverage is adequate.

Continued/...

VISTA SCHOOL DISTRICT  
Notes to the Financial Statements  
Fourteen Months ended August 31, 2004

8. Other (continued):

(c) Opening balances:

Opening balances as of January 01, 1997 are comprised of amounts transferred from predecessor Boards.

(d) Prior period adjustments:

During the previous year, prior period adjustments were recorded as follows:

Current:

	<u>2004</u>	<u>2003</u> <u>(Note 9)</u>
(i) To record accrued wages for support staff	\$ --	27,632
(ii) to record teachers' summer pay liability from directive from Department (see below)	--	<u>2,736,390</u>
	<u>\$ --</u>	<u>2,764,022</u>

Comparative figures were restated for the effect of operations on (i) but not for (ii) due to the unavailability of information.

Based upon a directive received from the Department, prior year's financial statements included a teachers' summer pay liability, even though the amount would eventually be fully funded by the Department of Education. As a result of the change in year end, the amount for summer pay has been paid to the teachers and is, therefore, not outstanding at period end.

Capital:

The cost of new construction paid directly to suppliers by EIC.

	<u>2004</u>	<u>2003</u> <u>(Note 9)</u>
(i) Land/parking lot	\$ --	252,156
(ii) Schools	--	<u>751,867</u>
	<u>\$ --</u>	<u>1,004,023</u>

9. Comparative figures:

The comparative figures are for the year ended June 30, 2004.

**DERRICK R. DRODGE**  
CHARTERED ACCOUNTANT

**VISTA SCHOOL DISTRICT**  
**Current Revenues**  
 Fourteen Months ended August 31, 2004

		<u>2004</u>	<u>2003</u> <u>(Note 9)</u>
<b><u>Current Revenues</u></b>			
32	<b>010 Provincial Government Grants</b>		
	011 Regular operating grants	\$ 5,191,694	4,389,480
	016 Special grants (details on bottom of Schedule 1)	144,379	140,760
	Salaries and benefits:		
	017 - directors and asst. directors	432,672	356,260
	021 - regular teachers	21,786,531	17,989,205
	022 - substitute teachers	695,424	666,490
	023 - benefits and payroll costs	4,497,290	3,600,545
	- student assistants	311,659	317,855
	030 Pupil transportation:		
	031 - board owned	239,610	234,251
	032 - contracted	1,386,525	1,416,477
	033 - handicapped	127,752	145,503
	- administration	<u>27,500</u>	<u>27,500</u>
		<u>34,841,036</u>	<u>29,284,326</u>
33	<b>010 Donations</b>		
	012 Cash receipts	--	--
	013 Non-cash receipts	--	--
	014 Restricted use	<u>--</u>	<u>--</u>
		<u>--</u>	<u>--</u>
34	<b>010 Ancillary services</b>		
	011 Revenues from rental of residences	--	--
	021 Revenues from rental of schools and facilities (Net)	--	--
	031 Cafeterias	--	--
	032 Other	<u>--</u>	<u>--</u>
		<u>\$ --</u>	<u>--</u>

Continued/...

VISTA SCHOOL DISTRICT

Current Revenues

Fourteen Months ended August 31, 2004

		<u>2004</u>	<u>2003</u> <u>(Note 9)</u>
35	010 <b>Miscellaneous</b>		
	011 Interest on investments	\$ 11,580	5,612
	012 Bus charters	--	--
	021 Recoveries of expenditures	1,034	--
	031 Revenues from other school districts	--	--
	051 Insurance proceeds	--	--
	061 Bilingual education revenue	--	--
	071 Operating revenue from Native Peoples Grant	--	--
	081 Miscellaneous Federal Grants	--	29,139
	091 Textbooks	--	--
	092 Sundry	49,804	6,799
	093 Grant - Redas Project	--	1,600
	- MUN	11,204	14,643
		<u>73,622</u>	<u>57,793</u>
	Total current revenues	<u>\$ 34,914,658</u>	<u>29,342,119</u>
	<b><u>Special Grants</u></b>		
	French monitor	\$ 14,899	16,197
	French co-ordinator	--	17,691
	French - creating an inclusive	9,366	--
	French materials	6,000	1,663
	School Board election grant	--	--
	Alternate text	--	--
	Textbook credit allocation	10,152	14,488
	School tax equalization	--	--
	Other - Provincial drama festival	--	28,344
	- School development	--	7,000
	- Wage subsidy programs	52,258	2,426
	- Tutoring for tuition	6,600	14,961
	- Textbook rebate	8,076	6,777
	- Community distance learning initiative	--	7,284
	- First step training	--	9,124
	- French intensive core	11,072	5,128
	- Kinderstart	17,860	7,400
	- Business insurance reimbursement	3,158	2,277
	- Leadership at work	3,738	--
	- Work Experience - MUN	1,200	--
		<u>\$ 144,379</u>	<u>140,760</u>

See Accompanying Notes

**VISTA SCHOOL DISTRICT**  
**Administration Expenditures**  
**Fourteen Months ended August 31, 2004**

	<u>2004</u>	<u>2003</u> <u>(Note 9)</u>
51 <b>Salaries and benefits</b>		
011    - Directors and assistant directors	\$ 432,672	356,260
012    - District office personnel	566,656	448,167
013    Office supplies	17,031	10,959
014    Replacement furniture and equipment	1,404	1,272
015    Postage	10,187	8,484
016    Telephone	21,151	18,144
017    Office equipment rentals and repairs	48,585	38,461
018    Bank charges	7,942	5,978
019    Electricity	8,484	8,049
021    Fuel	--	--
022    Insurance	--	1,822
023    Repairs and maintenance (office building)	3,083	5,473
024    Travel	61,507	43,617
025    Board meeting expenses	8,880	6,430
026    Election expenses	--	--
027    Professional fees	16,968	15,255
028    Advertising	5,117	7,481
029    Membership dues	23,749	24,142
031    Municipal service fees	1,174	2,056
032    Rental of office space	--	--
033    Relocation expenses	--	--
034    Miscellaneous	11,417	6,870
035    Payroll tax	7,909	4,738
036    Negotiations	4,153	--
037    Severance pay (Note 8 a)	5,507	7,349
	<u>5,507</u>	<u>7,349</u>
Total administration expenditures	<u>\$ 1,263,576</u>	<u>1,021,007</u>

See Accompanying Notes



**VISTA SCHOOL DISTRICT**  
**Instruction Expenditures**  
 Fourteen Months ended August 31, 2004

		<u>2004</u>	<u>2003</u> <u>(Note 9)</u>
52	<b>010 Instructional salaries (gross)</b>		
	011 Teachers' salaries - Regular	\$ 18,941,150	18,098,196
	012 - Substitute	674,254	671,262
	013 - District paid	22,665	26,126
	014 Augmentation	--	--
	015 Employee benefits	4,206,071	3,562,831
	016 School secretaries - salaries and benefits	412,489	450,911
	017 Payroll tax	469,633	392,364
	018 Other - severance pay (Note 8 a)	7,940	16,588
	Student assistant - wages and benefits	<u>300,046</u>	<u>310,753</u>
		<u>25,034,248</u>	<u>23,529,031</u>
52	<b>040 Instructional materials</b>		
	041 General supplies	130,496	75,614
	042 Library resource materials	14,412	18,136
	043 Teaching aids	36,599	45,286
	044 Textbooks	--	--
		<u>181,507</u>	<u>139,036</u>
52	<b>060 Instructional furniture and equipment</b>		
	061 Replacement	5,810	5,148
	062 Rentals and repairs	122,931	124,565
	063 Salary and benefits - computer technicians	<u>130,917</u>	<u>124,847</u>
		<u>259,658</u>	<u>254,560</u>
52	<b>080 Instructional staff travel</b>		
	081 Program co-ordinators	56,743	50,751
	082 Teachers' travel	1,877	2,120
	083 Inservice and conferences	<u>47,236</u>	<u>35,916</u>
		<u>105,856</u>	<u>88,787</u>
52	<b>090 Other instructional costs</b>		
	091 Postage and stationery	1,797	1,614
	092 Miscellaneous	59,715	56,963
	Funded projects - federal	--	8,983
	- other	135,337	108,937
	Salary and benefits - Resource Centre	<u>286</u>	<u>11,728</u>
		<u>197,135</u>	<u>188,225</u>
	<b>Total instruction expenditures</b>	<u>\$ 25,778,404</u>	<u>24,199,639</u>

See Accompanying Notes

**VISTA SCHOOL DISTRICT**  
**Operations and Maintenance Expenditures - Schools**  
**Fourteen Months ended August 31, 2004**

		<u>2004</u>	<u>2003</u> <u>(Note 9)</u>
53	011 Salaries and benefits - janitorial	\$ 1,077,270	990,721
	012 - maintenance	288,522	209,093
	013 Payroll tax	19,058	15,796
	014 Electricity	745,682	682,922
	015 Fuel	52,803	66,615
	016 Municipal service fee	35,401	34,372
	017 Telephone	119,163	111,775
	018 Vehicle operating and travel	25,870	21,398
	019 Janitorial supplies	95,574	79,631
	021 Janitorial equipment	--	--
	022 Repairs and maintenance - buildings	200,106	169,807
	023 - equipment	303	744
	024 Contracted services - janitorial	--	1,665
	025 Snow clearing	117,068	87,332
	026 Rentals	--	--
	027 Severance pay - janitorial (Note 8 a)	23,895	21,401
	- maintenance (Note 8 a)	1,924	1,382
	Other - snow removal - roofs	--	--
	- energy performance contract	30,934	21,068
	- bottled water	652	1,319
		<u>        </u>	<u>        </u>
	Total operations and maintenance	<u>\$ 2,834,225</u>	<u>2,517,041</u>

See Accompanying Notes

**VISTA SCHOOL DISTRICT**  
Pupil Transportation Expenditures  
Fourteen Months ended August 31, 2004

		<u>2004</u>	<u>2003</u> <u>(Note 9)</u>
54	<b>010 Operation and maintenance of Board owned fleet</b>		
	011 Salaries and benefits:		
	- Administration	\$ --	--
	012    - Drivers and mechanics	105,103	109,054
	013 Payroll tax	1,316	1,364
	014 Dept repayment - interest	8,411	9,294
	015    - principal	37,341	32,006
	016 Bank charges	--	--
	017 Gas and oil	32,309	38,445
	018 Licences	3,320	2,922
	019 Insurance	3,301	1,438
	021 Repairs and maintenance - fleet	41,765	32,000
	022    - building	--	--
	023 Tires and tubes	--	--
	024 Heat and light	--	--
	025 Municipal service	--	--
	026 Snow clearing	540	663
	027 Office supplies	--	--
	028 Rent	3,813	1,075
	029 Travel	--	34
	031 Professional fees	1,158	1,047
	032 Miscellaneous	--	--
	033 Telephone	1,232	779
	034 Severance pay (Note 8a)	<u>1,262</u>	<u>1,657</u>
		<u>240,871</u>	<u>231,778</u>
54	<b>040 Contracted services</b>		
	041 Regular transportation	1,385,263	1,416,477
	042 Handicapped	<u>127,752</u>	<u>145,517</u>
		<u>1,513,015</u>	<u>1,561,994</u>
Total pupil transportation expenditures		<u>\$ 1,753,886</u>	<u>1,793,772</u>

See Accompanying Notes

**VISTA SCHOOL DISTRICT**  
**Ancillary Services and Miscellaneous Expenses**  
 Fourteen Months ended August 31, 2004

	<u>2004</u>	<u>2003</u> <u>(Note 9)</u>
<b><u>Ancillary services</u></b>		
The District owns and operates the following ancillary services:		
None		
55. <b>Ancillary Services</b>		
011 Operation of teachers' residences	\$ --	--
031 Cafeterias	--	--
032 Other	--	--
	<u>\$ --</u>	<u>--</u>

Schedule 7

	<u>2004</u>	<u>2003</u> <u>(Note 9)</u>
<b><u>Miscellaneous expenses</u></b>		
The District has incurred the following miscellaneous expenses:		
None		
57. 011 Miscellaneous expense	\$ --	--

See Accompanying Notes

**VISTA SCHOOL DISTRICT**  
 Details of Property and Equipment  
 Fourteen Months ended August 31, 2004

		2003 (Note 9)	Additions	Disposals	2004
12	210	<b>Land and sites</b>			
	211	\$ 282,713	--	--	282,713
12	220	<b>Buildings</b>			
	221	41,230,363	219,639	34,274	41,415,728
	222	329,946	--	--	329,946
	223	--	--	--	--
	224	--	--	--	--
	225	--	--	--	--
		<u>41,560,309</u>	<u>219,639</u>	<u>34,274</u>	<u>41,745,674</u>
12	230	<b>Furniture and equipment</b>			
	231	4,081,871	34,125	--	4,115,996
	232	426,618	5,771	--	432,389
	233	--	--	--	--
	234	--	--	--	--
	235	--	--	--	--
		<u>4,508,489</u>	<u>39,896</u>	<u>--</u>	<u>4,548,385</u>
12	240	<b>Vehicles</b>			
	241	84,179	--	--	84,179
12	250	<b>Pupil transportation</b>			
	251	--	--	--	--
	252	--	--	--	--
	253	<b>Vehicles</b>			
	- buses	370,708	--	--	370,708
	- service	--	--	--	--
	254	--	--	--	--
	255	--	--	--	--
	256	--	--	--	--
		<u>370,708</u>	<u>--</u>	<u>--</u>	<u>370,708</u>
12	260	<b>Miscellaneous capital assets</b>			
	261	<b>Other</b>			
	- water lines	29,151	--	--	29,151
	- resource centre	269,526	--	--	269,526
		<u>298,677</u>	<u>--</u>	<u>--</u>	<u>298,677</u>
	Total property and equipment	<u>\$ 47,105,075</u>	<u>259,535</u>	<u>34,274</u>	<u>47,330,336</u>

See Accompanying Notes

**VISTA SCHOOL DISTRICT**  
 Details of Long-term Debt  
 Fourteen Months ended August 31, 2004

		<u>2004</u>	<u>2003</u> (Note 9)
Bank loans, mortgages and debentures, approved by the District and the Government of Newfoundland and Labrador.			
22	<b>210 Loans other than pupil transportation</b>		
	<u>Ref.#</u>		
	<b>211 Bank loans</b>		
	2125 Repayable \$ 4,406 monthly, maturing 2008	\$ 171,846	--
	2211 Repayable \$ 7,833 monthly including interest, maturing 2009	382,862	450,770
	2229 Repayable \$ 883 monthly, maturing 2007	45,053	56,719
	2225 Repayable \$ 833 monthly, maturing 2006	<u>10,000</u>	<u>21,667</u>
	Total 211	<u>609,761</u>	<u>529,156</u>
	<b>212 Mortgages</b>	<u>--</u>	<u>--</u>
	<b>213 Debentures</b>	<u>--</u>	<u>--</u>
	<b>214 Other</b>	<u>--</u>	<u>--</u>
	Subtotal	609,761	529,156
	<b>215 Less: current maturities</b>	<u>136,738</u>	<u>78,000</u>
	Total loans other than pupil transportation	<u>\$ 473,023</u>	<u>451,156</u>

Continued/...

**DERRICK R. DRODGE**  
 CHARTERED ACCOUNTANT

VISTA SCHOOL DISTRICT  
Details of Long-term Debt  
Fourteen Months ended August 31, 2004

	<u>2004</u>	<u>2003</u> <u>(Note 9)</u>
22    220    Loans - pupil transportation		
<u>Ref. #</u>		
221 <b>Vehicle bank loans</b>		
2222    Repayable \$ 1,625 monthly, maturing 2007	49,654	72,404
2223    Repayable \$ 521 monthly, maturing 2011	44,683	51,977
2218    Repayable \$ 521 monthly, maturing 2013	<u>53,682</u>	<u>60,978</u>
Total 221	148,019	185,359
222 <b>Land, building and equipment bank loans</b>	<u>—</u>	<u>—</u>
Subtotal	148,019	185,359
223 <b>Less: current maturities</b>	<u>32,006</u>	<u>32,006</u>
Total loans - pupil transportation	<u>116,013</u>	<u>153,353</u>
Total long-term debt	<u>\$ 589,036</u>	<u>604,509</u>

See Accompanying Notes

**VISTA SCHOOL DISTRICT**  
**Summary of Long-term Debt**  
**Fourteen Months ended August 31, 2004**

<u>Description</u>	<u>Ref #</u>	<u>Rate</u>	<u>Balance Beginning of Period</u>	<u>Loans Obtained During Period</u>	<u>Principal Repayment for Period</u>	<u>Balance End of Period</u>
A) School construction	2211	8.5	\$ 450,770	--	67,908	382,862
	2229	Prime	56,719	--	11,666	45,053
B) Equipment			--	--	--	--
C) Service vehicles	2225	Prime	21,667	--	11,667	10,000
D) Other-guaranteed hours	2125	Prime	--	211,500	39,654	171,846
E) Pupil transportation	2218	Prime	60,978	--	7,296	53,682
	2222	Prime	72,404	--	22,750	49,654
	2223	Prime	51,977	--	7,294	44,683
<b>Total loans</b>			<u>\$ 714,515</u>	<u>211,500</u>	<u>168,235</u>	<u>757,780</u>

See Accompanying Notes



**VISTA SCHOOL DISTRICT**  
**Schedule of Current Maturities**  
**Fourteen Months ended August 31, 2004**

<u>Description</u>	<u>Ref #</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
A) School construction						
	2211	\$ 63,866	69,509	75,654	82,342	89,610
	2229	10,000	10,000	10,000	10,000	5,053
B) Equipment		--	--	--	--	--
C) Service vehicles	2225	10,000	--	--	--	--
D) Other	2125	<u>52,872</u>	<u>52,872</u>	<u>52,872</u>	<u>13,230</u>	<u>--</u>
		<u>136,738</u>	<u>132,381</u>	<u>138,526</u>	<u>105,572</u>	<u>94,663</u>
E) Pupil transportation						
	2218	6,254	6,254	6,254	6,254	6,254
	2222	19,500	19,500	10,654	--	--
	2223	<u>6,252</u>	<u>6,252</u>	<u>6,252</u>	<u>6,252</u>	<u>6,252</u>
		<u>32,006</u>	<u>32,006</u>	<u>23,160</u>	<u>12,506</u>	<u>12,506</u>
Total		<u>\$ 168,744</u>	<u>164,387</u>	<u>161,686</u>	<u>118,078</u>	<u>107,169</u>

See Accompanying Notes

**DERRICK R. DRODGE**  
**CHARTERED ACCOUNTANT**

**VISTA SCHOOL DISTRICT**  
 Schedule of interest Expense  
 Fourteen Months ended August 31, 2004

	<u>2004</u>	<u>2003</u> <u>(Note 9)</u>
56 010 <b>Description</b>		
012 <b>Capital</b>		
School construction	\$ 47,953	43,729
Equipment	--	--
Service vehicles	1,061	1,176
Other	<u>1,031</u>	<u>--</u>
<b>Total capital</b>	<u>50,045</u>	<u>44,905</u>
013 <b>Current</b>		
Operating loans	848	1,276
Supplier interest charges	<u>--</u>	<u>--</u>
<b>Total current</b>	<u>848</u>	<u>1,276</u>
<b>Total interest expense</b>	<u>\$ 50,893</u>	<u>46,181</u>

See Accompanying Notes

**DERRICK R. DRUDGE**  
 CHARTERED ACCOUNTANT

**VISTA SCHOOL DISTRICT**  
**Supplementary Information**  
**Fourteen Months ended August 31, 2004**

			<u>2004</u>	<u>2003</u> <u>(Note 9)</u>
1.	<b><u>Cash</u></b>			
	<b><u>Current</u></b>			
11	110 Cash on hand and in bank			
	111 Cash on hand		\$ 59	125
	112 Bank - current		86,742	--
	113     - savings		--	--
	114     - teachers' payroll		--	--
	115     - non-teachers' payroll		--	--
	116     - coupon (debenture)		--	--
	117     - other		--	--
	<b><u>Capital</u></b>			
11	210 Cash on hand and in bank			
	211 Cash on hand		--	--
	212 Bank - current		--	--
	213     - savings		--	--
	214     - other		--	--
	<b>Total cash on hand and in bank</b>		<b><u>\$ 86,801</u></b>	<b><u>125</u></b>

The District uses one bank account for both current operating and capital purposes.

			<u>2004</u>	<u>2003</u> <u>(Note 9)</u>
2.	<b><u>Short-term investments</u></b>			
	<b><u>Current</u></b>			
11	121 Term deposits		\$ --	--
	122 Canada Savings Bonds		--	--
	123 Other		--	--
	<b><u>Capital</u></b>			
11	221 Term deposits		--	--
	222 Canada Savings Bonds		--	--
	223 Other		--	--
	<b>Total short-term investments</b>		<b><u>\$ --</u></b>	<b><u>--</u></b>

**DERRICK R. DRODGE**  
**CHARTERED ACCOUNTANT**

VISTA SCHOOL DISTRICT  
 Supplementary Information  
 Fourteen Months ended August 31, 2004

		<u>2004</u>	<u>2003</u> <u>(Note 9)</u>
3.	<u>Prepaid expenses</u>		
	<u>Current</u>		
11	141 Insurance	\$ --	--
	142 Municipal service fees	--	--
	143 Supplies	5,347	24,079
	144 Other	36,151	--
	<u>Capital</u>		
11	241 Other	--	--
		<u>\$ 41,498</u>	<u>24,079</u>

*DERRICK R. DRODGE*  
 CHARTERED ACCOUNTANT



**Waterford Foundation Inc.**  
**Financial Statements**  
March 31, 2004

Grant Thornton 

## Auditors' Report

To the Members of the Board of Directors  
Waterford Foundation Inc.

We have audited the statement of financial position of the **Waterford Foundation Inc.** at March 31, 2004 and the statements of operations and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In common with many charitable organizations, the Foundation derives certain of its 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 amount 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 expenditure, assets and net assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the revenues referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2004 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  
May 30, 2004

Grant Thornton LLP  
Chartered Accountants

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## Waterford Foundation Inc.

### Statements of Operations and Changes in Net Assets

Year Ended March 31 2004 2003

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Revenue		
Ever Green Recycling	\$ 1,623,646	\$ 1,448,127
Mill Lane Enterprises	225,040	196,686
Grants	64,964	34,381
Interest income	22,782	13,620
Other fundraising activities	22,470	27,260
Lottery proceeds	17,061	32,596
Amortization of deferred contributions	12,149	12,676
Special events	5,000	16,769
Donations	<u>1,912</u>	<u>5,725</u>
	<u>1,995,024</u>	<u>1,787,840</u>
Expenditure		
Ever Green Recycling	1,073,512	963,183
Mill Lane operating subsidy (Note 4)	199,513	192,758
Mill Lane Enterprises	88,532	98,201
Salaries and benefits	247,916	212,584
Mental Health fund	45,232	40,891
Administrative and board	26,524	28,873
Depreciation	19,052	25,840
Bank service charges	7,018	7,504
Fundraising and public awareness	6,657	9,783
Special events	5,159	6,492
Lottery	<u>3,976</u>	<u>16,422</u>
	<u>1,723,091</u>	<u>1,602,531</u>
Excess of revenue over expenditure	271,933	185,309
Net assets		
Beginning of year	<u>804,111</u>	<u>618,802</u>
End of year	<u>\$ 1,076,044</u>	<u>\$ 804,111</u>

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See accompanying notes to the financial statements.



**Waterford Foundation Inc.**  
**Statement of Financial Position**

March 31 2004 2003

**Assets**

Current

Cash and cash equivalents	\$ 1,089,273	\$ 805,732
Accounts receivable	48,679	56,388
Prepays	<u>-</u>	<u>900</u>
	1,137,952	863,020

Capital assets (Note 3)	<u>109,012</u>	<u>71,671</u>
	<u>\$ 1,246,964</u>	<u>\$ 934,691</u>

**Liabilities**

Current

Accounts payable and accrued liabilities	\$ 133,479	\$ 81,742
Due to Health Care Corporation of St. John's	<u>34,761</u>	<u>34,009</u>
	168,240	115,751

Deferred contributions - capital	<u>2,680</u>	<u>14,829</u>
	170,920	130,580

**Net Assets**

Net assets	<u>1,076,044</u>	<u>804,111</u>
	<u>\$ 1,246,964</u>	<u>\$ 934,691</u>

Commitments (Note 6)

On behalf of the Board

 _____ Director		 _____ Director
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See accompanying notes to the financial statements.

Grant Thornton 

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**Waterford Foundation Inc.**  
**Statement of Cash Flows**

Year Ended March 31

**2004****2003**

---

Increase (decrease) in cash and cash equivalents

<b>Operating</b>		
Excess of revenue over expenditure	\$ 271,933	\$ 185,309
Depreciation	19,052	25,840
Amortization of deferred contributions	<u>(12,149)</u>	<u>(12,676)</u>
	<b>278,836</b>	<b>198,473</b>
Change in non-cash operating working capital (Note 5)	<u>61,098</u>	<u>55,886</u>
	<b>339,934</b>	<b>254,359</b>
<b>Financing</b>		
Capital contributions	<u>-</u>	<u>4,505</u>
<b>Investing</b>		
Purchase of capital assets	<u>(56,393)</u>	<u>(35,396)</u>
Net increase in cash and cash equivalents	<b>283,541</b>	<b>223,468</b>
Cash and cash equivalents		
Beginning of year	<u>805,732</u>	<u>582,264</u>
End of year	<b>\$ 1,089,273</b>	<b>\$ 805,732</b>

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See accompanying notes to the financial statements.

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# Waterford Foundation Inc.

## Notes to the Financial Statements

March 31, 2004

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### 1. Nature of operations

The Waterford Foundation Inc. 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. During the year, the Health Care Foundation began to govern and manage the operations of the Foundation.

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

---

### 2. Summary of significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles, the more significant of which are as follows:

#### 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 reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

#### Donation revenue

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

#### Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash floats and deposits with banks, net of overdrafts.

#### Capital assets

Capital assets are recorded at cost and are amortized over their estimated useful lives at the following rates per annum:

Leasehold improvements	3 years, straight line
Motor vehicles	30%, declining balance
Equipment	20%, declining balance
Computer equipment	30%, declining balance

# Waterford Foundation Inc.

## Notes to the Financial Statements

March 31, 2004

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

#### Severance pay

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

#### Capital contributions

Capital contributions are recorded as deferred contributions and amortized to income at the following rates per annum:

Motor vehicles	40 months, straight line
Computer equipment	30%, declining balance

3. Capital assets		2004		2003
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Leasehold improvements	\$ 187,746	\$ 160,599	\$ 27,147	
Motor vehicles	56,191	39,328	16,863	\$ 24,091
Equipment	92,731	49,490	43,241	42,514
Computer equipment	17,518	12,363	5,155	5,066
Construction in progress	<u>16,606</u>	<u>-</u>	<u>16,606</u>	<u>-</u>
	<u>\$ 370,792</u>	<u>\$ 261,780</u>	<u>\$ 109,012</u>	<u>\$ 71,671</u>

### 4. Mill Lane operating subsidy

The Foundation is currently paying a subsidy of \$16,595 a month (2003 - \$16,595) to the Health Care Corporation of St. John's, as a contribution towards the cost of the work therapy programs.

5. Supplemental cash flow information		2004		2003
Change in non-cash operating working capital				
Accounts receivable		\$ 7,709	\$ 25,977	
Prepays		900	(48)	
Accounts payable and accrued liabilities		51,737	49,579	
Due to Health Care Corporation of St. John's		<u>752</u>	<u>(19,622)</u>	
		<u>\$ 61,098</u>	<u>\$ 55,886</u>	

Grant Thornton 

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## **Waterford Foundation Inc.**

### **Notes to the Financial Statements**

March 31, 2004

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#### **6. Commitments**

The Foundation has committed to allocate \$1,000,000 of its operating funds to construct a new facility for the Foundation. Project costs incurred to March 31, 2004 amounted to \$16,606. Total project costs are estimated at \$3,900,000, with construction expected to commence in 2005.

The Foundation has also entered into agreements to lease space with minimum payments for each of the next two years as follows:

2005 - \$68,400; and 2006 - \$68,400.

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#### **7. Related party transactions**

The Foundation provides support to the Health Care Corporation of St. John's to assist with the provision of certain services and programs for mental health program clients.

Transactions between these related parties are measured at their exchange value.

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#### **8. Financial instruments**

The carrying value of the primary financial instruments of the Foundation approximates fair value due to normal trade credit terms and conditions of these instruments.

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#### **9. Comparative figures**

Certain of the 2003 comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

**Waterford Foundation Inc.**  
**Financial Statements**  
March 31, 2005

Grant Thornton 

## Auditors' Report

To the Members of the Board of Directors  
Health Care Foundation

We have audited the statement of financial position of the **Waterford Foundation Inc.** at March 31, 2005 and the statements of operations and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In common with many charitable organizations, the Foundation derives certain of its 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 amount 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 expenditure, assets and net assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the revenues referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2005 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  
May 17, 2005

Grant Thornton LLP  
Chartered Accountants

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**Waterford Foundation Inc.****Statements of Operations and Changes in Net Assets**

Year Ended March 31

2005

2004

---

Revenue		
Ever Green Recycling	\$ 1,692,536	\$ 1,623,646
Mill Lane Enterprises	201,044	225,040
Grants	70,889	64,964
Interest income	20,349	22,782
Lottery proceeds	16,500	17,061
Other fundraising activities	15,035	22,470
Special events	9,227	5,000
Gain on disposal of capital assets	4,195	-
Donations	1,242	1,912
Amortization of deferred contributions	804	12,149
	<u>2,031,821</u>	<u>1,995,024</u>
Expenditure		
Ever Green Recycling	1,189,762	1,139,021
Mill Lane operating subsidy (Note 4)	134,004	134,004
Mill Lane Enterprises	100,591	88,532
Salaries and benefits	233,427	247,916
Mental Health fund	41,615	45,232
Administrative and board	31,074	26,524
Amortization	27,176	19,052
Special events	7,362	5,159
Bank service charges	6,667	7,018
Fundraising and public awareness	3,825	6,657
50/50 lottery	-	3,976
	<u>1,775,503</u>	<u>1,723,091</u>
Excess of revenue over expenditure	256,318	271,933
Net assets		
Beginning of year	<u>1,076,044</u>	<u>804,111</u>
End of year	<u>\$ 1,332,362</u>	<u>\$ 1,076,044</u>

---

See accompanying notes to the financial statements.

Grant Thornton 



**Waterford Foundation Inc.**  
**Statement of Financial Position**

March 31 2005 2004

**Assets**

Current		
Cash and cash equivalents	\$ 1,262,649	\$ 1,089,273
Accounts receivable	63,500	48,679
Inventories	<u>22,693</u>	<u>-</u>
	1,348,842	1,137,952
Capital assets (Note 3)	152,518	109,012
Intangible assets, net of accumulated amortization	<u>1,967</u>	<u>-</u>
	<u>\$ 1,503,327</u>	<u>\$ 1,246,964</u>

**Liabilities**

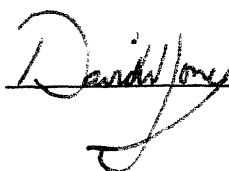
Current		
Accounts payable and accrued liabilities	\$ 109,606	\$ 133,479
Due to Health Care Corporation of St. John's	52,983	34,761
Deferred contributions	<u>6,500</u>	<u>-</u>
	169,089	168,240
Deferred contributions - capital	<u>1,876</u>	<u>2,680</u>
	170,965	170,920

**Net Assets**

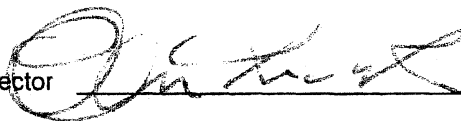
Net assets	<u>1,332,362</u>	<u>1,076,044</u>
	<u>\$ 1,503,327</u>	<u>\$ 1,246,964</u>

Commitments (Note 6)

On behalf of the Board



Director



Director

See accompanying notes to the financial statements.

Grant Thornton 

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**Waterford Foundation Inc.**  
**Statement of Cash Flows**

Year Ended March 31

**2005****2004**

---

Increase (decrease) in cash and cash equivalents

**Operating**

Excess of revenue over expenditure	\$ 256,318	\$ 271,933
Amortization	27,176	19,052
Gain on disposal of capital assets	(4,195)	-
Amortization of deferred contributions	<u>(804)</u>	<u>(12,149)</u>

**278,495**      **278,836**Change in non-cash operating  
working capital (Note 5)**(36,665)**      **61,098****241,830**      **339,934****Investing**

Purchase of capital assets	(81,995)	(56,393)
Proceeds from disposal of capital assets	16,000	-
Acquisition of intangible assets	<u>(2,459)</u>	<u>-</u>

**(68,454)**      **(56,393)**

Net increase in cash and cash equivalents

**173,376**      **283,541**

Cash and cash equivalents

Beginning of year      **1,089,273**      **805,732**End of year      **\$ 1,262,649**      **\$ 1,089,273**

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See accompanying notes to the financial statements.

Grant Thornton 

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# **Waterford Foundation Inc.**

## **Notes to the Financial Statements**

March 31, 2005

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### **1. Nature of operations**

The Waterford Foundation Inc. 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. The Health Care Foundation governs and manages the operations of the Foundation.

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

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### **2. Summary of significant accounting policies**

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles, the more significant of which are as follows:

#### **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 reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

#### **Revenue recognition**

The following revenue recognition policies have been adopted:

- a) Recycling revenue is recognized throughout the capturing, processing, packaging and shipping phases of the recycling operation.
- b) Mill Lane revenues are recognized upon shipment and when all significant contractual obligations have been satisfied and collection is reasonably assured.
- c) Grant revenue is recognized when related expenditures have been incurred.
- d) Revenue from donations is recognized in the accounts of the Foundation in the year in which it is received.

#### **Cash and cash equivalents**

Cash and cash equivalents include cash on hand, cash floats, deposits with banks, net of overdrafts and short-term investments.

#### **Inventories**

Inventories are valued at the lower of cost and net realizable value.

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## Waterford Foundation Inc.

### Notes to the Financial Statements

March 31, 2005

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

##### Capital assets

Capital assets are recorded at cost and are amortized over their estimated useful lives at the following rates per annum:

Leasehold improvements	3 years, straight line
Motor vehicles	30%, declining balance
Equipment	20%, declining balance
Computer equipment	30%, 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.

##### Intangible assets

Intangible assets are recorded at cost and amortized on a straight-line basis over a period of 5 years.

##### Capital contributions

Capital contributions are recorded as deferred contributions and amortized to income at the following rates per annum:

Computer equipment	30%, declining balance
--------------------	------------------------

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3. Capital assets			<u>2005</u>	<u>2004</u>
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Leasehold improvements	\$ 189,823	\$ 170,252	\$ 19,571	\$ 27,147
Motor vehicles	52,249	-	52,249	16,863
Equipment	106,481	59,514	46,967	43,241
Computer equipment	20,186	14,310	5,876	5,155
Construction in progress	16,606	-	16,606	16,606
IT system under development	11,249	-	11,249	-
	<u>\$ 396,594</u>	<u>\$ 244,076</u>	<u>\$ 152,518</u>	<u>\$ 109,012</u>

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## Waterford Foundation Inc.

### Notes to the Financial Statements

March 31, 2005

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#### 4. Mill Lane operating subsidy

The Foundation is currently paying a subsidy of \$16,595 a month (2004 - \$16,595) to the Health Care Corporation of St. John's, as a contribution towards the cost of the work therapy programs.

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5. Supplemental cash flow information	<u>2005</u>	<u>2004</u>
Change in non-cash operating working capital		
Accounts receivable	\$ (14,821)	\$ 7,709
Inventories	(22,693)	-
Prepays	-	900
Accounts payable and accrued liabilities	(23,873)	51,737
Due to Health Care Corporation of St. John's	18,222	752
Deferred contributions	<u>6,500</u>	<u>-</u>
	<u>\$ (36,665)</u>	<u>\$ 61,098</u>
Interest received	<u>\$ 17,585</u>	<u>\$ 20,542</u>

#### Restricted cash and cash equivalents

Cash and cash equivalents in the amount of \$37,915 (2004 - \$38,040) is restricted for various programs at the Waterford Hospital.

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#### 6. Commitments

The Foundation has committed to allocate \$1,000,000 of its operating funds to construct a new facility for the Foundation. Project costs incurred to March 31, 2005 amounted to \$16,606. Total project costs are estimated at \$3,900,000, with construction expected to commence in 2005. No further costs were incurred during the fiscal year ended March 31, 2005.

The Foundation has also committed to allocate \$40,000 of its operating funds for the development of a new information technology system to be installed at the depots and head office. Costs incurred to March 31, 2005 amounted to \$11,249. Implementation is expected to occur within the next year.

The Foundation has also entered into agreements to lease space for \$68,400.

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# **Waterford Foundation Inc.**

## **Notes to the Financial Statements**

March 31, 2005

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### **7. Related party transactions**

The Foundation provides support to the Health Care Corporation of St. John's to assist with the provision of certain services and programs for mental health program clients.

Transactions between these related parties are measured at their exchange value.

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### **8. Financial instruments**

Fair values of financial instruments are disclosed in the notes to the financial statements when they differ from the carrying amounts. Where amounts receivable and payable are subject to normal credit terms, their carrying amount is used as an approximation of their fair values.

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### **9. Comparative figures**

Certain of the 2004 comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.



**Western Health Care Corporation**  
**Combined Funds**  
**Financial Statements**  
March 31, 2005

Grant Thornton 



## Auditors' Report

To the Members of the Board of  
Western Health Care Corporation

We have audited the balance sheet of Western Health Care Corporation - Combined Funds as at March 31, 2005, and the statements of changes in net deficiency, operations and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2005, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Corner Brook, Newfoundland and Labrador  
September 15, 2005

  
Grant Thornton LLP  
Chartered Accountants

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**Western Health Care Corporation**  
**Combined Funds**  
**Balance Sheet**

March 31 2005 2004

**Assets**

Current

Cash and cash equivalents	\$ 154,829	\$ 157,003
Receivables (Note 3)	5,834,857	10,264,008
Inventory	3,420,686	3,294,258
Prepaid expenses	3,297,730	3,122,741
Bursary advances (Note 4)	341,670	216,670
Due from Health and Community Services Western	<u>1,777,076</u>	<u>953,406</u>
	<b>14,826,848</b>	<b>18,008,086</b>
Due from associated funds (Note 5)	366,169	865,556
Restricted cash and cash equivalents	125,548	121,097
Capital assets (Note 6)	46,028,464	44,095,371
Trust funds on deposit	<u>464,782</u>	<u>408,873</u>
	<b>\$ 61,811,811</b>	<b>\$ 63,498,983</b>

**Liabilities**

Current

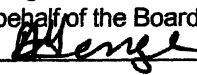
Bank indebtedness (Note 7)	\$ 18,985,234	\$ 15,270,776
Payables and accruals (Note 8)	18,136,428	18,435,397
Deferred contributions - operating	669,779	671,416
Deferred contributions - capital	5,553,170	8,634,071
Vacation pay accrual	4,231,826	4,393,836
Current portion of severance pay accrual	800,000	800,000
Current portion of long term debt (Note 9)	<u>640,200</u>	<u>791,000</u>
	<b>49,016,637</b>	<b>48,996,496</b>
Deferred contributions		
- unamortized portion of capital asset grants	34,915,496	32,490,168
Severance pay accrual	18,538,094	17,922,195
Trust funds payable	464,782	408,873
Long term debt (Note 9)	<u>7,132,903</u>	<u>7,772,943</u>
	<b>110,067,912</b>	<b>107,590,675</b>

**Net Assets**

Net assets invested in capital assets	3,339,864	3,047,976
Restricted net assets - endowments	118,742	112,215
Unrestricted net assets	<u>(51,714,707)</u>	<u>(47,251,883)</u>
	<b>(48,256,101)</b>	<b>(44,091,692)</b>
	<b>\$ 61,811,811</b>	<b>63,498,983</b>

Contingencies and commitments (Note 10)

On behalf of the Board

 Member

 Member

See accompanying notes to the financial statements.

Grant Thornton 

**Western Health Care Corporation**  
**Combined Funds**  
**Statement of Changes in Net Deficiency**

March 31

	Unrestricted	Capital	Endowments (Restricted)	2005 Total	2004 Total
Balance, beginning of year	\$ (45,239,141)	\$ (835,552)	\$ 112,215	\$ (45,962,478)	\$ (43,036,619)
Prior period adjustment (Note 12)	<u>(2,012,742)</u>	<u>3,883,528</u>	-	<u>1,870,786</u>	<u>1,774,495</u>
Balance, restated	(47,251,883)	3,047,976	112,215	(44,091,692)	(41,262,124)
Excess of expenditures over revenue	(4,164,409)	-	-	(4,164,409)	(2,829,568)
Restricted interest income	(6,527)	-	6,527	-	-
Amortization of capital assets	4,281,526	(4,281,526)	-	-	-
Amortization of capital asset grants	(4,160,003)	4,160,003	-	-	-
Purchase of capital assets from unrestricted funds	(461,394)	461,394	-	-	-
Proceeds from sale of capital assets	1,197	(1,197)	-	-	-
Loss on sale of capital assets	<u>46,786</u>	<u>(46,786)</u>	-	-	-
Balance, end of year	<u>\$ (51,714,707)</u>	<u>\$ 3,339,864</u>	<u>\$ 118,742</u>	<u>\$ (48,256,101)</u>	<u>\$ (44,091,692)</u>

See accompanying notes to the financial statements.

**Grant Thornton**

**Western Health Care Corporation**  
**Combined Funds**  
**Statement of Operations**

Year Ended March 31	2005	2004
<b>Revenue</b>		
Provincial plan	\$ 127,055,556	\$ 126,160,955
Other operating	29,529,164	29,474,333
Board fund	<u>1,156,585</u>	<u>1,211,260</u>
	<u>157,741,305</u>	<u>156,846,548</u>
<b>Expenditures</b>		
Administrative and support services	48,533,239	47,053,427
Nursing and medical services	73,530,337	73,162,593
Ambulatory care services	13,731,082	12,689,121
Diagnostic and therapeutic services	18,716,646	18,658,311
Educational services	3,937,933	3,853,274
General services	1,666,810	1,679,832
Board fund	<u>1,214,255</u>	<u>1,427,804</u>
	<u>161,330,302</u>	<u>158,524,362</u>
Operating deficit before other items	<u>(3,588,997)</u>	<u>(1,677,814)</u>
<b>Other items</b>		
Increase in severance and vacation pay accrual	453,889	1,039,443
Amortization of capital assets	4,281,526	3,826,635
Amortization of capital asset grants	<u>(4,160,003)</u>	<u>(3,714,324)</u>
	<u>575,412</u>	<u>1,151,754</u>
Excess of expenditures over revenue	<u>\$ (4,164,409)</u>	<u>\$ (2,829,568)</u>

See accompanying notes to the financial statements.

**Western Health Care Corporation**  
**Combined Funds**  
**Statement of Cash Flows**

Year Ended March 31 2005 2004

Cash and cash equivalents derived from (applied to)

	2005	2004
<b>Operations</b>		
Excess of expenditures over revenue	\$ (4,164,409)	\$ (2,829,568)
Increase in severance and vacation pay accrual	453,889	1,039,443
Loss on disposal of capital assets	1,197	-
Amortization of capital assets	4,281,526	3,826,635
Amortization of capital assets – repayment of long term debt	600,989	626,351
Amortization of capital asset grants	<u>(4,160,003)</u>	<u>(3,714,324)</u>
	<b>(2,986,811)</b>	<b>(1,051,463)</b>
Changes in		
Receivables	4,429,154	(3,322,353)
Inventory	(126,428)	(532,207)
Bursary advances	(125,000)	16,359
Prepaid expenses	(174,989)	(231,901)
Due from associated funds	(324,283)	340,563
Payables and accruals	<u>(300,606)</u>	<u>2,161,595</u>
	<u>391,037</u>	<u>(2,619,407)</u>
<b>Financing</b>		
Increase in bank indebtedness	3,714,458	2,916,411
Capital contributions	3,504,427	7,862,421
Repayment of long term debt	<u>(790,840)</u>	<u>(816,247)</u>
	<u>6,428,045</u>	<u>9,962,585</u>
<b>Investing</b>		
Disposal of capital assets	46,786	6,717
Purchase of capital assets	(6,863,591)	(7,369,795)
Increase in restricted cash and investments	<u>(4,451)</u>	<u>(9,366)</u>
	<u>(6,821,256)</u>	<u>(7,372,444)</u>
Net decrease in cash and cash equivalents	<b>(2,174)</b>	<b>(29,266)</b>
Cash and cash equivalents		
Beginning of year	<u>157,003</u>	<u>186,269</u>
End of year	<u>\$ 154,829</u>	<u>\$ 157,003</u>

See accompanying notes to the financial statements.

**Grant Thornton** 

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# **Western Health Care Corporation Combined Funds Notes to the Financial Statements**

March 31, 2005

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## **1. Nature of operations**

The Western Health Care Corporation ("the Corporation") was constituted under the Hospital's Act (Western Health Care Corporation) Constitution Order and is responsible for the management and control of the operations of acute and long term care facilities in the western region of the province of Newfoundland and Labrador. The Corporation assumed responsibility for these facilities effective January 1, 1996. The institutions are as follows:

Western Memorial Regional Hospital, including Western Linen Services  
Bonne Bay Hospital Division  
Dr. J. I. O'Connell Centre  
Calder Health Care Centre  
Rufus Guincharde Health Care Centre  
Bay St. George Senior Citizens Home  
Sir Thomas Roddick Hospital  
Dr Charles L Legrow Health Centre  
Interfaith Home for Senior Citizens

The Board of Trustees of Western Health Care Corporation governs the Western Health Care Corporation.

The Western Health Care Corporation is a registered charity and consequently is exempt under the Income Tax Act.

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## **2. Summary of significant accounting policies**

### **Use of estimates**

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

### **Basis of presentation**

The combined funds apply fund accounting principles as follows:

The Operating Fund contains the assets, liabilities, revenues and expenditures of the Corporation related to the provision of hospital services, which are funded by the Department of Health.

The Board of Trustees Fund contains special purpose assets and those which may be expended at the discretion of the Board. Revenue consists mainly of investment income and revenue not directly related to hospital operations. Expenditures of this fund consist of hospital operating expenditures not shared by government and those approved by the Board.

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# Western Health Care Corporation

## Combined Funds

### Notes to the Financial Statements

March 31, 2005

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#### 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 investments. Bank borrowings are considered financing activities.

##### Inventory

Inventory is valued at average cost on a first-in, first-out basis.

##### Capital assets

The combined funds have control over certain assets for which title resides with the Government of Newfoundland and Labrador. These assets have not been recorded in the financial statements of the combined funds. Capital assets acquired after January 1, 1996 are recorded at cost. Assets that are acquired through long term borrowing are amortized at an amount equal to the annual principal repayment of the debt obligation. The remaining assets in use are amortized on a declining balance basis at the following rates:

Land improvements	2 ½%
Buildings	3 - 6 ¼%
Parking lot	6 ¼%
Equipment	15%
Equipment under capital leases	15%
Vehicles	20%

##### 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.

##### Severance and vacation pay liability

An accrued liability for severance and vacation pay 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 and no provision has been made for employees with less than nine years of service.

##### Revenue recognition

Provincial plan revenue is recognized in the period in which entitlement arises. Revenue received for a future period is deferred until that future period and is reflected as deferred contributions - operating.

Unrestricted cash donations are recognized as revenue when they are received. Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

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# Western Health Care Corporation

## Combined Funds

### Notes to the Financial Statements

March 31, 2005

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

Capital contributions expended are recorded as deferred contributions and amortized to income on a declining balance basis using the same rates as depreciation expense related to the capital assets purchased. Capital contributions expended for non-depreciable capital assets are recorded as direct increases in net assets. Non-expended capital contributions are deferred and are not amortized until expended.

Revenue from the sale of goods and services is recognized at the time the goods are delivered or the services are provided.

#### Pension costs

Employees of the Corporation 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 Board. The annual contributions for pensions are recognized in the accounts on a current basis.

#### Financial instruments

The corporation's financial instruments include trade receivables and trade payables due from associated funds, trust funds on deposit and payable, bank indebtedness and bursary advances. It is management's view that the fair value of these instruments approximates their carrying value due to their short term to maturity.

Unless otherwise noted, it is management's opinion that the corporation is not exposed to significant credit, interest rate or currency risk arising from its financial instruments.

#### 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.

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3. Receivables	<u>2005</u>	<u>2004</u>
Province of Newfoundland		
Capital contributions	\$ 122,526	\$ 4,606,188
Provincial Plan	257,653	452,484
MCP	1,549,430	2,064,660
Patient services	980,873	1,063,344
Employees' and associated receivables	644,470	693,482
Harmonized sales tax rebate	387,161	221,904
Other	1,892,744	1,161,946
	<u>\$ 5,834,857</u>	<u>\$ 10,264,008</u>

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**Western Health Care Corporation**  
**Combined Funds**  
**Notes to the Combined Financial Statements**

March 31, 2005

**4. Bursary advances**

The Board of Trustees has provided advances to medical professionals to assist with education costs. As consideration for receiving the bursary, these medical professionals are required to provide a period of service to the Corporation after completing their educational program. The bursary advances are recorded as an asset and are amortized on a straight-line basis over the required period of service upon commencement of employment. The advances are repayable to the Corporation if the medical professional does not complete the agreed period of service.

<b>5. Due from associated funds</b>	<u><b>2005</b></u>	<u><b>2004</b></u>
Cottages	\$ 330,339	\$ 800,777
Associated Foundations	<u>35,830</u>	<u>64,779</u>
	<u><b>\$ 366,169</b></u>	<u><b>\$ 865,556</b></u>

Amounts due from associated funds are non-interest bearing with no set terms of repayment.

**6. Capital assets** **2005**

	<u><b>Cost</b></u>	<u><b>Accumulated Depreciation</b></u>	<u><b>Net Book Value</b></u>
Land	\$ 575,472	\$ -	\$ 575,472
Land improvements	147,791	65,189	82,602
Equipment under capital lease	6,775,348	2,380,525	4,394,823
Buildings	34,679,495	15,517,989	19,161,506
Parking lot	1,164,081	610,276	553,805
Equipment	57,595,982	36,586,933	21,009,049
Motor vehicles	<u>593,630</u>	<u>342,423</u>	<u>251,207</u>
	<u><b>\$ 101,531,799</b></u>	<u><b>\$ 55,503,335</b></u>	<u><b>\$ 46,028,464</b></u>

	<u><b>Cost</b></u>	<u><b>Accumulated Depreciation</b></u>	<u><b>Net Book Value</b></u>
Land	\$ 575,472	\$ -	\$ 575,472
Land improvements	147,791	63,071	84,720
Equipment under capital lease	6,775,348	1,632,516	5,142,832
Buildings	33,898,266	14,663,889	19,234,377
Parking lot	1,019,256	583,943	435,313
Equipment	51,717,762	33,409,114	18,308,648
Motor vehicles	<u>593,630</u>	<u>279,621</u>	<u>314,009</u>
	<u><b>\$ 94,727,525</b></u>	<u><b>\$ 50,632,154</b></u>	<u><b>\$ 44,095,371</b></u>

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**Western Health Care Corporation**  
**Combined Funds**  
**Notes to the Combined Financial Statements**

March 31, 2005

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**7. Bank indebtedness**

The Corporation has signed an overdraft lending agreement with the Bank of Montreal, interest being charged at prime less 0.5% on any overdraft (March 31, 2005 – 4.25%; March 31, 2004 – 4.00%).

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<b>8. Payables and accruals</b>	<u><b>2005</b></u>	<u><b>2004</b></u>
Accounts payable and accrued liabilities	\$ 17,815,855	\$ 18,114,824
Provincial Plan	<u>320,573</u>	<u>320,573</u>
	<u><b>\$ 18,136,428</b></u>	<u><b>\$ 18,435,397</b></u>

The repayment of the Provincial Plan Payable is contingent upon final settlement for the years 1984 to 1992, which could then result in an adjustment to the amount recorded.

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<b>9. Long term debt</b>	<u><b>2005</b></u>	<u><b>2004</b></u>
Canada Mortgage and Housing Corporation mortgage, at 5.5%, maturing in 2021, payable in blended monthly instalments of \$14,647.	\$ 1,887,606	\$ 1,958,505
Canada Mortgage and Housing Corporation mortgage, at 8%, maturing in 2026, payable in blended monthly instalments of \$9,523.	1,185,559	1,205,852
Newfoundland and Labrador Housing Corporation loan, at 7.875%, maturing in 2022, repayable in blended monthly instalments of \$6,056.	685,844	704,670
Obligations under capital lease, at 5.83%, maturing in 2011, payable in blended monthly instalments of \$61,951.	<u>4,014,094</u>	<u>4,694,916</u>
	7,773,103	8,563,943
Less: Amount payable within one year	<u>640,200</u>	<u>791,000</u>
	<u><b>\$ 7,132,903</b></u>	<u><b>\$ 7,772,943</b></u>

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**Grant Thornton** 

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**Western Health Care Corporation**  
**Combined Funds**  
**Notes to the Combined Financial Statements**

March 31, 2005

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**9. Long term debt (cont'd)**

As security for the mortgage and bank loans, the corporation has provided a first mortgage over land and buildings at the Corner Brook Interfaith Home and at the Bay St. George Senior Citizens Home.

As security for capital leases the Corporation has provided specific capital equipment having a net book value of \$4,306,491.

Principal repayments over the next five years are as follows: \$2006 – \$640,200; 2007 – \$679,200; 2008 - \$720,500; 2009 – \$763,400; 2010 - \$808,600

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**10. Contingencies and commitments**

**Claims**

As of March 31, 2005, there were a number of claims against the Board 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 Board with respect to these claims, but management believes any claims, if successful, will be covered by liability insurance.

**Operating leases**

The Corporation has a number of agreements whereby it leases equipment and property, in addition to those disclosed under Note 9. These agreements range in terms from five to twenty years. These leases are accounted for as operating leases. Future minimum lease payments under operating leases for the next five years are as follows:

Fiscal year ended	2006	\$ 1,055,000
	2007	\$ 978,000
	2008	\$ 831,000
	2009	\$ 831,000
	2010	\$ 831,000

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**11. Subsequent event**

Effective April 1, 2005, the Government of Newfoundland and Labrador merged the Corporation and Western Health and Community Services. The new entity will serve the health needs of the residents of Western Newfoundland and Labrador and will be known as Western Regional Integrated Health Authority.

During the fiscal year, the owners of the Bonne Bay Health Centre went into receivership. Subsequent to year end, Western Regional Integrated Health Authority exercised its rights to buy the facility by making a \$5,000,000 down payment to the trustees in bankruptcy. This funding was provided by the Government of Newfoundland and Labrador.

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**Western Health Care Corporation**  
**Combined Funds**  
**Notes to the Combined Financial Statements**

March 31, 2005

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**12. Prior period adjustment**

During the year, comparative figures were adjusted to correct amortization of leased and mortgaged assets. The amortization was adjusted to agree to principal repayments made over the same periods. Comparative figures were also adjusted to reallocate the unfunded purchase of capital assets from operating to net assets invested in capital assets. The following accounts have been affected:

	<u>Increase</u>	<u>Decrease</u>
Deficiency	\$ 2,012,742	\$ -
Capital assets	1,129,313	-
Deferred contributions unamortized portion of capital asset grants	-	963,038
Net assets invested in capital assets	3,883,528	-
Deferred contributions capital	221,565	-
Amortization of capital assets	-	127,373
Amortization of capital asset grants	-	31,082



**Western Regional Health  
And Community Services Board  
Financial Statements  
March 31, 2005**

**Grant Thornton **

## Auditors' Report

To the Members of the Board of  
Western Regional Health and Community Services Board

We have audited the balance sheet of Western Regional Health and Community Services Board as at March 31, 2005 and the statements of revenue and expenditures, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2005 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Grant Thornton LLP*

Corner Brook, Newfoundland and Labrador  
June 30, 2005

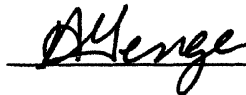
Grant Thornton LLP  
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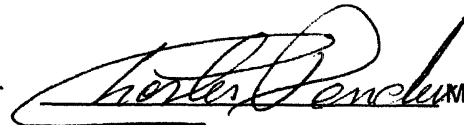
**Western Regional Health and Community Services Board  
Combined Funds  
Balance Sheet**

March 31	2005	2004
<b>Assets</b>		
Current		
Cash and cash equivalents (Note 3)	\$ 165,128	\$ 1,908,474
Receivables (Note 4)	721,940	785,486
Prepaid expenses	<u>333,908</u>	<u>410,837</u>
	1,220,976	3,104,797
Payroll advance	51,881	52,169
Capital assets (Note 5)	<u>1,396,789</u>	<u>690,398</u>
	<u>\$ 2,669,646</u>	<u>\$ 3,847,364</u>
<b>Liabilities</b>		
Current		
Payables and accruals	\$ 922,911	\$ 1,210,167
Deferred contributions - operating	596,310	725,635
Deferred contributions - capital	32,650	108,061
Deferred contributions - NCB	106,948	114,685
Deferred contributions - ECD	38,236	40,152
Deferred contributions - ELCC	94,188	-
Due to Western Health Care Corporation	1,777,076	953,406
Vacation pay accrual	1,445,045	1,280,126
Current portion of severance pay accrual	<u>150,000</u>	<u>100,000</u>
	5,163,364	4,532,232
Deferred contributions - unamortized portion of capital asset grants	524,167	503,474
Severance pay accrual	<u>2,708,818</u>	<u>2,602,667</u>
	8,396,349	7,638,373
<b>Net Assets</b>		
Net assets invested in capital assets	872,620	186,925
Unrestricted net assets	<u>(6,599,323)</u>	<u>(3,977,934)</u>
	<u>(5,726,703)</u>	<u>(3,791,009)</u>
	<u>\$ 2,669,646</u>	<u>\$ 3,847,364</u>

On behalf of the Board



Member



Member

See accompanying notes to the financial statements.

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## Western Regional Health and Community Services Board Combined Funds

### Statement of Revenue and Expenditures

Year Ended March 31	2005	2004
<b>Revenue</b>		
Provincial Plan	\$ 38,226,147	\$ 37,511,787
Department of Health – Early Learning & Childhood Care	94,130	-
Department of Health – National Child Benefit	913,812	765,487
Department of Health – Early Childhood Development	493,832	557,705
Primary Health Care	147,799	-
MCP Physician Revenue	206,093	197,148
Department of Health – Direct Payments	233,344	199,523
Children's special Federal allowance	355,241	245,642
Interest	68,215	154,775
Other	<u>230,390</u>	<u>328,958</u>
	<b><u>40,969,003</u></b>	<b><u>39,961,025</u></b>
<b>Expenditures</b>		
Diagnostic & therapeutic services	1,572,430	1,634,613
Administrative services	2,561,762	2,236,311
Support services	1,012,534	989,332
Ambulatory care services	250,294	280,761
Community and social services	<u>37,093,910</u>	<u>36,188,396</u>
	<b><u>42,490,930</u></b>	<b><u>41,329,413</u></b>
Operating deficit before other items	<u>(1,521,927)</u>	<u>(1,368,388)</u>
<b>Other items</b>		
Amortization of capital assets	172,412	163,607
Amortization of capital asset grants	(79,715)	(119,310)
Increase in vacation pay accrual (Note 2)	164,919	202,891
Increase in severance pay accrual (Note 2)	<u>156,151</u>	<u>488,680</u>
	<b><u>413,767</u></b>	<b><u>735,868</u></b>
Deficiency of revenue over expenditures	<b><u>\$ (1,935,694)</u></b>	<b><u>\$ (2,104,256)</u></b>

See accompanying notes to the financial statements.

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**Western Regional Health and Community Services Board  
Combined Funds**

**Statement of Changes in Net Assets**

Year Ended March 31	Operating	Capital	2005 Total	2004 Total
Balance, beginning of year	\$ (3,977,934)	\$ 186,925	\$ (3,791,009)	\$ (1,686,753)
Deficiency of revenue over expenditures	(1,935,694)	-	(1,935,694)	(2,104,256)
Capital contribution from board fund	(778,392)	778,392	-	-
Amortization of Capital assets	172,412	(172,412)	-	-
Capital asset grants	<u>(79,715)</u>	<u>79,715</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ (6,599,323)</u>	<u>\$ 872,620</u>	<u>\$ (5,726,703)</u>	<u>\$ (3,791,009)</u>

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See accompanying notes to the financial statements.

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**Western Regional Health and Community Services Board  
Combined Funds  
Statement of Cash Flows**

Year Ended March 31	2005	2004
Cash and cash equivalents derived from (applied to)		
<b>Operations</b>		
Deficiency of revenue over expenditures	\$ (1,935,694)	\$ (2,104,256)
Amortization of capital assets	172,412	163,607
Amortization of capital equipment grant	<u>(79,715)</u>	<u>(119,310)</u>
	<b>(1,842,997)</b>	<b>(2,059,959)</b>
Changes in		
Receivables	63,546	924,849
Prepaid expenses	76,929	(48,015)
Payroll advance	288	2,103
Payables and accruals	(287,259)	(264,273)
Deferred contributions - operating	(129,325)	299,861
Deferred contributions - capital	(75,411)	108,061
Deferred contributions - NCB	(7,737)	2,070
Deferred contributions - ELCC	94,188	-
Deferred contributions - ECD	(1,916)	10,301
Severance and vacation pay accrual	<u>321,070</u>	<u>691,570</u>
	<b>(1,788,624)</b>	<b>(333,432)</b>
<b>Financing</b>		
Advances from (to) Western Health Care Corporation	823,670	(614,423)
Capital grant - Province of Newfoundland	<u>100,411</u>	<u>71,939</u>
	<b>924,081</b>	<b>(542,484)</b>
<b>Investing</b>		
Purchases of capital assets	<u>(878,803)</u>	<u>(71,939)</u>
Net decrease in cash and cash equivalents	<b>(1,743,346)</b>	<b>(947,855)</b>
Cash and cash equivalents,		
Beginning of year	<u>1,908,474</u>	<u>2,856,329</u>
End of year	<b>\$ 165,128</b>	<b>\$ 1,908,474</b>

See accompanying notes to the financial statements.

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# Western Regional Health and Community Services Board

## Notes to the Financial Statements

March 31, 2005

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### 1. Nature of operations

The Western Regional Health and Community Services Board is responsible for the delivery of health services, other than hospital services in areas of health promotion, protection, research, public health services and continuing care, mental health, addictions, rehabilitative services, child youth and family services, community youth corrections and family and rehabilitative services.

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### 2. Summary of significant accounting policies

#### Use of estimates

The financial statements of the Board have been prepared within the framework of Canadian generally accepted accounting principles which requires 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 Board are as follows:

#### Basis of presentation

The Board applies fund accounting principles as follows:

The operating fund contains the assets, liabilities, revenue and expenditures of the Board related to the provision of health and community services, which are funded by the Department of Health.

The board fund contains assets which may be expended at the discretion of the Board. Its revenue consists of investment income. Expenditures of this fund consist of operating expenditures not shared by government and those approved by the Board.

#### Amortization

Amortization of capital assets is recorded on a declining balance basis over the estimated life of those assets.

#### Revenue recognition

Provincial plan revenue is recognized in the period in which entitlement arises. Revenue received for a future period is deferred until that future period and is reflected as deferred contributions - operating.

Capital contributions expended for capital assets are recorded as deferred contributions – unamortized portion of capital asset grants, and are amortized on the same basis as the assets to which it relates. Non-expended capital contributions are deferred and recorded as deferred contributions - capital.

Revenue from the provision of services is recognized at the time the goods are delivered or the services are provided.

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## Western Regional Health and Community Services Board

### Notes to the Financial Statements

March 31, 2005

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

##### Financial instruments

The Board's financial instruments include trade receivables and trade payables. It is management's view that the fair market value of these instruments approximate their carrying values due to their short term to maturity.

Unless otherwise stated, it is management's opinion that the Board is not exposed to significant credit, interest rate or currency risk arising from its financial instruments.

##### 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 and vacation pay

An accrued liability for severance and vacation pay is recorded in the accounts for all employees who have a vested right to receive such payments. Severance pay vests after nine years of service and no provision has been made for employees with less than nine years.

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3. Cash and cash equivalents	<u>2005</u>	<u>2004</u>
Cash and cash equivalents consists of		
Cash on hand and balances with banks	\$ 165,128	\$ 908,474
Short term deposits	-	1,000,000
	<u>\$ 165,128</u>	<u>\$ 1,908,474</u>

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4. Receivables	<u>2005</u>	<u>2004</u>
Department of Health	\$ 422,773	\$ 500,752
Other	<u>299,167</u>	<u>260,860</u>
Operating fund receivables	<u>\$ 721,940</u>	<u>\$ 761,612</u>
Board fund receivables	<u>\$ -</u>	<u>\$ 23,874</u>
Combined receivables	<u>\$ 721,940</u>	<u>\$ 785,486</u>

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## Western Regional Health and Community Services Board

### Notes to the Financial Statements

March 31, 2005

#### 5. Capital assets

	Leasehold Improvements	Buildings	Equipment I. T.	Equipment Other	Total
Cost, March 31/2004	\$ 232,458	\$ -	\$ 780,016	\$ 596,134	\$ 1,608,608
Additions during year	-	669,345	104,904	104,554	878,803
Disposals during year	-	-	-	-	-
Cost, March 31/2005	<u>232,458</u>	<u>669,345</u>	<u>884,920</u>	<u>700,688</u>	<u>2,487,411</u>
Amortization rate	20%	4%	20%	20%	
Acc. amort., March 31, 2004	124,485	-	405,842	387,883	918,210
Amortization expense	<u>21,595</u>	<u>13,387</u>	<u>85,325</u>	<u>52,105</u>	<u>172,412</u>
Acc. amort., March 31, 2005	<u>146,080</u>	<u>13,387</u>	<u>491,167</u>	<u>439,988</u>	<u>1,090,622</u>
<b>Net book value, Mar 31, 2005</b>	<b><u>\$ 86,378</u></b>	<b><u>\$ 655,958</u></b>	<b><u>\$ 393,753</u></b>	<b><u>\$ 260,700</u></b>	<b><u>\$ 1,396,789</u></b>
Net book value, Mar 31, 2004	<u>\$ 107,973</u>	<u>\$ -</u>	<u>\$ 374,174</u>	<u>\$ 208,251</u>	<u>\$ 690,398</u>

#### 6. Subsequent events

Effective April 1, 2005, the government of Newfoundland and Labrador merged the Boards of Western Regional Health and Community Services and Western Health Care Corporation. The new entity will serve the health needs of the residents of Western Newfoundland and Labrador and will be known as Western Regional Integrated Health Authority (WRIHA). As a result of the merger, this will be the final financial statement for Western Regional Health and Community Services Board.

Also, during the current year, the owners of the Bonne Bay Health Centre went into receivership. Subsequent to year-end, WRIHA exercised its right to buy the facility by making a \$5,000,000 down-payment to the trustees in bankruptcy. This funding was provided by the Government of Newfoundland and Labrador.

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**Western Regional Health and Community Services Board**  
**Schedule of Shareable Operating**  
**Expenditures for Government Reporting**

Year Ended March 31	2005	2004
Administration & support		
General administration	\$ 1,431,526	\$ 1,152,314
Finance	419,691	385,549
Personnel services	332,915	328,629
Systems support	377,630	369,819
Other	<u>1,012,534</u>	<u>989,332</u>
Total administration & support	<u>3,574,296</u>	<u>3,225,643</u>
Diabetic education	<u>250,294</u>	<u>280,761</u>
Diagnostic & therapeutic services	<u>1,572,430</u>	<u>1,634,613</u>
Community & social services		
Addictions – outpatient	798,545	747,700
Addictions – inpatient	495,025	520,052
Continuing care	7,937,511	7,730,327
Health promotion	968,764	1,032,016
Health protection	3,858,479	3,929,685
Mental health	1,496,246	1,651,097
Child, youth & family services	7,484,944	7,205,933
Family & rehabilitative services	12,386,649	11,899,709
Community corrections	<u>1,593,440</u>	<u>1,467,522</u>
Total community & social services	<u>37,019,603</u>	<u>36,184,041</u>
Total shareable expenses	<u>\$ 42,416,623</u>	<u>\$ 41,325,058</u>

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**Western Regional Health and Community Services Board  
Schedule of Revenue and Expenditures  
for Government Reporting**

Year Ended March 31	2005	2004
Revenue	<u>\$ 40,993,277</u>	<u>\$ 39,798,838</u>
Expenditures		
Worked and benefit salaries and contributions	15,342,595	15,107,838
Benefits contribution	<u>2,850,378</u>	<u>2,944,707</u>
Total compensation	<u>18,192,973</u>	<u>18,052,545</u>
Supplies – plant operation and maintenance	427,178	330,439
Supplies – drugs	3,758	1,777
Supplies – medical and surgical	226,951	235,184
Supplies – oxygen & orthotics	267,891	243,455
Supplies – food	7,467	7,547
Supplies – other	<u>239,791</u>	<u>242,960</u>
Total supplies	<u>1,173,036</u>	<u>1,061,362</u>
Direct client costs – continuing care	6,165,819	6,083,580
Direct client costs – child, youth & family services	3,943,586	3,771,417
Direct client costs – family & rehab services	10,693,950	10,206,036
Direct client costs – community corrections	<u>210,117</u>	<u>130,096</u>
Total direct client costs	<u>21,013,472</u>	<u>20,191,129</u>
Other shareable expenses		
- Travel	592,287	670,610
- Building lease	346,848	389,908
- Other	<u>1,098,007</u>	<u>959,504</u>
Total other shareable expenses	<u>2,037,142</u>	<u>2,020,022</u>
Total expenditures	<u>42,416,623</u>	<u>41,325,058</u>
Deficit for government reporting	<u>(1,423,346)</u>	<u>(1,526,220)</u>
Non-shareable items		
Amortization expense	172,412	163,607
Accrued vacation expense – increase	164,919	202,891
Accrued severance expense – increase	156,151	488,680
Amortization of deferred capital equipment grants	<u>(79,715)</u>	<u>(119,310)</u>
	<u>413,767</u>	<u>735,868</u>
Deficit inclusive of non-shareable items	<u>\$ (1,837,113)</u>	<u>\$ (2,262,088)</u>



**Western Regional Health and Community Services Board  
Schedule of Capital Transactions  
for Government Reporting**

Year Ended March 31	2005	2004
<b>Sources of funds</b>		
Provincial capital equipment grants in current year		
Provincial plan funding	\$ 25,000	\$ 25,000
Telephone system	-	4,500
Network server	-	5,500
Air conditioners	-	45,000
ENG equipment	-	50,000
Stephenville Annex building upgrade	-	50,000
	<u>25,000</u>	<u>180,000</u>
Decrease in deferred capital grants	108,061	-
Board Contributions	<u>778,392</u>	<u>-</u>
<b>Total funding</b>	<u>911,453</u>	<u>180,000</u>
<b>Expenditures</b>		
Equipment		
Building purchase and renovations	669,345	-
Titmus Screening	12,569	3,348
Network backup system, tapes and software	16,865	-
Projectors	11,604	4,728
Laptops and external disk drives	32,173	1,815
Packeteer network	39,496	-
Network server	-	5,890
Laser printers and laminator	6,667	-
Electronystagmography system	43,509	-
Fax machines	-	3,970
Reception units	7,440	-
Air conditioners	31,605	13,867
Data file cabinets	4,144	-
Universal gym	-	1,075
Telephone system	-	5,907
Audiometers	3,386	2,284
Improvements to Annex building	-	29,055
	<u>878,803</u>	<u>71,939</u>
Funding deferred to future years	<u>\$ 32,650</u>	<u>\$ 108,061</u>
<b>Deferred balance consists of the following:</b>		
ENG equipment	\$ 6,491	\$ 50,000
Annex building improvements	21,000	21,000
Air conditioners	-	31,000
General provincial plan	5,159	6,061
	<u>\$ 32,650</u>	<u>\$ 108,061</u>

**Western Regional Health and Community Services Board**  
**Schedule of Accumulated Operating Surplus**  
**for Government Reporting**

Year Ended March 31, 2005

	Combined Funds		Operating Funds		Board Funds	
	2005/04	2004/03	2005/04	2004/03	2005/04	2004/03
<b>Current assets</b>						
Cash and cash equivalents	\$ 165,128	\$ 1,908,474	\$ 165,128	\$ 1,908,474	\$ -	\$ -
Receivables	721,940	785,486	721,940	761,612	-	23,874
Prepaid expenses	333,908	410,837	333,908	410,837	-	-
Due from operating fund	-	-	-	-	654,107	1,507,206
<b>Total current assets</b>	<b>1,220,976</b>	<b>3,104,797</b>	<b>1,220,976</b>	<b>3,080,923</b>	<b>654,107</b>	<b>1,531,080</b>
<b>Payroll advance</b>	<b>51,881</b>	<b>52,169</b>	<b>51,881</b>	<b>52,169</b>	<b>-</b>	<b>-</b>
	<b>1,272,857</b>	<b>3,156,966</b>	<b>1,272,857</b>	<b>3,133,092</b>	<b>654,107</b>	<b>1,531,080</b>
<b>Current liabilities</b>						
Payables and accruals	922,911	1,210,167	922,911	1,210,167	-	-
Deferred contributions						
- operating	596,310	725,635	596,310	725,635	-	-
- NCB	106,948	114,685	106,948	114,685	-	-
- ELCC	94,188	-	94,188	-	-	-
- ECD	38,236	40,152	38,236	40,152	-	-
- capital	32,650	108,061	32,650	108,061	-	-
Due to Western Health Care Corporation	1,777,076	953,406	1,777,076	953,406	-	-
Due to Board Fund	-	-	654,107	1,507,206	-	-
<b>Total current liabilities</b>	<b>3,568,319</b>	<b>3,152,106</b>	<b>4,222,426</b>	<b>4,659,312</b>	<b>-</b>	<b>-</b>
<b>Accumulated operating surplus (deficit)</b>	<b>\$ (2,295,462)</b>	<b>\$ 4,860</b>	<b>\$ (2,949,569)</b>	<b>\$ (1,526,220)</b>	<b>\$ 654,107</b>	<b>\$ 1,531,080</b>

**Western Regional Health and Community Services Board**  
**Schedule of NCB / ELCC / ECD Funding**

Year Ended March 31, 2005

Initiative	Funding		Expenses			Deferred Revenue		
	Deferred From prior year	Allocated for current year	Total Available Funding	Gross Expenses	Excess Expenses (deficit)	Net Expenses	Deferred Funding at Mar 31,05	Deferred Funding at Mar 31,04
<b>NCB</b>								
Child Care Services Subsidy Program	\$ -	\$ 117,500	\$ 117,500	\$ 117,500	\$ -	\$ 117,500	\$ -	\$ -
Child Care Services Consultant	-	50,000	50,000	72,106	(22,106)	50,000	-	-
Child Care Services Equipment	13,143	13,207	26,350	-	-	-	26,350	13,143
Special Child Welfare Allowance	-	10,250	10,250	10,250	-	10,250	-	-
Residential & Mental Health Services	3,300	155,952	159,252	139,749	11,394	151,143	8,109	3,300
Community Youth Network	58,629	199,389	258,018	251,015	-	251,015	7,003	58,629
Autism	-	113,944	113,944	95,580	-	95,580	18,364	-
Child Care Renovations & Resources	19,827	-	19,827	810	-	810	19,017	19,827
Other	<u>19,786</u>	<u>250,000</u>	<u>269,786</u>	<u>231,895</u>	<u>9,786</u>	<u>241,681</u>	<u>28,105</u>	<u>19,786</u>
Total NCB	<u>\$ 114,685</u>	<u>\$ 910,242</u>	<u>\$ 1,024,927</u>	<u>\$ 918,905</u>	<u>\$ (926)</u>	<u>\$ 917,979</u>	<u>\$ 106,948</u>	<u>\$ 114,685</u>

**Grant Thornton**

**Western Regional Health and Community Services Board**  
**Schedule of NCB / ELCC / ECD Funding**

Year Ended March 31, 2005

Initiative	Funding			Expenses			Deferred Revenue	
	Deferred From prior year	Allocated for current year	Total Available Funding	Gross Expenses	Excess Expenses (deficit)	Net Expenses	Deferred Funding at Mar 31, 05	Deferred Funding at Mar 31, 04
<b>ELCC</b>								
Child Care Services Subsidy Program	\$ -	\$ 155,068	\$ 155,068	\$ 94,130	\$ -	\$ 94,130	\$ 60,938	\$ -
Early Childhood Services	-	<u>33,250</u>	<u>33,250</u>	-	-	-	<u>33,250</u>	-
<b>Total ELCC</b>	\$ -	<u>\$ 188,318</u>	<u>\$ 188,318</u>	<u>\$ 94,130</u>	<u>\$ -</u>	<u>\$ 94,130</u>	<u>\$ 94,188</u>	<u>\$ -</u>

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**Western Regional Health and Community Services Board**  
**Schedule of NCB / ELCC / ECD Funding**

Year Ended March 31, 2005

Initiative	Funding			Expenses		Deferred Revenue	
	Deferred From prior year	Allocated for current year	Total Available Funding	Gross Expense	Excess expenses (deficit)	Deferred Funding at Mar 31, 05	Deferred Funding at Mar 31, 04
<b>ECD</b>							
Child Care Services Subsidy Program	\$ 22,963	\$ 300,000	\$ 322,963	\$ 322,963	-	-	\$ 22,963
CMS	-	55,000	55,000	59,873	\$ (8,374)	\$ 3,501	-
Early Childhood Services	12,348	126,511	138,859	105,903	9,310	23,646	12,348
Family HCC Equipment	4,841	6,248	11,089	-	-	11,089	4,841
Total ECD	40,152	487,759	527,911	488,739	936	38,236	40,152
<b>Total NCB, ELCC &amp; ECD</b>	<b>\$ 154,837</b>	<b>\$ 1,586,319</b>	<b>\$ 1,741,156</b>	<b>\$ 1,501,774</b>	<b>\$ 10</b>	<b>\$ 239,372</b>	<b>\$ 154,837</b>

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**Western Regional Health and Community Services Board  
Schedule of Community Youth  
Network Funding**

Year Ended March 31 2005 2004

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**Health & Community Services Western:**

Funding provided to Health & Community Services Western (HCSW)		
Deferred from prior year	\$ 58,629	\$ (3)
Current year's funding	<u>199,389</u>	<u>269,200</u>
Available funding	<u>258,018</u>	<u>269,197</u>
Advances to Child Youth Network (CYN)	<u>251,015</u>	<u>210,571</u>
Deferred revenue March 31	<u>\$ 7,003</u>	<u>\$ 58,626</u>

**Community Youth Network for Southwestern Newfoundland:**

Total funding to CYN for Southwestern Newfoundland by HCSW		
Deferred from prior year	\$ 192,386	\$ 210,571
	<u>58,629</u>	<u>72,881</u>
Available funding	<u>251,015</u>	<u>283,452</u>
Reported expenditures:	<u>230,345</u>	<u>283,452</u>
Deferred revenue March 31	<u>20,670</u>	<u>-</u>
Total deferred funding available March 31	<u>\$ 27,673</u>	<u>\$ 58,626</u>

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**Western Regional Health and Community Services Board  
Operating Fund  
Balance Sheet**

March 31 2005 2004

**Assets**

Current

Cash and cash equivalents (Note 3)	\$ 165,128		\$ 1,908,474
Receivables (Note 4)	721,940		761,612
Prepaid expenses	<u>333,908</u>		<u>410,837</u>
	<b>1,220,976</b>		<b>3,080,923</b>

Payroll advance	51,881		52,169
Capital assets (Note 5)	<u>1,396,789</u>		<u>690,398</u>
	<b>\$ 2,669,646</b>		<b>\$ 3,823,490</b>

**Liabilities**

Current

Payables and accruals	\$ 922,911		\$ 1,210,167
Deferred contributions - operating	596,310		725,635
Deferred contributions - capital	32,650		108,061
Deferred contributions - NCB	106,948		114,685
Deferred contributions - ECD	38,236		40,152
Deferred contributions - ELCC	94,188		-
Due to Western Health Care Corporation	1,777,076		953,406
Vacation pay accrual	1,445,045		1,280,126
Current portion of severance pay accrual	<u>150,000</u>		<u>100,000</u>
	<b>5,163,364</b>		<b>4,532,232</b>

Due to Board Fund, non interest bearing with no set terms of repayment	654,107		1,507,206
Deferred contributions - unamortized portion of capital asset grants	524,167		503,474
Severance pay accrual	<u>2,708,818</u>		<u>2,602,667</u>
	<b>9,050,456</b>		<b>9,145,579</b>

**Net Assets**

Net assets invested in capital assets	872,620		186,925
Unrestricted net assets	<u>(7,253,430)</u>		<u>(5,509,014)</u>
	<b>(6,380,810)</b>		<b>(5,322,089)</b>
	<b>\$ 2,669,646</b>		<b>\$ 3,823,490</b>

On behalf of the Board

*DeVenge* Member *Robert Pender* Member

See accompanying notes to the financial statements.

**Grant Thornton**

**Western Regional Health and Community Services Board**  
**Operating Fund**  
**Statement of Revenue and Expenditures**

Year Ended March 31	2005	2004
<b>Revenue</b>		
Provincial Plan	\$ 38,226,147	\$ 37,511,787
Department of Health – Early Learning & Childhood Care	94,130	-
Department of Health – National Child Benefit	913,812	765,487
Department of Health – Early Childhood Development	493,832	557,705
Primary Health Care	147,799	-
MCP Physician Revenue	206,093	197,148
Department of Health – Direct Payments	233,344	199,523
Children’s Special Federal Allowance	355,241	245,642
Contribution from board fund	115,989	17,588
Other	<u>206,890</u>	<u>303,958</u>
	<u>40,993,277</u>	<u>39,798,838</u>
<b>Expenditures</b>		
Diagnostic & therapeutic services	1,572,430	1,634,613
Administrative services	2,561,762	2,236,311
Support services	1,012,534	989,332
Ambulatory care services	250,294	280,761
Community and social services	<u>37,019,603</u>	<u>36,184,041</u>
	<u>42,416,623</u>	<u>41,325,058</u>
Operating deficit before other items	<u>(1,423,346)</u>	<u>(1,526,220)</u>
<b>Other items</b>		
Amortization of capital assets	172,412	163,607
Amortization of capital asset grants	(79,715)	(119,310)
Increase in vacation pay accrual (Note 2)	164,919	202,891
Increase in severance pay accrual (Note 2)	<u>156,151</u>	<u>488,680</u>
	<u>413,767</u>	<u>735,868</u>
Deficiency of revenue over expenditures	<u>\$ (1,837,113)</u>	<u>\$ (2,262,088)</u>

See accompanying notes to the financial statements.



**Western Regional Health and Community Services Board  
Operating Fund**

**Statement of Changes in Net Assets**

Year Ended March 31	Operating	Capital	2005 Total	2004 Total
Balance, beginning of year	\$ (5,509,014)	\$ 186,925	\$ (5,322,089)	\$ (3,991,355)
Deficiency of revenue over expenditures	(1,837,113)	-	(1,837,113)	(2,262,088)
Capital contribution from board fund	-	778,392	778,392	-
Allocation of accumulated operating fund deficit to board fund	-	-	-	931,354
Amortization of Capital assets	172,412	(172,412)	-	-
Capital asset grants	<u>(79,715)</u>	<u>79,715</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ (7,253,430)</u>	<u>\$ 872,620</u>	<u>\$ (6,380,810)</u>	<u>\$ (5,322,089)</u>

See accompanying notes to the financial statements.

**Western Regional Health and Community Services Board**  
**Operating Fund**  
**Statement of Cash Flows**

Year Ended March 31 2005 2004

Cash and cash equivalents derived from (applied to)

**Operations**

Deficiency of revenue over expenditures	\$ (1,837,113)	\$ (2,262,088)
Amortization of capital assets	172,412	163,607
Amortization of capital asset grants	(79,715)	(119,310)
Transfer of accumulated operating deficit to board fund	-	931,354
	<u>(1,744,416)</u>	<u>(1,286,437)</u>

Changes in

Receivables	39,672	948,723
Prepaid expenses	76,929	(48,015)
Payroll advance	288	2,103
Payables and accruals	(287,259)	(264,273)
Deferred contributions - operating	(129,325)	299,861
Deferred contributions - capital	(75,411)	108,061
Deferred contributions - NCB	(7,737)	2,070
Deferred contributions - ELCC	94,188	-
Deferred contributions - ECD	(1,916)	10,301
Severance and vacation pay accrual	321,070	691,570
	<u>(1,713,917)</u>	<u>463,964</u>

**Financing**

Changes in due to board fund	(853,099)	(797,396)
Advances from (to) Western Health Care Corporation	823,670	(614,423)
Capital grant - Province of Newfoundland	100,411	71,939
Capital contribution from board fund	778,392	-
	<u>849,374</u>	<u>(1,339,880)</u>

**Investing**

Purchases of capital assets	(878,803)	(71,939)
-----------------------------	-----------	----------

Net decrease in cash and cash equivalents (1,743,346) (947,855)

Cash and cash equivalents,

Beginning of year	<u>1,908,474</u>	<u>2,856,329</u>
End of year	<u>\$ 165,128</u>	<u>\$ 1,908,474</u>

See accompanying notes to the financial statements.



**WORKPLACE HEALTH, SAFETY AND COMPENSATION COMMISSION  
FINANCIAL STATEMENTS**

**December 31, 2004**

# Auditors' Report

To the Board of Directors of the  
Workplace Health, Safety and Compensation  
Commission of Newfoundland and Labrador

We have audited the statement of financial position of the Workplace Health, Safety and Compensation Commission of Newfoundland and Labrador as at December 31, 2004 and the statements of operations, unfunded liability, comprehensive income and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at December 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

St. John's, Newfoundland and Labrador  
March 4, 2005

  
Deloitte & Touche LLP  
Chartered Accountants

Annual Report

# Statement of Financial Position

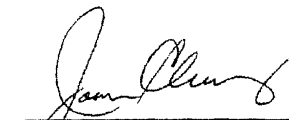
As at December 31

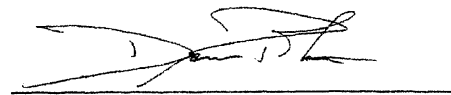
(dollars in thousands)	2004	2003
<b>Assets</b>		
Cash and cash equivalents (Note 4)	\$ 5,774	\$ 25,141
Receivables (Note 5)	15,662	14,398
Investments (Note 6)	572,804	440,793
Capital assets (Note 8)	9,599	9,942
	<b>\$ 603,839</b>	<b>\$ 490,274</b>
<b>Liabilities and Net Fund Deficiency</b>		
Payables and accruals	\$ 11,485	\$ 9,597
Benefit liabilities (Note 9)	648,417	650,794
Total liabilities	659,902	660,391
Reserves (Note 11)	971	973
Accumulated other comprehensive income (Note 12)	57,721	-
Unfunded liability	(114,755)	(171,090)
Net fund deficiency	(56,063)	(170,117)
	<b>\$ 603,839</b>	<b>\$ 490,274</b>

**Commitments (Note 21)**

**Contingencies (Note 22)**

On behalf of the Commission

  
 \_\_\_\_\_  
 Joan Cleary  
 Board Chairperson

  
 \_\_\_\_\_  
 Darren Roberts  
 Director

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

# Statement of Operations

Years ended December 31

(dollars in thousands)	2004	2003
<b>Revenue</b>		
Assessments	\$ 166,965	\$ 155,150
Investment income (Note 6)	17,733	22,623
	<b>184,698</b>	177,773
<b>Expenses</b>		
Claims costs incurred		
Short-term disability	27,760	31,890
Long-term disability	56,356	61,980
Survivor benefits	5,121	5,581
Health care	40,464	36,998
Rehabilitation	1,329	1,692
	<b>131,030</b>	138,141
Administration (Note 14)	21,383	21,183
Legislated obligations (Note 15)	6,177	5,589
Amortization	2,577	2,421
Other (Note 16)	1,162	952
	<b>162,329</b>	168,286
Surplus from operations	<b>22,369</b>	9,487
Actuarial adjustments (Note 9)	<b>28,435</b>	(1,997)
Surplus for the year	<b>\$ 50,804</b>	\$ 7,490

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

Annual Report

# Statement of Unfunded Liability

Years ended December 31

(dollars in thousands)	2004	2003
Unfunded liability, beginning of year	\$ (171,090)	\$ (178,580)
Change in accounting policy (Note 2)	5,531	-
	(165,559)	(178,580)
Surplus for the year	50,804	7,490
Unfunded liability, end of year	\$ (114,755)	\$ (171,090)

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

# Statement of Comprehensive Income

Year ended December 31

(dollars in thousands)	2004
Surplus for the year	\$ 50,804
Other comprehensive income:	
Unrealized gains on available-for-sale investments	27,815
Realized gains on available-for-sale investments included in surplus from operations	(5,630)
Amortization of reversal of investment gains (Notes 2 and 12)	1,796
Net change in other comprehensive income for the year	23,981
Comprehensive income	\$ 74,785

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



# Statement of Cash Flows

Years ended December 31

(dollars in thousands)	2004	2003
<b>Cash flow from operating activities</b>		
Cash received from:		
Employers, for assessments	\$ 165,701	\$ 154,741
Investment income	9,617	10,430
	<u>175,318</u>	<u>165,171</u>
Cash paid to:		
Claimants or third parties on their behalf	(104,972)	(110,169)
Suppliers and employees, for administrative and other goods and services	(27,085)	(26,590)
Third party, from reserve fund	(2)	(27)
	<u>(132,059)</u>	<u>(136,786)</u>
Net cash provided from operating activities	<u>43,259</u>	<u>28,385</u>
<b>Cash flow from investing activities</b>		
Purchase of investments	(60,392)	(25,629)
Purchase of capital assets	(2,234)	(2,639)
Net cash used for investing activities	<u>(62,626)</u>	<u>(28,268)</u>
Net (decrease) increase in cash and cash equivalents	<u>(19,367)</u>	<u>117</u>
Cash and cash equivalents		
Beginning of year	<u>25,141</u>	<u>25,024</u>
End of year	<u>\$ 5,774</u>	<u>\$ 25,141</u>

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

Annual Report

# Notes to Financial Statements

Years ended December 31, 2004 and 2003

## 1. Nature of operations

The Workplace Health, Safety and Compensation Commission (the Commission) was established by the Newfoundland Legislature in 1951, under the *Workplace Health, Safety and Compensation Act (the Act)*, as amended. The Commission is responsible for, in accordance with the provisions of *the Act*, preventing and reducing the occurrence of workplace injuries and diseases through the promotion of health and safety in workplaces; the establishment of occupational health and safety certification standards and certification of trainers; facilitating the claims management process and administering the payment of benefits to injured workers and dependents of fatally injured workers; levying and collecting assessment revenues from established classes of employers in amounts sufficient to cover the current and future costs of existing claims; and investing funds, following investment policies which are approved by the Commission within guidelines established under the *Insurance Companies Act (Canada)*. An independent Workplace Health, Safety and Compensation Review Division is established under *the Act* to make rulings on any appeals pertaining to the Commission's assessment or benefit decisions. The Commission does not receive government funding or other assistance.

The Commission administers *the Act* for two groups of employers, referred to as assessment-based employers and self-insured employers. Assessment-based employers are insured through 'collective liability' and are required to contribute to the Commission's Insurance Fund, whereas self-insured employers are individually liable. The Commission pays the actual cost of claims for self-insured employers and bills them on a monthly basis for payments related to short-term disability, health care, rehabilitation, extended earnings loss, permanent functional impairment awards and survivor benefits, together with their proportionate share of administration costs.

## 2. Change in accounting policy

Effective January 1, 2004, the Commission adopted, prospectively, the Canadian Institute of Chartered Accountants new accounting standard for Financial Instruments which requires that investments be recorded at fair value.

Previously, fixed term investments were recorded at amortized cost and equity investments were recorded at moving average market value. Unrealized gains and losses occurring during the year, together with realized gains and losses on the disposal of investments, were deferred and amortized on a straight-line basis over a five-year period.

Under the new standard all investments are required to be carried at fair value and realized gains and losses on the disposal of investments are recognized as investment income in the year in which they occur. Unrealized gains and losses are recorded as a component of other comprehensive income until realized.

# Notes to Financial Statements

Years ended December 31, 2004 and 2003

At January 1, 2004 investments had a fair value of \$480.0 million and a cost basis of \$439.1 million. As a result of adopting the new standard, the \$40.9 million excess of fair value over cost has been recorded as an adjustment to the opening balance of accumulated other comprehensive income. In addition, the balance of previously recognized unrealized investment gains of \$7.2 million has been charged to the opening balance of accumulated other comprehensive income in accordance with the transitional provisions of the Financial Instruments accounting standard and will be amortized over a period of four years. The \$5.5 million of previously deferred realized investments gains have been applied to the opening unfunded liability.

### 3. Significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The Commission's significant accounting policies are as follows:

#### (a) Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments in money market instruments which will be liquidated in the near term.

#### (b) Assessments revenue

At the beginning of each year, an assessment is levied on employers by applying their industry assessment rate to their estimated payrolls. The assessment levy is payable by installments within the current year. At year-end, assessment income is adjusted based on a review of the employers' actual payrolls.

#### (c) Assessments receivable

Due to varying economic conditions, actual employers' payrolls may differ from original estimates. Therefore, at year-end, a provision for accrued assessments is recorded based on historical assessment information.

#### (d) Investments

Investments are designated as available-for-sale and are recorded at fair value. The Commission applies settlement date accounting for investments. Gains and losses realized on the disposal of investments are recorded in operating surplus in the year. Unrealized gains and losses are recorded in other comprehensive income until realized. Interest and dividend income are recognized in the period earned.

Annual Report

# Notes to Financial Statements

Years ended December 31, 2004 and 2003

## (e) Capital assets

Capital assets are reported at cost and are amortized monthly on a straight-line basis over their estimated useful lives. The periods used are as follows:

Building	40 years
Furniture and equipment	10 years
Computer equipment	1 to 5 years
Systems development	1 to 5 years
Equipment under capital lease	2 to 5 years

## (f) Benefit liabilities

The benefit liabilities represent the actuarial present value of all future benefit payments expected to be made for injuries which occurred in the current fiscal year or in any prior year. The benefit liabilities include provision for all benefits provided by current legislation, policies and/or business practices in respect of existing claims. No provision has been made for future claims related to latent occupational disease, because they cannot be reasonably estimated, nor for future processing expenses of existing claims.

The benefit liabilities were determined using accepted actuarial practices in accordance with the standards established by the Canadian Institute of Actuaries.

Benefit liabilities related to self-insured employers will be the responsibility of those employers when paid in future years. Accordingly, these benefit liabilities have not been determined by actuarial valuation and thus are not included in the Commission's benefit liabilities.

## (g) Reserves

In accordance with Section 20.5 (1) of *the Act*, the Commission maintains a special reserve fund for the purpose of health and safety research. *The Act* permits the Commission to allocate up to a maximum of 2% of its total assessment and investment income in each calendar year to establish and maintain this special fund.

In accordance with Section 116 (1) of *the Act*, the Commission may, at its discretion, establish reserves for the following:

- to meet an increase in the capitalization of compensation payments payable in future years where the increase cannot be provided without placing an undue burden on the employers in an industrial classification;
- to meet the loss arising from a disaster or other circumstances which would unfairly burden the employers in an industrial classification; or
- subject to the approval of the Lieutenant-Governor in Council, to meet the costs of particular needs of the Commission that it considers necessary.

# Notes to Financial Statements

Years ended December 31, 2004 and 2003

*(h) Use of accounting estimates*

**1) Benefit liabilities**

An actuarial valuation of the benefit liabilities is prepared by an independent firm of consulting actuaries who have rendered their opinion that the valuation was prepared in accordance with accepted actuarial practice, and that the actuarial assumptions are appropriate. The Commission believes that the amount provided for benefit liabilities as at December 31, 2004, is adequate, recognizing that actuarial assumptions as disclosed in Note 10 may change over time to reflect underlying economic trends. When they do, it is possible to cause a material change in the actuarial present value of the future payments.

**2) Assessments revenue**

Accounts receivable at year-end include an estimate of annual premium revenues for the year that have not yet been received from employers. The recorded amounts are based upon management's best information and judgment, having regard to actual experience in preceding years. However, until all employers actually submit their final annual payroll information to the Commission, the recorded assessments revenues for the year and the estimated amounts receivable at year-end are subject to measurement uncertainty.

*(i) Financial instruments*

The Commission's financial instruments consist of cash and cash equivalents, receivables, investments and accounts payable and accruals. The carrying value of financial instruments, with the exception of investments, approximate their fair values due to their immediate or short-term maturity and normal credit terms. The fair value of investments is based on quoted market prices.

**4. Cash and cash equivalents**

(dollars in thousands)	2004	2003
Money market instruments	\$ 3,965	\$ 22,996
Bank balances	1,809	2,145
	\$ 5,774	\$ 25,141

The Commission has established an operating line of credit with its banker in the amount of \$20,000,000. Advances on the line of credit bear interest at the bank's prime interest rate minus 1.8%. The credit facility is unsecured and was not utilized during 2004.

Annual Report

# Notes to Financial Statements

Years ended December 31, 2004 and 2003

## 5. Receivables

(dollars in thousands)	2004	2003
Assessments	\$ 7,144	\$ 4,841
Accrued assessments	7,000	7,000
Other	1,518	2,557
	<b>\$ 15,662</b>	<b>\$ 14,398</b>

## 6. Investments

(dollars in thousands)	2004		2003		Carrying Value
	Fair Value	Cost	Fair Value	Cost	
Fixed term	\$ 183,205	\$ 177,150	\$ 170,193	\$ 155,688	\$ 164,462
Equities	386,954	329,899	307,963	281,456	279,954
Accrued interest	2,645	2,645	1,908	1,908	1,908
	<b>572,804</b>	<b>509,694</b>	<b>480,064</b>	<b>439,052</b>	<b>446,324</b>
Deferred investment gains	-	-	-	-	(5,531)
	<b>\$ 572,804</b>	<b>\$ 509,694</b>	<b>\$ 480,064</b>	<b>\$ 439,052</b>	<b>\$ 440,793</b>

Investment income is comprised of the following:

(dollars in thousands)	2004	2003
Interest and dividends	\$ 13,288	\$ 12,964
Realized investment gains	8,116	-
Amortization of deferred realized investment gains	-	6,181
Amortization of deferred unrealized investment gains	-	5,319
Reversal of recognized unrealized investment gains (Note 2)	(1,796)	-
Amortization of premium on fixed term investments	-	(274)
	<b>19,608</b>	<b>24,190</b>
Less: Portfolio management expenses	(1,875)	(1,567)
Total investment income	<b>\$ 17,733</b>	<b>\$ 22,623</b>

# Notes to Financial Statements

Years ended December 31, 2004 and 2003

The Commission's asset mix policy for 2004 and 2003 is presented below:

	Asset Mix	Tolerance Range
Bonds Canadian	35%	±5%
Equities Canadian	35%	±5%
Equities United States	15%	±3%
Equities Europe, Asia and Far East (EAFE)	15%	±3%

## 7. Financial instruments

### (a) Market risk management

The Commission invests in publicly and privately traded equities and bonds available on domestic and foreign exchanges. These securities are affected by market changes and fluctuations. The Commission does not use derivative financial instruments for trading purposes.

### (b) Credit risk management

Credit exposure on fixed income securities arises from the possibility that the issuer of an instrument fails to meet its obligation to make interest payments and repay principal. Of the fixed income assets in the investment portfolio, 97.8% (2003; 95.3%) have at least an 'A' credit rating. The Commission does not anticipate that any issuers will fail to meet their obligations.

The Commission may invest in short-term commercial debt or paper rated R1 or higher. Provincial short-term debt and debt of agencies guaranteed by the provinces may be rated lower than R1. The short-term portfolio investments held with any one corporate issuer is limited to 10%, at any given time, of the Commission's estimated annual cash receipts.

### (c) Foreign exchange risk management

The Commission has certain investments denominated in foreign currencies. The Commission does not undertake hedging strategies for the currency risk of foreign investments and currency fluctuations influenced by short-term returns. These fluctuations are not expected to affect the long-term position of the investment portfolio. As at December 31, 2004, the Commission's holdings in foreign equities and pooled equity funds had a market value of \$185.8 million (2003; \$136.2 million) representing 32.5% (2003; 28.4%) of the market value of the total investment portfolio.

# Notes to Financial Statements

Years ended December 31, 2004 and 2003

**(d) Interest rate risk management**

Fluctuations in interest rates are managed by actively controlling the duration of the fixed income portfolio. The table below represents the remaining term to maturity of the Commission's fixed term investments.

Fair Value (2003; Carrying Value) <small>(dollars in thousands)</small>	Remaining Term to Maturity				Total 2004	Total 2003
	Within 1 Year	1 Year to 5 Years	Over 5 Years			
Fixed term investments	\$ 11,655	\$ 63,014	\$ 108,536		\$ 183,205	\$ 164,462

**8. Capital assets**

(dollars in thousands)	2004			2003
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 11	\$ -	\$ 11	\$ 11
Building	7,601	4,180	3,421	3,689
Furniture and equipment	2,592	1,957	635	776
Computer equipment	7,295	5,774	1,521	1,791
Systems development	12,146	8,152	3,994	3,642
Equipment under capital lease	17	-	17	33
	\$ 29,662	\$ 20,063	\$ 9,599	\$ 9,942

Included in system development costs for 2004 is \$1,490,229 (2003; \$1,220,500) related to business improvement projects.

**9. Benefit liabilities and claims costs**

An independent consulting actuary completes a valuation of benefit liabilities of the Commission on a periodic basis, not to exceed two years. Such a valuation was performed as at December 31, 2004.



# Notes to Financial Statements

Years ended December 31, 2004 and 2003

An analysis of the components of, and changes in, benefit liabilities is as follows:

(dollars in thousands)	2004					2003	
	Short-Term Disability	Long-Term Disability	Survivor Benefits	Health Care	Rehabili- tation	Total	Total
Balance, Beginning of year	\$ 54,174	\$ 416,289	\$ 55,197	\$ 120,713	\$ 4,421	<b>\$ 650,794</b>	\$ 620,825
Add:							
Claims costs incurred:							
Current year injuries	23,820	24,787	878	30,648	1,065	<b>81,198</b>	90,556
Prior years' injuries	3,940	31,569	4,243	9,816	264	<b>49,832</b>	47,585
	<b>27,760</b>	<b>56,356</b>	<b>5,121</b>	<b>40,464</b>	<b>1,329</b>	<b>131,030</b>	138,141
Deduct:							
Claims payments:							
Current year injuries	8,323	564	174	7,069	5	<b>16,135</b>	16,215
Prior years' injuries	17,500	37,872	6,536	25,332	1,597	<b>88,837</b>	93,954
	<b>25,823</b>	<b>38,436</b>	<b>6,710</b>	<b>32,401</b>	<b>1,602</b>	<b>104,972</b>	110,169
Balance before actuarial adjustments	56,111	434,209	53,608	128,776	4,148	<b>676,852</b>	648,797
Actuarial adjustments	(7,989)	(28,115)	992	6,919	(242)	<b>(28,435)</b>	1,997
Balance, end of year	<b>\$ 48,122</b>	<b>\$ 406,094</b>	<b>\$ 54,600</b>	<b>\$ 135,695</b>	<b>\$ 3,906</b>	<b>\$ 648,417</b>	\$ 650,794

## 10. Actuarial assumptions

The benefit liabilities are based on projections of future benefit payments which reflect long-term estimates of economic and actuarial assumptions and methods, modified for current trends. As these assumptions may change over time, it is possible that such changes could cause a material change in the actuarial present value of future benefit liabilities.

# Notes to Financial Statements

Years ended December 31, 2004 and 2003

The table below lists the principal economic assumptions used.

	2004		2003	
	CPI-Indexed Awards	Other Payments	CPI-Indexed Awards	Other Payments
Gross rate of return	7.12%	7.12%	7.12%	7.12%
Inflation Year 1	1.72%	3.50%	3.40%	3.50%
Inflation rate future years	3.50%	3.50%	3.50%	3.50%
Net rate of return Year 1	5.31%	3.50%	3.60%	3.50%
Net rate of return future years	3.50%	3.50%	3.50%	3.50%

## 11. Reserves

As provided by legislation, the Commission maintains a reserve for funding studies, projects and research relating to the enhancement of occupational health and safety in the workplace. During 2004, \$2,000 (2003; \$27,000) was issued from the reserve.

## 12. Change in accumulated other comprehensive income

In accordance with its accounting policy on investments the Commission records unrealized gains and losses in accumulated other comprehensive income. The changes in accumulated other comprehensive income in the year are as follows:

(dollars in thousands)	2004
Balance, beginning of year	\$ -
Change in accounting policy (Note 2)	
Excess of fair value over cost	40,925
Reversal of recognized unrealized investment gains	(7,185)
	33,740
Net change in other comprehensive income for the year	23,981
Balance, end of year	\$ 57,721

# Notes to Financial Statements

Years ended December 31, 2004 and 2003

## 13. Change in unfunded liability

(dollars in thousands)	2004	2003
Unfunded liability, beginning of year	\$ (171,090)	\$ (178,580)
Favourable revenue variance	48,300	28,100
Interest on unfunded liability	(12,200)	(12,700)
Investment income variance	(13,500)	(5,800)
Liability adjustments for prior years' claims	28,435	(1,997)
Change in accounting policy (Note 2)	5,531	-
Other	(231)	(113)
Unfunded liability, end of year	\$ (114,755)	\$ (171,090)

## 14. Administration expenses

(dollars in thousands)	2004	2003
Salaries and employee benefits	\$ 17,270	\$ 17,003
Office and communications	2,154	2,235
Building operations	602	597
Travel and vehicle operating	619	674
Professional fees	738	674
	\$ 21,383	\$ 21,183

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# Notes to Financial Statements

Years ended December 31, 2004 and 2003

## 15. Legislated obligations

The Commission is required by legislation to reimburse the provincial government for a portion of the operating costs of the Department of Government Services, the Department of Human Resources, Labour and Employment and the Labour Relations Agency in delivering their occupational health and safety mandate and all of the costs of the Workplace Health, Safety and Compensation Review Division. The Commission is also required to fund the operating costs of the employer and worker advisor positions. Total expenses incurred by the Commission for legislated obligations are detailed below:

(dollars in thousands)	2004	2003
Government Departments and Labour Relations Agency	\$ 4,893	\$ 4,527
Workplace Health, Safety and Compensation Review Division	884	662
Employer and Worker Advisors	400	400
	\$ 6,177	\$ 5,589

## 16. Other expenses

(dollars in thousands)	2004	2003
External training initiatives	\$ 671	\$ 388
Business improvement projects	491	564
	\$ 1,162	\$ 952

External training represents funding provided to the Newfoundland and Labrador Federation of Labor and the Newfoundland and Labrador Construction Safety Association (NLCSA) for return-to-work training programs. The agreements with both organizations ended December 31, 2004. A new two-year agreement with the Newfoundland and Labrador Federation of Labor expires December 31, 2006.

## 17. Related party transactions

These financial statements include amounts resulting from normal operating transactions with various provincial government departments, agencies, and crown corporations with which the Commission may be considered related. The provincial government is also a self-insured employer, and account balances resulting from these transactions are included in the financial statements and are settled under normal trade terms.

# Notes to Financial Statements

Years ended December 31, 2004 and 2003

## 18. Industry levy

The Commission has levied a surcharge of \$0.10 per \$100 of payroll on employers in the construction sector to fund a portion of the operating costs of safety and health training programs conducted by the Newfoundland and Labrador Construction Safety Association. The amounts collected on behalf of the Association totaled \$368,000 in 2004 (2003; \$297,000) and are not included in the Statement of Operations.

## 19. Self-insured employers

These financial statements include the effects of transactions carried out for self-insured employers, principally federal and provincial government bodies, who directly bear the costs of their own incurred claims and a share of administration costs. Aggregate amounts of such assessment revenue and offsetting expenses included in the Statement of Operations are as follows:

(dollars in thousands)	2004	2003
Assessments revenue	\$ 7,958	\$ 8,519
Claims costs incurred:		
Short-term disability	779	521
Long-term disability	3,054	3,319
Survivor benefits	467	476
Health care	2,554	2,703
Administration charges	1,104	1,500
	\$ 7,958	\$ 8,519

## 20. Pension costs

All permanent employees of the Commission are covered by the Public Service Superannuation Plan administered by the Province of Newfoundland and Labrador. Contributions to the plan are required from both the employees and the Commission. The annual contributions of \$1,080,000 (2003; \$1,045,000) for pensions are recognized in the accounts on a current basis.

## 21. Commitments

The Commission has committed to lease payments for office premises and equipment as follows:

(dollars in thousands)	Capital	Operating	Total
2005	\$ 10	\$ 146	\$ 156
2006	10	146	156
2007	-	146	146
2008	-	142	142

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# Notes to Financial Statements

Years ended December 31, 2004 and 2003

## 22. Contingencies

- (a) The Commission may be liable for the future costs of claims relating to certain latent occupational diseases which may have occurred in the current year or previously, but which may not be recognized and reported for a number of years due to the extended latency period of such diseases. Because of the absence of reliable evidence and data pertaining to these matters, the liabilities cannot be reasonably estimated and have not been recorded in these financial statements.
- (b) The legislative amendments to *the Act* on May 24, 2001 provided for payments to surviving dependent spouses whose benefits were terminated on or after April 17, 1985. In July, 2001, three complaints were filed by dependent spouses who remarried before April 17, 1985 against the Commission and the Department of Human Resources, Labour and Employment to the Human Rights Commission for alleged discrimination on the basis of marital status. However, the Human Rights Commission adjudicator ruled that she did not have jurisdiction to decide the matter. This matter was originally considered by the Supreme Court Trial Division which agreed that the adjudicator did not have jurisdiction. The Human Rights Commission has further appealed the issue of jurisdiction to the Court of Appeal. A date for the hearing has not been set.

Retroactive reinstatement of benefits to all survivors who remarried prior to 1985 has the potential to increase the Commission's benefits liabilities by approximately \$6,600,000. The final outcome of this matter is still undeterminable.

## 23. Subsequent event

On March 2, 2005, the Commission announced the outcome of an operational review which commenced in 2003. The review was undertaken to identify improvements in business processes and to position the Commission to better meet stakeholder needs arising from legislative changes introduced in 2002. The Commission's response to the review is a four-year operating and business improvement plan which will realize operational efficiencies and improve communications among all stakeholders involved in the workers' compensation system in the Province. There are no additional material costs associated with the staffing impacts of the operating plan to be reflected in the Commission's financial statements as at December 31, 2004. It is anticipated the Commission may realize annualized administrative and program savings of \$1.8 million and \$5.5 million, respectively, on the full implementation of the operating plan by 2009.

## 24. Comparative figures

Certain of the comparative information has been reclassified to conform with the presentation adopted in the current year.







