



PROTECTING THE INTEGRITY OF EI FINANCING

2009-2010 ANNUAL REPORT

CANADA'S EMPLOYMENT INSURANCE PROGRAM SUPPORTS CANADIANS DURING PERIODS OF UNEMPLOYMENT. THE PROGRAM IS FUNDED THROUGH THE CONTRIBUTIONS OF CANADIAN EMPLOYERS AND EMPLOYEES. OUR TASK IS TO SET EI PREMIUMS IN A TRANSPARENT WAY AND TO TEMPORARILY HOLD AND MANAGE ANY SURPLUS EI PREMIUMS THAT ACCRUE FROM JANUARY 1, 2009, ONWARDS — ENSURING THE FINANCIAL SUSTAINABILITY OF THE EI PROGRAM

WE ARE THE CANADA EMPLOYMENT INSURANCE FINANCING BOARD. THIS IS OUR FIRST ANNUAL REPORT.

NOTE TO READER

At the time of preparing this report, parts of the legislative framework on which the CEIFB is to be based have not been fully implemented; for example, the provisions of the CEIFB Act which will require the CEIFB to set the employment insurance rates have not been proclaimed and the provisions of Bill C-9, the *Budget Implementation Act*, which describe the creation of the Employment Insurance Operating Account are still before Parliament. The CEIFB received permission to commence its operations in January of this year, and has been building the capacity to set the 2011 EI rates by November 14 of this year. This report describes the governance and processes that the CEIFB expects to have in place in the event that this framework is fully implemented.

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JOINT LETTER FROM THE CHAIR AND EXECUTIVE DIRECTOR



David A. Brown
Chair



Phil Charko,
Executive Director

The establishment of the Canada Employment Insurance Financing Board (CEIFB) by the Government of Canada in 2008 represented an important commitment to ensuring the integrity and transparency of Employment Insurance (EI) financing in this country. We are honoured to have the opportunity to serve Canadians in pursuing this founding objective.

The CEIFB's two main functions are to set the premium rates for the Employment Insurance program and to temporarily hold and manage—at arm's length from the government—any surplus EI premium amounts.

Legislation establishing the CEIFB was brought into force in 2008 and the organization itself was established in the fall of 2009. Permission to initiate operations came into effect in January 2010. Since then, the CEIFB has focused on establishing Board-level and organizational governance.

We finalized our first Corporate Plan and secured operational funding. We established administrative procedures and systems of internal control. And we responded to important changes in the legislative provisions relating to the financing of the EI program that were before Parliament in June 2010. These changes will clarify important aspects of our operations. As a Crown corporation, the CEIFB is committed to following best practices and meeting the highest standards of corporate governance.

The economic context in which the CEIFB operates is different from that which had been anticipated when its governing legislation was first conceived. As a result of the economic downturn in 2008 and the government's response—Canada's Economic Action Plan—Employment Insurance premiums were frozen in 2010 at the 2009 level. This has created a deficit in the newly established EI Operating Account: surplus EI premiums for investment are not expected for a number of years.

In the immediate term, we will focus on establishing a clear and transparent process for setting EI premiums and ensuring that Canadians have a clear understanding of our role in the operation of the EI program. We will continue to work in close collaboration with the federal government and will put in place the necessary investment policies and procedures to invest future surplus EI premiums.

We thank the members of the Board for their dedication and activity over the course of the first, formative year for the CEIFB. We also acknowledge and express our appreciation for the support received from the various federal government departments and agencies that helped launch the CEIFB.

We look forward to continuing our stewardship of the financing of the EI program and contributing to its sustainability.

Sincerely,



David A. Brown, C.M., Q.C.
Chair



Phil Charko,
Executive Director

June 24, 2010



WE WILL HELP THE FEDERAL
GOVERNMENT ENSURE
ALL MONEY COLLECTED
THROUGH THE EI PROGRAM
IS USED SOLELY TO PAY OUT
EI BENEFITS AND THE COSTS
OF ADMINISTERING THE
PROGRAM.

Surplus EI premiums previously remained in the Government of Canada's Consolidated Revenue Fund. They will now be placed in a separate fund managed by the Canada EI Financing Board, which operates at arm's length from the government.

OUR ROLE IN EI

The Canada Employment Insurance Financing Board (CEIFB) sets the rate for premiums paid for the country's Employment Insurance (EI) program and holds and manages any EI premium surpluses that accrue—with a view to ensuring the program's financial sustainability.

The federal government created the CEIFB in 2008 to serve as an independent steward and to ensure full transparency in the financing of Canada's EI program. The Government of Canada manages the EI program providing benefits, including temporary financial assistance to EI participants as they seek work or upgrade their skills.

The CEIFB is tasked with developing and maintaining a transparent process for setting the annual EI premium rate. The process will aim to ensure that the country's EI Operating Account achieves a breakeven position from January 1, 2009 onwards.¹

OUR COMMITMENT

The CEIFB helps the Government of Canada ensure that all EI premiums and related revenues are used exclusively for Canada's EI program. It will maintain an arm's-length, independently managed fund to hold any future surplus EI premium revenues, including—once provided—a \$2 billion cash payment from the Government of Canada to limit increases in the EI premium rate and to help offset any shortfalls in the EI Operating Account.

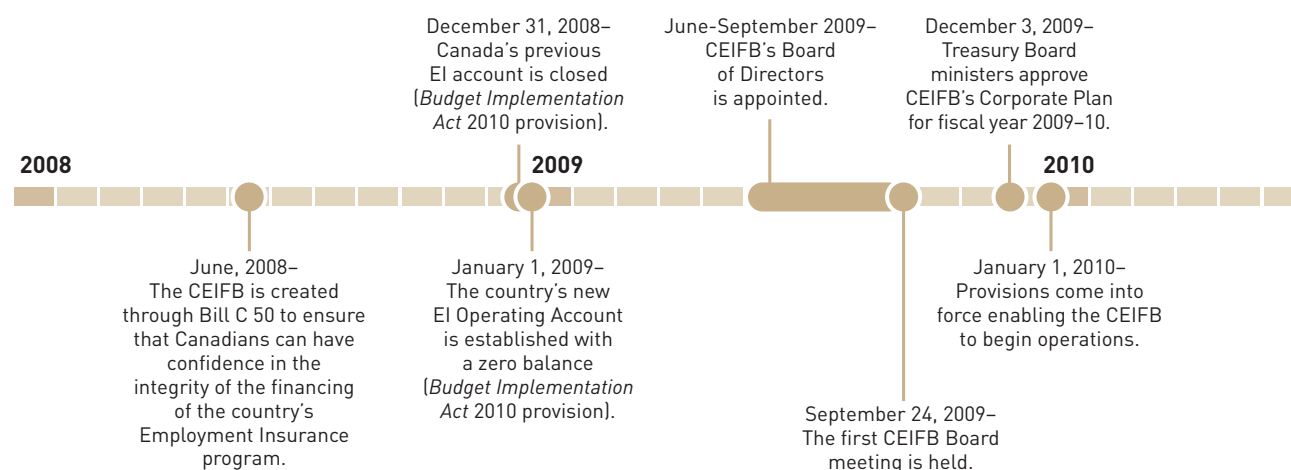
Notwithstanding the CEIFB's important role in financing the EI program, responsibility for the management of that program rests with the Government of Canada. The federal government has the authority to: cover the additional costs of benefit enhancements; determine the timing and manner of payments to and from the CEIFB; adjust premiums should circumstances warrant.

¹ Based on forecasting projections, the EI premium rate can be adjusted upwards or downwards by a maximum of 15 cents a year, for each \$100 of insurable earnings (see page 10).

HOW WE CAME TO BE

The CEIFB was established after years of discussion about how to best ensure that EI premiums cover only the cost of the EI program. The Government of Canada modified the Employment Insurance Act to allow for the creation of the CEIFB as a non-agent Crown corporation. In Budget 2010, the government created the EI Operating Account with an effective date of January 1, 2009 and a zero balance, and clarified provisions related to EI financing. Mechanisms were established to track the balance in the EI Operating Account and allow for it to record the transfer of funds between the Consolidated Revenue Fund (CRF) of the government of Canada and the CEIFB.

KEY MILESTONES IN THE CREATION OF THE CEIFB



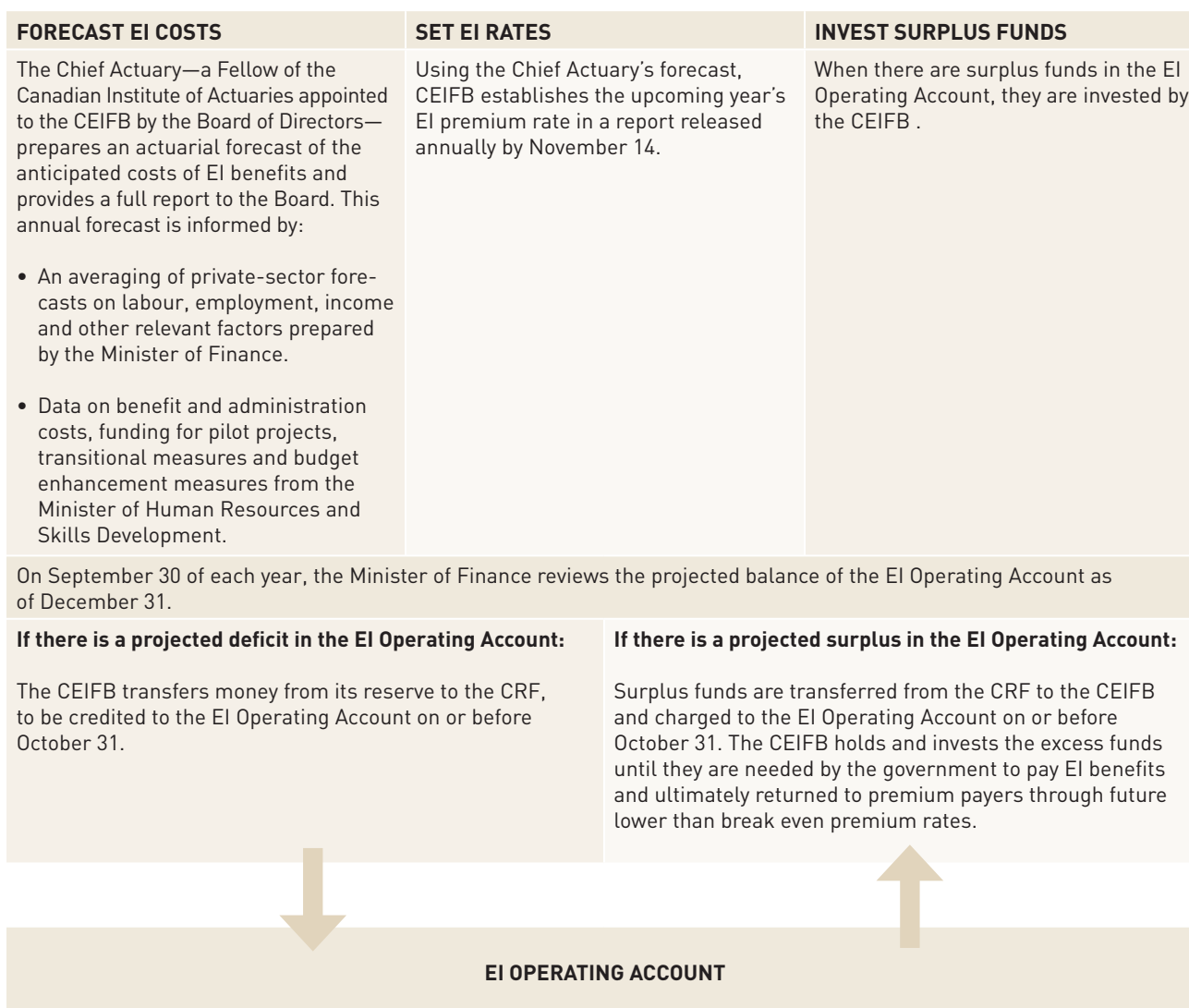


WE WILL INVEST EXCESS
EI PREMIUMS WITH THE AIM
OF PRESERVING CAPITAL
AND GENERATING INCOME
AT AN ACCEPTABLE LEVEL
OF RISK.

The CEIFB will protect Canadians' investments in the EI program by managing its investment portfolio prudently and limiting its exposure to risk.

HOW WE WORK

The Government of Canada manages the country's EI program, including the collection of premiums. The CEIFB is responsible for ensuring the integrity of the EI program's financing. As of January 1, 2009, the EI Operating Account was established with a zero-dollar balance. Since that time, EI revenues have been credited to that account and benefits charged to it. At March 31, 2010, the EI Operating Account was in a deficit position.



OBJECTIVES AND RESULTS: 2009-10

OBJECTIVE 1	RESULTS
Develop appropriate corporate structures and policies	<p>The CEIFB's inaugural Board of Directors formed in the fall of 2009, comprising seven members who bring extensive business, investment and financial expertise to the organization. The CEIFB operates independently of government in accordance with its governing legislation.</p> <p>Last year, the Board of Directors established three committees—the Investment and Actuarial Services Committee; the Human Resources and Governance Committee; and the Audit Committee—and approved the CEIFB's 2009-10 Corporate Plan in December 2009. It submitted and received approval for the 2010-2011 Corporate Plan. And, it approved bylaw, procurement and other policies necessary for the effective operation of the Corporation.</p>
OBJECTIVE 2	RESULTS
Establish the necessary human resources	<p>The Board of Directors recruited senior personnel for two executive positions in 2009-10: those of Executive Director and Chief Financial Officer, with the Executive Director performing the functions of Chief Executive Officer pending the development of a complete human resources management framework. The Board also began the process of identifying a Chief Actuary.</p>
OBJECTIVE 3	RESULTS
Fulfill legislated mandate	<p>In its first year, the CEIFB began to acquire the necessary personnel and to establish the processes and technological resources to set the 2011 EI premium rate and to manage its reserve investment account, including the \$2 billion cash payment once received.</p>
OBJECTIVE 4	RESULTS
Develop a robust reporting system	<p>Audited financial statements were prepared for 2009-10 and are included as part of this annual report. The report will be tabled in Parliament by the Minister of HRSDC and the President of Treasury Board, and also made available to the public through the CEIFB website.</p>

FORWARD LOOK: OBJECTIVES FOR 2010–11

OBJECTIVE 1	ACTION
Develop appropriate corporate structures and policies	The CEIFB will strengthen its corporate governance by finalizing and implementing its Code of Ethics and Conduct and developing detailed conflict of interest procedures.
OBJECTIVE 2	ACTION
Establish the necessary human resources	The CEIFB will appoint a Chief Actuary, recruit additional staff and develop an HR management framework.
OBJECTIVE 3	ACTION
Fulfill legislated mandate	The CEIFB will set the EI premium rate for 2011, establish an independent review of the Chief Actuary's methodologies, develop a risk-management framework, and begin to put in place investment policies, systems and procedures to enable the investment of funds (once they are received).
OBJECTIVE 4	ACTION
Develop a robust reporting system	The CEIFB will ensure that all of its statutory reporting requirements are met, and develop a Corporate Plan for the 2011-12 fiscal year against which future performance can be measured and reported. The CEIFB will also further develop its corporate website.



WE WILL LIMIT THE ANNUAL
CHANGE IN THE EI PREMIUM
RATE TO 15¢ AND ENDEAVOUR
TO REACH A BREAK-EVEN POINT
OVER TIME.

The Act governing the CEIFB limits the change in the annual EI premium rate to a maximum of 15¢ per year for every \$100 of insurable earnings.

GOVERNANCE

THE ROLE OF THE BOARD OF DIRECTORS

The CEIFB's Board of Directors was appointed between June and September 2009 and held its first meeting on September 24, 2009. The Board is composed of a part time Chair and six part-time directors. Directors hold their offices for a term of up to four years, after which they are eligible for reappointment.

The Board's role is to oversee the management of the CEIFB and ensure that the organization fulfills its legislated mandate. It establishes the CEIFB's strategic direction, safeguards its resources and monitors the corporation's performance.



LEGISLATED RESPONSIBILITIES

The legislation governing the CEIFB requires its Board of Directors to:

- Annually establish Canada's Employment Insurance premium rate
- Approve the CEIFB's investment policies, standards and procedures
- Establish Board committees
- Appoint an independent auditor, Chief Executive Officer and Chief Actuary
- Report on the CEIFB's annual achievements
- Oversee the management of the CEIFB and its risk-management activities
- Hold an annual public meeting and engage in ongoing outreach

GOVERNANCE STRUCTURES

The CEIFB is in the process of formalizing its governance frameworks and approaches based on the provisions in its governing legislation, best practices for Boards of Directors, and the unique needs of the CEIFB. The Board has committed to carrying out its functions responsibly and establishing appropriate control and reporting mechanisms. It has the power to delegate authority to the CEIFB's executive management and board committees, setting for them clear goals and reporting structures. The Board of Directors will continue to evolve its corporate governance practices and risk-management framework over time.

ETHICAL STANDARDS

The Board's Code of Ethics and Conduct will restrict directors and officers from engaging in activities that create conflicts of interest with their CEIFB responsibilities. The code and detailed conflict of interest guidelines are under development.

PUBLIC ACCOUNTABILITY

The CEIFB is required to report annually to the government, Parliament and the public to ensure that the financing of Canada's EI program is fully transparent. It will do so on an ongoing basis via several vehicles. The Premium Rate report published annually by November 14 by the Board of Directors sets the coming year's rate for EI premiums. The corporation's annual report describes its governance activities, investment activities, and key accomplishments as well as its objectives for the fiscal year to come. The annual report includes audited financial statements and a statement of adherence to the Board's investment policies and objectives.

The CEIFB will also publish quarterly financial statements and submit to a special examination of its systems and practices once every five years.

COMPENSATION

Directors' fees and other compensation are determined in accordance with Government of Canada guidelines for Crown corporations. The annual retainer for Board members is \$5,400 and \$10,800 for the Chair. The per diem rate is \$420. In 2009-10, Board members' compensation including per diems, totalled \$68,861.

In February 2010, the Board of Directors engaged a part-time Executive Director to manage the CEIFB's startup activities. Exercising the powers and performing the duties of Chief Executive Officer, the Executive Director oversees the business and day-to-day operations of the organization. The Executive Director's total remuneration in 2009-10 was \$26,400.



BOARD COMMITTEES

The Board has established three committees, each made up of four directors and the Chair.

AUDIT COMMITTEE

The Audit Committee's mandate is to oversee the CEIFB's finances and to ensure the organization's standards of financial integrity are met. The Committee monitors the CEIFB's financial reporting, internal control systems and compliance with applicable legal and regulatory requirements. It is also responsible for reviewing the financial aspects of the CEIFB's risk-management plan and for recommending an external auditor to the Board.

INVESTMENT AND ACTUARIAL SERVICES COMMITTEE

This Committee has two primary responsibilities. The first is oversight of the CEIFB's investment function—which includes making recommendations on investment policies, standards and procedures and suggesting potential investment managers. The second is oversight of the CEIFB's actuarial services, including the development of the Chief Actuary's report. In the near term, the goals of the Investment and Actuarial Services Committee are to: develop the monitoring and evaluation framework for the Board's investment policies, standards and procedures; recommend a process that allows external reviewers to periodically assess the work of the Chief Actuary; and develop a framework for internal periodic tracking reports on economic developments.



HUMAN RESOURCES AND GOVERNANCE COMMITTEE

The Human Resources and Governance Committee oversees the human resources management function of the EI Financing Board, including the development of human resource management policies and compensation. In addition, the Committee oversees the Canada Employment Insurance Financing Board's corporate governance: the development of terms of reference for the Board and committees; Board evaluations; advice with respect to Board appointments; and the creation and application of a Code of Ethics and Conduct as well as principles and procedures for avoiding conflicts of interest.

BOARD MEMBERSHIP

In accordance with the CEIFB's founding legislation, the Minister of Human Resources and Skills Development Canada (HRSDC) established a three-person nominating committee to select the seven members of the CEIFB's Board of Directors. The nominating committee, which includes the Commissioner of Employers and Commissioner of Employees, also establishes and maintains a list of potential candidates for future appointment.





WE WILL MANAGE A
RESERVE AND ANY FUTURE
TEMPORARY SURPLUS EI
FUNDS INDEPENDENTLY AND
TRANSPARENTLY TO HELP
ENSURE THE FINANCIAL
SUSTAINABILITY OF THE
EI PROGRAM FOR ALL
CANADIANS.

The Government of Canada collects and administers EI funds which are recorded in its EI Operating Account. Any future surplus funds will be transferred to the Canada EI Financing Board for temporary management and investment.

BOARD OF DIRECTORS



DAVID A. BROWN

Mr. Brown has held the position of senior corporate law partner with the firm Davies Ward Phillips & Vineberg for 29 years. He is past Chairman and Chief Executive Officer of the Ontario Securities Commission, founding chair of the Council of Governors of the Canadian Public Accountability Board, and current Chair of the Auditing and Assurance Standards Oversight Council. He sits on the Boards of the University Health Network and Public Policy Forum, and on the Boards of Directors and Advisory Boards of the public mutual funds managed by Invesco Trimark Limited.

Mr. Brown is currently the Chair of the Board of Directors of the CEIFB and a member of its Audit, HR and Governance, and Investment and Actuarial Services Committees.



ELAINE NOEL-BENTLEY

As Senior Director of Total Compensation at Petro-Canada, Ms. Noel-Bentley was responsible for compensation, pensions and benefits, and payroll. Her experience in both the private and public sectors includes roles in the insurance industry, human resources consulting and the Alberta public service. Ms. Noel-Bentley was a member of the Joint Expert Panel on Pension Standards, which reviewed pension legislation and reported its recommendations to the Alberta and British Columbia Ministers of Finance. She is currently a member of a number of boards, including the Board of Trustees of the Local Authorities Pension Plan and the APEX Supplementary Pension Plan Board of Directors.

Ms. Noel-Bentley is Chair of the HR and Governance Committee of the CEIFB and a member of its Investment and Actuarial Services Committee.



JANET PAU

Janet Pau is a Chartered Financial Analyst whose senior executive experience includes 21 years with Canfor Corporation, from which she retired in 2004 as Vice-President and Treasurer. Ms. Pau previously served as Assistant Portfolio Manager of Fixed Income for the Bank of Nova Scotia. She is currently member of a number of boards including the Board of Governors of the University of British Columbia, the Board of Directors of Healthcare Benefit Trust and the British Columbia Safety Authority.

Ms. Pau is Chair of the CEIFB's Investment and Actuarial Services Committee and a member of the Audit Committee.



PANKAJ PURI

Mr. Puri has significant experience in accounting and auditing at the senior executive level with CIBC, TD Bank and Coopers and Lybrand, and is currently President of Independent Internal Audit Services Inc. He has a proven record of accomplishment in accounting, financial management, internal audit, privacy and governance. Mr. Puri is currently on the Board of Helping Hands International, and is a past board member of the United Way of Greater Toronto and the Greater Toronto Regional Council of the Canadian Red Cross.

Mr. Puri is Chair of the Audit Committee of the CEIFB and a member of its Investment and Actuarial Services Committee.



TIM O'NEILL

Mr. O'Neill brings more than 30 years' experience as a high-profile economist and senior executive in private, public and postsecondary education sectors in Canada and the United States. He currently holds the position of Visiting Professor at Duke University, is the former Executive Vice-President and Chief Economist of the Bank of Montreal, and is a past President of the Atlantic Canada Economics Council and the Washington-based National Association for Business Economics. Mr. O'Neill serves on the Boards of the Independent Electricity System Operator (Ontario) and the United Church of Canada Foundation.

Mr. O'Neill is a member of the CEIFB's HR and Governance, and Investment and Actuarial Services Committees.



JACQUES LEBLANC

Mr. Leblanc's experience includes 42 years as a chartered accountant and 14 years as a fellow of the Ordre des comptables agréés du Québec. A graduate of Université Laval, he holds certification from the Collège des administrateurs de sociétés, and was a partner in the firm Leblanc Bourque Arsenault for 25 years. In addition to his membership in the CEIFB's Board, he also sits on the Board of Directors of Hydro Québec.

Mr. Leblanc is a member of the Audit and HR and Governance Committees of the CEIFB.



GILLES BERNIER

A professor of finance and insurance in the Faculty of Business Administration, Mr. Bernier has taught at Université Laval for more than 30 years, and also serves as the institution's Industrial-Alliance Insurance and Financial Services Chair. Mr. Bernier holds a Ph.D. in finance from the University of Toronto and a governance certification from Laval's Collège des administrateurs de sociétés. He has published extensively on issues related to Canada's insurance industry and personal finance. He also currently sits on several boards and is a member of the Actuarial Standards Oversight Council established by the Canadian Institute of Actuaries.

Mr. Bernier is a member of the CEIFB's Audit and HR and Governance Committees.

FINANCIAL STATEMENTS

The CEIFB commenced active operations in January 2010. Total expenditures of \$129,264 incurred for the year ended March 31, 2010 were largely attributable to the operations of the Board of Directors and the corporation's start-up activities, which include renting temporary office premises and contracting for professional services on an as-required basis. It is anticipated that the CEIFB will grow as it moves to fully implement its mandate in the next fiscal year—while continuing to focus on ensuring its operations remain cost effective. The expected growth will involve hiring staff, purchasing equipment and establishing a permanent office.

DECLARATION OF INVESTMENTS

In accordance with Section 34 of the *Canada Employment Insurance Financing Board Act*, this annual report is required to contain a certification that investments held by the CEIFB are in accordance with its investment policies. As no investments are being held, no such certificate has been issued.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The management of the Canada Employment Insurance Financing Board ("CEIFB") is responsible for the performance of the duties delegated to it by the Board of Directors. These include the preparation of an annual report together with the audited financial statements. These financial statements, approved by the Board, were prepared in accordance with Canadian generally accepted accounting standards for public sector entities appropriate in the circumstances. Other operational and financial information appearing elsewhere in the Annual Report is consistent with that contained in the financial statements.

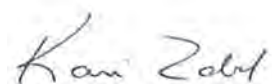
Management maintains internal accounting control systems designed to provide reasonable assurance that relevant and reliable financial information is produced and that transactions comply with relevant authorities.

Management also maintains financial and management control systems and practices designed to ensure the transactions are in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Employment Insurance Financing Board Act* and the by-laws of the CEIFB. These systems and practices are also designed to ensure that assets are safeguarded and controlled, and that the operations of the CEIFB are carried out effectively.

These financial statements have been independently audited by the CEIFB's external auditor, the Auditor General of Canada, and her Auditor's Report is included in this report.



Phil Charko
Executive Director



Karin Zabel
Chief Financial Officer

May 28, 2010

AUDITOR'S REPORT

To the Minister of Human Resources and Skills Development

I have audited the statement of financial position of the Canada Employment Insurance Financing Board as at March 31, 2010 and the statements of operations, change in net financial resources and cash flow for the period from June 20, 2008 to March 31, 2010. 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 March 31, 2010 and the results of its operations and its cash flows for the period from June 20, 2008 to March 31, 2010 in accordance with Canadian generally accepted accounting principles.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Employment Insurance Financing Board Act* and the by-laws of the Corporation.



Sylvain Ricard, CA
Assistant Auditor General
for the Auditor General of Canada
Ottawa, Canada
May 28, 2010

STATEMENT OF FINANCIAL POSITION

as at March 31, 2010 (in Canadian dollars)

FINANCIAL ASSETS	
Cash	\$ 273,832
Receivables	1,652
Security deposit	1,550
TOTAL FINANCIAL ASSETS	277,034
LIABILITIES	
Accounts payable and accrued liabilities	129,298
Due to the Employment Insurance Account (Note 5)	147,736
TOTAL LIABILITIES	277,034
NET FINANCIAL RESOURCES	–
ACCUMULATED SURPLUS	\$ –

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

Contractual obligations Note 6

Approved by the Board:



David A. Brown
Chair



Pankaj Puri
Director

STATEMENT OF OPERATIONS

For the period from June 20, 2008 to March 31, 2010 (in Canadian dollars)

	BUDGET	ACTUAL
Expenses		
Board compensation	\$ 221,170	\$ 68,861
Consulting services	340,000	38,087
Board meetings	25,000	13,569
Office supplies and maintenance	262,500	8,607
Interest and bank charges	–	140
Total expenses before funding from the Employment Insurance Account	848,670	129,264
Funding from the Employment Insurance Account	(848,670)	(129,264)
Annual surplus and accumulated surplus at the beginning and end of the period	\$ –	\$ –

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

STATEMENT OF CHANGE IN NET FINANCIAL RESOURCES

For the period from June 20, 2008 to March 31, 2010 (in Canadian dollars)

	BUDGET		ACTUAL	
NET FINANCIAL RESOURCES AT BEGINNING OF THE PERIOD	\$	-	\$	-
CHANGE IN NET FINANCIAL RESOURCES DURING THE PERIOD				
Annual surplus		-		-
NET FINANCIAL RESOURCES AT END OF THE PERIOD	\$	-	\$	-

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

STATEMENT OF CASH FLOW

For the period from June 20, 2008 to March 31, 2010 (in Canadian dollars)

OPERATING ACTIVITIES	
Annual surplus	\$ -
Changes in non-cash operating working capital items	
Increase in receivables	(1,652)
Increase in security deposit	(1,550)
Increase in due to the Employment Insurance Account	147,736
Increase in accounts payable and accrued liabilities	129,298
CASH PROVIDED BY OPERATING ACTIVITIES	273,832
 NET INCREASE IN CASH	 \$ 273,832
 Cash at beginning of the period	 -
 CASH AT END OF THE PERIOD	 \$ 273,832

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

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2010 (in Canadian dollars)

1. AUTHORITY AND MANDATE

The Canada Employment Insurance Financing Board (“CEIFB”) was established on June 20, 2008 under the *Canada Employment Insurance Financing Board Act* (the “CEIFB Act”). The CEIFB is a Crown corporation listed under Part I, Schedule III of the *Financial Administration Act* and is not an agent of her Majesty.

The mandate of the CEIFB as set out in section 4 of the CEIFB Act is:

- a) To set the premium rate under section 66 of the *Employment Insurance Act*;
- b) To maintain a reserve in accordance with that section of the *Employment Insurance Act*;
- c) To manage any amounts paid to it under section 77.1 of the *Employment Insurance Act*; and
- d) To invest its financial assets with a view to meeting its financial obligations.

The CEIFB currently does not set the premium rate under section 66 of the *Employment Insurance Act* as legislation pertaining to that portion of the CEIFB Act is pending. Legislation is also pending regarding the transfer of monies to the CEIFB for purposes of establishing a reserve.

The first meeting of the Board of Directors was held on September 24, 2009. The Corporate Plan for the 2009/10 fiscal period was approved in December 2009 and active operations commenced in February 2010 with the engagement of an Executive Director of the CEIFB.

Pursuant to section 27. 4(d) of the CEIFB Act, the Board of Directors is required to issue an annual Statement of Investment Portfolio. However given the CEIFB did not hold any investments during the period ending March 31, 2010, such a statement has not been issued.

The CEIFB is not subject to income tax under the provisions of the *Income Tax Act*.

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2010 (in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants, and include the following significant accounting policies:

A) USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from these estimates. There are no significant estimates in these financial statements.

B) FUNDING FROM THE EMPLOYMENT INSURANCE ACCOUNT

The CEIFB is funded 100% by monies paid out of the Consolidated Revenue Fund and charged to the Employment Insurance Account. The amount of funding required to fully recover operational expenses is recognized as a credit to the statement of operations. Under the existing funding arrangement, any monies received in excess of operational needs are to be repaid to the Employment Insurance Account.

C) EXPENSES

Expenses are recognized when goods and /or services are received.

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2010 (in Canadian dollars)

3. RELATED PARTY TRANSACTIONS

The CEIFB is related in terms of common ownership to all other Government of Canada departments, agencies and Crown corporations. Pursuant to authority given in the CEIFB Act, the CEIFB enters into transactions with these entities in the normal course of business and on normal trade terms. These transactions are recorded at the exchange amount, which is considered by management to approximate fair value.

As at March 31, 2010, \$27,401 is due to the Canada Revenue Agency for withholding taxes.

4. FINANCIAL INSTRUMENTS

FAIR VALUE

The fair values of cash, receivables, accounts payable and accrued liabilities and due to the Employment Insurance Account are considered by management to be comparable to their carrying values due to their short term to maturity. All of these financial instruments arose in the normal course of business.

5. DUE TO THE EMPLOYMENT INSURANCE ACCOUNT

During the fiscal period ended March 31, 2010, the CEIFB received \$277,000 to fund its cost of operations. This represented \$147,736 more than what was required to meet operational needs for the period ended March 31, 2010. As such, this amount has been recognized as a liability on the statement of financial position as at March 31, 2010.

6. CONTRACTUAL OBLIGATIONS

The CEIFB has entered into agreements for consulting services and leases for office premises. Total contractual obligations as at March 31, 2010 are \$20,200. Additional contracts were entered into subsequent to year end in the amount of \$99,300. There are no contractual obligations that extend beyond March 31, 2011.

CONTACT INFORMATION

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