

**NORTHERN ONTARIO HERITAGE FUND CORPORATION
ANNUAL REPORT
2013 – 2014**



Lieutenant Colonel The Honourable Elizabeth Dowdeswell
Lieutenant Governor of the Province of Ontario

May it please Your Honour:

For the information of Your Honour and the Legislative Assembly,
I have the privilege of presenting the annual report of the
Northern Ontario Heritage Fund Corporation for the fiscal year
ending March 31, 2014.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Michael Gravelle". The signature is written in a cursive style with a large initial 'M' and 'G'.

Hon. Michael Gravelle
Chair
Northern Ontario Heritage Fund Corporation
Minister of Northern Development and Mines

Chair's Message



I am pleased to present the 2013-2014 Annual Report of the Northern Ontario Heritage Fund Corporation (NOHFC). This report demonstrates how the NOHFC continues to play a vital role in growing the northern economy, supporting economic development and creating jobs.

The NOHFC is an important part of our government's plan to deliver on the Growth Plan for Northern Ontario and to supporting the key sectors identified as having tremendous potential to spur economic growth across the North.

In October 2013, I was very pleased to announce new NOHFC programs that focus on those same sectors and stimulate new dynamic investments in the North. Investments that will help build strong, lasting economic activity and bring new opportunities to northerners.

We will continue to use our resources to make strategic investments in areas that will have the greatest impact, such as community infrastructure projects, private-sector expansions, business start-ups and job placements for recent graduates.

The NOHFC board members and I are proud of the hundreds of projects that have succeeded with our support. In the period of October 2003 to April 2014, the Fund committed more than \$930 million to 6,055 northern projects, helping to create or sustain approximately 23,400 jobs across the North.

As a proud northerner and Chair of the NOHFC, I remain firmly committed to working with all our northern partners to supporting initiatives aimed at taking advantage of new economic development opportunities and strengthening our northern communities.

A handwritten signature in black ink that reads "Michael Gravelle". The signature is written in a cursive, flowing style.

Michael Gravelle
Chair, Northern Ontario Heritage Fund Corporation
Minister of Northern Development and Mines

Board of Directors as at March 31, 2014

NAME	POSITION	TENURE
Hon. Michael Gravelle	Chair, NOHFC Minister, Northern Development and Mines	Feb 11, 2013 - n/a
David Sinclair	First Vice Chair, Kenora	Dec 18, 2002 – Dec 17, 2016
Lorraine H. T. Irvine	Second Vice Chair, Kirkland Lake	Apr 7, 2004 – Apr 6, 2016
Victoria Hanson	Timmins	Apr 23, 2008 – Apr 22, 2017
Sharon Lenore Hacio	Thunder Bay	Jun 20, 2007 – Jun 18, 2016
Murray Alan Scott	Sudbury	May 17, 1999 – Jun 16, 2014
Marielle Brown	Elliot Lake	Mar 24, 2010 – Mar 22, 2017
Robert George Norris	New Liskeard	Mar 24, 2010 – Mar 22, 2017
Curtis Lee Belcher	Sudbury	Jun 15, 2010 – Jun 13, 2014
Geordi Kakepetum	Red Lake	Nov 17, 2010 – Nov 16, 2016
Carolyn Lane-Rock	Manitoulin	May 16, 2007 – May 15, 2017
Ella-Jean Richter	Sault Ste. Marie	May 16, 2007 – May 15, 2017
Michael Fox	Thunder Bay	May 17, 2011 – May 16, 2017
James Caicco	Sault Ste. Marie	May 17, 2011 – May 16, 2017
Jason Corbett	North Bay	Aug 29, 2012 – Aug 28, 2015
Robert Fontaine	Sudbury	Jun 13, 2012 – Jun 12, 2015
James Beatty	Parry Sound	Aug 7, 2013 – Aug 6, 2016

MNDM Staff Assigned to NOHFC as at March 31, 2014

NAME	POSITION
Bruce Strapp	Executive Director
Melanie Muncaster	Manager, Program Services
John Barbeau	Program Coordinator
Robert Tarantini	Program Coordinator
Melissa Gainer	A/Program Coordinator
Denis Rochon	A/Program Coordinator
Susan Richichi	A/ Manager Financial Services
Jocelyn Ouellet	A/Senior Financial Consultant
Franca Cavaliere	A/Senior Financial Officer
Angela Scullino	Financial Officer
Marisa Albidone	Financial Officer
Jake Kallio	A/Financial Officer
Michel Lavoie	Communications Officer
Regan Copeland	A/Marketing Coordinator
Dianna Colasacco	A/Administrative Support Clerk
Debbie Atkinson	Administrative Assistant
Kim Rose	A/Administrative Assistant
Nicole Tessier	Administrative Clerk
Maria Pacione	Administrative Clerk
Ashley Caputo	A/Administrative Support Clerk

The Northern Ontario Heritage Fund Corporation (NOHFC)

The NOHFC was established in 1988 with a mandate to promote and stimulate economic development initiatives in Northern Ontario by providing financial assistance to projects that stabilize, diversify and foster the economic growth and diversification of the region.

The NOHFC is an agency of the Ministry of Northern Development and Mines, and is governed by a Board of Directors from across the North that is appointed by the Lieutenant Governor in Council.

The Corporation provides financial assistance for approved projects in the territorial districts of Northern Ontario, namely Algoma, Cochrane, Kenora, Manitoulin, Nipissing, Parry Sound, Rainy River, Sudbury, Thunder Bay and Timiskaming.

In October 2004, the NOHFC received Cabinet approval for a refocused mandate under the following themes: Growing Jobs; Youth; Community Development; Energy Conservation; Emerging Technologies and Telecommunications. Individual businesses were once more permitted to apply for financial assistance. New programs under the mandate were announced in January 2005, designed to foster job creation and strengthen the economies of northern communities. These 6 new programs were the Enterprises North Job Creation Program, the Youth Internship and Co-op Program, the Infrastructure and Community Development Program, the Young Entrepreneur Program, the Northern Energy Program and the Emerging Technology Program. In May 2009, the NOHFC received Treasury Board/Management Board of Cabinet approval for a seventh program, Northern Ontario Entrepreneur Program, under the Growing Jobs theme.

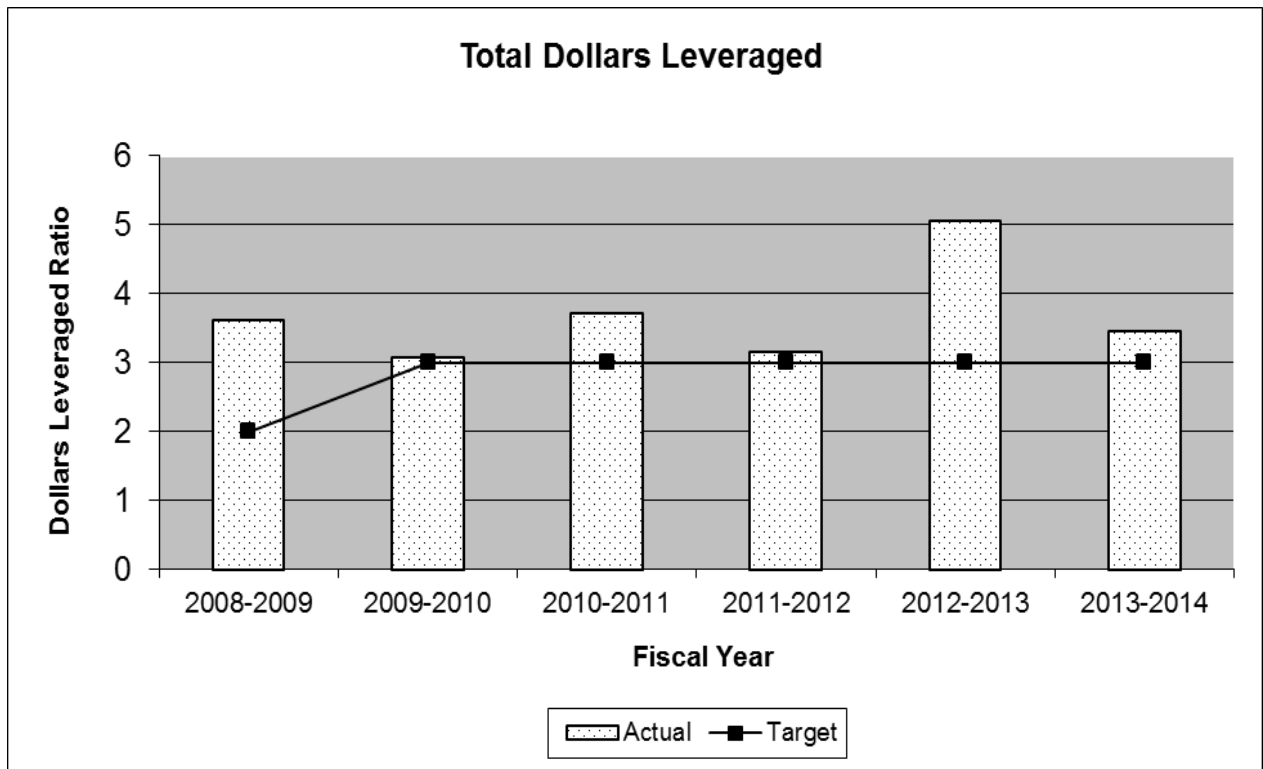
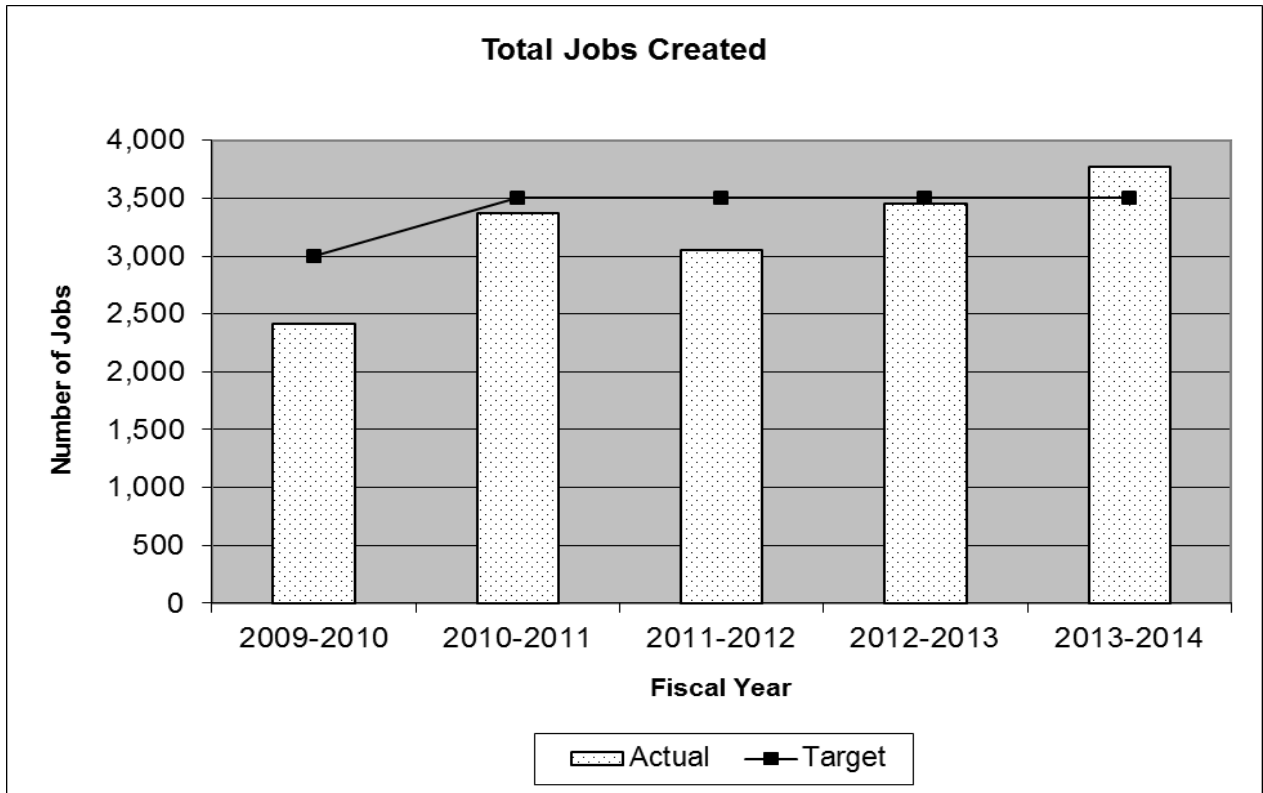
In August 2013, Cabinet approved the mandate of the Northern Ontario Heritage Fund Corporation (NOHFC) be once again refocused to support the Growth Plan for Northern Ontario and the government's key priorities. The NOHFC was approved for the following revised programs to be implemented October 2013: Northern Business Opportunity Program, Northern Innovation Program, Northern Community Capacity Building Program, Strategic Economic Infrastructure Program, and the Northern Ontario Internship Program.

Applications to the previous programs closed on September 30, 2014. Applications received prior to the closing date were assessed as usual, and are currently going through the various stages of the approval process. Applications to the new slate of programs commenced on October 21, 2014. These applications are also currently moving through the NOHFC approval process, concurrently with the older program applications. Therefore, in the short-term, the NOHFC will continue to process and approve applications received under both the old and new programs, until such time as the older applications clear the system.

NOHFC committed approximately \$145 million toward 976 projects in 2013-14. The investments made in priority projects throughout the year were within the corporation's fiscal capacity as total approvals did not exceed available cash; NOHFC had a significant cash reserve that was made available for project approvals.

NOHFC reached a target of 3,771 for jobs created and retained its operational targets for 2013-14 as significant investments continued to be made in priority projects throughout Northern Ontario.

NOHFC Performance Measures – Targets and Results



NOHFC Financial Performance

Schedule of Revenue, Expenses and Net Investment by The Province of Ontario for the Three Years Ended March 31, 2014

NOHFC Financial Performance

		Year Ended March 31, 2014 (000's) Budget	Year Ended March 31, 2014 (000's) Audited	Year Ended March 31, 2013 (000's) Audited	Year Ended March 31, 2012 (000's) Audited
<u>Revenue</u>					
Province of Ontario grant		\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Interest on cash and cash equivalents		2,742	2,502	2,385	2,723
Interest on loans receivable	(Note 1)	1,934	2,873	2,788	2,700
Other	(Note 2)		301	714	318
	<i>Total Revenue</i>	<u>104,676</u>	<u>105,676</u>	<u>105,887</u>	<u>105,741</u>
<u>Expenses</u>					
Conditional Contributions	(Note 3)	88,060	69,751	75,649	96,843
Credit losses, net of recovery		6,190	11,367	11,792	5,768
Administration:					
Salaries, wages and benefits	(Note 4)	1,815	1,688	1,776	1,791
Transportation and communication		217	371	181	209
Services	(Note 5)	4,472	1,645	2,274	1,639
Management fees		2,338	2,303	2,159	2,247
Marketing		-	120	5	264
Supplies and equipment		67	60	47	65
Collection fees		-	-	-	-
Amortization of tangible capital assets		4	4	4	2
	<i>Total Expenses</i>	<u>103,163</u>	<u>87,309</u>	<u>93,887</u>	<u>108,828</u>
Excess (deficiency) of revenue over expenses		1,513	18,367	12,000	(3,087)
Net investment by the Province of Ontario, beginning of year			<u>281,851</u>	<u>269,851</u>	<u>272,938</u>
Net investment by the Province of Ontario, end of year			\$ 300,218	\$ 281,851	\$ 269,851

Analysis of Variances

Note 1 – Interest on loans receivable exceeded budget as loan disbursements were higher than expected throughout the year.

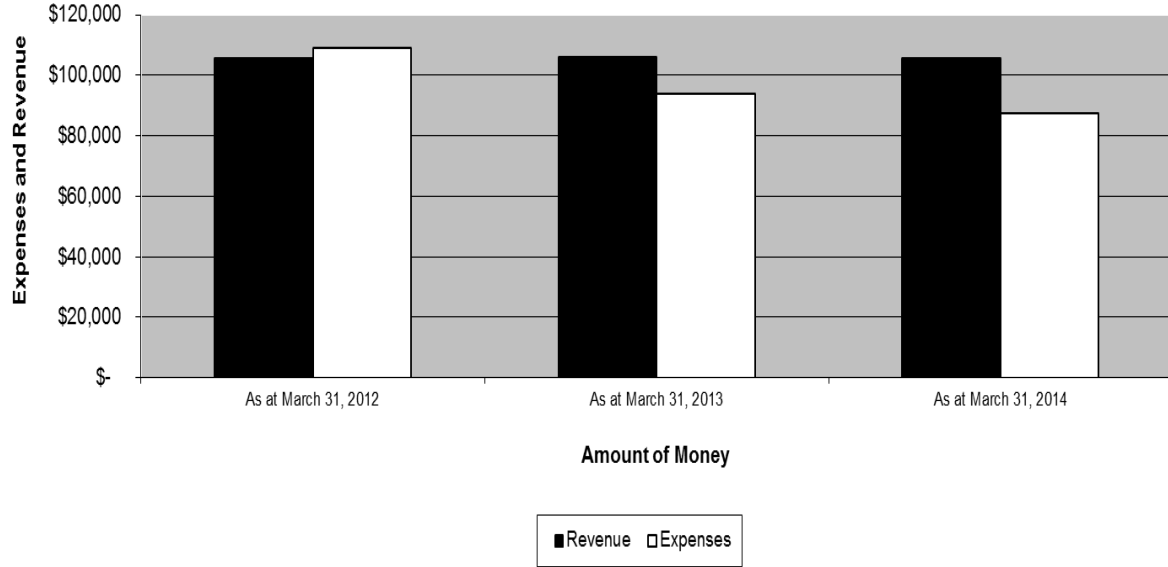
Note 2 – Other revenue represents a prior year adjustment to a conditional contribution for 13-14 and Patten Post Diversification Fund and Duke Energy for 12-13.

Note 3 – Conditional contributions were lower than prior year results by nearly \$6 million and budget by more than \$18 million. This was due mainly to the continued decrease in funding of Infrastructure and Community Development Program projects and Emerging Technology Public Sector Program projects.

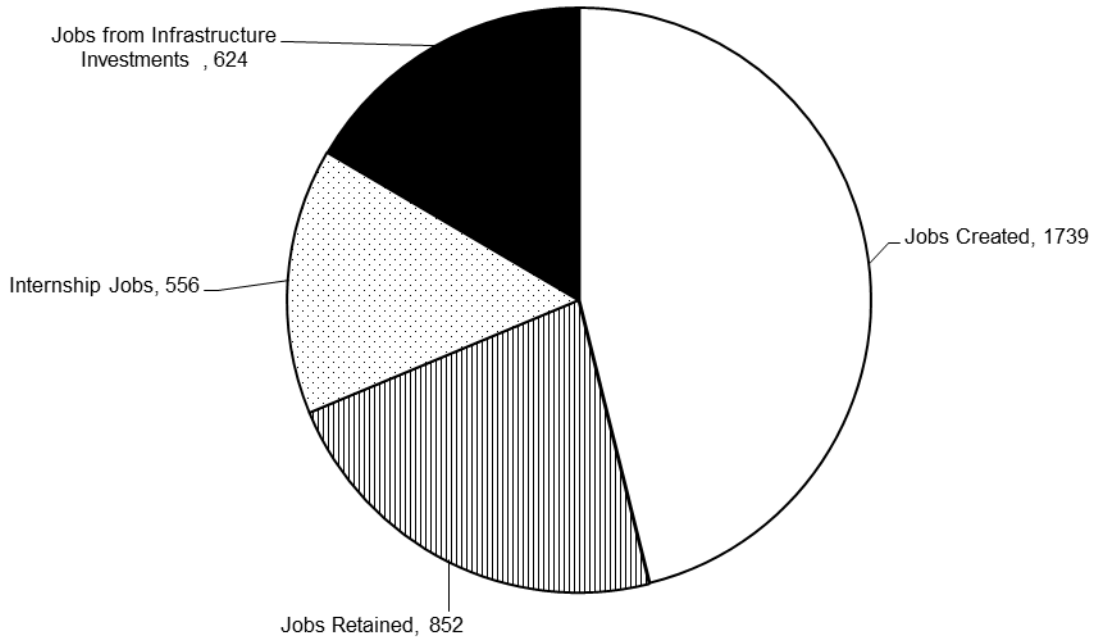
Note 4 – Salaries and benefits decreased in the year as a result of vacant positions throughout the fiscal year.

Note 5 – Services were under budget as a result of delays in the Growth Plan Transportation study and the implementation of new financial management systems and other IT related expenses.

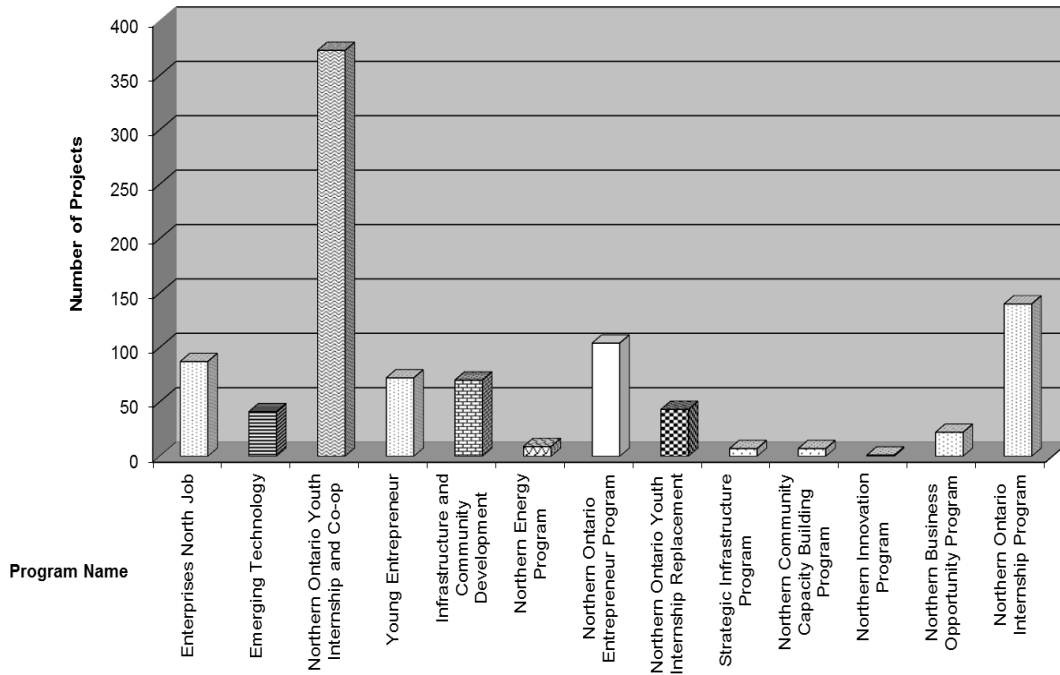
Three Year Comparison of Revenue and Expenses



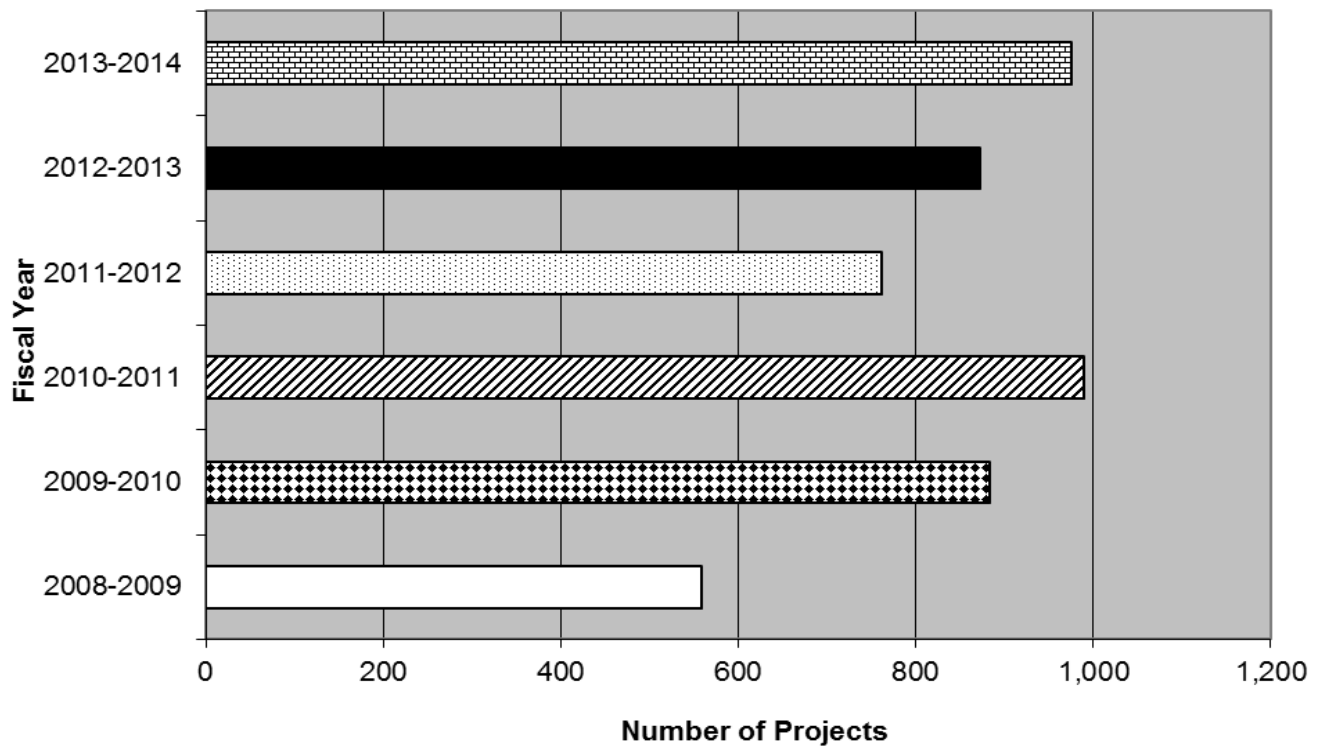
Total Jobs Approved April 1, 2013 - March 31, 2014



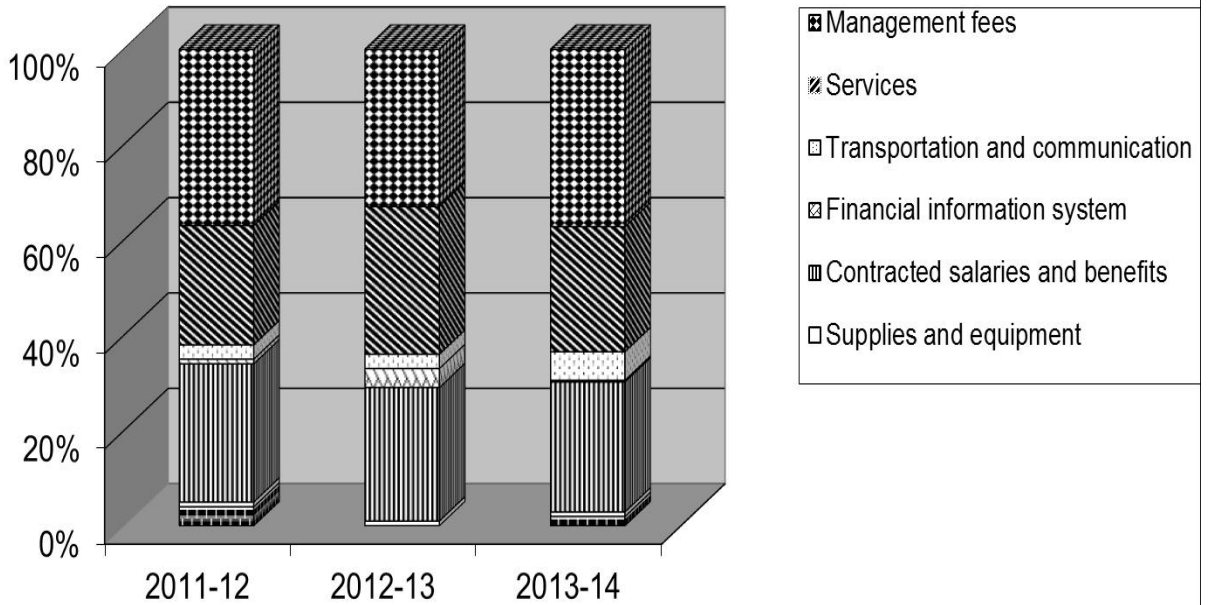
Approved Projects by Program
April 1, 2013 - March 31, 2014



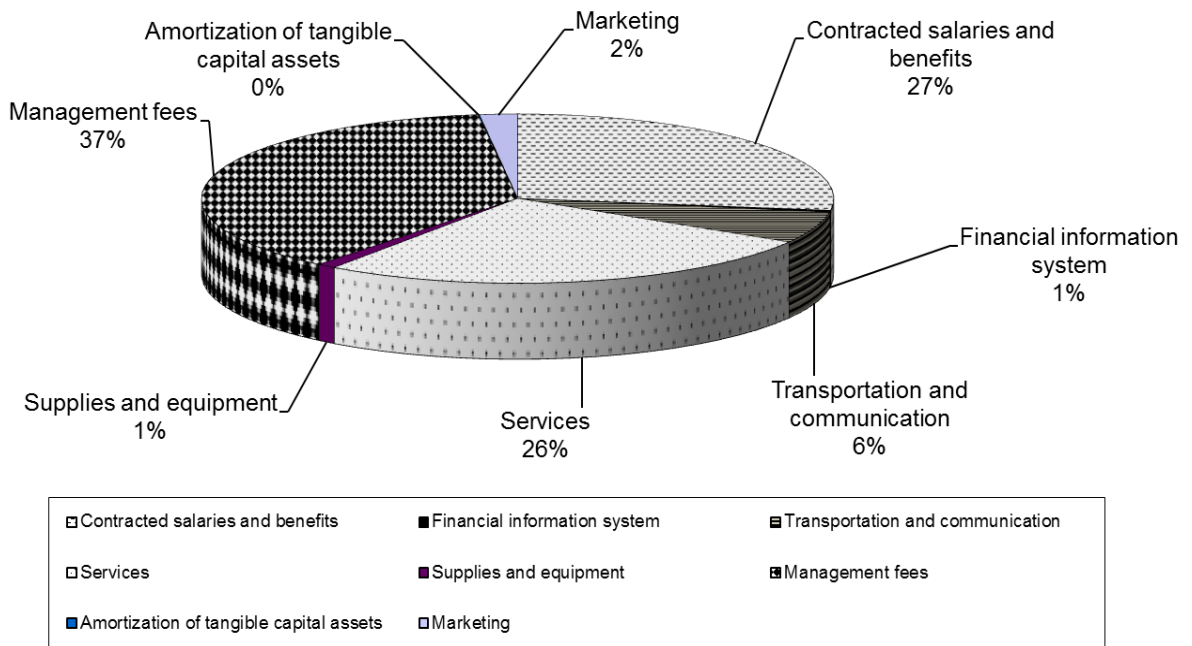
6 Year Comparison of Projects Approved



3 Year Comparison of Administrative Costs



Summary of Administrative Expenses For the Year Ended March 31, 2014



Responsibility for Financial Reporting

The accompanying financial statements of the Northern Ontario Heritage Fund Corporation (NOHFC) have been prepared in accordance with Canadian public sector accounting standards, and are the responsibility of management. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 25, 2014.

Management is responsible for the integrity of the financial statements and maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The Board, through the Audit Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Audit Committee, comprised of members who are not employees/officers of NOHFC generally meets periodically with management and the Office of the Auditor General to satisfy itself that each group has properly discharged its respective responsibility.

The financial statements have been audited by the Office of the Auditor General of Ontario. The Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian public sector accounting standards. The Auditor's Report outlines the scope of the Auditor's examination and opinion.



D. Bruce Strapp
Executive Director
NOHFC



Susan Richichi, CPA, CA
Manager Financial Services (A)
NOHFC



Jocelyn Ouellet, CPA, CMA
Senior Financial Consultant (A)
NOHFC



Melanie Muncaster
Manager Program and Services
NOHFC



Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

**Northern Ontario Heritage Fund
Corporation Financial Statements
For the Year Ended March 31, 2014**



Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

To the Northern Ontario Heritage Fund Corporation
and to the Minister of Northern Development and Mines

I have audited the accompanying financial statements of the Northern Ontario Heritage Fund Corporation, which comprise the statement of financial position as at March 31, 2014 and the statements of operations, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Northern Ontario Heritage Fund Corporation as at March 31, 2014, and the results of its operations, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Gary Peall, CPA, CA, LPA
Deputy Auditor General

Toronto, Ontario
June 25, 2014

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NORTHERN ONTARIO HERITAGE FUND CORPORATION

**Statement of Financial Position
As at March 31, 2014**

	March 31, 2014 (\$000s)	March 31, 2013 (\$000s)
Financial assets		
Cash and cash equivalents (Note 3)	237,926	215,501
Accrued interest	1,488	883
Loans receivable (Note 4)	63,126	66,602
	<u>302,540</u>	<u>282,986</u>
Liabilities		
Accounts payable and accrued liabilities	<u>2,338</u>	<u>1,155</u>
	<u>2,338</u>	<u>1,155</u>
Net financial assets	<u>300,202</u>	<u>281,831</u>
Non-financial assets		
Tangible capital assets (Note 5)	<u>16</u>	<u>20</u>
Net investment by the Province of Ontario	<u>300,218</u>	<u>281,851</u>

Commitments (Note 10)

See accompanying notes to financial statements.

On behalf of the Board:



Co-Chair



Co-Chair



Executive Director

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Statement of Operations For the Year Ended March 31, 2014

	Budget (\$000s)	2014 (\$000s)	2013 (\$000s)
Revenue			
Province of Ontario grant	100,000	100,000	100,000
Interest on cash and cash equivalents	2,742	2,502	2,385
Interest on loans receivable	1,934	2,873	2,788
Other (Note 6 and 7)	-	301	714
	<u>104,676</u>	<u>105,676</u>	<u>105,887</u>
Expenses			
Conditional contributions	88,060	69,751	75,649
Credit losses, net of recoveries (Note 8)	6,190	11,367	11,792
Administration (Note 9)	8,913	6,191	6,446
	<u>103,163</u>	<u>87,309</u>	<u>93,887</u>
Excess of revenue over expenses	<u>1,513</u>	<u>18,367</u>	12,000
Net investment by the Province of Ontario, beginning of year		<u>281,851</u>	<u>269,851</u>
Net investment by the Province of Ontario, end of year		<u>300,218</u>	<u>281,851</u>

See accompanying notes to financial statements.

NORTHERN ONTARIO HERITAGE FUND CORPORATION**Statement of Changes in Net Financial Assets
For the Year Ended March 31, 2014**

	2014 (\$000s)	2013 (\$000s)
Excess of revenue over expenses for the year	18,367	12,000
Amortization of tangible capital assets	4	4
Increase in net financial assets	<u>18,371</u>	<u>12,004</u>
Net financial assets, beginning of year	<u>281,831</u>	<u>269,827</u>
Net financial assets, end of year	<u>300,202</u>	<u>281,831</u>

See accompanying notes to financial statements.

NORTHERN ONTARIO HERITAGE FUND CORPORATION**Statement of Cash Flows
For the Year Ended March 31, 2014**

	2014 (\$000s)	2013 (\$000s)
Lending, investing and financial assistance activities		
Loan disbursements	(19,310)	(23,954)
Loan repayments and recoveries	12,018	9,189
Conditional contributions	(68,278)	(75,611)
Interest received on loans receivable	2,076	1,876
Other revenue	302	714
	<u>(73,192)</u>	<u>(87,786)</u>
Financing activities		
Cash contributions from the Province for:		
Lending and financial assistance activities	<u>100,000</u>	<u>100,000</u>
Operating activities		
Amortization	(4)	(4)
Interest received on cash and cash equivalents	2,097	2,869
Administration costs	(6,476)	(6,205)
	<u>(4,383)</u>	<u>(3,340)</u>
Increase in cash and cash equivalents	22,425	8,875
Cash and cash equivalents, beginning of year	<u>215,501</u>	<u>206,626</u>
Cash and cash equivalents, end of year	<u>237,926</u>	<u>215,501</u>

See accompanying notes to financial statements.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements March 31, 2014

1. NATURE OF THE BUSINESS

The Corporation was established, without share capital, on June 1, 1988 under the *Northern Ontario Heritage Fund Act*. The purpose of the Corporation is to fund infrastructure improvements and economic development opportunities in Northern Ontario by providing financial assistance by way of conditional contributions, forgivable performance loans, and incentive term loans. As an Ontario Crown agency, the Corporation is exempt from federal and provincial income taxes under the *Income Tax Act (Canada)*.

The Corporation partners with communities, businesses, entrepreneurs and youth across Northern Ontario to create jobs and strengthen the Northern economy. The Corporation delivers seven targeted programs as follows: Enterprises North Job Creation Program, Youth Internship and Co-op Program, Young Entrepreneur Program, Northern Energy Program, Emerging Technology Program, Entrepreneur Program and Infrastructure and Community Development Program.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used to prepare these statements are summarized below:

(a) Basis of Accounting

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards for provincial reporting entities established by the Canadian Public Sector Accounting Board.

(b) Transactions with the Province of Ontario

The Province of Ontario contributes funds to finance the lending and financial assistance activities. The net investment by the Province of Ontario is increased (reduced) by the excess (deficiency) of revenue over expenses.

(c) Cash and Cash Equivalents

Cash and cash equivalents consist primarily of funds on deposit in chartered banks and short-term investments on deposit with the Ontario Financing Authority, a related party.

(d) Financial Instruments

Financial instruments obtained in arm's-length transactions are initially measured at their fair value. Interest free loans are discounted to fair value when initially recorded. Financial instruments are subsequently measured in one of the following categories (i) fair value or (ii) cost or amortized cost. The Corporation uses fair value for the subsequent measurement of cash and cash equivalents. The Corporation uses amortized cost for the subsequent measurement of loans receivable and accounts payable and accrued liabilities. A Statement of Remeasurement Gains and Losses is not presented because this information is readily apparent.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements March 31, 2014

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Tangible Capital Assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset.

The cost, less residual value of the tangible capital asset, is amortized on a straight line basis over their estimated useful lives as follows:

Automotive	7 years
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(f) Provision for Credit Losses

Credit losses arise on loans receivable issued by the Corporation. In addition to specific write-offs and write-downs, a provision for credit losses is maintained in an amount considered adequate to absorb anticipated credit-related losses. The provision for losses on loans consists of provisions on specific loans and is deducted from loans receivable.

The amounts written off and written down in the year, net of realized recoveries of amounts written off and written down in prior years, and changes in provisions, are charged to credit losses in the Statement of Operations.

(g) Revenue Recognition

Government grants are recognized when receivable. Amounts are determinable and collectability is assured. Interest income is recognized on the accrual basis.

(h) Conditional Contributions and Forgivable Loans

The Corporation expenses conditional contributions and forgivable loans when disbursed. Approved commitments are not recognized in the financial statements until the conditions of the funding have been met by the recipients.

(i) Use of Estimates

Preparation of the financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated. Significant estimates include the provision for credit losses and the loan discount.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements March 31, 2014

3. CASH AND CASH EQUIVALENTS

The *Northern Ontario Heritage Fund Act* restricts investments to securities issued or guaranteed by the provinces, Canada, United States, United Kingdom, the International Bank for Reconstruction and Development and any Canadian Schedule I or II bank, and other investments as authorized by the Lieutenant Governor in Council. The Corporation, through an Investment Management Agreement with the Ontario Financing Authority, invests excess funds in securities as allowed by the Act.

Cash and cash equivalents consist of:

	2014 (\$000s)	2013 (\$000s)
Cash	75,997	89,062
Short-term investments	161,929	126,439
	<u>237,926</u>	<u>215,501</u>

Short-term investments consist of treasury bills (maturing within 365 days) which yielded 1.03% on average (2013 – 1.10%). All treasury bills are redeemable on demand.

4. LOANS RECEIVABLE

	2014 (\$000s)	2013 (\$000s)
Current	7,305	5,778
Long-term	83,679	88,611
Loans in arrears and default	15,592	5,200
Provision for credit losses on specific loans	(43,002)	(31,941)
Loan discount	(448)	(1,046)
	<u>63,126</u>	<u>66,602</u>

Generally, loans bear fixed interest rates ranging from 0% to 8.75% and are fully repayable within 20 years from the date disbursed.

The changes in the provision for credit losses on specific loans are as follows:

	2014 (\$000s)	2013 (\$000s)
Balance, beginning of year	31,941	20,396
Loans written off in the year	(125)	(247)
Change in loan provision	11,186	11,792
Balance, end of year	<u>43,002</u>	<u>31,941</u>

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements March 31, 2014

4. LOANS RECEIVABLE (CONTINUED)

The changes in the loan discount balances are as follows:

	2014 (\$000s)	2013 (\$000s)
Balance, beginning of year	1,046	1,823
Amount of loan discharged	2	38
Amount amortized to interest on loans receivable	(600)	(815)
Balance, end of year	<u>448</u>	<u>1,046</u>

5. TANGIBLE CAPITAL ASSETS

	2014 (\$000s)	2013 (\$000s)
Cost		
Opening	26	26
Additions	-	-
Closing	<u>26</u>	<u>26</u>
Accumulated amortization		
Opening	6	2
Amortization	4	4
Closing	<u>10</u>	<u>6</u>
Net book value, end of year	<u>16</u>	<u>20</u>

6. PATTEN POST DIVERSIFICATION FUND

The Corporation was responsible for the administration of a Fund whose proceeds were received from Ontario Power Generation Incorporated. The objective of the Fund was to benefit communities that suffered economic hardship as a result of uranium mine closures in the Elliot Lake area. The Corporation processed applications for funding according to established funding criteria.

All projects are now completed. The remaining funds were recognized as other revenue in the statement of operations in 2013 as there is no obligation to return undisbursed funds.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements March 31, 2014

6. PATTEN POST DIVERSIFICATION FUND (CONTINUED)

The activity of the Fund was as follows:

	2014 (\$000s)	2013 (\$000s)
Investment income	-	-
Disbursements to communities	-	(56)
Net results for the year	-	(56)
Undisbursed balance recognized as other income	-	(418)
Fund balance, beginning of year	-	474
Fund balance, end of year	-	-

7. DUKE ENERGY FUND

The Corporation was responsible for the administration of a Fund whose proceeds were received from Union Gas Limited, a Duke Energy Company, on July 15, 2005. The objective of the Fund was to benefit Northern Ontario through funding for job-training projects proposed by educational institutions located in Northern Ontario under NOHFC's Emerging Technologies program. The Corporation processed applications for funding based on advice from Duke Energy Company and according to established funding criteria.

All projects are now completed. The remaining funds were recognized as other revenue in the statement of operations in 2013 as there is no obligation to return undisbursed funds.

The activity of the Fund was as follows:

	2014 (\$000s)	2013 (\$000s)
Investment income	-	-
Net results for the year	-	-
Undisbursed balance recognized as other income	-	(240)
Fund balance, beginning of year	-	240
Fund balance, end of year	-	-

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements March 31, 2014

8. CREDIT LOSSES

Credit losses shown in the Statement of Operations are as follows:

	2014 (\$000s)	2013 (\$000s)
Loans written off in the year	306	247
Less: amounts provided in previous years	<u>(125)</u>	<u>(247)</u>
	181	-
Change in provision on active loans	11,446	11,792
Change in loan provision	<u>11,627</u>	<u>11,792</u>
Less recoveries	(260)	-
Credit losses, net of recoveries	<u><u>11,367</u></u>	<u><u>11,792</u></u>

9. ADMINISTRATION EXPENSES

Details of administration expenses in the year are as follows:

	Budget (\$000s)	2014 (\$000s)	2013 (\$000s)
Salaries, wages and benefits	1,815	1,688	1,776
Transportation and communication	217	371	181
Services	4,472	1,623	2,030
Management fees	2,338	2,303	2,159
Marketing	-	120	5
Supplies and equipment	67	60	47
Financial information system	-	22	244
Amortization of tangible capital assets	4	4	4
	<u>8,913</u>	<u>6,191</u>	<u>6,446</u>

The Ministry of Government Services provides pension benefits for all of NOHFC's permanent staff through participation in the Public Service Pension Fund and the Ontario Public Service Employees' Union Pension Fund which are both multi-employer defined benefit pension plans established by the Province of Ontario. The costs of the pension plans, and other post-retirement non-pension benefits provided to eligible staff are paid by the Ministry and are not included in these financial statements.

10. COMMITMENTS

Funds committed, but not disbursed, as at March 31, 2014 are \$222,988,339 (2013: \$191,381,160).

11. BUDGETED FIGURES

Budgeted figures approved by the Board of the Corporation have been provided for comparison purposes.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements March 31, 2014

12. FINANCIAL INSTRUMENTS

Effective April 1, 2012, the Corporation adopted the new Public Sector Handbook Standard 3450 – Financial Instruments, which requires all financial instruments to be valued at fair value, cost or amortized cost. The standard provides comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments. The Corporation's financial instruments consist of cash and cash equivalents, loans receivable and accounts payable and accrued liabilities. The adoption of this standard did not have a financial impact on the financial statements of the Corporation.

The main risks that the Corporation's financial instruments are exposed to are credit risk, liquidity risk and market risk.

Credit risk

Credit risk is the risk that the counterparty to a financial instrument may fail to discharge an obligation or commitment that it has entered into. The Corporation provides credit to its loan portfolio clients in the normal course of operations. To mitigate the risk, the Corporation screens loan applicants, registers security on the loans and maintains provisions for contingent credit losses.

Liquidity risk

The Corporation's exposure to liquidity risk is low as cash and cash equivalents exceed the current commitments. The Corporation mitigates this risk by monitoring cash activities and expected outflows.

Market risk

Market risk is comprised of currency risk, interest rate risk and other price risk. The Corporation does not conduct any significant transactions that are denominated in foreign currency. The Corporation's loans receivable bear fixed interest rates. The Corporation's cash and cash equivalents balance includes Treasury bills where market value is close to cost, so market risk is low.
