

**NORTHERN ONTARIO HERITAGE FUND CORPORATION
ANNUAL REPORT
2014 – 2015**



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, 2015.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Michael Gravelle". The signature is written in a cursive, flowing style.

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

Chair's Message



I am pleased to present the 2014-2015 Annual Report of the Northern Ontario Heritage Fund Corporation (NOHFC). This report highlights how the NOHFC is contributing to the Northern economy by investing in key economic sectors outlined in the Growth Plan for Northern Ontario.

NOHFC investments are key to economic development in the North. The NOHFC supports the government's plan to build Ontario up by investing in people, building modern infrastructure and supporting a dynamic and innovative business climate.

Thanks to our annual commitment of \$100 million, the NOHFC is making 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 committed to helping stimulate new positive investments in the North; investments that will help build strong, lasting economic activity and bring new opportunities to northerners.

In the period of October 2003 to April 2015, the NOHFC approved more than \$1 billion toward 6,620 projects, leveraging approximately \$3.6 billion from other funding sources. That support helped create or sustain more than 25,300 jobs across the North.

As chair of the NOHFC, I am very proud that our investments are helping more northerners to live, work and build careers in their communities and contributing to a thriving and prosperous Northern Ontario. We will continue to work with all our partners to build an even stronger northern economy.

A handwritten signature in black ink, appearing to read "Michael Gravelle". The signature is fluid and cursive.

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

Board of Directors as at March 31, 2015

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 – Oct 21, 2016
Marielle Brown	Elliot Lake	Mar 24, 2010 – Mar 22, 2017
Robert George Norris	New Liskeard	Mar 24, 2010 – Mar 22, 2017
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
John Simperl	Thunder Bay	Dec 3, 2014 – Dec 2, 2016

MNDM Staff Assigned to NOHFC as at March 31, 2015

NAME	POSITION
Bruce Strapp	Executive Director
John Barbeau	A/Manager, Program Services
Robert Tarantini	Program Coordinator
Melissa Gainer	Program Coordinator
Jeff Dicaire	Program Coordinator
Dominque Marleau	A/Program Coordinator
Susan Richichi	Manager Financial Services
Jocelyn Ouellet	Senior Financial Consultant
Franca Cavaliere	A/Senior Financial Officer
Jake Kallio	Financial Officer
Marisa Albidone	Financial Officer
Giancarlo Carota	A/Financial Officer
Michel Lavoie	Communications Officer
Carrie Bailey	Administrative Support Clerk
Debbie Atkinson	Administrative Assistant
Louise Reda	Administrative Assistant
Nicole Tessier	Administrative Clerk
Maria Pacione	Administrative Clerk
Colleen D'Ettorre	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 economic development funding toward approved projects in the territorial districts of Northern Ontario, namely Algoma, Cochrane, Kenora, Manitoulin, Nipissing, Parry Sound, Rainy River, Sudbury, Thunder Bay and Timiskaming.

The Growth Plan for Northern Ontario (Growth Plan) was released in March 2011. It's the Ontario Government's plan for building up the North. The Growth Plan is driving a globally competitive economy, supporting people and communities, renewing and expanding modern infrastructure and supporting a healthy environment.

In August 2013, the NOHFC's programs were realigned with the Growth Plan to provide investments for emerging and priority economic sectors to drive and diversify the northern economy. The NOHFC was approved for the following revised programs implemented in October 2013: Northern Business Opportunity Program, Northern Innovation Program, Northern Community Capacity Building Program, Strategic Economic Infrastructure Program, and the Northern Ontario Internship Program.

NOHFC - Marque Initiatives

Recognizing the value of supporting Northern Ontario's economy the NOHFC has provided funding for initiatives that align with policy directions in the Growth Plan, in particular, the Northern Policy Institute and the Northern Ontario Multimodal Transportation Strategy.

Northern Policy Institute

We are making smarter decisions based on better information by investing in quality research to guide public policy development. The Northern Policy Institute (NPI, www.northernpolicy.ca), made possible by a \$5 million contribution from the NOHFC, is an independent, not-for-profit organization that provides a northern perspective. Grounded in quality research it serves as a guide for public policy development and provides information to governments, municipalities, communities, First Nations, businesses and industries in Northern Ontario.

Northern Ontario Multimodal Transportation Strategy

We are focused on the future needs of Northern transportation in developing a 'made in the North' strategy for an integrated transportation system.

Ontario is working with northern partners to develop a Northern Ontario Multimodal Transportation Strategy to identify policy and program and investment opportunities for a modern and sustainable transportation system in Northern Ontario. The Strategy, funded in part by a \$2.2 million contribution from the NOHFC, will support economic prosperity and enhance quality of life for Northerners.

To be completed in 2017, the Ministry of Transportation (MTO) is leading the development of the Strategy through technical studies and engagement with stakeholders, First Nation and Métis. The technical work will provide evidence-based information to support government decision making and will include a comprehensive examination of the transportation system, the users, providers, future demand and opportunities for the next 25 years.

NOHFC – Program Highlights

Through our programs, the NOHFC committed approximately \$116 million toward 732 projects that resulted in 2,930 jobs to be created or retained in fiscal 2014-15.

Strategic Economic Infrastructure Program

We're supporting projects that help create jobs and build capacity in northern communities. The NOHFC provided \$1.8 million in funding support to the Northern Ontario Farm Innovation Alliance (NOFIA). The funding assists with land clearing and tile drainage projects representing 34 producers and resulting in improvements to approximately 4,450 acres of agricultural land. NOFIA is a not-for-profit organization that promotes research, development and the commercialization of agricultural products, while creating economic opportunities for Northern Ontario's agricultural industry. NOFIA plays a key role in the farming industry in the Timiskaming-Cochrane region.

Community Capacity Building Program

We're growing our economy by supporting strategic municipal planning with our Northern Community Capacity Building program. The NOHFC provided \$15,000 in funding support to Tourism Northern Ontario toward a Northern Ontario Tourism Summit that included workshops, information sessions, keynote speakers and a trade show for over 250 Northern Ontario tourism industry stakeholders.

Northern Innovation Program

By supporting development and commercialization of new technologies we're contributing to future prosperity in Northern Ontario. The NOHFC invested

\$814,000 to support Lakehead University in the creation of a five-year Industrial Research Chair position in Green Chemicals and Processes. The project will focus on ways for the pulp and paper and mining industries to reduce their environmental impacts.

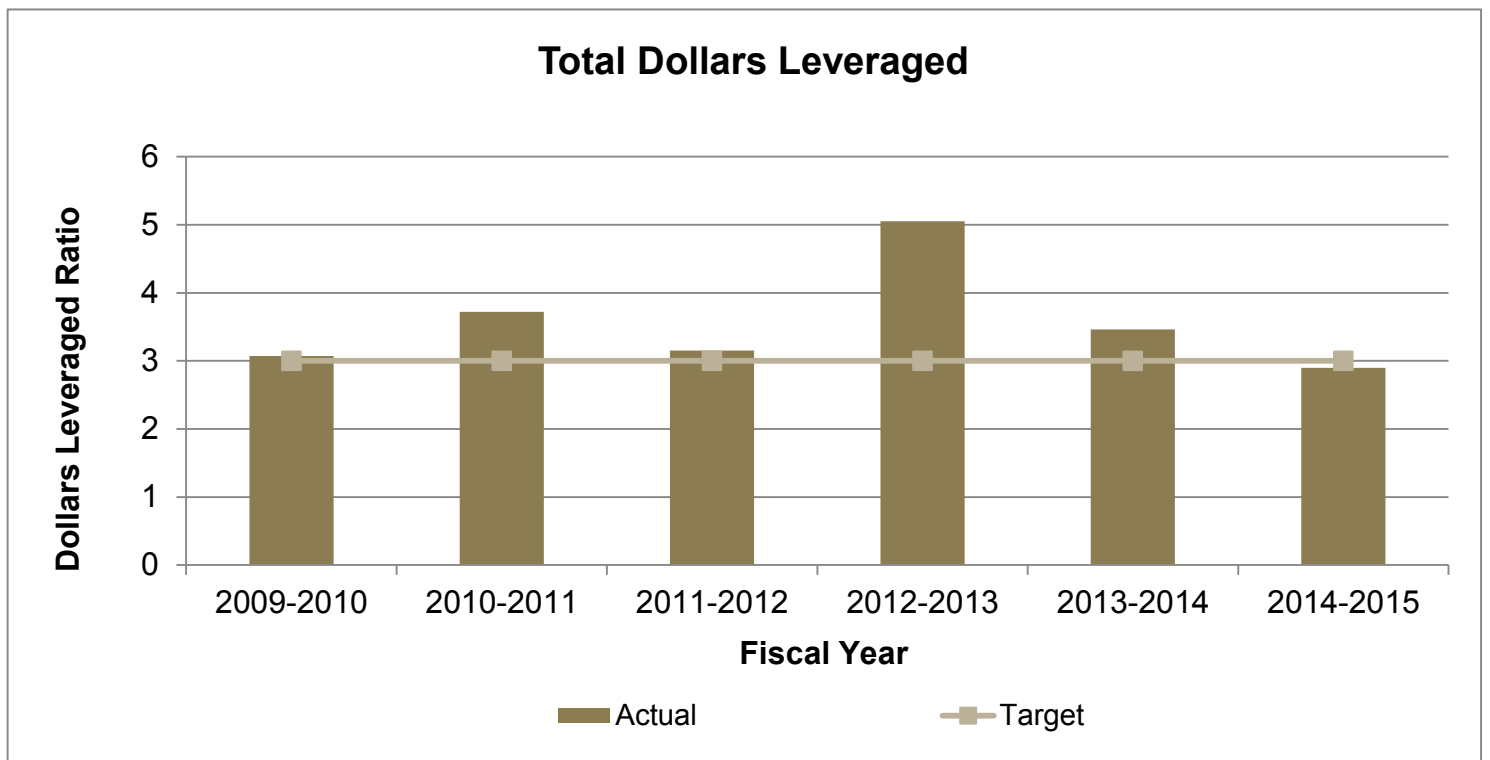
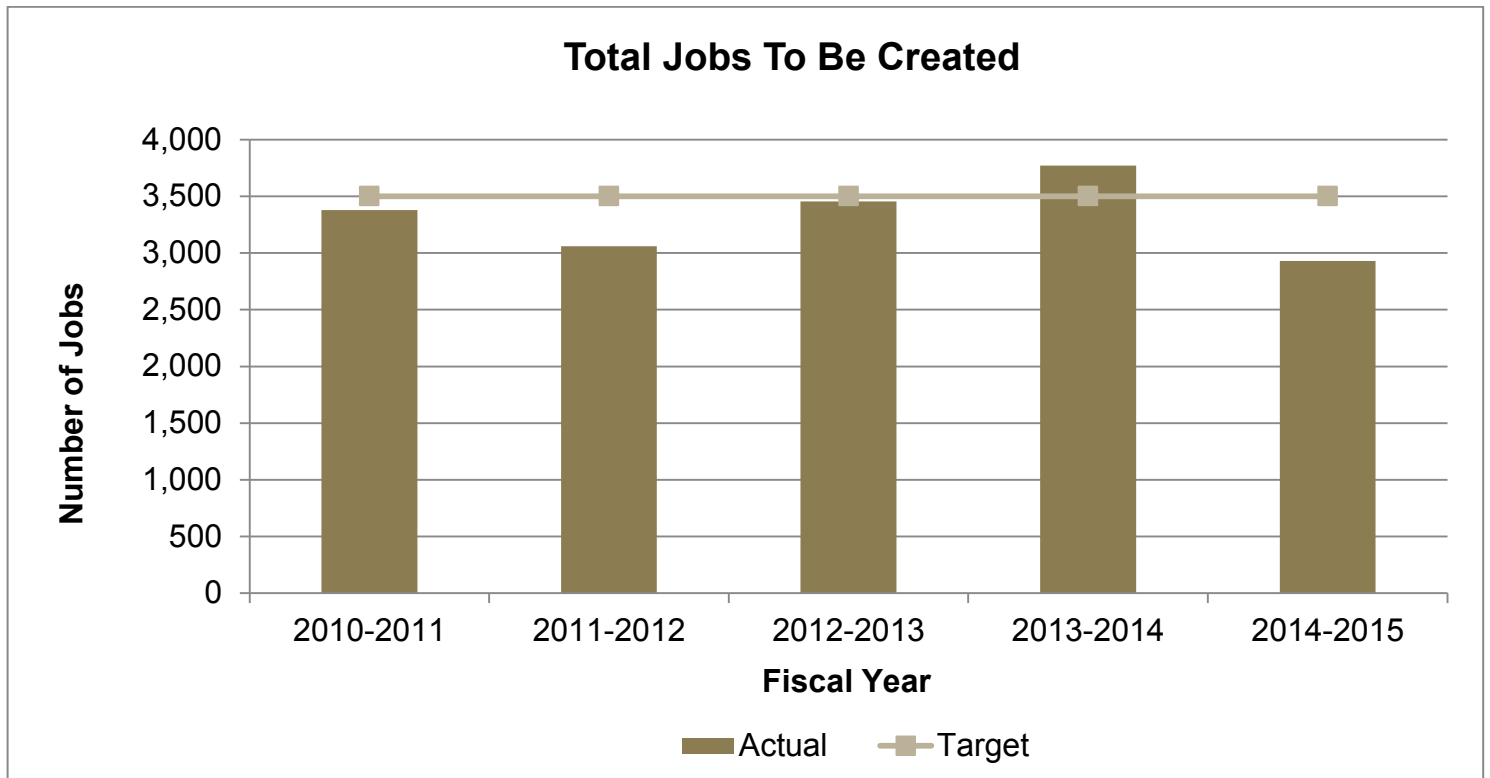
Northern Business Opportunity Program

We're encouraging major business productivity and expansion, as well as global investment in northern communities with our Northern Ontario Business Opportunity Program. The NOHFC invested \$4 million to help Rentech Inc. convert two idle wood product mills into facilities that manufacture wood pellets as a sustainable energy source. The facilities, located in Wawa and Atikokan, will turn Crown-owned wood materials that previously would not have been used or sold, into wood pellets to be used to produce electricity in local and international power production facilities. The two facilities have created over 60 jobs in Northern Ontario.

Northern Ontario Internship Program

We're strengthening the North's competitive advantage by attracting and retaining graduates through our internship program. Post-secondary graduates are gaining valuable work experience to prepare for future careers through internship placements funded by the NOHFC. In 2014-15, the NOHFC invested \$10.7 million to help 401 recent graduates secure job placements with public and private sector organizations across Northern Ontario.

NOHFC Performance Measures – Targets and Results



**Schedule of Revenue, Expenses and Net Investment by
The Province of Ontario for the Three Years Ended March 31, 2015**

	Year Ended March 31, 2015 (000's) Budget	Year Ended March 31, 2015 (000's) Audited	Year Ended March 31, 2014 (000's) Audited	Year Ended March 31, 2013 (000's) Audited
<u>Revenue</u>				
Province of Ontario grant	\$100,000	\$100,000	\$100,000	\$100,000
Interest on cash and cash equivalents	2,205	2,770	2,502	2,385
Interest on loans receivable (Note 1)	2,114	1,727	2,873	2,788
Other (Note 2)	-	676	561	714
Total Revenue	104,319	105,173	105,936	105,887
<u>Expenses</u>				
Conditional Contributions (Note 3)	84,622	77,250	69,751	75,649
Credit losses (Note 4)	9,018	25,904	11,627	11,792
Administration:				
Salaries, wages and benefits (Note 5)	1,887	1,685	1,688	1,776
Transportation and communication	222	237	371	181
Services (Note 6)	3,627	1,393	1,645	2,274
Management fees (Note 7)	2,244	3,293	2,303	2,159
Marketing	-	8	120	5
Supplies and equipment	67	34	60	47
Amortization of tangible capital assets	-	4	4	4
Total Expenses	101,687	109,808	87,569	93,887
Excess (deficiency) of revenue over expenses	2,632	(4,635)	18,367	12,000
Net investment by the Province of Ontario, beginning of year		300,218	281,851	269,851
Net investment by the Province of Ontario, end of year		\$295,583	\$300,218	\$281,851

Analysis of Variances

Note 1 – Interest on loans receivable were lower than expected as a result of the increased provision on high risk loans. NOHFC does not recognize accrued interest on impaired loans.

Note 2 – Other revenue represents prior year provision recoveries and prior year adjustments to conditional contributions.

Note 3 – Conditional contributions increased by nearly \$7.5M when compared to the previous fiscal year but still remain under the budgeted amount by nearly \$7M. This is attributed to the commitments made under the new programs not being expensed as quickly as projected.

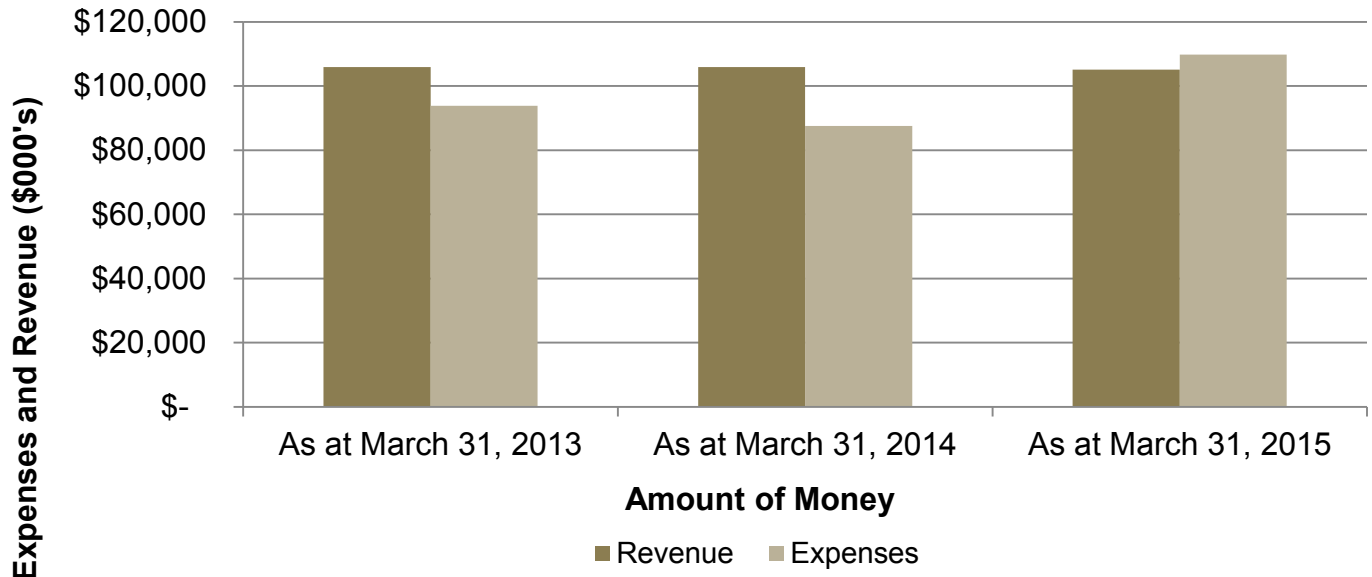
Note 4 – Credit losses increased by more than \$14M and exceeded the budget estimate by nearly \$17M due to the increased risk of the loan portfolio.

Note 5 – Salaries and benefits are below the budget estimate as a result of vacant positions throughout the fiscal year and wage freezes.

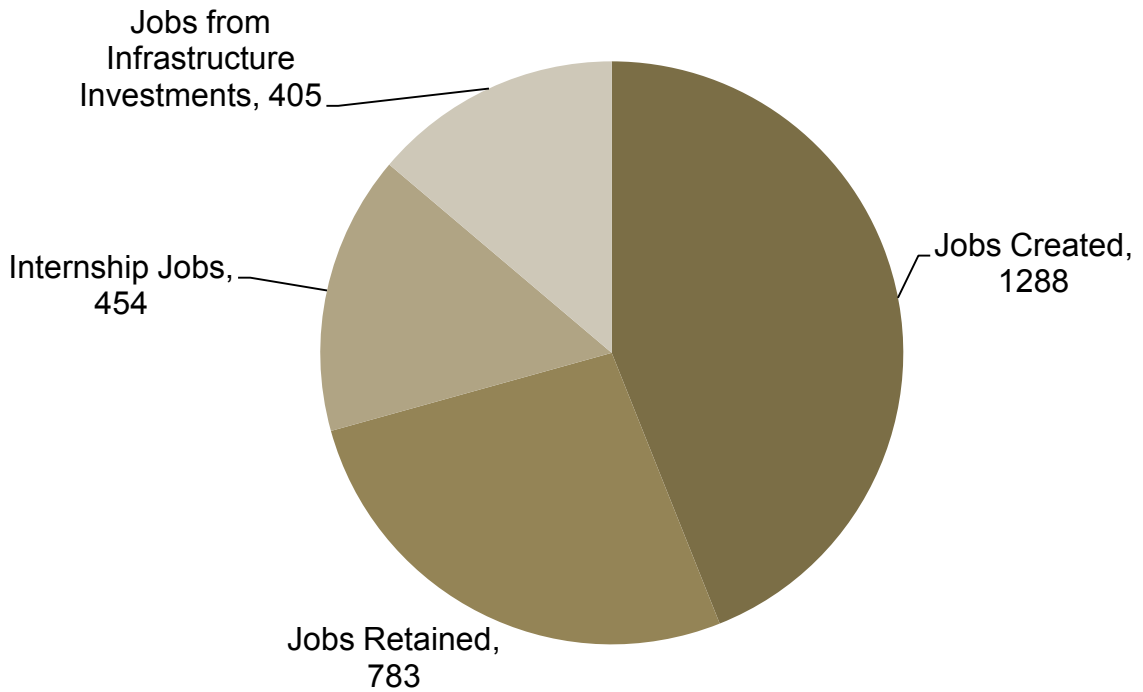
Note 6 – Services were under budget as a result of delays in the Growth Plan Transportation study and the implementation of new financial management systems and other IT related expenses.

Note 7 – Management fees exceeded both the budget and previous year amount as a result of the inclusion of costs from Ministry services for due diligence on public sector files.

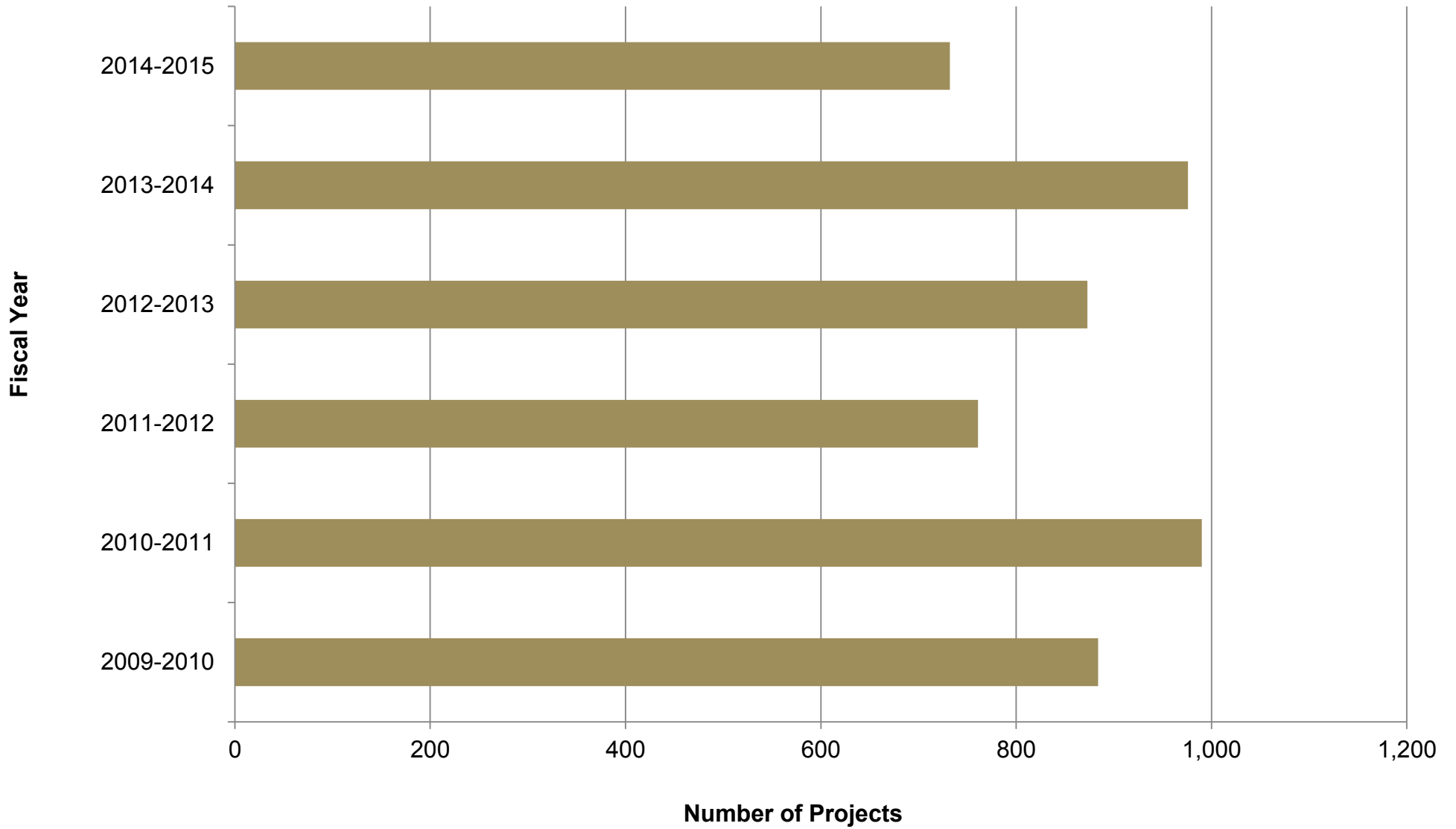
Three Year Comparison of Revenue and Expenses



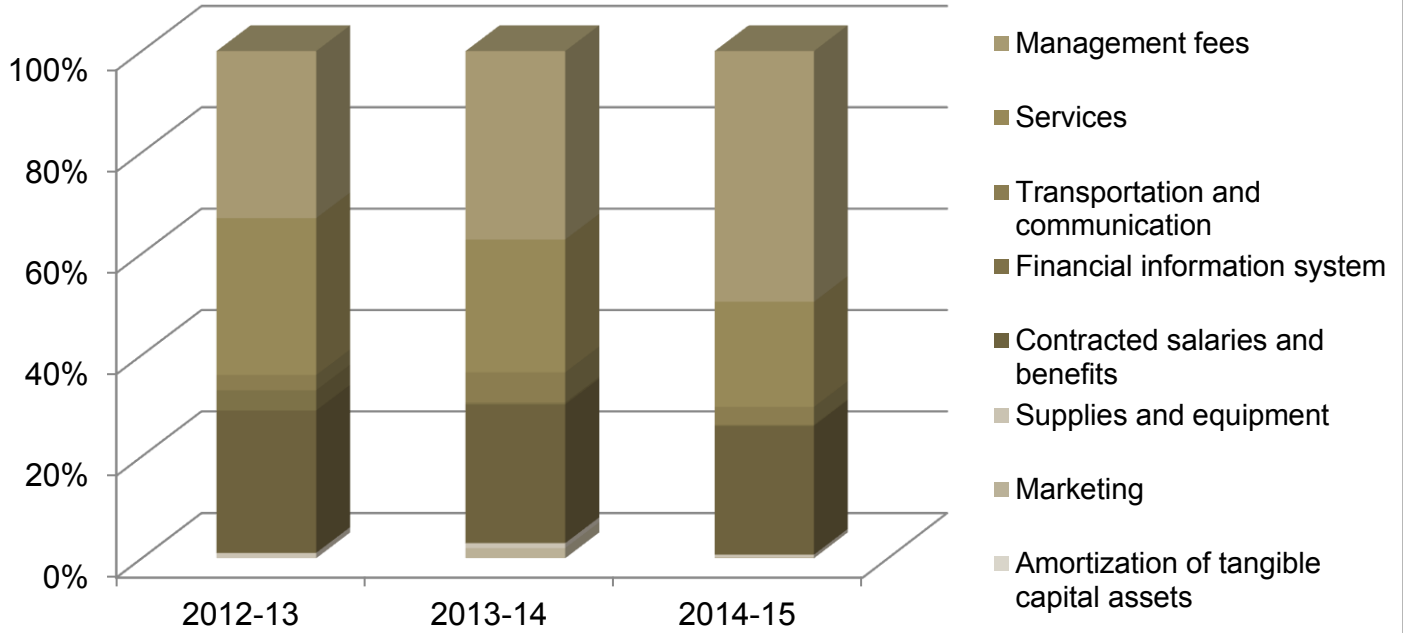
Total Jobs to be Created/Retained April 1, 2014 - March 31, 2015



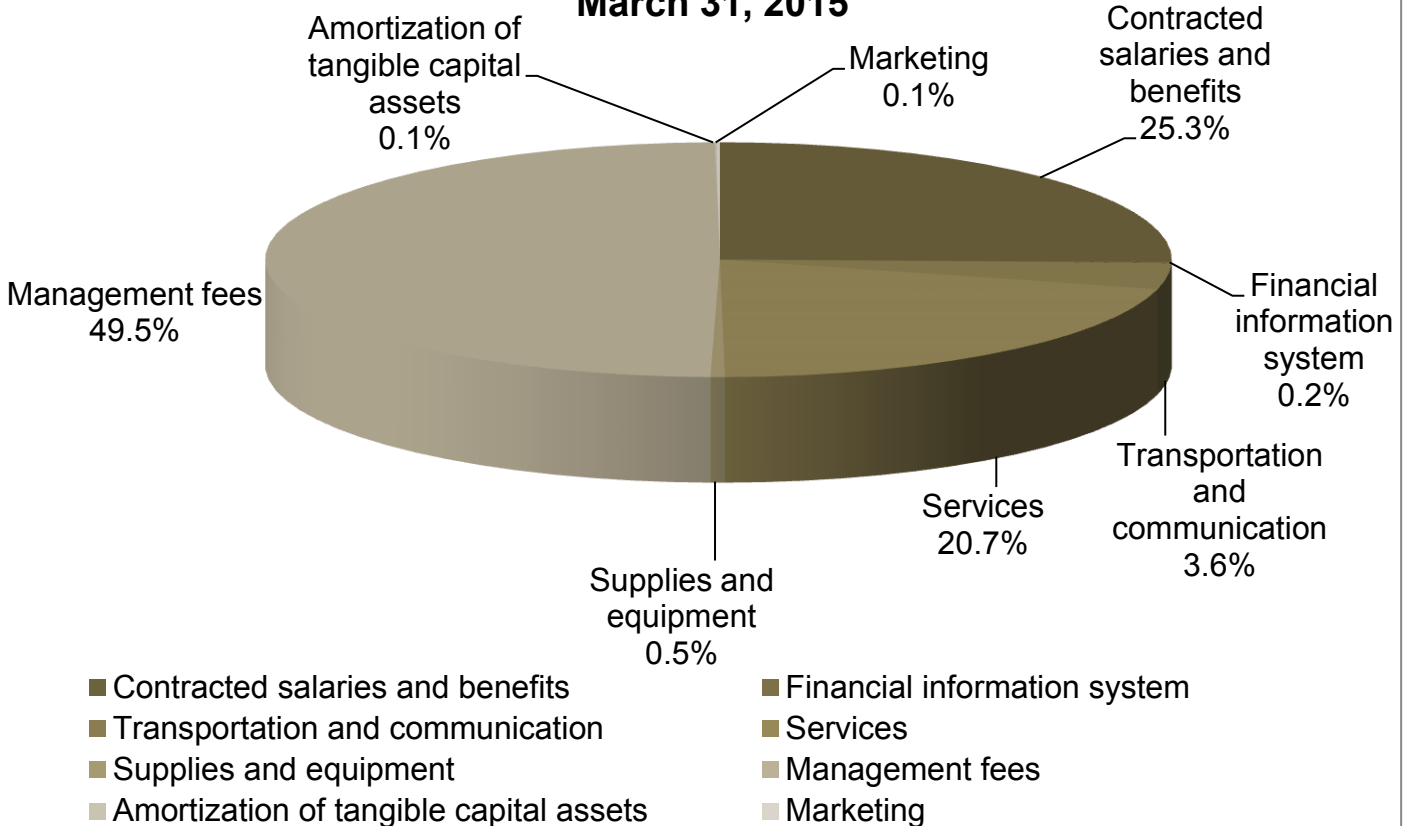
6 Year Comparison of Projects Approved



3 Year Comparison of Administrative Costs



Summary of Administrative Expenses For the Year Ended March 31, 2015



Financial Statements of

**NORTHERN ONTARIO HERITAGE
FUND CORPORATION**

Year ended March 31, 2015

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 11, 2015.


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.



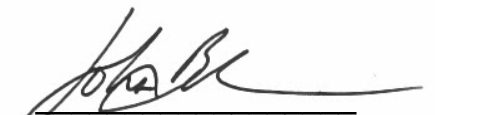
D. Bruce Strapp
Executive Director
NOHFC



Susan Richichi, CPA, CA
Manager Financial Services
NOHFC



Jocelyn Ouellet, CPA, CMA
Senior Financial Consultant
NOHFC



John Barbeau
Manager Program and Services (A)
NOHFC



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, 2015 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, 2015, 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.

Toronto, Ontario
June 11, 2015

Susan Klein, CPA, CA, LPA
Assistant Auditor General

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NORTHERN ONTARIO HERITAGE FUND CORPORATION

Statement of Financial Position

March 31, 2015, with comparative information for 2014

(\$000s)	2015	2014
Financial Assets		
Current assets:		
Cash and cash equivalents (note 3)	\$ 263,932	\$ 237,926
Accrued interest	1,268	1,488
Loans receivable (note 4)	45,547	63,126
	<u>310,747</u>	<u>302,540</u>
Financial Liabilities		
Accounts payable and accrued liabilities (note 5)	15,176	2,338
Net financial assets	<u>295,571</u>	<u>300,202</u>
Non-Financial Assets		
Tangible capital assets (note 6)	12	16
Commitments (note 9)		
Net investment by the Province of Ontario	<u>\$ 295,583</u>	<u>\$ 300,218</u>

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

Year ended March 31, 2015, with comparative information for 2014

(\$000s)	Budget 2015	2015	2014
Revenue:			
Province of Ontario grant	\$ 100,000	\$ 100,000	\$ 100,000
Interest on cash and cash equivalents	2,205	2,770	2,502
Interest on loans receivable	2,114	1,727	2,873
Recoveries	-	676	561
	104,319	105,173	105,936
Expenses:			
Conditional contributions	84,622	77,250	69,751
Credit losses (note 7)	9,018	25,904	11,627
Administration (note 8)	8,047	6,654	6,191
	101,687	109,808	87,569
Excess (deficiency) of revenue over expenses	\$ 2,632	(4,635)	18,367
Net investment by the Province of Ontario, beginning of year		300,218	281,851
Net investment by the Province of Ontario, end of year		\$ 295,583	\$ 300,218

See accompanying notes to financial statements.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Statement of Changes in Net Financial Assets

Year ended March 31, 2015, with comparative information for 2014

(\$000s)	2015	2014
Excess (deficiency) of revenue over expenses	\$ (4,635)	\$ 18,367
Amortization of capital assets	4	4
Increase (decrease) in net financial assets	(4,631)	18,371
Net financial assets beginning of year	300,202	281,831
Net financial assets, end of year	\$ 295,571	\$ 300,202

See accompanying notes to financial statements.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Statement of Cash Flows

Year ended March 31, 2015 with comparative information for 2014

(\$000s)	2015	2014
Lending, investing and financial assistance activities:		
Loan disbursements	\$ (18,061)	\$ (19,310)
Loan repayments and recoveries	10,473	12,018
Conditional contributions	(65,196)	(68,278)
Interest received on loans receivable	2,204	2,076
Other revenue	12	302
	(70,568)	(73,192)
Financing activities:		
Cash contributions from the Province for lending and financial assistance activities	100,000	100,000
Operating activities:		
Amortization	(4)	(4)
Interest received on cash and cash equivalents	2,465	2,097
Administration costs	(5,887)	(6,476)
	(3,426)	(4,383)
Net increase in cash and cash equivalents	26,006	22,425
Cash and cash equivalents, beginning of year	237,926	215,501
Cash and cash equivalents, end of year	\$ 263,932	\$ 237,926

See accompanying notes to financial statements.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements

Year ended March 31, 2015

1. Nature of the business:

The Northern Ontario Heritage Fund Corporation (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 and entrepreneurs across Northern Ontario to create jobs and strengthen the Northern economy. The Corporation delivers five targeted programs as follows: Strategic Economic Infrastructure Program, Northern Community Capacity Building Program, Northern Innovation Program, Northern Business Opportunity Program, and Northern Ontario Internship Program.

2. Significant accounting policies:

The significant accounting policies used to prepare these financial 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.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements

Year ended March 31, 2015

2. Significant accounting policies (continued):

(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.

(e) Tangible capital assets:

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to the acquisition 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:

	Years
Automotive	7

(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 a general provision on the remaining loans and is deducted from loans receivable.

The amounts written off and written down in the year and changes in provisions, are charged to credit losses in the Statement of Operations. Recoveries reflect Funds received during the year from loans provided for in a prior year are recorded as recoveries on 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. Interest revenue on loans receivable is recognized in the financial statements in an amount estimated to be recoverable. Interest revenue ceases to be recognized on fully impaired loans.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements

Year ended March 31, 2015

2. Significant accounting policies (continued):

(h) Conditional contributions and forgivable loans:

The Corporation expenses conditional contributions and forgivable performance 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 revenue 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.

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:

(\$000s)	2015	2014
Cash	\$ 66,132	\$ 75,998
Short-term investments	197,800	161,928
	<u>\$ 263,932</u>	<u>\$ 237,926</u>

Short-term investments consist of Treasury Bills (maturing within 365 days) which yielded 0.99% on average (2014 – 1.03%). All Treasury Bills are redeemable on demand.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements

Year ended March 31, 2015

4. Loans receivable:

(\$000s)	2015	2014
Current	\$ 6,824	\$ 7,305
Long-term	79,819	83,679
Loans in arrears and default	15,900	15,592
Provision for credit losses	(56,650)	(43,002)
Loan discount	(346)	(448)
	\$ 45,547	\$ 63,126

Generally, loans bear fixed interest rates ranging from 0% to 8.7% and are fully repayable within 20 years from the date disbursed.

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

(\$000s)	2015	2014
Balance, beginning of year	\$ 43,002	\$ 31,941
Loans written off in the year	(11,621)	(306)
Change in loan provision	25,269	11,367
Balance, end of year	\$ 56,650	\$ 43,002

The change in the loan discount balances are as follows:

(\$000s)	2015	2014
Balance, beginning of year	\$ 448	\$ 1,046
Amount of loan discount charged/written down	(52)	2
Amount amortized to interest on loans receivable	(50)	(600)
Balance, end of year	\$ 346	\$ 448

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements

Year ended March 31, 2015

5. Accounts payable and accrued liabilities:

Accounts payable and accrued liabilities relate largely to normal business transactions with recipients, in accordance with conditional grant agreements and intercompany balance between the Ministry and the Corporation.

6. Tangible capital assets:

(\$000s)	2015	2014
Cost		
Opening	\$ 26	\$ 26
Additions	–	–
Closing	26	26
Accumulated amortization:		
Opening	10	6
Amortization	4	4
Closing	14	10
Net book value, end of year	\$ 12	\$ 16

7. Credit losses:

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

(\$000s)	2015	2014
Loans written off in the year	\$ 11,621	\$ 306
Less: amounts provided for in previous years	(11,119)	(125)
Closing	502	181
Changes in provision on active loans	25,432	11,446
Change in credit loss provision	25,934	11,627
Discount adjustment	(30)	–
Credit losses	\$ 25,904	\$ 11,627

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements

Year ended March 31, 2015

8. Administration expenses:

Details of administration expenses in the year are as follows:

(\$000s)	Budget		
	2015	2015	2014
Salaries, wages and benefits	\$ 1,887	\$ 1,685	\$ 1,688
Transportation and communications	222	237	371
Services	3,627	1,381	1,623
Management fees	2,244	3,293	2,303
Marketing	-	8	120
Supplies and equipment	67	34	60
Financial information system	-	12	22
Amortization on tangible capital assets	-	4	4
	\$ 8,047	\$ 6,654	\$ 6,191

The Ministry of Government Services provides pension benefits for all of the Corporation'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.

9. Commitments:

Funds committed but not disbursed as at March 31, 2015 are \$185,735,628 (2014 – \$197,773,924).

10. 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

Year ended March 31, 2015

11. 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.

(a) 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.

(b) 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.

(c) Market risk:

Market risk is comprised of currency risk, interest rate risk and other price risk. The Corporation does not conduct any 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.

12. Comparative information:

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