

NORTHERN ONTARIO HERITAGE FUND CORPORATION
ANNUAL REPORT
2015-2016



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, 2016.

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



Introduction from Michael Gravelle, Board Chair

I am delighted to report that 2015-2016 was another successful year for the NOHFC – and for the people of Northern Ontario.

Through five unique funding programs, we helped to launch and expand countless businesses in a wide range of sectors, from mining to craft brewing, film and television to tourism, health care to food production and processing.

We also invested in essential infrastructure, commercialization of new technologies and a workforce second to none.

In the process, we helped create unprecedented economic opportunity – and thousands of new jobs – for Northern Ontarians.

It takes a dedicated team to achieve results like these. My thanks to everyone at the NOHFC for their diligence and commitment. Working together with the people of Northern Ontario, we're well on our way to building a dynamic and prosperous Northern economy, one that is diversified and globally competitive.

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, 2016

POSITION	NAME	APPOINTMENT TERM	CITY
Chair	Gravelle, Michael	11-Feb-2013 - N/A	Thunder Bay
Member	Hacio, Sharon Lenore	20-Jun-2007 - 18-Jun-2016	Thunder Bay
Member	Beatty, James	07-Aug-2013 - 06-Aug-2016	Parry Sound
Member	Scott, Murray Alan	17-May-1999 - 21-Oct-2016	Sudbury
Member	Kakepetum, Geordi	17-Nov-2010 - 16-Nov-2016	Balmertown
Member	Simperl, John	03-Dec-2014 - 02-Dec-2016	Thunder Bay
Vice Chair	Sinclair, David E.	18-Dec-2002 - 17-Dec-2016	Kenora
Member	Brown, Marielle	24-Mar-2010 - 22-Mar-2017	Elliot Lake
Member	Norris, Robert George (Bob)	24-Mar-2010 - 22-Mar-2017	New Liskeard
Member	Hanson, Victoria	23-Apr-2008 - 22-Apr-2017	South Porcupine
Member	Lane-Rock, Carolyn	16-May-2007 - 15-May-2017	Gore Bay
Member	Richter, Ella-Jean	16-May-2007 - 15-May-2017	Sault Ste. Marie
Member	Caicco, James	17-May-2011 - 16-May-2017	Sault Ste Marie
Member	Fox, Michael	17-May-2011 - 16-May-2017	Thunder Bay
Member	Fontaine, Robert J.	13-Jun-2012 - 12-Jun-2017	Sudbury
Member	Perry, Jeffrey	10-Feb-2016 - 09-Feb-2018	Sudbury
2 ND Vice Chair	Irvine, Lorraine H.T.	07-Apr-2004 - 05-Apr-2018	Kirkland Lake
Member	Corbett, Jason	29-Aug-2012 - 28-Aug-2018	North Bay

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 Northern Ontario Heritage Fund Corporation (NOHFC) is an operational service agency established under the enabling legislation of the Northern Ontario Heritage Fund Act. The NOHFC has an appointed Board of Directors, chaired by the Minister of Northern Development and Mines. NOHFC's objectives are set out in the Northern Ontario Heritage Fund Act as follows:

- (a) to advise and make recommendations to the Lieutenant Governor in Council on any matter relating to the growth and diversification of the economy of Northern Ontario;
- (b) to promote and stimulate economic initiatives in Northern Ontario; and
- (c) to commission studies and enter into contracts in connection with the objects set out in clauses (a) and (b) above.

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) is 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.

The mandate of the Northern Ontario Heritage Fund Corporation (NOHFC) was refocused to support the Northern Growth Plan and the government's key priorities of prosperity for people and strong communities.

Vision

NOHFC will be a catalyst for key strategic investments to stimulate economic development and diversification in Northern Ontario.

Mission

To partner with communities, businesses, entrepreneurs and youth across Northern Ontario to create jobs and strengthen the economy.

Guiding Principles

Alignment with Key Initiatives – The Northern Growth Plan will provide a coordinated, long-term, and comprehensive approach to support Northern Ontario as a globally competitive region. NOHFC priorities will support the key elements of the Northern Growth Plan.

Recognition of Northern Ontario's Unique Circumstances – The programs and initiatives of NOHFC will continue to be an important means of recognizing the unique requirements of Northern Ontario in support of a strong Ontario. The NOHFC will continue to build and enhance its current programs and services with this in mind.

Adaptability – The strategic planning process is an ongoing process that will provide the NOHFC with a management tool for adapting to change in the future.

Reflective, Flexible, and Forward-Thinking – It is the intent that the NOHFC Board of Directors will review the strategic plan, at minimum, on an annual basis.

Inclusiveness – NOHFC will continue to develop and deliver its programs and initiatives in a manner that recognizes the needs of the North's diverse communities including, but not limited to, First Nations, Métis, Inuit, and the North's other demographic groups.

Strategic Priorities

Innovation, Research and Development, and Commercialization – Focus on innovation, and research and development initiatives that lead to the potential commercialization of ideas, products, and services in emerging and strategic sectors in Northern Ontario that are forward thinking, sustainable and build a foundation for an entrepreneurial economy.

Creativity, Productivity and Entrepreneurial Development – Support an environment that promotes creativity, productivity and entrepreneurial development.

Partnerships and Collaboration – Maximize opportunities to leverage NOHFC funding through partnerships and collaboration to ensure the success of projects and sustainable economic outcomes.

Organization Development and Renewal – Engage in continuous improvement and human resource development to improve the efficiency, effectiveness, access and delivery of NOHFC programs as well as improve performance measurement.

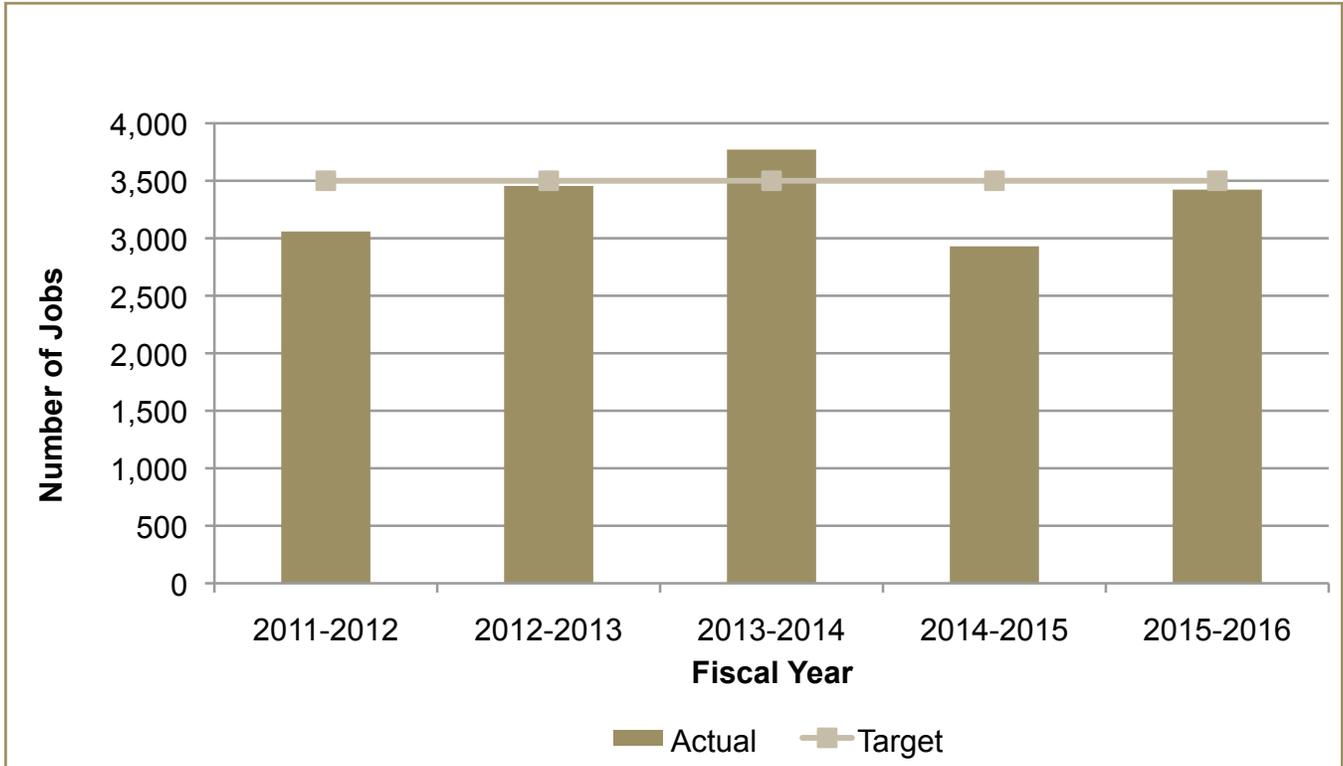
Awareness and Recognition – Develop effective marketing, communication, and outreach tools that increase awareness and recognition of NOHFC and its programs.

Current NOHFC Programs and Themes:

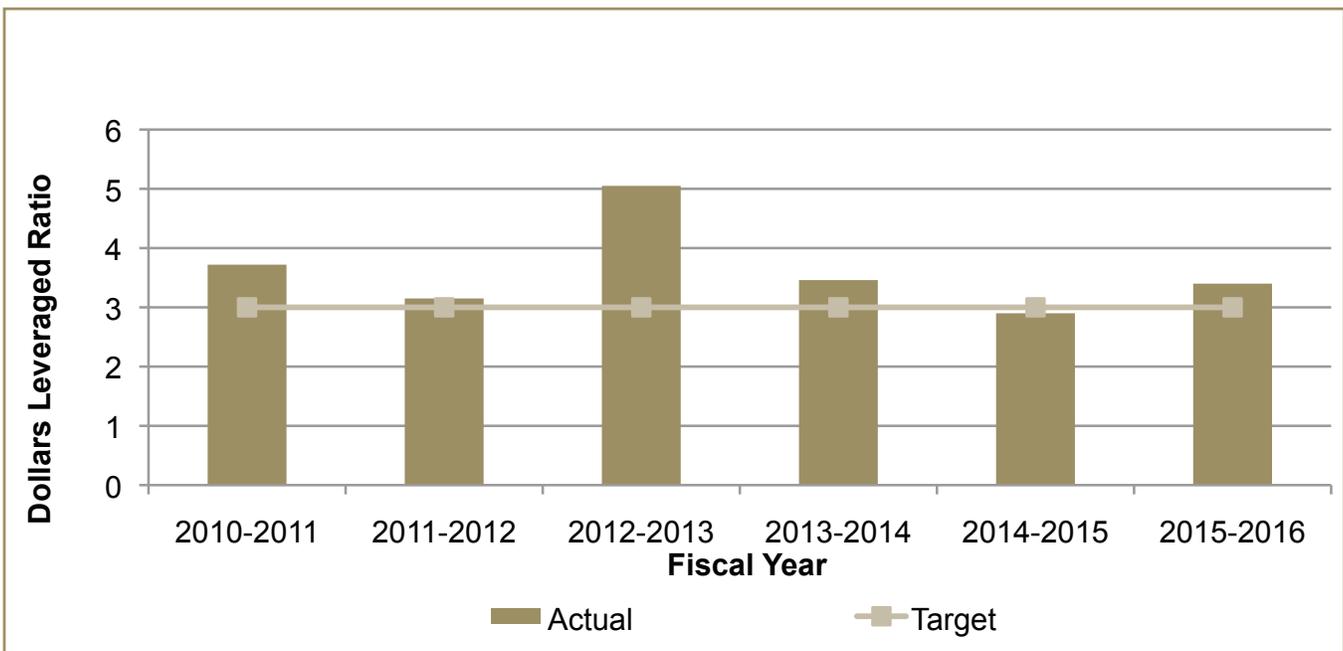
- **Strategic economic development initiatives that support the growth and sustainability of communities, businesses and industry** – Northern Business Opportunity Program
- **Innovation and productivity to support research and development, commercialization, innovation and productivity initiatives** – Innovation Program
- **Community strategic economic infrastructure** – Strategic Infrastructure Program
- **Economic development capacity enhancement** – Northern Community Capacity-Building Program
- **Attraction and retention of talent** – Northern Ontario Internship Program

NOHFC Performance Measures – Targets and Results

Total Jobs Created



Total Dollars Leveraged



Schedule of Revenue, Expenses and Net Investment by The Province of Ontario for the Three Years Ended March 31, 2016

	Year Ended March 31, 2016 (000's) Budget	Year Ended March 31, 2016 (000's) Audited	Year Ended March 31, 2015 (000's) Audited	Year Ended March 31, 2014 (000's) Audited
Revenue				
Province of Ontario grant	\$100,000	\$100,000	\$100,000	\$100,000
Interest on cash and cash equivalents	2,522	2,163	2,770	2,502
Interest on loans receivable (Note 1)	2,175	2,233	1,644	2,873
Other (Note 2)	-	1,152	759	561
Total Revenue	104,697	105,548	105,173	105,936
Expenses				
Conditional Contributions (Note 3)	80,549	74,705	77,250	69,751
Credit losses (Note 4)	9,280	5,976	25,904	11,627
Administration:				
Salaries, wages and benefits (Note 5)	1,994	1,674	1,685	1,688
Transportation and communication	331	254	237	371
Services (Note 6)	2,714	2,053	1,393	1,645
Management fees (Note 7)	4,382	3,019	3,293	2,303
Marketing	-	6	8	120
Supplies and equipment	70	42	34	60
Amortization of tangible capital assets	4	3	4	4
Total Expenses	99,324	87,732	109,808	87,569
Excess (deficiency) of revenue over expenses	5,373	17,816	(4,635)	18,367
Net investment by the Province of Ontario, beginning of year		295,583	300,218	281,851
Net investment by the Province of Ontario, end of year		\$313,399	\$295,583	\$300,218

Analysis of Variances

Note 1 – Interest on loans receivable was higher than expected as the number of loan repayments increased resulting in reduced credit losses.

Note 2 – Other revenue represents prior year provision recoveries and prior year adjustments to conditional contributions. NOHFC received settlement payments on some loans that were fully provided for in the previous fiscal year, resulting in an increase in prior year recoveries.

Note 3 – Conditional contributions decreased by more than \$2.5M when compared to the previous fiscal year and were below the budget by nearly \$6M. This is attributed to the funding commitments not being expensed as quickly as projected.

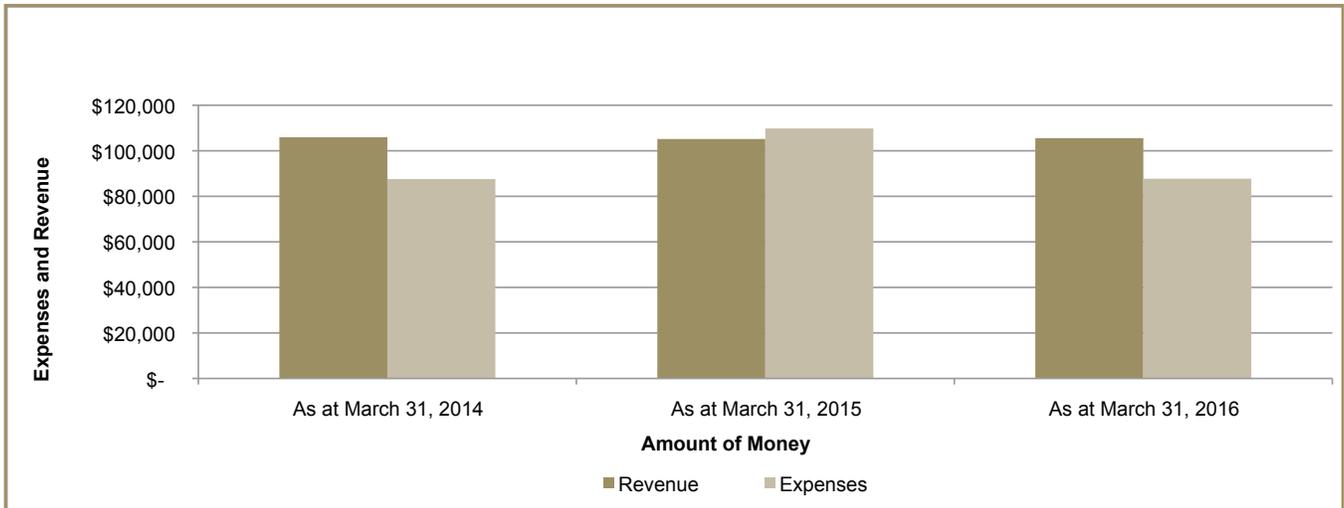
Note 4 – Credit losses decreased by nearly \$20M and were below the budget by more than \$3M as a result of a new credit policy and change in approach to managing the loan portfolio in the previous fiscal year.

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

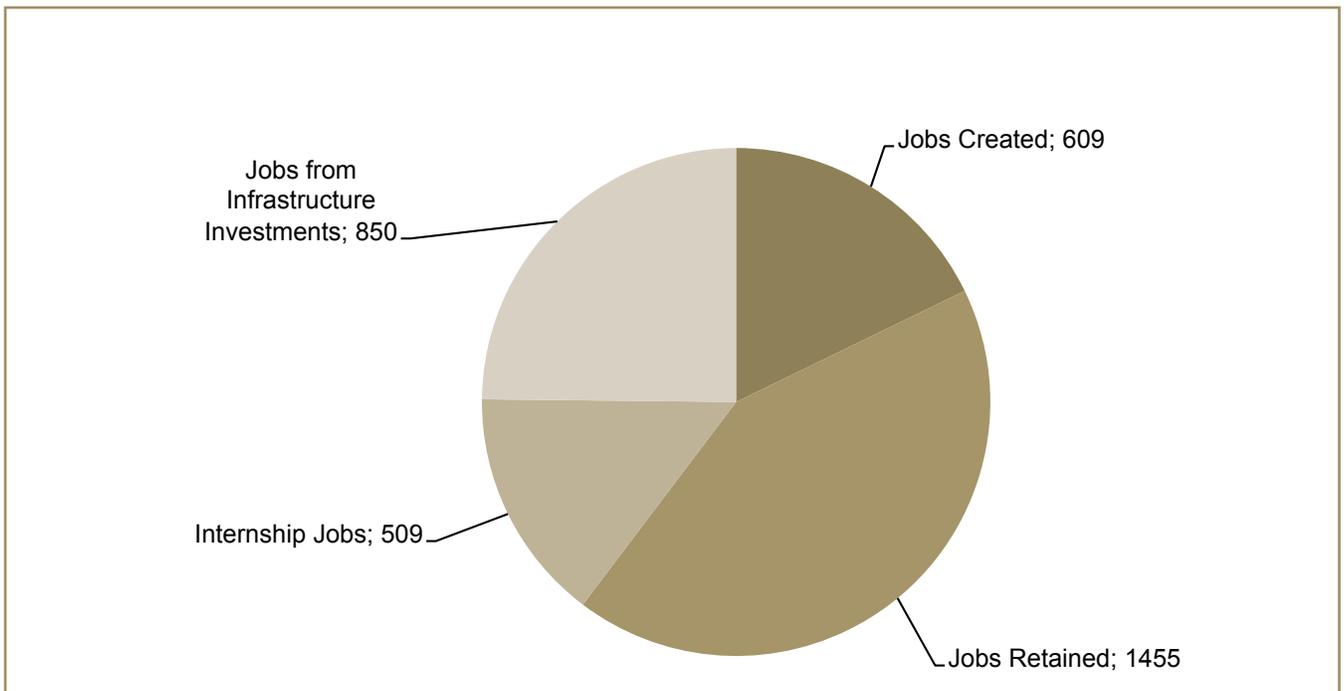
Note 6 – Services were under budget as a result of delays in the Growth Plan Transportation study and lower than expected IT related expenses.

Note 7 – Management fees were lower than the budget due to lower than expected service provider fees.

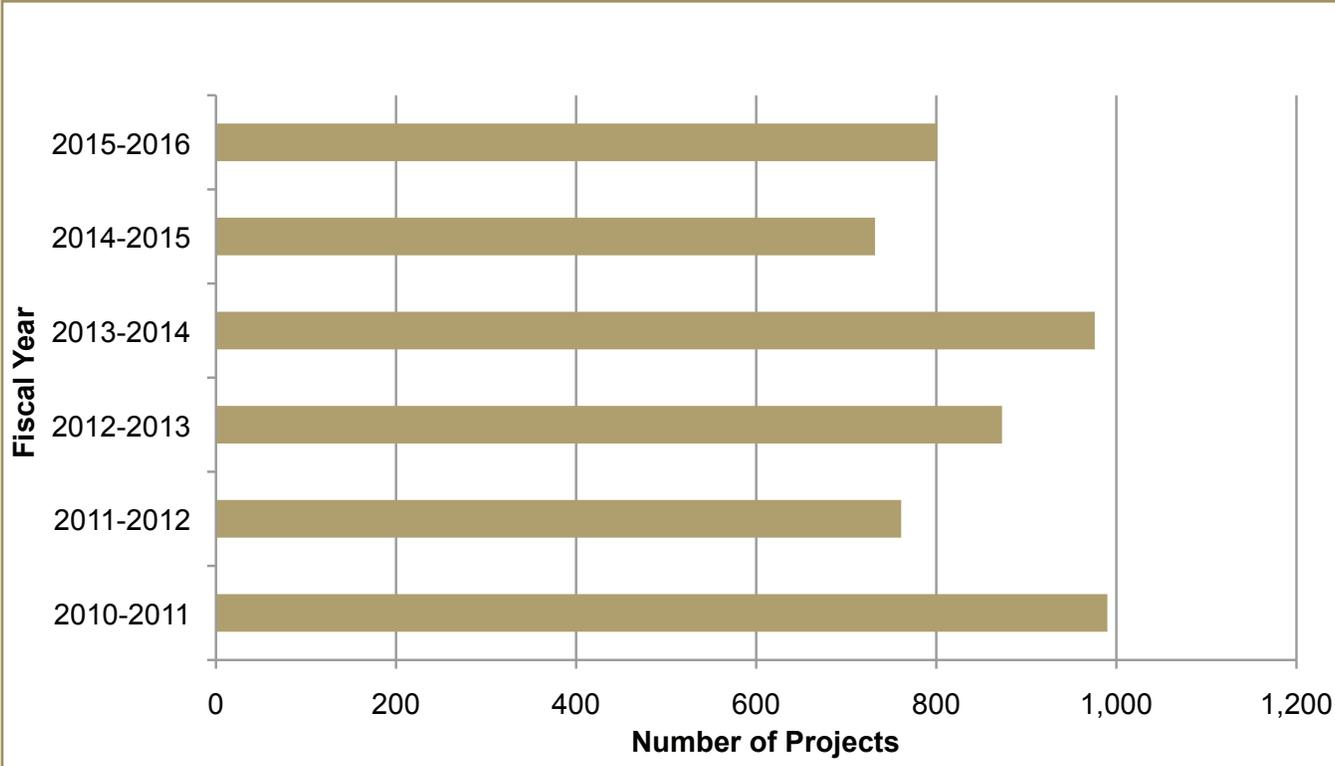
3 Year Comparison of Revenue and Expenses



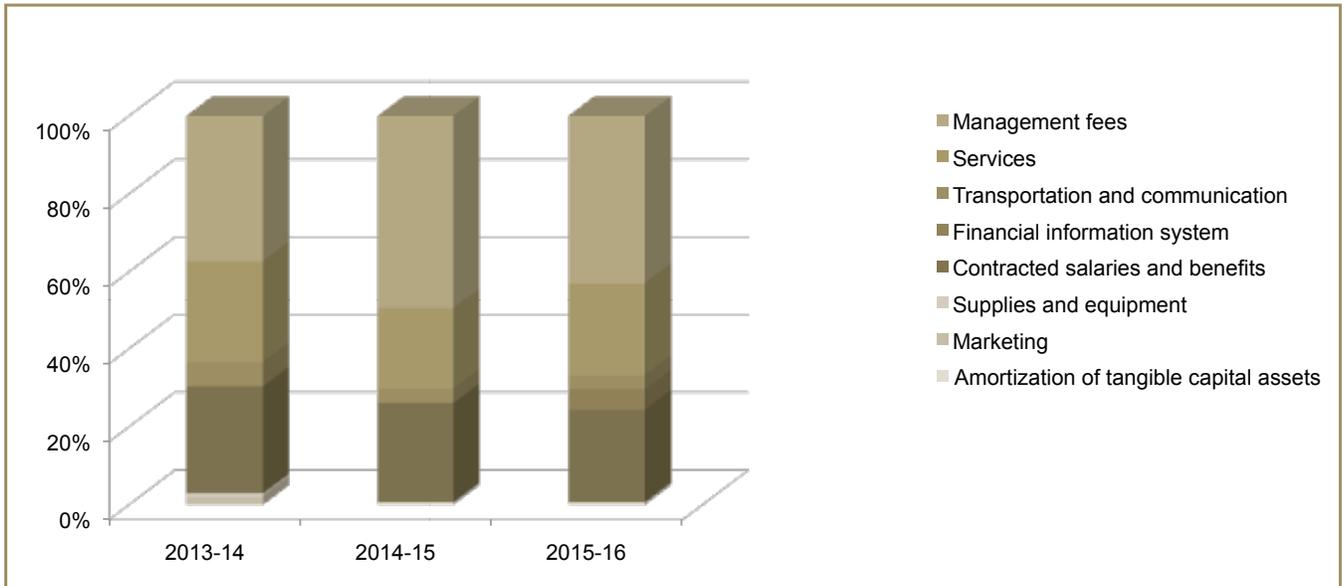
Total Jobs Created/Retained April 1, 2015 - March 31, 2016



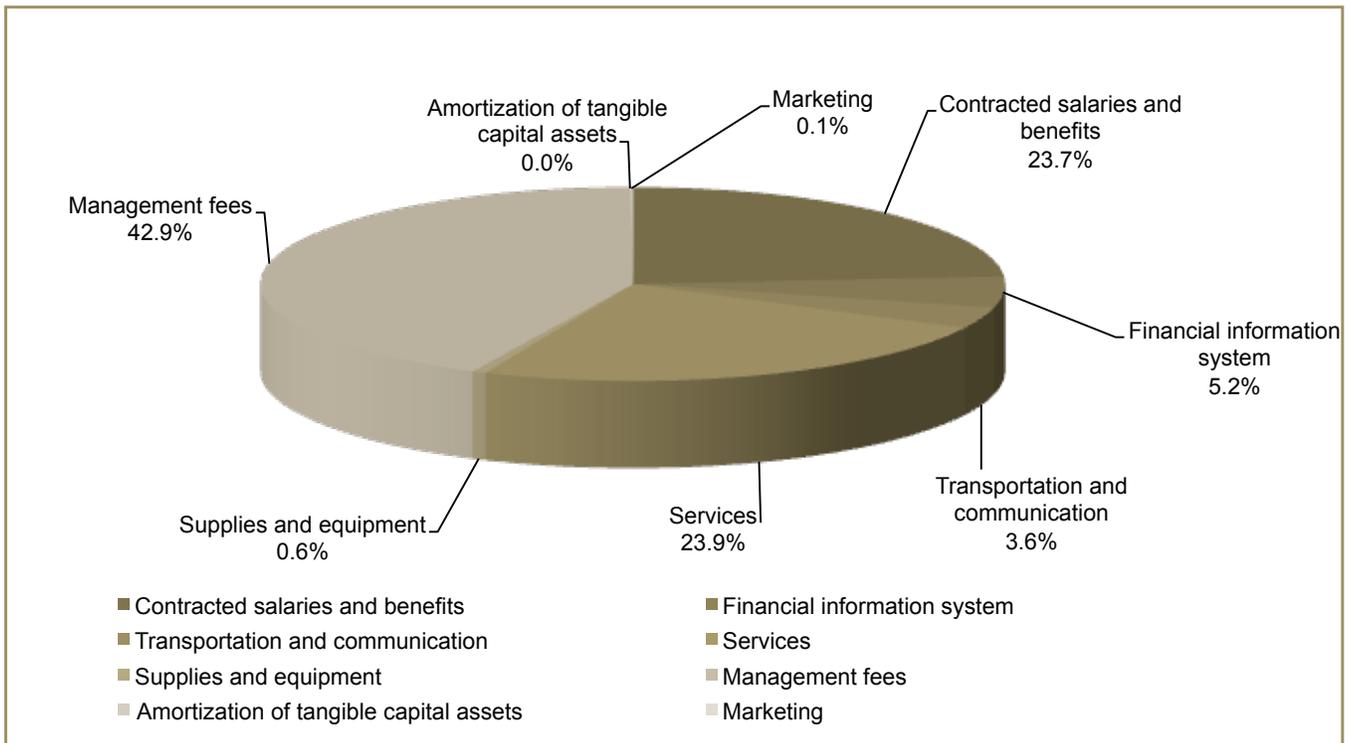
6 Year Comparison of Projects Approved



3 Year Comparison of Administrative Costs



Summary of Administrative Expenses For the Year Ended March 31, 2016



Financial Statements of

**NORTHERN ONTARIO HERITAGE
FUND CORPORATION**

Year ended March 31, 2016

Northern Ontario Heritage Fund Corporation
Year ended March 31, 2016

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 2, 2016.

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



Melanie Muncaster
Assistant Director
NOHFC



Susan Richichi, CPA, CA
Manager Financial Services
NOHFC



Jocelyn Ouellet, CPA, CMA
Senior Financial Consultant
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, 2016 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, 2016, 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 2, 2016

Susan Klein, CPA, CA, LPA
Assistant Auditor General

Box 105, 15th Floor
20 Dundas Street West
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-327-9862
tty 416-327-6123

B.P. 105, 15^e étage
20, rue Dundas ouest
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-327-9862
ats 416-327-6123

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Statement of Financial Position

March 31, 2016, with comparative information for 2015

(\$000s)	2016	2015
Financial Assets		
Current assets:		
Cash and cash equivalents (note 3)	\$ 283,223	\$ 263,932
Accrued interest	448	1,268
Loans receivable (note 4)	43,278	45,547
	<u>326,949</u>	<u>310,747</u>
Financial Liabilities		
Accounts payable and accrued liabilities (note 5)	13,559	15,176
Net financial assets	<u>313,390</u>	<u>295,571</u>
Non-Financial Assets		
Tangible capital assets (note 6)	9	12
Commitments (note 9)		
Net investment by the Province of Ontario	<u>\$ 313,399</u>	<u>\$ 295,583</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, 2016, with comparative information for 2015

(\$000s)	Budget 2016	2016	2015
Revenue:			
Province of Ontario grant	\$ 100,000	\$ 100,000	\$ 100,000
Interest on cash and cash equivalents	2,522	2,163	2,770
Interest on loans receivable	2,175	2,233	1,644
Recoveries	-	1,152	759
	104,697	105,548	105,173
Expenses:			
Conditional contributions	80,549	74,705	77,250
Credit losses (note 7)	9,280	5,976	25,904
Administration (note 8)	9,495	7,051	6,654
	99,324	87,732	109,808
Excess (deficiency) of revenue over expenses	\$ 5,373	17,816	(4,635)
Net investment by the Province of Ontario, beginning of year		295,583	300,218
Net investment by the Province of Ontario, end of year		\$ 313,399	\$295,583

See accompanying notes to financial statements.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Statement of Changes in Net Financial Assets

Year ended March 31, 2016, with comparative information for 2015

(\$000s)	2016	2015
Excess (deficiency) of revenue over expenses	\$ 17,816	\$ (4,635)
Amortization of capital assets	3	4
Increase (decrease) in net financial assets	17,819	(4,631)
Net financial assets beginning of year	295,571	300,202
Net financial assets, end of year	\$ 313,390	\$ 295,571

See accompanying notes to financial statements.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Statement of Cash Flows

Year ended March 31, 2016 with comparative information for 2015

(\$000s)	2016	2015
Lending, investing and financial assistance activities:		
Loan disbursements	\$ (15,923)	\$ (17,978)
Loan repayments and recoveries	13,028	10,473
Conditional contributions	(76,612)	(65,196)
Interest received on loans receivable	2,285	2,121
Other revenue	393	12
	(76,829)	(70,568)
Financing activities:		
Cash contributions from the Province for lending and financial assistance activities	100,000	100,000
Operating activities:		
Amortization	(3)	(4)
Interest received on cash and cash equivalents	2,882	2,465
Administration costs	(6,759)	(5,887)
	(3,880)	(3,426)
Net increase in cash and cash equivalents	19,291	26,006
Cash and cash equivalents, beginning of year	263,932	237,926
Cash and cash equivalents, end of year	\$ 283,223	\$ 263,932

See accompanying notes to financial statements.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements

Year ended March 31, 2016

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, 2016

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 its estimated useful life 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 and 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, 2016

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)	2016	2015
Cash	\$ 83,255	\$ 66,132
Short-term investments	199,969	197,800
	<u>\$ 283,224</u>	<u>\$ 263,932</u>

Short-term investments consist of Treasury Bills (maturing within 365 days) which yielded 0.63% on average (2015 – 0.99%). All Treasury Bills are redeemable on demand.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements

Year ended March 31, 2016

4. Loans receivable:

(\$000s)	2016	2015
Current	\$ 7,185	\$ 6,824
Long-term	63,405	79,819
Loans in arrears and default	7,829	15,900
Provision for credit losses	(34,846)	(56,650)
Loan discount	(295)	(346)
	<u>\$ 43,278</u>	<u>\$ 45,547</u>

Generally, loans bear fixed interest rates ranging from 0% to 8.25% and are fully repayable within 20 years from the date disbursed.

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

(\$000s)	2016	2015
Balance, beginning of year	\$ 56,650	\$ 43,002
Loans written off in the year	(27,099)	(11,621)
Change in loan provision	5,295	25,269
Balance, end of year	<u>\$ 34,846</u>	<u>\$ 56,650</u>

The change in the loan discount balances are as follows:

(\$000s)	2016	2015
Balance, beginning of year	\$ 346	\$ 448
Amount of loan discount written down	(2)	(52)
Amount amortized to interest on loans receivable	(49)	(50)
Balance, end of year	<u>\$ 295</u>	<u>\$ 346</u>

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements

Year ended March 31, 2016

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)	2016	2015
Cost		
Opening	\$ 26	\$ 26
Additions	–	–
Closing	26	26
Accumulated amortization:		
Opening	14	10
Amortization	3	4
Closing	17	14
Net book value, end of year	\$ 9	\$ 12

7. Credit losses:

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

(\$000s)	2016	2015
Loans written off in the year	\$ 27,099	\$ 11,621
Less: amounts provided for in previous years	(27,077)	(11,119)
Closing	22	502
Changes in provision on active loans	5,956	25,432
Change in credit loss provision	5,978	25,934
Discount adjustment	(2)	(30)
Credit losses	\$ 5,976	\$ 25,904

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements

Year ended March 31, 2016

8. Administration expenses:

Details of administration expenses in the year are as follows:

(\$000s)	Budget		
	2016	2016	2015
Salaries, wages and benefits	\$ 1,994	\$ 1,674	\$ 1,685
Transportation and communications	331	254	237
Services	2,714	1,688	1,381
Management fees	4,382	3,019	3,293
Marketing	-	6	8
Supplies and equipment	70	42	34
Financial information system	-	365	12
Amortization on tangible capital assets	4	3	4
	\$ 9,495	\$ 7,051	\$ 6,654

The Province 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 Province and are not included in these financial statements.

9. Commitments:

Funds committed but not disbursed as at March 31, 2016 are \$217,197,435 (2015 – \$185,735,628).

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, 2016

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.