

**NORTHERN ONTARIO HERITAGE FUND CORPORATION**  
**ANNUAL REPORT**  
**2016-2017**

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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, 2017.

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 pleased to report that 2016-2017 was very successful for the people of Northern Ontario and the Northern Ontario Heritage Fund Corporation.

As an agency of the Ministry of Northern Development and Mines, the NOHFC partners with Northerners to unleash the North's economic potential and opportunity.

NOHFC funding opens the door for competitive new businesses and aspiring entrepreneurs; for innovators whose projects initiate and sustain employment for Northerners and for creative thinkers whose industry innovations and new technologies put Northern Ontario on the global stage.

Through the NOHFC internship program, college and university graduates are gaining real-world work experience and building their skills for future job opportunities.

The NOHFC continues to invest in essential infrastructure and modern communication technology, including broadband internet access that is building community capacity and enhancing quality of life for Northerners. In the process, new business markets and thousands of jobs have been created across Northern Ontario.

I am very proud of the efforts of the NOHFC's talented team, dedicated to strengthening the North's position as an attractive investment destination and global hub for innovation. There is a continuing legacy of progressive change.

Working together with the people of Northern Ontario, the NOHFC is helping to build a dynamic, prosperous economy for the benefit of all Ontarians and for future generations.

A handwritten signature in black ink, appearing to read "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, 2017

POSITION	NAME	APPOINTMENT TERM	CITY
Chair	Gravelle, Michael	11-Feb-2013 - N/A	Thunder Bay
Member	Knauff, Genevieve	02-Feb-2017 - 01-Feb-2020	Thunder Bay
Member	Beatty, James	07-Aug-2013 - 05-Aug-2019	Parry Sound
Member	Scott, Murray	17-May-1999 - 18-Jan-2018	Sudbury
Member	Kakepetum, Geordi	17-Nov-2010 - 18-Jan-2018	Balmertown
Member	Simperl, John	03-Dec-2014 - 02-Dec-2019	Thunder Bay
Vice Chair	Sinclair, David	18-Dec-2002 - 17-Dec-2018	Kenora
Member	Brown, Marielle	24-Mar-2010 - 22-Mar-2020	Elliot Lake
Member	Norris, Robert	24-Mar-2010 - 22-Mar-2020	New Liskeard
Member	Hanson, Victoria	23-Apr-2008 - 22-Apr-2018	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	13-Jun-2012 - 12-Jun-2017	Sudbury
Member	Perry, Jeffrey	10-Feb-2016 - 09-Feb-2018	Sudbury
2 <sup>nd</sup> Vice Chair	Irvine, Lorraine	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 (GPNO) is the Ontario Government's plan for building up the North. The GPNO is driving a globally-competitive economy, supporting people and communities, renewing and expanding modern infrastructure and supporting a healthy environment.

The mandate of the NOHFC was refocused to support the GPNO 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, not-for-profits, businesses, and entrepreneurs across Northern Ontario to create jobs and strengthen the economy.

### **Guiding Principles**

**Alignment with Key Initiatives** – The GPNO provides 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 GPNO.

**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** – The 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, indigenous communities and individuals and the North's other demographic groups.

### **Strategic Priorities**

**Innovation, Research and Development, and Commercialization** – Support applied research and development projects and initiatives that lead to innovative products and services with commercialization potential.

- Support and encourage partnerships among educational institutions, research organizations, and industry to develop and grow innovative products and industries in northern Ontario.
- Support the commercialization of ideas and innovation in partnership with northern stakeholders.

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

- Support collaboration with educational institutions and industry to promote productivity and entrepreneurial development.
- Assist northern stakeholders to attract and retain a highly skilled and creative workforce.
- Provide assistance to entrepreneurs at various stages of growth.

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

- Engage leaders in economic development discussions to increase awareness, knowledge and access to NOHFC programs.
- Support projects that demonstrate collaboration and partnership amongst public and private sector organizations in northern Ontario.
- Work collaboratively with other funding partners to assist in the development and funding of projects that result in job creation and support a growing and sustainable northern Ontario economy.

**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.

- Continue development of information-technology capabilities and enhance existing systems to improve access to NOHFC programs.
- Implement regular, ongoing dialogue between the NOHFC Board and staff to plan and engage in strategic thinking in the new and emerging opportunities and key government initiatives.
- Develop business approaches and best practices that allow staff and program delivery partners to proactively communicate and work with stakeholders to promote and facilitate access to NOHFC programs.
- Provide the tools and training to enable staff and board to fulfill their roles and responsibilities effectively in an increasingly-demanding environment.

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

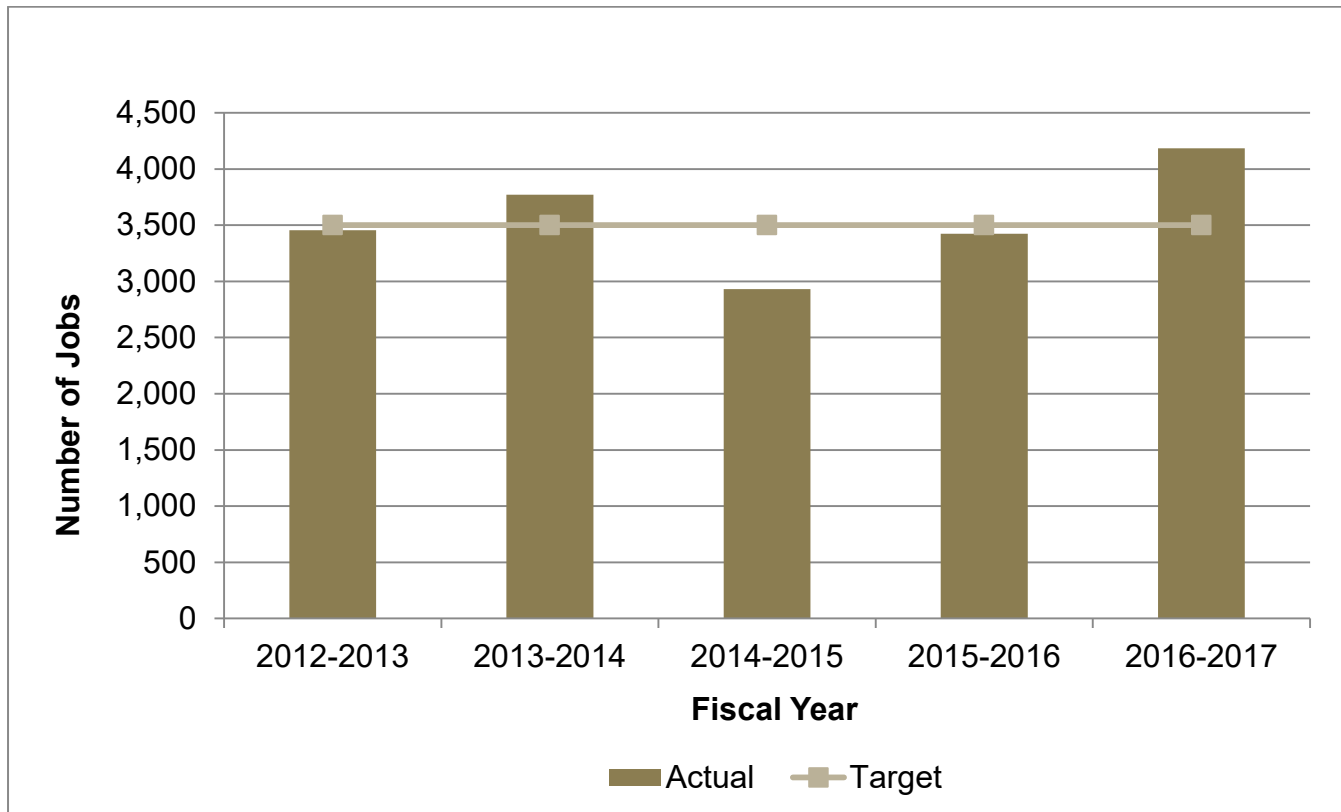
- Develop effective marketing and communications tools that increase awareness and recognition of NOHFC and its programs.
- Develop effective marketing and communications tools to educate targeted clients to improve access to NOHFC programs.

**Current NOHFC Programs and Themes:**

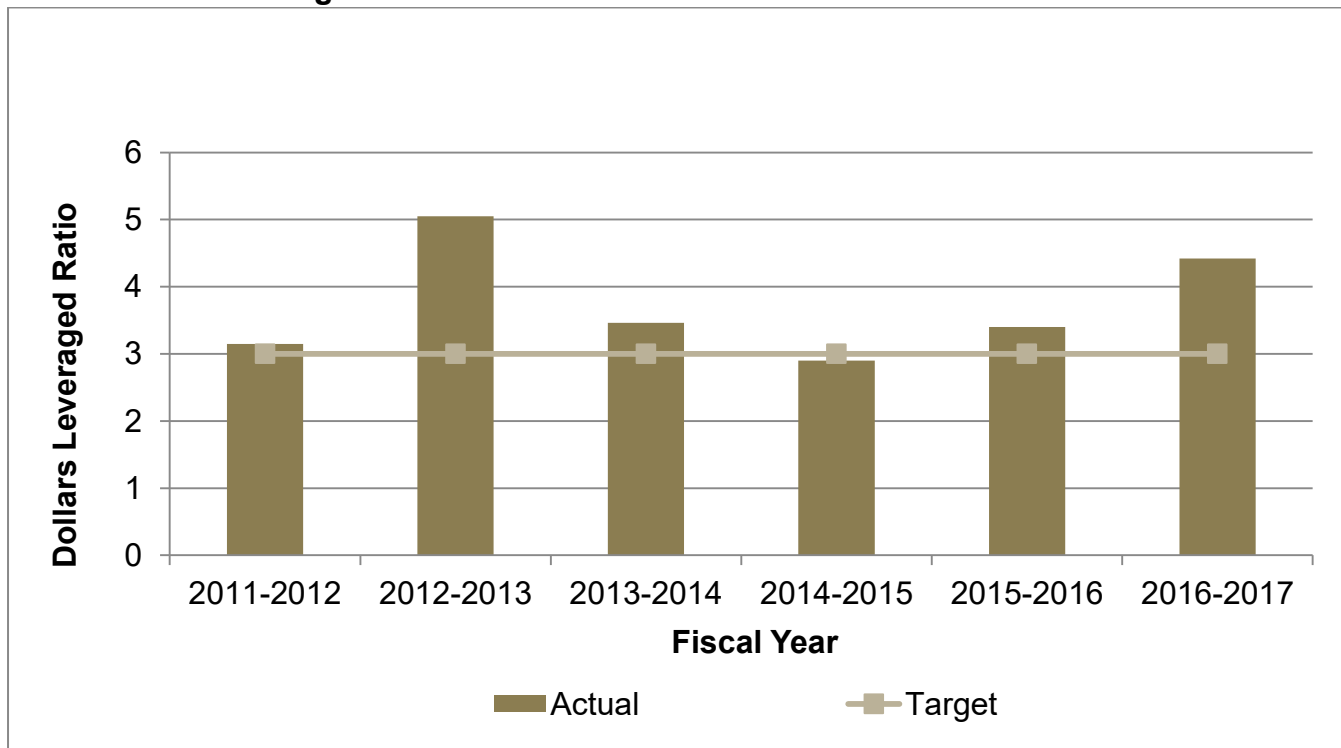
- **Strategic economic development initiatives that support the growth and sustainability of communities, businesses and industry** – Northern Business Opportunity Program
- **Innovation and productivity to support research and development, commercialization, innovation and productivity initiatives** – 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, 2017

	Year Ended March 31, 2017 (000's) Budget	Year Ended March 31, 2017 (000's) Audited	Year Ended March 31, 2016 (000's) Audited	Year Ended March 31, 2015 (000's) Audited
<b>Revenue</b>				
Province of Ontario grant	\$100,000	\$100,000	\$100,000	\$100,000
Interest on cash and cash equivalents (Note 1)	2,355	1,933	2,163	2,770
Interest on loans receivable (Note 2)	2,068	2,158	2,233	1,644
Other (Note 3)	-	1,167	1,152	759
<b>Total Revenue</b>	<b>104,423</b>	<b>105,258</b>	<b>105,548</b>	<b>105,173</b>
<b>Expenses</b>				
Conditional Contributions (Note 4)	81,081	74,834	74,705	77,250
Credit losses (Note 5)	8,823	2,981	5,976	25,904
Administration:				
Salaries, wages and benefits (Note 6)	2,096	1,952	1,674	1,685
Transportation and communication	339	386	254	237
Services (Note 7)	3,153	2,214	2,053	1,393
Management fees (Note 8)	4,040	3,047	3,019	3,293
Marketing	-	122	6	8
Supplies and equipment	67	29	42	34
Amortization of tangible capital assets	4	4	3	4
<b>Total Expenses</b>	<b>99,603</b>	<b>85,569</b>	<b>87,732</b>	<b>109,808</b>
Excess (deficiency) of revenue over expenses	4,820	19,689	17,816	(4,635)
Net investment by the Province of Ontario, beginning of year		313,399	295,583	300,218
Net investment by the Province of Ontario, end of year		<b>\$333,088</b>	<b>\$313,399</b>	<b>\$295,583</b>

## **Analysis of Variances**

Note 1 – Interest on cash and cash equivalents was lower than expected, as the actual interest earned was 0.70% compared to a budget of 0.85%.

Note 2 – Interest earned on loan receivables was higher than expected, as the number of loan repayments increased, resulting in reduced credit losses.

Note 3 – 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 4 – Conditional contributions were relatively equal to what was expensed in the previous fiscal year but are lower than what was budgeted for. Projects continue to be approved at high levels but do not cash flow the funding as originally projected.

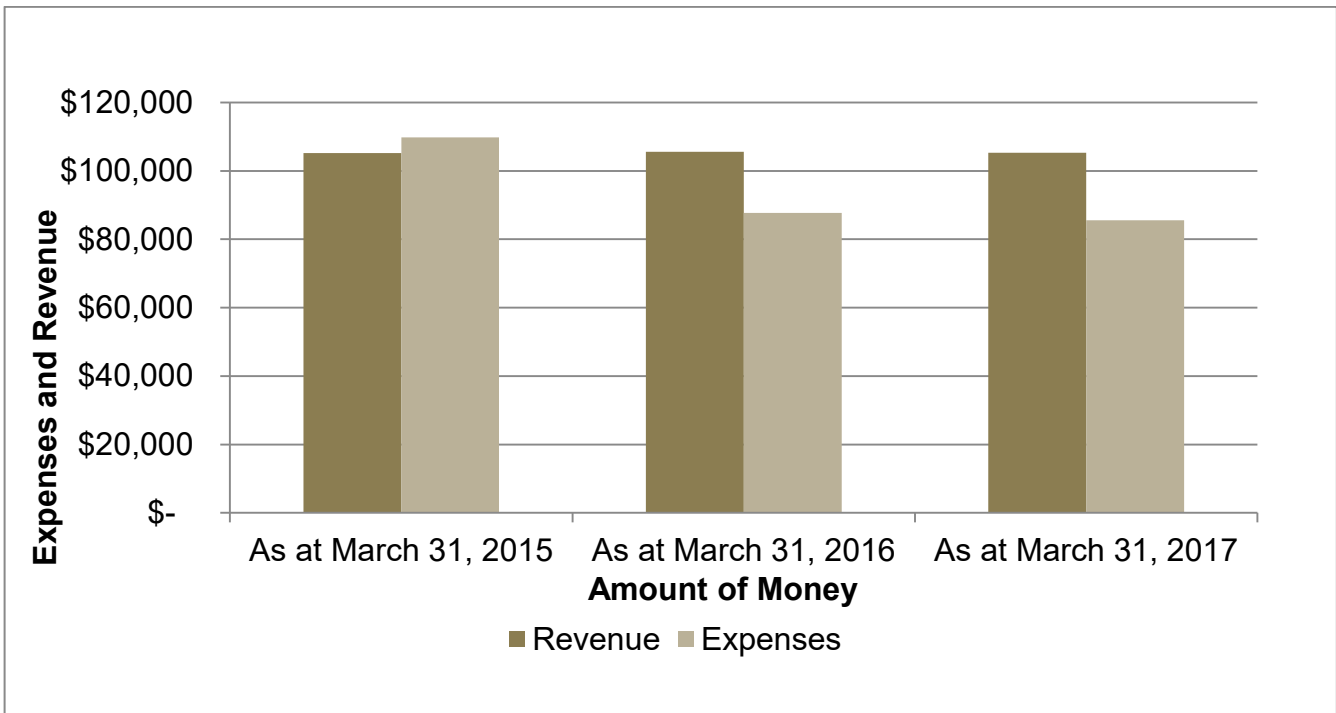
Note 5 – Credit losses decreased year-over-year by nearly \$2M and were below the budget amount by nearly \$6M. NOHFC continues to manage its loan portfolio as per the policies it has in place. The portfolio has seen a decrease in the number of riskier loans added resulting in a lower credit-loss expense for the year.

Note 6 – Salaries and benefits are higher when compared to the previous fiscal year as a result of new positions being added, but are lower than budgeted as a result of the added positions not commencing April 1<sup>st</sup>, as planned.

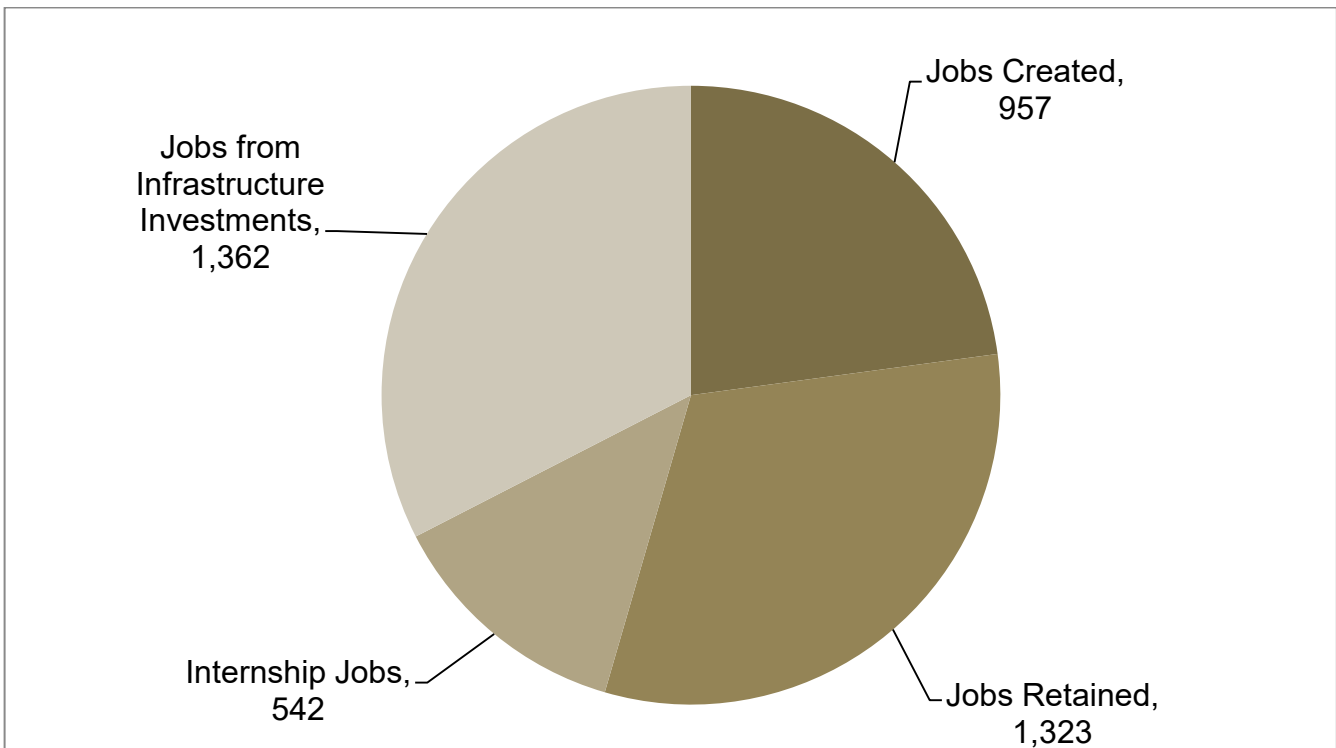
Note 7 – Services were under budget as a result of lower-than-expected IT costs and delays in some service contracts.

Note 8 – Management fees were lower than the budget due to lower-than-expected service-provider fees.

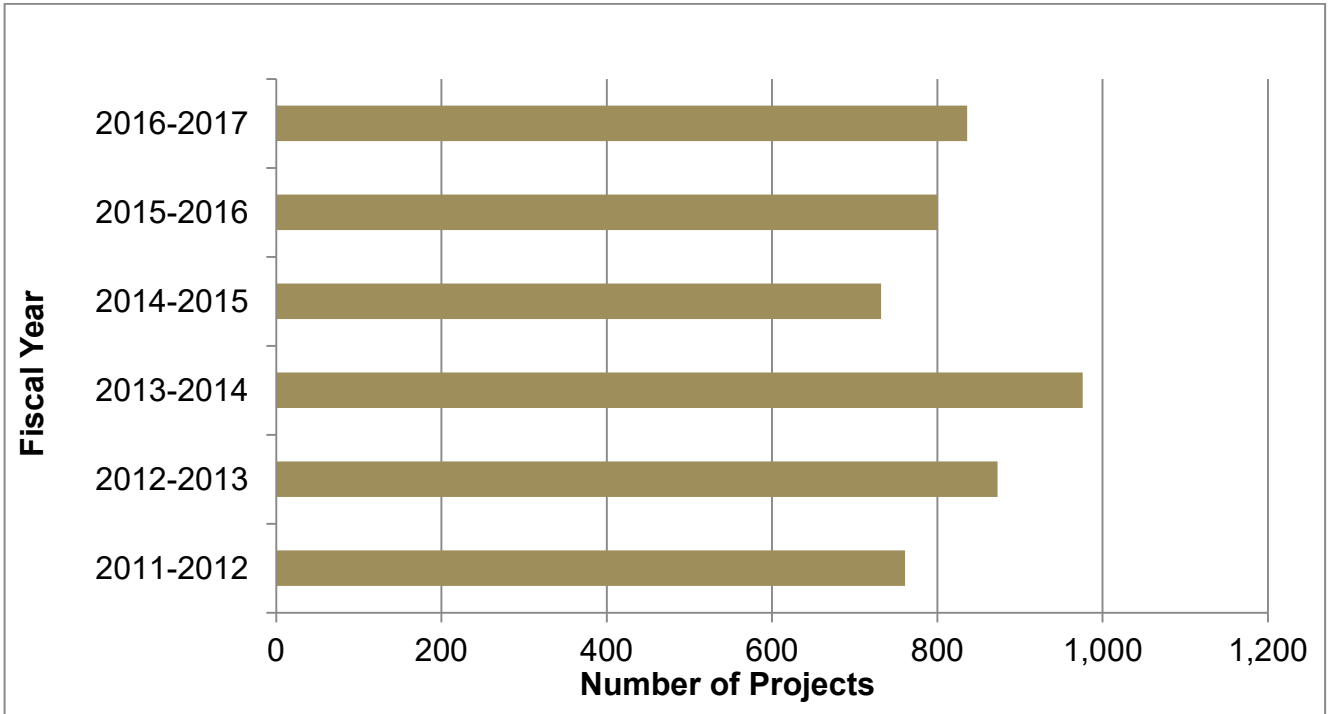
### 3-Year Comparison of Revenue and Expenses



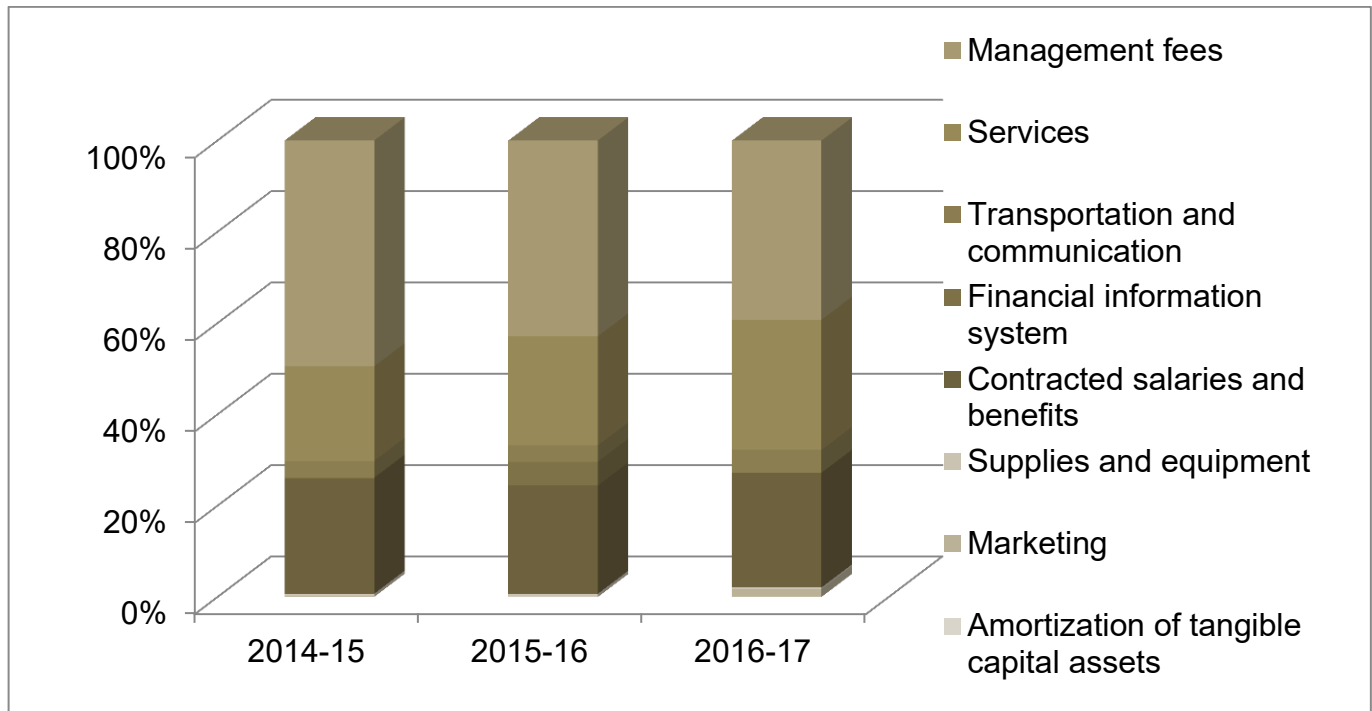
### Total Jobs Created/Retained April 1, 2016 – March 31, 2017



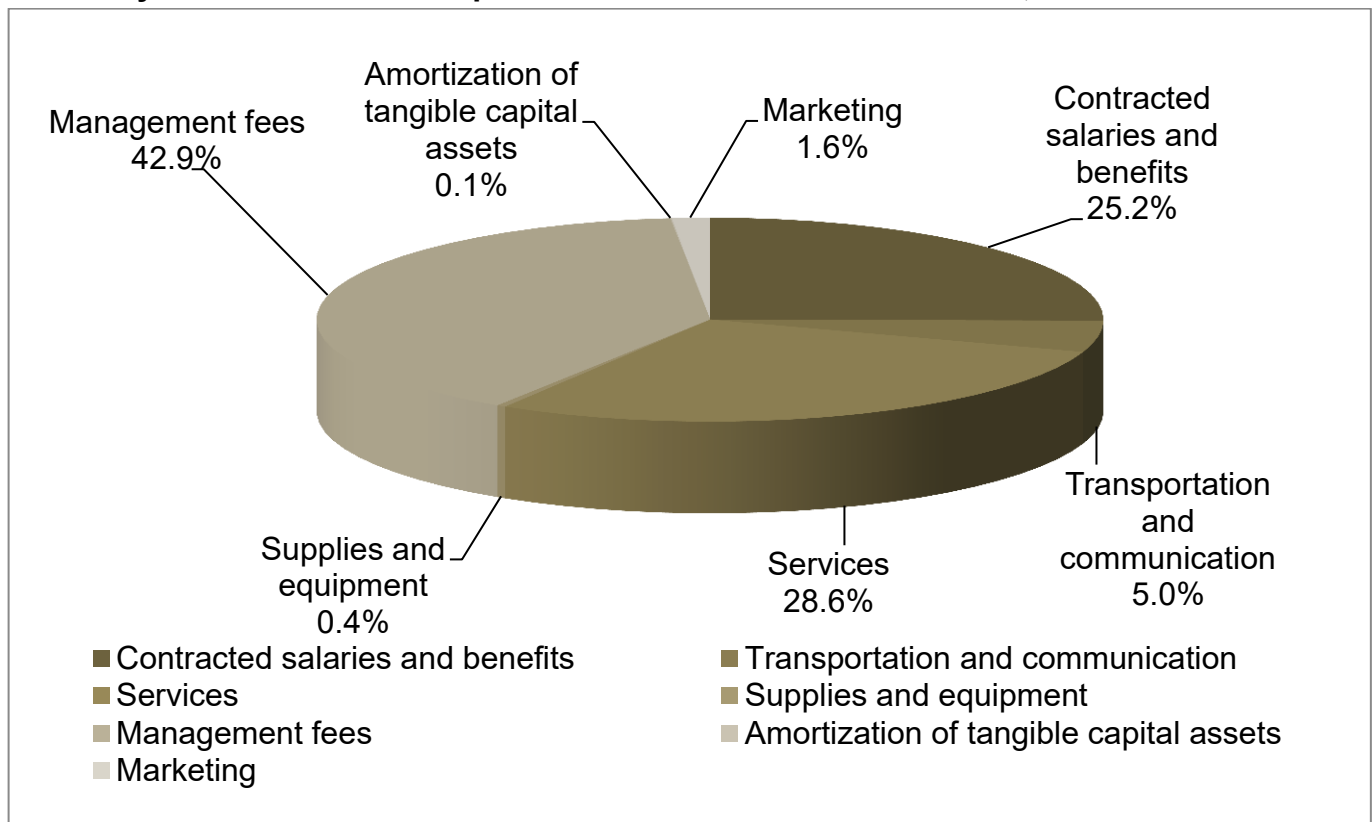
### 6-Year Comparison of Projects Approved



### 3-Year Comparison of Administrative Costs



### Summary of Administrative Expenses for the Year Ended March 31, 2017



Financial Statements of

**NORTHERN ONTARIO HERITAGE  
FUND CORPORATION**

Year ended March 31, 2017



Northern Ontario Heritage  
Fund Corporation

Société de gestion du Fonds  
du patrimoine du Nord  
de l'Ontario

Suite 200, Roberta Bondar Place, 70 Foster Drive, Sault Ste. Marie, Ontario P6A 6V8  
Tel: (705) 945-6700 or 1-800-461-8329, Fax: (705) 945-6701 [www.nohfc.com](http://www.nohfc.com)

Place Roberta Bondar, 70, promenade Foster, bureau 200, Sault Ste. Marie (Ontario) P6A 6V8  
Tél. 705 945-6700 ou 1 800 461-8329, Téléc. 705 945-6701 [www.nohfc.com](http://www.nohfc.com)

## **Northern Ontario Heritage Fund Corporation Year ended March 31, 2017**

### **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 8, 2017.

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.

A handwritten signature in black ink, appearing to read "D. Bruce Strapp".

D. Bruce Strapp  
*Executive Director*  
NOHFC

A handwritten signature in blue ink, appearing to read "Melanie Muncaster".

Melanie Muncaster  
*Assistant Director*  
NOHFC



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Susan Richichi, CPA, CA  
*Manager Financial Services*  
NOHFC



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Jocelyn Ouellet, CPA, CMA  
*Senior Corporate Controller*  
NOHFC



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Glen Vine  
*Manager Program Services*  
NOHFC





Office of the Auditor General of Ontario  
Bureau de la vérificatrice générale 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, 2017 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, 2017, 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.

Susan Klein, CPA, CA, LPA  
Assistant Auditor General

Toronto, Ontario  
June 8, 2017

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# NORTHERN ONTARIO HERITAGE FUND CORPORATION

## Statement of Financial Position

March 31, 2017, with comparative information for 2016

(\$000s)	2017	2016
<b>Financial Assets</b>		
Current assets:		
Cash and cash equivalents (note 3)	\$ 301,466	\$ 283,223
Accrued interest	488	448
Loans receivable (note 4)	41,591	43,278
	<u>343,545</u>	<u>326,949</u>
<b>Financial Liabilities</b>		
Accounts payable and accrued liabilities (note 5)	10,462	13,559
Net financial assets	<u>333,083</u>	<u>313,390</u>
<b>Non-Financial Assets</b>		
Tangible capital assets (note 6)	5	9
Commitments (note 9)		
Net investment by the Province of Ontario	<u>\$ 333,088</u>	<u>\$ 313,399</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, 2017, with comparative information for 2016

(\$000s)	Budget 2017	2017	2016
Revenue:			
Province of Ontario grant	\$ 100,000	\$ 100,000	\$ 100,000
Interest on cash and cash equivalents	2,355	1,933	2,163
Interest on loans receivable	2,068	2,158	2,233
Recoveries	–	1,167	1,152
	104,423	105,258	105,548
Expenses:			
Conditional contributions	81,081	74,834	74,705
Credit losses (note 7)	8,823	2,981	5,976
Administration (note 8)	9,699	7,754	7,051
	99,603	85,569	87,732
Excess of revenue over expenses	\$ 4,820	19,689	17,816
Net investment by the Province of Ontario, beginning of year		313,399	295,583
Net investment by the Province of Ontario, end of year		\$ 333,088	\$ 313,399

See accompanying notes to financial statements.

# NORTHERN ONTARIO HERITAGE FUND CORPORATION

## Statement of Changes in Net Financial Assets

Year ended March 31, 2017, with comparative information for 2016

(\$000s)	2017	2016
Excess of revenue over expenses	\$ 19,689	\$ 17,816
Amortization of capital assets	4	3
Increase in net financial assets	19,693	17,819
Net financial assets beginning of year	313,390	295,571
Net financial assets, end of year	\$ 333,083	\$ 313,390

See accompanying notes to financial statements.

# NORTHERN ONTARIO HERITAGE FUND CORPORATION

## Statement of Cash Flows

Year ended March 31, 2017 with comparative information for 2016

(\$000s)	2017	2016
Lending, investing and financial assistance activities:		
Loan disbursements	\$ (14,925)	\$ (15,923)
Loan repayments and recoveries	14,802	13,028
Conditional contributions	(77,197)	(76,612)
Interest received on loans receivable	2,175	2,285
Other revenue	7	393
	(75,138)	(76,829)
Financing activities:		
Cash contributions from the Province for lending and financial assistance activities	100,000	100,000
Operating activities:		
Amortization	(4)	(3)
Interest received on cash and cash equivalents	1,867	2,882
Administration costs	(8,482)	(6,759)
	(6,619)	(3,880)
Net increase in cash and cash equivalents	18,243	19,291
Cash and cash equivalents, beginning of year	283,223	263,932
Cash and cash equivalents, end of year	\$ 301,466	\$ 283,223

See accompanying notes to financial statements.

# NORTHERN ONTARIO HERITAGE FUND CORPORATION

## Notes to Financial Statements

Year ended March 31, 2017

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### **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 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 (PSAB) of the Chartered Professional Accountants of Canada.

#### **(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, 2017

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### 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:

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	Years
Automotive	7

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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 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, 2017

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### 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)	2017	2016
Cash	\$ 100,243	\$ 83,255
Short-term investments	201,223	199,969
	<u>\$ 301,466</u>	<u>\$ 283,224</u>

Short-term investments consist of Treasury Bills (maturing within 365 days) which yielded 0.67% on average (2016 – 0.63%). All Treasury Bills are redeemable on demand.



# NORTHERN ONTARIO HERITAGE FUND CORPORATION

## Notes to Financial Statements

Year ended March 31, 2017

### 4. Loans receivable:

(\$000s)	2017	2016
Current	\$ 7,118	\$ 7,185
Long-term	58,896	63,405
Loans in arrears and default	10,080	7,829
Provision for credit losses	(34,217)	(34,846)
Loan discount	(286)	(295)
	\$ 41,591	\$ 43,278

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)	2017	2016
Balance, beginning of year	\$ 34,846	\$ 56,650
Loans written off in the year	(2,478)	(27,099)
Change in loan provision	1,849	5,295
Balance, end of year	\$ 34,217	\$ 34,846

The change in the loan discount balances are as follows:

(\$000s)	2017	2016
Balance, beginning of year	\$ 295	\$ 346
Amount of loan discount written down	—	(2)
Amount amortized to interest on loans receivable	(9)	(49)
Balance, end of year	\$ 286	\$ 295

# NORTHERN ONTARIO HERITAGE FUND CORPORATION

## Notes to Financial Statements

Year ended March 31, 2017

### 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)	2017	2016
Cost		
Opening	\$ 26	\$ 26
Additions	–	–
Closing	26	26
Accumulated amortization:		
Opening	17	14
Amortization	4	3
Closing	21	17
Net book value, end of year	\$ 5	\$ 9

### 7. Credit losses:

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

(\$000s)	2017	2016
Loans written off in the year	\$ 2,478	\$ 27,099
Less: amounts provided for in previous years	(2,478)	(27,077)
Closing	–	22
Changes in provision on active loans	2,981	5,956
Change in credit loss provision	2,981	5,978
Discount adjustment	–	(2)
Credit losses	\$ 2,981	\$ 5,976

# NORTHERN ONTARIO HERITAGE FUND CORPORATION

## Notes to Financial Statements

Year ended March 31, 2017

### 8. Administration expenses:

Details of administration expenses in the year are as follows:

(\$000s)	Budget		
	2017	2017	2016
Salaries, wages and benefits	\$ 2,096	\$ 1,952	\$ 1,674
Transportation and communications	339	386	254
Services	3,153	2,214	1,688
Management fees	4,040	3,047	3,019
Marketing	–	122	6
Supplies and equipment	67	29	42
Financial information system	–	–	365
Amortization on tangible capital assets	4	4	3
	\$ 9,699	\$ 7,754	\$ 7,051

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, 2017 are \$252,664,593 (2016 – \$217,197,435).

### 10. Financial instruments:

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,

# NORTHERN ONTARIO HERITAGE FUND CORPORATION

## Notes to Financial Statements

Year ended March 31, 2017

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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.