

Financial Statements of

NORTHERN ONTARIO HERITAGE FUND CORPORATION

For the year ended March 31, 2026

Northern Ontario Heritage Fund Corporation

Year ended March 31, 2026

Management's Responsibility for Financial Information

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. Estimates and assumptions are based on historical experience, current conditions and various other assumptions believed to be reasonable in the circumstances.

Management is responsible for establishing and maintaining a system of internal controls designed to provide reasonable assurance that the financial records are relevant, reliable and accurate, and that assets are properly accounted for and safeguarded. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The Board of Directors oversees management's responsibilities for financial reporting through an Audit Committee, which is composed entirely of independent directors. This Committee reviews our financial statements and recommends them to the Board for approval. The Audit Committee is also responsible for reviewing our internal controls and advising the directors on auditing matters and financial reporting issues.

The Office of the Auditor General, appointed by our legislation, has audited the financial statements in accordance with Canadian generally accepted auditing standards, as stated in their Independent Auditor's Report. The Office of the Auditor General has full and unrestricted access to the Audit Committee to discuss their audit and related findings.



John Guerard, CPA, CA
Executive Director



Jocelyn Ouellet, CPA, CMA
Manager Financial Services

INDEPENDENT AUDITOR'S REPORT

To the Northern Ontario Heritage Fund Corporation

Opinion

I have audited the financial statements of the Northern Ontario Heritage Fund Corporation (NOHFC), which comprise the statement of financial position as at March 31, 2026, and the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the NOHFC as at March 31, 2026, 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.

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the NOHFC in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the NOHFC's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the NOHFC either intends to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the NOHFC's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 NOHFC's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the NOHFC's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the NOHFC to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



Jeremy Blair, CPA, CA, LPA
Assistant Auditor General

Toronto, Ontario
June 29, 2026

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Statement of Financial Position

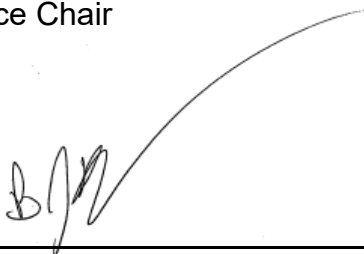
As at March 31, 2026

(Thousands of Canadian dollars)	2026	2025
Financial assets		
Cash	\$ 79,621	\$ 92,689
Interest receivable	68	63
Loans receivable (note 4)	16,768	17,799
Due from Province of Ontario (note 5)	192,500	182,500
Total financial assets	288,957	293,051
Liabilities		
Accounts payable and accrued liabilities (note 6)	4,319	6,781
Net financial assets	284,638	286,270
Accumulated Surplus	\$ 284,638	\$ 286,270

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



Vice Chair



Audit Committee Member

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Statement of Operations and Accumulated Surplus

For the year ended March 31, 2026

(Thousands of Canadian dollars)	Budget 2026	2026	2025
Revenues:			
Government Transfers (note 5)	\$ 110,000	\$ 110,000	\$ 100,000
Interest on cash	2,500	2,579	3,825
Interest on loans receivable	800	960	818
Loan recoveries (note 4)	-	369	2,389
Recoveries of prior year conditional contributions	-	2,334	114
Total revenues	113,300	116,242	107,146
Expenses:			
Conditional contributions (note 3)	106,347	109,995	108,207
Loan valuation allowance (note 4)	2,600	49	750
Administration (note 7)	9,835	7,830	8,121
Total expenses	118,782	117,874	117,078
Operating deficit	\$ (5,482)	\$ (1,632)	\$ (9,932)
Accumulated operating surplus, beginning of year		286,270	296,202
Accumulated operating surplus, end of year		\$ 284,638	\$ 286,270

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

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Statement of Changes in Net Financial Assets

For the year ended March 31, 2026

(Thousands of Canadian dollars)	Budget		
	2026	2026	2025
Net financial assets beginning of year	\$ 286,270	\$ 286,270	\$ 296,202
Operating deficit	(5,482)	(1,632)	(9,932)
Net financial assets, end of year	\$ 280,788	\$ 284,638	\$ 286,270

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

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Statement of Cash Flows

For the year ended March 31, 2026

(Thousands of Canadian dollars)	2026	2025
Cash flows from operating activities		
Cash received from:		
Government transfers (note 5)	\$ 100,000	\$ 125,000
Interest on loans receivable	948	801
Interest on cash	2,579	3,825
Loan recoveries	-	94
Recoveries of prior year conditional contributions	2,334	114
	105,861	129,834
Cash paid for:		
Conditional contributions	(111,757)	(107,317)
Administration costs	(8,530)	(8,129)
	(120,287)	(115,446)
Net cash flows (used in) from operating activities	(14,426)	14,388
Cash flows from investing activities		
Loan disbursements	(6,028)	(7,492)
Loan repayments	7,386	8,241
Net cash flows from investing activities	1,358	749
Net (decrease) increase in cash	(13,068)	15,137
Cash, beginning of year	92,689	77,552
Cash, end of year	\$ 79,621	\$ 92,689

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

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements

For the year ended March 31, 2026

(Thousands of Canadian dollars)

1. Nature of the organization:

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 promote infrastructure improvements and economic development opportunities in Northern Ontario by providing financial assistance by way of conditional contributions 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 or retain jobs and strengthen the Northern Economy through the delivery of targeted programs.

During fiscal 2025-26, the Corporation delivered four programs focused on creating or retaining jobs and strengthening the Northern Economy: Community Enhancement, People and Talent, Invest North and Cultural Supports. Funding for these programs is offered as a conditional contribution and/or loan.

2. Significant accounting policies:

(a) Basis of accounting:

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards established by the Canadian Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

A statement of remeasurement gains and losses has not been presented as there is nothing to report therein.

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

(b) Revenue recognition

Government transfers

On an annual basis, the Corporation receives a transfer payment from the Province of Ontario (the Province) through the Ministry of Northern Economic Development and Growth (MNEDG) to fund operations and deliver the major programs described in Note 1. The use of the money received through this transfer is at the discretion of the Corporation. Unused amounts remain with the Corporation and can be carried forward indefinitely and are without eligibility criteria.

Revenue is recognized in the Statement of Operations and Accumulated Operating Surplus when the transfer is authorized by MNEDG, as evidence by a signed funding letter to the Corporation. Funds received from the Province are recognized as deferred revenue when these conditions give rise to a liability.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements

For the year ended March 31, 2026

(Thousands of Canadian dollars)

2. Significant accounting policies (continued)

Interest income

Interest income is recognized when earned. Interest revenue on loans receivable is recognized in an amount estimated to be recoverable. Interest income ceases to be recognized when the collectability of either the principal or interest is not reasonably assured.

(c) Financial instruments:

The Corporation's financial instruments are cash, loans receivable, interest receivable, accounts payable and accrued liabilities.

Initial recognition and measurement

All financial instruments are assigned to one of the two measurement categories at initial recognition: fair value, or cost/amortized cost.

All the Corporation's financial instruments are measured at amortized cost. They are initially recognized at cost, including the transaction costs that are directly attributable to the acquisition.

Subsequent measurement

For financial assets and financial liabilities measured at amortized cost, interest is recorded using the effective interest rate (EIR) method. The EIR is the rate that discounts the estimated future cash payments or receipts over the expected life of the financial instrument or, where appropriate, a shorter period.

Impairment

Financial assets measured at amortized cost are assessed for impairment at each financial statement date. The Corporation evaluates whether there is objective evidence that a financial asset is impaired. When such evidence exists, an impairment loss is recognized and reported in the Statement of Operations and Accumulated Operating Surplus.

Loans receivable are reported at the lower of cost and net recoverable value. Valuation allowances are recorded to reflect estimated losses on loans and are deducted from the carrying value of loans receivable.

Valuation allowances consist of allowances for individually identified impaired loans and a general allowance for the remainder of the loan portfolio. The general allowance is determined based on historical loss experience for loans in good standing, as well as other relevant information available to management at the reporting date.

Changes in valuation allowances are recognized in the Statement of Operations and Accumulated Operating Surplus as an expense. Reductions in previously recorded allowances resulting from loan repayments are recognized as loan recovery revenue.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements

For the year ended March 31, 2026

(Thousands of Canadian dollars)

2. Significant accounting policies (continued):

Loans are written off when there is no realistic prospect of recovery. Write-offs of loans are required to be approved by the Corporation's Board of Directors and are not reversed in subsequent periods. The carrying amount of the loan, net of any valuation allowances, is reduced by the amount of the loss and recorded as an expense in the Statement of Operations and Accumulated Operating Surplus. Amounts received from previously written-off loans are recorded as recoveries in the Statement of Operations and Accumulated Operating Surplus.

Derecognition of a financial instrument

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the benefits and risks of ownership of the asset to another organization.

The Corporation derecognizes a financial liability or part of a financial liability when the obligation specified in the contract is discharged, cancelled, or expires. On derecognition, the difference between the financial instrument's carrying amount and the sum of the consideration received and receivable is recognized in the Statement of Operations and Accumulated Operating Surplus.

(d) Conditional contributions

Conditional contributions to recipients are recognized as an expense in the Statement of Operations and Accumulated Operating Surplus when the contribution is authorized and all eligibility criteria have been satisfied.

Eligibility criteria are considered met when a funding agreement has been executed, the recipient has complied with the terms and conditions of the agreement, required supporting documentation has been submitted, and the funding claim has been reviewed and approved for payment.

Recoveries of conditional contributions from prior years are recorded as a revenue in the Statement of Operations and Accumulated Operating Surplus when a default occurs, the Corporation seeks full or partial repayment of amounts previously disbursed, and repayment is received.

(e) Measurement uncertainty

The preparation of the financial statements 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 loan valuation allowance which considers payment history, credit worthiness, and risk of the industry that the borrower operates in. The loan valuation allowance (note 4) is subject to measurement uncertainty due to the credit risk associated with borrower's ability to repay their loans. Actual loan losses could differ from management's estimates.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements

For the year ended March 31, 2026

(Thousands of Canadian dollars)

3. Conditional contributions:

Details of conditional contribution expenses shown on the Statement of Operations and Accumulated Operating Surplus where eligibility requirements were met in the year are as follows:

	2026	2025
2020 Programs		
Community Enhancement	\$ 54,163	\$ 43,168
People and Talent	14,565	15,132
Invest North	18,033	25,740
Cultural Supports	13,098	13,501
2013 Programs	10,136	10,666
Balance, end of year	\$ 109,995	\$ 108,207

4. Loans receivable:

The purpose of the Corporation is to promote infrastructure improvements and economic development opportunities in Northern Ontario. Loans are provided as a means of financial assistance to various organizations to promote and stimulate economic initiatives in Northern Ontario.

Loans receivable balances consist of loans in good standing and loans in arrears net of loan valuation allowances and loan discounts. Loans in good standing are loans in which repayments are consistently being made. Loans in arrears are loans in which repayments have not been made, or which are being restructured.

2026			
	Loans in Good Standing	Loans in Arrears	Total
Loan balance	\$ 21,870	\$ 3,693	\$ 25,563
Loan valuation allowances	(5,335)	(3,441)	(8,776)
Loan discounts	(19)	-	(19)
Total loans receivable	\$ 16,516	\$ 252	\$ 16,768
2025			
	Loans in Good Standing	Loans in Arrears	Total
Loan balance	\$ 23,353	\$ 3,596	\$ 26,949
Loan valuation allowances	(5,761)	(3,363)	(9,124)
Loan discounts	(26)	-	(26)
Total loans receivable	\$ 17,566	\$ 233	\$ 17,799

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements

For the year ended March 31, 2026

(Thousands of Canadian dollars)

4. Loan receivables (continued)

Loans bear fixed interest rates ranging from 0% to 9.20% (2025 0% to 9.20%) and are fully repayable within 3 to 20 years from the date the principal is disbursed. Loan security is taken in accordance with NOHFC's Lending Practice Policy and is specific to each loan to mitigate credit risk. Note 9 provides further details on the Corporation's security practices.

The changes in the loan valuation allowances are as follows:

	2026	2025
Balance, beginning of year	\$ 9,124	\$ 11,209
Loans written off in the year	(28)	(540)
Net change in valuation allowance	49	750
Recovery of prior year valuation allowance	(369)	(2,295)
Balance, end of year	\$ 8,776	\$ 9,124

The change in loan discount balances are as follows:

	2026	2025
Balance, beginning of year	\$ 26	\$ 37
Amount amortized to interest on loan receivable	(7)	(11)
Balance, end of year	\$ 19	\$ 26

5. Due from Province of Ontario

	2026	2025
Balance, beginning of year	\$ 182,500	\$ 207,500
Approved government transfer recognized during year	110,000	100,000
Cash received during year	(100,000)	(125,000)
Balance, end of year	\$ 192,500	\$ 182,500

Due from the Province of Ontario represents government transfers owed to the Corporation, which is non-interest bearing and are paid as the Corporation requires cash to fund its operating and investing activities.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements

For the year ended March 31, 2026

(Thousands of Canadian dollars)

6. Accounts payable and accrued liabilities:

Accounts payable and accrued liabilities relate to normal business transactions with recipients, in accordance with conditional contribution agreements and amounts due to the MNEDG for administrative expenses.

	2026	2025
Due to MNEDG	\$ 761	\$ 1,461
Accrued liabilities	3,558	5,320
Total accounts payable and accrued liabilities	\$ 4,319	\$ 6,781

7. Administration expenses:

Details of administration expenses in the year are as follows:

	Budget 2026	2026	2025
Salaries and benefits	\$ 3,263	\$ 2,758	\$ 2,725
Transportation and communications	250	148	175
Services	2,302	1,735	1,842
Management fees	3,500	3,171	3,172
Marketing	500	15	15
System modernization	-	-	188
Supplies and equipment	20	3	4
Total administration expenses	\$ 9,835	\$ 7,830	\$ 8,121

The Province of Ontario provides pension benefits for all the Corporation's permanent staff through participation in the Public Service Pension Plan and the Ontario Public Service Employees' Union Pension Plan 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.

8. Outstanding Commitments

Conditional contributions and loans committed but not disbursed as at March 31, 2026, as eligibility criteria has not yet been met by recipients are \$258,817 (2025 - \$254,126).

	2026	2025
Conditional contributions	\$ 241,608	\$ 236,016
Loans	17,209	18,110
Total outstanding commitments	\$ 258,817	\$ 254,126

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements

For the year ended March 31, 2026

(Thousands of Canadian dollars)

9. Financial instruments:

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

(a) Credit risk:

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Corporation is exposed to credit risk on its interest receivable, loans receivable, and due from the Province of Ontario. The credit risk associated with interest receivable and due from the Province of Ontario is low. The Corporation's primary source of credit risk arises from its exposure to loans receivable.

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, such as through a general security agreement, mortgages, letters of credit or personal/corporate guarantees, for the full value of the loan funding amounts over \$250; and maintains provisions for contingent credit losses. As of March 31, 2026, the Corporation holds security on \$20,793 of the total \$25,563 outstanding loan balance.

The Corporation's maximum exposure to credit risk is equal to the carrying amount of the loans receivable and interest receivable balances in the statement of financial position.

The Corporation uses a general valuation allowance and a specific valuation allowance to recognize risk on loans receivable.

The general valuation allowance is calculated on a short-term basis and represents a general reserve of uncollectible amounts against the loan portfolio as at the reporting date. The allowance is estimated based on an internal credit rating for each loan that considers an assessment of risk factors, along with the mitigating terms and conditions included in each loan agreement. In addition, the general valuation allowance incorporates short-term economic uncertainty and historical losses from loans with similar credit risk. For loans in good standing, only general valuation allowance is applied to these balances.

For specific valuation allowances, the Corporation assesses whether a specific loan is credit impaired at each reporting date. The Corporation considers a financial asset to be credit impaired when objective evidence of impairment exists and the borrower is unlikely to pay its credit obligations to the Corporation in full, without recourse by the Corporation to actions such as realizing security (if any is held).

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements

For the year ended March 31, 2026

(Thousands of Canadian dollars)

9. Financial instruments (continued)

Key indicators of impairment include, but are not limited to:

- Collection experience
- Financial performance of the borrower
- Project success
- Economic conditions
- Repayment deferral or restructuring

Refer to notes 4 and 5 for further details.

(b) Liquidity risk:

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with financial liabilities that are to be settled by delivering cash or another financial asset. The Corporation is exposed to liquidity risk through its accounts payable and accrued liabilities. The Corporation's exposure to liquidity risk is low as financial assets exceed the liabilities that are due within the year. The Corporation mitigates this risk by monitoring cash activities and expected outflows. Accounts payable and accrued liabilities are due within the first quarter of the following fiscal year. Refer to note 6 for further details.

There have not been any changes from the prior year in the Corporation's exposure to the above risks or the policies, procedures and methods it uses to manage and measure those risks.

10. Related Party Transactions:

Related parties of the Corporation include the Government of Ontario ministries, agencies, and all other entities subject to common control of the Province. MNEDG oversees the activities of the Corporation on behalf of the Province. Related party transactions between the Corporation and MNEDG during the period consisted of the following:

- Administration expenses provided by MNEDG and charged at cost (note 7). Included in management fees is \$2,000 (2025 – \$2,001) paid to the MNEDG for due diligence services rendered throughout the year.
- Amounts due to MNEDG for administrative expenses are included in accounts payable and accrued liabilities (note 6).
- Due from Province of Ontario represents amounts due to the Corporation from MNEDG at fiscal year-end (note 5).

The Statement of Operations and Accumulated Operating Surplus include \$4,877 (2025 - \$5,872) of conditional contributions made to other entities commonly controlled by the Province of Ontario, and their related entities.