

NORTHERN ONTARIO HERITAGE FUND CORPORATION
ANNUAL REPORT
2021-2022



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, 2022.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Greg Rickford". The signature is stylized with a large, looped initial "G" and a long, sweeping horizontal stroke at the end.

Hon. Greg Rickford
Chair, Northern Ontario Heritage Fund Corporation
Minister of Northern Development

Introduction from Greg Rickford, Board Chair

Northern Ontario is like no other region in our province or our country. Since its creation in 1988, the Northern Ontario Heritage Fund Corporation (NOHFC) has done an exceptional job of promoting economic growth, creating jobs and strengthening communities in Northern Ontario.

The NOHFC led economic recovery efforts facing northern businesses during the COVID-19 pandemic through the launch of the Northern Ontario Recovery Program (NORP). Since June 2018, the NOHFC has invested more than \$519 million in 4,496 projects in Northern Ontario, leveraging more than \$1.77 billion in investment and creating or sustaining over 7,000 jobs.

Through targeted NOHFC investments, our government is proud to have made a difference in northern communities, helping small and medium-sized businesses adapt operations to meet new public health guidelines, protect employees and customers, and rebuilding consumer confidence.

Last year, we took it a step further by launching a new and improved NOHFC. Through conversations with many different northern businesses and communities, NOHFC developed four new programs aiming to get more funding into small and rural communities, and continuing to invest in northern industries while paying close attention to emerging opportunities.

This is a legacy I'm proud to stand on as Minister of Northern Development and as NOHFC board chair. We understand the essential role the NOHFC plays in communities across Northern Ontario and are proud of the work we have done to improve this program and make it more accessible for northerners.

In the months and years to come, we will continue the important work of rebuilding the economy and supporting job growth in northern communities. We will build on the great success of our new and improved NOHFC programs, continuing to make them more accessible to applicants, providing more opportunities for Indigenous people and help address the skilled labour shortage in Northern Ontario.

I am proud of all that the NOHFC has accomplished to date and look forward to continuing to deliver results for Northern Ontario—and creating opportunities for the region to grow and thrive.

A handwritten signature in black ink, appearing to read 'Greg Rickford', with a stylized flourish at the end.

Greg Rickford
Chair, Northern Ontario Heritage Fund Corporation
Minister of Northern Development

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NOHFC Board of Directors as of March 31, 2022

POSITION	NAME of DIRECTOR	BOARD APPOINTMENT TERM	LOCATION DIRECTOR IS FROM
Chair	Rickford, Greg	29-Jun-2018 - N/A	Keewatin
Vice Chair	Sinclair, David	18-Dec-2021 - 18-Dec-2024	Kenora
Member	Biasucci, Salvatore (Sam)	29-Aug-2021 – 28-Aug-2023	Sault Ste. Marie
Member	Chirico, Peter	29-Aug-2021 – 28-Aug-2023	North Bay
Member	Cornell, Kim	25-Oct-2021 – 24-Oct-2024	Devlin
Member	Fox, Michael	06-Jun-2019 – 05-Jun-2022	Thunder Bay
Member	Blenkarn, Tonia	24-Apr-2020 – 23-Apr-2022	Pointe Au Baril
Member	Marcil, Laurie	09-Jan-2020 – 08-Jan-2022	North Bay
Member	Kamphof, Bernie	16-Apr-2020 - 15-Apr-2022	Murillo
Member	Slade, Fred	31-Jan-2019 – 30-Jan-2022	Sudbury
Member	Spinney, Bill	09-Jan-2020 – 08-Jan-2022	Nobel
Member	Mitchell, Donald	11-Jun-2020 – 10-Jun-2022	Sault Ste. Marie
Member	Ballance, Kimberly	18-Jun-2020 – 17-Jun-2022	Ear Falls
Member	Belanger, Lucy	01-Oct-2020 – 30-Sep-2022	Thunder Bay
Member	Prodaniuk, Sue	26-Nov-2020 – 25-Nov-2022	Thunder Bay
Member	Hook, James	02-Jun-2021 – 02-Jun-2023	Keewatin

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 of the region.

The NOHFC is a board governed agency established under the enabling legislation of the *Northern Ontario Heritage Fund Act*. NOHFC has an appointed Board of Directors, chaired by the Minister of Northern Development. 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.

NOHFC provides 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.

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

The following principles provide overall program direction throughout NOHFC's day to day operations, irrespective of changes in its goals, requirements or resources.

Recognition of Northern Ontario's Unique Circumstances

NOHFC programs and initiatives will continue to be an important means of recognizing the unique needs of Northern Ontario, in support of a strong and resilient Ontario. NOHFC programs and services were designed to build a stronger economy and to create or retain jobs in Northern Ontario.

Adaptability

The strategic planning process is an ongoing activity that provides NOHFC with a management tool for adapting to changes in the future.

Reflective, Flexible and Forward-Thinking

It is the intent that the NOHFC Board of Directors will review the strategic priorities and plans, at minimum, on an annual basis. This year, the Board focus was on being flexible and helping build the road to recovery and economic growth in Northern Ontario.

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, Indigenous communities and individuals, and the North's other demographic groups.

Strategic Priorities

As in prior years, NOHFC continues to focus on providing superior client service and supporting broader planning efforts and regional economic development priorities for Northern Ontario.

In addition, NOHFC has focused on the strategic priorities identified in the renewed programs launched in February 2021. This includes the following strategic project categories of:

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.

Internally at NOHFC, there is a continued focus on:

Organization Development and Renewal

Engaging in continuous improvement and human resource development to improve the efficiency, effectiveness, access and delivery of NOHFC programs as well as improve performance measurement.

- Continued development of information technology capabilities and enhance existing systems to improve access for clients to NOHFC programs and NOHFC staff to program statistics.
- 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 tools and training that enable staff and the 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.

NOHFC Support Programs

The following streamlined programs are available and provide support to help increase economic develop and job creation in the North:

Invest North Program ○ Innovation Stream ○ Investment Stream	Community Enhancement Program ○ Rural Enhancement Funding Stream ○ Enhance Your Community Stream
People & Talent Program ○ Indigenous Workforce Development Stream ○ Workforce Development Stream	Cultural Supports Program ○ Community Events Stream ○ Film & Television Stream

Overall, the renewed programs are designed to:

- Make it easier for more people and businesses to apply;
- Support more projects in rural northern communities;
- Target existing and emerging markets;
- Provide more work opportunities for Indigenous people; and
- Help grow a skilled workforce, including skilled trades.

NOHFC Performance Measures – Targets and Results

NOHFC measures and tracks its overall performance through a series of key performance indicators, including number of jobs to be created or retained and the total dollars leveraged as a result of NOHFC investments.

Total Jobs to Be Created or Retained April 1, 2021 – March 31, 2022

Job Category	Total Jobs Supported through NOHFC Approved Investments
Jobs Created or to be Created	727
Jobs Retained or to be Retained	204
Internship Jobs	703
Jobs to be created as a result of Infrastructure Project Activities	758
Total	2,392

Five Year Comparison of Jobs either Created or Retained Through NOHFC Investments

Fiscal Year	Jobs to be Created and Retained	Targeted Jobs to be Created and Retained	Targeted new Jobs to be Created Only
2017-2018	3,914*	3,500	1,581
2018-2019	2,307	3,500	1,111
2019-2020	3,542	3,000	2,010
2020-2021	1,792	3,000	1,165
2021-2022	2,392	3,000	1,430

*The results for 2017-18 have been adjusted to reflect a NOHFC investment which was rescinded when the project was instead funded through the Ministry of Northern Development.

Total Dollars Leveraged from NOHFC Investments

Fiscal Year	Actual	Target
2017-2018	4.13	3
2018-2019	4.15	3
2019-2020	3.91	3
2020-2021	3.54	3
2021-2022	3.46	3

Five Year Comparison of Number of Projects Approved

Fiscal Year	Total Projects Approved
2017-2018	854
2018-2019	610
2019-2020	887
2020-2021	1,944*
2021-2022	1,007

*The results for 2020-21 includes 1,384 NOHFC supported projects approved under the Northern Ontario Recovery Program.

For the 2021-2022 fiscal year, NOHFC focused on the implementation of the renewed programs and supporting Northern Ontario's economic recovery from the COVID-19 pandemic. As a result of the renewed programs, regular program funding approvals increased, as did the number of jobs to be created or retained over the 2020-2021 fiscal year. Despite remaining below the target of 3,000 jobs, based on job estimates from funding approvals for the fiscal year, job target results are trending up.

Based on the key performance indicators, NOHFC investments continue to have a positive impact on the Northern Ontario economy. Leverage is a performance measure that indicates that the funding provided by NOHFC for projects in Northern Ontario results in further investments by external funders and investors, creating or retaining jobs in all economic sectors across the North. For 2021-2022, NOHFC's leverage target was 3.0. The leverage performance measure of 3.46 for 2021-2022, exceeded the target. For every dollar of funding that NOHFC approved, another \$3.46 is invested from other sources.

NOHFC Financial Performance – Target and Results

Schedule of Revenues, Expenses, and Accumulated Surplus by the NOHFC for the Three Years Ending March 31

	2022 Budget (000's)	2022 Audited (000's)	2021 Audited (000's)	2020 Audited (000's)
<u>Revenue</u>				
Province of Ontario grant (Note 1)	\$100,000	\$100,000	\$82,500	\$75,000
Interest on cash and cash equivalents (Note 2)	500	736	1,420	5,375
Interest on loans receivable (Note 3)	1,478	1,312	873	1,764
Recoveries (Note 4)	-	3,567	1,625	1,545
Total Revenue	101,978	105,615	86,418	83,684
<u>Expenses</u>				
Conditional Contributions (Note 5)	98,516	90,183	85,029	112,019
Credit losses (Note 6)	5,531	183	1,341	3,637
Administration:				
Salaries and Benefits	2,866	2,455	2,457	2,254
Transportation & Communication (Note 7)	225	41	24	62
Services (Note 8)	2,128	1,285	1,462	1,317
Management Fees	3,000	2,841	3,067	2,367
Marketing (Note 8)	500	5	-	1
Supplies and Equipment	50	3	7	11
System Modernization (Note 9)	900	181	127	-
Total Expenses	113,716	97,177	93,514	121,668
Annual Surplus (Deficit)		8,438	(7,096)	(37,984)
Accumulated Surplus, beginning of year		289,248	296,344	334,328
Accumulated Surplus, end of year		\$297,686	\$289,248	\$296,344

Notes to the Schedule of Revenue, Expenses and Net Investment and Analysis of Variances to Budgeted and Prior Year Amounts

Note 1 – The annual allocation increased to \$100M to allow for additional projects to be funded to further help the Northern economy recover.

Note 2 – Interest earned on cash was slightly higher than expected due to the cash balances in the bank accounts being higher than planned.

Note 3 – In 2020-21, NOHFC offered six-months of loan deferral and interest relief support, resulting in lower interest earned on loan. No payment deferrals or interest relief support was offered in 2021-22, returning NOHFC returned to a full year of loan interest earned, however, lower interest rates resulted in lower interest earned than planned.

Note 4 – Recoveries represents prior year provision for credit loss that were recovered during the year, and conditional contribution previously expensed that were paid back to NOHFC. There was an upswing in some economic sectors that resulted in NOHFC being able to recover more than was expected.

Note 5 – Conditional contributions were lower than budgeted. The impacts of the COVID-19 pandemic continue to cause supply shortages, cost increases and shipping delays for NOHFC clients resulting in project completion delays. When comparing the 2021-22 expenses to the prior fiscal year, the expenses for conditional contributions were higher as the majority of the Northern Ontario Recovery Program funding flowed in the current fiscal year. Regular program funding expenses continue to be low as a result of project delays.

Note 6 – Credit losses expense was lower than budgeted and as compared to the prior year. NOHFC's loan portfolio repayment performance has been higher than expected, lowering the overall repayment risk.

Note 7 – Transportation and communication expense continues to be lower than budgeted as a result of NOHFC Board meetings being held virtually during the COVID-19 pandemic.

Note 8 – Services and Marketing expense was lower than budgeted as NOHFC focused its resources on helping clients continue to navigate the impacts of the COVID-19 pandemic and the new programs introduced at the end of the prior fiscal year.

Note 9 – NOHFC's Information Technology system modernization project request for bids went out later than anticipated, as a result, the majority of the expenditures for the project were reprofiled to future fiscal years.

3-Year Comparison of Revenue and Expenses

Fiscal Year	Revenue	Expenses	Revenue Over Expenses (Expenses Over Revenue)
2019-2020	\$83,684	\$121,668	(\$37,984)
2020-2021	\$86,418	\$93,514	(\$7,096)
2021-2022	\$105,615	\$97,177	\$8,438

Summary of Administrative Expenses for the Year Ended March 31, 2022

Expense	Total	Percentage of Total Expenses
Salaries and benefits	\$2,455	36.0%
Transportation and communication	41	0.6%
Services	1,285	18.9%
Management fees	2,841	41.7%
Marketing	5	0.1%
Supplies and equipment	3	0.0%
System modernization	181	2.7%
Total	\$6,811	

3-Year Comparison of Administrative Expenses

Expense	2019-2020	2020-2021	2021-2022
Salaries and benefits	\$2,254	\$2,457	\$2,455
Transportation and communication	62	24	41
Services	1,317	1,462	1,285
Management fees	2,367	3,067	2,841
Marketing	1	-	5
Supplies and equipment	11	7	3
System modernization	-	127	181
Total	\$6,012	\$7,144	\$6,811

On June 24, 2022, responsibility for the NOHFC transferred to the Ministry of Northern Development which continues to be led by Minister Rickford. The 2021-2022 financial statements presented below in Appendix 1, were prepared and approved by the NOHFC Board of Directors prior to this change. Therefore, the financial statements still refer to Ministry of Northern Development, Mines, Natural Resources and Forestry.

Appendix 1 – Financial Statements of Northern Ontario Heritage Fund Corporation for year ended March 31, 2022

Financial Statements of

**NORTHERN ONTARIO HERITAGE FUND
CORPORATION**

For the year ended March 31, 2022

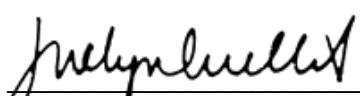
Northern Ontario Heritage Fund Corporation
Year ended March 31, 2022**Responsibility for Financial Reporting**

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 21, 2022.

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.


John Guerard, CPA, CA
Executive Director
Jocelyn Ouellet, CPA, CMA
Senior Corporate Controller



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, 2022, 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, 2022 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 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.



Toronto, Ontario
June 21, 2022

Susan Klein, CPA, CA, LPA
Assistant Auditor General

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Statement of Financial Position

March 31, 2022, with comparative information for 2021

(\$000s)	2022	2021
Financial Assets		
Cash	\$ 96,903	\$ 108,634
Accrued interest receivable	71	91
Loans receivable (note 3)	22,484	28,002
Due from Province of Ontario (note 4)	182,500	157,500
	301,958	294,227
Liabilities		
Accounts payable and accrued liabilities (note 5)	4,272	4,979
Net financial assets	297,686	289,248
Accumulated Surplus	\$ 297,686	\$ 289,248

Commitments (note 7)

The accompanying notes are an integral part of these statements.

On behalf of the Board:



Co-Chair



Audit Committee

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Statement of Operations and Accumulated Surplus

Year ended March 31, 2022, with comparative information for 2021

(\$000s)	Budget		
	2022	2022	2021
Revenue:			
Province of Ontario grant	\$ 100,000	\$ 100,000	\$ 82,500
Interest on cash	500	736	1,420
Interest on loans receivable	1,478	1,312	873
Recoveries	-	3,567	1,625
	101,978	105,615	86,418
Expenses:			
Conditional contributions	98,516	90,183	85,029
Credit losses (note 3)	5,531	183	1,341
Administration (note 6)	9,669	6,811	7,144
	113,716	97,177	93,514
Annual Surplus/(Deficit)	\$ (11,738)	\$ 8,438	\$ (7,096)
Accumulated Surplus, beginning of year		289,248	296,344
Accumulated Surplus, end of year		\$ 297,686	\$ 289,248

The accompanying notes are an integral part of these statements.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Statement of Changes in Net Financial Assets

Year ended March 31, 2022, with comparative information for 2021

(\$000s)	Budget 2022	2022	2021
Annual Surplus/(Deficit)	\$ (11,738)	\$ 8,438	\$ (7,096)
Net financial assets beginning of year		289,248	296,344
Net financial assets, end of year		\$ 297,686	\$ 289,248

The accompanying notes are an integral part of these statements.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Statement of Cash Flows

Year ended March 31, 2022 with comparative information for 2021

(\$000s)	2022	2021
Operating activities:		
Cash received from:		
Province of Ontario for		
lending and financial assistance activities	\$ 75,000	\$ -
Interest on loans receivable	1,319	826
Interest on cash	736	2,138
Recoveries	955	49
	78,010	3,013
Cash paid for:		
Conditional contributions	(90,417)	(92,616)
Administration Costs	(7,284)	(7,026)
	(97,701)	(99,642)
Cash applied to operating activities	(19,691)	(96,629)
Investing activities:		
Loan disbursements	(6,393)	(11,432)
Loan repayments	14,353	12,436
Cash provided by investing activities	7,960	1,004
Decrease in cash	(11,731)	(95,625)
Cash, beginning of year	108,634	204,259
Cash, end of year	\$ 96,903	\$ 108,634

The accompanying notes are an integral part of these statements.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements

Year ended March 31, 2022

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, 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 or retain jobs and strengthen the Northern economy through the delivery of targeted programs.

During fiscal 2021-2022, 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:

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) Revenue recognition - Provincial government funding transfer:

The Province of Ontario (Province) contributes funds to provide capital for the Corporation's lending and financial assistance activities.

Transfers from the Province are recognized as revenue in the financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that conditions give rise to an obligation that meets the definition of a liability. Funds received from the Province are recognized as deferred revenue when these conditions give rise to a liability. Funds received from the Province are recognized in the Statement of Operations and Accumulated Surplus as the liabilities are settled.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements

Year ended March 31, 2022

2. Significant accounting policies (continued):

(c) Cash:

Cash consist of funds on deposit in chartered banks.

(d) Financial instruments:

The Corporation initially recognizes the measurement of cash, loans receivable, accounts payable and accrued liabilities at cost and they are subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses on financial assets.

Transaction costs are added to the carrying value for financial instruments measured at cost or amortized cost.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the Statement of Operations and Accumulated Surplus. A statement of remeasurement gains and losses has not been presented as there is nothing to report therein.

(e) Revenue recognition – interest income:

Interest income is recognized when earned on the accrual basis of accounting. 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.

(f) Loans receivable:

Loans receivable are recorded at cost less any provision for loss allowance amount. Provision for loss allowances are used to reflect collectability and risk of loss, therefore loans receivable are recognized at the lower of cost and the net recoverable value.

Changes in the valuation of provision for loss allowances are reflected in the Statement of Operations and Accumulated Surplus as credit loss expense. The provision for loss allowances on loans consists of provisions on specific loans and a general provision on the remaining loans and is deducted from loans receivable. The general provision is based on historical experience of loans in good standing as well as all current relevant information available to management. Subsequent to initial recognition, the provision for loss allowances may be reduced if the loan recovery is subsequently assessed as likely and is recorded as Recoveries on the Statement of Operations and Accumulated Surplus.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements

Year ended March 31, 2022

2. Significant accounting policies (continued):

Factors used to estimate impairment include, but are not limited to:

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

Based on the individual assessment of each loan, the loan is not considered impaired if the collectability of the outstanding balance is considered to be in good standing. A general provision for credit loss is applied to these balances to further reduce the credit risk exposure to the Corporation. The general provision is based on historical experience of loans in good standing as well as all current relevant information available to management.

Loan amounts written off and written down in the year and changes in provisions, are charged to credit losses in the Statement of Operations and Accumulated Surplus. Monies received/recovered during the year from loans provided for in a prior year are recorded as recoveries on the Statement of Operations and Accumulated Surplus.

(g) Conditional contributions and forgivable loans:

Conditional contributions and forgivable loans provided to recipients are recognized as an expense in the Statement of Operations and Accumulated Surplus when they are authorized, and all eligibility criteria have been met by the recipient.

(h) 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 which considers payment history, credit worthiness, and risk of the industry that the borrower operates in.

The provision for credit losses, see Note 3, is subject to measurement uncertainty due to the credit risk associated with borrower's ability to repay their loans.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements

Year ended March 31, 2022

3. 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 provision for credit losses 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.

2022 (\$000s)			
	Loans in Good Standing	Loans in Arrears	Total
Loan Balance	\$ 35,036	\$ 10,015	\$ 45,051
Provision for credit Losses	(12,498)	(10,009)	(22,507)
Loan Discounts	(60)	-	(60)
Net Loan Balance	\$ 22,478	\$ 6	\$ 22,484

2021 (\$000s)			
	Loans in Good Standing	Loans in Arrears	Total
Loan Balance	\$ 42,996	\$ 10,614	\$ 53,610
Provision for credit Losses	(14,974)	(10,560)	(25,534)
Loan Discounts	(74)	-	(74)
Net Loan Balance	\$ 27,948	\$ 54	\$ 28,002

Generally, loans bear fixed interest rates ranging from 0% to 7.25% (2021 0% to 7.5%) and are fully repayable within 3 to 20 years from the date disbursed.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements

Year ended March 31, 2022

3. Loans receivable (continued):

In an effort to reduce the administrative time and reduce the legal costs to clients, the Corporation increased the required security threshold on approved loan funding from \$100,000 to \$250,000. This change came into effect on all loan funding approved in the last quarter of the fiscal year.

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

(\$000s)	2022	2021
Balance, beginning of year	\$ 25,534	\$ 27,566
Loans written off in the year	(599)	(1,832)
Changes in provisions on active loans	183	1,376
Recovery of prior year provision	(2,611)	(1,576)
Balance, end of year	\$ 22,507	\$ 25,534

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

(\$000s)	2022	2021
Loans written off in the year	\$ 599	\$ 1,832
Less: amounts provided for in previous years	(599)	(1,832)
Credit losses	—	—
Changes in provision on active loans	183	1,376
Discount adjustment	—	(35)
Net increase in loan loss provision	183	1,341
Credit losses	\$ 183	\$ 1,341

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements

Year ended March 31, 2022

3. Loans receivable (continued):

The change in the loan discount balances are as follows:

(\$000s)	2022	2021
Balance, beginning of year	\$ 74	\$ 130
Amount of loan discount written down	—	(35)
Amount amortized to interest on loans receivable	(14)	(21)
Balance, end of year	\$ 60	\$ 74

4. Due from Province of Ontario:

(\$000s)	2022	2021
Balance, beginning of year	\$ 157,500	\$ 75,000
Approved transfer payment allocation	100,000	82,500
Amounts received	(75,000)	—
Balance, end of year	\$ 182,500	\$ 157,500

The amount Due from the Province of Ontario is the transfer payment amount owing to the Corporation by the Province, which is payable to the Corporation when cash balances are required.

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 amounts due to the Ministry of Northern Development, Mines, Natural Resources and Forestry (NDMNRF) for administrative expenses. Amounts payable are due within the first quarter of the following fiscal year.

(\$000s)	2022	2021
Due to NDMNRF	\$ 805	\$ 1,278
Accrued liabilities	3,467	3,701
Total	\$ 4,272	\$ 4,979

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements

Year ended March 31, 2022

6. Administration expenses:

Details of administration expenses in the year are as follows:

(\$000s)	Budget 2022	2022	2021
Salaries and benefits	\$ 2,866	\$ 2,455	\$ 2,457
Transportation and communications	225	41	24
Services	2,128	1,285	1,462
Management fees	3,000	2,841	3,067
Marketing	500	5	—
System Modernization	900	181	127
Supplies and equipment	50	3	7
	\$ 9,669	\$ 6,811	\$ 7,144

The Province of Ontario 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.

7. Commitments:

Funds committed but not disbursed as at March 31, 2022 as eligibility criteria has not yet been met by recipients are \$251,188,691 (2021 - \$248,844,082).

(\$000s)	2022	2021
Conditional Contributions	\$ 231,431	\$ 223,648
Loans	19,758	25,196
Total	\$251,189	\$248,844

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements

Year ended March 31, 2022

8. 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 is exposed to credit risk through its 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 on the loans and maintains provisions for contingent credit losses. The Corporation is also exposed to credit risk through the other receivable amount due from the Province of Ontario through NDMNRF. However, the risk is considered low as the balance owing is from the Province. The maximum credit risk is the carrying value of the loans receivable and other receivable balances. Refer to notes 3 and 4 for further details.

(b) Liquidity risk:

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with financial liabilities. 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 current commitments. 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 5 for further details.

(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.

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

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements

Year ended March 31, 2022

9. Related Party Transactions:

Administrative expenses, as presented in note 6, are provided by NDMNRF and charged at cost. Included in management fees is \$1,727,701 (2021 - \$1,909,577) paid to the NDMNRF for due diligence services rendered throughout the year.

Accounts payable and accrued liabilities includes amounts due to NDMNRF at fiscal year end for administrative expenses (see note 5).

Due from Province of Ontario represents amounts due to the Corporation from NDMNRF at fiscal year end (see note 4).

The Statement of Operations and Accumulated Surplus includes \$2,266,073 (2021 - \$4,593,588) of conditional contributions made to other entities commonly controlled by the Province of Ontario, and their related entities.