

NORTHERN ONTARIO HERITAGE FUND CORPORATION
ANNUAL REPORT
2022-2023



Lieutenant Colonel The Honourable Edith Dumont
Lieutenant Governor of the Province of Ontario

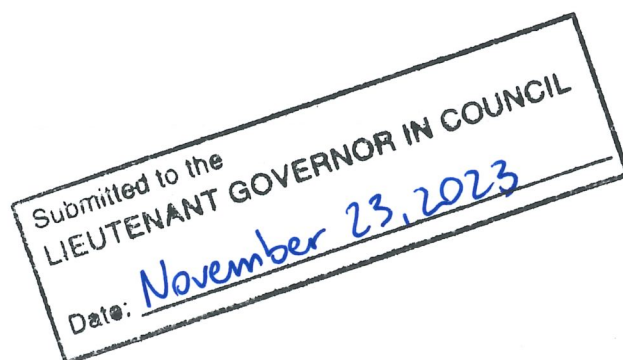
May it please Your Honour:

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, 2023.

Respectfully submitted,



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



Introduction from Greg Rickford, Board Chair

It's no secret that Northern Ontario is like no other region in our province. For over thirty-five years, the Northern Ontario Heritage Fund Corporation (NOHFC) has played an integral role in promoting economic growth, creating jobs and strengthening northern and Indigenous communities in Ontario's North.

The NOHFC promotes economic prosperity across Northern Ontario by providing financial assistance to projects—big and small, rural and urban—that stimulate growth, job creation and develop a skilled workforce. Since June 2018, NOHFC has invested more than \$685 million in 5,656 projects in Northern Ontario, leveraging more than \$2.3 billion in investment and creating or sustaining over 9,002 jobs.

Through targeted NOHFC investments, our government is proud to support projects that make real differences for businesses and communities in every corner of Northern Ontario. Our government remains focused on creating the conditions for partners to expand their operations and thrive in the North.

Two years ago, NOHFC launched new and improved programs that support more projects in rural northern communities and make it easier for more people and businesses to apply. The programs respond to gaps identified during the extensive consultation process with businesses and industry, including addressing the skilled labour shortage and providing more employment opportunities for Indigenous people.

Through these measures, we can ensure that the NOHFC continues to fulfil its mandate to promote and stimulate initiatives that grow and diversify the economy of Northern Ontario, as set out in the *Northern Ontario Heritage Fund Act*.

In the months and years ahead, we will continue the important work of creating meaningful economic development opportunities for northern and Indigenous communities.

Together, alongside our northern partners, NOHFC is building strong, vibrant communities and creating real opportunities for the people who live, work and do business in the North.



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

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NOHFC Board of Directors as of March 31, 2023

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 - 17-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-2025	Thunder Bay
Member	Blenkarn, Tonia	24-Apr-2020 – 23-Apr-2025	Pointe Au Baril
Member	Marcil, Laurie	09-Jan-2020 – 08-Jan-2025	North Bay
Member	Kamphof, Bernie	16-Apr-2020 - 15-Apr-2025	Murillo
Member	Slade, Fred	31-Jan-2019 – 30-Jan-2025	Sudbury
Member	Spinney, Bill	09-Jan-2020 – 08-Jan-2025	Nobel
Member	Mitchell, Donald	11-Jun-2020 – 10-Jun-2025	Sault Ste. Marie
Member	Ballance, Kimberly	18-Jun-2020 – 17-Jun-2025	Ear Falls
Member	Belanger, Lucy	01-Oct-2020 – 30-Sep-2025	Thunder Bay
Member	Prodaniuk, Sue	26-Nov-2020 – 25-Nov-2025	Thunder Bay
Member	Hook, James	02-Jun-2021 – 01-Jun-2026	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 continue to address the unique needs of Northern Ontario, including rural, urban and Indigenous communities, to address the skilled labour shortages, and to support businesses in the road to recovery from the effects of the pandemic.

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 continued to focus 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.

Strategic Priorities

NOHFC's strategic direction in 2021-22 focused on providing superior client service, diversifying NOHFC's client base and including Indigenous client participation while enabling easier, efficient processes that reduce the burden to submitting applications.

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, 2022 – March 31, 2023

Job Category	Total Jobs Supported through NOHFC Approved Investments
Jobs to be Created or Retained	886
Internship Jobs	522
Jobs to be created as a result of Infrastructure Project Activities	797
Total	2,205

Jobs 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
2022-2023	2,205	3,000	1,408

Total Dollars Leveraged from NOHFC Investments

Fiscal Year	Actual	Target
2022-2023	3.40	3

Number of Projects Approved

Fiscal Year	Total Projects Approved
2022-2023	815

For the 2022-2023 fiscal year, NOHFC remained focused on supporting economic recovery through strategic investments that provided financial assistance to 815 projects that stabilized, diversified, and fostered economic growth in the region. Funding was committed to businesses, non-profit organizations, Indigenous communities, and municipalities that resulted in 2,205 jobs to be created or retained. The 2,205 is lower than target of 3,000 jobs to be created or retained as the majority of the projects approved during the fiscal year were under the Community Enhancement Program supporting public sector capital projects that inherently create or retain lower job creation. Future funding commitments will continue to be focused on more public sector projects and as such, NOHFC has adjusted its job target starting in fiscal 2023-2024 to 1,800 to reflect the change in focus.

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 2022-2023, NOHFC's leverage target was 3.0. The leverage performance measure of 3.40 for 2022-2023, exceeded the target. For every dollar of funding that NOHFC approved, another \$3.40 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

	2023 Budget (000's)	2023 Actual* (000's)	2022 Actual* (000's)	2021 Actual* (000's)
<u>Revenue</u>				
Province of Ontario grant (Note 1)	\$100,000	\$100,000	\$100,000	\$82,500
Interest on cash and cash equivalents (Note 2)	500	2,839	736	1,420
Interest on loans receivable (Note 3)	1,225	972	1,312	873
Recoveries (Note 4)	-	2,249	3,567	1,625
Total Revenue	101,725	106,060	105,615	86,418
<u>Expenses</u>				
Conditional Contributions (Note 5)	99,186	85,523	90,183	85,029
Credit losses (Note 6)	5,200	301	183	1,341
Administration:				
Salaries and Benefits	2,679	2,502	2,455	2,457
Transportation & Communication (Note 7)	250	117	41	24
Services (Note 8)	2,378	1,420	1,285	1,462
Management Fees	3,000	2,826	2,841	3,067
Marketing (Note 8)	500	8	5	-
Supplies and Equipment	50	4	3	7
System Modernization	1,250	1,209	181	127
Total Expenses	114,493	93,910	97,177	93,514
Annual Surplus (Deficit)		12,150	8,438	(7,096)
Accumulated Surplus, beginning of year		297,686	289,248	296,344
Accumulated Surplus, end of year		\$309,836	\$297,686	\$289,248

*Actuals are based on audited financial statements

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 from the Ministry of Northern Development remained at \$100 million.

Note 2 – Interest earned on cash was higher than expected due to the significant increase in interest rates throughout the year.

Note 3 – NOHFC's loan portfolio did not increase as anticipated because of the focus on supporting community infrastructure, resulting in less interest revenue being earned on the outstanding loan balances.

Note 4 – Recoveries represents prior year provision for credit loss that were recovered during the fiscal 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 continued to cause supply shortages, cost increases and shipping delays for NOHFC clients resulting in project completion delays.

Note 6 – Credit losses expense was lower than budgeted. 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 some of the NOHFC Board meetings continuing to be held virtually for the first part of the fiscal year, however it is higher than the previous fiscal as face-to-face meetings resumed in the later part of the year.

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.

Three Year Comparison of Revenue and Expenses

Fiscal Year	Revenue	Expenses	Revenue Over Expenses (Expenses Over Revenue)
2020-2021	\$86,418	\$93,514	(\$7,096)
2021-2022	\$105,615	\$97,177	\$8,438
2022-2023	\$106,060	\$93,910	\$12,150

Summary of Administrative Expenses for the Year Ended March 31, 2023

Expense	Total	Percentage of Total Expenses
Salaries and benefits	\$2,502	30.9%
Transportation and communication	117	1.4%
Services	1,420	17.6%
Management fees	2,826	34.9%
Marketing	8	0.1%
Supplies and equipment	4	0.0%
System modernization	1,209	15.0%
Total	\$8,086	

Three Year Comparison of Administrative Expenses

Expense	2020-2021	2021-2022	2022-2023
Salaries and benefits	\$2,457	\$2,455	\$2,502
Transportation and communication	24	41	117
Services	1,462	1,285	1,420
Management fees	3,067	2,841	2,826
Marketing	-	5	8
Supplies and equipment	7	3	4
System modernization	127	181	1,209
Total	\$7,144	\$6,811	\$8,086

Appendix 1 – Financial Statements of Northern Ontario Heritage Fund Corporation for year ended March 31, 2023

Financial Statements of

**NORTHERN ONTARIO HERITAGE FUND
CORPORATION**

For the year ended March 31, 2023

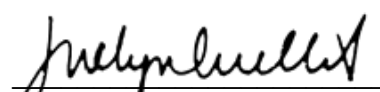
Northern Ontario Heritage Fund Corporation
Year ended March 31, 2023**Responsibility for Financial Reporting**

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 13, 2023.

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
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, 2023, 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, 2023 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 13, 2023

Susan Klein, CPA, CA, LPA
Assistant Auditor General

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Statement of Financial Position

March 31, 2023, with comparative information for 2022

(\$000s)	2023	2022
Financial Assets		
Cash	\$ 89,874	\$ 96,903
Accrued interest receivable	59	71
Loans receivable (note 3)	18,819	22,484
Due from Province of Ontario (note 4)	207,500	182,500
	316,252	301,958
Liabilities		
Accounts payable and accrued liabilities (note 5)	6,416	4,272
Net financial assets	309,836	297,686
Accumulated Surplus	\$ 309,836	\$ 297,686

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, 2023, with comparative information for 2022

(\$000s)	Budget		
	2023	2023	2022
Revenue:			
Province of Ontario grant	\$ 100,000	\$ 100,000	\$ 100,000
Interest on cash	500	2,839	736
Interest on loans receivable	1,225	972	1,312
Recoveries	-	2,249	3,567
	101,725	106,060	105,615
Expenses:			
Conditional contributions	99,186	85,523	90,183
Credit losses (note 3)	5,200	301	183
Administration (note 6)	10,107	8,086	6,811
	114,493	93,910	97,177
Annual Surplus/(Deficit)	\$ (12,768)	\$ 12,150	\$ 8,438
Accumulated Surplus, beginning of year		297,686	289,248
Accumulated Surplus, end of year		\$ 309,836	\$ 297,686

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, 2023, with comparative information for 2022

(\$000s)	Budget 2023	2023	2022
Annual Surplus/(Deficit)	\$ (12,768)	\$ 12,150	\$ 8,438
Net financial assets beginning of year		297,686	289,248
Net financial assets, end of year		\$ 309,836	\$ 297,686

The accompanying notes are an integral part of these statements.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Statement of Cash Flows

Year ended March 31, 2023 with comparative information for 2022

(\$000s)	2023	2022
Operating activities:		
Cash received from:		
Province of Ontario for		
lending and financial assistance activities	\$ 75,000	\$ 75,000
Interest on loans receivable	972	1,319
Interest on cash	2,839	736
Recoveries	471	955
	79,282	78,010
Cash paid for:		
Conditional contributions	(83,663)	(90,417)
Administration Costs	(7,801)	(7,284)
	(91,464)	(97,701)
Cash applied to operating activities	(12,182)	(19,691)
Investing activities:		
Loan disbursements	(3,716)	(6,393)
Loan repayments	8,869	14,353
Cash provided by investing activities	5,153	7,960
Decrease in cash	(7,029)	(11,731)
Cash, beginning of year	96,903	108,634
Cash, end of year	\$ 89,874	\$ 96,903

The accompanying notes are an integral part of these statements.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements

Year ended March 31, 2023

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 2022-2023, 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 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, 2023

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 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, 2023

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, 2023

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.

2023 (\$000s)			
	Loans in Good Standing	Loans in Arrears	Total
Loan Balance	\$ 29,556	\$ 6,264	\$ 35,820
Provision for credit Losses	(10,689)	(6,264)	(16,953)
Loan Discounts	(48)	-	(48)
Net Loan Balance	\$ 18,819	\$ -	\$ 18,819

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

Generally, loans bear fixed interest rates ranging from 0% to 7.25% (2022 0% to 7.25%) 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, 2023

3. Loans receivable (continued):

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

(\$000s)	2023	2022
Balance, beginning of year	\$ 22,507	\$ 25,534
Loans written off in the year	(4,078)	(599)
Changes in provisions on active loans	301	183
Recovery of prior year provision	(1,777)	(2,611)
Balance, end of year	\$ 16,953	\$ 22,507

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

(\$000s)	2023	2022
Loans written off in the year	\$ 4,078	\$ 599
Less: amounts provided for in previous years	(4,078)	(599)
Credit losses	—	—
Changes in provision on active loans	301	183
Discount adjustment	—	—
Net increase in loan loss provision	301	183
Credit losses	\$ 301	\$ 183

The change in the loan discount balances are as follows:

(\$000s)	2023	2022
Balance, beginning of year	\$ 60	\$ 74
Amount amortized to interest on loans receivable	(12)	(14)
Balance, end of year	\$ 48	\$ 60

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements

Year ended March 31, 2023

4. Due from Province of Ontario:

(\$000s)	2023	2022
Balance, beginning of year	\$ 182,500	\$ 157,500
Approved transfer payment allocation	100,000	100,000
Amounts received	(75,000)	(75,000)
Balance, end of year	\$ 207,500	\$ 182,500

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 (MND) for administrative expenses.

(\$000s)	2023	2022
Due to MND	\$ 1,090	\$ 805
Accrued liabilities	5,326	3,467
Total	\$ 6,416	\$ 4,272

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements

Year ended March 31, 2023

6. Administration expenses:

Details of administration expenses in the year are as follows:

(\$000s)	Budget 2023	2023	2022
Salaries and benefits	\$ 2,679	\$ 2,502	\$ 2,455
Transportation and communications	250	117	41
Services	2,378	1,420	1,285
Management fees	3,000	2,826	2,841
Marketing	500	8	5
System Modernization	1,250	1,209	181
Supplies and equipment	50	4	3
	\$ 10,107	\$ 8,086	\$ 6,811

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, 2023 as eligibility criteria has not yet been met by recipients are \$267,534,005 (2022 - \$251,188,691).

(\$000s)	2023	2022
Conditional Contributions	\$ 241,987	\$ 231,431
Loans	25,547	19,758
Total	\$267,534	\$251,189

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements

Year ended March 31, 2023

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, such as through a general security agreement, for the full value of the loan funding amounts over \$250,000; and maintains provisions for contingent credit losses. The Corporation is also exposed to credit risk through the amount Due from the Province of Ontario. 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 the above risks 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, 2023

9. Related Party Transactions:

Administrative expenses, as presented in note 6, are provided by MND and charged at cost. Included in management fees is \$1,763,990 (2022 - \$1,727,701) paid to the MND for due diligence services rendered throughout the year.

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

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

The Statement of Operations and Accumulated Surplus includes \$2,877,244 (2022 - \$2,266,073) of conditional contributions made to other entities commonly controlled by the Province of Ontario, and their related entities.