



Treasury Board Secretariat

PUBLIC ACCOUNTS OF ONTARIO

**Financial Statements
of Government
Organizations**

VOLUME 2A | 2015-2016



TABLE OF CONTENTS

Volume 2A

	Page
General	
Responsible Ministry for Government Agencies	ii
A Guide to the Public Accounts	iv

FINANCIAL STATEMENTS

Section 1 – Government Organizations

AgriCorp.....	March 31, 2016.....	1-1
Agricultural Research Institute of Ontario	March 31, 2016.....	1-17
Algonquin Forestry Authority.....	March 31, 2016.....	1-33
Cancer Care Ontario.....	March 31, 2016.....	1-47
The Centennial Centre of Science and Technology (Ontario Science Centre)	March 31, 2016.....	1-65
Education Quality and Accountability Office	March 31, 2016.....	1-81
eHealth Ontario.....	March 31, 2016.....	1-93
Forest Renewal Trust.....	March 31, 2016.....	1-109
General Real Estate Portfolio.....	March 31, 2016.....	1-131
Independent Electricity System Operator.....	December 31, 2015	1-147
Legal Aid Ontario	March 31, 2016.....	1-171
Local Health Integration Network – Central	March 31, 2016.....	1-193
Local Health Integration Network – Central East	March 31, 2016.....	1-207
Local Health Integration Network – Central West	March 31, 2016.....	1-223
Local Health Integration Network – Champlain	March 31, 2016.....	1-239
Local Health Integration Network – Erie St. Clair.....	March 31, 2016.....	1-257
Local Health Integration Network – Hamilton Niagara Haldimand Brant.....	March 31, 2016.....	1-271
Local Health Integration Network – Mississauga Halton	March 31, 2016.....	1-285
Local Health Integration Network – North East	March 31, 2016.....	1-299
Local Health Integration Network – North Simcoe Muskoka	March 31, 2016.....	1-313
Local Health Integration Network – North West	March 31, 2016.....	1-327
Local Health Integration Network – South East	March 31, 2016.....	1-341
Local Health Integration Network – South West.....	March 31, 2016.....	1-357
Local Health Integration Network – Toronto Central	March 31, 2016.....	1-373
Local Health Integration Network – Waterloo Wellington	March 31, 2016.....	1-395
Metrolinx	March 31, 2016.....	1-409
Metropolitan Toronto Convention Centre Corporation	March 31, 2016.....	1-435

Government Organizations continued in Volume 2B

**RESPONSIBLE MINISTRY FOR GOVERNMENT BUSINESS ENTERPRISES,
ORGANIZATIONS, TRUSTS & MISCELLANEOUS FINANCIAL STATEMENTS**

Ministry of Agriculture, Food and Rural Affairs
AgriCorp
Agricultural Research Institute of Ontario
Ontario Racing Commission

Ministry of the Attorney General
Legal Aid Ontario
The Public Guardian and Trustee for the Province of Ontario

Ministry of Economic Development, Employment and Infrastructure/Research and Innovation
General Real Estate Portfolio
Ontario Capital Growth Corporation
Ontario Infrastructure and Lands Corporation (Infrastructure Ontario)
Ontario Immigrant Investor Corporation
Toronto Waterfront Revitalization Corporation (Waterfront Toronto)

Ministry of Education
Education Quality and Accountability Office
Ontario Educational Communications Authority (TV Ontario)
Ontario French-Language Educational Communications Authority

Ministry of Energy
Brampton Distribution Holdco Inc.
Hydro One Limited
Independent Electricity System Operator
Ontario Energy Board
Ontario Power Generation Inc.

Ministry of the Environment and Climate Change
Ontario Clean Water Agency

Ministry of Finance
Deposit Insurance Corporation of Ontario
Liquor Control Board of Ontario
Losses Deleted from the Accounts
Motor Vehicle Accident Claims Fund
Ontario Electricity Financial Corporation
Ontario Financing Authority
Ontario Lottery and Gaming Corporation
Ontario Securities Commission
Pension Benefits Guarantee Fund
Provincial Judges Pension Fund
Revenue Remissions

**RESPONSIBLE MINISTRY FOR GOVERNMENT BUSINESS ENTERPRISES,
ORGANIZATIONS, TRUSTS & MISCELLANEOUS FINANCIAL STATEMENTS**

Ministry of Health and Long-Term Care

Cancer Care Ontario
eHealth Ontario
Local Health Integration Network – Central
Local Health Integration Network – Central East
Local Health Integration Network – Central West
Local Health Integration Network – Champlain
Local Health Integration Network – Erie St. Clair
Local Health Integration Network – Hamilton Niagara Haldimand Brant
Local Health Integration Network – Mississauga Halton
Local Health Integration Network – North East
Local Health Integration Network – North Simcoe Muskoka
Local Health Integration Network – North West
Local Health Integration Network – South East
Local Health Integration Network – South West
Local Health Integration Network – Toronto Central
Local Health Integration Network – Waterloo Wellington
Ontario Agency for Health Protection and Promotion (Public Health Ontario)
Ornge

Ministry of Labour

Workplace Safety and Insurance Board

Ministry of Municipal Affairs and Housing

Ontario Mortgage and Housing Corporation

Ministry of Natural Resources and Forestry

Algonquin Forestry Authority
Forest Renewal Trust

Ministry of Northern Development and Mines

Northern Ontario Heritage Fund Corporation
Ontario Northland Transportation Commission

Ministry of Tourism, Culture and Sport

The Centennial Centre of Science and Technology (Ontario Science Centre)
Metropolitan Toronto Convention Centre Corporation
Niagara Parks Commission
Ontario Place Corporation
Ontario Tourism Marketing Partnership Corporation
Ontario Trillium Foundation
Ottawa Convention Centre Corporation
Province of Ontario Council for the Arts (Ontario Arts Council)
The Royal Ontario Museum
Toronto Organizing Committee for the 2015 Pan American and Parapan American Games (Toronto 2015)

Ministry of Transportation

Metrolinx

Treasury Board Secretariat

Ontario Pension Board

A GUIDE TO THE PUBLIC ACCOUNTS

1. SCOPE OF THE PUBLIC ACCOUNTS

The 2015-2016 Public Accounts of the Province of Ontario comprise the **Annual Report and Consolidated Financial Statements** and three volumes:

- Volume 1** contains ministry statements and detailed schedules of debt and other items. The ministry statements reflect the financial activities of the government's ministries on the accrual basis of accounting, providing a comparison of appropriations with actual spending. Ministry expenses include all expenses that are subject to appropriation approved by the Legislative Assembly, but exclude adjustments arising from consolidation of government organizations whose expenses are not appropriated.
- Volume 2** contains the financial statements of Government Organizations and Business Enterprises that are part of the government's reporting entity and other miscellaneous financial statements.
- Volume 3** contains the details of payments made by ministries to vendors (including sales tax) and transfer payment recipients that are not deemed to be prohibited by the *Freedom of Information and Protection of Privacy Act*.

2. A GUIDE TO VOLUME 2 OF THE PUBLIC ACCOUNTS

The financial statements of the selected crown corporations, boards and commissions are for fiscal periods ending within the Province's own fiscal period April 1, 2015 to March 31, 2016. They are presented in the same detail as the approved, audited financial statements and as nearly as possible in the same form. The statements have been presented in the order shown in the Table of Contents. In addition, a listing is provided which groups the crown corporations, boards and commissions by ministerial responsibility.

GOVERNMENT ORGANIZATIONS



Management's responsibility for financial reporting

The accompanying financial statements and the financial information in the annual report have been prepared by management. The financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards. Management is responsible for the accuracy, integrity and objectivity of the information contained in the financial statements. Financial information contained elsewhere in the annual report is consistent with that contained in the financial statements.

The financial statements include some amounts, such as provisions for claims, that are necessarily based on management's best estimates and have been made using careful judgment.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and proper records are maintained. The systems include formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The Board of Directors is responsible for ensuring management fulfills its responsibilities for financial reporting and internal control. The Board meets regularly to oversee the financial activities of Agricorp and annually reviews the financial statements.

These financial statements have been audited by the Auditor General of Ontario. The Auditor General'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, which appears on the following page, outlines the scope of the Auditor General's examination and opinion.

Doug LaRose
Chief Executive Officer

Erich Beifuss
Chief Financial Officer

June 27, 2016



Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

To Agricorp
and to the Minister of Agriculture, Food and Rural Affairs

I have audited the accompanying financial statements of Agricorp, which comprise the statement of financial position as at March 31, 2016, and the statements of operations and fund balances, remeasurement gains and losses and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Agricorp as at March 31, 2016 and the results of its operations, remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Susan Klein, CPA, CA, LPA
Assistant Auditor General

Toronto, Ontario
June 27, 2016

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Statement of financial position

As at March 31, 2016 with comparative information for 2015

(In thousands of dollars)	General Fund	Production Insurance	2016	2015
Assets				
Cash	\$ 2,883	\$ 20,609	\$ 23,492	\$ 2,213
Investments (note 5)	2,469	862,687	865,156	830,235
Accounts receivable (note 4)	3,621	4,866	8,487	12,015
Funds under administration (note 3)	91,865	–	91,865	78,609
Prepaid expenses	670	–	670	706
Accrued pension asset (note 11)	8,014	–	8,014	6,979
Capital assets (note 6)	812	–	812	1,138
Total assets	\$ 110,334	\$ 888,162	\$ 998,496	\$ 931,895
Liabilities and fund balances				
Accounts payable and accrued liabilities	\$ 5,927	\$ 8,216	\$ 14,143	\$ 5,982
Unearned premiums and revenue (note 9)	3,993	23,418	27,411	19,671
Provision for claims	–	4,170	4,170	4,241
Funds under administration (note 3)	91,865	–	91,865	78,609
Total liabilities	101,785	35,804	137,589	108,503
Fund balances	8,549	845,606	854,155	810,041
Accumulated remeasurement gains	–	6,752	6,752	13,351
Total liabilities, fund balances and accumulated remeasurement gains	\$ 110,334	\$ 888,162	\$ 998,496	\$ 931,895

Commitments and contingencies (note 12)

See accompanying notes to financial statements

Approved on behalf of the Board



Murray Porteous
Board Chair



Rod Stork
Finance and Audit Committee Chair

Statement of operations and fund balances

Year ended March 31, 2016 with comparative information for 2015

(In thousands of dollars)	General Fund	Production Insurance	2016	2015
Revenue				
Funding – Ontario (note 8)	\$ 19,789	\$ 30,676	\$ 50,465	\$ 55,577
Funding – Canada (note 8)	19,111	46,032	65,143	71,396
Premiums from producers	–	50,631	50,631	57,765
Sales, consulting and other services	844	–	844	844
Investment income	51	18,233	18,284	20,142
Total revenue	39,795	145,572	185,367	205,724
Expenses				
Claims	–	97,804	97,804	85,601
Reinsurance (note 10)	–	3,699	3,699	9,219
Administration (note 15)	39,706	–	39,706	40,935
Bad debts	–	44	44	12
Total expenses	39,706	101,547	141,253	135,767
Excess of revenue over expenses	89	44,025	44,114	69,957
Fund balances, beginning of year	8,460	801,581	810,041	740,084
Fund balances, end of year	\$ 8,549	\$ 845,606	\$ 854,155	\$ 810,041

Related party transactions (note 13)

See accompanying notes to financial statements

Statement of remeasurement gains and losses

Year ended March 31, 2016 with comparative information for 2015

<u>(In thousands of dollars)</u>	<u>2016</u>	<u>2015</u>
Accumulated remeasurement gains, beginning of year	\$ 13,351	\$ 13,454
Unrealized (losses) gains on investments	(5,653)	254
Realized (gains) reclassified to the statement of operations and fund balances	(946)	(357)
Net change for the year	(6,599)	(103)
Accumulated remeasurement gains, end of year	\$ 6,752	\$ 13,351

See accompanying notes to financial statements

Statement of cash flows

Year ended March 31, 2016 with comparative information for 2015

(In thousands of dollars)	General Fund	Production Insurance	2016	2015
Cash provided by operating activities				
Excess of revenue over expenses	\$ 89	\$ 44,025	\$ 44,114	\$ 69,957
Items not requiring an outlay of cash				
Realized (gains) on investments	–	(946)	(946)	(357)
Amortization of capital assets	885	–	885	1,527
Total	974	43,079	44,053	71,127
Changes in non-cash working capital				
Accounts receivable	40	3,488	3,528	1,819
Prepaid expenses	36	–	36	43
Accrued pension asset	(1,035)	–	(1,035)	(621)
Accounts payable and accrued liabilities	164	7,997	8,161	(722)
Unearned premiums and revenue	(410)	8,150	7,740	(3,054)
Provision for claims	–	(71)	(71)	(2,259)
Total	(1,205)	19,564	18,359	(4,794)
Investing activity				
Net proceeds (purchase) of investments	2,268	(42,842)	(40,574)	(65,371)
Capital activity				
Purchase of capital assets	(559)	–	(559)	(829)
Increase in cash	1,478	19,801	21,279	133
Cash, beginning of year	1,405	808	2,213	2,080
Cash, end of year	\$ 2,883	\$ 20,609	\$ 23,492	\$ 2,213

See accompanying notes to financial statements

Notes to the financial statements

Year ended March 31, 2016 with comparative information for 2015

1. Nature of operations

The AgriCorp Act, 1996 established Agricornp as a provincial crown corporation without share capital on January 1, 1997. As an agency of the Ontario government, Agricornp's mandate is to deliver government and non-government business risk management programs to Ontario's agriculture industry on behalf of the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA). These programs are as follows:

Government – Production Insurance

Production Insurance was established in 1966 and currently operates pursuant to the *Agricultural Products Insurance Act (Ontario, 1996)*. For over 100 commercially grown crops in Ontario, Production Insurance provides insured producers with financial protection against yield reduction caused by natural perils.

Government – Other Business Risk Management

These programs, as detailed under note 3, are administered by Agricornp on behalf of OMAFRA and the federal government. The rules regarding payments to customers are determined by the programs and in formal agreements with Agricornp. The funds paid out under these programs flow from either the government of Ontario or Canada or both through Agricornp to qualified applicants, and are held in segregated accounts in funds under administration.

Other

Agricornp is responsible for the delivery of the Farm Business Registration Program (FBR) established under the *Farm Registration and Farm Organizations Funding Act, 1993*. Under an agreement with OMAFRA, Agricornp's primary obligations include registration of farm businesses, collection of registration fees, and disbursement of the fees net of an administrative charge to Ontario's accredited farm organizations.

2. Significant accounting policies

a) Basis of accounting

The financial statements of Agricornp have been prepared by management in accordance with Canadian Public Sector Accounting Standards (PSAS) for governments as recommended by the Public Sector Accounting Board of Chartered Professional Accountants of Canada (CPA Canada). Agricornp has also elected to apply the section 4200 standards for Government Not-For-Profit Organizations. These financial statements are, in management's opinion, properly prepared within reasonable limits of materiality, statutory requirements and the framework of the accounting policies summarized below.

Agricornp follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable, as a result of receipt of goods or services.

Agricornp uses fund accounting whereby the activities in each program are accounted for in separate funds. The General Fund is used to account for all administrative revenues and expenses, as well as for all unsegregated activities.

b) Capital assets

Capital assets are stated at cost less accumulated amortization. Amortization is provided for using the straight-line method over the estimated useful lives of the assets as follows:

Furniture and fixtures	4 years
Computer hardware	3 years
Computer software	2 years
Leasehold improvements	5 years

c) Employee future benefits

Agricorp provides defined retirement benefits and other future benefits for substantially all retirees and employees. These future benefits include pension plan and accumulated sick leave.

i) Pension plan

Agricorp sponsors a contributory defined benefit registered pension plan for all full-time and eligible part-time employees. Agricorp contributes to the plan based on employee contributions and a factor determined by the plan's independent actuary. The cost of pension benefits for the defined benefit plan is determined by an independent actuary using the projected benefit method pro-rated on service and management's best estimates of expected plan investment performance, salary escalation and retirement ages of employees. Pension plan assets are valued using current fair values and any actuarial adjustments are amortized on a straight-line basis over the average remaining service life of the employee group.

ii) Accumulated sick leave

Agricorp provides a non-vested sick leave benefit to all full-time and part-time employees. Employees are granted 6 days of sick leave per year and are eligible to accumulate up to 30 days of unused sick leave. Employees are not paid for unused sick leave.

d) Revenue recognition

Under the General Fund, Agricorp accounts for government funding under the deferral method of accounting. Government funding used for the purchase of capital assets is deferred and amortized into revenue on the same basis and at rates corresponding to those of the related capital assets. All remaining government funding is recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Sales, consulting and other services revenue is recognized as services are performed, collection of the relevant receivable is probable and persuasive evidence of an arrangement exists.

Production Insurance government funding and Production Insurance producer premiums are recognized as revenue in the year in which the related crops are harvested. Premiums received for future years are classified as unearned premiums and revenue on the statement of financial position.

e) Financial instruments

Agricorp's financial instruments consist of cash, investments, accounts receivable, accounts payable and accrued liabilities.

All financial instruments are recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record short-term demand deposit type investments as amortized at cost, which approximates fair value and all other investments at fair value. Guaranteed Investment Certificates (GIC) are valued based on cost plus accrued interest, which approximates fair value.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations and fund balances.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and fund balances. Any unrealized gain or loss on investments is adjusted through the statement of remeasurement gains and losses. When an asset is sold, unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations and fund balances.

Agricorp is required to classify fair value measurements using a fair value hierarchy, which indicates three levels of information that may be used to measure fair value:

Level 1 – unadjusted quoted market prices in active markets for identical assets or liabilities;

Level 2 – unobservable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and

Level 3 – unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

f) Use of estimates

The preparation of financial statements in conformity with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include the carrying amounts of accounts receivable, capital assets, accounts payable and accrued liabilities, unearned premiums and revenue, provision for claims and accrued pension asset. Actual results could differ from those estimates.

g) Provision for claims

The provision for claims liability represents management's estimate of the total cost of Production Insurance claims outstanding at year end. Measurement of this provision is uncertain as all of the necessary information for reported claims is not always available as of the year end date and therefore estimates are made as to the value of these claims.

3. Funds under administration

Agricorp provides administration services on a cost recovery basis to process and disburse payments to producers enrolled in business risk management and non-business risk management agricultural programs. These programs are generally administered on behalf of OMAFRA for producers in Ontario, and cover joint Canada-Ontario, Canada-only and Ontario-only programs. Individual program delivery agreements are in place for each program.

Program payments are calculated according to program requirements and the program delivery agreements. Funding is provided by Canada and/or Ontario and all funds are segregated in accounts under administration by program until such time as payments are processed for the producers.

Funds for these programs are held in accounts with Canadian banks, bankers' acceptance or bank discount notes and all are highly liquid. As Agricorp only administers these programs, no recognition is made for program revenue, expense, receivables or payables.

a) AgriStability

AgriStability was established under the Growing Forward Framework Agreement as a continuation of the Canadian Agricultural Income Stabilization (CAIS) program. AgriStability has been in effect since 2007. This program provides agricultural producers with financial protection against large declines in farm margin. To participate, producers must enroll in the program and pay administration and enrollment fees based on their reference margin for specified prior years. Producers are also required to submit an application that includes production data and farming income (or loss) reported for income tax purposes.

Starting with program year 2013, the Growing Forward 2 agreement on agricultural policy has resulted in a simplified program, with a single coverage level. A program benefit is paid to the participant when the participant's current production margin declines by more than 30% below the lower of the reference margin or the average adjusted expenses.

AgriStability is cost shared by Canada and Ontario at a basis of 60% and 40% respectively.

b) Risk Management Program (RMP)

RMP was launched by the Ontario government as a permanent program effective April 2011 and extended to additional sectors. RMP helps producers offset losses caused by low commodity prices and fluctuating production costs. RMP is fully funded by Ontario and is an advance against Ontario's share of AgriStability program costs and reduces its share of AgriStability payments. Effective January of 2015, AgriStability participation is no longer an eligibility requirement of RMP. RMP includes the following plans:

RMP: Grains and Oilseeds (RMP-GO)

The plan provides Ontario grain and oilseed producers with commodity-specific price support based on cost of production. To participate, producers must pay premiums, provide a premises identification number and participate in Production Insurance, if available for their crop.

RMP for livestock (RMP-LS)

RMP for livestock includes individual plans for cattle, hogs, sheep and veal. The plans provide producers with commodity-specific price support based on cost of production. To participate, producers must pay premiums and provide a premises identification number.

RMP - Self-Directed Risk Management: Edible Horticulture (RMP-SDRM)

Under the terms of the plan, producers of edible horticulture deposit into their account a percentage of their eligible net sales and a contribution is made into the account by the Ontario government. Funds can be withdrawn to cover risks to the farm business, such as a reduction in income or other farm-related expenses or losses. To participate, producers must make a deposit into their SDRM account and provide a premises identification number.

c) General Top-Up Program (GTUP)

GTUP was established under the Canada-Ontario Implementation Agreement and expired on March 31, 2008. Under the terms of the agreement, producers that participated in CAIS and received a payment under that program were eligible for a top-up payment based on a fixed percentage of their 2003 and 2004 CAIS government benefits.

d) Beekeepers Financial Assistance Program (BFAP)

The BFAP initiative came into effect April 30, 2014, and provided financial assistance to eligible Ontario beekeepers that were experiencing unusually high bee hive mortality rates. BFAP was fully funded by Ontario and was a short-term initiative. Effective November 1, 2015, coverage for bee hive mortality is offered under the Production Insurance program for overwinter losses.

e) Marketing and Vineyard Improvement Program (MVIP)

The MVIP initiative provides grape growers with funds to help with the cost of improvements related to production of wine grapes. Agricorp began administering this program on behalf of OMAFRA effective April 1, 2015. MVIP is fully funded by Ontario.

f) Vintners Quality Alliance (VQA) Wine Support Program (VQA-WSP)

The VQA wine support program provides grants to help wineries invest in growing their VQA wine business, including export and tourism development activities. Agricorp began administering this program on behalf of OMAFRA effective April 1, 2015. This program is fully funded by Ontario.

g) Other Programs

Agricorp administers several other programs on behalf of OMAFRA and the federal government, some of which are in the process of being wound down. These programs continue to be funded by OMAFRA and the federal government in accordance with each program delivery agreement. An example of these programs includes:

Farm Business Registration (FBR)

In accordance with the *Farm Registration and Organizations Funding Act, 1993*, farm businesses in Ontario whose gross farm income is equal to or greater than \$7,000 are required to register their farm business. In return for the registration, the farm business pays a reduced property tax rate on agricultural land (25% vs. 100%), and is granted membership in an accredited farm organization of their choice. Agricorp collects these fees and remits them, less an administrative charge, to the chosen accredited farm organization.

The following summarizes the transactions related to the funds under administration:

(In thousands of dollars)	Opening balance 2016	Federal funding	Provincial funding	Other	Payments	Closing balance 2016
AgriStability	\$ 65,946	\$ 24,714	\$ 10,017	\$ 9,521	\$ (37,180)	\$ 73,018
RMP-GO	203	-	56,978	16	(56,941)	256
RMP-LS	2,302	-	40,833	2,041	(38,744)	6,432
RMP-SDRM	6,731	-	21,238	3,622	(22,712)	8,879
GTUP	2,482	-	16	50	(41)	2,507
BFAP	473	-	1,959	(21)	(2,409)	2
MVIP	-	-	2,000	(465)	(1,229)	306
VQA-WSP	-	-	7,000	-	(7,000)	-
Other Programs	472	-	(35)	31	(3)	465
Total	\$ 78,609	\$ 24,714	\$ 140,006	\$ 14,795	\$ (166,259)	\$ 91,865

(In thousands of dollars)	Opening balance 2015	Federal funding	Provincial funding	Other	Payments	Closing balance 2015
AgriStability	\$ 66,792	\$ 36,077	\$ 20,691	\$ 1,054	\$ (58,668)	\$ 65,946
RMP-GO	35	-	31,710	(19)	(31,523)	203
RMP-LS	1,798	-	11,955	(421)	(11,030)	2,302
RMP-SDRM	7,543	-	22,730	727	(24,269)	6,731
GTUP	2,374	-	-	155	(47)	2,482
BFAP	-	-	3,605	22	(3,154)	473
Other Programs	590	-	343	(114)	(347)	472
Total	\$ 79,132	\$ 36,077	\$ 91,034	\$ 1,404	\$ (129,038)	\$ 78,609

Included in Other transactions in the tables above are items such as producer fees and premiums, overpayment activity, and changes in program receivables and payables.

Accounts receivable

4. Accounts receivable are comprised primarily of amounts due from the governments of Canada and Ontario and amounts due from producers.

(In thousands of dollars)	2016	2015
Government funding – Canada	\$ 4,886	\$ 9,236
Government funding – Ontario	1,751	1,633
Other	1,980	1,233
	8,617	12,102
Less allowance for doubtful accounts	(130)	(87)
Total	\$ 8,487	\$ 12,015

5. Investments

Legislation restricts Agricorp's investments to highly liquid, high-grade investments such as federal and provincial bonds, deposit notes issued by domestic financial institutions and other securities approved by the Minister of Finance.

a) Portfolio profile

(In thousands of dollars)	2016	2015
Short-term	\$ 617,433	\$ 535,855
Long-term		
Province of Ontario	33,044	82,441
Other provincial governments	73,580	108,070
Provincial utilities	34,400	42,110
Financial institutions	106,699	61,759
	247,723	294,380
Total	\$ 865,156	\$ 830,235

b) Maturity profile of the investment portfolio

(In thousands of dollars)	2016	2015
< 1 Year	\$ 617,433	\$ 535,855
1 – 3 Years	247,723	217,842
4 – 5 Years	-	76,538
Total	\$ 865,156	\$ 830,235

c) Fair value hierarchy

(In thousands of dollars)	Level	2016	2015
Cash and equivalents	1	\$ 252,277	\$ 249,638
GIC	2	373,508	232,440
Bonds	1	239,371	348,157
Total		\$ 865,156	\$ 830,235

There were no transfers of investments between Level 1 and Level 2.

6. Capital assets

(In thousands of dollars)	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Furniture and fixtures	\$ 1,218	\$ 1,212	\$ 6	\$ 25
Computer hardware	3,847	3,315	532	588
Leasehold improvements	1,955	1,936	19	27
Computer software	13,127	12,872	255	498
Total	\$ 20,147	\$ 19,335	\$ 812	\$ 1,138

7. Financial instruments risk management

a) Market risk

Market risk is the risk that changes in market prices will affect the fair value of reported assets and liabilities. Market factors include three types of risk: interest rate risk, currency risk and equity risk. Agricorp is not exposed to significant currency or equity risk as it does not transact materially in foreign currency or hold equity financial instruments.

Agricorp operates within the constraints of the investment guidelines set out by legislation that restricts Agricorp's investments to highly liquid, high-grade investments such as federal and provincial bonds, deposit notes issued by domestic financial institutions and other securities approved by the Minister of Finance.

b) Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on Agricorp's financial position, operations and cash flow.

Fluctuations in interest rates have a direct impact on the market valuation of Agricorp's fixed income securities portfolio. The average return on investments is 2.45% (2015 - 2.98%). Fluctuations in interest rates could have a significant impact on the fair value of the fixed income securities profile. Although investments are generally held to maturity, realized gains or losses could result if actual Production Insurance claim levels differ significantly from expected claims, and liquidation of long-term investments is required to meet obligations. There have been no significant changes from the previous year in the exposure to risk or to policies, procedures and methods used to measure the risk.

c) Credit risk

Credit risk is the risk that other parties fail to perform as contracted. Agricorp is exposed to credit risk principally through balances receivable from the federal and provincial governments and producers as well as through its investment securities. Agricorp is exposed to credit risk on the reinsurance contracts that are placed with reinsurers. In order to minimize this risk, Agricorp places reinsurance with a number of different reinsurers and evaluates the financial condition of each of these reinsurers in order to minimize exposure to a significant loss from any one reinsurer in the event of insolvency. Reinsurers are typically required to have a minimum financial strength rating of A-, based on the rating agencies A.M. Best, and Standard and Poor's. Based on professional judgment, management sets limits to establish the maximum amount of business that can be placed with a single reinsurer.

Credit risk on balances receivable arises from the possibility that the entities that owe funds to Agricorp may not fulfill their obligation. Collectability is reviewed regularly and an allowance for doubtful accounts is established to recognize the impairment risks identified.

Credit risk on investment securities arises from Agricorp's positions in term deposits, corporate debt securities and government bonds. Legislation restricts the types of investments Agricorp may hold to high-grade Canadian debt instruments and investments approved by the Minister of Finance, which significantly reduces credit risk.

8. Funding – Ontario and Canada

The governments of Canada and Ontario have agreed to share the costs of administering Production Insurance, AgriStability and GTUP at the ratio of 60% and 40% respectively. The costs to administer RMP-GO, RMP-LS, RMP-SDRM, BFAP, MVIP and VQA-WSP are funded by Ontario.

9. Unearned premiums and revenue

Unearned premiums represent Production Insurance premiums of \$23.4 million (2015 - \$15.3 million) received by Agricorp in the current fiscal year, for which the potential claim may occur after year end. Unearned revenue includes operating funding related primarily to the unamortized value of capital assets of \$0.8 million (2015 - \$1.1 million) and other unearned amounts of \$3.2 million (2015 - \$3.3 million).

10. Reinsurance agreement

Agricorp has an ongoing program of reinsurance with a number of insurance carriers. This program provides for the reinsuring companies to assume Production Insurance losses based on negotiated thresholds. Agricorp purchased reinsurance to mitigate a fixed percentage of losses for 2015 Production Insurance claims in excess of \$475 million to a maximum of \$564 million (2014 crop year – in excess of \$396 million to a maximum of \$538 million). As actual claims for the 2015 production year were less than the minimum threshold, no reinsurance payments were received by Agricorp.

Agricorp signed an agreement in December of 2015 whereby it purchased reinsurance through a number of carriers for the 2016 production year. The amount purchased under this agreement is to mitigate a fixed percentage of losses between 16% and 19% of insured liability, subject to a maximum of \$3.77 billion (2015 – \$3.55 billion).

11. Pension

Agricorp has a mandatory contributory defined benefit plan for all full-time and eligible part-time employees. The changes for the defined benefit plan of Agricorp during the year are as follows:

(In thousands of dollars)	2016	2015
Accrued benefit obligation		
Balance, beginning of year	\$ 40,457	\$ 36,239
Current service cost	2,342	2,369
Interest cost	2,657	2,408
Employee contributions	1,447	1,463
Benefits paid	(3,026)	(2,022)
Actuarial loss	1,460	–
Balance, end of year	\$ 45,337	\$ 40,457
Plan assets		
Fair value, beginning of year	\$ 52,000	\$ 45,021
Actual return on plan assets	(170)	5,256
Employer contributions	2,371	2,282
Employee contributions	1,447	1,463
Benefits paid	(3,026)	(2,022)
Fair value, end of year	\$ 52,622	\$ 52,000
Funded status		
Plan surplus	\$ 7,285	\$ 11,543
Unamortized actuarial loss (gain)	729	(4,564)
Accrued pension asset	\$ 8,014	\$ 6,979

The significant actuarial assumptions adopted in measuring the accrued benefit obligations of Agricorp are:

	2016 %	2015 %
Discount rate to determine accrued benefit obligation	6.00	6.50
Discount rate to determine benefit cost	6.00	6.50
Expected long-term rate of return on plan assets	6.00	6.50
Rate of compensation increase	3.25	4.00

The net benefit plan expense is as follows:

(In thousands of dollars)	2016	2015
Current service cost	\$ 2,342	\$ 2,369
Interest cost	2,657	2,408
Expected return on plan assets	(3,405)	(2,982)
Amortization of unrecognized loss	(269)	(134)
Net benefit plan expense	\$ 1,325	\$ 1,661

The percentage of total fair value of plan assets by category is as follows:

Security type	2016 %	2015 %
Canadian equities	29.0	30.2
U.S. equities	18.5	17.2
International equities	11.5	14.8
Bonds	29.1	24.6
Real estate	10.0	4.2
Cash and cash equivalents	1.9	9.0
Total plan	100.0	100.0

An external investment advisor manages the investments held by the pension plan. Administration expenses on the statement of operations and fund balances include pension expense of \$1.3 million (2015 - \$1.7 million).

The most recent pension plan actuarial valuation was as of January 1, 2014 and at that time, the plan had a going concern actuarial surplus of \$7.4 million and had a solvency and wind-up surplus of \$2.5 million. These estimates are determined under the provisions of Section 76 of the *Regulations to the Pension Benefits Act, 1990 (Ontario)*. The next actuarial valuation is expected to be completed as of January 1, 2017.

12. Commitments and contingencies

a) Commitments

Agricorp is committed to several leases for office space, weather data and sites, print services, mainframe support and operating leases for vehicles. The minimum aggregate costs for the unexpired terms of these leases are:

(In thousands of dollars)

2017	\$	2,669
2018		2,410
2019		2,136
2020		1,525
2021		1,507
Thereafter		7,884
Total	\$	18,131

b) Contingencies

During the normal course of business, certain claims or program payments may be denied by Agricorp. As a result, various claims or proceedings have been, or may be, initiated against Agricorp. The disposition of the matters that are pending or asserted is not expected by management to have a material effect on the financial position of Agricorp or on its results of operations.

13. Related party transactions

Agricorp has entered into several agreements to acquire services from OMAFRA. The cost for administrative, legal and internal auditing services amounted to \$0.2 million (2015 - \$0.3 million). In addition, Agricorp rents its head office location from the Ontario Infrastructure and Lands Corporation for a total cost for the year of \$0.8 million (2015 - \$1.3 million). Agricorp earned revenue of \$50.5 million (2015 - \$55.6 million) from OMAFRA as their share of Production Insurance premium and operating funding.

14. Board remuneration and salary disclosure

Total remuneration to members of the Board of Directors was \$35 thousand (2015 - \$47 thousand). *The Public Sector Salary Disclosure Act, 1996* requires Agricorp to disclose employees paid an annual salary in excess of \$100 thousand. The complete disclosure for Agricorp is included in the "Public Sector Salary Disclosure 2016: Crown Agencies" listing on the Government of Ontario website: <https://www.ontario.ca/page/public-sector-salary-disclosure-2015-all-sectors-and-seconded-employees>

For the 2015 calendar year, the actual amounts paid to the five employees with the highest annual salaries are:

Name	Position	Salary	Taxable benefits
Beifuss, Erich	Chief Financial Officer	\$ 169,317	\$ 606
Jackiw, Randy	Chief Executive Officer ¹	190,601	10,394
LaRose, Doug	Chief Executive Officer	193,294	688
Meneray, Debra	Senior Director, Program Delivery	151,723	557
Sayer, Greg	Senior Director, Legal Services	157,282	602

The taxable benefit for the Chief Executive Officer is comprised mainly of a taxable benefit for a vehicle, provided under the terms of his employment contract and is an “allowable special consideration” under the government directives.

¹ Effective August 2015, Randy Jackiw, CEO, accepted an 18-month secondment with OMAFRA, which includes an arrangement for the re-imbursement of agreed salary costs.

15. Administration

The following is a summary of the administration costs for the year:

(In thousands of dollars)	2016	2015
Salaries and benefits	\$ 31,307	\$ 30,988
Equipment and maintenance	2,420	2,615
Consulting and professional	1,490	1,389
Facilities	1,245	1,799
Amortization	885	1,527
Telephone and postage	865	997
Office	684	762
Vehicle and travel	565	616
Other	245	242
Total	\$ 39,706	\$ 40,935

16. Comparative figures

Certain 2015 figures have been reclassified to conform to current year's presentation.

The Agricultural Research Institute of Ontario

Management's Responsibility for Financial Reporting

The accompanying financial statements of the Agricultural Research Institute of Ontario (ARIO) have been prepared in accordance with Canadian generally accepted accounting principles. Management is responsible for the accuracy, integrity, and objectivity of the information contained in the financial statements.

The preparation of financial statements necessarily involves the use of estimates based on management's best judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. These financial statements have been prepared within reasonable limits of materiality with information available up to and including June 23, 2016.

In discharging its responsibility for the integrity of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and proper records are maintained.

The financial statements have been examined by RLB LLP, independent external auditors appointed by the Ontario Ministry of Agriculture and Food on behalf of ARIO. The external auditors' responsibility is to express an opinion on whether the financial statements are presented fairly in accordance with generally accepted accounting principles. The Auditors' Report outlines the scope of their examination and opinion.

On behalf of management:



Christine Primeau
Director of Research



Heather Harrison
Corporate Controller



INDEPENDENT AUDITOR'S REPORT

To the members of: Agricultural Research Institute of Ontario

We have audited the accompanying financial statements of Agricultural Research Institute of Ontario, which comprise the statement of financial position as at March 31, 2016 and the statements of revenues and expenditures and changes in fund balances, remeasurement gains (losses) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Agricultural Research Institute of Ontario as at March 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Guelph, Ontario
June 23, 2016

Chartered Professional Accountants
Licensed Public Accountants

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2016

	2016 (schedule 1)	2015
A S S E T S		
CURRENT		
Cash	\$ 0	\$ 10,734,631
Investments	32,421,349	29,575,572
Accounts receivable	251,583	174,690
Prepaid land deposits (note 4)	250,000	0
Cash and investments restricted for land purchases (note 4)	<u>13,018,125</u>	<u>0</u>
	45,941,057	40,484,893
TANGIBLE CAPITAL ASSETS UNDER CONSTRUCTION	0	23,126,396
TANGIBLE CAPITAL ASSETS (note 6)	<u>79,874,364</u>	<u>58,372,649</u>
	<u>\$125,815,421</u>	<u>\$121,983,938</u>
L I A B I L I T I E S		
CURRENT		
Accounts payable and accruals	\$ 1,622,680	\$ 1,615,704
Holdbacks payable	602,853	641,479
Unclaimed expenditures	3,447,638	3,314,244
Deferred revenue	<u>380,736</u>	<u>283,091</u>
	6,053,907	5,854,518
DEFERRED CAPITAL FUNDED CONTRIBUTIONS (note 7)	62,676,471	59,322,724
DEFERRED CAPITAL CONTRIBUTIONS (note 8)	<u>28,226,201</u>	<u>30,181,643</u>
	<u>96,956,579</u>	<u>95,358,885</u>
N E T A S S E T S		
FUND BALANCES	14,852,366	12,587,770
ACCUMULATED REMEASUREMENT (LOSSES) GAINS	(30,807)	0
CONTRIBUTED ASSETS (note 5)	<u>14,037,283</u>	<u>14,037,283</u>
	<u>28,858,842</u>	<u>26,625,053</u>
	<u>\$125,815,421</u>	<u>\$121,983,938</u>

See notes to the financial statements

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO

STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED MARCH 31, 2016

	2016 (schedule 2)	2015
REVENUES		
Research		
Grants - provincial (note 10)	\$ 1,850,000	\$ 1,850,000
Grants - federal	2,000,000	0
Grants - other	378,000	378,000
Intellectual property	<u>1,451,748</u>	<u>1,384,318</u>
	<u>5,679,748</u>	<u>3,612,318</u>
Property		
Grants - provincial - minor capital (note 10)	5,100,000	5,100,000
Recognized capital contributions - OMAFRA (note 11)	7,000,000	0
Rental income - provincial	837,463	837,787
Rental income - private industry	754,223	781,032
Grants - provincial - prior year operating funding (note 12)	2,150,000	0
Transfer payments - payments in lieu of taxes (note 10)	750,000	750,000
Payments in lieu of taxes	212,326	210,069
Amortization of deferred capital contributions	<u>2,961,695</u>	<u>2,457,191</u>
	<u>19,765,707</u>	<u>10,136,079</u>
Other		
Investment income	<u>441,171</u>	<u>474,381</u>
	<u>25,886,626</u>	<u>14,222,778</u>
EXPENDITURES		
Research		
Research project\program	2,584,521	3,629,183
Intellectual property (note 9)	<u>940,361</u>	<u>1,057,373</u>
	<u>3,524,882</u>	<u>4,686,556</u>
Property		
Payments in lieu of taxes	972,355	983,069
Minor capital (note 12)	8,216,828	4,066,418
Transfer payments - University of Guelph (note 11)	7,000,000	0
Operations and maintenance	805,878	769,204
Loss on disposal of tangible capital asset	12,985	51,888
Amortization of tangible capital assets	<u>2,961,695</u>	<u>2,457,191</u>
	<u>19,969,741</u>	<u>8,327,770</u>
	<u>23,494,623</u>	<u>13,014,326</u>
EXCESS OF REVENUE OVER EXPENDITURES for the year	2,392,003	1,208,452
NET AMOUNT TRANSFERRED (TO) FROM UNCLAIMED EXPENDITURES	<u>(127,407)</u>	<u>2,499,637</u>
	2,264,596	3,708,089
FUND BALANCES, beginning of year	26,625,053	22,883,477
NET REMEASUREMENT (LOSSES) GAINS for the year	<u>(30,807)</u>	<u>33,487</u>
FUND BALANCES, end of year	<u>\$ 28,858,842</u>	<u>\$ 26,625,053</u>

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO
STATEMENT OF REMEASUREMENT (LOSSES) GAINS
FOR THE YEAR ENDED MARCH 31, 2016

	2016	2015
ACCUMULATED REMEASUREMENT GAINS		
(LOSSES), beginning of year	\$ <u>0</u>	\$ <u>(33,487)</u>
Unrealized (losses) gains attributable to temporary investments	(30,528)	16,987
Amounts reclassified to the statement of operations:		
Realized (losses) gains on temporary investments	<u>(279)</u>	<u>16,500</u>
Net remeasurement (losses) gains for the year	<u>(30,807)</u>	<u>33,487</u>
ACCUMULATED REMEASUREMENT (LOSSES) GAINS, end of year	\$ <u><u>(30,807)</u></u>	\$ <u><u>0</u></u>

See notes to the financial statements

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2016

	2016	2015
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Excess of revenue over expenditures for the year	\$ 2,392,003	\$ 1,208,452
Items not requiring an outlay of cash		
Amortization of tangible capital assets	2,961,695	2,457,191
Completed project surplus transferred to unclaimed expenditures	5,988	15,175
Deferred capital contributions	(1,955,442)	(2,006,429)
Tangible capital assets under construction	(1,350,000)	0
Loss on disposal of tangible capital assets	12,985	51,888
Net remeasurement (losses) gains	<u>(30,807)</u>	<u>33,487</u>
	2,036,422	1,759,764
Changes in non-cash working capital		
Accounts receivable	(76,893)	(19,784)
Investments	(2,845,777)	280,603
Accounts payable and accruals	6,976	(121,181)
Deferred capital funded contributions	3,353,747	10,049,238
Prepaid land deposits	(250,000)	0
Holdbacks payable	(38,626)	182,870
Deferred revenue	<u>97,645</u>	<u>(98,000)</u>
	<u>2,283,494</u>	<u>12,033,510</u>
CASH PROVIDED BY (USED IN) CAPITAL ACTIVITIES		
Tangible capital assets under construction	<u>0</u>	<u>(2,793,562)</u>
NET INCREASE IN CASH for the year	2,283,494	9,239,948
CASH, beginning of year	<u>10,734,631</u>	<u>1,494,683</u>
CASH, end of year	<u>\$ 13,018,125</u>	<u>\$ 10,734,631</u>
CASH CONSISTS OF:		
Cash	\$ 0	\$ 10,734,631
Cash restricted for land purchases	<u>13,018,125</u>	<u>0</u>
	<u>\$ 13,018,125</u>	<u>\$ 10,734,631</u>

See notes to the financial statements

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

1. NATURE OF BUSINESS

The Agricultural Research Institute of Ontario (ARIO) is a non-profit corporate body reporting directly to the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA). ARIO is a non-profit organization within the meaning of the Income Tax Act (Canada) and is exempt from income taxes. It was created by the ARIO Act with specific responsibilities over the co-ordination and direction of agricultural research programs in Ontario. These programs relate to a broad range of commodities and disciplines, covering all aspects of the agri-food system.

Funding for programs supported by ARIO is available from various sources. The Ontario Government, through the Ministry of Agriculture, Food and Rural Affairs, is the primary source of funding. The Ontario Government also provides funding for open research programs. Under the ARIO Act, ARIO may accept grants and donations for research. Other funds usually come from commercial sources (such as agri-business, marketing boards, and producer associations) and can be either designated for specific projects or non-designated. In addition, ARIO reinvests royalties earned from Ministry funded research.

All receipts are held in trust by the Director of Research and are allocated in accordance with the terms of the funds.

The current research trust funds managed by the secretariat to ARIO are as follows:

- Agricultural Research Institute of Ontario (ARIO)
- New Directions Research Program (New Directions)
- Food Safety Research Program (Food Safety)
- Infrastructure

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board ("PSAB for Government NPOs") and include the following significant accounting policies:

(a) BASIS OF ACCOUNTING

ARIO follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue of the appropriate research trust fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate research trust fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) FINANCIAL INSTRUMENTS

Measurement of financial instruments

The organization initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments, which are measured at fair value. Changes in fair value are recognized in the statement of remeasurement gains (losses).

Financial assets measured at amortized cost include cash, accounts receivable and cash and investments restricted for land purchases.

Financial liabilities measured at amortized cost include accounts payable and accruals, holdbacks payable, unclaimed expenditures, deferred capital funded contributions and deferred capital contributions.

The organization's financial assets measured at fair value include the investments.

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. If an impairment has occurred, the carrying amount of financial assets measured at amortized cost is reduced to the greater of the discounted future cash flows expected or the proceeds that could be realized from the sale of the financial asset. The amount of the write-down is recognized in the statement of revenues and expenditures. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of revenues and expenditures.

Transaction costs

The organization recognizes its transaction costs in expenditures in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

(c) UNCLAIMED EXPENDITURES

Unclaimed expenditures are defined as the total approved budget for open research projects less expenses incurred to date.

(d) TANGIBLE CAPITAL ASSETS

Tangible capital assets are recorded at cost and are amortized using the following annual rates and method:

Buildings and components	- 25 to 40 years straight line
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AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) **IMPAIRMENT OF LONG LIVED ASSETS**

Long lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

(f) **DEFERRED CAPITAL CONTRIBUTIONS**

Deferred capital contributions are amortized at the same rate as the buildings to which they relate.

(g) **RESTRICTIONS ON THE EXPENDITURE OF FUNDS**

The purpose, funding, terms and conditions and duration of each research trust fund are stipulated in the relevant Order-in-Council, memorandum of understanding or Ministry correspondence.

(h) **USE OF ESTIMATES**

The preparation of financial statements in accordance with PSAB for Government NPOs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant areas requiring the use of management estimates and assumptions relate to the valuation of accounts payable and accruals and the useful life of capital assets. Actual results could differ from those estimates.

3. FINANCIAL INSTRUMENTS

(a) **FAIR VALUE**

For certain of ARIO's financial instruments, the carrying amounts of cash, accounts receivable and accounts payable and accruals, approximate fair value due to the short term maturity of these financial instruments.

PS3450, Financial Instruments - Disclosures requires disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities.
Level 2	Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3	Inputs that are not based on observable market data.

ARIO's financial instruments are all classified as Level 1 as at March 31, 2016 and 2015.

There were no transfers in or out of Level 1 for the years ended March 31, 2016 and 2015.

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016

3. FINANCIAL INSTRUMENTS (continued)

(b) ASSOCIATED RISKS

(i) Market price risk

Market price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. As all of ARIO's financial instruments are carried at fair value with fair value changes recognized in the statement of remeasurement losses, all changes in market conditions will directly affect the increase (decrease) in accumulated remeasurement losses. Market price risk is managed by the Investment Manager through construction of a diversified portfolio of instruments traded on various markets and across various industries.

A 1% increase (decrease) in the value of the investments would increase (decrease) the asset value and the change in unrealized gains in investments by \$324,213 (2015 - \$295,756). The price of the investments is affected by changes in market values, foreign exchange rates and interest rates impacting the underlying financial instruments held within the individual investments managed by the Investment Manager.

(ii) Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Institute's cash flows, financial position and income. Interest rate changes have an indirect impact on the investment assets in ARIO. ARIO uses investment diversification to manage this risk.

(iii) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

All of ARIO's fixed income securities are considered to be readily realizable as they can be quickly liquidated at amounts close to their fair value in order to meet liquidity requirements.

(iv) Foreign currency risk

Foreign currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. ARIO is not exposed to significant foreign currency risk.

(v) Credit risk

Credit risk is the risk that a customer or counterpart may be unable or unwilling to meet a commitment that it has entered into with ARIO. ARIO is not exposed to significant credit risk.

4. LAND PURCHASES

During the year, ARIO entered into agreements to purchase three plots of land. As at March 31, 2016, those agreements had not closed, but the agreements were fully signed and accepted by both ARIO and the sellers. The funds for these land purchases were, therefore, committed and subsequent to year end, the agreements will close with \$13,018,125 being paid by ARIO to the sellers. At year end, a total of \$250,000 has been paid in the form of deposits to the three sellers.

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016

5. CONTRIBUTED ASSETS

Contributed assets of \$14,037,283 (2015 - \$14,037,283) are recorded in the Infrastructure Fund and represent the cost of the land transferred to ARIO from the Government of Ontario.

6. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2016	Net 2015
Land:				
Simcoe railway line	\$ 9,793	\$ 0	\$ 9,793	\$ 9,793
Regional campuses	3,092,104	0	3,092,104	3,092,104
Research stations	<u>10,967,029</u>	<u>0</u>	<u>10,967,029</u>	<u>10,967,029</u>
	<u>14,068,926</u>	<u>0</u>	<u>14,068,926</u>	<u>14,068,926</u>
Buildings:				
Regional campuses	38,330,296	12,206,094	26,124,202	27,684,714
Research stations	<u>48,314,549</u>	<u>8,633,313</u>	<u>39,681,236</u>	<u>16,619,009</u>
	<u>86,644,845</u>	<u>20,839,407</u>	<u>65,805,438</u>	<u>44,303,723</u>
	<u>\$100,713,771</u>	<u>\$ 20,839,407</u>	<u>\$ 79,874,364</u>	<u>\$ 58,372,649</u>

As at March 6, 2007, the titles for tangible capital assets (land and buildings) with a carrying value of approximately \$60.9 million were transferred to ARIO from the Government of Ontario. Carrying value is being used as the transfer value since the transfer took place between non-arm's length parties, is non-monetary in nature and does not have commercial substance. As an agency of the Government of Ontario, ARIO reports these tangible capital assets (and other assets and liabilities) in consolidation with the Ministry of Agriculture, Food and Rural Affairs on an annual basis.

7. DEFERRED CAPITAL FUNDED CONTRIBUTIONS

Deferred capital contributions relating to construction of capital funded projects represents the amount of grants and other restricted funding received by ARIO for construction projects.

	2016	2015
Balance, beginning of the year	\$ 59,322,724	\$ 49,273,486
Less amortization for the year	(1,006,253)	(450,762)
Less funds recognized	(9,150,000)	0
Add contributions received for capital purposes	<u>13,510,000</u>	<u>10,500,000</u>
Balance, end of the year	<u>\$ 62,676,471</u>	<u>\$ 59,322,724</u>

The funding sources are as follows:

	2016	2015
Federal	\$ 1,242,500	\$ 1,277,500
Provincial	53,657,716	53,615,001
Industry	<u>7,776,255</u>	<u>4,430,223</u>
	<u>\$ 62,676,471</u>	<u>\$ 59,322,724</u>

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016

8. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized amount of the net book value of the buildings transferred to ARIO from the Government of Ontario in 2007. The amortization of capital contributions is recorded as revenue in the statement of revenues and expenditures. The changes in the deferred capital contributions are as follows:

	2016	2015
Balance, beginning of the year	\$ 30,181,643	\$ 32,188,072
Less amortization for the year	<u>(1,955,442)</u>	<u>(2,006,429)</u>
Balance, end of the year	<u>\$ 28,226,201</u>	<u>\$ 30,181,643</u>

9. ARIO RESEARCH FUND

	Seed Royalty	Technology Royalty	Unpledged Equity	Total 2016	Total 2015
Revenue					
Intellectual property	\$ 1,179,936	\$ 271,812	\$ 0	\$ 1,451,748	\$ 1,384,318
Investment income	<u>54,539</u>	<u>63,792</u>	<u>0</u>	<u>118,331</u>	<u>140,881</u>
	1,234,475	335,604	0	1,570,079	1,525,199
Expenses	<u>923,151</u>	<u>17,210</u>	<u>0</u>	<u>940,361</u>	<u>1,057,373</u>
Net surplus for the year	311,324	318,394	0	629,718	467,826
Fund balance, beginning of year	1,705,688	2,016,764	0	3,722,452	4,147,818
Remeasurement (losses) gains	(4,397)	(5,088)	0	(9,485)	6,808
Interfund transfers	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(900,000)</u>
Fund balance, end of year	<u>\$ 2,012,615</u>	<u>\$ 2,330,070</u>	<u>\$ 0</u>	<u>\$ 4,342,685</u>	<u>\$ 3,722,452</u>

10. GRANTS RECEIVED FROM THE PROVINCIAL GOVERNMENT

The following grants have been received from the Ontario Ministry of Agriculture, Food and Rural Affairs and successor ministries:

	2016	2015
New Directions Research Program	\$ 1,350,000	\$ 1,350,000
Food Safety Research Program	<u>500,000</u>	<u>500,000</u>
	1,850,000	1,850,000
Minor capital	5,100,000	5,100,000
Elora Livestock Environmental and Energy Complex	10,010,000	10,500,000
Payments in lieu of taxes	<u>750,000</u>	<u>750,000</u>
	<u>\$ 17,710,000</u>	<u>\$ 18,200,000</u>

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016

10. GRANTS RECEIVED FROM THE PROVINCIAL GOVERNMENT (continued)

The following Provincial Government capital transfer payment grants have been partially capitalized as Deferred Capital Funded Contributions and partially recognized as Revenues as follows:

	2016	2015
Minor capital:		
Funding received	\$ 5,100,000	\$ 5,100,000
Capitalized - Deferred Capital Funding Contribution	<u>0</u>	<u>0</u>
Net revenue	<u>\$ 5,100,000</u>	<u>\$ 5,100,000</u>
Elora Livestock Environmental and Energy Complex:		
Funding received	\$ 10,010,000	\$ 10,500,000
Capitalized - Deferred Capital Funding Contribution	<u>(10,010,000)</u>	<u>(10,500,000)</u>
Net revenue	<u>\$ 0</u>	<u>\$ 0</u>

11. TRANSFER PAYMENTS TO THE UNIVERSITY OF GUELPH

During the year, ARIO entered into a funding agreement with the University of Guelph. Under the agreement, ARIO would provide maximum funds of \$12,000,000 to be combined with up to \$3,000,000 in industry contributions to fund the construction of a new Turfgrass Research facility on the University of Guelph's Arboretum land. The ARIO funds for this agreement come from deferred capital funded contributions which were previously received by ARIO from the Ontario Ministry of Agriculture, Food and Rural Affairs and successor ministries. At year end, two of the funding milestones had been met and ARIO had provided the University with \$7,000,000 in funding. Should the project not go forward, that funding would be required to be repaid to ARIO.

12. PRIOR YEAR OPERATING FUNDING

During the year, ARIO reclassified \$2,150,000 of expenditures previously recorded as capital assets under construction. These funds were previously received by ARIO from the Ontario Ministry of Agriculture, Food and Rural Affairs and successor ministries. It was determined that these expenditures should not be capitalized and are therefore being recorded as operating expenses in the current fiscal period.

Agricultural Research Institute of Ontario
Research Trust Funds
Schedule of Financial Position
As at March 31, 2016
(Unaudited - See Notice to Reader)

	ARIO	Infrastructure	New		Food Safety	Eliminations	2016 (page 4)
	\$	\$	\$	\$	\$	\$	\$
ASSETS							
CURRENT							
Investments	32,421,349						32,421,349
Due from ARIO		18,929,284	7,260,655		1,099,153	(27,289,092)	-
Accounts receivable	185,742	61,687	3,601		553		251,583
Prepaid land deposits (note 4)		250,000					250,000
Cash and investments restricted for land purchases (note 4)		13,018,125					13,018,125
	32,607,091	32,259,096	7,264,256		1,099,706	(27,289,092)	45,941,057
		79,874,364					79,874,364
TANGIBLE CAPITAL ASSETS (note 6)							
	\$ 32,607,091	\$ 112,133,460	\$ 7,264,256		\$ 1,099,706	\$ (27,289,092)	\$ 125,815,421
LIABILITIES							
CURRENT							
Due to other research trust funds	27,289,092					(27,289,092)	-
Accounts payable and accruals	975,314		527,900		119,466		1,622,680
Holdbacks payable			552,233		50,620		602,853
Unclaimed expenditures			2,794,685		652,953		3,447,638
Deferred revenue		2,736	378,000				380,736
	28,264,406	2,736	4,252,818		823,039	(27,289,092)	6,053,907
DEFERRED CAPITAL FUNDED							
CONTRIBUTIONS (note 7)		62,676,471					62,676,471
DEFERRED CAPITAL							
CONTRIBUTIONS (note 8)		28,226,201					28,226,201
	28,264,406	90,905,408	4,252,818		823,039	(27,289,092)	96,956,579
FUND BALANCES	4,352,170	7,206,491	3,016,293		277,412		14,852,366
ACCUMULATED REMEASUREMENT (LOSSES)	(9,485)	(15,722)	(4,855)		(745)		(30,807)
CONTRIBUTED ASSETS (note 5)		14,037,283					14,037,283
	4,342,685	21,228,052	3,011,438		276,667	-	28,858,842
	\$ 32,607,091	\$ 112,133,460	\$ 7,264,256		\$ 1,099,706	\$ (27,289,092)	\$ 125,815,421

See notes to the financial statements

**Agricultural Research Institute of Ontario
Research Trust Funds
Schedule of Revenues and Expenditures and Changes in Fund Balances
For the year ended March 31, 2016
(Unaudited - See Notice to Reader)**

	ARIO (note 9) \$	Infrastructure \$	New Directions \$	Food Safety \$	2016 (page 5) \$
REVENUE					
Research					
Grants - provincial (note 10)			1,350,000	500,000	1,850,000
Grants - federal			2,000,000		2,000,000
Grants - other			378,000		378,000
Intellectual property	1,451,748				1,451,748
	1,451,748	-	3,728,000	500,000	5,679,748
Property					
Grants - provincial - minor capital (note 10)		5,100,000			5,100,000
Recognized capital contributions - OMAFRA (note 11)		7,000,000			7,000,000
Rental income - provincial		837,463			837,463
Rental income - private industry		754,223			754,223
Grants - provincial - prior year operating funding (note 12)		2,150,000			2,150,000
Transfer payments - payments in lieu of taxes (note 10)		750,000			750,000
Payments in lieu of taxes		212,326			212,326
Amortization of deferred capital contributions		2,961,695			2,961,695
	-	19,765,707	-	-	19,765,707
Other					
Investment income	118,331	250,045	62,575	10,220	441,171
	1,570,079	20,015,752	3,790,575	510,220	25,886,626
EXPENDITURES					
Research					
Research project(program)			2,137,220	447,301	2,584,521
Intellectual property (note 9)	940,361				940,361
	940,361	-	2,137,220	447,301	3,524,882
Property					
Payments in lieu of taxes		972,355			972,355
Minor capital (note 12)		8,216,828			8,216,828
Transfer payments - University of Guelph (note 11)		7,000,000			7,000,000
Operations and maintenance		805,878			805,878
Loss on disposal of capital asset		12,985			12,985
Amortization of tangible capital assets		2,961,695			2,961,695
	-	19,969,741	-	-	19,969,741
	940,361	19,969,741	2,137,220	447,301	23,494,623
EXCESS OF REVENUE OVER EXPENDITURES for the year	629,718	46,011	1,653,355	62,919	2,392,003
NET AMOUNT TRANSFERRED (TO) FROM UNCLAIMED EXPENDITURES			(131,550)	4,143	(127,407)
	629,718	46,011	1,521,805	67,062	2,264,596
FUND BALANCES, beginning of year	3,722,452	21,197,763	1,494,488	210,350	26,625,053
NET REMEASUREMENT LOSSES for the year	(9,485)	(15,722)	(4,855)	(745)	(30,807)
FUND BALANCES, end of year	4,342,685	21,228,052	3,011,438	276,667	28,858,842

See notes to the financial statements

Algonquin Forestry Authority
Year ended March 31, 2016

Management's Responsibility for Financial Information

Management and the Board of Directors of the Algonquin Forestry Authority are responsible for the financial statements and all other information presented in this Annual Report. The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and, where appropriate, include amounts based on Management's best estimates and judgements.

The Algonquin Forestry Authority is dedicated to the highest standards of integrity in its business. To safeguard the Authority's assets, the Authority has a sound and dynamic set of internal financial controls and procedures that balance benefits and costs. Management has developed and maintains financial and management controls, information systems and management practices to provide reasonable assurance of the reliability of financial information in accordance with the *Algonquin Forestry Authority Act*.

The Board of Directors ensures that Management fulfills its responsibilities for financial information and internal control. The Board of Directors meets regularly to oversee the financial activities of the Authority and at least annually to review the audited financial statements and the external auditors' report thereon, and recommends them to the Minister of Natural Resources and Forestry for approval.

The financial statements have been examined by the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian public sector accounting standards. The Independent Auditor's Report outlines the scope of the Auditor's examination and opinion.



Tim Doyle, CPA, CA
Treasurer



Jeff W. Leavey
General Manager



Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

To the Algonquin Forestry Authority
and to the Minister of Natural Resources and Forestry

I have audited the accompanying financial statements of the Algonquin Forestry Authority, which comprise the statement of financial position as at March 31, 2016, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Algonquin Forestry Authority as at March 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Toronto, Ontario
July 22, 2016

Susan Klein, CPA, CA, LPA
Assistant Auditor General

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Algonquin Forestry Authority

Statement of Financial Position

As at March 31

2016

2015

Assets

Current assets

Cash	\$ 1,606,560	\$ 388,853
Accounts receivable (Note 2)	8,657,659	8,947,714
Inventories held for sale	328,608	170,446
Prepaid expenses	7,401	1,962
	<u>10,600,228</u>	<u>9,508,975</u>

Capital assets (Note 3)

<u>275,257</u>	<u>289,022</u>
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<u>\$ 10,875,485</u>	<u>\$ 9,797,997</u>
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Liabilities

Current liabilities

Accounts payables and accrued liabilities	\$ 1,283,815	\$ 1,296,397
Contractors' performance holdbacks	80,007	66,301
Due to Consolidated Revenue Fund (Note 14)	292,876	204,086
Deferred contributions (Note 4)	25,849	-
	<u>1,682,547</u>	<u>1,566,784</u>

Obligation for employee future benefits (Note 5)

436,834	419,508
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Deferred capital contributions (Note 6)

-	17,280
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<u>2,119,381</u>	<u>2,003,572</u>
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Net assets

Restricted - Forest Renewal Fund (Notes 7 and 9)

2,935,404	2,667,622
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Invested in capital assets (Note 8)

275,257	271,742
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Unrestricted - General Fund

5,545,443	4,855,061
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<u>8,756,104</u>	<u>7,794,425</u>
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<u>\$ 10,875,485</u>	<u>\$ 9,797,997</u>
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On behalf of the Board:


 Director


 Director

See accompanying notes to the financial statements.

Algonquin Forestry Authority **Statement of Operations**

Year Ended March 31

2016

2015

	<u>General Fund</u>	<u>Forest Renewal Fund</u>	<u>Total</u>	<u>Total</u>
Revenue				
Product sales	\$ 21,203,665	\$	\$ 21,203,665	\$ 18,085,714
Forest renewal activity		1,802,007	1,802,007	1,513,839
Standing timber sales	212,645		212,645	301,731
Other (Note 10)	<u>2,218,470</u>	<u>322,610</u>	<u>2,541,080</u>	<u>2,066,895</u>
	<u>23,634,780</u>	<u>2,124,617</u>	<u>25,759,397</u>	<u>21,968,179</u>
Expenses				
Direct program costs	17,812,675	1,564,164	19,376,839	17,071,739
Crown timber stumpage charges	2,941,724		2,941,724	2,433,197
Operations planning	275,180		275,180	294,770
Public access road maintenance	274,151		274,151	615,211
Wood measurement	<u>33,515</u>		<u>33,515</u>	<u>32,501</u>
	<u>21,337,245</u>	<u>1,564,164</u>	<u>22,901,409</u>	<u>20,447,418</u>
Operating income	<u>2,297,535</u>	<u>560,453</u>	<u>2,857,988</u>	<u>1,520,761</u>
Administrative and other				
Salaries and benefits	1,215,382	222,839	1,438,221	1,342,743
Amortization of capital assets	96,044	46,870	142,914	159,066
Office supplies and other	107,553	233	107,786	107,664
Office rent	43,503	12,836	56,339	55,666
Public relations	37,392		37,392	14,784
Staff travel and training	32,845	2,143	34,988	18,077
Directors' allowance	34,270		34,270	39,376
Insurance	23,470	7,750	31,220	25,655
Consulting, legal and miscellaneous	11,551		11,551	8,534
Interest and bank charges	<u>1,628</u>		<u>1,628</u>	<u>2,821</u>
	<u>1,603,638</u>	<u>292,671</u>	<u>1,896,309</u>	<u>1,774,386</u>
Excess (deficiency) of revenue over expenses	<u>\$ 693,897</u>	<u>\$ 267,782</u>	<u>\$ 961,679</u>	<u>\$ (253,625)</u>

See accompanying notes to the financial statements.

Algonquin Forestry Authority **Statement of Changes in Net Assets**

Year Ended March 31

	Invested in Capital Assets	Restricted - Forest Renewal Fund	Unrestricted - General Fund	Total
2016				
Balance, beginning of year	\$ 271,742	\$ 2,667,622	\$ 4,855,061	\$ 7,794,425
(Deficiency) excess of revenue over expenses (Note 8)	(125,634)	267,782	819,531	961,679
Invested in capital assets (Note 8)	129,149	-	(129,149)	-
Balance, end of year	<u>\$ 275,257</u>	<u>\$ 2,935,404</u>	<u>\$ 5,545,443</u>	<u>\$ 8,756,104</u>
2015				
Balance, beginning of year	\$ 244,239	\$ 2,665,010	\$ 5,138,801	\$ 8,048,050
(Deficiency) excess of revenue over expenses (Note 8)	(116,322)	2,612	(139,915)	(253,625)
Invested in capital assets (Note 8)	143,825	-	(143,825)	-
Balance, end of year	<u>\$ 271,742</u>	<u>\$ 2,667,622</u>	<u>\$ 4,855,061</u>	<u>\$ 7,794,425</u>

See accompanying notes to the financial statements.

Algonquin Forestry Authority

Statement of Cash Flows

Year Ended March 31

2016

2015

Cash flows from operating activities:

Excess (deficiency) of revenue over expenses	\$ 961,679	\$ (253,625)
Adjustments for		
Amortization of capital assets	142,914	159,066
Amortization of deferred capital contributions	(17,280)	(42,745)
Gain on sale of capital assets	(22,811)	(3,417)
Obligation for employee future benefits	17,326	20,729
	<u>1,081,828</u>	<u>(119,992)</u>

Change in non-cash operating working capital:

Accounts receivable	290,055	1,403,793
Inventories held for sale	(158,162)	154,492
Prepaid expenses	(5,439)	-
Accounts payable and accrued liabilities	(12,582)	(596,564)
Contractors' performance holdbacks	13,706	(28,308)
Due to Consolidated Revenue Fund	88,790	(170,433)
Deferred contributions	25,849	(146,069)
	<u>1,324,045</u>	<u>496,919</u>

Cash flows from financing activities

Decrease in demand line of credit	<u>-</u>	<u>(1,000,000)</u>
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Cash flows from capital activities

Acquisition of capital assets	(129,149)	(143,825)
Proceeds from sale of capital assets	22,811	3,417
	<u>(106,338)</u>	<u>(140,408)</u>

Net increase (decrease) in cash	1,217,707	(643,489)
---------------------------------	-----------	-----------

Cash

Beginning of year	<u>388,853</u>	<u>1,032,342</u>
End of year	<u>\$ 1,606,560</u>	<u>\$ 388,853</u>

See accompanying notes to the financial statements.

Algonquin Forestry Authority

Notes to the Financial Statements

March 31, 2016

Algonquin Forestry Authority (the "Authority") is a Crown Agency which was established by the Ontario Government on January 4, 1975 under the Algonquin Forestry Authority Act, 1974. The Authority is responsible for forest management in Algonquin Provincial Park and operates on a not-for-profit basis. The Authority is exempt from income taxes under the Income Tax Act.

1. Significant accounting policies

Basis of accounting

The Authority's financial statements are prepared by management in accordance with Canadian Public Sector Accounting Standards including the 4200 standards for government not-for-profit organizations. A statement of remeasurement gains and losses has not been presented as there is nothing to report therein.

Fund accounting

The General Fund accounts for the Authority's revenue generating and administrative activities. The Forest Renewal Fund accounts for the forest management activities, including silvicultural work.

Revenue recognition

Revenue from product sales and forest renewal charges are recognized when the wood is delivered, and the customer takes ownership and assumes risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed and determinable.

The Authority accounts for contributions, which include government grants, under the deferral method of accounting as follows:

Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of a period are accrued. Grants relating to future periods are deferred and recognized in the subsequent period when the related activity occurs. Unrestricted contributions are recognized as revenue when received or receivable if the amounts can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the period in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on the same basis and at rates corresponding to those of the related capital assets.

Other income is recognized when earned.

Inventories held for sale

Inventories held for sale, which consist of harvested wood not yet delivered to customers, are measured at the lower of cost and net realizable value with cost being determined on the first-in, first-out basis. Cost includes all acquisition costs incurred in bringing inventory to its present location and condition. Net realizable value is estimated selling price in the ordinary course of business less any applicable selling expenses.

Algonquin Forestry Authority

Notes to the Financial Statements

March 31, 2016

1. Significant accounting policies (continued)

Capital assets

Capital assets are stated at cost. Amortization is provided on the straight-line basis using the following annual rates:

<u>Asset</u>	<u>Rate</u>
Automotive equipment and trailers	25%
Portable steel structures	20%
Technical and data processing equipment	10%
Furniture and fixtures	10%
Leasehold improvements	10%

The cost of bridges and access roads is amortized over the estimated number of operating seasons for which the bridges and roads are to be used, with a maximum amortization period of 10 years. Forest renewal assets are amortized on the same basis and at the same rates as the assets mentioned above.

Financial instruments

The Authority's financial assets and financial liabilities are accounted for as follows:

Cash is subject to an insignificant risk of change in value so carrying value approximates fair value.

Accounts receivable are recorded at amortized cost less any amount for valuation allowances. Valuation allowances are made to reflect accounts receivable at the lower of amortized cost and the net recoverable value, when collectability and risk of loss exists. Changes in valuation allowances are recognized in the Statement of Operations.

Accounts payable and accrued liabilities, contractors' performance holdbacks and Due to Consolidated Revenue Fund are recorded at amortized cost.

The Authority does not use derivative financial instruments.

Employee future benefits

The Authority provides termination benefits to qualifying employees for services rendered prior to January 1, 2016. The costs of severance entitlements under the *Public Service of Ontario Act* and unused vacation entitlements earned by employees during the year are accrued for in the financial statements. The costs of any legislated severance are recognized when earned by eligible employees.

Defined contribution plan accounting is applied to a multi-employer defined benefit plan for which the Authority has insufficient information to apply defined benefit plan accounting.

Algonquin Forestry Authority

Notes to the Financial Statements

March 31, 2016

1. Significant accounting policies (continued)

Measurement uncertainty

The preparation of 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 disclosures of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant items subject to such estimates and assumptions include determination of the allowance for doubtful accounts receivable and employee future benefits. Actual results could differ from those estimates. These estimates are reviewed periodically and as adjustments become necessary, they are reported in the statement of operations in the year in which they become known.

2. Accounts receivable

	2016	2015
Trade receivables	\$ 8,267,725	\$ 8,621,559
Billable stumpage and other	427,848	364,069
	8,695,573	8,985,628
Less allowance for doubtful accounts	(37,914)	(37,914)
	\$ 8,657,659	\$ 8,947,714

3. Capital assets

	2016	
Cost	Accumulated amortization	Net book value
Bridges and access roads	\$ 5,346,799	\$ -
Portable steel structures	681,279	51,682
Forest renewal assets	433,026	112,494
Automotive equipment	430,954	91,139
Technical equipment	176,007	5,087
Data processing equipment	74,720	6,052
Furniture and fixtures	50,608	-
Leasehold improvements	44,804	-
Trailers	23,432	8,803
	\$ 7,261,629	\$ 275,257

Algonquin Forestry Authority

Notes to the Financial Statements

March 31, 2016

3. Capital assets (continued)

	2015		
	Cost	Accumulated amortization	Net book value
Bridges and access roads	\$ 5,346,800	\$ 5,346,800	\$ -
Portable steel structures	681,278	606,977	74,301
Forest renewal assets	455,226	355,053	100,173
Automotive equipment	449,049	345,626	103,423
Technical equipment	199,564	192,774	6,790
Data processing equipment	149,267	149,267	-
Furniture and fixtures	83,358	83,358	-
Leasehold improvements	44,803	44,695	108
Trailers	18,386	14,159	4,227
	<u>\$ 7,427,731</u>	<u>\$ 7,138,709</u>	<u>\$ 289,022</u>

4. Deferred contributions

Deferred contributions represent unspent resources received from the Ontario Ministry of Natural Resources and Forestry ("the Ministry") in the current period and which relate to expenses of future periods. Changes in the deferred contributions balance are as follows:

	Road construction and maintenance	Public access road maintenance	2016 Total	2015 Total
Balance, beginning of year	\$ -	\$ -	\$ -	\$ 146,069
Add: contributions received in the year	1,584,209	300,000	1,884,209	1,365,882
Less: amount spent in the year	(1,584,209)	(274,151)	(1,858,360)	(1,511,951)
Balance, end of year	<u>\$ -</u>	<u>\$ 25,849</u>	<u>\$ 25,849</u>	<u>\$ -</u>

During 2015, the Authority incurred public access road maintenance expenses of \$169,142 which were not funded or reimbursed by the Ministry.

5. Employee future benefits

(a) Multi-employer pension plan

The Authority's full-time employees participate in the Public Service Pension Fund ("PSPF") which is a defined benefit pension plan for certain employees of the Province and many provincial agencies. The Province of Ontario, which is the sole sponsor of the PSPF, determines the Authority's annual payments to PSPF. As the sponsor is responsible for ensuring that the pension fund is financially viable, any surpluses or unfunded liabilities arising from the statutory actuarial funding valuations are not assets or obligations of the Authority. The Authority's annual payments of \$106,694 (2015 - \$108,932) are included in salaries and benefits in the Statement of Operations.

Algonquin Forestry Authority

Notes to the Financial Statements

March 31, 2016

5. Employee future benefits (continued)

(b) Termination benefits

The Authority provides termination benefits to qualifying employees. All full-time employees hired before April 1, 2014 qualify for a severance payment equal to one week of salary for each year of continuous service with the Authority provided before January 1, 2016, to a maximum of one-half of the employees' annual salary. During the year, the obligation for employee future benefits was curtailed due to changes under the *Public Service Act of Ontario*. The total obligation for vested severance payments amounts to \$436,834 (2015 - \$419,708) at year end.

(c) Non-pension post-retirement benefits

The cost of other non-pension post-retirement benefits is the responsibility of the Province of Ontario, a related party, and accordingly is not accrued or included in the Statement of Operations.

6. Deferred capital contributions

Deferred capital contributions related to capital assets represent the unamortized amount of grants received for the purchase of capital assets. The amortization of capital contributions is recorded as other revenue in the Statement of Operations.

	2016	2015
Balance, beginning of year	\$ 17,280	\$ 60,025
Less amounts amortized to revenue	(17,280)	(42,745)
Balance, end of year	\$ -	\$ 17,280

7. Forest renewal fund

Effective September 6, 2012, the Authority renewed its agreement with the Ministry, a related party, to perform forest management activities, including silvicultural work. Funding, on a cost recovery basis, for these activities is derived from stumpage charges levied under the Crown Forest Sustainability Act and grants from the Forestry Futures Fund. The term of the agreement commenced April 1, 2007 and expires March 31, 2027.

The agreement also requires the Authority to maintain a minimum balance of \$1,500,000 in the Forest Renewal Fund.

Algonquin Forestry Authority

Notes to the Financial Statements

March 31, 2016

8. Invested in capital assets

	2016	2015
(a) Investment in capital assets is calculated as follows:		
Capital assets	\$ 275,257	\$ 289,022
Amounts financed by;		
Deferred capital contributions	-	(17,280)
	<u>\$ 275,257</u>	<u>\$ 271,742</u>
(b) Change in net assets invested in capital assets is calculated as follows:		
Deficiency of revenues over expenses:	\$	\$
Amortization of deferred contributions related to capital assets	17,280	42,745
Amortization of capital assets	(142,914)	(159,067)
	<u>\$ (125,634)</u>	<u>\$ (116,322)</u>
(c) Net change in investment in capital assets:		
Purchase of capital assets	<u>\$ 129,149</u>	<u>\$ 143,825</u>

9. Interfund transfer

The Board of Directors has approved, by resolution, that any loss incurred in the Forest Renewal Fund resulting from forest renewal activity expenses exceeding revenues, net of related capital asset amortization, during the year which cannot be funded by the Forest Renewal Fund without causing the Forest Renewal Fund balance to fall below \$2,500,000 shall be funded by the General Fund. No amount has been transferred during the year (2015 - \$Nil).

10. Road maintenance funding

Included in General Fund Other Revenue is revenue of \$1.58 million (2015 - \$1.06 million) received by the Authority pursuant to an agreement with the Ministry. The purpose of the agreement is to provide the Authority with reimbursement of road construction and maintenance costs on eligible primary and secondary forest access roads where access to those roads is not limited to the forest industry. A portion of the Ministry funding was passed on to the Authority's customers through a rebate allocated on the basis of sales volumes. In fiscal year 2016, \$455,050 (2015 - \$304,000) was passed on to the Authority's customers and is netted in product sales in the Statement of Operations.

11. Remuneration of appointments

Total remuneration of the Board members of the Authority was approximately \$12,100 during the fiscal year (2015 - \$17,900).

Algonquin Forestry Authority

Notes to the Financial Statements

March 31, 2016

12. Financial instruments risk management

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 Authority's credit risk arises from its financial assets including cash and receivables. The Authority's receivables are due from various customers and from government agencies and are collectible. All cash deposits are held with financial institutions. As such, the Authority is not exposed to significant credit risk.

Liquidity risk

Liquidity risk is the risk that the Authority will not be able to meet all cash outflow obligations as they come due. The Authority is exposed to this risk mainly in respect of its accounts payable and accrued liabilities, contractors' performance holdbacks and amounts due to the Consolidated Revenue Fund. The Authority mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining adequate cash balances in the near-term if unexpected cash outflows arise.

13. Demand line of credit

As part of its financial arrangements, the Authority has negotiated a line of credit in the amount of \$1,500,000 with its banker. The line of credit is unsecured, due on demand and bears interest at the bank's prime rate minus 0.5%. As at March 31, 2016, no amount was outstanding under this facility (2015 - \$Nil).

14. Due to Consolidated Revenue Fund

Due to Consolidated Revenue Fund represents amounts owed by the Authority for Crown Stumpage charges incurred in the normal course of operations. Year end balances are normally settled in full in the first quarter of the following year.

15. Comparative figures

Comparative figures have been adjusted to conform to changes in the current year presentation.



Cancer Care Ontario

June 16, 2016

Management's Responsibility for Financial Information

Management and the Board of Directors are responsible for the financial statements and all other information presented in this financial statement. The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and, where appropriate, include amounts based on management's best estimates and judgements.

Cancer Care Ontario is dedicated to the highest standards of integrity and patient care. To safeguard Cancer Care Ontario's assets, a sound and dynamic set of internal financial controls and procedures that balance benefits and costs has been established. Management has developed and maintains financial and management controls, information systems and management practices to provide reasonable assurance of the reliability of financial information. Internal audits are conducted to assess management systems and practices, and reports are issued to the Audit Finance Committee.

For the fiscal year ended March 31, 2016, Cancer Care Ontario's Board of Directors, through the Audit Finance Committee, was responsible for ensuring that management fulfilled its responsibilities for financial reporting and internal controls. The Committee meets regularly with management, the internal auditor and the Auditor General to satisfy itself that each group had properly discharged its respective responsibility, and to review the financial statements before recommending approval by the Board of Directors. The Auditor General had direct and full access to the Audit Finance Committee, with and without the presence of management, to discuss their audit and their findings as to the integrity of Cancer Care Ontario's financial reporting and the effectiveness of the system of internal controls.

The financial statements have been examined by the Office of the Auditor General of Ontario. The Auditor General'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.

On behalf of Cancer Care Ontario Management,

Michael Sherar, PhD
President and CEO

Elham Roushani, BSc, CPA, CA
Vice President & Chief Financial Officer



Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

To Cancer Care Ontario
and to the Minister of Health and Long-Term Care

I have audited the accompanying financial statements of Cancer Care Ontario, which comprise the statement of financial position as at March 31, 2016 and the statements of operations, changes in fund balances, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Cancer Care Ontario as at March 31, 2016 and the results of its operations, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Toronto, Ontario
June 16, 2016

Bonnie Lysyk, MBA, CPA, CA, LPA
Auditor General

Cancer Care Ontario

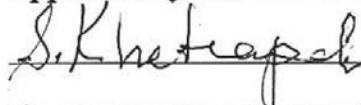
Statement of Financial Position

As at March 31, 2016

(in thousands of dollars)

	2016 \$	2015 \$
Assets		
Current assets		
Cash and cash equivalents (note 3)	55,500	73,769
Investments (note 4)	66,141	95,388
Receivables and prepaid expenses (note 5)	49,094	10,932
	<u>170,735</u>	<u>180,089</u>
Capital assets (note 6)	6,047	6,825
	<u>176,782</u>	<u>186,914</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	119,196	126,813
Non-current liabilities		
Deferred contributions related to capital assets (note 8)	4,277	6,049
Post-employment benefits other than pension plan (note 9(b))	2,511	2,438
	<u>6,788</u>	<u>8,487</u>
Fund Balances		
Endowment (note 2)	1,088	1,088
Internally restricted (note 2)	99	670
Externally restricted (note 2)	1,867	1,731
General - unrestricted (note 2)	45,974	45,097
Invested in capital assets (note 10)	1,770	3,028
	<u>50,798</u>	<u>51,614</u>
	<u>176,782</u>	<u>186,914</u>
Commitments (note 15)		
Contingencies (note 16)		
Guarantees (note 17)		

Approved by the Board of Directors



Director



Director

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

Cancer Care Ontario**Statement of Operations****For the year ended March 31, 2016**

(in thousands of dollars)

	Restricted		General		Total	
	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$
Revenue						
Ministry of Health and Long-Term Care	-	-	1,923,965	1,720,943	1,923,965	1,720,943
Ministry of Health and Long-Term Care capital funding for Integrated Cancer Programs	-	-	-	33,181	-	33,181
Amortization of deferred contributions related to capital assets (note 8)	-	-	2,092	13,476	2,092	13,476
Other revenue (note 12)	2,968	2,665	4,298	4,567	7,266	7,232
Investment income (note 11)	12	17	2,441	2,584	2,453	2,601
	2,980	2,682	1,932,796	1,774,751	1,935,776	1,777,433
Expenses						
Cancer and prevention related services	10	8	633,867	507,768	633,877	507,776
Chronic kidney disease services	-	-	621,421	612,557	621,421	612,557
Provincial drug reimbursement program	-	-	349,879	320,098	349,879	320,098
Screening services	-	-	153,534	147,993	153,534	147,993
Salaries and benefits (note 9)	2,322	2,003	100,703	97,446	103,025	99,449
Capital contributions to cancer related services	-	-	35,699	32,904	35,699	32,904
Other operating expenses (note 13)	233	190	26,180	28,069	26,413	28,259
Purchased services	673	985	6,255	9,015	6,928	10,000
Amortization of capital assets	-	-	3,667	15,364	3,667	15,364
Clinical translational research	-	-	2,149	3,344	2,149	3,344
Net loss on disposal of capital assets	-	-	-	74	-	74
	3,238	3,186	1,933,354	1,774,632	1,936,592	1,777,818
Excess (deficiency) of revenue over expenses	(258)	(504)	(558)	119	(816)	(385)

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

Cancer Care Ontario**Statement of Changes in Fund Balances****For the year ended March 31, 2016**

(in thousands of dollars)

						2016	2015
	Restricted			General	Invested		
	Endowment	Internally	Externally	unrestricted	in capital	Total	Total
	\$	\$	\$	\$	assets	\$	\$
Fund balances -							
March 31, 2015	1,088	670	1,731	45,097	3,028	51,614	51,999
Excess (deficiency)							
of revenue over							
expenses	-	(396)	138	(558)	-	(816)	(385)
Net change in							
invested in							
capital assets							
(note 10)	-	-	-	1,258	(1,258)	-	-
Interfund transfers							
(note 14)	-	(175)	(2)	177	-	-	-
Fund balances -							
March 31, 2016	1,088	99	1,867	45,974	1,770	50,798	51,614

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

Cancer Care Ontario**Statement of Cash Flows****For the year ended March 31, 2016**

(in thousands of dollars)

	2016 \$	2015 \$
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses	(816)	(385)
Amortization of capital assets	3,667	15,364
Amortization of deferred contributions related to capital assets	(2,092)	(13,476)
Net loss on disposal of capital assets	-	74
Post-employment benefits expense other than pension plan	244	243
Post-employment benefits paid other than pension plan	(171)	(176)
Change in non-cash operating working capital		
Receivables and prepaid expenses	(38,162)	20,239
Accounts payable and accrued liabilities	(7,617)	(18,118)
	<u>(44,947)</u>	<u>3,765</u>
Capital activities		
Purchase of capital assets	<u>(2,889)</u>	<u>(6,517)</u>
Investing activities		
Proceeds from maturity of investments	94,777	93,078
Purchase of investments	<u>(65,530)</u>	<u>(94,504)</u>
	<u>29,247</u>	<u>(1,426)</u>
Financing activities		
Amounts received related to capital assets	<u>320</u>	<u>2,823</u>
Decrease in cash and cash equivalents during the year	<u>(18,269)</u>	<u>(1,355)</u>
Cash and cash equivalents - Beginning of year	<u>73,769</u>	<u>75,124</u>
Cash and cash equivalents - End of year	<u>55,500</u>	<u>73,769</u>

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

Cancer Care Ontario

Notes to Financial Statements

March 31, 2016

(in thousands of dollars)

1 Nature of operations

Cancer Care Ontario (the Organization) is the provincial government agency responsible for driving health system performance improvement for Ontario's cancer and chronic kidney disease health systems. The Organization also supports achievement of Ontario's Wait Time and Emergency Room/Alternate Level of Care Strategies through the collection and provision of information that enables the government to measure, manage and improve access quality and efficiency of care. With this mandate, the Organization is responsible for the funding to continually improve health system performance to ensure that patients receive the right care, at the right time, in the right place, at every step of their journey.

The Organization's role includes working with healthcare providers in every region across the province to plan services that will meet current and future patient needs; to support providers in delivering the highest-quality care aligned to evidence-based standards and guidelines; and to work with administrators, doctors and other care providers to improve system efficiency and effectiveness.

The Organization also leads the development and implementation of innovative payment models; implements provincial programs designed to raise screening participation rates; translates research and evidence into standards and guidelines; puts information into the hands of the provincial policy makers; and ensures Ontarians have cancer and renal care systems that are accountable, efficient and of the highest quality by measuring and reporting on the performance of services.

The Organization is primarily funded by the Province of Ontario through the Ministry of Health and Long-Term Care (MOHLTC).

The Organization is a registered charity under the Income Tax Act (Canada) and, accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act are met. Members of the Board of Directors and Board Committees are volunteers who serve without remuneration.

2 Significant accounting policies**Basis of presentation**

These financial statements have been prepared in accordance with Public Sector Accounting Standards for government not-for-profit organizations as issued by the Public Sector Accounting Board.

Fund accounting

The Endowment Fund reports contributions subject to externally imposed stipulations specifying that the resources contributed be maintained permanently, unless specifically disendowed by the donor. Restricted investment income earned on Endowment Fund resources is recognized as revenue of the Externally Restricted Fund.

Investment income is recognized on an accrual basis. Interest income is accrued based on the number of days the investment is held during the year.

Cancer Care Ontario

Notes to Financial Statements

March 31, 2016

(in thousands of dollars)

The Internally Restricted Fund reports funds internally restricted by the Board of Directors for education, research or other special purposes.

The Externally Restricted Fund reports donations and grants which have restrictions placed on their use by the donor, primarily related to research. The Organization ensures, as part of its fiduciary responsibility, that all funds received with a restricted purpose are expended for the purpose for which they were provided.

The General Fund accounts for the Organization's MOHLTC and other funded programs. This Fund reports unrestricted resources, all restricted grants from MOHLTC, and restricted grants from others for which the Organization has no corresponding restricted fund.

Contributions

The Organization follows the restricted fund method of accounting for its restricted contributions. Restricted contributions are recognized as revenue of the Restricted Fund if the amount to be received can be reasonably estimated and ultimate collection is reasonably assured. Restricted contributions for which there is no corresponding Restricted Fund (including MOHLTC and other funded programs) are recognized as revenue in the General Fund using the deferral method.

Unrestricted contributions are recognized as revenue of the General Fund when the amount is reasonably estimable and collection is probable.

Unrestricted contributions received for the purpose of capital assets are recorded as deferred capital contributions related to capital assets and are amortized on the same basis as the related capital assets.

Contributions for endowment are recognized as revenue of the Endowment Fund in the year of receipt.

Cash and cash equivalents

The Organization considers deposits in banks, certificates of deposit and short-term investments with original maturities of three months or less as cash and cash equivalents.

Financial instruments

Financial instruments are measured at fair value when acquired or issued. In subsequent periods, financial instruments (including investments) are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when there is objective evidence of impairment. When there has been a loss in value of investments that is other than a temporary decline, the investment is written down and the loss is recorded in the statement of operations. For receivables, when a loss is considered probable, the receivable is reflected at its estimated net recoverable amount, with the loss reported on the statement of operations. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items subsequently measured at fair value and charged to the financial instrument for those measured at amortized cost.

Cancer Care Ontario

Notes to Financial Statements

March 31, 2016

(in thousands of dollars)

Capital assets

Capital assets are recorded at cost, less accumulated amortization and accumulated impairment losses, if any. Third party and internal labour costs are capitalized under software in connection with the development of information technology projects.

All capital assets are amortized on a straight-line basis at rates based on the estimated useful lives of the assets.

Therapeutic and other technical equipment are amortized over periods ranging from 4 years to 9 years; office furniture and equipment are amortized over periods ranging from 3 years to 5 years; and leasehold improvements are amortized over the term of the leases. Software is amortized over periods ranging from 3 years to 4 years.

Land and buildings for four lodges donated by the Canadian Cancer Society - Ontario Division are recorded at nominal value, as the fair value was not reasonably determinable at the time of the donation.

When a capital asset no longer has any long-term service potential to the Organization, the differential of its net carrying amount and any residual value, is recognized as a gain or loss, as appropriate, in the statement of operations.

Expenses

Expenses are recorded on an accrual basis.

Pension benefits and post-employment benefits other than pension plan

i) Pension costs

The Organization accounts for its participation in the Healthcare of Ontario Pension Plan (HOOPP), a multi-employer defined benefit pension plan, as a defined contribution plan, as the Organization has insufficient information to apply defined benefit plan accounting. Therefore, the Organization's contributions are accounted for as if the plan were a defined contribution plan with the Organization's contributions being expensed in the period they come due.

ii) Post-employment benefits other than pension plan

The cost of post-employment benefits other than pension plan is actuarially determined using the projected benefit method pro-rated on services and expensed as employment services are rendered. Adjustments to these costs arising from changes in estimates and actuarial experience gains and losses are amortized over the estimated average remaining service life of the employee groups on a straight-line basis.

Cancer Care Ontario

Notes to Financial Statements

March 31, 2016

(in thousands of dollars)

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Items subject to such estimates and assumptions include accruals and receivables related to drug expenditures. Actual results could differ from those estimates.

3 Cash and cash equivalents - restricted

Cash and cash equivalents include \$420 (2015 - \$417), which is restricted, as it relates to a pension plan that has been dissolved and is being held in escrow in the event that former members put forth a claim. These funds are subject to externally imposed restrictions and are not available for general use.

4 Investments

	2016 \$	2015 \$
Guaranteed investment certificates, redeemable on demand		
Interest at 1.75%, maturing September 5, 2017	44,861	-
Interest at 1.75%, maturing October 2, 2017	10,830	-
Interest at 1.75%, maturing November 3, 2017	10,450	-
Interest at 1.85%, maturing September 5, 2015	-	23,870
Interest at 1.80%, maturing September 5, 2015	-	10,103
Interest at 1.80%, maturing September 5, 2015	-	10,103
Interest at 1.90%, maturing October 2, 2015	-	10,636
Interest at 1.89%, maturing November 3, 2015	-	10,261
Interest at 1.90%, maturing January 7, 2016	-	10,224
Interest at 1.77%, maturing March 17, 2016	-	20,191
	66,141	95,388

5 Receivables and prepaid expenses

	2016 \$	2015 \$
Accounts receivable	16,644	7,990
Due from MOHLTC	30,765	1,140
Prepaid expenses	1,685	1,802
	49,094	10,932

Cancer Care Ontario

Notes to Financial Statements

March 31, 2016

(in thousands of dollars)

6 Capital assets

	2016		
	Cost	Accumulated	Net book
	\$	amortization	value
		\$	\$
Therapeutic and other technical equipment	4,242	4,100	142
Office furniture and equipment	7,426	6,319	1,107
Leasehold improvements	5,056	4,583	473
Land and building	1	-	1
Software	34,411	30,087	4,324
	51,136	45,089	6,047
	2015		
	Cost	Accumulated	Net book
	\$	amortization	value
		\$	\$
Therapeutic and other technical equipment	4,242	3,908	334
Office furniture and equipment	7,166	5,660	1,506
Leasehold improvements	5,052	4,194	858
Land and building	1	-	1
Software	31,786	27,660	4,126
	48,247	41,422	6,825

The cost of capital assets includes software under development of \$3,319 (2015 - \$746) and deposits for equipment and leasehold improvements of \$nil (2015 - \$766). Amortization of these amounts will commence when the asset is available for use.

7 Accounts payable and accrued liabilities

	2016	2015
	\$	\$
Trade payables	58,927	50,102
Accrued liabilities	49,207	67,939
Payable to MOHLTC	10,284	8,134
Payable to other funders	358	221
Pension escrow (note 3)	420	417
	119,196	126,813

Cancer Care Ontario

Notes to Financial Statements

March 31, 2016

(in thousands of dollars)

8 Deferred contributions related to capital assets

Deferred contributions related to capital assets represent the unamortized and unspent amount of funds received for the purchase of capital assets. The changes in the deferred contributions related to capital assets balance for the year are as follows:

	2016 \$	2015 \$
Balance - beginning of year	6,049	153,393
Amounts received related to capital assets	320	2,823
Amounts transferred to hospitals	-	(136,691)
Amounts recognized as revenue	(2,092)	(13,476)
Balance - end of year	4,277	6,049

During the 2014-15 fiscal year, the Organization transferred ownership of radiation treatment equipment and related software to the Integrated Cancer Program (ICP) Hospitals, where the equipment had been installed. The equipment was fully funded through a deferred capital grant, thus the transfer of ownership was completed at net book value. The equipment had a cost of \$326,889 and \$190,198 in accumulated amortization at the time of the transfer.

The balance of deferred capital contributions related to capital assets consists of the following:

	2016 \$	2015 \$
Unamortized capital contributions used to purchase capital assets	4,277	3,797
Unspent contributions	-	2,252
	4,277	6,049

9 Pension benefits and post-employment benefits

a) Pension plan

Employees of the Organization are members of HOOPP, which is a multi-employer contributory defined benefit pension plan. HOOPP members receive benefits based on length of service and the average annualized earnings during the five consecutive years that provide the highest earnings prior to retirement, termination or death.

Contributions to HOOPP made during the year by the Organization on behalf of its employees amounted to \$7,817 (2015 - \$7,264) and are included in the pension expenses, which reflect all amounts owing for the year, in the statement of operations.

Cancer Care Ontario
Notes to Financial Statements
March 31, 2016

(in thousands of dollars)

b) Post-employment benefits plan other than pension plan

Prior to January 1, 2006, the Organization offered non-pension, post-employment health and dental benefits to its active and retired employees. Effective January 1, 2006, the Organization offers non-pension, post-employment benefits only to its retired employees, who retired prior to January 1, 2006. Benefits paid during the year under this unfunded plan were \$171 (2015 - \$176). The actuarial valuation for the post-employment benefits other than pension plan is dated April 1, 2013 and has been extrapolated to March 31, 2016.

Information about the Organization's post-employment benefits other than pension plan is as follows:

	2016 \$	2015 \$
Accrued benefit obligation	2,935	3,635
Unamortized actuarial losses	(424)	(1,197)
	<hr/>	<hr/>
Post-employment benefits other than pension plan	2,511	2,438
	<hr/>	<hr/>

The movement in the employee future benefits liability during the year is as follows:

	2016 \$	2015 \$
Post-employment benefits other than pension plan - April 1, 2015	2,438	2,371
Expense related to post-retirement benefits	244	243
Funding contributions	(171)	(176)
	<hr/>	<hr/>
Post-employment benefits other than pension plan - March 31, 2016	2,511	2,438
	<hr/>	<hr/>
	2016 \$	2015 \$
Interest cost	117	144
Amortization of experience losses	127	99
	<hr/>	<hr/>
Total benefit expense	244	243
	<hr/>	<hr/>

Cancer Care Ontario

Notes to Financial Statements

March 31, 2016

(in thousands of dollars)

The actuarially determined present value of the accrued benefit obligation is measured using management's best estimates based on assumptions that reflect the most probable set of economic circumstances and planned courses of action as follows:

	2016	2015
Discount rate	3.00%	3.31%
Extended health care trend rate	6.25% in 2016 to 4.5% in 2023 and after	7.0% in 2015 to 5% in 2018 and after
Dental cost trend rates	3%	4%
Employee average remaining lifetime (years)	9.22	10.22

10 Invested in capital assets

	2016 \$	2015 \$
Capital assets	6,047	6,825
Amounts financed by deferred capital contributions (note 8)	(4,277)	(3,797)
	<u>1,770</u>	<u>3,028</u>

Change in net assets invested in capital assets is calculated as follows:

	2016 \$	2015 \$
Purchase of capital assets	2,889	6,517
Capital funding	(2,572)	(4,811)
Amortization of deferred contributions related to capital assets	2,092	13,476
Amortization of capital assets	(3,667)	(15,364)
Net book value of equipment transferred to hospitals	-	(136,691)
Deferred contributions transferred to hospitals	-	136,691
Disposal of capital assets	-	(74)
	<u>1,258</u>	<u>(256)</u>

11 Net investment income

Net investment income earned on the Endowment Fund resources in the amount of \$12 (2015 - \$17) is included in the Restricted Fund.

Cancer Care Ontario

Notes to Financial Statements

March 31, 2016

(in thousands of dollars)

12 Other revenue

	2016 \$	2015 \$
General Fund		
Public Health Ontario	2,313	2,351
Canadian Partnership Against Cancer	898	1,056
Other income	1,087	1,160
	<u>4,298</u>	<u>4,567</u>
Restricted Fund		
Grants	<u>2,968</u>	<u>2,665</u>

13 Other operating expenses

	2016 \$	2015 \$
Restricted Fund	<u>233</u>	<u>190</u>
General Fund		
Equipment	6,849	6,371
General office	5,278	5,655
Occupancy costs	5,176	5,177
Education and publications	3,600	4,225
Consulting services	2,712	4,544
Travel	1,481	1,353
Professional fees	279	505
Other expenses	805	239
	<u>26,180</u>	<u>28,069</u>

14 Interfund transfers

	2016 \$	2015 \$
Transfer to the General Fund from the Internally Restricted Fund	175	60
Transfer (from) to the General Fund (to) from the Externally Restricted Fund	<u>2</u>	<u>(4)</u>
	<u>177</u>	<u>56</u>

Cancer Care Ontario

Notes to Financial Statements

March 31, 2016

(in thousands of dollars)

15 Commitments

- a) The minimum rental payments for lease space and computer and office equipment under the terms of the operating leases are estimated as follows for the years ending March 31:

	\$
2017	7,378
2018	4,508
2019	897
2020	579
2021	520
	<hr/>
	13,882

- b) The Organization has committed \$nil (2015 - \$3,031) for the purchase of equipment, which is net of deposits disclosed in note 6.

16 Contingencies

The Organization is a member of the Healthcare Insurance Reciprocal of Canada (HIROC), which was established by hospitals and other organizations to self-insure. If the aggregate premiums paid are not sufficient to cover claims, the Organization will be required to provide additional funding on a participatory basis.

Since the inception, HIROC has accumulated an unappropriated surplus, which is the total of premiums paid by all subscribers plus investment income less the obligation for claims reserves and expenses and operating expenses. Each subscriber which has an excess of premium plus investment income over the obligation for their allocation of claims reserves and operating expenses may be entitled to receive distributions of their share of the unappropriated surplus at the time such distributions are declared by the Board of Directors of HIROC.

17 Guarantees

a) Director/officer indemnification

The Organization's general by-laws contain an indemnification of its directors/officers, former directors/officers and other persons who have served on board committees against all costs incurred by them in connection with any action, suit or other proceeding in which they are sued as a result of their service, as well as all other costs sustained in or incurred by them in relation to their service. This indemnity excludes costs that are occasioned by the indemnified party's own dishonesty, wilful neglect or default.

Cancer Care Ontario

Notes to Financial Statements

March 31, 2016

(in thousands of dollars)

The nature of the indemnification prevents the Organization from making a reasonable estimate of the maximum amount that it could be required to pay to counterparties. To offset any potential future payments, the Organization has purchased from HIROC directors' and officers' liability insurance to the maximum available coverage. The Organization has not made any payments under such indemnifications, and no amount has been accrued in the accompanying financial statements with respect to the contingent aspect of these indemnities.

b) Other indemnification agreements

In the normal course of its operations, the Organization executes agreements that provide for indemnification to third parties. These include, without limitation: indemnification of the landlords under the Organization's leases of premises; indemnification of the MOHLTC from claims, actions, suits or other proceedings based upon the actions or omissions of the representative groups of medical, radiation and gynaecology/oncology physicians under certain Alternate Funding Agreements; and indemnification of the Integrated Cancer Program host hospitals from claims, actions, costs, damages and expenses brought about as a result of any breach by the Organization of its obligations under the Cancer Program Integration Agreement and the related documentation.

While the terms of these indemnities vary based upon the underlying contract, they normally extend for the term of the contract. In most cases, the contract does not provide a limit on the maximum potential amount of indemnification, which prevents the Organization from making a reasonable estimate of its maximum potential exposure. The Organization has not made any payments under such indemnifications, and no amount has been accrued in the accompanying financial statements with respect to the contingent aspect of these indemnities.

18 Financial instruments

The Organization's financial instruments are exposed to certain financial risks, including credit risk, interest rate risk, and liquidity risk. There have been no significant changes from the previous year in the exposure to these risks or in methods used to measure these risks.

Credit risk

Credit risk arises from cash and cash equivalents and investments held with financial institutions and credit exposures on outstanding receivables. Cash and cash equivalents and investments are held at major financial institutions that have high credit ratings assigned to them by credit-rating agencies minimizing any potential exposure to credit risk. The Organization assesses the credit quality of the counterparties, taking into account their financial position and other factors. It is management's opinion that the risk related to receivables is minimal as most of the receivables are from federal and provincial governments and organizations controlled by them.

Cancer Care Ontario

Notes to Financial Statements

March 31, 2016

(in thousands of dollars)

The Organization's maximum exposure to credit risk related to accounts receivable at year-end was as follows:

	0 to 30 days \$	31 to 60 days \$	61 to 90 days \$	91 + days \$	Total \$
Accounts receivable	16,167	376	27	74	16,644
Due from MOHLTC	30,415	-	-	350	30,765
Amount receivable	46,582	376	27	424	47,409

As there is no indication that the Organization will not be able to recover these receivables, an impairment allowance has not been recognized.

Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of financial instruments will fluctuate due to changes in market interest rates. The Organization currently is only exposed to interest rate risk from its investments. The Organization does not expect fluctuations in market interest rates to have a material impact on its financial performance and does not use derivative instruments. The Organization mitigates interest rate risk on its investments by purchasing guaranteed investment certificates with short-term maturities and demand features.

As at March 31, 2016, a 1% fluctuation in interest rates, with all other variables held constant, will approximately increase/decrease the value of investments by \$351.

Liquidity risk

Liquidity risk is the risk the Organization will not be able to meet its cash flow obligations as they fall due. The Organization mitigates this risk by not incurring debt and monitoring cash activities and expected outflows through budgeting and maintaining investments that may be converted to cash in the near term if unexpected cash outflows arise. The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities:

	0 to 30 days \$	31 to 60 days \$	61 to 90 days \$	91 + days \$	Total \$
Trade payables	58,923	-	-	4	58,927
Accrued liabilities	48,338	759	15	95	49,207
Payable to MOHLTC	10,284	-	-	-	10,284
Payable to other funders	358	-	-	-	358
Pension escrow	-	-	-	420	420
Amount payable	117,903	759	15	519	119,196

19 Comparative figures

Comparative figures have been reclassified to conform to the expense groupings adopted in the current year.



The Centennial Centre of Science and Technology

ONTARIO
SCIENCE
CENTRE

CENTRE DES
SCIENCES
DE L'ONTARIO

June 22, 2016

Management's Responsibility for Financial Information

Management and the Board of Trustees of The Centennial Centre of Science and Technology are responsible for the financial statements and all other information presented in the Annual Report. The financial statements have been prepared by Management in accordance with Canadian public sector accounting standards, and, where appropriate, include amounts based on Management's best estimates and judgments.


The Centennial Centre of Science and Technology is dedicated to the highest standards of integrity in its business. To safeguard assets, The Centennial Centre of Science and Technology has a sound set of internal financial controls and procedures that balance benefits and costs. Management has developed and maintains financial and management controls, information systems and management practices to provide reasonable assurance of the reliability of financial information.

The Finance and Operations Committee and the Board of Trustees meet quarterly to oversee the financial activities of The Centennial Centre of Science and Technology, including an annual review of the financial statements and the Auditor General's report. The Finance and Operations Committee recommends the financial statements to the Board of Trustees for approval. The financial statements have been approved by the Board of Trustees.

The financial statements have been audited by the Office of the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian public sector accounting standards. The Independent Auditor's Report that appears as part of the financial statements outlines the scope of the Auditor's examination and opinion.



Maurice Bitran, Ph.D.
Chief Executive Officer



Nancy Rowland
Chief Operating Officer

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Un organisme du gouvernement de l'Ontario



Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

To the Board of Trustees of The Centennial Centre of Science and Technology and to the Minister of Tourism, Culture and Sport

I have audited the accompanying financial statements of The Centennial Centre of Science and Technology, which comprise the statement of financial position as at March 31, 2016, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of The Centennial Centre of Science and Technology as at March 31, 2016 and the results of its operations, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Toronto, Ontario
June 22, 2016

Susan Klein, CPA, CA, LPA
Assistant Auditor General

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The Centennial Centre of Science and Technology

Statement of Financial Position

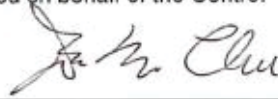
As at March 31, 2016

	2016 (\$ 000)	2015 (\$ 000)
ASSETS		
Current		
Cash	11,186	7,321
Accounts receivable (Note 4)	1,353	1,186
Prepaid expenses	970	1,070
Inventory of general stores	106	108
	13,615	9,685
Capital Assets (Note 5)	11,955	18,431
	25,570	28,116
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities	3,156	3,117
Deferred revenue	4,032	3,447
Due to the Province of Ontario	924	876
Loan payable to Ontario Financing Authority (Note 12)	500	500
	8,612	7,940
Long-Term Liabilities		
Accrued employee benefit obligation (Note 11(c))	3,237	4,125
Loan payable to Ontario Financing Authority (Note 12)	-	500
	3,237	4,625
Deferred Capital Contributions (Note 6)	8,895	13,071
Deferred Concessionaire Revenue (Note 7)	-	36
Net Assets		
Invested in capital assets (Note 8)	3,060	5,360
Accumulated surplus (deficit)	1,766	(2,916)
	4,826	2,444
	25,570	28,116

Commitments and Contingencies (Note 14)

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

Approved on behalf of the Centre:


Trustee


Trustee

The Centennial Centre of Science and Technology

Statement of Operations

For the Year Ended March 31, 2016

	2016 (\$ 000)	2015 (\$ 000)
Revenue		
Province of Ontario		
Operating grant	15,476	15,476
Occupancy grant (Note 14)	3,888	3,888
Other grants	202	78
General Admission and Parking Fees	5,201	4,615
Revenue from Ancillary Operations (Schedule 1)	12,114	9,925
Corporate Donations – Agents of Change Project (Note 15)	115	137
	<u>36,996</u>	<u>34,119</u>
Expenses		
General Operations		
Exhibits and Programs	2,714	2,727
Marketing and Advertising	1,804	2,162
Visitor Services	3,116	3,192
Facility Operations	5,219	5,330
Program Management	3,641	3,503
Administration	3,937	4,010
Occupancy Costs (Note 14)	5,256	5,150
Expenses from Ancillary Operations (Schedule 1)	8,323	7,336
Agents of Change project (Note 15)	115	137
	<u>34,125</u>	<u>33,547</u>
Net income before amortization and undernoted items	<u>2,871</u>	<u>572</u>
Less:		
Amortization of Deferred Capital Contributions (Note 6)	5,829	5,544
Amortization Expense	(7,206)	(6,996)
	<u>(1,377)</u>	<u>(1,452)</u>
Net income (loss) before undernoted items	1,494	(880)
Add:		
Undernoted items – Curtailment of accrued employee benefit obligation (Note 11 (c))	888	-
– One Time Operating Grant from Province of Ontario	-	800
– Gain on Sale of Rental Exhibit	-	1,326
	<u>888</u>	<u>2,126</u>
Net income for the year	<u>2,382</u>	<u>1,246</u>

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

The Centennial Centre of Science and Technology

Statement of Changes in Net Assets For the Year Ended March 31, 2016

	2016 (\$ 000)			2015 (\$ 000)
	Invested in Capital Assets	Accumulated Surplus (Deficit) from Operations	Total	Total
Balance, beginning of year	5,360	(2,916)	2,444	1,198
Investment in capital assets	(923)	923	-	-
Net income (loss) for the year	(1,377)	3,759	2,382	1,246
Balance, end of year	3,060	1,766	4,826	2,444

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

The Centennial Centre of Science and Technology

Statement of Cash Flows

For the Year Ended March 31, 2016

	2016 (\$ 000)	2015 (\$ 000)
Cash Flows from Operating Activities		
Net income for the year	2,382	1,246
Adjustments for items not requiring an outlay of cash		
• Gain on sale of capital assets	-	(1,326)
• Amortization of capital assets	7,206	6,996
• Amortization of deferred capital contribution	(5,829)	(5,544)
• Amortization of long term portion of deferred concessionaire revenue	(36)	(214)
• Curtailment of accrued employee benefit obligation	(888)	-
	2,835	1,158
Accrued employee benefit obligation	-	(17)
Net change in non-cash working capital	607	1,632
Net cash provided by operating activities	3,442	2,773
Cash Flows used in Capital Activities		
Capital Assets acquisitions	(730)	(2,036)
Proceeds on sale of capital assets, net	-	1,326
Net cash used in capital activities	(730)	(710)
Cash Flows from Financing Activities		
Loan repayment – Ontario Financing Authority	(500)	(500)
Deferred capital contributions	1,653	1,352
Net cash generated from financing activities	1,153	852
Net change in cash for the year	3,865	2,915
Cash, beginning of year	7,321	4,406
Cash, end of year	11,186	7,321

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

The Centennial Centre of Science and Technology

Schedule of Revenue and Expenses from Ancillary Operations For the Year Ended March 31, 2016

Schedule 1

	2016 (\$ 000)			2015 (\$ 000)		
	Revenue	Expenses	Net	Revenue	Expenses	Net
OMNIMAX® Theatre	1,203	1,291	(88)	1,354	1,205	149
International Sales and Rentals	2,605	2,197	408	1,466	1,640	(174)
Educational Programs & Admission	1,153	1,606	(453)	1,302	1,657	(355)
Recreation & Family Learning						
Experiences	1,127	783	344	988	767	221
Memberships	2,252	504	1,748	2,217	598	1,619
Concessions	428	101	327	519	95	424
Interest	133	-	133	119	-	119
Adult & Corporate Learning Experiences	716	443	273	554	421	133
Sponsorship/Donations	2,657	1,152	1,505	1,333	570	763
Program Support and Other Revenue	42	32	10	151	156	(5)
Bank & Service Fees	-	214	(214)	-	227	(227)
	12,316	8,323	3,993	10,003	7,336	2,667
Less: Federal and Provincial Programs	(202)	-	(202)	(78)	-	(78)
Totals	12,114	8,323	3,791	9,925	7,336	2,589

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

The Centennial Centre of Science and Technology

Notes to Financial Statements

March 31, 2016

1. Nature of the Business

The Centennial Centre of Science and Technology, commonly known as the Ontario Science Centre (the Centre), a government agency of the Province of Ontario, was incorporated without share capital pursuant to the *Centennial Centre of Science and Technology Act*. The objectives of the Centre are to:

- a) maintain and operate a science centre and related facilities that will stimulate the interest of the public;
- b) conduct a program of education in the origins, development and progress of science and technology, and their relationship to society;
- c) depict the role of Ontario in the furtherance of science and technology; and
- d) collect, manufacture, market, exhibit and sell objects and displays.

As an Ontario Crown agency, the Centre is exempted from federal and provincial income taxes.

2. Basis of Presentation

These financial statements are prepared in accordance with the Public Sector Accounting Standards, which constitutes generally accepted accounting principles for government not-for-profit organizations in Canada ("GAAP"). The Centre has chosen to use the standards for government not-for-profit organizations that include the 4200 series of the Public Sector Accounting Standards.

3. Significant Accounting Policies

The significant accounting policies followed to prepare these financial statements are summarized below:

(A) REVENUE RECOGNITION

Government grants are recognized on a monthly basis as they are used for their intended purposes.

Revenue from exhibits manufactured for sale is recognized on a percentage-of-completion basis.

Revenues from general admissions, parking and other ancillary operations are recognized when the services are provided.

Pledged donations, other than those designated for capital purposes, are recognized as revenue when funds are received.

(B) ALLOCATION OF EXPENSES

Expenses are reported in the Statement of Operations on a functional basis. The costs of each function include the salaries and benefits, supplies, and other expenses that are directly related to the function. The Centre also incurs general support expenses in the variety of activities it undertakes. These expenses are considered a function in their own right and are reported as Administration expenses.

The Centennial Centre of Science and Technology

Notes to Financial Statements

March 31, 2016

3. Significant Accounting Policies (Continued)

(C) DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the amount of donations and government grants received and used, or to be used to acquire capital assets that have not yet been recognized as revenue. Revenue is recognized over the same period as the expected life of the capital assets to which they relate.

(D) DEFERRED REVENUE

Deferred revenue is comprised mainly of deferred sponsorships, the unexpired portion of annual membership fees and deposits for future exhibit rentals. The Centre has also recorded deferred concessionaire fee revenues relating to an agreement described in note 7.

(E) CAPITAL ASSETS

Capital assets are recorded at cost less accumulated amortization. Amortization begins when capital assets are ready for use. Amortization is calculated using the straight-line method over the estimated useful lives of the assets as indicated below:

OMNIMAX® Theatre Leasehold Improvements	20 years
Leasehold Improvements	10 years
Exhibits	10 years
Exhibits – Rentals	4 or 5 years
Furniture, Fixtures and Equipment	5 years
Computers	3 years

The land on which the Centre is located is leased from the City of Toronto for \$1 per annum on a 99-year lease, which commenced July 1, 1965. The Province owns the buildings, which house the Centre. For details of occupancy costs see note 14.

(F) INVENTORY

General stores inventory is valued at cost using the first-in, first-out (FIFO) method.

(G) FINANCIAL INSTRUMENTS

The Centre's financial instruments, which include cash, accounts receivable, and accounts payable and accrued liabilities, due to the Province of Ontario and loan payable to Ontario Financing Authority, are all valued at cost less any amount for valuation allowance.

The Centennial Centre of Science and Technology

Notes to Financial Statements

March 31, 2016

3. Significant Accounting Policies (Continued)

(H) USE OF ESTIMATES

The preparation of financial statements in accordance with the Public Sector Accounting Standards requires that management make estimates and assumptions that affect the reported amount of assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions may change over time as new information is obtained or subsequent developments occur. Actual amounts could differ from these estimates. The items subject to the most significant estimates are amortization of capital assets, accrued liabilities and accrued employee benefit obligation.

(I) EMPLOYEE BENEFITS

The costs of severance entitlements under the *Public Service of Ontario Act* and unused vacation entitlements earned by employees during the year are accrued for in the financial statements. The costs of any legislated severance are recognized when earned by eligible employees.

4. Risks Related to Financial Instruments

The risks related to the Centre's financial instruments are as follows:

Credit risk – The Centre's exposure to credit risk is minimal. The Centre determines on a continuing basis, the probable credit losses and sets up a provision for losses, if necessary, based on the estimated realizable value.

Below the accounts receivable aging is summarized:

				(\$ 000)
	Current	+60 Days	+90 Days	Total
General Accounts Receivable	505	-	13	518
Admissions	193	-	-	193
Facility Rental	6	-	-	6
International Sales	609	-	27	636
Totals	1,313	-	40	1,353

Currency risk – The Centre realizes approximately 3.93% (2015: 2.29%) of its total revenue in foreign currency. Consequently, some assets and revenues are exposed to foreign exchange fluctuations. Cash, accounts receivable and deferred revenue in US dollars are converted into Canadian dollars at year-end.

Liquidity risk – The Centre's exposure to liquidity risk is minimal as the Centre has a sufficient cash balance to settle all current financial liabilities. As of March 31, 2016, the Centre had liquid current assets of \$12,645,000 (2015: \$8,615,000) to settle current financial liabilities of \$4,891,000 (2015: \$4,875,000). During the year, the Centre's liquidity was stable as non-recurring cash receipts totaled Nil (2015: \$2,126,000).

The Centennial Centre of Science and Technology

Notes to Financial Statements

March 31, 2016

5. Capital Assets

Capital assets consist of the following:

	2016 (\$ 000)			2015 (\$ 000)
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Leasehold Improvements	34,973	30,565	4,408	7,530
Exhibits	28,283	22,625	5,658	8,070
OMNIMAX® Theatre Leasehold Improvements	15,331	15,286	45	853
Exhibits – Rentals	1,500	968	532	460
Furniture, Fixtures and Equipment	1,589	1,152	437	535
Computers	2,490	1,615	875	983
Total	84,166	72,211	11,955	18,431

Net carrying amounts of Capital Assets (work-in-progress) not being amortized as at March 31:

	2016 (\$ 000)	2015 (\$ 000)
Computers	341	174
Leasehold Improvements	2	762
Exhibits - Rentals	311	-
Furniture, Fixtures and Equipment	5	71
Total	659	1,007

The Centennial Centre of Science and Technology

Notes to Financial Statements

March 31, 2016

6. Deferred Capital Contributions

The changes in the deferred capital contributions balance are as follows:

	2016	2015
	(\$ 000)	(\$ 000)
Balance, beginning of year	13,071	17,263
Net additions/transfers during year	1,653	1,352
Amortization of deferred capital contributions	(5,829)	(5,544)
	<u>8,895</u>	<u>13,071</u>

The ending balance of deferred capital contributions consists of the following:

	2016	2015
	(\$ 000)	(\$ 000)
Agents of Change Project	124	3,289
Health and Safety Initiatives	7,241	7,405
Exhibits	1,347	1,520
OMNIMAX® Theatre	-	454
Exhibits – Rentals	183	403
	<u>8,895</u>	<u>13,071</u>

7. Deferred Concessionaire Revenue

The Centre entered into an agreement in January 2009 with the food services concessionaire, Compass Group Canada Ltd. Under the terms of this agreement, it received an upfront payment of \$1,500,000 on June 1, 2009 in exchange for reduced food services concession fee revenues over the term of the agreement. The \$1,500,000 was spent on food service area renovations at the Centre and will be recognized as concessions revenue evenly over the term of the agreement to May 31, 2016. Up to March 31, 2016, the Centre has recognized \$1,464,000 as concessionaire revenue. The remainder of \$36,000 has been deferred and is included in accounts payable and accrued liabilities.

8. Invested in Capital Assets

Invested in capital assets represents the following:

	2016	2015
	(\$ 000)	(\$ 000)
Capital assets, net	11,955	18,431
Less amount financed by deferred capital contributions	(8,895)	(13,071)
	<u>3,060</u>	<u>5,360</u>

The Centennial Centre of Science and Technology

Notes to Financial Statements

March 31, 2016

9. Property Maintenance and Repairs

Certain major maintenance and repair expenses of the Centre are absorbed by the Province of Ontario, through Ontario Infrastructure and Lands Corporation, and are not included in the Statement of Operations.

10. Economic Dependence

The Centre is dependent on the Province of Ontario for financial assistance to cover some of the cost of operations.

11. Employee Benefits

(A) PENSION BENEFITS

The Centre's full-time employees participate in the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Union Pension Fund (OPSEU-PF), which are defined benefit pension plans for employees of the Province and many provincial agencies. The Province of Ontario, which is the sole sponsor of the PSPF and a joint sponsor of the OPSEU-PF, determines the Centre's annual payments to the funds. As the sponsors are responsible for ensuring that the pension funds are financially viable, any surpluses or unfunded liabilities arising from statutory actuarial funding valuations are not assets or obligations of the Centre.

The Centre's annual payment of \$1,289,994 for the current year (2015: \$1,311,172), is included in salaries and employee benefit costs allocated to various expense categories in the Statement of Operations. See also note 13.

(B) POST-EMPLOYMENT NON-PENSION BENEFITS

The cost of post-employment non-pension benefits are paid by the Treasury Board Secretariat and are not included in the Statement of Operations.

(C) ACCRUED EMPLOYEE BENEFIT OBLIGATION

During the year, the accrued employee benefit obligation was reduced by \$888,000, which is shown as the curtailment of the accrued employee benefit obligation on the Statement of Operations. This was a result of the following:

- \$983,000 reduction due to the curtailment of the plan resulting from changes under the *Public Service Act of Ontario*; and
- \$95,000 increase in the accrued employee benefit obligation prior to the curtailment

The accrued employee benefit obligation was calculated using the projected benefit method based on the following assumptions, which are consistent with the Province of Ontario's December 31, 2014 actuarial valuation: wage and salary escalation of 1.86% (2015: 1.92%); discount factor of 0.73 (2015: 0.80); and estimated average years to retirement of 10.04 years (2015: 10.56 years). These assumptions are management's best estimate of future inflation rates, employee salary levels and other underlying assumptions.

The Centennial Centre of Science and Technology

Notes to Financial Statements

March 31, 2016

12. Loan Payable to Ontario Financing Authority

In 2005/06, the Ontario Financing Authority (OFA) lent the Centre \$10,000,000, at short-term interest rates determined by the OFA and payable quarterly. The Centre had repaid \$9,500,000 of the principal loan balance by March 31, 2016. The remaining balance is to be repaid by March 2017.

13. Breakdown of Expenses

Expenses are reported in the Statement of Operations on a functional basis. Total expenses by type are as follows:

	2016 (\$ 000)	2015 (\$ 000)
Salaries and Benefits	20,287	20,367
Other Direct Operating Expenses	13,838	13,180
	<u>34,125</u>	<u>33,547</u>

14. Commitments and Contingency

(A) OCCUPANCY COST

The Province, through Ontario Infrastructure and Lands Corporation, charges the Centre an accommodation fee for occupying its facilities. The fee covers rent, taxes, maintenance and certain operating costs. The lease is being renewed on a year-to-year basis until a new agreement is reached between the Centre and the Province. The minimum lease payment for the coming year is \$4,831,000. The Centre received a grant of \$3,888,000 from the Ministry of Tourism, Culture and Sport to fund a portion of this expenditure.

(B) EXHIBITS AND SERVICES

The Centre has committed to the rental of several exhibits which have contracts over the next year. Additionally, the Centre has entered into contracts for various maintenance and utility services spanning several years. Total committed costs relating to exhibit rentals and maintenance contracts for the next four fiscal years are as follows;

	(\$ 000)
2016/17	2,556
2017/18	502
2018/19	262
2019/20	201

The Centennial Centre of Science and Technology

Notes to Financial Statements

March 31, 2016

15. Pledges for Agents of Change Project and Other Programs

In 2001 the Centre embarked on a capital project called Agents of Change, which focuses on innovation and has renewed about one quarter of the Centre's public space, including the creation of seven new Experience Areas. Up to March 31, 2016, the Centre has received approximately \$45,970,000 of contributions, \$16,500,000 of which was received from the Government of Ontario and the remainder from private sector companies or individuals.

As well, the Centre is active in obtaining sponsorships and donations from the private sector to support new projects, experiences and operations.

Amounts pledged and agreed to but not yet received from the private sector have not been recognized as revenue, deferred revenue or deferred capital contributions as of March 31, 2016 and are as follows:

	Agents of Change	Other Programs
	(\$ 000)	
2016/17	490	645
2017/18	490	655
2018/19	485	330
2019/20	-	250
	<u>1,465</u>	<u>1,880</u>

**Education Quality and
Accountability Office**

2 Carlton Street, Suite 1200
Toronto ON M5B 2M9
Telephone: 1-888-327-7377
Fax: 416-325-0831
Web site: www.eqao.com

MANAGEMENT REPORT**Management's Responsibility for Financial Reporting**

The accompanying financial statements of the Education Quality and Accountability Office (EQAO) for the year ended March 31, 2016, are the responsibility of management and have been prepared in accordance with Canadian public sector accounting standards. The significant accounting policies followed by EQAO are described in the summary of Significant Accounting Policies contained in Note 1 of the financial statements. 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 prepared within reasonable limits of materiality and in light of information available up to May 13, 2016.

Management maintained a system of internal controls designed to provide reasonable assurance that the assets were safeguarded and that reliable information was available on a timely basis. The system included formal policies and procedures and an organizational structure that provided for the appropriate delegation of authority and segregation of responsibilities.

These financial statements have been examined by KPMG LLP, a firm of independent external auditors appointed by EQAO's Board of Directors. The external auditors' responsibility is to express their opinion on whether the financial statements are fairly presented in accordance with Canadian public sector accounting standards. The Auditor's Report, which follows, outlines the scope of their examination and their opinion.

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

On behalf of management,

A handwritten signature in black ink that reads 'Bruce Rodrigues'.

Bruce Rodrigues
Chief Executive Officer

A handwritten signature in black ink that appears to be 'T. Saini'.

Tony Saini
Director, Corporate and Public Affairs

Toronto, Canada
June 9, 2016



KPMG LLP
Yonge Corporate Centre
4100 Yonge Street, Suite 200
Toronto ON M2P 2H3
Canada
Tel 416-228-7000
Fax 416-228-7123

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Education Quality and Accountability Office

We have audited the accompanying financial statements of the Education Quality and Accountability Office, which comprise the statement of financial position as at March 31, 2016, the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Education Quality and Accountability Office as at March 31, 2016, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants, Licensed Public Accountants

June 9, 2016
Toronto, Canada

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Statement of Financial Position

March 31, 2016, with comparative information for 2015

	2016	2015
Financial Assets		
Current assets:		
Cash	\$ 2,533,389	\$ 1,010,068
Cash - board restricted fund (note 2(b))	6,062,272	5,571,796
Accounts receivable (note 3)	658,445	1,297,817
	<u>9,254,106</u>	<u>7,879,681</u>

Financial Liabilities

Current liabilities:		
Accounts payable and accrued liabilities	2,420,695	1,602,465
	<u>2,420,695</u>	<u>1,602,465</u>
Net financial assets	6,833,411	6,277,216

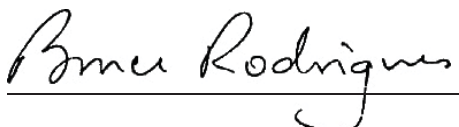
Non-Financial Assets

Prepaid expenses (note 4)	1,299,480	1,004,486
Tangible capital assets (note 5)	2,688,445	3,295,290
	<u>3,987,925</u>	<u>4,299,776</u>
Accumulated surplus	<u>\$ 10,821,336</u>	<u>\$ 10,576,992</u>

See accompanying notes to financial statements.

On behalf of the Board:

 Chair

 Chief Executive Officer

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Statement of Operations and Accumulated Surplus

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

	2016 Budget (Note 10)	2016 Actual	2015 Actual
Revenue:			
Ministry of Education:			
Base allocation payments	\$ 33,170,847	\$ 31,797,210	\$ 32,133,580
Other	—	537,532	585,128
	33,170,847	32,334,742	32,718,708
Expenses:			
Service and rental	18,344,408	17,125,105	17,509,674
Salaries and wages	11,624,226	12,098,864	11,700,123
Transportation and communication	2,219,258	1,961,348	2,625,810
Supplies and equipment	982,955	905,081	736,887
	33,170,847	32,090,398	32,572,494
Annual surplus	—	244,344	146,214
Accumulated surplus, beginning of year	10,576,992	10,576,992	10,430,778
Accumulated surplus, end of year	\$ 10,576,992	\$ 10,821,336	\$ 10,576,992
Accumulated surplus comprises:			
Externally restricted		\$ 4,759,064	\$ 5,005,196
Internally restricted (note 2(b))		6,062,272	5,571,796
		\$ 10,821,336	\$ 10,576,992

See accompanying notes to financial statements.

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Statement of Changes in Net Financial Assets

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

	2016 Budget (Note 10)	2016 Actual	2015 Actual
Annual surplus	\$ —	\$ 244,344	\$ 146,214
Acquisition of tangible capital assets	—	(31,971)	(2,914,353)
Amortization of tangible capital assets	639,032	638,816	475,161
	639,032	606,845	(2,439,192)
Acquisition of prepaid expenses	—	(1,299,480)	(1,004,486)
Use of prepaid expenses	—	1,004,486	779,608
	—	(294,994)	(224,878)
Increase (decrease) in net financial assets	639,032	556,195	(2,517,856)
Net financial assets, beginning of year	6,277,216	6,277,216	8,795,072
Net financial assets, end of year	\$ 6,916,248	\$ 6,833,411	\$ 6,277,216

See accompanying notes to financial statements.

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Statement of Cash Flows

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

	2016	2015
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 244,344	\$ 146,214
Amortization of tangible capital assets which does not affect cash	638,816	475,161
	883,160	621,375
Change in non-cash operating working capital:		
Accounts receivable	639,372	(788,526)
Accounts payable and accrued liabilities	818,230	(96,679)
Prepaid expenses	(294,994)	(224,878)
	2,045,768	(488,708)
Financing activities:		
Acquisition of tangible capital assets	(31,971)	(2,914,353)
Investing activities:		
Change to board restricted fund	(490,476)	1,947,910
Increase (decrease) in cash	1,523,321	(1,455,151)
Cash, beginning of year	1,010,068	2,465,219
Cash, end of year	\$ 2,533,389	\$ 1,010,068

See accompanying notes to financial statements.

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Notes to Financial Statements

Year ended March 31, 2016

The Education Quality and Accountability Office (the "Agency") was established by the Province of Ontario by the EQAO Act, June 1996. The Agency was created to assure greater accountability and to contribute to the enhancement of the quality of education in Ontario. This is done through assessments and reviews based on objective, reliable and relevant information, and the timely public release of that information along with recommendations for system improvement.

1. Significant accounting policies:

These financial statements, which have been prepared in accordance with Canadian public sector accounting standards, as established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada ("CPA Canada") and, where applicable, the recommendations of the Accounting Standards Board of CPA Canada, reflect the accounting policies set out below:

(a) Revenue recognition:

The Agency is funded by the Ministry of Education in accordance with established budget arrangements. The Agency receives base allocation payments in accordance with the fiscal year's approved budget. These transfer payments are recognized in the financial statements in the year in which the transfer is authorized and all eligibility criteria have been met, except when a transfer gives rise to a liability.

Other revenue is recognized at the time the service is rendered.

(b) Tangible capital assets:

Tangible capital assets are stated at cost less accumulated amortization. Tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer equipment	3 to 10 years
Furniture and fixtures	5 years

For assets acquired or brought into use during the year, amortization is calculated from the month following that in which additions come into operation.

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Notes to Financial Statements (continued)

Year ended March 31, 2016

1. Significant accounting policies (continued):

The Agency considers the carrying value of tangible capital assets when events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the Agency expects an asset to generate cash flows less than the asset's carrying value, at the lowest level of identifiable cash flows, the Agency recognizes a loss for the difference between the asset's carrying value and its fair value.

(c) Measurement uncertainty:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Such estimates include providing for amortization of tangible capital assets. Actual results could differ from those estimates.

2. Accumulated surplus:**(a) Externally restricted accumulated surplus:**

The Agency receives base allocation payments in accordance with the year's approved budget. Actual expenses incurred in the year could differ from the budgeted amounts. The difference between base allocation payments received and actual expenses incurred are tracked separately as externally restricted accumulated surplus.

(b) Internally restricted accumulated surplus:

A board restricted fund was established by a Board of Directors' ("Board") resolution for the purpose of examining assessment processes and researching emerging methodologies in large scale assessment in order to maintain Ontario's high quality assessment programs as best of class. The fund is currently invested in a Royal Bank of Canada current account. The Agency has the authority to retain any revenue that is not provincial funding according to the EQAO Act, June 1996, the Agency Establishment and Accountability Directive and the Financial Administration Act.

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Notes to Financial Statements (continued)

Year ended March 31, 2016

2. Accumulated surplus (continued):

	2016	2015
Balance, beginning of year	\$ 5,571,796	\$ 7,519,706
Appropriation of other income	444,819	462,114
Interest income earned on funds	90,752	122,384
Cost associated with fee-based administration (note 8)	(45,095)	(46,032)
Costs associated to IT strategy	–	(2,486,376)
Balance, end of year	\$ 6,062,272	\$ 5,571,796

In the prior year, the Board approved a motion to fully restrict the internally restricted accumulated surplus for the Board-approved IT strategy.

3. Accounts receivable:

Included in accounts receivable is a transfer payment in the amount of \$211,988 (2015 - \$851,490) due from the Ministry of Education.

4. Prepaid expenses:

Prepaid expenses are paid in cash and recorded as assets before they are used or consumed. As at year end, the balance is made up of the following amounts:

	2016	2015
Prepaid expenses	\$ 481,200	\$ 322,308
Prepaid secondees	818,280	682,178
	\$ 1,299,480	\$ 1,004,486

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Notes to Financial Statements (continued)

Year ended March 31, 2016

5. Tangible capital assets:

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment	\$ 5,429,687	\$ 2,814,879	\$ 2,614,808	\$ 3,236,530
Furniture and fixtures	349,517	275,880	73,637	58,760
	<u>\$ 5,779,204</u>	<u>\$ 3,090,759</u>	<u>\$ 2,688,445</u>	<u>\$ 3,295,290</u>

Amortization of tangible capital assets recorded in the current year amounts to \$638,816 (2015 - \$475,161).

6. Lease commitments:

The Agency leases premises under a long-term lease that expires on December 31, 2017. Under the terms of the lease, the Agency is required to pay an annual base rent, which is predetermined based on square footage rates plus operating and maintenance charges. Future minimum annual scheduled payments are as follows:

2017	\$ 1,385,900
2018	994,500
2019	359,300
2020	329,300
	<u>\$ 3,069,000</u>

7. Financial instruments:

The Agency's financial instruments consist of cash, board restricted fund, accounts receivable and accounts payable and accrued liabilities. Financial instruments are recorded at fair value on initial recognition. The fair values of these financial instruments approximate their carrying values due to their short-term nature.

It is management's opinion that the Agency is not exposed to significant interest, currency or credit risk arising from these financial instruments.

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Notes to Financial Statements (continued)

Year ended March 31, 2016

8. Allocation of expenses:

Incremental administration expenses are allocated to fee-based administration revenue. Expenses are allocated proportionately based on the number of individual student assessments administered.

9. Liquidity risk:

Liquidity risk is the risk that the Agency will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Agency manages its liquidity risk by monitoring its operating requirements. The Agency prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

There have been no significant changes to the liquidity risk exposure from 2015.

10. Budget:

The budget information has been derived from the budget approved by the Board on August 26, 2015.



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Télé: (416) 586 - 4363
Courriel: info@ehealthontario.on.ca
Site Web: www.ehealthontario.on.ca

June 23, 2016

The accompanying financial statements of eHealth Ontario are the responsibility of management and have been prepared in accordance with Canadian public sector accounting standards. The preparation of financial statements necessarily involves the use of estimates and assumptions based on management's judgement that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the statement of financial position date and the reported amounts of revenue and expenses during the reporting period. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 23, 2016.

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.

The Board of Directors of eHealth Ontario is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Board generally meets periodically with management to satisfy itself that such responsibilities have been fulfilled.

The financial statements for the year ended March 31, 2016 have been audited by Ernst & Young LLP ("EY"). EY's responsibility is to express an opinion on whether the financial statements present fairly, in all material respects, the financial position of eHealth Ontario as at March 31, 2016 and the results of its operations and its cash flow for the year then ended in accordance with Canadian public sector accounting standards. The Auditors' Report dated June 23, 2016 outlines the scope of EY's examination and opinion on the financial statements.

On behalf of management,

A handwritten signature in blue ink, appearing to read "C. Morton".

Cynthia Morton
Chief Executive Officer

A handwritten signature in blue ink, appearing to read "Allan Gunn".

Allan Gunn
Chief Administrative Officer / Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
eHealth Ontario

We have audited the accompanying financial statements of **eHealth Ontario**, which comprise the statement of financial position as at March 31, 2016, and the statements of operations and changes in net deficiency and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **eHealth Ontario** as at March 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Toronto, Canada
June 23, 2016

The signature is written in a cursive, handwritten style in black ink. It reads "Ernst & Young LLP".

Chartered Professional Accountants
Licensed Public Accountants

eHealth Ontario

STATEMENT OF FINANCIAL POSITION

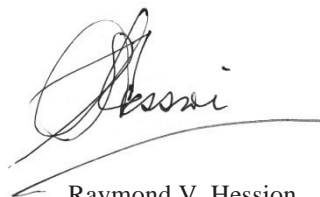
[in thousands of dollars]

As at March 31

	2016 \$	2015 \$
ASSETS		
Current		
Cash	3,957	18,869
Prepaid expenses	9,921	7,279
Due from Ministry of Health and Long-Term Care <i>[note 3[b]]</i>	54,657	28,010
HST receivable	2,260	4,556
Total current assets	70,795	58,714
Capital assets, net <i>[note 4]</i>	80,980	70,033
Prepaid expenses	2,666	1,206
	154,441	129,953
LIABILITIES AND NET DEFICIENCY		
Current		
Accounts payable and accrued liabilities <i>[notes 6 and 7[e]]</i>	73,461	75,727
Total current liabilities	73,461	75,727
Deferred capital contributions <i>[note 5]</i>	80,980	70,033
Total liabilities	154,441	145,760
Commitments and contingencies <i>[note 7]</i>		
Net deficiency <i>[note 1]</i>	—	(15,807)
	154,441	129,953

See accompanying notes

On behalf of the Board:


Cynthia Morton
Chief Executive Officer

Raymond V. Hession
Chair of the Board of Directors

eHealth Ontario

STATEMENT OF OPERATIONS AND CHANGES IN NET DEFICIENCY

[in thousands of dollars]

Year ended March 31

	2016 \$	2015 \$
REVENUE		
Government grants <i>[note 3(a)]</i>	295,853	347,519
Amortization of deferred capital contributions <i>[note 5]</i>	21,711	19,259
	317,564	366,778
EXPENSES <i>[notes 6 and 8]</i>		
Core business	108,979	194,000
Technology services	112,446	100,161
Corporate functions and shared services	58,621	69,165
	280,046	363,326
Amortization of capital assets <i>[note 4]</i>	21,711	19,259
	301,757	382,585
Excess (deficiency) of revenue over expenses for the year <i>[note 1]</i>	15,807	(15,807)
Net deficiency, beginning of year	(15,807)	—
Net deficiency, end of year	—	(15,807)

See accompanying notes

eHealth Ontario

STATEMENT OF CASH FLOWS

[in thousands of dollars]

Year ended March 31

	2016 \$	2015 \$
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses for the year	15,807	(15,807)
Add (deduct) items not involving cash		
Amortization of deferred capital contributions	(21,711)	(19,259)
Amortization of capital assets	21,711	19,259
	15,807	(15,807)
Changes in non-cash working capital balances related to operations		
Prepaid expenses	(4,102)	5,083
HST receivable	2,296	4,117
Accounts payable and accrued liabilities <i>[note 10]</i>	(2,225)	26,992
Due from Ministry of Health and Long-Term Care	(26,647)	(31,308)
Cash used in operating activities	(14,871)	(10,923)
CAPITAL ACTIVITIES		
Purchase of capital assets <i>[note 10]</i>	(32,699)	(16,701)
Cash used in capital activities	(32,699)	(16,701)
FINANCING ACTIVITIES		
Contributions used to fund capital assets	32,658	26,500
Cash provided by financing activities	32,658	26,500
Net decrease in cash during the year	(14,912)	(1,124)
Cash, beginning of year	18,869	19,993
Cash, end of year	3,957	18,869

See accompanying notes

eHealth Ontario

NOTES TO FINANCIAL STATEMENTS*[in thousands of dollars]*

March 31, 2016

1. NATURE OF OPERATIONS

eHealth Ontario is designated as an operational service agency established under the Ontario Regulation made under the *Development Corporations Act* (O. Reg. 43/02). Subsection 2(3) of O. Reg. 43/02 provides that eHealth Ontario is, for all purposes, an agency of Her Majesty within the meaning of the *Crown Agency Act* and its powers may be exercised only as an agency of Her Majesty. Subsection 6(1) of O. Reg. 43/02 provides that the Board of Directors is composed of the members appointed by the Lieutenant-Governor in Council on the recommendation of the Minister of Health and Long-Term Care. The Lieutenant-Governor in Council can appoint up to 12 members to eHealth Ontario's Board of Directors. Pursuant to Subsection 7(1) of O. Reg. 43/02 and subject to any directions given by the Minister of Health and Long-Term Care under Section 8, the affairs of eHealth Ontario are under the management and control of the Board of Directors. Subsection 9(1) of O. Reg. 43/02 provides that the Chief Executive Officer of eHealth Ontario be appointed by the Lieutenant-Governor in Council.

The objectives of eHealth Ontario are as follows:

- [a] to provide eHealth Ontario services and related support for the effective and efficient planning, management and delivery of health care in Ontario;
- [b] to develop eHealth Ontario services strategy and operational policy; and
- [c] to protect the privacy of individuals whose personal information or personal health information is collected, transmitted, stored or exchanged by and through eHealth Ontario, in accordance with the *Freedom of Information and Protection of Privacy Act*, the *Personal Health Information Protection Act*, 2004 and any other applicable law (O. Reg. 339/08, s.4).

eHealth Ontario is funded by the Province of Ontario through the Ministry of Health and Long-Term Care [the "Ministry"]. eHealth Ontario and the Ministry entered into an Accountability Agreement effective April 1, 2015 for a three-year period ending March 31, 2018. Any excess of revenue over expenses must be repaid in the following fiscal year. Any deficiency reduces the funding allocation in the following fiscal year.

As a Crown agency, eHealth Ontario is exempt from income taxes.

eHealth Ontario**NOTES TO FINANCIAL STATEMENTS***[in thousands of dollars]*

March 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with the Chartered Professional Accountants of Canada Public Sector Handbook, which sets out generally accepted accounting principles for government not-for-profit organizations in Canada. eHealth Ontario has chosen to use the standards for government not-for-profit organizations that include Sections PS 4200 to PS 4270. The significant accounting policies are summarized below.

Revenue recognition

eHealth Ontario follows the deferral method of accounting for contributions. Contributions are recorded when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions with respect to the purchase of capital assets are recorded as deferred capital contributions when initially recorded in the accounts and are amortized to operations on the same basis as the related asset is amortized.

Allocation of expenses

The costs of each function include the costs of personnel and other expenses that are directly related to the function. General support and other costs are included in shared services expenses.

Capital assets

Capital assets are recorded at cost, net of accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Computer hardware	3 to 5 years
Computer software	3 to 10 years
Furniture and office equipment	5 years
Leasehold improvements	Over the term of the leases

Capital assets that no longer have any long-term service potential for eHealth Ontario are written down to residual value, if any. The excess of the carrying value over the residual value of such assets is recognized as amortization in the statement of operations and changes in net deficiency.

Internal labour costs are capitalized in connection with the development of information technology projects.

eHealth Ontario

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2016

Employee future benefits

eHealth Ontario has a defined contribution pension plan for its employees. Under the plan, eHealth Ontario contributes an equal match to employees' contributions up to a maximum of 6% of their annual earnings. eHealth Ontario's contributions to the plan are expensed on an accrual basis.

Financial assets and liabilities

eHealth Ontario initially measures its financial assets and liabilities at fair value. eHealth subsequently measures all its financial assets and liabilities at amortized cost, net of any provisions for impairment.

Financial assets and liabilities measured at amortized cost include cash, due from the Ministry of Health and Long-Term Care, HST receivable and accounts payable and accrued liabilities.

3. GOVERNMENT OF ONTARIO

[a] Funding from the Ministry recognized as revenue is calculated as follows:

	2016 \$	2015 \$
Funding for eHealth Ontario operating/capital expenditures	221,076	210,077
Funding for transfer payments to eHealth Ontario partners	79,580	148,073
Total funding	300,656	358,150
Amounts used to fund capital assets and recorded as deferred capital contributions <i>[note 5]</i>	(32,658)	(26,500)
Interest earned during the year repayable to the Ministry	146	289
Funding not received recorded as due from Ministry	27,709	15,580
Amount recognized as revenue	295,853	347,519

[b] The amount due from the Ministry consists of the following:

	2016 \$	2015 \$
Due from Ministry for administered programs <i>[note 6(c)]</i>	11,368	12,430
Funding receivable	43,289	15,580
	54,657	28,010

eHealth Ontario

NOTES TO FINANCIAL STATEMENTS*[in thousands of dollars]*

March 31, 2016

The amount due from the Ministry is related to the purchase of certain hardware and software on its behalf by eHealth Ontario and labour and other operating costs related to services provided by eHealth Ontario.

4. CAPITAL ASSETS

	2016		Net book value
	Cost	Accumulated amortization	
	\$	\$	\$
Computer hardware	75,447	59,718	15,729
Computer software	115,657	66,822	48,835
Furniture and office equipment	6,978	5,876	1,102
Leasehold improvements	5,928	4,772	1,156
Work-in-process	14,158	—	14,158
	218,168	137,188	80,980

	2015		Net book value
	Cost	Accumulated amortization	
	\$	\$	\$
Computer hardware	66,688	53,262	13,426
Computer software	92,475	53,776	38,699
Furniture and office equipment	6,796	5,338	1,458
Leasehold improvements	5,913	4,210	1,703
Work-in-process	14,747	—	14,747
	186,619	116,586	70,033

In the current year, certain assets no longer in use with a total cost of \$1,109 [2015 - \$2,581], accumulated amortization of \$1,081 [2015 - \$2,228] and a net book value of \$28 [2015 - \$353] were written off and included in amortization of capital assets.

During the years ended March 31, 2016 and 2015, there were no impairment charges recognized to write-down work-in-process in connection with projects that were redefined.

eHealth Ontario

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2016

5. DEFERRED CAPITAL CONTRIBUTIONS

	2016 \$	2015 \$
Balance, beginning of year	70,033	62,792
Contributions used to fund capital asset purchases <i>[note 3[a]]</i>	32,658	26,500
Amortization	(21,711)	(19,259)
Balance, end of year	80,980	70,033

6. RELATED PARTY TRANSACTIONS

eHealth Ontario is controlled by the Province of Ontario through the Ministry and is therefore a related party to other organizations that are controlled by or subject to significant influence by the Province of Ontario. Transactions with related parties are outlined below.

[a] Transfer payment agreements

eHealth Ontario has entered into transfer payment agreements with various related parties. Under these agreements, eHealth Ontario makes payments to these parties once defined eligibility requirements have been met.

Core business expenses for the year include transfer payments to related parties as follows:

	2016 \$	2015 \$
Hospitals	55,856	76,021
Other health sector agencies and organizations	523	3,515
	56,379	79,536

At March 31, 2016, accounts payable and accrued liabilities include \$20,075 [2015 - \$5,222] payable to related parties under these agreements.

[b] Other expenses

During the year, Hydro One, the Ontario Ministry of Government Services and the Ministry of the Attorney General charged eHealth Ontario \$30,160 [2015 - \$30,267], \$3,544 [2015 - \$2,717] and \$79 [2015 - \$3], respectively, for the provision of services. In addition, Infrastructure Ontario charged \$4,276 [2015 - \$6,697] for the rental of office space and other services during the year. The Ministry of Finance charged \$92 [2015 - \$50] and Treasury Board Secretariat charged \$215 [2015 - \$95]. Amounts paid to the Ministry of Government

eHealth Ontario

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2016

Services are included in technology services expenses. All other amounts are included in corporate functions and shared services expenses.

At March 31, 2016, accounts payable and accrued liabilities include \$5,665 [2015 - \$2,474], \$2,199 [2015 - \$738], \$1,160 [2015 - \$1,296], \$1 [2015 - \$3], \$nil [2015 - \$15] and \$197 [2015 - \$95] payable to Hydro One, the Ontario Ministry of Government Services, Infrastructure Ontario, the Ministry of the Attorney General, the Ministry of Finance and Treasury Board Secretariat respectively.

[c] Administered programs

During the year, eHealth Ontario spent \$11,368 [2015 - \$12,430] on programs that it administers on behalf of the Ministry of Health and Long-Term Care. Amounts spent on these programs are recoverable from the Ministry *[note 3[b]]*. Amounts are recorded net of recoveries and included in technology services expenses.

[d] Prototyping agreement

Under an arrangement with an Ontario college, eHealth Ontario spent \$151 [2015 - nil] to develop prototypes and proof of concepts for the organization's electronic health record infrastructure. These costs are included in corporate functions and shared services expenses.

All related party transactions were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

7. COMMITMENTS AND CONTINGENCIES

[a] eHealth Ontario has various multi-year contractual commitments for services. Payments required on these commitments are as follows:

	\$
2017	54,286
2018	14,138
2019	6,746
2020	2,234
2021	2,020
2022 and thereafter	505
	79,929

eHealth Ontario

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2016

- [b] Ontario Realty Corporation, a Crown Corporation of the Province of Ontario, holds leases on the office space occupied by eHealth Ontario. eHealth Ontario is responsible for all of the operating lease payments. The payments required to the date of expiry are as follows:

	\$
2017	5,042
2018	5,123
2019	5,139
2020	5,139
2021	5,139
2022 and thereafter	8,458
	34,040

- [c] eHealth Ontario has entered into transfer payment agreements with eHealth Ontario partners that require future payments once defined eligibility requirements have been met. Work has begun under many of these arrangements and progress against the eligibility requirements is monitored regularly. Total future payments in connection with these contracts are approximately \$47.7 million, of which \$44.5 million will be paid to related parties as described in note 6[a]. These payments are payable over the period ending December 31, 2019. Approximately \$26.1 million of total future payments is expected to be paid in fiscal 2017.
- [d] eHealth Ontario participates in the Healthcare Insurance Reciprocal of Canada ["HIROC"]. HIROC is a pooling of the public liability insurance risks of its members who are all Canadian not-for-profit health care organizations. All members of the HIROC pool pay annual premiums that are actuarially determined. All members are subject to assessment for losses, if any, experienced by the pool for the years in which they are members. No assessments have been made for the year ended March 31, 2016.
- [e] In the normal course of operations, eHealth Ontario is subject to various claims and potential claims. Management has recorded its best estimate of the potential liability related to these claims where potential liability is likely and able to be estimated. In other cases, the ultimate outcome of the claims cannot be determined at this time.

Any additional losses related to claims will be recorded in the year during which the liability is able to be estimated or adjustments to any amount recorded are determined to be required.

eHealth Ontario**NOTES TO FINANCIAL STATEMENTS***[in thousands of dollars]*

March 31, 2016

8. EMPLOYEE FUTURE BENEFITS

eHealth Ontario has a defined contribution pension plan for its employees. eHealth Ontario's contributions to this plan during the year amounted to \$3,796 [2015 - \$3,642].

9. BOARD REMUNERATION

Total remuneration paid to members of the Board of Directors during the year was \$54 [2015 - \$94]. Salary paid to members of the Board of Directors who are employees of the Government of Ontario are disclosed on the "Public Sector Salary Disclosure" listing on the Government of Ontario website.

10. SUPPLEMENTAL CASH FLOW INFORMATION

The change in accounts payable and accrued liabilities related to the purchase of capital assets for the year ended March 31, 2016 of \$41 [2015 - \$9,799] has been excluded from the statement of cash flows.

11. FINANCIAL INSTRUMENTS**Credit risk**

eHealth Ontario is exposed to credit risk in connection with its accounts receivable because of the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation.

eHealth Ontario manages and controls credit risk with respect to accounts receivable by only dealing with recognized, creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis. As at March 31, 2016, there were no significant amounts that are past due or impaired.

Liquidity risk

eHealth Ontario is exposed to the risk that it will encounter difficulty in meeting obligations associated with its financial liabilities. eHealth Ontario derives all of its operating revenue from the Government of Ontario with no firm commitment of funding in future years. To manage liquidity risk, eHealth Ontario keeps sufficient resources readily available to meet its obligations.

Accounts payable mature within six months.

eHealth Ontario

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2016

12. COMPARATIVE FINANCIAL STATEMENTS

Certain comparative figures have been reclassified from statements previously presented to conform to the presentation of the 2016 financial statements.

FOREST RENEWAL TRUST



RBC Investor &
Treasury Services

June 14, 2016

Management's Responsibility for Financial Reporting

The accompanying financial statements of the Forest Renewal Trust ("Trust") are the responsibility of the Ontario Ministry of Natural Resources & Forestry (the "Ministry") and RBC Investor Services Trust as Trustee for the Ministry. The financial position and operations of the Trust, pursuant to the Crown Forest Sustainability Act, are included in the financial statements, which have been prepared by management in accordance with Canadian public sector accounting standards. The statements include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

Management, with the assistance of the Trustee, maintains a system of internal accounting and administrative control that is designed to provide reasonable assurance the financial information is relevant, reliable and accurate and that the Trust's assets are properly accounted for and adequately safeguarded.

The financial statements have been audited by KPMG LLP, a firm of independent external auditors appointed by the Trust's Committee, whose report follows.

Peter Henry, R.P.F.
Manager, Forest Guides and Silviculture Section

Michael Keel
Manager, Client Service
Client Service and Solutions America*

*Representing RBC Investor Services Trust as Trustee for the Ministry of Natural Resources and Forestry, Forest Renewal Trust.

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INDEPENDENT AUDITORS' REPORT

To the Ontario Minister of Natural Resources and Forestry
and the Trustee of the Forest Renewal Trust

We have audited the accompanying financial statements of the Forest Renewal Trust, which comprise the statement of financial position as at March 31, 2016, the statements of operations, remeasurement gains and losses and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Forest Renewal Trust as at March 31, 2016, and its results of operations, its remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads "KPMG LLP". The signature is written in a cursive, stylized font. Below the signature is a single horizontal line.

Chartered Professional Accountants, Licensed Public Accountants

June 14, 2016
Toronto, Canada

FOREST RENEWAL TRUST

Statement of Financial Position

March 31, 2016, with comparative information for 2015

	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 961,127	\$ 796,742
Accrued investment income	814,619	959,325
Harmonized sales tax recoveries receivable (note 8)	478,339	329,386
	2,254,085	2,085,453
Investments at fair value (notes 4 and 5)	122,664,427	129,763,665
	<u>\$ 124,918,512</u>	<u>\$ 131,849,118</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 177,473	\$ 303,806
Holdback on Forest Renewal disbursements	280,024	218,947
Due to Forestry Futures Trust (note 9)	278,457	173,627
	735,954	696,380
Net assets:		
Trust settlement	1	1
Net assets available for project disbursements	126,017,801	130,133,428
Accumulated remeasurement (losses) gains	(1,835,244)	1,019,309
	124,182,558	131,152,738
	<u>\$ 124,918,512</u>	<u>\$ 131,849,118</u>

See accompanying notes to financial statements.

On behalf of the Trust:

 Trustee

 Kathryn McGarry Ontario Minister of Natural Resources and Forestry

FOREST RENEWAL TRUST

Statement of Operations

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

	2016	2015
Investment income:		
Interest income (note 7)	\$ 3,420,682	\$ 3,513,077
Net realized gain on investments	1,094,214	1,076,461
	4,514,896	4,589,538
Expenses:		
Professional fees	204,590	159,997
Trustee and investment management fees (note 9)	313,480	303,512
Audit fee	80,496	75,260
Ontario Ministry of Natural Resources and Forestry agency fees	70,313	70,313
Harmonized sales tax recoveries (note 8)	—	(254,142)
	668,879	354,940
Investment income over expenses	3,846,017	4,234,598
Forest Renewal capital funding transactions:		
Forest Renewal charges	47,168,503	43,803,541
Forest Renewal disbursements	(55,130,147)	(50,429,254)
Forest Renewal disbursement harmonized sales tax recoveries (note 8)	—	12,229,405
Net Forest Renewal capital funding surplus (deficit)	(7,961,644)	5,603,692
Surplus (deficit) for the year	(4,115,627)	9,838,290
Net assets available for project disbursements, beginning of year	130,133,428	120,295,138
Net assets available for project disbursements, end of year	\$ 126,017,801	\$ 130,133,428

See accompanying notes to financial statements.

FOREST RENEWAL TRUST

Statement of Remeasurement Gains and Losses

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

	2016	2015
Accumulated remeasurement gains (losses), beginning of year	\$ 1,019,309	\$ (1,584,509)
Change in unrealized gains (losses) attributable to investments	(1,760,339)	3,680,279
Amounts reclassified to the statement of operations: Net realized gain on investments	(1,094,214)	(1,076,461)
Net remeasurement gains (losses)	(2,854,553)	2,603,818
Accumulated remeasurement gains (losses), end of year	\$ (1,835,244)	\$ 1,019,309

See accompanying notes to financial statements.

FOREST RENEWAL TRUST

Statement of Cash Flows

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

	2016	2015
Cash provided by (used in):		
Operating activities:		
Investment income over expenses	\$ 3,846,017	\$ 4,234,598
Item not involving cash:		
Net realized gain on investments	(1,094,214)	(1,076,461)
Change in non-cash operating working capital:		
Decrease (increase) in accrued investment income	144,706	(45,644)
Increase in harmonized sales tax recoveries receivable	(148,953)	(329,386)
Decrease in accounts payable and accrued liabilities	(126,333)	(5,732)
Increase in holdback on Forest Renewal disbursements	61,077	45,457
Increase (decrease) in due to Forestry Futures Trust	104,830	(140,186)
	2,787,130	2,682,646
Capital activities:		
Capital receipts - forest renewal charges	47,168,503	43,803,541
Capital disbursements - project disbursements	(55,130,147)	(50,429,254)
Capital disbursement harmonized sales tax recoveries	—	12,229,405
	(7,961,644)	5,603,692
Investing activities:		
Purchase of investments	(119,333,910)	(139,039,133)
Net proceeds of investments sold	124,672,809	129,939,911
	5,338,899	(9,099,222)
Increase (decrease) in cash and cash equivalents	164,385	(812,884)
Cash and cash equivalents, beginning of year	796,742	1,609,626
Cash and cash equivalents, end of year	\$ 961,127	\$ 796,742

See accompanying notes to financial statements.

FOREST RENEWAL TRUST

Notes to Financial Statements

Year ended March 31, 2016

1. Reporting entity:

Pursuant to the Crown Timber Act, R.S.O. 1990, the Forest Renewal Trust (the "Trust") was established by an agreement dated October 4, 1994. The Trust settlement amount of \$1 was paid to RBC Investor Services Trust (the "Trustee") by the Crown on that date. On October 17, 1997, the agreement was amended by the First Amending Agreement to bring the Trust arrangement into accord with the Crown Forest Sustainability Act ("CFSA"), 1994, S.O. 1994. The agreement was also amended by the Second Amending Agreement on March 25, 1999, effective January 31, 1998, for the purpose of managing the funding of silviculture expenses incurred after March 31, 1994 in respect of land where Crown timber has been cut and such other terms and conditions as may be specified by the Ontario Ministry of Natural Resources and Forestry (the "Ministry"). The agreement was further amended by the Third Amending Agreement with an effective date of April 1, 2000, the Fourth Amending Agreement with an effective date of April 1, 2001, the Fifth Amending Agreement with an effective date of April 1, 2003, the Sixth Amending Agreement with an effective date of April 1, 2009 and the Interim Agreement Amending the Sixth Amending Agreement with an effective date of April 1, 2009. The Trust is domiciled in Canada and its registered office is 155 Wellington Street West, Toronto, Ontario M5V 3L3.

Forest managers, including licensees, are required to pay forest renewal charges and are invoiced for such charges by the Crown on a monthly basis according to the volume of wood harvested and by tree species group. Forest renewal charges are required to be paid to the Trustee who, in turn, credits the payment to the specific forest management unit account in the Trust (note 10).

Throughout the year, forest managers submit claims seeking reimbursement for the costs of eligible silviculture work completed to the date of the claim. Forest managers, including licensees, have the option of seeking reimbursement for expenditures they have incurred to carry out the eligible silviculture work or they may request that the Trustee reimburse silviculture contractors directly for the work that has been completed. The Trustee has no duty or obligation to assess the eligibility of costs claimed as it is the responsibility of the Ministry.

The Trust was established by the Ministry to provide a funding mechanism independent of the provincial treasury to fund specific forestry activities, as defined in the CFSA.

FOREST RENEWAL TRUST

Notes to Financial Statements (continued)

Year ended March 31, 2016

2. Basis of presentation:

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards ("PSAS").

(a) Functional and presentation currency:

These financial statements are presented in Canadian dollar, which is the Trust's functional currency. Except as otherwise indicated, all financial information presented in Canadian dollars has been rounded to the nearest dollar.

(b) Use of estimates and judgments:

The preparation of the financial statements in conformity with PSAS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

(c) Liquidity format:

The Trust presents its statement of financial position broadly in order of liquidity. Current assets and liabilities are expected to be recovered or settled within 12 months after the reporting date and non-current assets and liabilities are expected to be recovered or settled more than 12 months after the reporting date.

FOREST RENEWAL TRUST

Notes to Financial Statements (continued)

Year ended March 31, 2016

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all years presented in these financial statements, unless otherwise indicated:

(a) Interest:

Interest income, including interest income from non-derivative financial assets at fair value, is recognized in profit or loss using the effective interest method on an accrual basis. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability.

(b) Realized gain from financial instruments at fair value:

Realized gain from financial instruments at fair value includes all realized fair value changes, but excludes interest and dividend income.

(c) Fees and other expenses:

Fees and other expenses are recognized in profit or loss on an accrual basis when due.

(d) Capital transactions:

Funds received for renewal and silviculture charges are deposited into the Trust and are considered to be capital receipts when received by the Trustee. Reimbursements are considered to be capital disbursements when they are claimed from the Trustee, as directed by the Ministry.

(e) Income taxes, harmonized sales tax ("HST") and goods and services tax ("GST"):

The Trust is considered to be an asset of the Crown and, as such, the Trustee, under the advisement of the Ministry, has taken the position that the income earned within the Trust is not subject to income taxes.

FOREST RENEWAL TRUST

Notes to Financial Statements (continued)

Year ended March 31, 2016

3. Significant accounting policies (continued):

According to the Excise Tax Act interpretation, reimbursements paid to Forest License Holders from the Trust are consideration for a taxable supply of silviculture services for GST/HST purposes. As such, claims invoiced by forest managers, including licensees, should be subject to GST/HST, and the Trust, through the Ministry, then files a recovery of an eligible rebate. Accordingly, GST/HST should be paid by the Trust and is accounted for with a net offset for GST/HST recoveries. This treatment has been applied for the year ended March 31, 2015 and the subsequent years moving forward (note 8).

For periods up to and including March 31, 2014, GST/HST was accounted for by the Trust, whereby the amounts invoiced by forest managers, including licensees, were paid by the Trust and no filings for recoveries were made. The Trust, through the Ministry, subsequently filed and accordingly recovered GST/HST during the 2015 fiscal year for periods up to and including March 31, 2015 (note 8).

(f) Financial assets and liabilities:

(i) Financial assets:

The Trust initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value) are recognized initially on the trade date at which the Trust becomes a party to the contractual provisions of the instrument.

The Trust derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Trust is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Trust has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

FOREST RENEWAL TRUST

Notes to Financial Statements (continued)

Year ended March 31, 2016

3. Significant accounting policies (continued):

The Trust has the following non-derivative financial assets: Investments at fair value and loans and receivables:

(a) Investments at fair value:

Investments are designated at fair value if the Trust manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Trust's Statement of Investment Policies and Goals (the "SIPG"). Upon initial recognition, attributable transaction costs are recognized in profit or loss as incurred. Subsequent remeasurement of financial assets measured at fair value are recognized in the statement of remeasurement gains and losses until realized, which are then recognized in the statement of operations. The Trust's bond portfolio comprises its financial assets at fair value. The Trust has elected that all investments will be at fair value as they are managed and evaluated on the basis of fair value.

Realized gains are recorded in the statement of operations, while unrealized gains/losses are recorded through the statement of remeasurement gains and losses.

(b) Loans and receivables:

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise accrued investment income and cash and cash equivalents.

(c) Cash and cash equivalents comprise cash balances and all deposits with original maturities of three months or less.

FOREST RENEWAL TRUST

Notes to Financial Statements (continued)

Year ended March 31, 2016

3. Significant accounting policies (continued):

(ii) Financial liabilities:

Financial liabilities are recognized initially on the trade date at which the Trust becomes a party to the contractual provisions in the instrument.

The Trust derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

FOREST RENEWAL TRUST

Notes to Financial Statements (continued)

Year ended March 31, 2016

4. Financial assets and liabilities:

The following table details the categories of financial assets and financial liabilities held by the Trust at the reporting date:

	2016	2015
Assets		
Designated at fair value upon initial recognition:		
Investment in:		
Canada treasury bills	\$ 1,148,477	\$ 698,778
Provincial treasury bills	8,359,754	4,592,155
Corporate discount notes under one year	8,346,662	3,992,226
Canada bonds	28,986,395	36,642,753
Provincial bonds	24,252,859	22,226,495
Corporate bonds and notes over one year	47,741,009	57,813,055
Pooled money market funds	3,829,271	3,798,203
	122,664,427	129,763,665
Cash and cash equivalents	961,127	796,742
Accrued investment income	814,619	959,325
HST recoveries receivable	478,339	329,386
	2,254,085	2,085,453
Total assets	\$ 124,918,512	\$ 131,849,118
Liabilities		
Other liabilities:		
Accounts payable and accrued liabilities	\$ 177,473	\$ 303,806
Holdback on Forest Renewal disbursements	280,024	218,947
Due to Forestry Futures Trust	278,457	173,627
Total liabilities, excluding net assets available for project disbursements	\$ 735,954	\$ 696,380

Financial liabilities measured at amortized cost presented above represent due to Forestry Futures Trust, accounts payable and accrued liabilities and holdbacks on Forest Renewal disbursements.

FOREST RENEWAL TRUST

Notes to Financial Statements (continued)

Year ended March 31, 2016

5. Fair value estimation:

Investments recorded at fair value on the Trust's statement of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels, defined by PS 3450 and directly related to the amount of subjectivity associated with inputs to fair valuation of these assets, are as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets;
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 - inputs for the asset that are not based on observable market data.

The valuation of the Trust's invested assets under the PS 3450 hierarchy as at March 31 is as follows:

2016	Level 1	Level 2	Total
Canada treasury bills and other discount notes	\$ —	\$ 17,854,893	\$ 17,854,893
Bonds	—	100,980,263	100,980,263
Pooled money market funds	3,829,271	—	3,829,271
	\$ 3,829,271	\$ 118,835,156	\$ 122,664,427

2015	Level 1	Level 2	Total
Canada treasury bills and other discount notes	\$ —	\$ 9,283,159	\$ 9,283,159
Bonds	—	116,682,303	116,682,303
Pooled money market funds	3,798,203	—	3,798,203
	\$ 3,798,203	\$ 125,965,462	\$ 129,763,665

There were no transfers between levels during the year, and no investments classified as Level 3 were held at each reporting date or during each year.

The investments are actively managed according to the SIPG for the Trust dated October 2013, which includes guidelines with respect to return expectations, asset mix, approved securities, constraints and investment strategies.

FOREST RENEWAL TRUST

Notes to Financial Statements (continued)

Year ended March 31, 2016

6. Financial instruments and associated risks:

The Trust may be exposed to financial risks as a result of its investment holdings. The Trust's risk management practices include the establishment of investment guidelines, as outlined in the SIPG and regular monitoring of compliance with these guidelines. The Trust manages the potential effects of these financial risks on the Trust's performance by employing and overseeing portfolio advisors who regularly monitor the Trust's positions, market events and ensure that the investment portfolio is diversified in accordance with investment guidelines.

There have been no changes to exposures to financial risks, or the objectives, policies and processes in place for managing and measuring the risks.

Eligible investments include Canadian entities, such as equities, bonds, debentures, notes or other debt obligations of government agencies or public corporations, guaranteed investment certificates, annuities, cash and money market securities. The Trust's fixed income securities have a quality rating of "A" or better, as determined by a public bond rating agency.

(a) Credit risk:

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered with the Trust. Credit risk is generally higher when a non-exchange traded financial instrument is involved because the counterparty for the non-exchange traded financial instruments is not backed by an exchange clearing house. The Trust's fixed income investments are primarily in Canadian-issued instruments and are diversified among federal, provincial, corporate and other issuers. All transactions in listed securities are settled or paid for upon delivery using approved brokers. There were no significant concentrations of credit risk in the portfolio in either 2016 or 2015. The maximum credit risk exposure as at March 31, 2016 is \$123,957,385 (2015 - \$131,052,376), which includes investments, accrued investment income and other accounts receivable.

The breakdown of the bond investment portfolio by credit ratings is as follows:

Credit rating	2016	2015
AAA	39%	40%
AA	17%	18%
A	44%	42%
	100%	100%

FOREST RENEWAL TRUST

Notes to Financial Statements (continued)

Year ended March 31, 2016

6. Financial instruments and associated risks (continued):

The breakdown of the money market investment portfolio by credit ratings at March 31 is as follows:

Credit rating	2016	2015
R-1 (high)	44%	49%
R-1 (mid)	37%	32%
R-1 (low)	19%	19%
	100%	100%

(b) Market risk:

Market risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in market factors, whether those changes are caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in the market. The Trust's investments are carried at fair value with fair value changes recognized through income; all changes in market conditions will directly result in an increase or decrease in net assets. Market price risk is managed by the Trust through the construction of a diversified portfolio of instruments traded on various markets and across various industries, which is actively managed by a third party administrator.

The Trust's investment in fixed income securities is sensitive to interest rate movements. In general, as interest rates rise, the price of a fixed rate bond will fall, and vice versa. The magnitude of the decline will generally be greater for long-term debt securities than short-term debt securities. An immediate hypothetical 100-basis-point or 1% increase in interest rates, with all other variables held constant, would decrease net assets by approximately \$4,799,591 as at March 31, 2016 (2015 - \$5,538,591).

The Trust also invests in pooled funds, which are tracked against the benchmark index, Dex 91-day Treasury Bill Index. An immediate hypothetical decrease of 10% in the above index will impact the Trust's investments by an approximate loss of \$382,927 at March 31, 2016 (2015 - \$379,820).

FOREST RENEWAL TRUST

Notes to Financial Statements (continued)

Year ended March 31, 2016

6. Financial instruments and associated risks (continued):

(c) Liquidity risk:

Liquidity risk is the risk that the Trust will be unable to meet its obligations as they come due because of an inability to liquidate assets.

The Trust's fixed income portfolio trades in an active market and can be readily sold and the Trust's pooled fund investments can be readily redeemed from the mutual fund company. Although market events could lead to some investment becoming illiquid, the diversity of the Trust's portfolios should ensure that liquidity is available for future payments. The duration of investments are summarized below.

The following tables summarize the fair value of investments by maturity:

2016	Less than 1 year	1 - 3 years	3 - 10 years	Greater than 10 years	Total
Canada treasury bills and other discount notes	\$ 17,854,893	\$ —	\$ —	\$ —	\$ 17,854,893
Bonds	—	17,368,872	81,101,220	2,510,171	100,980,263
Pooled money market funds	3,829,271	—	—	—	3,829,271
	\$ 21,684,164	\$ 17,368,872	\$ 81,101,220	\$ 2,510,171	\$ 122,664,427

2015	Less than 1 year	1 - 3 years	3 - 10 years	Greater than 10 years	Total
Canada treasury bills and other discount notes	\$ 9,283,159	\$ —	\$ —	\$ —	\$ 9,283,159
Bonds	—	22,316,230	91,386,264	2,979,809	116,682,303
Pooled money market funds	3,798,203	—	—	—	3,798,203
	\$ 13,081,362	\$ 22,316,230	\$ 91,386,264	\$ 2,979,809	\$ 129,763,665

The investments with maturities greater than 10 years represent callable bonds. Their first call date occurs within 3-10 years.

The above investments have varying effective yields of 0.4% to 7.9% (2015 - 0.5% to 7.4%). Interest earned is accrued on a daily basis.

FOREST RENEWAL TRUST

Notes to Financial Statements (continued)

Year ended March 31, 2016

6. Financial instruments and associated risks (continued):

(d) Fair values of financial instruments:

The fair values of the investments are as disclosed in note 5. The fair values of other financial instruments of the Trust, which consist of cash and cash equivalents, accrued investment income, harmonized sales tax recoveries receivable, due to Forestry Futures Trust, holdback on Forest Renewal disbursements and accounts payable and accrued liabilities approximate their carrying values due to the short-term nature of these financial instruments.

7. Interest income:

	2016	2015
Interest income from financial assets at fair value	\$ 3,307,940	\$ 3,331,772
Interest income from cash and cash equivalents	112,742	181,305
	<u>\$ 3,420,682</u>	<u>\$ 3,513,077</u>

8. HST recoveries:

During the year, the Trust, through the Ministry, had filings to the Canadian Revenue Agency that resulted in the HST recoveries outlined below. These recoveries pertain to rebates for HST paid by the Ministry on behalf of the Trust for periods up to and including March 31, 2015.

At March 31, 2016, \$478,339 (2015 - \$329,386) of the recoveries remain receivable. Expenses and project disbursements balances are presented net of their related 2016 recoveries amounting to \$36,887 and \$7,464,070 (2015 - \$45,928 and \$5,466,283), respectively. Recoveries related to periods up to and including March 31, 2014, which were received in fiscal 2015, are presented separately in the statement of operations as follows:

	2015
HST expense recoveries	\$ 254,142
Forest Renewal disbursement HST recoveries	12,229,405
<u>Total</u>	<u>\$ 12,483,547</u>

FOREST RENEWAL TRUST

Notes to Financial Statements (continued)

Year ended March 31, 2016

9. Related party information:

Trustee fees are assessed on the combined average book value of the Trust and Forestry Futures Trust with the resultant charge apportioned to each trust on the basis of its average book value. On the first \$50 million in average book value, the Trustee fee is 0.05%; on the next \$50 million in average book value, the Trustee fee is 0.04%; and on the average book value in excess of \$100 million, the Trustee fee is 0.02%. The fee schedule also includes a \$1,200 charge per management unit ("Management Unit") account in the Trust. Total fees paid to the Trustee were \$159,895 (2015 - \$160,109). Additional fees include fund administration and reporting for the Management Unit accounts and master trust, transaction charges and other charges.

Management fees represent a fixed fee incurred by the Trust for account receivable management activities performed by the Ministry. Total management fees paid to the Ministry were \$70,313 (2014 - \$70,313).

As at March 31, 2016, \$278,457 (2015 - \$173,627) was payable to Forestry Futures Trust.

10. Capital management:

The Trust's capital is represented by its net assets.

The Trust comprises a main trust account ("Master Account"), Management Unit accounts, and sub-accounts, where applicable for each forest management unit. All Trust charges received and disbursements made are applied to the individual forest Management Unit accounts. Each forest Management Unit's account balance is expressed in terms of units of the main trust for the purposes of tracking its share of Trust assets. These units are of equal value and without priority or preference.

Funds received are effectively held in the Management Unit account until the Trust valuation date, which is the last business day of the month. At that time, the funds are transferred into the Master Account in exchange for units. Disbursements made from each Management Unit account are funded through the redemption of units of the Master Account using the most recently determined valuation.

The value of each unit of the Trust is determined on a monthly basis based upon the net assets of the Trust. The value of a unit is determined by dividing the aggregate value of net assets of the main trust by the total number of units outstanding prior to the issuance and redemption of units.

FOREST RENEWAL TRUST

Notes to Financial Statements (continued)

Year ended March 31, 2016

10. Capital management (continued):

The main objective of the Trust is to sustain a certain level of net assets in order to meet the mandate as set out by the CFSA. The Trust is managed by the Trustee and funds are reimbursed to forest managers, including licensees, for eligible silviculture expenses under the direction of the Ministry.

The Trust fulfills its primary objective by adhering to specific investment policies outlined in its SIPG, which is reviewed on a timely basis as needed. The Trust manages net assets by engaging knowledgeable investment managers who are charged with the responsibility of investing funds available in accordance with the approved SIPG. An increase in net assets is a direct result of investment income generated by investments held by the Trust and excess of receipts over disbursements made by the Trust.

Forest Renewal charges to the Trust are established by Trust policies, including funding by harvest volume charges on Crown timber that are paid by the forest managers, including licensees. The Trust is required to table annual financial statements with the legislature.



**MINISTRY OF ECONOMIC DEVELOPMENT, EMPLOYMENT AND
INFRASTRUCTURE
GENERAL REAL ESTATE PORTFOLIO (GREP)**

June 28, 2016

Independent Auditor's Report

To the Minister of Economic Development, Employment and Infrastructure

We have audited the accompanying financial statements of Ministry of Economic Development, Employment and Infrastructure, General Real Estate Portfolio (GREP), which comprise the statement of financial position as at March 31, 2016 and the statements of operations, accumulated surplus, changes in net financial assets and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ministry of Economic Development, Employment and Infrastructure, General Real Estate Portfolio (GREP) as at March 31, 2016 and the results of its operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

MINISTRY OF ECONOMIC DEVELOPMENT, EMPLOYMENT AND INFRASTRUCTURE
GENERAL REAL ESTATE PORTFOLIO
STATEMENT OF FINANCIAL POSITION
As at March 31, 2016 and March 31, 2015
(in thousands of dollars)

	2016	2015
Financial assets		
Cash and cash equivalents (Note 2)	\$ 227,811	\$ 225,372
Trade and other receivables (Note 3)	104,792	98,792
AFP receivables	979,046	989,616
Receivables under capital leases (Note 4)	373,187	380,984
Due from related parties (Note 5)	30,279	26,071
Projects receivables (Note 6)	28,678	34,583
Assets held for sale (Note 7)	9,523	2,301
	1,753,316	1,757,719
Liabilities		
Accounts payable and other liabilities	155,264	140,803
Liability for Contaminated sites (Note 8)	136,287	140,987
AFP liabilities	979,046	994,328
Customers' deposits	6,470	15,301
Capital lease obligations (Note 4)	373,187	380,984
Due to related parties (Note 5)	4,672	-
	1,654,926	1,672,403
Net financial assets	98,390	85,316
Non-financial assets		
Tangible capital assets (Note 9)	5,716,251	5,717,991
Prepays, deposits and other assets	4,146	3,971
	5,720,397	5,721,962
Accumulated surplus	\$ 5,818,787	\$ 5,807,278
Contingent liabilities (Note 10)		
Commitments (Note 11)		

The accompanying notes are an integral part of these financial statements

MINISTRY OF ECONOMIC DEVELOPMENT, EMPLOYMENT AND INFRASTRUCTURE
GENERAL REAL ESTATE PORTFOLIO
STATEMENT OF OPERATIONS
For the years ended March 31, 2016 and March 31, 2015
(in thousands of dollars)

	For the year ended March 31		
	2016 Budget	2016 Actual	2015 Actual
Revenue			
Rent (Note 5)	\$ 844,493	\$ 849,912	\$ 837,901
Cost recoveries (Note 5)	194,961	153,631	183,407
Interest income	1,873	1,579	2,031
	<u>1,041,327</u>	<u>1,005,122</u>	<u>1,023,339</u>
Operating expenses			
Facilities (Note 5)	758,377	740,811	738,499
Recoverable costs (Note 5)	189,181	147,557	177,903
Property disposition costs	5,780	4,018	3,369
General and administration	2,183	779	1,380
Interest	94,792	94,792	95,952
	<u>1,050,313</u>	<u>987,957</u>	<u>1,017,103</u>
Adjustment to Liability for Contaminated sites (Note 8)	-	3,525	-
Gain on sale of tangible capital assets (Note 9)	44,095	18,204	25,320
Gain on sale of assets held for sale (Note 7)	24,640	9,632	11,305
	<u>68,735</u>	<u>27,836</u>	<u>36,625</u>
Operating surplus/(deficit) before amortization and write-down of tangible capital assets	<u>59,749</u>	<u>48,526</u>	<u>42,861</u>
Amortization of tangible capital assets	(216,151)	(220,450)	(219,472)
Write down of tangible capital assets	(11,822)	(12,441)	(3,401)
	<u>227,973</u>	<u>(232,891)</u>	<u>(222,873)</u>
Deficit	<u>(168,224)</u>	<u>(184,365)</u>	<u>(180,012)</u>

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

MINISTRY OF ECONOMIC DEVELOPMENT, EMPLOYMENT AND INFRASTRUCTURE
GENERAL REAL ESTATE PORTFOLIO
STATEMENT OF ACCUMULATED SURPLUS
For the years ended March 31, 2016 and March 31, 2015
(in thousands of dollars)

	For the year ended March 31	
	2016 Actual	2015 Actual (Note 12)
Surplus/(Deficit)	(184,365)	(180,012)
Accumulated surplus, beginning of year, as previously reported		6,039,848
Prior Period adjustment		(14,637)
Adoption of new accounting standard for Liability for Contaminated sites		(140,987)
Accumulated surplus, beginning of year, as restated	5,807,278	5,884,224
Contributions from ministries and other government organizations		
Capital funding	86,421	75,803
Pan Am Athlete's Village transfer in from Ministry	540,304	-
Capital asset transfers including AFP from ministries	89,808	96,732
Funding for remediation of contaminated sites	1,175	-
Transfers from other government organizations	9,901	6,413
Distributions to the Province of Ontario		
Pan Am Athlete's Village transfer to Ministry	(419,331)	-
Assets transfers to ministries	(48,891)	(12,350)
Real Estate sales revenue remitted to the Province	(43,177)	(43,154)
Private sector rent revenue remitted to the Province	(20,336)	(20,378)
	195,874	103,066
Accumulated surplus, end of period	\$ 5,818,787	\$ 5,807,278

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

MINISTRY OF ECONOMIC DEVELOPMENT, EMPLOYMENT AND INFRASTRUCTURE
GENERAL REAL ESTATE PORTFOLIO
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
For the years ended March 31, 2016 and March 31, 2015
(in thousands of dollars)

	2016	2015 (Note 12)
Deficit for the period	\$ (184,365)	\$ (180,012)
Acquisition of tangible capital assets	(719,005)	(172,809)
Transfer of tangible capital assets to held for sale	9,104	1,291
Amortization of tangible capital assets	220,450	219,472
Gain on sale of tangible capital assets	(18,204)	(25,320)
Proceeds on sale of tangible capital assets	28,732	25,371
Transfer of tangible capital assets	468,222	12,350
Write down of tangible capital assets	12,441	3,401
	(182,625)	(116,256)
(Increase)/decrease in prepaids, deposits and other assets	(175)	1,474
Contributions from ministries and other government organizations		
Capital funding	86,421	75,802
Pan Am Athletes Village transfer in from ministry	540,304	-
Capital asset transfer including AFP from ministries	89,808	96,733
Funding for remediation of contaminated sites	1,175	-
Transfers from other government organizations	9,901	6,413
Distributions to the Province of Ontario		
Pan Am Athletes Village transfer to ministry	(419,331)	-
Assets transfers to ministries	(48,891)	(12,350)
Real Estate sales revenue remitted to the Province	(43,177)	(43,154)
Private sector rent revenue remitted to the Province	(20,336)	(20,378)
Increase/(decrease) in net financial assets	13,074	(11,716)
Net financial assets, beginning of period	85,316	97,032
Net financial assets, end of period	\$ 98,390	\$ 85,316

The accompanying notes are an integral part of these financial statements

MINISTRY OF ECONOMIC DEVELOPMENT, EMPLOYMENT AND INFRASTRUCTURE
GENERAL REAL ESTATE PORTFOLIO
STATEMENT OF CASH FLOWS
For the years ended March 31, 2016 and March 31, 2015
(in thousands of dollars)

	2016	2015 (Note 12)
Operating activities		
Deficit for the period	\$ (184,365)	\$ (180,012)
Changes in non cash items		
Amortization of tangible capital assets	220,450	219,472
Gain on sale of tangible capital assets	(18,204)	(25,320)
Gain on sale of assets held for sale	(9,632)	(11,305)
Write down of tangible capital assets	12,441	3,401
Adjustment to contaminated sites liability	(3,525)	
Changes in non cash working capital balances		
(Increase)/decrease in trade and other receivables	(6,000)	21,664
(Increase)/decrease in due from related parties	(4,208)	6,385
Decrease in AFP receivables	10,570	380,832
Decrease in projects receivables	5,905	3,217
Increase/(decrease) in accounts payable and other liabilities	14,461	(26,959)
(Decrease) in liability for Contaminated sites	(1,175)	-
(Decrease) in AFP liabilities	(15,282)	(386,120)
(Decrease)/increase in customers' deposits	(8,831)	14,521
Increase in due to related parties	4,672	-
(Increase)/decrease in prepaids, deposits and other assets	(175)	1,474
	17,102	21,250
Capital activities		
Proceeds from sale of tangible capital assets	28,732	25,371
Acquisition of tangible capital assets	(86,071)	(49,032)
	(57,339)	(23,661)
Investing activities		
Proceeds from disposition of assets held for sale	11,514	12,467
Financing activities		
Capital funding	86,421	75,803
Funding for remediation of contaminated sites	1,175	-
Contributions from other government organizations	7,079	-
Real Estate sales revenue remitted to the Province	(43,177)	(38,016)
Private sector rent revenue remitted to the Province	(20,336)	(20,378)
	31,162	17,409
Net change in cash and cash equivalents	2,439	27,465
Cash and cash equivalents, beginning of the year	225,372	197,907
Cash and cash equivalents, end of period	\$ 227,811	\$ 225,372

The accompanying notes are an integral part of these financial statements

**MINISTRY OF ECONOMIC DEVELOPMENT, EMPLOYMENT AND INFRASTRUCTURE
GENERAL REAL ESTATE PORFOLIO
NOTES TO FINANCIAL STATEMENTS
March 31, 2016 and 2015
(in thousands of dollars)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of organization

The Ministry of Economic Development, Employment and Infrastructure General Real Estate Portfolio (GREP) consists of certain realty assets owned and/or leased by Her Majesty the Queen, in Right of Ontario, as represented by the Minister of Economic Development, Employment and Infrastructure and managed by Ontario Infrastructure and Lands Corporation (Infrastructure Ontario). Other real estate assets and liabilities in the Ministry of Economic Development, Employment and Infrastructure's portfolio are not reflected in these statements. GREP is a component of the Ministry of Economic Development, Employment and Infrastructure, carved out for the purpose of managing its real estate portfolio and is not a standalone legal entity.

Basis of accounting

The financial statements are prepared in accordance with Canadian generally accepted accounting principles for governments as established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada (Canadian public sector accounting standards).

Cash equivalents

Cash equivalents are comprised of treasury bills with maturity dates of less than 180 days. These are held to meet short-term cash commitments and are not intended for investments. Risk due to changes in market value is insignificant.

Tangible capital assets

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes the costs directly attributable to the acquisition, design, construction, development, improvement or betterment of the asset such as material, labour and capitalized interest.

Capitalization of cost associated with the construction work in progress (CIP) cease when the asset is ready for its intended use or ready for occupancy.

Land includes land acquired for transportation infrastructure, parks, buildings and other program use, as well as land improvements that have an indefinite life and are not being amortized. Land excludes Crown lands acquired by right.

Buildings include administrative and service structures. Leased premises are excluded. Alternative Financing and Procurement (AFP) buildings represent the value of AFP projects completed and transferred from sponsoring ministries.

CIP includes new buildings under construction and alterations to existing buildings.

All tangible capital assets, except CIP, land and land improvements are amortized on a straight line basis over their estimated useful lives. The useful lives of GREP's tangible capital assets have been estimated as:

Buildings, AFP Buildings and AFP assets under capital leases	20 to 40 years
Yardworks, including airport runways, parking lots and a dam	12 to 40 years

The carrying value of tangible capital assets is written down to the asset's residual value if it can no longer contribute to the Province's ability to provide service and the impairment is permanent in nature, or when the value of the future economic benefit is less than the carrying value of the tangible capital asset. Write downs are recognized in the statement of operations and are not reversed.

MINISTRY OF ECONOMIC DEVELOPMENT, EMPLOYMENT AND INFRASTRUCTURE
GENERAL REAL ESTATE PORFOLIO
NOTES TO FINANCIAL STATEMENTS
March 31, 2016 and 2015
(in thousands of dollars)

Interest capitalization

The cost of tangible capital assets constructed or developed by the Province includes interest costs incurred by the Province during the development or construction period

All interest incurred by the Province to fund the capital projects during the construction period is capitalized to tangible capital assets. There is no capitalization threshold.

The interest rate to be used in calculating the interest cost incurred during construction in any given year is the Weighted Average Cost of Capital (WACC) of the Province. The Ontario Financing Authority (OFA) provides the appropriate WACC. For fiscal year 2016, the WACC was 4.06% (2015 – 4.36%).

Capitalization of interest ceases once the asset is ready for use, even though the asset may be put to use at a later date. If construction of the tangible capital asset is terminated or deferred indefinitely before completion, the costs capitalized to date are expensed, unless there is an alternative use for the tangible capital asset.

AFP assets and liabilities

AFP receivables represent the amount owed from the sponsoring ministries on account of the construction and other costs incurred by the consortium for the completed projects and projects under construction at the financial statement date. GREP invoices ministries and recovers these receivables as payments are made to the consortium per terms of the project agreement.

AFP liabilities represent the amounts owed to the construction consortium for the value of AFP projects completed and those under construction at the financial statement date. These amounts are paid to the consortium as per terms of the project agreement, which consists of a partial payment at substantial completion and the remaining amounts through monthly service payments.

Construction costs for AFP projects under construction are recorded in the accounts of sponsoring ministries.

Assets held for sale

Assets that meet the following criteria are categorized as held for sale; the asset has been authorized or committed to be sold, is in a saleable condition, publicly seen to be available for sale, have an active market, with a plan in place for sale and is reasonably anticipated to be sold to a purchaser external to the Province within one year of the financial statement date.

Assets held for sale are recorded at the lower of carrying value and net realizable value. Cost includes all costs of acquisition and capitalized improvements on the property, net of amortization.

AFP assets under capital lease

The Ministry of Economic Development, Employment and Infrastructure has entered into contractual agreements with third parties to finance, design, build and manage certain assets on behalf of sponsoring ministries. These projects meet the criteria for, and are classified as capital leases. Value of assets acquired under capital leases are recorded as tangible capital assets and a lease liability is recorded as capital lease obligations at the present value of the minimum lease payments. Lease payments are receivable from sponsoring ministries and are recorded as receivable under capital leases. The terms and conditions are the same for both receivables under capital leases from the sponsoring ministries and the capital leases obligation to the construction consortium.

Liability for contaminated sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard.

MINISTRY OF ECONOMIC DEVELOPMENT, EMPLOYMENT AND INFRASTRUCTURE
GENERAL REAL ESTATE PORFOLIO
NOTES TO FINANCIAL STATEMENTS
March 31, 2016 and 2015
(in thousands of dollars)

A liability for remediation of contaminated sites is recognized when all the following criteria are met: (i) an environmental standard exists; (ii) contamination exceeds the environmental standard; (iii) GREP is directly responsible or accepts responsibility; (iv) it is expected the future economic benefits will be given up and (v) a reasonable estimate of the amount can be made.

The estimated liability includes costs directly attributable to the remediation, containment or mitigation activities and cost of post remediation maintenance and monitoring in order to bring the site up to the current minimum standard for its use prior to contamination. The cost of remediation is calculated based on the best available information and is reviewed and revised on an annual basis.

Revenue recognition

Revenue is recognized in the period in which the event that generates the revenue occurs.

Rent consists of income earned from leasing of GREP owned and third party landlord leased properties to government ministries and private sector tenants as well as the majority of operating funding received from the Ministry of Economic Development, Employment and Infrastructure. Rental revenue includes base rent, cost recoveries for operating expenses, property taxes and parking revenues. Free rent, lease increments and fixturing allowances related to third party leased buildings are recognized on a straight line basis over the term of the lease. Rent includes capital lease costs and monthly service payments for AFP properties recovered from ministries. Rent also includes cost recoveries from ministries for tenant specific requirements over and above services defined in the lease agreements.

Cost recoveries are recoveries from ministries of costs for construction, improvements or other real estate related projects undertaken as requested by ministries. Cost recovery revenue is recognized as services are provided. Cost recoveries also include operating funding allocations from the Ministry of Economic Development, Employment and Infrastructure and are recognized as invoiced.

Interest income represents interest earned on cash and cash equivalents and is recognized on a time proportion basis.

Operating expenses

Operating expenses are recorded as incurred under the accrual basis of accounting.

Facilities operating expenses include expenses incurred for the operation and maintenance of owned properties, including property taxes, facility management fees paid to Infrastructure Ontario, and non-recoverable repairs and maintenance expenses on owned properties as well as recoverable rental expenses paid to third party landlords.

Recoverable costs include costs incurred for construction or asset improvement as well as costs for other real estate projects undertaken as requested by ministries. All costs are recoverable from the respective ministry. Recoverable costs are recognized based on value of work completed.

Property disposition costs are costs incurred to bring the specific assets identified for sale to a marketable condition. The costs are expensed as incurred. Costs include property planning, marketing, environmental assessment, zoning, permits, and settlements.

Interest expense relates to the interest on debt outstanding on AFP liabilities including AFP assets under capital lease obligations, which are recovered in full from the sponsoring ministries.

Contributions from ministries and other government organizations

Ministry contributions represent (a) funds received from the Ministry of Economic Development, Employment and Infrastructure's capital allocations and, (b) the value of assets, asset improvements and betterments funded by other ministries that are capitalized to the tangible capital assets of GREP.

**MINISTRY OF ECONOMIC DEVELOPMENT, EMPLOYMENT AND INFRASTRUCTURE
GENERAL REAL ESTATE PORFOLIO
NOTES TO FINANCIAL STATEMENTS
March 31, 2016 and 2015
(in thousands of dollars)**

Contributions from other government organizations include the values of assets, asset improvements and betterments capitalized to the cost of the property in GREP and funded by government organizations other than ministries. The amounts are recorded as additions to the accumulated surplus.

Distributions to the Province of Ontario

Distributions represent the payment of funds collected by GREP, from private sector and non-government sources, to the Consolidated Revenue Fund in accordance with the requirements of the Financial Administration Act. Distributions also include capital assets transferred to other ministries for their program needs.

Use of estimates

These policies require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the balance sheet and the reported amounts of revenues and expenses during the reporting period. Major areas where management made subjective estimation include those relating to useful lives of tangible capital assets, accruals for value of work completed related to ministry recoverable and capital repair projects, allowance for doubtful receivables, liabilities for contaminated sites and accrued expenses. Actual results could differ from these estimates.

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include short-term treasury bills of \$100,852 (March 31, 2015 - \$110,677) with maturity date within 180 days issued by the Ontario Financing Authority with a weighted average effective interest rate of 0.61% (March 31, 2015 – 0.71%).

3. TRADE AND OTHER RECEIVABLES

Trade and other receivables include receivables from government and private sector tenants for charge for accommodation (CFA), AFP monthly service payments (MSP), project service receivables related to cost recoveries from ministries, HST rebate receivables, other receivables including those from private sector tenants and tenant inducements receivables arising from amortization of free rents over the life of lease. Allowances for doubtful accounts are recorded for specific third party balances, which are determined uncollectible to reduce their values to the amount expected to be recovered. The balance consists of the following:

	March 31 2016	March 31 2015
CFA receivables	\$ 61,384	\$ 38,153
AFP MSP receivables	5,026	20,702
Project services receivables	19,825	21,179
HST receivables	11,370	13,880
Other receivables	8,432	5,789
Allowance for doubtful accounts	(1,245)	(911)
	\$ 104,792	\$ 98,792

MINISTRY OF ECONOMIC DEVELOPMENT, EMPLOYMENT AND INFRASTRUCTURE
GENERAL REAL ESTATE PORFOLIO
NOTES TO FINANCIAL STATEMENTS
March 31, 2016 and 2015
(in thousands of dollars)

4. RECEIVABLES UNDER CAPITAL LEASES AND CAPITAL LEASE OBLIGATIONS

	March 31 2016	March 31 2015
Due March 2040, repayable in blended monthly installments of \$1,026, interest at 5.19%, secured by the tangible capital assets under the AFP project.	\$ 168,516	\$ 171,972
Due November 2039, repayable in blended monthly installments of \$1,244, interest at 5.11%, secured by the tangible capital assets under the AFP project.	204,671	209,012
	\$ 373,187	\$ 380,984

Future minimum lease payments under capital leases are as follows:

	Amount
2017	\$ 27,233
2018	27,233
2019	27,233
2020	27,233
2021	27,233
Thereafter	512,027
Total minimum lease payments	648,192
Less: Imputed interest	(275,005)
	\$ 373,187

5. RELATED PARTY TRANSACTIONS

GREP generates revenue through providing real estate accommodation and project management services to ministries, crown agencies and other government organizations for their program needs through the Ministry of Economic Development, Employment and Infrastructure owned and third party leased real estate assets. Infrastructure Ontario, an agency of the Ministry of Economic Development, Employment and Infrastructure, manages the real estate portfolio and provides project management services for a management fee. The two related parties are the Ministry of Economic Development, Employment and Infrastructure and Infrastructure Ontario.

The Ministry of Economic Development, Employment and Infrastructure funds GREP for its operating and capital needs in addition to the income generated by operations. Operating funding is provided for strategic advisory fees, project management fees, operating and maintenance funding for vacant third party leased and corporate space, payment in lieu of taxes for non leasable lands etc. For the year ended March 31, 2016, GREP received operating funding of \$45,440 (March 31, 2015 - \$45,244) which was recorded as revenue under rent and cost recoveries.

Capital funding includes funding for various real estate programs such as the Capital Repair Program and the Realty Portfolio Planning. For the year ended March 31, 2016 GREP received capital funding of \$103,612 (March 31, 2015 - \$88,336) from the Ministry of Economic Development, Employment and Infrastructure which was recorded as revenue, contributions from ministries or cost recoveries.

Due from related parties consists of \$30,279 (March 31, 2015 - \$21,735) due from the Ministry of Economic Development, Employment and Infrastructure related to CFA, project services, operating and capital funding allocations and \$0 (March 31, 2015 - \$4,336) receivable from Infrastructure Ontario. The amounts are due on demand, unsecured and non-interest bearing.

MINISTRY OF ECONOMIC DEVELOPMENT, EMPLOYMENT AND INFRASTRUCTURE
GENERAL REAL ESTATE PORFOLIO
NOTES TO FINANCIAL STATEMENTS
March 31, 2016 and 2015
(in thousands of dollars)

Due to related parties consists of \$4,672 (March 31, 2015 - \$0) payable to Infrastructure Ontario for management fees associated with the management of the real estate portfolio. The amounts are due on demand, unsecured and non interest bearing.

Infrastructure Ontario manages the real estate portfolio and provides project administration and management services for a management fee. Infrastructure Ontario fees for the year include a real estate management fee at 15% of the operating and maintenance budget for the owned portfolio totaling \$31,979 (2015 - \$29,720), operations management fee for AFP operating projects \$788 (2015 - \$1,082), and a project administration and management fee of \$8,348 (2015 - \$8,761) all of which were recorded as facility operating expenses, as well as a strategic asset management fee of \$10,396 (2015 - \$9,983), calculated based on the net book value of the assets under management and recorded as recoverable costs.

6. PROJECTS RECEIVABLES

Projects receivables totaling \$28,678 (March 31, 2015 - \$34,583) consists of accrued project costs related to ministry recoverable projects and small works incurred up to March 31, 2016, but yet not invoiced. All amounts were invoiced to the ministries subsequent to the period end.

7. ASSETS HELD FOR SALE

Assets held for sale are real estate assets that have been declared surplus to the needs of the Province and have been approved for sale by an Order-in-Council. It is reasonably anticipated that assets held for sale will be sold outside the reporting entity within one year of the balance sheet date. Assets held for sale as are summarized below.

	March 31 2016	March 31 2015
Land	\$ 5,156	\$ 2,202
Yardworks	131	-
Buildings	14,501	923
	19,788	3,125
Accumulated amortization	(10,265)	(824)
Net book value	\$ 9,523	\$ 2,301

Eight properties (March 31, 2015 - 16 properties) with a carrying value of \$1,882 (March 31, 2015 - \$1,162) were sold for net proceeds of \$11,514 (March 31, 2015 - \$12,467) generating a net gain on sale of \$9,632 (March 31, 2015 - \$11,305).

8. LIABILITY FOR CONTAMINATED SITES

GREP adopted Public Sector Accounting Standard PSAB 3260, Liability for Contaminated Sites retroactively in fiscal year 2015 and recognized a liability of \$140,987 in the financial statements.

A liability for remediation of contaminated sites is recognized when all the following criteria are met: (i) an environmental standard exists; (ii) contamination exceeds the environmental standard; (iii) GREP is directly responsible or accepts responsibility; (iv) it is expected the future economic benefits will be given up and (v) a reasonable estimate of the amount can be made.

The sources of contamination specific to individual sites may include petroleum hydrocarbons, volatile organic compounds, metals, inorganics, herbicides, pesticides, industrial waste, construction debris etc. Contamination was assessed primarily based on Phase I and Phase II Environmental Site Assessments (ESA) under Ontario regulations. In addition, GREP considered a range of key risk factors for each site including potential or

MINISTRY OF ECONOMIC DEVELOPMENT, EMPLOYMENT AND INFRASTRUCTURE
GENERAL REAL ESTATE PORTFOLIO
NOTES TO FINANCIAL STATEMENTS
March 31, 2016 and 2015
(in thousands of dollars)

historic human habitation or operations, potential offsite contamination, impacted media, potentially contaminating activities, areas of potential environmental concern and the contaminants of concern.

Remediation means the improvement of a contaminated site to prevent, minimize or mitigate damage to human health or the environment. Remediation involves the development and application of a planned approach that removes, destroys, contains, or otherwise reduces availability of contaminants to receptors of concern.

GREP manages a database of sites with known existing or potential contamination, developed using historical information it has collected on its properties through past development and investigation. GREP continues to update the database on an ongoing basis with new information and developments. Based on the current available information, there were 80 sites (March 31, 2015 - 82 sites) identified with known existing or potential contamination, of which 39 sites (March 31, 2015 - 40 sites) have met the liability recognition criteria.

Of the 39 contaminated sites that met the liability recognition criteria, five are not owned by the Ministry of Economic Development, Employment and Infrastructure. The ministry became responsible for remediation of these sites by operational law due to forfeiture to the Crown. The Ministry of Economic Development, Employment and Infrastructure has directed GREP to undertake the responsibility for remediation of these sites.

The assumptions used in estimating the liability for remediation include land use scenarios, ecological impact and human health risk. The liability is based on minimum estimated costs for remediation of contamination to bring the site to the minimum acceptable environmental standards for its use just prior to contamination, in addition to ongoing monitoring and management of the site. For one of the 80 sites with known contamination for which a liability was not previously recognized, remediation expenses of \$1,200 were recorded with a corresponding increase in the liability, based on new information received during the year which resulted in the site meeting the recognition criteria under the standard. During the year ended March 31, 2016, GREP incurred \$1,175 of remediation costs and reduced the associated liability for the specific contaminated sites. Two sites with a recorded liability of \$4,725 were disposed off during the year, resulting in a reduction to the associated liability and recognized as income in the statement of operations. Management's best estimate of the amount required to settle or otherwise extinguish the liability for the 39 sites (2015 - 40 sites) on an undiscounted basis is \$136,287 (2015 - \$140,987).

Significant judgment and estimation was involved in determining whether the properties met the recognition criteria under this standard including management's views with respect to the exception of whether future economic benefits will be given up. In assessing the properties against the criteria, consideration was given to several factors including the type, extent and location of contamination. In addition, significant judgment and estimation were made by management in determining the amount of the liability for these properties that met the recognition criteria under the standard, including the type of remediation activities that would be required and the associated costs.

MINISTRY OF ECONOMIC DEVELOPMENT, EMPLOYMENT AND INFRASTRUCTURE
GENERAL REAL ESTATE PORFOLIO
NOTES TO FINANCIAL STATEMENTS
March 31, 2016 and 2015
(in thousands of dollars)

9. TANGIBLE CAPITAL ASSETS

	Land	Yard- works	Buildings	CIP	AFP Buildings	AFP Assets under Capital Lease	Total
Cost							
Balance as at April 1, 2015	589,658	46,703	4,055,719	466,527	2,022,097	502,090	7,682,794
Additions	245,719	4,646	93,966	690,801	18,397	207	1,053,736
Transfer out from CIP	-	-	-	(334,731)	-	-	(334,731)
Disposals	(10,519)	-	(176)	-	-	-	(10,695)
Transfers to ministries	(528)	-	(92,572)	(419,331)	-	-	(512,431)
Retirements and write downs	(1)	(534)	(14,936)	-	-	-	(15,471)
Transfer to/from held for sale	(4,830)	(131)	(14,110)	-	-	-	(19,071)
Balance as at March 31, 2016	819,499	50,684	4,027,891	403,266	2,040,494	502,297	7,844,131
Accumulated Amortization							
Balance as at April 1, 2015	-	9,877	1,777,996	-	105,766	71,164	1,964,803
Additions	-	2,746	154,107	-	51,011	12,586	220,450
Disposals	-	-	(167)	-	-	-	(167)
Transfers to other ministries	-	-	(44,209)	-	-	-	(44,209)
Retirements and write downs	-	(12)	(3,018)	-	-	-	(3,030)
Transfer to/from held for sale	-	(36)	(9,931)	-	-	-	(9,967)
Balance as at March 31, 2016	-	12,575	1,874,778	-	156,777	83,750	2,127,880
Net book value at March 31, 2016	819,499	38,109	2,153,113	403,266	1,883,717	418,547	5,716,251

	Land	Yard- works	Buildings	CIP	AFP Buildings	AFP Assets under Capital Lease	Total As restated (note 2)
Cost							
Balance as at April 1, 2014	\$ 592,577	42,498	3,944,408	457,312	2,022,097	502,090	7,560,982
Additions	764	4,205	158,625	144,574	-	-	308,168
Transfer out from CIP	-	-	-	(135,359)	-	-	(135,359)
Disposals	(19)	-	(2,858)	-	-	-	(2,877)
Transfers to ministries							
Retirements and write downs	(2,213)	-	(44,388)	-	-	-	(46,601)
Transfer to/from held for sale	(1,451)	-	(68)	-	-	-	(1,519)
Balance as at March 31, 2015	589,658	46,703	4,055,719	466,527	2,022,097	502,090	7,682,794
Accumulated Amortization							
Balance as at April 1, 2014	-	7,476	1,658,427	-	54,754	58,578	1,779,235
Additions	-	2,401	153,473	-	51,012	12,586	219,472
Disposals	-	-	(2,826)	-	-	-	(2,826)
Transfers to ministries							
Retirements and write downs	-	-	(30,850)	-	-	-	(30,850)
Transfer to/from held for sale	-	-	(228)	-	-	-	(228)
Balance as at March 31, 2015	-	9,877	1,777,996	-	105,766	71,164	1,964,803
Net book value at March 31, 2015	589,658	36,826	2,277,723	466,527	1,916,331	430,926	5,717,991

MINISTRY OF ECONOMIC DEVELOPMENT, EMPLOYMENT AND INFRASTRUCTURE
GENERAL REAL ESTATE PORFOLIO
NOTES TO FINANCIAL STATEMENTS
March 31, 2016 and 2015
(in thousands of dollars)

Six properties (2015 - three properties) with a carrying value of \$10,528 (2015 - \$51) and nine easements (2015 - eight easements) were disposed for net proceeds of \$28,732 (2015 - \$25,371) generating a net gain on sale of \$18,204 (2015 - \$25,320).

10. CONTINGENT LIABILITIES

Prior to the amalgamation of Stadium Corporation of Ontario Limited (STADCO) with Infrastructure Ontario and Ontario Realty Corporation on June 6, 2011, all assets, liabilities and operations of STADCO were transferred to GREP, including ground leases dated June 3, 1989 with Canada Lands Company for the SkyDome Lands and the sublease to Rogers Stadium Limited Partnership (sub-tenant). Under the terms of the ground lease, GREP is responsible for base rent, realty taxes, utilities and certain operating costs, which are assumed by the sub-tenant under the terms of the sub-lease. In the event of a default by the sub-tenant, the potential financial impact to GREP is estimated to be the base rent in the range of \$300 to \$400 annually plus realty taxes, utilities and certain operating costs.

In connection with adoption of Public Sector Accounting Standard PSAB 3260, Liability for Contaminated Sites, management made significant judgment and estimation with respect to the determination of sites which met the recognition criteria and in estimation of costs associated with remediation. There may be certain sites owned by GREP with contamination or certain sites identified by GREP as having contamination that exceeds an environmental standard that may also have contamination that has migrated beyond GREP's property boundaries (i.e. offsite contamination). No liability has been accrued for in these financial statements for these sites, as the management does not have sufficient information to determine if the recognition criteria has been met under the new standard, nor can an estimate of the amount of the liability, if any, be made at this point in time.

Management continues to closely monitor and improve its knowledge of these sites and will recognize a liability once additional information is known, resulting in the property meeting the recognition criteria.

11. COMMITMENTS

GREP has entered into contractual obligations and does so, on a continuing basis for building leases, construction contracts and annual service payments on AFP properties. The building leases are lease contracts with third party landlords to provide accommodation to the ministries and government organizations. Commitments for construction contracts are determined based on management's estimate of costs to be incurred over the construction period. Contractual obligations for AFP annual service payments include interest due on debt, operations, maintenance and lifecycle costs. Contractual obligations as at March 31, 2016 are as follows:

	Building Leases	Construction Contracts	AFP Annual Service Payments
2017	\$ 258,972	374,358	132,340
2018	243,770	106,699	133,779
2019	211,421	50,628	133,907
2020	177,508	13,800	135,978
2021	136,445	4,681	135,018
2022 and thereafter	571,505	-	2,716,901
	<u>\$ 1,599,621</u>	<u>550,166</u>	<u>3,387,923</u>

12. PRIOR YEAR BALANCES

Certain prior year comparative figures have been reclassified to conform to current year's presentation.



Management Report

Management's Responsibility for Financial Reporting

The accompanying financial statements of the Independent Electricity System Operator are the responsibility of management and have been prepared in accordance with Canadian public sector accounting standards. The significant accounting policies followed by the Independent Electricity System Operator are described in the Summary of Significant Accounting Policies contained in Note 2 in the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been prepared within reasonable limits of materiality and in light of information available up to March 9, 2016.

Management maintained a system of internal controls designed to provide reasonable assurance that the assets were safeguarded and that reliable information was available on a timely basis. The system included formal policies and procedures and an organizational structure that provided for the appropriate delegation of authority and segregation of responsibilities.

These financial statements have been examined by KPMG LLP, a firm of independent external auditors appointed by the Board of Directors. The external auditors' responsibility is to express their opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles in Canada. The Auditors' Report, which follows, outlines the scope of their examination and their opinion.

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

On behalf of management,

Bruce Campbell
President, Chief Executive Officer
Toronto, Canada
March 9, 2016

Kimberly Marshall
Vice-President, Corporate Services
and Chief Financial Officer
Toronto, Canada
March 9, 2016

Independent Auditors' Report

To the Board of Directors of the Independent Electricity System Operator (IESO)

We have audited the accompanying financial statements of IESO, which comprise the statement of financial position as at December 31, 2015, the statements of operations and accumulated deficit, remeasurement gains and losses, change in net debt and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of IESO as at December 31, 2015, and its results of operations and the changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Chartered Professional Accountants, Licensed Public Accountants

March 9, 2016
Waterloo, Canada

Statement of Financial Position

As at (in thousands of Canadian dollars)

December 31, 2015 December 31, 2014

	\$	\$
FINANCIAL ASSETS		
Cash and cash equivalents	14,715	31,340
Accounts receivable	33,199	23,054
Long-term investments (Note 3)	37,318	33,979
TOTAL FINANCIAL ASSETS	85,232	88,373
LIABILITIES		
Accounts payable and accrued liabilities (Note 4)	48,868	51,163
Accrued interest on debt	315	364
Rebates due to market participants (Note 5)	9,595	—
Debt (Note 6)	90,000	129,000
Accrued pension liability (Note 7)	36,062	36,943
Accrued liability for employee future benefits other than pension (Note 7)	84,501	79,914
TOTAL LIABILITIES	269,341	297,384
NET DEBT	(184,109)	(209,011)
NON-FINANCIAL ASSETS		
Net tangible capital assets (Note 8)	103,716	99,549
Prepaid expenses	6,197	6,170
TOTAL NON-FINANCIAL ASSETS	109,913	105,719
ACCUMULATED SURPLUS/(DEFICIT)		
Accumulated deficit from operations (Note 5)	(81,854)	(109,654)
Accumulated remeasurement gains	7,658	6,362
ACCUMULATED DEFICIT	(74,196)	(103,292)

On behalf of the Board:



Tim O'Neill
Chair
Toronto, Canada



Ron Jamieson
Director
Toronto, Canada

Statement of Operations and Accumulated Deficit

For the year ended December 31 (in thousands of Canadian dollars)

	2015	2015	2014
	Budget	Actual	Actual
	\$	\$	\$
IESO CORE OPERATIONS			
System fees	181,200	180,504	160,968
Other revenue (Note 9)	3,000	5,377	6,272
Interest and investment income	1,000	1,430	2,798
Core operation revenues	185,200	187,311	170,038
Compensation and benefits	(105,212)	(104,994)	(115,225)
Professional and consulting	(22,117)	(21,555)	(19,101)
Operating and administration	(33,661)	(34,911)	(34,352)
Core operating expenses	(160,990)	(161,460)	(168,678)
Amortization	(18,700)	(17,933)	(16,583)
Net interest	(1,388)	(1,610)	(832)
Core expenses	(181,078)	(181,003)	(186,093)
IESO-OPA amalgamation expenses	—	—	(10,883)
Core operations annual surplus/(deficit)	4,122	6,308	(26,938)
MARKET SANCTIONS AND PAYMENT ADJUSTMENTS			
Market sanctions and payment adjustments	—	6,021	2,687
Compensation and benefits	(2,984)	(3,094)	(2,554)
Professional and consulting	(1,515)	(1,351)	(1,677)
Operating and administration	(73)	(114)	(132)
Customer education and market enforcement expenses	(4,572)	(4,559)	(4,363)
Market sanctions and payment adjustments annual surplus/(deficit)	(4,572)	1,462	(1,676)
SMART METERING ENTITY			
Smart metering charge	45,207	46,215	45,735
Compensation and benefits	(3,463)	(2,607)	(2,882)
Professional and consulting	(19,242)	(14,902)	(16,169)
Operating and administration	(2,386)	(4,200)	(2,958)
Smart metering operating expenses	(25,091)	(21,709)	(22,009)
Amortization	(3,716)	(3,524)	(4,543)
Net interest	(3,048)	(952)	(1,317)
Smart metering expenses	(31,855)	(26,185)	(27,869)
Smart metering entity annual surplus	13,352	20,030	17,866
ANNUAL SURPLUS/(DEFICIT)	12,902	27,800	(10,748)
ACCUMULATED DEFICIT FROM OPERATIONS, BEGINNING OF PERIOD	(109,654)	(109,654)	(98,906)
ACCUMULATED DEFICIT FROM OPERATIONS, END OF PERIOD	(96,752)	(81,854)	(109,654)

Statement of Remeasurement Gains and Losses

For the year ended December 31 (in thousands of Canadian dollars)	2015	2014
	Actual \$	Actual \$
ACCUMULATED REMEASUREMENT GAINS, BEGINNING OF PERIOD	6,362	4,144
UNREALIZED GAINS ATTRIBUTABLE TO:		
Foreign exchange – other	515	591
Portfolio investments (Note 3)	1,372	2,622
AMOUNTS RECLASSIFIED TO THE STATEMENT OF OPERATIONS:		
Foreign exchange – other	(591)	(178)
Portfolio investments	–	(817)
NET REMEASUREMENT GAINS FOR THE PERIOD	1,296	2,218
ACCUMULATED REMEASUREMENT GAINS, END OF PERIOD	7,658	6,362

Statement of Change in Net Debt

For the year ended December 31 (in thousands of Canadian dollars)	2015	2015	2014
	Budget \$	Actual \$	Actual \$
ANNUAL SURPLUS/(DEFICIT)	12,902	27,800	(10,748)
CHANGE IN NON-FINANCIAL ASSETS			
Acquisition of tangible capital assets	(29,395)	(25,624)	(24,575)
Amortization of tangible capital assets	22,416	21,457	21,125
Change in prepaid expenses	—	(27)	(1,356)
TOTAL CHANGE IN NON-FINANCIAL ASSETS	(6,979)	(4,194)	(4,806)
NET REMEASUREMENT GAINS FOR THE PERIOD	1,023	1,296	2,218
CHANGE IN NET DEBT	6,946	24,902	(13,336)
NET DEBT, BEGINNING OF PERIOD	(209,011)	(209,011)	(195,675)
NET DEBT, END OF PERIOD	(202,065)	(184,109)	(209,011)

Statement of Cash Flows

For the year ended December 31 (in thousands of Canadian dollars)

	2015	2014
	\$	\$
OPERATING TRANSACTIONS		
Change in accumulated deficit		
Annual surplus/(deficit)	27,800	(10,748)
	27,800	(10,748)
Changes in non-cash items:		
Amortization	21,457	21,125
Pension expense	11,970	13,777
Other employee future benefits expense	6,901	8,166
Change in fair value of long-term investments	–	(1,100)
	40,328	41,968
Changes in non-cash balances related to operations:		
Change in accounts payable and accrued liabilities	(775)	(3,124)
Change in accounts receivable	(10,145)	1,870
Change in rebates due to market participants	9,595	(25,755)
Change in prepaid expenses	(27)	(1,356)
	(1,352)	(28,365)
Other:		
Contribution to pension fund	(12,851)	(11,973)
Payment of employee future benefits	(2,314)	(2,321)
	(15,165)	(14,294)
Cash provided by/(applied to) operating transactions	51,611	(11,439)
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	(25,624)	(24,575)
Change in accounts payable & accrued liabilities	(1,569)	(152)
Cash applied to capital transactions	(27,193)	(24,727)
INVESTING TRANSACTIONS		
Sale/(purchase) of long-term investments	(1,967)	727
Cash provided by/(applied to) investing transactions	(1,967)	727
FINANCING TRANSACTIONS		
Issue/(retire) debt	(39,000)	4,800
Cash provided by/(applied to) financing transactions	(39,000)	4,800
INCREASE IN CASH AND CASH EQUIVALENTS	(16,549)	(30,639)
CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD	31,340	61,566
Unrealized foreign exchange gains/(losses) for the period	(76)	413
CASH AND CASH EQUIVALENTS – END OF PERIOD	14,715	31,340

Notes to Financial Statements

1. NATURE OF OPERATIONS

a) The Independent Electricity System Operator (IESO) is a not-for-profit, non-taxable, corporation established pursuant to Part II of the *Electricity Act, 1998*. The predecessor Independent Electricity System Operator and the Ontario Power Authority (OPA) were amalgamated by statute effective on January 1, 2015, and continued as the Independent Electricity System Operator. As set out in the *Electricity Act, 1998*, the IESO operates pursuant to a licence granted by the Ontario Energy Board (OEB). The amalgamation was effected pursuant to Bill 14, *Building Opportunity and Securing Our Future Act (Budget Measures), 2014*, which received Royal Assent on July 24, 2014. Schedule 7 of the Bill amended the *Electricity Act, 1998*, by amalgamating the two predecessor corporations and by continuing them as the Independent Electricity System Operator. The transitional provision, dealing with corporate matters, provides, among other things, that the predecessor IESO and OPA cease to exist as entities separate from the amalgamated IESO and all their rights, properties and assets become the rights, properties and assets of the amalgamated IESO, as do all outstanding debts, liabilities and obligations of the predecessor IESO and OPA. Schedule 7 of Bill 14 came into force on January 1, 2015. The objects of the IESO as contained in the *Electricity Act, 1998*, and Ontario Regulation 288/14 are as follows:

- to exercise the powers and perform the duties assigned to it under this Act, the regulations, directions, the market rules and its licence;
- to enter into agreements with transmitters to give it authority to direct the operation of their transmission systems;
- to direct the operation and maintain the reliability of the IESO-controlled grid to promote the purposes of this Act;
- to participate in the development by any standards authority of criteria and standards relating to the reliability of the integrated power system;
- to establish and enforce criteria and standards relating to the reliability of the integrated power system;
- to work with the responsible authorities outside of Ontario to co-ordinate the IESO's activities with the activities of those authorities;
- to operate the IESO-administered markets to promote the purposes of this Act;
- to engage in activities related to contracting for the procurement of electricity supply, electricity capacity and conservation resources;
- to engage in activities related to settlements, payments under a contract entered into under the authority of this Act and payments provided for under this Act or the *Ontario Energy Board Act, 1998*;
- to engage in activities in support of the goal of ensuring adequate, reliable and secure electricity supply and resources in Ontario;
- to forecast electricity demand and the adequacy and reliability of electricity resources for Ontario for the short term, medium term and long term;
- to conduct independent planning for electricity generation, demand management, conservation and transmission;
- to engage in activities to facilitate the diversification of sources of electricity supply by promoting the use of cleaner energy sources and technologies, including alternative energy sources and renewable energy sources;
- to engage in activities in support of system-wide goals for the amount of electricity to be produced from different energy sources;

- to engage in activities that facilitate load management;
- to engage in activities that promote electricity conservation and the efficient use of electricity;
- to assist the Board by facilitating stability in rates for certain types of consumers;
- to collect and make public information relating to the short term, medium term and long term electricity needs of Ontario and the adequacy and reliability of the integrated power system to meet those needs; and
- to engage in such other objects as may be prescribed by the regulations.

b) The IESO was designated the Smart Metering Entity (SME) by Ontario Regulation 393/07 under the *Electricity Act, 1998*, on March 28, 2007. The regulation came into effect on July 26, 2007.

The objects of the Smart Metering Entity, as contained in the *Electricity Act, 1998*, are as follows:

- to plan and implement and, on an ongoing basis, oversee, administer and deliver any part of the smart metering initiative as required by regulation under this or any Act or directive made pursuant to sections 28.3 or 28.4 of the *Ontario Energy Board Act, 1998*, and, if so authorized, to have the exclusive authority to conduct these activities;
- to collect and manage and to facilitate the collection and management of information and data and to store the information and data related to the metering of consumers' consumption or use of electricity in Ontario, including data collected from distributors and, if so authorized, to have the exclusive authority to collect, manage and store the data;
- to establish, to own or lease and to operate one or more databases to facilitate collecting, managing, storing and retrieving smart metering data;
- to provide and promote non-discriminatory access, on appropriate terms and subject to any conditions in its licence relating to the protection of privacy, by distributors, retailers and other persons,
 - i. to the information and data referred to above, and
 - ii. to the telecommunication system that permits the Smart Metering Entity to transfer data about the consumption or use of electricity to and from its databases, including access to its telecommunication equipment, systems and technology and associated equipment, systems and technologies
- to own or to lease and to operate equipment, systems and technology, including telecommunication equipment, systems and technology that permit the Smart Metering Entity to transfer data about the consumption or use of electricity to and from its databases, including owning, leasing or operating such equipment, systems and technology and associated equipment, systems and technologies, directly or indirectly, including through one or more subsidiaries, if the Smart Metering Entity is a corporation;
- to engage in such competitive procurement activities as are necessary to fulfill its objects or business activities;
- to procure, as and when necessary, meters, metering equipment, systems and technology and any associated equipment, systems and technologies on behalf of distributors, as an agent or otherwise, directly or indirectly, including through one or more subsidiaries, if the Smart Metering Entity is a corporation;
- to recover, through just and reasonable rates, the costs and an appropriate return approved by the Ontario Energy Board associated with the conduct of its activities; and
- to undertake any other objects that are prescribed by associated regulation.

c) The IESO is required to submit its proposed expenditures, revenue requirements and fees for the coming year to the OEB for review and approval. The submission may be made only with the approval or deemed approval of the IESO business plan by the Minister of Energy (Minister).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of financial statement preparation

The accompanying financial statements have been prepared on a going concern basis and in accordance with Canadian public sector accounting standards (PSAB) and reflect the following significant accounting policies.

The statements of financial position, operations and accumulated deficit, remeasurement gains and losses, changes in net debt, and cash flows for the year ended December 31, 2015, represent the activities of the IESO since inception on January 1, 2015. The comparative figures represent the pro-forma combined financial position and operations of the former IESO and OPA, as prepared under the accounting policies used in preparing the 2015 financial statements, as if the two entities had always operated as a single entity.

b) Revenue recognition

System fees earned by the IESO are based on approved rates for each megawatt of electricity withdrawn from the IESO-controlled grid (including scheduled exports) and embedded generation. System fees are recognized as revenue at the time the electricity is withdrawn. Rebates are recognized in the year in which the regulatory deferral account, before such rebates, exceeds regulated limits.

For 2015, the system fee for the newly amalgamated IESO was comprised of the combined rate calculations of the respective pre-amalgamation entities. Specifically, the former IESO rate base was calculated on electricity withdrawn from the IESO-controlled grid (including scheduled exports and embedded generation), whereas the former OPA rate base only considered Ontario electricity consumers. The IESO has submitted a rate case to the OEB for 2016 that proposes the use of one, consistent rate, based on electricity withdrawn from the IESO-controlled grid that includes scheduled exports and embedded generation.

These financial statements do not include the financial transactions of market participants within the IESO-administered markets.

Other revenue represents amounts that accrue to the IESO relating to investment income on funds passing through market settlement accounts, as well as application fees. Such revenue is recognized as it is earned.

Interest and investment income represents realized interest income and investment gains or losses on cash, cash equivalents, short-term investments and long-term investments.

Market sanctions represent funds received to offset payments disbursed related to penalties, damages, fines and payment adjustments arising from resolved settlement disputes.

c) Financial instruments

The IESO records cash and cash equivalents, investment portfolio and foreign currency exchange forward contracts at fair value. The cumulative change in fair value of these financial instruments is recorded in accumulated surplus as remeasurement gains and losses and is included in the value of the respective financial instrument shown in the statement of financial position and the statement of remeasurement gains and losses. Upon disposition of the financial instruments, the cumulative remeasurement gains and losses are reclassified to the statement of operations and all other gains and losses associated with the disposition of the financial instrument are recorded in the statement of operations. Transaction costs are charged to operations as incurred.

Cash and cash equivalents comprise cash, term deposits and other short-term, highly rated investments with original maturity dates of less than 90 days.

The IESO records accounts receivable, accounts payable and debt at amortized cost.

d) Tangible capital assets

Tangible capital assets are recorded at cost, which includes all amounts directly attributable to the acquisition, construction, development or betterment of the asset. The IESO capitalizes applicable interest as part of the cost of tangible capital assets.

e) Assets under construction

Assets under construction generally relates to the costs of physical facilities, hardware and software, and includes costs paid to vendors, internal and external labour, consultants and interest related to funds borrowed to finance the project. Costs relating to assets under construction are transferred to tangible capital assets when the asset under construction is deemed to be ready for use.

f) Amortization

The capital cost of tangible capital assets in service is amortized on a straight-line basis over their estimated service lives.

The estimated service lives in years, from the date the assets were acquired, are:

Class	Estimated Average Service Life 2015	Estimated Average Service Life 2014
Facilities	37	37
Market systems and applications	4 to 12	4 to 12
Infrastructure and other assets	4 to 7	4 to 7
Meter data management/repository	10	10

Gains and losses on sales or premature retirements of tangible capital assets are charged to operations.

The estimated service lives of tangible capital assets are subject to periodic review. The effects of changes in the estimated lives are amortized on a prospective basis. The most recent review was completed in fiscal 2015.

g) Pension, other post-employment benefits and compensated absences

The IESO's post-employment benefit programs include pension, group life insurance, health care, long-term disability and workers' compensation benefits.

The IESO accrues obligations under pension and other post-employment benefit (OPEB) plans and the related costs, net of plan assets. Pension and OPEB expenses and obligations are determined annually by independent actuaries using the projected benefit method and management's best estimate of expected return on plan assets, salary escalation, retirement ages of employees, mortality and expected health-care costs. The discount rate used to value liabilities is based on the expected rate of return on plan assets as at the measurement date of September 30.

The expected return on plan assets is based on management's long-term best estimate using a market-related value of plan assets. The market-related value of plan assets is determined using the average value of assets over three years as at the measurement date of September 30.

Pension and OPEB expenses are recorded during the year in which employees render services. Pension and OPEB expenses consist of current service costs, interest expense on liabilities, expected return on plan assets and the cost of plan amendments in the period. Actuarial gains/(losses) arise from, among other things, the difference between the actual rate of return on plan assets for a period and the expected long-term rate of return on plan assets for that period or from changes in actuarial assumptions used to determine the accrued benefit obligations. Actuarial gains/(losses) are amortized over the expected average remaining service life of the employees covered by the plan.

The expected average remaining service life of employees covered by the pension plans is 15 years (2014 – 13 years) and OPEB plans is 14.7 years (2014 – 14 years).

The IESO sick pay benefits accumulate but do not vest. The IESO accrues sick pay benefits based on the expectation of future utilization and records the accrual within accounts payable and accrued liabilities.

h) Foreign currency exchange

Transactions denominated in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing on the date of the transaction. Items on the statement of financial position denominated in foreign currency are translated to Canadian dollars at the rate of exchange as of the financial statements date. The cumulative unrealized foreign currency exchange gains and losses of items continuing to be recognized on the statement of financial position are recorded in accumulated deficit as remeasurement gains and losses and shown in the statement of financial position and the statement of remeasurement gains and losses. Upon settlement of the item denominated in a foreign currency, the cumulative remeasurement gains and losses are reclassified to the statement of operations, and all other gains and losses associated with the disposition of the financial instrument are recorded in the statement of operations.

i) Use of estimates

The 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 revenues, expenses, assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the financial statements. The IESO's accounts that involve a greater degree of uncertainty include the carrying values of tangible capital assets, rebates to market participants, accrued pension liability and accrual for employee future benefits other than pensions. Actual results could differ from those estimates.

3. LONG-TERM INVESTMENTS

Long-term investments in a balanced portfolio of pooled funds are valued by the pooled funds manager based on published price quotations and amount to \$37,019 thousand (2014 – \$33,758 thousand). As at December 31, the market value allocation of these long-term investments was 56.0% equity securities and 44.0% debt securities (2014 – 59.7% and 40.3% respectively).

Balanced portfolio of pooled funds

As at December 31 (in thousands of Canadian dollars)	2015	2014
	\$	\$
Opening balance	33,758	31,683
Purchase/(sale) of investments	1,889	(830)
Change in fair value	1,372	2,905
Closing balance	37,019	33,758

In addition to the balanced portfolio of pooled funds, the IESO has a long-term deposit with Canada Revenue Agency in the amount of \$299 thousand (2014 – \$221 thousand) pertaining to the Retirement Compensation Arrangements Trust (Note 6).

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at December 31 (in thousands of Canadian dollars)	2015	2014
	\$	\$
Relating to operations	43,125	43,851
Relating to tangible capital assets	5,743	7,312
	48,868	51,163

5. REBATES DUE TO MARKET PARTICIPANTS AND ACCUMULATED DEFICIT

In 2015, the IESO recognized \$9,595 thousand in rebates due to market participants of system fees (2014 – \$28,786). As at December 31, 2015, rebates due to market participants were \$9,595 thousand (2014 – \$nil).

Historically, the IESO's approved regulatory deferral account balance has been maintained at a maximum of \$10.0 million (\$5.0 million each of the former IESO and OPA for a combined \$10.0 million). The 2015 approved regulatory deferral account balance will be established at the time of the 2016 rate case with the OEB, which is expected to be in the spring of 2016.

Prior to 2014, unrealized gains and losses from portfolio investments and foreign exchange were included in the balance of the regulatory deferral account (life-to-date total \$4,144 thousand). As of January 1, 2014, only realized gains and losses are included in this balance.

As at December 31, the components of the accumulated deficit were as follows:

Accumulated Deficit

As at December 31 (in thousands of Canadian dollars)	2015	2014
	\$	\$
Regulatory deferral account (a)	10,000	7,604
Accumulated market sanctions and payment adjustments (b)	492	(970)
Smart metering entity – accumulated deficit (c)	(40,849)	(60,879)
PSAB transition items (d)	(47,353)	(51,265)
Remeasurement gains/(losses)	3,514	2,218
Accumulated deficit – end of year	(74,196)	(103,292)

a) Regulatory Deferral Account

As at December 31 (in thousands of Canadian dollars)	2015	2014
	\$	\$
Accumulated surplus – beginning of year	7,604	38,792
Revenues (before rebates due to market participants)	196,906	198,824
Rebates due to market participants	(9,595)	(28,786)
Core operation expenses	(181,003)	(186,093)
IESO – OPA amalgamation expenses	–	(10,883)
Recovery of PSAB transition items	(3,912)	(4,250)
Accumulated surplus – end of year	10,000	7,604

b) Accumulated Market Sanctions and Payment Adjustments

As at December 31 (in thousands of Canadian dollars)	2015	2014
	\$	\$
Accumulated surplus – beginning of year	(970)	706
Market sanctions and payment adjustments	6,021	2,687
Customer education and market enforcement expenses	(4,559)	(4,363)
Accumulated surplus/(deficit) – end of year	492	(970)

c) Smart Metering Entity – Accumulated Deficit

As at December 31 (in thousands of Canadian dollars)	2015	2014
	\$	\$
Accumulated deficit – beginning of year	(60,879)	(78,745)
Smart metering charge	46,215	45,735
Smart metering expenses	(26,185)	(27,869)
Accumulated deficit – end of year	(40,849)	(60,879)

d) PSAB Transition Item - Accumulated Deficit

As at December 31 (in thousands of Canadian dollars)	2015	2014
	\$	\$
Accumulated deficit – beginning of year	(51,265)	(55,515)
Recovery of PSAB transition items	3,912	4,250
Accumulated deficit – end of year	(47,353)	(51,265)

Effective January 1, 2011, the IESO adopted Canadian public sector accounting standards with a transition date of January 1, 2010. The adoption of PSAB was accounted for by retroactive application with restatement of prior periods subject to the requirements in Section PS 2125, *First-time Adoption by Government Organizations*. The corresponding change to pension and other-post employment benefits resulted in previously unrecognized actuarial losses and past service costs of \$80,617 thousand at the date of transition being charged to the accumulated deficit.

The IESO includes a portion of the accumulated deficit resulting from the PSAB transition items in the annual proposed expenditures to the OEB for recovery through system fees.

6. DEBT

Note payable to Ontario Electricity Financial Corporation (OEFC)

In April 2014, the IESO entered into a three-year note payable with the OEFC. The note payable is unsecured, bears interest at a fixed rate of 2.046% per annum and is repayable in full on April 30, 2017. Interest accrues daily and is payable in arrears semi-annually in April and October of each year. As at December 31, 2015, the note payable to the OEFC was \$90.0 million (December 31, 2014 – \$90.0 million).

For the year ended December 31, 2015, the interest expense on the note payable was \$1,841 thousand (2014 – \$1,650 thousand).

Credit facility

The IESO has an unsecured credit facility agreement with the OEFC, which will make available to the IESO an amount up to \$95.0 million. Advances are payable at a variable interest rate equal to the Province of Ontario's cost of borrowing for a 30-day term plus 0.50% per annum, with draws, repayments and interest payments due monthly. The credit facility expires April 30, 2017. As at December 31, 2015, no amount was drawn on the credit facility (December 31, 2014 – \$39.0 million).

For the year ended December 31, 2015, the interest expense on the credit facility was \$279 thousand (2014 – \$664 thousand).

Retirement Compensation Arrangements Trust

In July 2013, the IESO established a Retirement Compensation Arrangements (RCA) Trust to provide security for the IESO's obligations under the terms of the supplemental employee retirement plan for its employees. As at December 31, 2015, the IESO has provided the RCA trustee with a bank letter of credit of \$28,408 thousand (2014 – \$23,370 thousand) the trustee can draw on if the IESO is in default under the terms of this plan.

7. POST-EMPLOYMENT BENEFIT PLANS

The IESO provides pension and other employee post-employment benefits, comprising group life insurance, long-term disability and group medical and dental plans, for the benefit of current and retired employees.

Pension plans

The IESO provides a contributory defined benefit, indexed, registered pension plan. In addition to the funded, registered, pension plan, the IESO provides certain non-registered defined benefit pensions through an unfunded, indexed, non-registered plan.

Other employee future benefits

The group life insurance, long-term disability and group medical and dental benefits are provided through unfunded, non-registered defined benefit plans.

Summary of accrued benefit obligations and plan assets

(in thousands of Canadian dollars)	2015 Pension Benefits	2014 Pension Benefits	2015 Other Benefits	2014 Other Benefits
	\$	\$	\$	\$
Accrued benefit obligation	482,994	452,466	83,455	69,427
Fair value of plan assets	475,714	455,229	–	–
Funded status as of measurement date	(7,280)	2,763	(83,455)	(69,427)
Employer contribution/other benefits payments after measurement date	427	207	582	586
Unrecognized actuarial (gain)/loss	(29,209)	(39,913)	(1,628)	(11,073)
Accrued liability recognized in the statement of financial position	(36,062)	(36,943)	(84,501)	(79,914)

Registered pension plan assets

As at the measurement date of September 30, the proportion of the fair value of registered pension plan assets held in each asset class was as follows:

	2015	2014
Canadian equity securities	19.9%	20.6%
Foreign equity securities	41.8%	40.7%
Canadian debt securities	39.0%	37.9%
Cash equivalents	0.6%	1.1%
Forward foreign exchange contracts	(1.3%)	(0.3%)
	100.0%	100.0%

Principal assumptions used to calculate benefit obligations at the end of the year are determined at that time and are as follows:

	2015 Pension Benefits	2014 Pension Benefits	2015 Other Benefits	2014 Other Benefits
Discount rate at the end of the period	6.00%	6.15%	6.00%	6.15%
Rate of compensation increase	3.75%	3.75%	3.75%	3.75%
Rate of indexing	2.25%	2.25%	2.25%	2.25%

The assumed prescription drug inflation was 8.25% for 2015, grading down to an ultimate rate 4.75% per year in 2029. Dental costs are assumed to increase by 4.25% per year.

Benefit costs and plan contributions for pension and other plans are summarized as follows:

(in thousands of Canadian dollars)	2015 Pension Benefits	2014 Pension Benefits	2015 Other Benefits	2014 Other Benefits
	\$	\$	\$	\$
Current service cost (employer)	10,547	7,707	2,857	2,339
Interest cost	28,143	27,787	4,797	5,241
Expected return on plan assets	(26,053)	(23,630)	—	—
Amortization of net actuarial loss	(667)	1,913	(753)	586
Benefit cost	11,970	13,777	6,901	8,166

(in thousands of Canadian dollars)	2015 Pension Benefits	2014 Pension Benefits	2015 Other Benefits	2014 Other Benefits
	\$	\$	\$	\$
Employer contribution/other benefit payments	12,851	11,973	2,314	2,321
Plan participants' contributions	5,162	3,722	—	—
Benefits paid	21,155	20,862	2,314	2,321

The most recent actuarial valuation of the registered pension plan for funding purposes was at January 1, 2014, and the date of the next required valuation is January 1, 2017. In 2015, a cost certificate was filed with Financial Services Commission of Ontario.

Principal assumptions used to calculate benefit costs for the year are determined at the beginning of the period and are as follows:

	2015 Pension Benefits	2014 Pension Benefits	2015 Other Benefits	2014 Other Benefits
Discount rate at the beginning of the period	6.15%	6.25%	6.15%	6.25%
Rate of compensation increase	3.75%	3.75%	3.75%	3.75%
Rate of indexing	2.25%	2.25%	2.25%	2.25%

8. TANGIBLE CAPITAL ASSETS

Net tangible capital assets consist of the following:

Tangible Capital Assets

(in thousands of Canadian dollars)	As at Dec. 31, 2014	Additions	Disposals	As at Dec. 31, 2015
	\$	\$	\$	\$
Facilities	55,818	116	(3,653)	52,281
Market systems and applications	262,840	16,364	(746)	278,458
Infrastructure and other assets	56,910	6,731	(3,461)	60,180
Meter data management/repository	35,434	466	–	35,900
Total cost	411,002	23,677	(7,860)	426,819

Accumulated Amortization

(in thousands of Canadian dollars)	As at Dec. 31, 2014	Amortization Expense	Disposals	As at Dec. 31, 2015
	\$	\$	\$	\$
Facilities	(23,970)	(2,287)	3,653	(22,604)
Market systems and applications	(241,287)	(10,669)	746	(251,210)
Infrastructure and other assets	(45,712)	(4,977)	3,461	(47,228)
Meter data management/repository	(21,805)	(3,524)	–	(25,329)
Total accumulated amortization	(332,774)	(21,457)	7,860	(346,371)

Net Book Value

(in thousands of Canadian dollars)	As at December 31, 2014	As at December 31, 2015
	\$	\$
Facilities	31,848	29,677
Market systems and applications	21,553	27,248
Infrastructure and other assets	11,198	12,952
Meter data management/repository	13,629	10,571
Total net book value	78,228	80,448
Assets under construction	21,321	23,268
Net tangible capital assets	99,549	103,716

In 2015, the impact of adjustments to management's estimates of remaining asset service lives was a decrease in amortization expense of \$653 thousand (2014 – decrease of \$665 thousand).

Interest capitalized to assets under construction during 2015 was \$263 thousand (2014 – \$165 thousand).

9. OTHER REVENUE

In its administration of the IESO-administered markets, the IESO directs the investment of market funds in highly rated, short-term investments throughout the settlement cycle. The IESO is entitled to receive the investment interest and investment gains, net of investment losses earned on funds passing through the real-time market settlement accounts. The IESO is not entitled to the principal on real-time market investments.

The IESO recognized investment income earned in the market settlement accounts of \$3,212 thousand in 2015 (2014 – \$1,724 thousand).

10. RELATED PARTY TRANSACTIONS

The Province of Ontario is a related party as it is the controlling entity of the IESO. The OEFC, OEB, Hydro One and Ontario Power Generation Inc. (OPG) are related parties of the IESO, through the common control of the Province of Ontario. Transactions between these parties and the IESO were as follows:

The IESO holds a note payable and an unsecured credit facility agreement with the OEFC (Note 6). Interest payments made by the IESO in 2015 for the note payable were \$1,841 thousand (2014 – \$1,545 thousand) and for the credit facility were \$328 thousand (2014 – \$671 thousand). As of December 31, 2015, the IESO had an accrued interest payable balance with the OEFC of \$315 thousand (2014 – \$364 thousand).

Under the *Ontario Energy Board Act, 1998*, the IESO incurs registration and license fees. The total of the transactions with the OEB was \$1,671 thousand in 2015 (2014 – \$1,642 thousand).

The IESO performed connection and bulk electric system exception assessments for Hydro One in 2015. In 2015, the IESO invoiced Hydro One \$310 thousand (2014 – \$437 thousand).

The IESO procures short circuit studies and protection impact assessments as part of connection assessments, approvals and meter services on IESO-owned interconnected revenue meters from Hydro One. Additionally, the IESO paid Hydro One for the removal of the microwave tower at the Clarkson location. In 2015, the IESO incurred costs of \$525 thousand (2014 – \$144 thousand) for these services. As of December 31, 2015, the IESO had a net payable balance with Hydro One of \$149 thousand (2014 – \$121 thousand).

The IESO performed connection assessment and approvals for OPG, administered telecommunication services to market participants to connect to the real-time market systems and provides market-related training courses. In 2015, OPG was invoiced \$137 thousand (2014 – \$54 thousand). As of December 31, 2015, the IESO had a net receivable balance with OPG of \$4 thousand (2014 – \$4 thousand).

11. FINANCIAL RISK MANAGEMENT

The IESO is exposed to financial risks in the normal course of its business operations, including market risks resulting from volatilities in equity, debt and foreign currency exchange markets, as well as credit risk and liquidity risk. The nature of the financial risks and the IESO's strategy for managing these risks have not changed significantly from the prior year.

a) Market Risk

Market risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate to cause changes in market prices. The IESO is primarily exposed to three types of market risk: currency risk, interest rate risk and equity risk. The IESO monitors its exposure to market risk fluctuations and may use financial instruments to manage these risks as it considers appropriate. The IESO does not use derivative instruments for trading or speculative purposes.

i) Currency Risk

The IESO conducts certain transactions in U.S. dollars, primarily related to vendors' payments, and maintains a U.S. dollar-denominated bank account. From time to time, the IESO may utilize forward purchase contracts to purchase U.S. dollars for delivery at a specified date in the future at a fixed exchange rate. In addition, the IESO utilizes U.S. dollar spot rate purchases in order to satisfy any current accounts. As at December 31, 2015, the IESO did not have any outstanding forward purchase contracts.

ii) Interest Rate Risk

The IESO is exposed to movements or changes in interest rates primarily through its short-term variable rate credit facility, cash equivalents' securities and long-term investments. Long-term investments include investments in a pooled Canadian bond fund. The potential impact to the securities' value had the prevailing interest rates changed by 25 basis points, assuming a parallel shift in the yield curve with all other variables held constant, is estimated at \$0.6 million as at December 31, 2015 (2014 – \$0.5 million).

iii) Equity Risk

The IESO is exposed to changes in equity prices through its long-term investments. Long-term investments include investments in pooled equity funds. A 30% change in the valuation of equities as at December 31, 2015, would have resulted in a change for the year (before the impact of adjustments to the approved regulatory deferral account (Note 5) of approximately \$6.8 million (2014 – \$6.0 million). The fair values of all financial instruments measured at fair value are derived from quoted prices (unadjusted) in active markets for identical assets.

b) Credit Risk

Credit risk refers to the risk that one party to a financial instrument may cause a financial loss for the other party by failing to meet its obligations under the terms of the financial instrument. The IESO is exposed directly to credit risk related to cash equivalents' securities and accounts receivable, and indirectly through its exposure to the long-term investments in a Canadian bond pooled fund. The IESO manages credit risk associated with cash equivalents' securities through an approved management policy that limits investments to investment-grade investments with counterparty-specific limits. The accounts receivable balance as at December 31, 2015, included no material items past due and substantially all of the balance was collected within 30 days from December 31, 2015. The long-term Canadian bond pooled fund is comprised of primarily investment-grade securities.

c) Liquidity Risk

Liquidity risk refers to the risk that the IESO will encounter financial difficulty in meeting obligations associated with its financial liabilities when due. The IESO manages liquidity risk by forecasting cash flows to identify cash flows and financing requirements. Cash flows from operations, short-term investments, long-term investments and maintaining appropriate credit facilities help to reduce liquidity risk. The IESO's long-term investments are normally able to be redeemed within three business days; however, the investment manager of the pooled funds has the authority to require a redemption in-kind rather than cash and has the ability to suspend redemptions if deemed necessary.

12. COMMITMENTS

Operating commitments

The obligations of the IESO with respect to non-cancellable operating leases over the next five years are as follows:

As at December 31 (thousands of Canadian dollars)

	\$
2016	5,616
2017	5,288
2018	4,793
2019	3,724
2020	3,051

The above figures include lease payments up to July 2017 which have also been included in the 2014 IESO-OPA amalgamation expenses (\$1,700 thousand). As of December 31, 2015 this balance is \$1,120 thousand.

13. CONTINGENCIES AND GUARANTEES

Contingencies

The IESO is subject to various claims, legal actions and investigations that arise in the normal course of business. While the final outcome of such matters cannot be predicted with certainty, management believes that the resolution of such claims, actions and investigations will not have a material impact on the IESO's financial position or results of operations.

Guarantees

The IESO enters into contracts with suppliers of electricity as part of its normal business operations. In some cases, these contracts require the IESO to support obligations with these entities. In 2012, the IESO entered into a letter of credit amounting to \$1,349 thousand in support of a contracted obligation. As at December 31, 2015, no amounts have been drawn on the balance.



Management's Statement of Responsibility

The Management of Legal Aid Ontario is responsible for the preparation, presentation and integrity of the accompanying financial statements, Management's Discussion and Analysis and all other information contained in this Annual Report. This responsibility includes the selection and consistent application of appropriate accounting principles and methods in addition to making the judgements and best estimates necessary to prepare the financial statements in accordance with Canadian public sector accounting standards with appropriate consideration to materiality. The significant accounting policies followed by Legal Aid Ontario are described in the financial statements.

Management has developed and maintains a system of internal control, business practices and financial reporting to provide reasonable assurance that assets are safeguarded and that relevant and reliable financial information is produced on a timely basis. Internal auditors, who are employees of Legal Aid Ontario, review and evaluate internal controls on management's behalf.

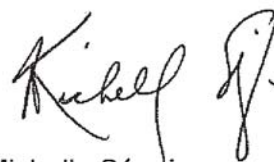
The Board of Directors of Legal Aid Ontario ensures that management fulfils its responsibilities for financial information and internal control through an Audit and Finance Committee. This Committee meets regularly with management and the auditor to discuss internal controls, audit findings and the resulting opinion on the adequacy of internal controls, and the quality of financial reporting issues. The auditors have access to the Audit and Finance Committee, without management present, to discuss the results of their work.

The accompanying financial statements have been examined by the Office of the Auditor General of Ontario. The Auditor General'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 General's examination and opinion.



David Field
President and
Chief Executive Officer

June 8, 2016



Michelle Séguin
Chief Administrative Officer
and Vice President

June 8, 2016



Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

To Legal Aid Ontario
and to the Attorney General of Ontario

I have audited the accompanying financial statements of Legal Aid Ontario, which comprise the balance sheet as at March 31, 2016 and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.


An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, these financial statements present fairly, in all material respects, the financial position of Legal Aid Ontario as at March 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Toronto, Ontario
June 8, 2016


Bonnie Lysyk, MBA, CPA, CA, LPA
Auditor General

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Legal Aid Ontario

Balance Sheet

	March 31, 2016 (\$000's)	March 31 2015 (\$000's)
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 6,463	\$ 15,627
Investments (Note 4)	29,527	38,829
Prepaid expenses and other assets	2,630	1,981
Client accounts receivable (Note 3(a))	15,709	15,598
Other receivables (Note 3(b))	11,112	14,484
	\$ 65,441	\$ 86,519
Long-term client accounts receivable (Note 3(a))	20,995	22,862
Capital net assets (Note 5)	6,982	7,572
TOTAL ASSETS	\$ 93,418	\$ 116,953
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities (Note 6)	\$ 85,232	\$ 88,292
Deferred contributions (Note 7)	5,477	6,600
Deferred grants (Note 8)	-	934
Accrued pension liability (Note 12)	1,613	1,237
	\$ 92,322	\$ 97,063
Contingency reserve (Note 13)	1,400	6,400
Net Assets (Deficit)		
Net accumulated deficit	\$ (11,367)	\$ -
Internally restricted net assets (Note 9)	11,063	13,490
	(304)	13,490
TOTAL LIABILITIES AND NET ASSETS	\$ 93,418	\$ 116,953

On behalf of the Board:



Chair

Legal Aid Ontario

Statement of Operations

For the year ended March 31

	2016 (\$000's)	2015 (\$000's)
REVENUE		
Total government funding (Notes 1(a), (2), (7) and (13))	\$ 395,266	\$ 363,111
The Law Foundation of Ontario (Note 8)	25,211	29,179
Client contributions	9,995	9,883
Client and other recoveries	811	763
Investment income (Note 4)	390	599
Miscellaneous income	<u>969</u>	<u>632</u>
TOTAL REVENUE	\$ 432,642	\$ 404,167
EXPENSES (Note 2)		
Client Programs		
Certificate Program		
Criminal - Big cases	\$ 30,162	\$ 25,560
Criminal - others	<u>81,931</u>	<u>76,324</u>
Sub-total	112,093	101,884
Family	60,654	49,837
Immigration and refugee	17,108	16,039
Other civil	<u>6,174</u>	<u>5,781</u>
Sub-total	196,029	173,541
Settlement conferences	163	137
Family law offices	10,038	7,928
Criminal law offices	2,927	1,331
Refugee law office	4,749	3,064
Articling students	2,471	2,466
Nishnawbe-Aski Legal Services Corporation	<u>1,858</u>	<u>1,842</u>
Certificates	<u>218,235</u>	<u>190,309</u>
Duty Counsel Program		
Duty counsel fees and disbursements	53,432	49,443
Expanded duty counsel	<u>2,146</u>	<u>1,766</u>
Sub-total	<u>55,578</u>	<u>51,209</u>
Clinic Program and Special Services		
Clinic law services (Note 10)	85,462	77,971
Student legal aid services societies	5,337	4,399
Clinic information management project	<u>1,474</u>	<u>1,516</u>
Sub-total	<u>92,273</u>	<u>83,886</u>
Service Innovation Projects		
Other	<u>1,766</u>	<u>1,808</u>
Sub-total	<u>1,766</u>	<u>1,808</u>

Legal Aid Ontario

Statement of Operations

For the year ended March 31

2016
(\$000's)2015
(\$000's)**EXPENSES (continued)****Program Support**

Regional operations

2,740

2,311

District/Area office services

14,943

15,282

Client and legal service centre

10,632

8,283

Sub-total

28,315

25,876

TOTAL CLIENT PROGRAMS

396,167

353,088

Service Provider Support

Research facilities

4,015

3,599

Lawyers' services and payments

2,317

2,179

Sub-total

6,332

5,778

Administrative and Other Costs

Provincial office

36,411

35,070

Amortization

3,263

2,413

Bad debts

4,263

3,949

Sub-total

43,937

41,432

TOTAL EXPENSES

\$ 446,436

\$ 400,298

Surplus (deficit) of revenue over expenses for the year

\$ (13,794)

\$ 3,869

Legal Aid Ontario

Statement of Changes in Net Assets (Deficit)

For the year ended March 31

	Internally restricted (Note 9)	Accumulated (deficit)	2016 Total	2015 Total
(\$000's)				
Net assets, beginning of year	\$ 13,490	\$ -	\$ 13,490	\$ 9,621
Surplus (deficit) of revenue over expenses for the year	-	(13,794)	(13,794)	3,869
Transfer from internally restricted	(2,427)	2,427	-	-
Net assets (deficit), end of year	\$ 11,063	\$ (11,367)	\$ (304)	\$ 13,490

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Legal Aid Ontario

Statement of Cash Flows

For the year ended March 31	2016 (\$000's)	2015 (\$000's)
Cash provided by (used in)		
OPERATING ACTIVITIES		
Surplus (deficit) of revenue over expenses for the year	\$ (13,794)	\$ 3,869
Adjustments to reconcile surplus (deficit) of revenue over expenses to net cash provided by operating activities:		
Amortization of capital assets	3,263	2,413
Employer pension contributions	(6,144)	(5,062)
Pension expense	6,520	5,381
Changes in non-cash balances:		
Accrued interest on investments	303	(171)
Prepaid expenses and other assets	(649)	(267)
Client accounts receivable	(111)	1,164
Other receivables	3,372	4,311
Long-term client accounts receivable	1,867	(976)
Accounts payable and accrued liabilities	(3,060)	(4,434)
Deferred contributions	(1,123)	1,000
Deferred grants	(934)	(1,454)
Contingency Reserve	(5,000)	-
	<u>\$ (15,490)</u>	<u>\$ 5,774</u>
INVESTING ACTIVITIES		
Redemption (purchase)	\$ 8,999	\$ (10,000)
CAPITAL ACTIVITIES		
Purchase of capital assets	\$ (2,673)	\$ (4,795)
Net decrease in cash and cash equivalents during the year	<u>(9,164)</u>	<u>(9,021)</u>
Cash and cash equivalents, beginning of year	<u>15,627</u>	<u>24,648</u>
Cash and cash equivalents, end of year	<u>\$ 6,463</u>	<u>\$ 15,627</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Legal Aid Ontario

Notes to Financial Statements

March 31, 2016

NATURE OF OPERATIONS

On December 18, 1998, the Ontario Legislative Assembly enacted the *Legal Aid Services Act, 1998* whereby Legal Aid Ontario "LAO" (the "Corporation") was incorporated without share capital under the laws of Ontario. The Corporation began operations on April 1, 1999 and is tax exempt under the *Income Tax Act* (Canada).

The *Legal Aid Services Act, 1998* establishes the following mandate for the Corporation:

- To promote access to justice throughout Ontario for low-income individuals by providing high quality legal aid services
- To encourage and facilitate flexibility and innovation in the provision of legal aid services
- To recognize the diverse legal needs of low-income individuals and disadvantaged communities
- To operate within a framework of accountability for the expenditure of public funds

The affairs of the Corporation are governed and managed by a Board of eleven Directors appointed by the Lieutenant Governor in Council. While the Corporation operates independently from the Province of Ontario and the Law Society of Upper Canada, it is accountable for the expenditure of public funds and for the provision of legal aid services in a manner that both meets the needs of low-income individuals and is cost-effective and efficient.

BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with the Public Sector Handbook ["PS"] of the Chartered Professional Accountants of Canada supplemented by the standards for government not-for-profit organizations included in PS 4200 to PS 4270, which constitutes generally accepted accounting principles for government not-for-profit organizations in Canada and includes the significant accounting policies summarized below.

FINANCIAL INSTRUMENTS

Financial instruments are classified in one of the following categories (i) fair value or (ii) cost or amortized cost. The entity determines the classification of its financial instruments at initial recognition.

Investments reported at fair value consist of equity instruments that are quoted in an active market as well as investments in pooled funds and any investments in fixed income securities that the Corporation designates upon purchase to be measured at fair value. Transaction costs are recognized in the statement of operations in the period during which they are incurred. Investments at fair value are remeasured at their fair value at the end of each reporting period. Any revaluation gains and losses are recognized in the statement of remeasurement gains and losses and are cumulatively reclassified to the statement of operations upon disposal or settlement.

Investments in fixed income securities not designated to be measured at fair value are initially recorded at fair value plus transaction costs and are subsequently measured at amortized cost using the straightline method, less any provision for impairment.

All investment transactions are recorded on a trade date basis.

Other financial instruments, including client accounts receivable and accounts payable and accrued liabilities, are initially recorded at their fair value and are subsequently measured at cost, net of any provisions for impairment.

Legal Aid Ontario

Notes to Financial Statements**March 31, 2016**

REVENUE RECOGNITION

The Corporation follows the deferral method of accounting for contributions.

Externally restricted contributions are deferred when initially recorded in the accounts and recognized as revenue in the year in which the related expenses are recognized. Unrestricted contributions are recognized as revenue when initially recorded in the accounts if the amount to be received can be reasonably estimated and collection is reasonably assured. Due to uncertainty surrounding the amounts to be billed, client contributions are recognized as revenue when the Corporation accrues a lawyer's invoice on behalf of a client. Judgments, costs and settlements are recognized as revenue when awarded.

Investment income, which consists of interest, is recorded in the statement of operations as earned.

EXPENSE RECOGNITION

Expenses are recognized on an accrual basis. Certificate program costs include amounts billed to the Corporation by lawyers and an estimate of amounts for work performed by lawyers but not yet billed to the Corporation.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and balances with banks plus highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value with original maturities of typically one year or less.

CAPITAL ASSETS

Capital assets are recorded at cost less accumulated amortization. Amortization is provided on the straight-line basis over the estimated useful life of the asset as follows:

Furniture and office equipment	- 5 years
Computer hardware	- 3 years
Enterprise-wide software	- 3-7 years
Leasehold improvements	- over the term of lease

Legal Aid Ontario**Notes to Financial Statements****March 31, 2016**

EMPLOYEE BENEFIT PLANS

The Corporation accrues its obligations under a defined benefit employee plan and the related costs. The cost of post-employment benefits earned by employees is actuarially determined using the projected unit credit actuarial cost method prorated on service and management's best estimate assumptions. The cost of non-vesting sick leave benefits is also actuarially determined using management's best estimate assumptions. Actuarial gains (losses) are amortized on a straight-line basis over the estimated average remaining service period of the active employees. Past service costs are expensed when incurred. Liabilities are measured using a discount rate determined by reference to the Corporation's cost of borrowing. Contributions to a defined contribution pension plan are expensed on an accrual basis.

USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Significant estimates in the financial statements include the allowance for client accounts receivable, accruals related to legal work performed but not yet billed and accrued employee benefits.

Legal Aid Ontario

Notes to Financial Statements

March 31, 2016

1. Government Funding

Section 71 of the *Legal Aid Services Act, 1998* requires the Corporation and the Attorney General of Ontario to enter into a Memorandum of Understanding ("MOU") every five years. The purpose of the MOU is to clarify the operational, administrative, financial, and other relationships between The Ministry of the Attorney General ("MAG") and the Corporation. The most recent MOU was signed on November 12, 2014.

- (a) The Corporation is economically dependent on the Province of Ontario, and contributions recognized from the Province are as follows:

	2016 (\$000's)	2015 (\$000's)
General contributions	\$ 363,766	\$ 356,711
Financial Eligibility (Note (2))	31,500	6,400
Total contributions	\$ 395,266	\$ 363,111

- (b) Included in contributions from the Province of Ontario for the year ended March 31, 2016 is an amount of \$50.9 million (2015 - \$50.7 million) representing an allocation of funds from a lump sum transfer by the Federal Government to the Province in connection with criminal law, the *Youth Criminal Justice Act*, Immigration and Refugee expenditures for unique pressures through a cost-sharing arrangement.
- (c) Subsection 66(3) of the *Legal Aid Services Act, 1998* allows the Corporation to allocate any surplus or deficit in a fiscal year to either or both of the two subsequent fiscal years with the approval of the Attorney General, unless, under Subsection 69(2), it is ordered by the Minister of Finance to pay its surplus into the Consolidated Revenue Fund.

2. Financial Eligibility

In the 2014, 2015 and 2016 provincial budgets, the Government of Ontario committed to provide Ontarians with greater access to justice by increasing the Financial Eligibility threshold by 6% per year. The first increase took place on November 1, 2014; since then increases have taken place each year on April 1, 2015 and April 1, 2016. Further increases are scheduled each year to 2020. LAO received \$31.5 million (note 1(a)) from the Province of Ontario in 2015/16 (2015 - \$6.4 million) and the province has committed to increase funding to \$48.8 million in 2016/17, \$67.0 million in 2017/18, \$86.3 million in 2018/19, \$106.4 million in 2019/20 and \$120.1 million in 2020/21.

LAO's objective is to increase access to justice and ensure that the Financial Eligibility funding is fully utilized by increasing the number of clients served through the certificate program, and the new clinic and staff programs. On average it takes three years for the full cost to be realized and it is anticipated that there will be years when expenses incurred exceed contributions received in the early year and vice versa in the latter years. These differences in revenue and expenses will offset each other, over the term of the program.

During the year, LAO incurred expenses of \$37.1 million (2015 - \$6.4 million) and received contributions of \$31.5 million (2015 - \$6.4 million). Cumulatively to date, LAO has incurred expenses of \$43.5 million and received contributions of \$37.9 million.

Legal Aid Ontario

Notes to Financial Statements

March 31 2016

3. Accounts Receivable

(a) Client accounts receivable

The Corporation has a client contribution program for legal aid applicants who do not meet the Corporation's financial eligibility requirements for a non-contributory certificate. These applicants receive the assistance they need by entering into a contribution agreement, which they undertake to repay the Corporation over time for the services provided to them. Contribution agreements may include monthly payments and/or liens on property.

March 31 2016 (\$000's)	Total	1-30 Days	31-60 Days	61-90 Days	Over 90 Days
Client accounts receivable	\$ 66,425	\$ 185	\$ 200	\$ 234	\$ 65,806
Less: impairment allowance	(29,721)	(98)	(98)	(100)	(29,425)
Net receivables	<u>\$ 36,704</u>	<u>\$ 87</u>	<u>\$ 102</u>	<u>\$ 134</u>	<u>\$ 36,381</u>

March 31 2015 (\$000's)	Total	1-30 Days	31-60 Days	61-90 Days	Over 90 Days
Client accounts receivable	\$ 70,868	\$ 184	\$ 800	\$ 249	\$ 69,635
Less: impairment allowance	(32,408)	(64)	(448)	(134)	(31,762)
Net receivables	<u>\$ 38,460</u>	<u>\$ 120</u>	<u>\$ 352</u>	<u>\$ 115</u>	<u>\$ 37,873</u>

	2016 (\$000's)	2015 (\$000's)
Represented by		
Current (non-lien) client accounts receivable	15,709	15,598
Long-term (lien) client accounts receivable	20,995	22,862
	<u>\$ 36,704</u>	<u>\$ 38,460</u>

Legal Aid Ontario

Notes to Financial Statements

March 31 2016

(b) Other receivables

Other receivables are mainly composed of amounts due from the Law Foundation of Ontario, Canada Revenue Agency and both the Federal Department of Justice ("DOJ") and MAG for protocol cases.

March 31 2016 (\$000's)	Total	1-30 Days	31-60 Days	61-90 Days	Over 90 Days
MAG protocol cases	\$ 2,399	\$ 476	\$ 502	\$ 550	\$ 871
DOJ protocol cases	374	66	56	127	125
HST receivable	5,811	2,959	2,621	-	231
The Law Foundation of Ontario	1,794	1,794	-	-	-
Other receivables	734	373	-	-	361
Total other receivables	\$ 11,112	\$ 5,668	\$ 3,179	\$ 677	\$ 1,588

March 31 2015 (\$000's)	Total	1-30 Days	31-60 Days	61-90 Days	Over 90 Days
MAG protocol cases	\$ 3,908	\$ 1,329	\$ -	\$ -	\$ 2,579
DOJ protocol cases	524	454	56	14	-
HST receivable	7,519	3,100	2,032	-	2,387
The Law Foundation of Ontario	2,061	2,061	-	-	-
Other receivables	472	472	-	-	-
Total other receivables	\$ 14,484	\$ 7,416	\$ 2,088	\$ 14	\$ 4,966

Legal Aid Ontario

Notes to Financial Statements

March 31 2016

4. Investments

	2016 (\$000's)	2015 (\$000's)
Guaranteed investment certificates	\$ 29,400	\$ 38,400
Accrued interest	127	429
Investments	<u>\$ 29,527</u>	<u>\$ 38,829</u>

The Corporation has developed an investment policy in accordance with the statutory requirements outlined in Sections 7(1), 7(2), 7(3) and 7(4) of Ontario Regulation 107/99 made under the *Legal Aid Services Act, 1998*. The Corporation's short-term and long-term investment policy is to invest in highly liquid investments in Canadian federal government securities, Canadian provincial government securities or other guaranteed investment certificates issued or guaranteed by Canadian financial institutions with a rating of A or above. The investments held by the Corporation as at March 31, 2016 are in compliance with the statutory requirements. There were no long-term investments held as at March 31, 2016 (2015 - nil). Short-term investments held of \$29.4 million (2015 - \$38.4 million) are invested at variable interest rates.

The Corporation earned investment income of \$0.4 million in 2016 (2015 - \$0.6 million).

Legal Aid Ontario

Notes to Financial Statements

March 31 2016

5. Capital Assets

	2016 (\$000's)		2015 (\$000's)	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and office equipment	\$ 209	\$ 139	\$ 271	\$ 154
Computer hardware	5,859	2,956	5,019	2,360
Leasehold improvements	6,640	3,781	6,003	2,997
Enterprise-wide software	17,847	16,697	17,753	15,963
	\$ 30,555	\$ 23,573	\$ 29,046	\$ 21,474
Net book value		\$ 6,982		\$ 7,572

6. Accounts Payable and Accrued Liabilities

	2016 (\$000's)	2015 (\$000's)
Legal accounts		
- accruals for billings received but not paid	\$ 19,500	\$ 20,185
- estimate of work performed but not yet billed	52,853	57,054
Rent inducements	558	780
Trade and other payables	9,971	8,813
Vacation pay	2,350	1,460
	\$ 85,232	\$ 88,292

Legal Aid Ontario

Notes to Financial Statements

March 31 2016

7. Deferred Contributions

The Province of Ontario provided LAO with \$30.0 million funding over a three-year period, starting in 2013/14. This is to enhance family law services. LAO sought and received approval by MAG to defer \$1.0 million from \$10.0 million received in 2014/15. In 2015/16, \$10.0 million (2015 - \$10 million) was received and \$11.0 million recognized (2015 - \$9.0 million).

The following chart shows funds which have been deferred to future periods:

	2016 (\$000's)	2015 (\$000's)
Balance, beginning of year	\$ 6,600	\$ 5,600
Provincial funding received	10,000	10,000
Amounts recognized (Note 1(a))	(11,123)	(9,000)
Balance, end of year	\$ 5,477	\$ 6,600

8. Deferred Grants

The Corporation has received the following funds from the Law Foundation of Ontario for future projects:

	2016 (\$000's)	2015 (\$000's)
Balance, beginning of year	\$ 934	\$ 2,388
Amounts recognized as revenue	(934)	(1,454)
Balance, end of year	\$ -	\$ 934

Legal Aid Ontario

Notes to Financial Statements

March 31 2016

9. Internally Restricted Net Assets

- (a) Annually, the Board of Directors determines the amount, if any, to be transferred between accumulated surplus (deficit) and internally restricted net assets. These internally restricted amounts are not available for other purposes without approval of the Board of Directors.

Internally restricted net assets consist of the following:

	2016 (\$000's)	2015 (\$000's)
Invested in capital assets (Note 9(b))	\$ 6,982	\$ 7,572
Internally restricted for the specialty clinic co-location project (Note 9(c)(i))	1,163	3,000
Internally restricted for the cost of the tariff increases (Note 9(c)(ii))	2,918	2,918
	\$ 11,063	\$ 13,490

- (b) Invested in capital assets represents the amount of net assets that are not available for other purposes because they have been used to fund the purchase of capital assets. Changes in net assets invested in capital assets during the year consist of the following:

	2016 (\$000's)	2015 (\$000's)
Balance, beginning of year	\$ 7,572	\$ 5,190
Purchase of capital assets	2,673	4,795
Amortization	(3,263)	(2,413)
Balance, end of year	\$ 6,982	\$ 7,572
Represented by		
Capital assets (Note 5)	\$ 6,982	\$ 7,572

- (c) (i) The Board of Directors set aside \$3 million in a restricted reserve in 2014/15 to be used to pay for leasehold improvements related to the co-location of specialty clinics. During 2015/16, \$1.8 million was used.

(ii) In 2010, MAG, LAO and Criminal Law Association entered into a MOU that included seven tariff increases of 5% over six years. The total cost of these tariff increases will be fully realized by LAO by 2017/18. As a result of government restraints, LAO is funding approximately \$14 million from internal savings. In 2014/15, the Board of Directors set aside \$2.9 million as a restricted reserve to offset this component of the cost of the tariff increases, which will be used in 2016/17.

Legal Aid Ontario

Notes to Financial Statements

March 31 2016

10. Clinic Law Services

The Corporation provides funding to community clinics, enabling them to provide poverty law services to the community they serve on a basis other than fee for service. The community clinics are organizations structured as corporations without share capital and are governed and managed by a board of directors. Community clinics are independent from, but accountable to, the Corporation under Sections 33 to 39 of the *Legal Aid Services Act, 1998*. Each community clinic is independently audited and is required to provide audited financial statements to the Corporation for the funding period.

The total funding to community clinics consists of direct funding transfers and the cost of centrally provided support services.

	2016 (\$000's)	2015 (\$000's)
Payments to and on behalf of clinics	\$ 85,462	\$ 77,971

11. Commitments and Contingencies

- (a) The Corporation issues certificates to individuals seeking legal aid assistance. Each certificate issued authorizes legal services to be performed within the tariff guidelines. As at March 31, 2016, management estimates that a potential \$51.9 million (2015 - \$55.6 million) of authorized legal services could still be incurred on certificates issued on or before March 31, 2016 over and above the billings received to date and management's estimate of work performed but not yet billed.
- (b) The Corporation leases various office premises and equipment throughout the Province. The rent and estimated operating costs are based on lease agreements and prior period information on operating costs for leases held over the next five years and thereafter as follows:

	Base Rent (\$000's)	Operating Cost (\$000's)	Total (\$000's)
2017	\$ 2,226	\$ 2,607	\$ 4,833
2018	2,080	2,530	4,610
2019	1,208	1,355	2,563
2020	445	282	727
2021	99	40	139
Thereafter	113	112	225
	\$ 6,171	\$ 6,926	\$ 13,097

Legal Aid Ontario

Notes to Financial Statements

March 31 2016

11. Commitments and Contingencies (continued)

- (c) The Corporation is the defendant in a number of lawsuits arising in the ordinary course and conduct of business. The outcome and ultimate disposition of these actions are not known; however, based on the claims made, management estimates an amount of \$0.3 million and have made the necessary provision. Some of the above lawsuits are covered by insurance after the application of a deductible of up to \$50 thousand, depending on when the event of the claim occurred and the nature of the claim.

12. Pensions

The Corporation has two pension plans providing retirement benefits for its employees. There are two components to the regular plan: a defined contribution and a defined benefit component. In addition, there is also a non-registered supplementary (executive) plan.

Defined Contribution Component

The defined contribution component of the plan covers 961 (2015 - 914) employees. LAO increased its contribution to 9% effective January 1, 2016. The Corporation's pension expense for the year relating to this component of the plan was \$6.1 million (2015 - \$5.0 million). LAO has a transition plan to get all employee contributions to nine percent of the employees' pensionable earnings by January 1, 2018. As a result, the existing employee contribution rate varies between six and eight percent depending on the contribution of the employees to the component of the plan.

Defined Benefit Component

The defined benefit component of the plan covers a total of 16 employees; there are three active (2015 - three) participants and 13 retirees (2015 - 14). Actuarial gains (losses) are amortized on a straight-line basis over the estimated average remaining service period of the active employees, which is three years as at March 31, 2016 (2015 - four). Under this benefit plan, benefits at retirement are related to years of service and remuneration during the years of employment. The plan is subject to actuarial valuations for funding purposes at intervals of not more than three years. The actuarial valuation for the new three-year period starting January 1, 2014 was completed. The next actuarial valuation of the Plan for funding purposes will be prepared as at January 1, 2017. The Corporation makes pension contributions to this component of the plan in amounts recommended by the actuary.

The Corporation measures its accrued benefit obligation for accounting purposes as at March 31 of each year.

	2016 (\$000's)	2015 (\$000's)
Accrued benefit obligation	\$ 3,640	\$ 3,620
Fund assets at market value	4,076	4,305
Funded status - plan surplus	436	685
Unamortized net actuarial loss (gain)	225	(80)
Accrued pension asset	\$ 661	\$ 605

Legal Aid Ontario

Notes to Financial Statements

March 31 2016

12. Pensions (continued)

The expense related to the Corporation's defined benefit component of the plan consists of the following:

	2016 (\$000's)	2015 (\$000's)
Current period benefit cost	\$ 24	\$ 25
Amortization of actuarial (gains) losses	(20)	48
Interest revenue	(35)	(19)
	<u>\$ (31)</u>	<u>\$ 54</u>

The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligation and benefit expense are as follows:

	2016	2015
Accrued benefit obligation		
Discount rate	5.25%	5.25%
Rate of compensation increase	3.00%	3.00%

	2016	2015
Benefit expense		
Discount rate	5.25%	5.25%
Expected long-term rate of return on plan assets	5.25%	5.25%
Rate of compensation increase	3.00%	3.00%

Other information about the defined benefit plan is as follows:

	2016 (\$000's)	2015 (\$000's)
Employer contributions	\$ 24	\$ 63
Employee contributions	9	10
Benefits paid	200	197

Legal Aid Ontario

Notes to Financial Statements

March 31 2016

12. Pensions (continued)

Supplementary Executive Benefit Plan

The Board of the Corporation has also approved the establishment of a supplementary pension benefit plan for a designated executive member. Under the supplementary pension benefit plan, benefits at retirement are related to years of service and remuneration during the years of employment. The plan is unfunded and the benefits will be paid by the Corporation as they become due. The accounting valuation for the unfunded retirement plan has been performed as at March 31, 2016.

The significant actuarial assumptions adopted in measuring the accrued benefit obligation and expense for the year are as follows:

	2016	2015
Discount rate	4.0%	4.00%
Inflation	1.5%	1.50%

The Corporation's pension expense for the year was \$0.4 million (2015 - \$0.3 million). The accrued benefit obligation and the accrued benefit liability as at March 31, 2016 was \$2.3 million (2015 - \$1.8 million). During the year, the Corporation made no payments to the plan.

	2016 (\$000's)	2015 (\$000's)
Accrued Pension Asset (Liability)		
Defined Benefit Plan	\$ 661	\$ 605
Supplementary Executive Benefit Plan	(2,274)	(1,842)
	\$ (1,613)	\$ (1,237)

Legal Aid Ontario

Notes to Financial Statements

March 31 2016

13. Contingency Reserve

Section 66(4) of the *Legal Aid Services Act, 1998*, requires the Corporation to maintain a contingency reserve fund as prescribed by Section 6 of Ontario Regulation 107/99. This fund was established on April 1, 1999 with a balance of \$20 million, which was funded by the Corporation. The Regulation also requires the Corporation to obtain advance approval from the Attorney General for any withdrawal beyond \$5 million of this capital amount and for the Corporation to provide the reason why the withdrawal is needed, a schedule for repayment, and a statement of the Corporation's plans for preventing a similar need from arising in the future.

	2016 (\$000's)	2015 (\$000's)
Balance, beginning of year	\$ 6,400	\$ 6,400
Amounts recognized as revenue	(5,000)	-
Balance, end of year	\$ 1,400	\$ 6,400

14. Financial Instruments

The Corporation is exposed to various financial risks through transactions in financial instruments.

Credit risk

The Corporation is exposed to credit risk in connection with its accounts and other receivables and its fixed income investments because of the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation. Accounts receivable is recorded net of any allowances for impairment (note 3).

Liquidity risk

The Corporation is exposed to the risk that it will encounter difficulty in meeting obligations associated with its financial liabilities. The Corporation derives a significant portion of its operating revenue from the Ontario government and other funders with no firm commitment of funding in future years. To manage liquidity risk, the Corporation keeps sufficient resources readily available to meet its obligations.

Accounts payable mature within 21 days on certificates. The maturities of other financial liabilities are provided in notes to the financial statements related to these liabilities.

Interest rate risk

The Corporation is exposed to interest rate risk with respect to its investments held at variable interest rates.

Investments of \$29.4 million (2015 - \$38.4 million) are invested at the rate of 0.9% with multiple maturity dates between April 2, 2015 and January 19, 2017. These interest rates vary with the Canadian prime rate.

Central LHIN

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Management's Responsibility for the Financial Statements

May 20, 2016

The management of the Central Local Health Integration Network is responsible for the preparation and for the integrity and objectivity of the accompanying financial statements and the notes thereto. Management believes that the financial statements present fairly the Central Local Health Integration Network's financial position as at March 31, 2016 and the statements of financial operations, changes in net debt, and cash flows for the year then ended.

The financial statements have been prepared in compliance with legislation and in accordance with Generally Accepted Accounting Principles (GAAP) and Public Sector Accounting Board (PSAB) requirements.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has developed and maintains a system of internal control designed to provide reasonable assurance that Central Local Health Integration Network's assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of financial statements.

The Board of Directors carries out its responsibility for review of the financial statements through its Audit Committee. This committee meets with management and with external auditors to discuss the results of audit examinations and financial reporting matters. The external auditors have full access to the Audit Committee with and without the presence of the management. The Board of Directors of the Central Local Health Integration Network has approved the financial statements.

The financial statements for the year ended March 31, 2016 have been audited and reported on by Deloitte LLP, independent external auditors appointed by the Board of Directors.



Karin Dschankilic
Senior Director, Performance, Contracts and
Allocation and Chief Financial Officer



Kim L. Baker
Chief Executive Officer
Central LHIN



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Independent Auditor's Report

To the Members of the Board of Directors of the
Central Local Health Integration Network

We have audited the accompanying financial statements of the Central Local Health Integration Network (the "LHIN"), which comprise the statement of financial position as at March 31, 2016, and the statements of operations, change in net debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the LHIN as at March 31, 2016, and the results of its operations, change in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants
Licensed Public Accountants
May 31, 2016

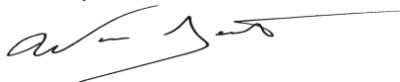
Central Local Health Integration Network

Statement of financial position

as at March 31, 2016

	2016	2015
	\$	\$
Financial assets		
Cash	380,753	264,873
Due from Ministry of Health and Long-Term Care ("MOHLTC")	8,526,855	11,373,653
Accounts receivable	81,147	94,063
	8,988,755	11,732,589
Liabilities		
Accounts payable and accrued liabilities	470,241	372,232
Due to Health Service Providers ("HSPs")	8,526,855	11,373,653
Due to Ministry of Health and Long-Term Care ("MOHLTC") (Note 3)	36,158	26,548
Due to Central West LHIN (Note 4)	-	16,882
Due to the LHIN Shared Services Office (Note 4)	5,856	2,168
Deferred capital contributions (Note 5)	81,579	116,470
	9,120,689	11,907,953
Net debt	(131,934)	(175,364)
Commitments (Note 6)		
Non-financial assets		
Prepaid expenses	50,355	58,894
Tangible capital assets (Note 7)	81,579	116,470
	131,934	175,364
Accumulated surplus	-	-

Approved by the Board



Warren Jestin, Chairman of the Board of Directors



Judy Cameron, Director and Audit Committee Chair

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

Central Local Health Integration Network

Statement of operations
year ended March 31, 2016

	Budget (Note 8)	2016 Actual	2015 Actual
	\$	\$	\$
Revenue			
MOHLTC funding			
HSP transfer payments (Note 9)	1,928,276,400	2,043,334,690	1,949,997,048
LHIN Operations and Initiatives			
General and administrative	4,189,100	4,252,574	4,177,961
Emergency Room/Alternative Level of Care ("ER - ALC") Funding	100,000	100,000	98,477
Primary Care Lead	-	72,000	72,000
Aboriginal Initiative	10,000	10,000	3,598
Emergency Department Lead	-	72,000	72,000
French Language Health Services	106,000	106,000	91,695
Critical Care Lead	-	72,000	72,000
Enabling Technologies for Integration			
Project Management Office	-	406,000	389,118
Diabetes Strategy (Note 10)	909,900	891,710	904,713
Amortization of deferred capital contributions (Note 5)	-	55,829	52,733
Total LHIN Operations and Initiatives	5,315,000	6,038,113	5,934,295
	1,933,591,400	2,049,372,803	1,955,931,343
Expenses			
Transfer payments to HSPs (Note 9)	1,928,276,400	2,043,334,690	1,949,997,048
Operations			
General and administrative (Note 11)	4,189,100	4,252,574	4,177,961
ER - ALC funding (Note 10)	100,000	100,000	98,477
Primary Care Lead (Note 10)	-	72,000	72,000
Aboriginal Initiative (Note 10)	10,000	10,000	3,598
Emergency Department Lead (Note 10)	-	72,000	72,000
French Language Health Services (Note 10)	106,000	106,000	91,695
Critical Care Lead (Note 10)	-	72,000	72,000
Enabling Technologies for Integration			
Project Management Office (Note 10)	-	406,000	389,118
Diabetes Strategy (Note 10)	909,900	891,710	904,713
Amortization of tangible capital assets (Note 5)	-	55,829	52,733
	1,933,591,400	2,049,372,803	1,955,931,343
Annual surplus	-	-	-
Accumulated surplus, beginning of year	-	-	-
Accumulated surplus, end of year	-	-	-

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

Central Local Health Integration Network

Statement of change in net debt
year ended March 31, 2016

	2016 Actual	2015 Actual
	\$	\$
Annual surplus	-	-
Acquisition of tangible capital assets	20,938	15,039
Amortization of tangible capital assets	(55,829)	(52,733)
Change in other non-financial assets	(8,539)	2,729
Decrease in net debt	(43,430)	(34,965)
Net debt, beginning of year	175,364	210,329
Net debt, end of year	131,934	175,364

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

Central Local Health Integration Network

Statement of cash flows year ended March 31, 2016

	2016	2015
	\$	\$
Operating transactions		
Annual surplus	-	-
Less items not affecting cash		
Amortization of capital assets	(55,829)	(52,733)
Amortization of deferred capital contributions (Note 5)	55,829	52,733
	-	-
Changes in non-cash operating items		
Due from MOHLTC	2,846,798	(4,064,866)
Accounts receivable	12,916	(6,848)
Accounts payable and accrued liabilities	98,009	(21,186)
Due to Central West LHIN	(16,882)	14,998
Due to the MOHLTC	9,610	(108,458)
Due to HSPs	(2,846,798)	4,064,866
Due to the LHIN Shared Services Office	3,688	785
Prepaid expenses	8,539	(2,729)
	115,880	(123,438)
Capital transaction		
Acquisition of tangible capital assets	(20,938)	(15,039)
Financing transaction		
Deferred capital contributions received (Note 5)	20,938	15,039
Net decrease in cash	115,880	(123,438)
Cash, beginning of year	264,873	388,311
Cash, end of year	380,753	264,873

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

Central Local Health Integration Network

Notes to the financial statements

March 31, 2016

1. Description of business

The Central Local Health Integration Network was incorporated by Letters Patent on June 2, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the Local Health System Integration Act, 2006 (the "Act") as the Central Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The mandate of the LHIN is to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers most of North York, York Region and South Simcoe. The LHIN enters into service accountability agreements with health service providers.

The LHIN has also entered into an accountability agreement with the Ministry of Health and Long Term Care ("MOHLTC"), which provides the framework for LHIN accountabilities and activities.

Commencing April 1, 2007, all funding payments to LHIN managed Health Service Providers have flowed through the LHIN's financial statements. Throughout the years, funding payments authorized by the LHIN to Health Service Providers, are recorded in the LHIN's Financial Statements as revenue from the MOHLTC and as transfer payment expenses to Health Service Providers.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian public sector accounting standards. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues and expenses in the fiscal year that the events giving rise to the revenues or expenses occur, and the revenues and expenses are earned or incurred and measurable. Through the accrual basis of accounting expenses include non-cash items, such as the amortization of tangible capital assets.

Ministry of Health and Long-Term Care Funding

The LHIN is funded by the Province of Ontario in accordance with the Ministry-LHIN Accountability Agreement ("MLAA"), which describes budgetary arrangements established by the MOHLTC. The Financial Statements reflect funding arrangements approved by the MOHLTC. The LHIN cannot authorize payments in excess of the budgetary allocation set by the MOHLTC. Due to the nature of the Accountability Agreement, the LHIN is economically dependent on the MOHLTC.

Transfer payment amounts to Health Service Providers are based on the terms of the Health Service Provider Accountability Agreements with the LHIN, including any amendments made throughout the year. During the year, the LHIN authorizes the transfer of cash to the Health Service Providers. The cash associated with the transfer payment flows directly from the MOHLTC and does not flow through the LHIN bank account.

LHIN Financial Statements do not include transfer payment funds not included in the Ministry-LHIN Accountability Agreement.

Central Local Health Integration Network

Notes to the financial statements

March 31, 2016

2. Significant accounting policies (continued)

Government transfers

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the transfer is authorized and all eligibility criteria have been met.

Transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work.

Deferred capital contributions

Amounts received that are used to fund capital asset purchases are recorded as deferred capital contributions and are recognized as revenue over the useful life of the asset. The amount recorded as revenue in the Statement of Operations is consistent with the amortization expense of the related capital asset.

Tangible capital assets

Expenses greater than \$3,000 with a useful life longer than one year will be capitalized as assets and amortized. The value of the asset is determined on an individual basis, for example each software license, not on the total invoice value. Tangible capital assets are recorded at cost. Cost includes the purchase price of the asset and other acquisition costs such as design, construction, and duties. Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a tangible capital asset are capitalized.

Tangible capital assets are stated at cost less accumulated amortization. Tangible capital assets are amortized over their estimated useful lives as follows:

Computer equipment and development	3 years straight-line method
Leasehold improvements	Life of lease straight-line method
Office furniture and fixtures	5 years straight-line method

Use of estimates

The preparation of financial statements in conformity with Canadian Public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimate and assumptions include valuation of accrued liabilities and useful lives of the tangible capital assets. Actual results could differ from those estimates.

Segment disclosures

A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the Statement of Operations and within the related notes for both the prior and current year sufficiently disclose information of all appropriate segments and, therefore, no additional disclosure is required.

Central Local Health Integration Network

Notes to the financial statements

March 31, 2016

3. Funding repayable to the MOHLTC

In accordance with the MLAA, the LHIN is required to be in a balanced position at year end. Revenue has only been recognized to the extent that eligible expenses have been incurred. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

Funding repayable to the MOHLTC is as follows:

	2016			2015	
	Funding received	Transferred to deferred capital contribution	Revenue recognized	Repayable	Repayable
	\$	\$	\$	\$	\$
Balance, beginning of year	-	-	-	26,548	-
Transfer payments to HSPs	2,043,334,690	-	2,043,334,690	-	-
Operations	4,274,122	20,938	4,252,574	610	634
Initiatives	1,332,710	-	1,323,710	9,000	-
Deferred capital contributions	-	-	55,829	-	25,914
Enabling Technologies (Note 4)	406,000	-	406,000	-	-
	2,049,347,522	20,938	2,049,372,803	36,158	26,548

4. Related party transactions

LHIN Shared Services Offices and LHIN Collaborative

In accordance with the Memorandum of Understanding between the MOHLTC and the LHIN, LHINs are required to centrally source and share Legal, Audit, and Human Resources services. Each LHIN must also use the same Information Management & Information Technology infrastructure, standards, practices and policies as all other LHINs. The LHINs accordingly formed the LHIN Shared Services Office ("LSSO") as a division of the Toronto Central LHIN. The cost of providing these services is allocated and charged to the LHINs. Any portion of the LSSO operating costs under paid by the LHIN at year end is recorded as a payable to the LSSO.

The LHIN Collaborative (LHINC) was formed in fiscal 2010 to strengthen relationships between and among health service providers, associations and the LHINs, and to support system alignment. The cost of providing these services is allocated and charged to the LHINs. Any portion of the LHINC operating costs over paid by the LHINs at year end, are recorded as a receivable from the LHINC.

During the year, the LHIN made payments to LSSO and LHINC of \$429,164 (2015 - \$400,872).

Enabling Technologies for Integration Project Management Office

Effective February 1, 2012, the LHIN entered into an agreement with Central, Central West, Central East, Toronto Central, Mississauga Halton and North Simcoe Muskoka (the "Cluster") in order to enable the effective and efficient delivery of e-health programs and initiatives within the geographic area of the Cluster. Under the agreement, decisions related to the financial and operating activities of the Enabling Technologies for Integration Project Management Office are shared. No LHIN is in a position to exercise unilateral control.

The LHIN's financial statement reflects its share of the MOHLTC funding for Enabling Technologies for Integration Project Management Offices for its Cluster and related expenses. During the year, the LHIN received funding from Central West LHIN of \$406,000 (2015 - \$389,118).

Central Local Health Integration Network

Notes to the financial statements

March 31, 2016

5. Deferred capital contributions

	2016	2015
	\$	\$
Balance, beginning of year	116,470	154,164
Capital contributions received during the year	20,938	15,039
Amortization for the year	(55,829)	(52,733)
	81,579	116,470

6. Commitments

The LHIN has commitments under various operating leases as follows:

	Office space	Equipment	Total
	\$	\$	\$
2017	328,738	5,928	334,666
2018	349,865	988	350,853
2019	360,078	-	360,078
2020 and after	30,077	-	30,077

The LHIN enters into accountability agreements with Health Service Providers which include planned funding targets. The actual funding provided by the LHIN is contingent on the MOHLTC providing the funding.

7. Tangible capital assets

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office furniture and fixtures	477,980	401,308	76,672	95,542
Computer equipment	23,126	21,579	1,547	2,579
Leasehold improvements	70,753	67,393	3,360	18,349
	571,859	490,280	81,579	116,470

8. Budget figures

Budget amounts have been reported in the Statement of Operations to comply with PSAB reporting requirements and reflect the initial budget at April 1, 2015. The budgets were approved by the Government of Ontario.

	2016	2015
	\$	\$
LHIN total budget	1,933,591,400	1,891,509,000
Less Health Service Provider budget (a)	(1,928,276,400)	(1,886,294,000)
LHIN operating budget (b)	5,315,000	5,215,000

Central Local Health Integration Network

Notes to the financial statements

March 31, 2016

8. Budget figures (continued)

a) Health Service Provider budget

\$

Initial HSP budget	1,928,276,400
Adjustments due to announcements made during the year	119,426,100
	2,047,702,500

The total budget by sector is as follows:

Hospitals	1,220,256,700
Long Term Care Homes	343,442,600
Community Care Access Centres	297,782,100
Community Support Services	86,742,900
Community Health Centres	12,381,000
Community Mental Health and Addictions	86,394,200
Initiatives	703,000
Total budget	2,047,702,500

b) LHIN operating budget

\$

Initial budget as reported on the statement of operations	5,315,000
Additional funding received in-year	697,832
Funding for capital asset purchased transferred to deferred capital contributions	(20,938)
Closing budget	5,991,894

9. Transfer payments to Health Service Providers

The LHIN authorized transfer payments of \$2,043,334,690 (2015 - \$1,949,997,048) to the following sectors:

	2016	2015
	\$	\$
Hospitals	1,218,995,581	1,151,604,778
Long Term Care Homes	342,124,263	338,701,021
Community Care Access Centres	297,796,041	282,089,932
Community Support Services	86,646,598	84,591,275
Community Mental Health and Addictions	85,446,137	81,011,874
Community Health Centres	12,326,070	11,998,168
	2,043,334,690	1,949,997,048

Central Local Health Integration Network

Notes to the financial statements

March 31, 2016

10. Initiatives

The LHIN received funds for various initiatives listed in the Statement of Operations. The following table classifies the expenses by object:

	2016	2015
	\$	\$
Salaries and benefits	1,224,287	1,235,052
Professional services	256,924	252,000
Shared services	102,572	104,910
Occupancy	94,615	71,193
Public relations and community engagement	12,143	1,800
Supplies	22,560	22,004
Mail, courier and telecommunications	11,300	2,298
Other	5,309	14,344
	1,729,710	1,703,601

Diabetes strategy expenses included in the above table are as follows:

	2016	2015
	\$	\$
Salaries and benefits	697,928	736,458
Others	193,782	168,256
	891,710	904,714

11. General and administrative expenses

The Statement of Operations presents the expenses by function. The following table classifies the general and administrative expenses by object:

	2016	2015
	\$	\$
Salaries and benefits	3,330,211	3,197,171
Shared services	326,592	295,962
Occupancy	240,414	215,961
Supplies	109,591	118,015
Board expenses (see below)	82,216	64,560
Community engagement	38,912	56,971
Professional services	25,123	82,913
Mail, courier and telecommunications	13,892	33,968
Other	85,623	112,440
	4,252,574	4,177,961

Central Local Health Integration Network

Notes to the financial statements

March 31, 2016

11. General and administrative expenses (continued)

Board expenses included in general operating expenses above include per diem costs and other Board expenses as follows:

	2016	2015
	\$	\$
Board Chair per diem expense	15,925	12,100
Other Board members per diem expense	30,725	25,275
Governance costs and travel	35,566	27,185
	82,216	64,560

12. Pension agreements

The LHIN makes contributions to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 34 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2016 was \$374,241 (2015 - \$345,197) for current service costs and is included as an expense in the 2015 Statement of Financial Operations. The last actuarial valuation was completed for the plan as of December 31, 2015. At that time, the plan was fully funded.

13. Guarantees

The LHIN is subject to the provisions of the Financial Administration Act. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the Financial Administration Act and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the Local Health System Integration Act, 2006 and in accordance with s. 28 of the *Financial Administration Act*.

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Responsibility for the Financial Statements

March 31, 2016

The integrity and objectivity of the accompanying financial statements of the Central East Local Health Integration Network ("the LHIN") is the responsibility of management. These financial statements have been prepared by management in compliance with legislation and in accordance with Canadian Generally Accepted Accounting Principles and, where appropriate, include amounts based on management's best estimates and judgments.

Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for the preparation of the financial statements. These systems are monitored and evaluated by management, the Audit Committee and Board of Directors.

Management meets with the external auditors and the Board of Directors to review the financial statements and discuss any significant financial reporting or internal control matters prior to approval of the financial statements.

The financial statements have been audited by Deloitte LLP, independent external auditors appointed by the Board of Directors.



Deborah Hammons
Chief Executive Officer



Marco Aguila CHRP, CHRL
Director, Corporate Services/Controller



Ontario

Local Health Integration
Network

Réseau local d'intégration
des services de santé



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Independent Auditor's Report

To the Members of the Board of Directors of the
Central East Local Health Integration Network

We have audited the accompanying financial statements of the Central East Local Health Integration Network (the "LHIN"), which comprise the statement of financial position as at March 31, 2016, and the statements of operations, change in net debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the LHIN as at March 31, 2016, and the results of its operations, change in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in dark ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants
Licensed Public Accountants
May 25, 2016

Central East Local Health Integration Network

Statement of financial position as at March 31, 2016

	2016	2015
	\$	\$
Financial assets		
Cash	521,950	453,531
Due from Ministry of Health and Long-Term Care ("MOHLTC") (Note 9)	1,606,348	5,111,730
Accounts receivable	26,831	54,928
	2,155,129	5,620,189
Liabilities		
Accounts payable and accrued liabilities	438,217	435,373
Due to LSSO (Note 4)	7,801	5,116
Due to Health Service Providers ("HSP") (Note 9)	1,606,348	5,111,730
Due to MOHLTC (Note 3b)	137,108	81,715
Due to Central West LHIN (Notes 3c, 4)	-	25,892
Deferred capital contributions (Note 5)	112,366	169,513
	2,301,840	5,829,339
Net debt	(146,711)	(209,150)
Commitments (Note 6)		
Non-financial assets		
Prepaid expenses	34,345	39,637
Tangible capital assets (Note 7)	112,366	169,513
	146,711	209,150
Accumulated surplus	-	-

Approved by the Board



Wayne Gladstone, Chair, Board of Directors



David Sudbury, Vice Chair, Board of Directors

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

Central East Local Health Integration Network

Statement of financial operations year ended March 31, 2016

	Budget (Note 8)	2016 Actual	2015 Actual
	\$	\$	\$
Revenue			
Ministry of Health and Long-Term Care ("MOHLTC") funding			
Health Service Provider ("HSP") transfer payments (Note 9)	2,218,613,663	2,228,309,856	2,211,843,510
Operations of LHIN	4,534,130	4,491,739	4,510,790
Project Initiatives			
Emergency Department ("ED") Lead (Note 10a)	-	75,000	75,000
Emergency Room/Alternative Level of Care (Note 10a)	100,000	100,000	100,000
Aboriginal Planning (Note 10a)	20,000	20,000	20,000
Enabling Technologies (Note 10a)	-	406,892	644,000
Critical Care (Note 10a)	-	75,000	75,000
French Language Services (Note 10a)	106,000	106,000	106,000
Diabetes & Vascular Health (Note 10b)	824,475	842,070	823,706
Primary Care (Note 10a)	-	75,000	75,000
Amortization of deferred capital contributions (Note 5)	-	81,943	83,101
	2,224,198,268	2,234,583,500	2,218,356,107
Funding repayable to the MOHLTC (Note 3a)	-	(55,393)	(107,607)
	2,224,198,268	2,234,528,107	2,218,248,500
Expenses			
Transfer payments to HSPs (Note 9)	2,218,613,663	2,228,309,856	2,211,843,510
General and administrative (Note 11)	4,534,130	4,564,544	4,584,508
Project Initiatives (Note 10)			
ED Lead	-	72,000	73,706
ER/ALC	100,000	74,745	100,000
Aboriginal Planning	20,000	20,000	20,000
Enabling Technologies	-	406,892	618,108
Critical Care	-	72,000	72,000
French Language Services	106,000	106,000	106,000
Diabetes & Vascular Health	824,475	842,070	823,706
Primary Care	-	60,000	6,962
	2,224,198,268	2,234,528,107	2,218,248,500
Annual surplus and accumulated surplus, end of year	-	-	-

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

Central East Local Health Integration Network

Statement of change in net debt
year ended March 31, 2016

	Budget	2016 Actual	2015 Actual
	\$	\$	\$
Annual surplus	-	-	-
Acquisition of tangible capital assets	-	(24,796)	(40,935)
Amortization of tangible capital assets	-	81,943	83,101
Change in other non-financial assets	-	5,292	(13,772)
Decrease in net debt	-	62,439	28,394
Net debt, beginning of year	-	(209,150)	(237,544)
Net debt, end of year	-	(146,711)	(209,150)

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

Central East Local Health Integration Network

Statement of cash flows year ended March 31, 2016

	2016	2015
	\$	\$
Operating transactions		
Annual surplus	-	-
Less items not affecting cash		
Amortization of tangible capital assets	81,943	83,101
Amortization of deferred capital contributions (Note 5)	(81,943)	(83,101)
	-	-
Changes in non-cash operating items		
Due from MOHLTC	3,505,382	9,532,570
Accounts receivable	28,097	(8,795)
Due from LHIN Shared Services Office ("LSSO")	-	7,266
Accounts payable and accrued liabilities	2,844	(98,239)
Due to LSSO	2,685	3,652
Due to HSPs	(3,505,382)	(9,532,570)
Due to the MOHLTC	55,393	37,380
Due to Central West LHIN	(25,892)	(146,346)
Prepaid expenses	5,292	(13,772)
	68,419	(218,854)
Capital transaction		
Acquisition of tangible capital assets	(24,796)	(40,935)
Financing transaction		
Capital contributions received (Note 5)	24,796	40,935
Net increase (decrease) in cash	68,419	(218,854)
Cash, beginning of year	453,531	672,385
Cash, end of year	521,950	453,531

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

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2016

1. Description of business

The Local Health Integration Network was incorporated by Letters Patent on June 2, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the *Local Health System Integration Act, 2006* (the "Act") as the Central East Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The Central East LHIN ("CE LHIN") is a mix of urban and rural geography and is the sixth-largest LHIN in land area in Ontario (16,673 km²). In densely populated urban cities, suburban towns, rural farm communities, cottage country villages and remote settlements, the Central East LHIN stretches from Victoria Park to Algonquin Park. The neighbourhoods in our planning zones boast a rich diversity of community values, ethnicity, language and socio-demographic characteristics. The LHIN has also entered into an accountability agreement with the Ministry of Health and Long Term Care ("MOHLTC"), which provides the framework for LHIN accountabilities and activities.

The LHIN is funded by the Province of Ontario in accordance with the Ministry LHIN Performance Agreement ("MLPA"), which describes budget arrangements established by the MOHLTC. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC. The LHIN assumed responsibility to authorize transfer payments to HSPs, effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account.

The LHIN's financial statements do not include any MOHLTC managed programs.

The Central East LHIN is also funded by eHealth Ontario in accordance with the eHealth Ontario - LHIN Transfer Payment Agreement ("TPA"), which describes budget arrangements established by eHealth Ontario. These financial statements reflect agreed funding arrangements approved by eHealth Ontario. The Central East LHIN cannot authorize an amount in excess of the budget allocation set by eHealth Ontario.

Commencing April 1, 2007, all funding payments to LHIN managed health service providers in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized Health Service Providers ("HSP") are expensed in the LHIN's financial statements.

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2016

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian public sector accounting standards. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable, expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of tangible capital assets.

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and the reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at period end.

Funding payments to Health Service Providers in the LHIN geographic area flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized Health Service Providers ("HSPs") are expensed in the LHIN's financial statements for the year ended March 31, 2016.

Deferred capital contributions

Any amounts received that are used to fund expenses that are recorded as tangible capital assets, are recorded as deferred capital contributions and are recognized as revenue over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the Statement of Operations, is in accordance with the amortization policy applied to the related tangible capital asset recorded.

Tangible capital assets

Tangible capital assets are recorded at historic cost. Historic cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of tangible capital assets. The cost of tangible capital assets contributed is recorded at the estimated fair value on the date of contribution. Fair value of contributed tangible capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the tangible capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a capital asset are capitalized. Computer software is recognized as an expense when incurred.

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives as follows:

Computer equipment	3 years straight-line method
Leasehold improvements	Life of lease straight-line method
Office furniture and fixtures	5 years straight-line method
Web development	3 years straight-line method

For assets acquired or brought into use during the year, amortization is provided for a full year.

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2016

2. Significant accounting policies (continued)

Segment disclosures

A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the Statement of Operations and within the related notes for both the prior and current year sufficiently discloses information of all appropriate segments and, therefore, no additional disclosure is required.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimate and assumptions include valuation of accrued liabilities and useful lives of the tangible capital assets. Actual results could differ from those estimates.

3. Funding repayable to the MOHLTC

In accordance with the TPA, the Central East LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC or to eHealth Ontario, respectively.

- a) The amount repayable to the MOHLTC related to current year activities is made up of the following components:

			2016	2015
	Funding received	Eligible expenses	Excess funding	Excess funding
	\$	\$	\$	\$
Transfer payments to HSPs	2,228,309,856	2,228,309,856	-	-
LHIN operations	4,509,334	4,482,601	26,733	9,383
ER/ALC	100,000	74,745	25,255	-
ED/Lead	75,000	72,000	3,000	1,294
Critical Care	75,000	72,000	3,000	3,000
Aboriginal Planning	20,000	20,000	-	-
French Language Services	106,000	106,000	-	-
Diabetes and Vascular Health	824,475	842,070	(17,595)	-
Primary Care Lead	75,000	60,000	15,000	68,038
Repayable directly to MOHLTC	2,234,094,665	2,234,039,272	55,393	81,715
Enabling technologies repayable to MOHLTC through Central West LHIN	406,892	406,892	-	25,892
	2,234,501,557	2,234,446,164	55,393	107,607

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2016

3. Funding repayable to the MOHLTC (continued)

b) The amount due to the MOHLTC at March 31 is made up as follows:

	2016	2015
	\$	\$
Due to MOHLTC, beginning of year	81,715	44,335
Recovery by MOHLTC during the year	-	(44,335)
Funding repayable to the MOHLTC related to current year activities (Note 3a)	55,393	81,715
Due to MOHLTC, end of year	137,108	81,715

c) The LHIN's financial statement reflects its share of the MOHLTC funding for Enabling Technologies for Integration Project Management Offices for its Cluster and related expenses.

The following provides condensed financial information:

	2016	2015
	\$	\$
Revenue	406,892	644,000
Expenses	406,892	618,108
Accumulated surplus due to the Central West LHIN	-	25,892

4. Related party transactions

LHIN Shared Services Office, Local Health Integration Network Collaborative

The LHIN Shared Services Office (the "LSSO") and the Local Health Integration Network Collaborative (the "LHINC") are divisions of the Toronto Central LHIN and are subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO and LHINC, on behalf of the LHINs are responsible for providing services to all LHINs. The full costs of providing these services are billed to all the LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHIN at the year-end are recorded as a receivable (payable) from (to) the LSSO. This is all done pursuant to the shared service agreement the LSSO has with all LHINs.

The amount due to the LSSO as at March 31, 2016 was \$7,801 (2015 - \$5,116).

Enabling Technologies for Integrated Project Management Office

Effective February 1, 2012, the LHIN entered into an agreement with Central, Central West, Central East, Toronto Central, Mississauga Halton and North Simcoe Muskoka (the "Cluster") in order to enable the effective and efficient delivery of e-health programs and initiatives within the geographic area of the Cluster. Under the agreement, decisions related to the financial and operating activities of the Enabling Technologies for Integration Project Management Office are shared. No LHIN is in a position to exercise unilateral control.

The LHIN's financial statement reflects its share of the MOHLTC funding for Enabling Technologies for Integration Project Management Office for its Cluster and related expenses. During the year, the LHIN received funding from the Central West LHIN of \$406,892 (2015 - \$644,000).

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2016

5. Deferred capital contributions

	2016	2015
	\$	\$
Balance, beginning of year	169,513	211,679
Capital contributions received	24,796	40,935
Amortization	(81,943)	(83,101)
Balance, end of year	112,366	169,513

6. Commitments

The LHIN has commitments under various operating leases related to building and equipment. Lease renewals are likely. Minimum lease payments due to October 31, 2020 are as follows:

	\$
2017	254,721
2018	257,948
2019	260,254
2020	263,481
2021	153,698
	1,190,102

The LHIN also has funding commitments to HSPs associated with accountability agreements. The Transfer Payment Planning Targets to HSPs based on the current accountability agreements are as follows:

	\$
2017	2,221,888,728
2018	2,220,681,128

The actual amounts which will ultimately be paid are contingent upon actual LHIN funding received from the MOHLTC.

7. Tangible capital assets

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office furniture and fixtures	757,176	(682,485)	74,691	127,443
Computer equipment	367,742	(338,838)	28,904	17,432
Web development	36,100	(36,100)	-	-
Leasehold improvements	668,028	(659,257)	8,771	24,638
	1,829,046	(1,716,680)	112,366	169,513

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2016

8. Budget figures

The budgets were approved by the Government of Ontario. The budget figures reported in the Statement of Operations reflect the initial budget at April 1, 2015. The figures have been reported for the purposes of these statements to comply with PSAB reporting requirements. During the year the government approved budget adjustments. The following reflects the adjustments for the LHIN during the year:

The total HSP funding budget of \$2,228,309,856 is made up of the following:

	\$
Initial HSP funding budget	2,218,613,663
Additional funding due to announcements made during the year	9,696,193
Total HSP funding budget	2,228,309,856

The total revised operating budget of \$6,216,497 is made up of the following:

	\$
Initial budget as represented on the statement of financial activities	5,584,605
Additional funding received for one time initiatives	
ED/Lead	75,000
Critical Care	75,000
Enabling Technologies	406,892
Primary Care	75,000
Total budget	6,216,497

9. Transfer payments to HSPs

The LHIN has authorization to allocate the funding of \$2,228,309,856 (2015 - \$2,211,843,510) to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors in 2016 as follows:

	2016	2015
	\$	\$
Operation of hospitals	1,214,275,231	1,231,015,066
Grants to compensate for municipal taxation - public hospitals	280,275	280,275
Long term care homes	444,462,828	437,367,196
Community care access centres	290,035,602	274,137,192
Community support services	51,361,299	47,571,175
Assisted living services in supportive housing	15,446,254	15,224,305
Community health centres	29,799,929	28,772,419
Community mental health addictions program	63,353,629	59,756,096
Specialty psychiatric hospitals	117,692,037	116,062,017
Acquired brain injury	1,576,447	1,632,344
Grants to compensate for municipal taxation - psychiatric hospitals	26,325	25,425
	2,228,309,856	2,211,843,510

The LHIN also received \$323,438 (2015 - \$Nil) in base funding to support the Centralized Diabetes Intake Service, as part of the Regional Coordination of Diabetes Services function and allocated the full amount to the Central East Community Care Access Centre (CECCAC).

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2016

9. Transfer payments to HSPs (continued)

The LHIN receives money from the MOHLTC and in turn allocates it to the HSPs. As at March 31, 2016, an amount of \$1,606,348 (2015 - \$5,111,730) was receivable from the MOHLTC and payable to HSPs. These amounts have been reflected as revenue and expenses in the statement of operations and are included in the table above.

10. Project Initiatives

The LHIN received funds for various project initiatives listed in the Statement of Operations. The following table classifies the initiatives expenses incurred by object:

a) Initiatives Expenses

	2016	2015
	\$	\$
Consulting services	276,000	152,668
Salaries and benefits	1,037,608	1,103,135
Public relations and community engagement	1,500	4,800
Meetings	1,213	1,548
Supplies and other	-	418,686
Mail, courier and telecommunications	-	1,260
Other	337,386	138,385
	1,653,707	1,820,482

b) Diabetes & Vascular Health

The LHIN received funding of \$824,475 (2015 - \$843,301 base funding). \$17,595 of deferred capital contributions from 14/15 was recognized as revenue in 15/16. Expenses incurred of \$842,070 which are included in the table above are made up as follows:

	Budget 2016	Actual 2016	Actual 2015
	\$	\$	\$
Salaries and benefits	685,314	702,909	692,582
Others	139,161	139,161	131,124
	824,475	842,070	823,706

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2016

11. General and administrative expenses

The Statement of operations presents the expenses by function, the following classifies these same expenses by object:

	2016	2015
	\$	\$
Salaries and benefits	3,372,126	3,406,786
Occupancy	266,604	320,410
Amortization	81,943	83,101
Shared services	426,342	444,449
Community engagement	11,490	14,905
Consulting services	53,730	50,129
Supplies	69,523	52,362
Board member expenses	94,175	106,627
Mail, courier and telecommunications	1,514	562
Other	187,097	105,177
	4,564,544	4,584,508

Included in board member expenses are Board per diems and expenses as follows:

	Budget 2016	Actual 2016	Actual 2015
	\$	\$	\$
Board chair per diem expense	50,000	28,000	36,750
Other board members per diem expense	74,000	44,650	49,550
Governance costs and travel	35,000	21,525	20,327
Total expenses	159,000	94,175	106,627

12. Pension agreements

The LHIN makes contributions to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 42 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2016 was \$319,691 (2015 - \$353,604) for current service costs and is included as an expense in the Statement of Operations. The last actuarial valuation of the plan was completed for the plan as of December 31, 2015. At that time, the plan was fully funded.

13. Guarantees

The LHIN is subject to the provisions of the Financial Administration Act. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the Financial Administration Act and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the Local Health System Integration Act, 2006 and in accordance with s. 28 of the Financial Administration Act.

Central West LHIN | RLISS du Centre-Ouest



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May 25, 2016

Central West Local Health Integration Network (Central West LHIN)**Management Responsibility for Financial Information**

Management and the Board of Directors are responsible for the financial statements and all other information presented in the Annual Report. The financial statements for the year ending March 31, 2016 have been prepared by Management in accordance with Public Sector Accounting Standards (PSAS) and, where appropriate, include amounts based on Management's best estimates and judgment. Management is responsible for the integrity and objectivity of these financial statements. The financial information presented elsewhere in the 2015-16 Annual Report is consistent with that in the financial statements in all material respects.

The Central West Local Health Integration Network is dedicated to the highest standards of integrity in its business. To safeguard the Central West LHIN's assets and assure the reliability of financial information, the Central West LHIN follows sound management practices and procedures, and maintains appropriate information systems and internal financial controls.

The Board of Directors ensures that Management fulfills its responsibilities for financial information and internal controls. The financial statements have been reviewed by the Central West LHIN Board Finance and Audit Committee and approved by the Board of Directors.

Deloitte & Touche LLP, the independent auditors appointed by the Board of Directors, have been engaged to conduct an examination of the financial statements in accordance with Public Sector Accounting Standards and have expressed their opinion on these statements. During the course of their audit, Deloitte & Touche LLP reviewed the LHIN's system of internal controls to the extent necessary to render their opinion on the financial statements. The Auditor's Report outlines the scope of the Auditor's examination and opinion.

Brock Hovey
Senior Director, Health System Performance

Scott McLeod
Chief Executive Officer



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Independent Auditor's Report

To the Members of the Board of Directors of the
Central West Local Health Integration Network

We have audited the accompanying financial statements of Central West Local Health Integration Network, which comprise the statement of financial position as at March 31, 2016, and the statements of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Central West Local Health Integration network as at March 31, 2016 and the results of its operations, changes in its net debt, and its cash flows for the years then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in dark ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants
Licensed Public Accountants
May 25, 2016

Central West Local Health Integration Network

Statement of financial position as at March 31, 2016

	2016	2015
	\$	\$
Financial assets		
Cash	1,251,774	706,145
Accounts receivable		
Ministry of Health and Long-Term Care ("MOHLTC") -		
Health Service Providers ("HSP")	439,533	6,781,259
Due from other LHINs - Enabling Technologies for Integration (Note 3b)	8,666	89,518
Due from LHIN Shared Services Office (Note 4)	31,237	-
Other	105,905	78,356
	1,837,115	7,655,278
Liabilities		
Accounts payable and accrued liabilities	770,676	671,920
Due to MOHLTC (Note 3c)	624,171	214,830
Due to HSP	439,533	6,781,259
Due to the LHIN Shared Services Office (Note 4)	-	1,426
Due to other LHIN	11,339	-
Deferred capital contributions (Note 5)	17,012	38,348
	1,862,731	7,707,783
Net debt	(25,616)	(52,505)
Commitments (Note 6)		
Non-financial assets		
Prepaid expenses	8,604	14,157
Tangible capital assets (Note 7)	17,012	38,348
	25,616	52,505
Accumulated surplus	-	-

Approved by the Board



(Maria Britto) Director



(Adrian Bitto) Director

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

Central West Local Health Integration Network

Statement of operations year ended March 31, 2016

	Budget (Note 8)	2016 Actual	2015 Actual
	\$	\$	\$
Revenue			
MOHLTC funding			
Health Service Provider ("HSP") transfer payments (Note 9)	857,175,523	883,716,367	870,843,813
Operations of LHIN	4,181,828	4,141,827	4,130,791
Project Initiatives			
Enabling Technologies for Integration			
Project Management Office	-	3,060,000	3,060,000
French Language Services	106,000	106,000	106,000
ER/ALC Performance Lead	100,000	100,000	100,000
Emergency Department Lead	-	75,000	72,766
Aboriginal Health	7,500	7,500	7,500
Primary Care Lead	-	75,000	73,031
Critical Care Lead	-	75,000	72,750
Diabetes Regional Coordination	839,175	839,175	781,301
Physiotherapy Planning Funds	-	-	-
Amortization of deferred capital contributions (Note 5)	-	21,336	73,598
	862,410,026	892,217,205	879,321,550
eHealth-Enabling Technologies for Integration allocated to LHIN's (Note 3b)	-	(1,877,630)	(2,189,367)
Funding repayable to the MOHLTC (Note 3a)	-	(409,341)	(214,830)
	862,410,026	889,930,234	876,917,353
Expenses			
Transfer payments to HSPs (Note 9)	857,175,523	883,716,367	870,843,813
General and administrative (Note 11)	4,181,828	4,128,891	4,157,711
Project Initiative (Note 10)			
Enabling Technologies for Integration			
Project Management Office	-	912,074	759,535
French Language Services	106,000	106,000	104,870
ER/ALC Performance Lead	100,000	100,000	100,000
Emergency Department Lead	-	72,000	72,016
Aboriginal Health	7,500	5,278	6,610
Primary Care Lead	-	69,769	72,281
Critical Care Lead	-	72,000	72,000
Diabetes Regional Coordination	839,175	747,855	728,517
	862,410,026	889,930,234	876,917,353
Annual surplus	-	-	-
Accumulated surplus, beginning of year	-	-	-
Accumulated surplus, end of year	-	-	-

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

Central West Local Health Integration Network

Statement of changes in net debt year ended March 31, 2016

	2016	2015
	\$	\$
Annual surplus	-	-
Acquisition of tangible capital assets	-	(51,037)
Amortization of tangible capital assets	21,336	73,598
Change in other non-financial assets	5,553	30,986
Decrease in net debt	26,889	53,547
Net debt, beginning of year	(52,505)	(106,052)
Net debt, end of year	(25,616)	(52,505)

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

Central West Local Health Integration Network

Statement of cash flows year ended March 31, 2016

	2016	2015
	\$	\$
Operating transactions		
Annual surplus	-	-
Less items not affecting cash		
Amortization of capital assets	(21,335)	(73,598)
Amortization of deferred capital contributions (Note 5)	21,335	73,598
Changes in non-cash operating items		
Accounts receivable - MOHLTC	6,341,726	(3,974,063)
Due to the MOHLTC	409,341	(197,616)
Due to HSP's	(6,341,726)	3,974,063
Due from other LHINs	80,852	140,896
Due from LHIN Shared Services Office	(31,237)	-
Accounts receivable - other	(27,549)	10,671
Prepaid expenses	5,553	30,986
Accounts payable and accrued liabilities	98,756	175,383
Due to Other LHIN	11,339	-
Due to the LHIN Shared Services Office	(1,426)	468
	545,629	160,788
Capital transaction		
Acquisition of capital assets	-	51,037
Financing transaction		
Deferred capital contributions (Note 5)	-	(51,037)
Net increase (decrease) in cash	545,629	160,788
Cash, beginning of year	706,145	545,357
Cash, end of year	1,251,774	706,145

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

Central West Local Health Integration Network

Notes to the financial statements

March 31, 2016

1. Description of business

The Central West Local Health Integration Network was incorporated by Letters Patent on June 9, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the Local Health System Integration Act, 2006 (the "Act") as the Central West Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers Dufferin County, the northern portion of Peel Region, part of York Region, and a small part of the City of Toronto. The LHIN enters into service accountability agreements with service providers.

The LHIN is funded by the Province of Ontario in accordance with the Ministry LHIN Performance Agreement ("MLPA"), which describes budget arrangements established by the Ministry of Health and Long-Term Care ("MOHLTC") and provides the framework for the LHIN accountabilities and activities. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to Health Services Providers ("HSP"), effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account. Commencing April 1, 2007, all funding payments to LHIN managed HSPs in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized HSPs are expensed in the LHIN's financial statements for the year ended March 31, 2016.

The LHIN statements do not include any MOHLTC managed programs.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian public sector accounting standards. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, and they are measurable. Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of tangible capital assets.

Central West Local Health Integration Network

Notes to the financial statements

March 31, 2016

2. Significant accounting policies (continued)

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at period end.

Funding payments to HSPs in the LHIN geographic area flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized HSPs are expensed in the LHIN's financial statements for the year ended March 31, 2016.

Deferred capital contributions

Any amounts received that are used to fund expenses that are recorded as tangible capital assets, are recorded as deferred capital contributions and are recognized as revenue over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the statement of operations, is in accordance with the amortization policy applied to the related tangible capital asset recorded.

Tangible capital assets

Tangible capital assets are recorded at historic cost. Historic cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of tangible capital assets. The cost of tangible capital assets contributed is recorded at the estimated fair value on the date of contribution. Fair value of contributed tangible capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the tangible capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a tangible capital asset are capitalized. Computer software is recognized as an expense when incurred.

Tangible capital assets are stated at cost less accumulated amortization. Tangible capital assets are amortized over their estimated useful lives as follows:

Office furniture and fixtures	5 years straight-line method
Computer equipment	3 years straight-line method
Leasehold improvements	Life of lease straight-line method

For assets acquired or brought into use during the year, amortization is provided for a full year.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimate and assumptions include valuation of accrued liabilities and useful lives of the tangible capital assets. Actual results could differ from those estimates.

Central West Local Health Integration Network

Notes to the financial statements

March 31, 2016

2. Significant accounting policies (continued)

Segment disclosures

A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the statement of operations and within the related notes for both the prior and current year sufficiently discloses information of all appropriate segments and, therefore, no additional disclosure is required.

3. Funding repayable to the MOHLTC and eHealth Ontario

In accordance with the MLPA and TPA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

- a) The amount repayable to the MOHLTC related to current year activities is made up of the following components:

			2016	2015
	Funding received	Eligible expenses	Excess funding	Excess funding
	\$	\$	\$	\$
Transfer Payments to HSP's	883,716,367	883,716,367	-	-
LHIN Operations (Note 11)	4,163,163	4,128,891	34,272	46,678
Capital contribution (Note 11)	-	-	-	-
eHealth - Enabling Technologies for Integration (Note 10)	3,060,000	2,789,704	270,296	111,098
French Language Services (Note 10)	106,000	106,000	-	1,130
ER/ALC Performance Lead (Note 10)	100,000	100,000	-	-
Emergency Department Lead (Note 10)	75,000	72,000	3,000	750
Aboriginal Health (Note 10)	7,500	5,278	2,222	890
Primary Care Lead (Note 10)	75,000	69,769	5,231	750
Critical Care Lead (Note 10)	75,000	72,000	3,000	750
Diabetes Regional Co-ordination (Note 10)	839,175	747,855	91,320	52,784
	892,217,205	891,807,864	409,341	214,830

- b) Enabling Technologies for Integration Project Management Office

Effective April 1, 2013, the LHIN entered into an agreement with Central, Central West, Central East, Toronto Central, Mississauga Halton and North Simcoe Muskoka (the "Cluster") in order to enable the effective and efficient delivery of e-health programs and initiatives within the geographic area of the Cluster. Under the agreement, decisions related to the financial and operating activities of the Enabling Technologies for Integration Project Management Office are shared. No LHIN is in a position to exercise unilateral control.

The Central West LHIN is designated the Lead LHIN within this agreement and as such holds the accountability over the distribution of the funds and manages the shared Project Management Office. In the event that the Cluster experiences a surplus the Lead LHIN is responsible for returning those funds to the MOHLTC. The total Cluster funding received for the year ended March 31, 2016 was \$3,060,000 (2015 - \$3,060,000).

Funding of \$1,886,296 (2015 - \$2,278,885) was allocated to other LHIN's within the cluster who incurred eligible expenses of \$1,877,630 (2015 - \$2,189,367). A summary of eHealth Enabling Technologies for Integration Funding and expenses for the cluster are as follows:

Central West Local Health Integration Network

Notes to the financial statements

March 31, 2016

3. Funding repayable to the MOHLTC and eHealth Ontario (continued)

b) Enabling Technologies for Integration Project Management Office (continued)

The surplus from other LHINs is as follows:

			2016	2015
	Funding allocated	Eligible expenses	Excess funding	Excess funding
	\$	\$	\$	\$
Central West LHIN	1,173,704	912,074	261,630	21,580
Allocation to Other LHIN's				
Central LHIN	406,000	406,000	-	16,882
Central East LHIN	406,892	406,892	-	25,000
Toronto Central LHIN	440,000	440,000	-	-
Mississauga Halton LHIN	239,935	239,935	-	47,636
North Simcoe Muskoka LHIN	393,469	384,803	8,666	-
Total Other LHINs	1,886,296	1,877,630	8,666	89,518
Total All LHINs	3,060,000	2,789,704	270,296	111,098

c) The amount due to the MOHLTC at March 31 is made up as follows:

	2016	2015
	\$	\$
Due to MOHLTC, beginning of year	214,830	412,446
Funding repaid to MOHLTC prior year	-	(412,446)
Funding repayable to the MOHLTC related to current year activities (Note 3a and 3b)	409,341	214,830
Due to MOHLTC, end of year	624,171	214,830

4. Related party transactions

The LHIN Shared Services Office (the "LSSO") and the Local Health Integration Network Collaborative (the "LHINC") are divisions of the Toronto Central LHIN and are subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO and LHINC, on behalf of the LHINs are responsible for providing services to all LHINs. The full costs of providing these services are billed to all the LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHIN at the year end are recorded as a receivable (payable) from (to) the LSSO. This is all done pursuant to the shared service agreement the LSSO has with all LHINs.

5. Deferred capital contributions

	2016	2015
	\$	\$
Balance, beginning of year	38,348	60,909
Capital contributions received during the year	-	51,037
Amortization for the year	(21,336)	(73,598)
Balance, end of year	17,012	38,348

Central West Local Health Integration Network

Notes to the financial statements

March 31, 2016

6. Commitments

The LHIN has commitments under various operating leases related to building and equipment ending in 2018. Lease renewals are likely. Minimum lease payments due over remaining term of existing leases are as follows:

	\$
2017	253,270
2018	250,881

The LHIN also has funding commitments to some HSPs associated with accountability agreements for fiscal 2016. Minimum funding for HSPs related to the next two years, based on the fiscal 2016 accountability agreements, and are as follows:

	\$
2017	871,027,048
2018	871,027,048

The actual amounts which will ultimately be paid are contingent upon actual LHIN funding received from the MOHLTC.

7. Tangible capital assets

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office furniture and fixtures	284,229	284,229	-	-
Computer equipment	111,214	94,202	17,012	34,025
Leasehold improvements	712,468	712,468	-	4,323
	1,107,911	1,090,899	17,012	38,348

8. Budget figures

The budgets were approved by the Government of Ontario. The budget figures reported in the statement of operations reflect the final budget at April 30, 2015. The figures have been reported for the purposes of these statements to comply with PSAB reporting standards. During the year, the government approved budget adjustments. The following reflects the adjustments for the LHIN during the year:

The total HSP funding budget of \$883,840,336 is made up of the following:

	\$
Initial HSP funding budget	857,175,523
Adjustment due to announcements made during the year	26,664,813
Total HSP funding budget	883,840,336

Central West Local Health Integration Network

Notes to the financial statements

March 31, 2016

8. Budget figures (continued)

The total operating budget, excluding HSP funding, is made up of the following:

	\$
Initial budget	
LHIN Operations	4,181,828
Aboriginal Funding	7,500
French Language Services	106,000
Diabetes Regional Co-ordination	839,175
ER/ALC Performance Lead	100,000
Adjustment due to announcements made during the year	
ED LHIN Lead	75,000
Critical Care Lead	75,000
eHealth - Enabling Technologies for Integration	3,060,000
One-time transfer	(40,000)
Primary Care Lead	75,000
Total budget	8,479,503

9. Transfer payments to HSPs

The LHIN approved transfer payments to the various sectors in 2016 as follows:

	2016	2015
	\$	\$
Operation of Hospitals	533,150,756	534,196,463
Grants to compensate for Municipal Taxation -		
Public Hospitals	96,975	96,975
Long-Term Care Homes	158,625,567	154,298,662
Community Care Access Centres	115,820,159	111,366,340
Community Support Services	15,348,273	13,956,703
Assisted Living Services in Supportive Housing	10,608,350	9,852,612
Community Health Centres	12,182,882	12,349,275
Community Mental Health Addictions Program	37,883,405	34,726,783
	883,716,367	870,843,813

Central West Local Health Integration Network

Notes to the financial statements

March 31, 2016

10. Project Initiatives

The Central West LHIN received funds for various project initiatives listed in the Statement of Operations. The following table classifies the project initiative expenses by object:

	2016	2015
	\$	\$
Salaries and benefits	1,322,555	1,355,470
Professional services	463,746	366,008
Shared services	110,756	94,468
Occupancy	46,232	35,354
Public relations and community engagement	7,154	36,988
Supplies	47,460	9,832
Other	87,073	17,709
	2,084,976	1,915,829

Diabetes strategy operational expenses included in the project fund expenses above are as follows:

	Actual 2016	Actual 2015
	\$	\$
Salaries and benefits	572,255	590,443
Others	175,600	138,074
	747,855	728,517

Enabling Technologies for Integration Project Management Office expenses included above include both project management office and Central West LHIN expenses as follows:

Project Management Office expenses are as follows:

	Actual 2016	Actual 2015
	\$	\$
Salaries and benefits	479,542	478,371
Others	75,848	66,862
	555,390	545,233

* Prior Year PMO costs where distributed to the contributing LHIN's

Central West LHIN e-Health Enabling Technologies project expenses are as follows:

	Actual 2016	Actual 2015
	\$	\$
Salaries and benefits	153,768	148,104
Others	202,916	66,198
	356,684	214,302
Total E-health Enabling Technologies expenses for the Central West LHIN	912,074	759,535

Central West Local Health Integration Network

Notes to the financial statements

March 31, 2016

11. General and administrative expenses

The statement of operations presents expenses by function. The following classifies these same expenses by object:

	2016	2015
	\$	\$
Salaries and benefits	2,997,096	2,908,190
Occupancy	170,816	234,811
Amortization	21,335	73,598
Shared services	283,166	328,153
LHIN Collaborative	35,242	39,018
Consulting services	152,875	75,143
Professional Fees	21,592	25,716
Supplies	107,681	119,509
Board Chair remuneration	33,925	48,300
Board member remuneration	54,089	57,600
Board expenses	36,661	50,353
Mail, courier and telecommunications	43,681	41,032
Other	170,732	156,288
	4,128,891	4,157,711

12. Pension agreements

The LHIN makes contributions to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 33 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2016 was \$356,706 (2015 - \$341,754) for current service costs and is included as an expense in the statement of operations. The last actuarial valuation was completed for the plan as at December 31, 2015. At that time, the plan was fully funded.

13. Guarantees

The LHIN is subject to the provisions of the Financial Administration Act. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the Financial Administration Act and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the Local Health System Integration Act, 2006 and in accordance with s. 28 of the *Financial Administration Act*.

Champlain Local Health Integration Network

Report of Management

The management of the Champlain Local Health Integration Network (LHIN) is responsible for the preparation and presentation of the accompanying financial statements in conformity with Canadian public sector accounting standards. In preparing these financial statements, management selects appropriate accounting policies and uses its judgment and best estimates to ensure that the financial statements are presented fairly, in all material respects.

The LHIN maintains a system of internal accounting controls designed to provide reasonable assurance, at a reasonable cost, that assets are safeguarded and that transactions are executed and recorded in accordance with the LHIN's policies for doing business. This system is supported by written policies and procedures for key business activities; the hiring of qualified, competent staff; and by a continuous planning and monitoring program.

Deloitte LLP, the independent auditors appointed by the Board of Directors, have been engaged to conduct an audit of the financial statements in accordance with generally accepted auditing standards, and have expressed their opinions on these statements. During the course of their audit, Deloitte LLP reviewed the LHIN's system of internal controls to the extent necessary to render their opinion on the financial statements.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control, and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Finance and Audit Committee. The Committee meets at least four times annually to review audited and unaudited financial information. Deloitte LLP has full and free access to the Finance and Audit Committee.

Management acknowledges its responsibility to provide financial information that is representative of the LHIN's operations, is consistent and reliable, and is relevant for the informed evaluation of the LHIN's activities.



Chantale LeClerc
Chief Executive Officer



Eric Partington
*Senior Director
Health System Performance*

May 25, 2016



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Independent Auditor's Report

To the Members of the Board of Directors of the
Champlain Local Health Integration Network

We have audited the accompanying financial statements of the Champlain Local Health Integration Network (the "LHIN"), which comprise the statement of financial position as at March 31, 2016, and the statements of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of LHIN as at March 31, 2016, and the results of its operations, change in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants
Licensed Public Accountants
May 25, 2016

Champlain Local Health Integration Network

Statement of financial position
as at March 31, 2016

	2016	2015
	\$	\$
Financial assets		
Cash	562,817	562,581
Accounts receivable		
MOHLTC Transfer Payments for Health Service Providers	9,770,942	17,026,323
Due from LHIN (Note 4)	30,735	5,075
Other	67,455	71,991
	10,431,949	17,665,970
Liabilities		
Accounts payable and accrued liabilities	515,929	587,964
Due to LHIN (Note 4)	9,446	-
Due to Health Service Providers	9,770,942	17,026,323
Due to MOHLTC (Note 3b)	145,204	97,071
Due to the LHIN Shared Services Office (Note 4)	4,547	10,521
Deferred capital contributions (Note 5)	94,034	167,733
	10,540,102	17,889,612
Net debt	(108,153)	(223,642)
Commitments (Note 15)		
Non-financial assets		
Prepaid expenses	14,119	55,909
Tangible capital assets (Note 6)	94,034	167,733
	108,153	223,642
Accumulated surplus	-	-



Jean-Pierre Boisclair, Board Chair



Marie Biron, Audit Committee Chair

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

Champlain Local Health Integration Network

Statement of operations
year ended March 31, 2016

	2016		2015
	Budget (Note 7)	Actual	Actual
	\$	\$	\$
Revenue			
MOHLTC funding			
HSP transfer payments (Note 8)	2,518,595,100	2,557,158,981	2,560,729,522
LHIN Operations	5,004,290	5,004,290	4,970,797
Enabling Technologies (Note 10)	-	2,040,000	2,040,000
Regional Coordination of Diabetes Services	824,475	824,475	763,230
Project Initiatives			
Emergency Department Physician Lead	-	75,000	75,000
Indigenous Engagement	35,000	35,000	35,000
Emergency Room/Alternate Level of Care	100,000	100,000	100,000
French Language Services	106,000	106,000	106,000
FLHPE - Réseau des services de sante en francais de l'Est de l'Ontario	993,837	993,837	993,837
Primary Care LHIN Lead	-	75,000	75,000
Critical Care LHIN Lead	75,000	75,000	75,000
Amortization of deferred capital contributions (Note 5)	-	73,699	78,522
	2,525,733,702	2,566,561,282	2,570,041,908
Enabling Technologies funding allocated to other LHIN's	-	(1,530,000)	(1,530,000)
Funding repayable to the MOHLTC (Note 3b)	-	(48,133)	(97,071)
	2,525,733,702	2,564,983,149	2,568,414,837
Expenses			
Transfer payments to HSPs (Note 8)	2,518,595,100	2,557,158,981	2,560,729,522
LHIN Operations (Note 9)	5,004,290	5,000,623	4,966,740
Enabling Technologies (Note 10)	-	486,206	492,749
Regional Coordination of Diabetes Services (Note 11)	824,475	822,237	696,888
Project Initiatives			
Emergency Department Physician Lead	-	72,618	75,000
Indigenous Engagement (Note 12)	35,000	22,306	30,840
Emergency Room/Alternate Level of Care (Note 12)	100,000	100,000	100,000
French Language Services	106,000	106,000	106,000
FLHPE - Réseau des services de sante en francais de l'Est de l'Ontario (Note 12)	993,837	993,837	993,302
Primary Care LHIN Lead (Note 12)	-	72,182	72,028
Critical Care LHIN Lead (Note 12)	75,000	74,460	73,246
Amortization	-	73,699	78,522
	2,525,733,702	2,564,983,149	2,568,414,837
Annual and accumulated surplus, end of year	-	-	-

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

Champlain Local Health Integration Network

Statement of change in net debt
year ended March 31, 2016

	2016 Actual	2015 Actual
	\$	\$
Annual surplus	-	-
Acquisition of tangible capital assets	-	(58,565)
Amortization of tangible capital assets	73,699	78,522
Decrease in prepaid expenses, net	41,790	768
Decrease in net debt	115,489	20,725
Net debt, beginning of year	(223,642)	(244,367)
Net debt, end of year	(108,153)	(223,642)

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

Champlain Local Health Integration Network

Statement of cash flows year ended March 31, 2016

	2016	2015
	\$	\$
Operating transactions		
Annual surplus	-	-
Non-cash items		
Amortization of tangible capital assets	73,699	78,522
Amortization of deferred capital contributions (Note 5)	(73,699)	(78,522)
Changes in non-cash working capital		
Accounts receivable - MOHLTC HSP	7,255,381	(8,256,405)
Accounts receivable - Due from LHIN	(25,660)	42,425
Accounts receivable - Other	4,536	123,799
Accounts payable and accrued liabilities	(72,035)	90,187
Due to LHIN	9,446	-
Due to HSP	(7,255,381)	8,256,405
Due to MOHLTC	48,133	(87,809)
Due to LHIN Shared Services Office	(5,974)	5,989
Prepaid expenses	41,790	768
	236	175,359
Capital transaction		
Acquisition of tangible capital assets	-	(58,565)
Financing transaction		
Capital contributions received (Note 5)	-	58,565
Net change in cash	236	175,359
Cash, beginning of year	562,581	387,222
Cash, end of year	562,817	562,581

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

Champlain Local Health Integration Network

Notes to the financial statements

March 31, 2016

1. Description of business

The Champlain Local Health Integration Network was incorporated by Letters Patent on June 2, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the *Local Health System Integration Act*, 2006 (the "Act") as the Champlain Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished.

The LHIN is, and exercises its powers only as, an agent of the Crown. As an agent of the Crown, the LHIN is not subject to income taxation. Limits on the LHIN's ability to undertake certain activities are set out in both the Act and the Memorandum of Understanding between the LHIN and the Ministry of Health and Long-Term Care (the "MOHLTC").

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers Renfrew County, the City of Ottawa, Prescott & Russell, Stormont, Dundas & Glengarry, North Grenville and four parts of North Lanark. Most people live in the Ottawa area. Cornwall, Clarence-Rockland and Pembroke/Petawawa are also large communities. For more details, visit our website: www.champlainlhin.on.ca.

The LHIN has also entered into an Accountability Agreement with the MOHLTC, which provides the framework for LHIN accountabilities and activities.

The LHIN is funded by the Province of Ontario in accordance with the Ministry-LHIN Accountability Agreement ("MLAA"), which describes budget arrangements established by the MOHLTC. These financial statements reflect agreed funding arrangements approved by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to Health Service Providers ("HSP"), effective April 1, 2007.

The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. The LHIN cannot authorize in excess of the budget allocation set by the MOHLTC. Throughout the fiscal year, the LHIN authorizes MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account. Commencing April 1, 2007 all funding payments to LHIN-managed HSPs in the LHIN geographic area have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized HSPs are expensed in the LHIN's financial statements.

The LHIN statements do not include any Ministry managed programs.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian public sector accounting standards. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of tangible capital assets.

Champlain Local Health Integration Network

Notes to the financial statements

March 31, 2016

2. Significant accounting policies (continued)

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at year end.

Deferred capital contributions

Any amounts received that are used to fund expenses that are recorded as tangible capital assets, are also recorded as deferred capital contributions and are recognized as revenue over the estimated useful life of the asset reflective of the provision of its services. This amortization revenue is in accordance with the amortization policy applied to the related tangible capital asset.

Tangible capital assets

Tangible capital assets are recorded at cost. Cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of tangible capital assets. The cost of contributed tangible capital assets is recorded at the estimated fair value on the date of contribution. Fair value of contributed tangible capital assets is estimated using the cost of the asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the contributed capital asset would be recognized at nominal value.

Betterments or improvements that significantly increase or prolong the service life or capacity of a capital asset are capitalized. Software purchases, maintenance and repair costs are recognized as an expense when incurred.

Tangible capital assets are stated at cost less accumulated amortization. Tangible capital assets are amortized, on a straight line basis, over their estimated useful lives as follows:

Computer equipment	3 years
Computer software	3 years
Office furniture and fixtures	5 years
Leasehold improvements	Life of lease

For assets acquired or brought into use, during the year, amortization is provided for a full year.

Segment disclosures

A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the Statement of operations and within the related notes for both the prior and current year sufficiently discloses information of all appropriate segments and, therefore, no additional disclosure is required.

Use of estimates

The preparation of financial statements in conformity with public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include valuation of accrued liabilities and useful lives of the tangible capital assets. Actual results could differ from those estimates.

Champlain Local Health Integration Network

Notes to the financial statements

March 31, 2016

3. Funding repayable to the MOHLTC

In accordance with the MLAA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

- a) The amount repayable to the MOHLTC is related to the current year activities in the following programs:

	Funding received	Eligible expenses	Excess funding
	\$	\$	\$
Transfer payments to HSPs	2,557,158,981	2,557,158,981	-
LHIN Operations	5,004,290	5,000,623	3,667
Amortization	73,699	73,699	-
Enabling Technologies	2,040,000	2,016,206	23,794
Regional Coordination of Diabetes Services	824,475	822,237	2,238
Emergency Department Physician Lead	75,000	72,618	2,382
Indigenous Engagement	35,000	22,306	12,694
Emergency Room/Alternate Level of Care	100,000	100,000	-
French Language Services	106,000	106,000	-
FLHPE - Réseau des services de santé en français de l'Est de l'Ontario	993,837	993,837	-
Primary Care LHIN Lead	75,000	72,182	2,818
Critical Care LHIN Lead	75,000	74,460	540
	2,566,561,282	2,566,513,149	48,133

- b) The amount due to the MOHLTC at March 31 consists of:

	2016	2015
	\$	\$
Due to MOHLTC, beginning of year	97,071	184,880
Amount recovered during the year	-	(184,880)
Funding repayable to the MOHLTC related to current year activities	48,133	97,071
Funding repayable to the MOHLTC on behalf of the LHIN Enabling Technologies Cluster (other LHINs)	-	-
Due to MOHLTC, end of year	145,204	97,071

Champlain Local Health Integration Network

Notes to the financial statements

March 31, 2016

4. Related party transactions

The LHIN Shared Services Office ("LSSO") is a division of the Toronto Central LHIN and, as such, is subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO is an administrative body that provides centralized Human Resources, Information Technology, Legal and Finance support to all LHINs. The full costs of providing these services are billed to the LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHIN at the year end are recorded as a receivable from (payable to) the LSSO. This is all done pursuant to the Shared Service Agreement the LSSO has with all the LHINs. In addition, the LSSO periodically incurs additional expenses on behalf of the LHINs and charges the appropriate LHINs to recover these costs. The amount contributed by the LHIN to LSSO for fiscal 2016 was \$381,664 (2015 - \$351,662). These costs were shared by the LHIN Operations and Regional Coordination of Diabetes Services Programs in fiscal 2016.

The LHIN Collaborative ("LHINC") was formed in fiscal 2010 to strengthen relationships between and among health service provider associations and the LHINs, and to support system alignment. LHINC is a LHIN-led organization and accountable to the LHINs. In the first year of operation, LHINC was funded by the LHINs with support from the MOHLTC. LHINC is a division of Toronto Central LHIN and as such is subject to the same policies, guidelines and directives as the Toronto Central LHIN. The amount contributed by the LHIN to LHINC for fiscal 2016 was \$47,500 (2015 - \$50,929). These costs were shared by the LHIN Operations and Regional Coordination of Diabetes Services Programs in fiscal 2016.

Beginning in 2013-14, the Champlain LHIN has operated a regional Translation Program on behalf of the LHINs. The full costs of providing these services are billed to the LHINs. Any portion of the Translation Program operating costs overpaid (or not paid) by the LHINs at year end are recorded as a receivable (payable) to (from) the Champlain LHIN. This is done pursuant to the Shared Service Agreement with all the LHINs.

5. Deferred capital contributions

	2016	2015
	\$	\$
Balance, beginning of year	167,733	187,690
Capital contributions from MOHLTC	-	58,565
Amortization for the year	(73,699)	(78,522)
Balance, end of year	94,034	167,733

In fiscal 2016 no deferred capital contributions were recognized by the LHIN Operations or by the Regional Coordination of Diabetes Services for the purchase of tangible capital assets and leasehold improvements.

6. Tangible capital assets

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Computer equipment	128,202	128,202	-	-
Computer software	58,832	50,475	8,357	16,713
Office equipment	259,183	222,807	36,376	58,427
Furniture and fixtures	426,055	413,415	12,640	19,655
Leasehold improvements	1,351,908	1,315,247	36,661	72,938
	2,224,180	2,130,146	94,034	167,733

Champlain Local Health Integration Network

Notes to the financial statements

March 31, 2016

7. Budget

The budget figures reported on the Statement of operations comply with PSAB reporting requirements and reflect the initial budget approved by the Government of Ontario as included in the signed MLAA.

During the year the Government approves budget adjustments. The total funding budget is made up of the following:

			2016	2015
	Initial	Announcements	Total	Total
	\$	\$	\$	\$
HSP Transfer Payments	2,518,595,100	38,563,881	2,557,158,981	2,560,729,522
LHIN Operations	5,004,290	-	5,004,290	5,004,290
Enabling Technologies programs	-	510,000	510,000	510,000
Regional Coordination of Diabetes Services	824,475	-	824,475	788,301
Other programs	1,309,837	150,000	1,459,837	1,459,837
	2,525,733,702	39,223,881	2,564,957,583	2,568,491,950

8. Transfer payments to HSPs

The LHIN has authorization to allocate funding to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors in fiscal 2016 and 2015 as follows:

	2016	2015
	\$	\$
Operations of Hospitals	1,638,542,984	1,665,550,074
Grants to compensate for Municipal Taxation		
Public Hospitals	355,650	355,650
Long-Term Care Homes	348,124,798	343,116,927
Community Care Access Centres	236,484,027	229,244,648
Community Support Services	45,677,863	41,621,596
Acquired Brain Injury	2,584,076	2,543,148
Assisted Living Services in Supportive Housing	23,266,386	22,299,732
Community Health Centres	62,432,199	61,983,526
Community Mental Health Program	71,194,900	66,920,045
Addictions Program	25,169,111	23,782,533
Specialty Psychiatric Hospitals	102,418,141	100,801,345
Grants to compensate for Municipal Taxation		
Psychiatric Hospitals	28,425	28,425
	2,556,278,560	2,558,247,649
Long-Term Care Homes prior year settlements	880,421	2,481,873
	2,557,158,981	2,560,729,522

Champlain Local Health Integration Network

Notes to the financial statements

March 31, 2016

9. LHIN Operations

The MOHLTC provides funds to the LHIN to cover personnel costs, project and program costs, as well as lease and office related costs. The funds are also used to subsidize the LHIN Shared Services Office as well as LHIN Collaborative (see Note 4). The expenses incurred are as follows:

	2016	2015
	\$	\$
Program based		
Salary and benefits	3,760,955	3,776,683
Consulting and LHIN-based projects	36,019	27,624
Other program costs	240,366	232,866
	4,037,340	4,037,173
Occupancy	420,094	400,874
LHIN Shared services	328,612	305,244
LHIN Collaborative	40,897	44,641
Governance per diems	106,400	67,793
Office equipment and supplies	55,424	86,111
Other	11,856	24,904
	5,000,623	4,966,740
Amortization	53,133	57,956
	5,053,756	5,024,696

Governance costs

Included in the above LHIN Operations results are costs to support the activities of the Board of Directors such as administrative support, travel, community engagement meetings, and other general costs. The expenses incurred are as follows:

	2016	2015
	\$	\$
Chair per diems	59,500	38,475
Other Board member per diems	46,900	29,318
Other	18,744	21,591
	125,144	89,384

Champlain Local Health Integration Network

Notes to the financial statements

March 31, 2016

10. Enabling Technologies for Integration Project Management Office and related programs

Enabling Technologies

In fiscal 2016, the LHIN entered into an agreement with the South East, North East and North West LHINs (the "Cluster") in order to enable the effective and efficient delivery of e-health programs and initiatives within the geographic area of the Cluster. Funding was provided to enable the cluster LHIN Project Management Offices to advance eHealth, information management and information technology initiatives as outlined in the ETI PMO Toolkit Business Case approved by the MOHLTC.

The Champlain LHIN is designated the Lead LHIN with this agreement and as such holds the accountability over the distribution of the funds and manages the shared Project Management Office. In the event that the Cluster experiences a surplus the Lead LHIN is responsible for returning those funds to the MOHLTC. The total Cluster funding received for the year ended March 31, 2016 was \$2,040,000 (2015 - \$2,040,000).

Funding of \$1,530,000 (2015 - \$1,530,000) was allocated to other LHIN's within the cluster who incurred eligible expenses of \$1,530,000 (2015 - \$1,530,000). A summary of Enabling Technologies funding and expenses are as follows:

			2016	2015
	Funding allocated	Eligible expenses	Excess funding	Excess funding
	\$	\$	\$	\$
Champlain LHIN	510,000	486,206	23,794	17,251
South East LHIN	510,000	510,000	-	-
North East LHIN	510,000	510,000	-	-
North West LHIN	510,000	510,000	-	-
	2,040,000	2,016,206	23,794	17,251

Expenses incurred by the LHIN are:

	2016	2015
	\$	\$
Salaries and benefits	465,595	449,614
Consulting services	-	-
Other program costs	20,611	43,135
	486,206	492,749
Amortization	1,313	1,313
	487,519	494,062

Champlain Local Health Integration Network

Notes to the financial statements

March 31, 2016

11. Regional Coordination of Diabetes Services

In 2009 the MOHLTC established a Diabetes Regional Coordination Centre in each LHIN to support the goals of the Ontario Diabetes Strategy. These goals include: the identification of regional and local service needs, the engagement of primary care and other diabetes service providers across the region to facilitate the adoption of standards and best practices, and the coordination of regional services for adults with pre-diabetes and diabetes to support a more integrated system. In February 2013, the operational mandate, functions and funding for the delivery of this program were transferred to the LHIN. Expenses incurred are as follows:

	2016	2015
	\$	\$
Salaries and benefits	608,438	499,068
Other program costs	213,799	197,820
	822,237	696,888
Amortization	19,253	19,253
	841,490	716,141

12. Operations of LHIN - Project Initiatives

Emergency Department Physician Lead

Since fiscal 2008 the MOHLTC has worked closely with the LHINs, Ontario hospitals and healthcare professionals to implement a comprehensive Emergency Department Strategy. To support the improvements required by this strategy, the MOHLTC and the LHIN jointly retained an Emergency Department Physician Lead. The funds received have been used to compensate the Physician Lead and to cover related business expenses.

Indigenous Engagement

The MOHLTC provided funding for Indigenous community engagement. The LHIN allocated the funds to support the Indigenous Health Circle Forum and community engagement activities to improve Indigenous health across the region.

Emergency Room/Alternate Level of Care Performance Lead (ER/ALC)

Improving Emergency Department wait times and reducing hospital ALC days are key provincial priorities. The LHIN received funds to hire a staff resource to implement the ER/ALC Overarching Plan and the ER Pay for Results Action Plan, and to advance the implementation of a standard performance management approach.

French Language Health Services (FLHS) Program

The objectives of the FLHS Program are to improve equitable access to quality health services for Francophones of the Champlain region as well as to support the LHIN in meeting its legal obligations (under the French Language Services Act (FLSA) and the Local Health System Integration Act (LHSA)) and to implement provincial priorities with respect to French Language Services at the regional and local levels.

Champlain Local Health Integration Network

Notes to the financial statements

March 31, 2016

12. Operations of LHIN - Project Funds (continued)

FLHPE - Réseau des services de santé en français de l'Est de l'Ontario

Following the adoption of the LHSIA in 2006, the MOHLTC prescribed the Réseau des services de santé en français de l'Est de l'Ontario as the French Language Health Planning Entity (FLHPE) for the Champlain and South East LHINs. In March 2011, the Champlain and South-East LHINs and the Réseau entered a five-year funding and accountability agreement. This Agreement defines the respective roles and responsibilities of all 3 parties relating to the provision of advice by the Entity on the engagement of the Francophone community in the planning for and integration of health services that reflect the health needs and priorities of the Francophone communities. On December 5, 2015, the Minister of Health and Long-Term Care reselected the Réseau des services de santé en français de l'Est de l'Ontario to continue as the French language planning entity for the geographic areas of Champlain Local Health Integration Network and South East Local Health Integration Network. The Champlain and South-East LHINs and the Réseau entered another five-year funding and accountability agreement.

Primary Care LHIN Lead

The LHIN received funding for a Primary Care Physician Lead who has a mandate to facilitate linkages between the primary care sector and the LHIN and lead specific initiatives with primary care in an effort to improve health system outcomes within the Champlain region. These initiatives will help to advance health system integration and contribute to improvements in LHIN performance measures.

Critical Care LHIN Lead

The Critical Care project, which began in 2011-12, includes a review of the needs of our rural, community, and tertiary-level critical care programs in our region. This includes participation as Lead with the Critical Care Secretariat and incorporating an understanding of operational processes with other programs such as Emergency Medical Services (paramedics) and Critical. Priorities to-date have included planning for Ventilator Assisted Pneumonia (VAP) and Central Line Infection Prevention (CLI) Toolkit updates, Surge Capacity Protocol updates, the Extramural Critical Care Response Team, Life or Limb policy including repatriation, Ventilator Stock Pile, scorecards and quality measures.

The LHIN received funds for various project initiatives listed in the Statement of Operations. The following table classifies the initiatives expenses by object:

	2016	2015
	\$	\$
Salaries and benefits	201,913	202,900
Professional services	1,210,318	1,223,100
Mail, courier and telecommunications	1,208	675
Other	27,964	23,740
	1,441,403	1,450,415

13. Pension agreements

The LHIN makes contributions to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of 49 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed by the LHIN to HOOPP for fiscal 2016 was \$ 418,135 (2015 - \$382,356) for current service costs and is included as an expense in the Statement of operations. The last actuarial valuation was completed for the plan as of December 31, 2015. At that time, the plan was fully funded.

Champlain Local Health Integration Network

Notes to the financial statements

March 31, 2016

14. Guarantees

The LHIN is subject to the provisions of the Financial Administration Act. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the Financial Administration Act and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the *Local Health System Integration Act, 2006* and in accordance with s. 28 of the *Financial Administration Act*.

15. Commitments

The LHIN has commitments under various operating leases expiring at various dates to 2021 related to office space and to 2018 related to equipment. Lease renewals are likely; however, there are no commitments extending beyond 2021 at this time. Minimum lease payments due are as follows:

	\$
2017	533,533
2018	530,929
2019	530,149
2020	530,149
2021	<u>265,075</u>

The LHIN also has funding commitments to HSPs associated with accountability agreements. Minimum commitment to HSPs, based on the current accountability agreements, is as follows:

	\$
2017	2,531,210,706
2018	351,569,838
2019	<u>351,569,838</u>

The actual amounts that will ultimately be paid to HSP's are contingent on receipt of anticipated levels of funding from the MOHLTC. At this time, the Champlain LHIN has agreements with long term care providers that have been renewed until March 31, 2019. The agreements with hospitals and community sector providers expire on September 30, 2016 and March 31, 2017 respectively. Renewal of accountability agreements for these providers is anticipated; however, there are no commitments extending beyond 2017 at this time.

16. Corresponding figures

Certain corresponding figures have been reclassified to conform to the current year's presentation.

Erie St. Clair Local Health Integration Network

Statement of Management Responsibility

The accompanying financial statements of the Erie St. Clair LHIN have been prepared by management in accordance with Canadian public sector accounting principles, and the integrity and objectivity of these statements are management's responsibilities.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable information is produced.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises this responsibility through the Audit Committee of the Board. The Audit Committee meets with management and the external auditors no fewer than two times a year.

The external auditors, Deloitte LLP, conduct an independent examination, in accordance with Canadian generally accepted auditing standards, and express their opinion on the financial statements. Their examination includes a review and evaluation of Hospital's system of internal control and appropriate tests and procedures to provide reasonable assurance that the financial statements are presented fairly in accordance with Canadian public sector accounting standards. The external auditors have full and free access to the Performance and Audit Committee of the Board and meet with it on a regular basis.

On behalf of Erie St. Clair LHIN



Ralph Ganter
Acting Chief Executive
Officer



Brady Birkin
Manager, Corporate Services

May 24, 2016



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Canada

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Independent Auditor's Report

To the Members of the Board of Directors of the
Erie St. Clair Local Health Integration Network

We have audited the accompanying financial statements of Erie St. Clair Local Health Integration Network, which comprise the statement of financial position as at March 31, 2016, and the statements of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Erie St. Clair Local Health Integration Network as at March 31, 2016 and the results of its operations, changes in its net debt, and its cash flows for the years then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.


Chartered Professional Accountants
Licensed Public Accountants
May 24, 2016


Erie St. Clair Local Health Integration Network

Statement of financial position
as at March 31, 2016

	2016	2015
	\$	\$
Financial assets		
Cash	566,842	693,831
Due from Ministry of Health and Long-Term Care ("MOHLTC") (Note 7)	1,700,855	5,570,500
Accounts receivable	48,935	68,209
	2,316,632	6,332,540
Liabilities		
Accounts payable and accrued liabilities	548,326	730,659
Due to MOHLTC (Note 10b)	93,318	55,978
Due to Health Service Providers ("HSPs") (Note 7)	1,700,855	5,570,500
Due to the LHIN Shared Services Office (Note 3)	5,474	3,702
Deferred capital contributions (Note 4)	287,662	385,949
	2,635,635	6,746,788
Net debt	(319,003)	(414,248)
Commitments (Note 13)		
Non-financial assets		
Prepaid expenses	31,341	28,299
Tangible capital assets (Note 5)	287,662	385,949
Accumulated surplus	-	-

Approved by the Board

 Director

 Director

The accompanying notes to the financial statements are an integral part of this financial statement.

Erie St. Clair Local Health Integration Network

Statement of operations year ended March 31, 2016

	Budget (Note 6)	2016 Actual	2015 Actual
	\$	\$	\$
Revenue			
MOHLTC funding			
HSP transfer payments (Note 7)	1,118,937,656	1,141,071,593	1,142,748,286
Project Initiatives			
Operations of LHIN	4,347,972	4,160,760	4,325,444
Emergency Department Lead	75,000	75,000	75,000
Critical Care Lead	75,000	75,000	75,000
Primary Care Lead	75,000	75,000	75,000
French Language Health Planning			
Entities Fund	425,500	425,533	425,533
Enabling Technologies for Integration			
Project Management Office	510,000	510,000	510,000
Diabetes Regional Coordination	888,328	870,561	888,328
Amortization of deferred capital contributions (Note 4)		197,063	163,270
	1,125,334,456	1,147,460,510	1,149,285,861
Funding repayable to the MOHLTC (Note 10)	-	(37,340)	(55,978)
	1,125,334,456	1,147,423,170	1,149,229,883
Expenses			
Transfer payments to HSPs (Note 7)	1,118,937,656	1,141,071,593	1,142,748,286
General and administrative (Note 8)	4,347,972	4,357,227	4,473,320
Project Initiatives (Note 9)			
Emergency Department Lead	75,000	73,716	74,066
Critical Care Lead	75,000	75,000	75,000
Primary Care Lead	75,000	75,000	75,000
French Language Health Planning			
Entities Fund	425,500	390,073	425,533
Diabetes Regional Coordination	888,328	870,561	848,678
Enabling Technologies for Integration			
Project Management Office (Note 3)	510,000	510,000	510,000
	1,125,334,456	1,147,423,170	1,149,229,883
Annual surplus and accumulated surplus, end of year	-	-	-

The accompanying notes to the financial statements are an integral part of this financial statement.

Erie St. Clair Local Health Integration Network

Statement of change in net debt
year ended March 31, 2016

	Budget (Note 6)	2016 Actual	2015 Actual
	\$	\$	\$
Annual surplus			
Prepaid expenses incurred	-	(31,341)	(28,299)
Prepaid expenses used	-	28,299	29,873
Acquisition of tangible capital assets	-	(98,776)	(30,549)
Amortization of tangible capital assets	160,000	197,063	163,270
Increase in net debt	160,000	95,245	134,295
Net debt, beginning of year	(414,248)	(414,248)	(548,543)
Net debt, end of year	(254,248)	(319,003)	(414,248)

The accompanying notes to the financial statements are an integral part of this financial statement.

Erie St. Clair Local Health Integration Network

Statement of cash flows year ended March 31, 2016

	2016	2015
	\$	\$
Operating transactions		
Annual surplus	-	-
Less items not affecting cash		
Amortization of tangible capital assets	197,063	163,270
Amortization of deferred capital contributions (Note 5)	(197,063)	(163,270)
Changes in non-cash operating items		
Due from MOHLTC	3,869,645	(5,330,100)
Accounts receivable	19,274	2,896
Accounts payable and accrued liabilities	(182,333)	(55,346)
Due to MOHLTC	37,340	(94,667)
Due to HSPs	(3,869,645)	5,330,100
Due to LHIN Shared Services Office	1,772	3,411
Prepaid expenses	(3,042)	1,574
	(126,989)	(142,132)
Capital transaction		
Acquisition of tangible capital assets	98,776	30,549
Financing transaction		
Deferred capital contributions received (Note 5)	(98,776)	(30,549)
Net decrease in cash	(126,989)	(142,132)
Cash, beginning of year	693,831	835,963
Cash, end of year	566,842	693,831

The accompanying notes to the financial statements are an integral part of this financial statement.

Erie St. Clair Local Health Integration Network

Notes to the financial statements

March 31, 2016

1. Description of business

The Erie St. Clair Local Health Integration Network was incorporated by Letters Patent on June 2, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the Local Health System Integration Act, 2006 (the "Act") as the Erie St. Clair Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The LHIN has also entered into an Accountability Agreement with the Ministry of Health and Long Term Care ("MOHLTC"), which provides the framework for LHIN accountabilities and activities.

Commencing April 1, 2007, all funding payments to LHIN managed health service providers in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized Health Service Providers ("HSPs") are expensed in the LHIN's financial statements for the year ended March 31, 2016.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers the Municipalities of Essex, Lambton and Chatham-Kent. The LHIN enters into service accountability agreements with service providers.

The LHIN is funded by the Province of Ontario in accordance with the Ministry-LHIN Performance Agreement ("MLPA"), which describes budget arrangements established by the MOHLTC. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to HSPs, effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account.

The LHIN financial statements do not include any MOHLTC managed programs.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian generally accepted accounting principles for governments as established by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada ("CPA"). Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable. Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of tangible capital assets.

Erie St. Clair Local Health Integration Network

Notes to the financial statements

March 31, 2016

2. Significant accounting policies (continued)

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. Unspent amounts are recorded as payable to the MOHLTC at period end. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed.

Deferred capital contributions

Any amounts received that are used to fund expenses that are recorded as tangible capital assets, are recorded as deferred capital contributions and are recognized as revenue over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the statement of operations, is in accordance with the amortization policy applied to the related capital asset recorded.

Segment disclosures

A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the statement of operations and within the related notes for both the prior and current year sufficiently discloses information of all appropriate segments and, therefore, no additional disclosure is required.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include valuation of accrued liabilities and useful lives of the tangible capital assets. Actual results could differ from those estimates.

Tangible capital assets

Tangible capital assets are recorded at cost. Cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of capital assets. The cost of capital assets contributed is recorded at the estimated fair value on the date of contribution. Fair value of contributed tangible capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the tangible capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a tangible capital asset are capitalized. Computer software is recognized as an expense when incurred.

Tangible capital assets are stated at cost less accumulated amortization. Tangible capital assets are amortized over their estimated useful lives as follows:

Office equipment	5 years straight-line method
Computer equipment	3 years straight-line method
Leasehold improvements	5 years straight-line method

For assets acquired or brought into use during the year, amortization is provided for a full year.

Erie St. Clair Local Health Integration Network

Notes to the financial statements

March 31, 2016

3. Related party transactions

LHIN Shared Service Office and LHINC Collaborative

The LHIN Shared Services Office (the "LSSO") is a division of the Toronto Central LHIN and is subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO, on behalf of the LHINs is responsible for providing services to all LHINs. The full costs of providing these services are billed to all the LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHINs at the year end is recorded as a receivable (payable) from (to) the LSSO. This is all done pursuant to the shared service agreement the LSSO has with all the LHINs.

The LHIN Collaborative (the "LHINC") was formed in fiscal 2010 to strengthen relationships between and among health service providers, associations and the LHINs, and to support system alignment. The purpose of LHINC is to support the LHINs in fostering engagement of the health service provider community in support of collaborative and successful integration of the health care system; their role as system manager; where appropriate, the consistent implementation of provincial strategy and initiatives; and the identification and dissemination of best practices. LHINC is a LHIN-led organization and accountable to the LHINs. LHINC is funded by the LHINs with support from the MOHLTC.

Enabling Technologies for Integration Project Management Office

Effective February 1, 2012, an agreement was formed with Erie St. Clair, South West, Waterloo Wellington and Hamilton Niagara Haldimand Brant LHINs (the "Cluster") in order to enable the effective and efficient delivery of e-health programs and initiatives within the geographic area of the Cluster. Under the agreement, decisions related to the financial and operating activities of the Enabling Technologies for Integration Project Management Office are shared. No LHIN is in a position to exercise unilateral control.

The LHIN's financial statement reflects its share of the MOHLTC funding for Enabling Technologies for Integration Project Management Offices for its Cluster and related expenses. During the year, the LHIN received funding from South West LHIN of \$510,000 (2015 - \$510,000). The LHIN had a contract and retained services of the Transform Shared Service Organization ("Transform"). All funds were expended.

4. Deferred capital contributions

	2016	2015
	\$	\$
Balance, beginning of year	385,949	518,670
Capital contributions received during the year	98,776	30,549
Amortization for the year	(197,063)	(163,270)
Balance, end of year	287,662	385,949

5. Tangible capital assets

	2016		2015
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Office equipment	855,011	705,812	149,199
Computer equipment	210,259	210,259	-
Leasehold improvements	955,933	817,470	138,463
	2,021,203	1,733,541	287,662

Erie St. Clair Local Health Integration Network

Notes to the financial statements

March 31, 2016

6. Budget figures

The budget was approved by the Government of Ontario. The budget figures reported in the statement of operations reflect the initial budget at April 1, 2015. The figures have been reported for the purposes of these statements to comply with PSAB reporting requirements. During the year the government approved budget adjustments. The following reflects the adjustments for the LHIN during the year:

The final HSP funding budget of \$1,141,071,593 is derived as follows:

	\$
Initial budget	1,118,937,656
Adjustment due to announcements made during the year	22,133,937
	1,141,071,593

The final LHIN budget, excluding the HSP funding, of \$6,191,854 is derived as follows:

	\$
Initial budget	6,396,800
Change in funding from the MOHLTC during the year	(6,170)
Amount treated as capital contributions made during the year	(98,776)
In-Year recoveries by the MOHLTC during the year	(100,000)
	6,191,854

7. Transfer payments to HSPs

The LHIN has authorization to allocate funding of \$1,141,071,593 (2015 - \$1,142,286) to various HSPs in its geographic area. The LHIN approved transfer payments to various sectors in 2015 as follows:

	2016	2015
	\$	\$
Operation of hospitals	660,071,256	681,438,461
Grants to compensate for municipal taxation - public hospitals	172,500	172,500
Long-term care homes	220,699,564	211,414,580
Community care access centres	140,525,653	138,215,563
Community support services	22,103,369	21,234,346
Assisted living services in supportive housing	11,685,084	11,567,616
Community health centres	32,171,091	31,402,849
Community mental health addictions programs	12,065,046	11,751,851
Community mental health programs	41,578,030	35,550,520
	1,141,071,593	1,142,748,286

The LHIN receives money from the MOHLTC and in turn allocates it to the HSPs. As at March 31, 2016, an amount of \$1,700,855 (2015 - \$5,570,500) was receivable from the MOHLTC and payable to HSPs. These amounts have been reflected as revenue and expenses in the statement of operations and are included in the table above.

Erie St. Clair Local Health Integration Network

Notes to the financial statements

March 31, 2016

8. General and administrative expenses

The statement of operations presents the expenses by function. The following classifies general and administrative expenses by object:

	2016	2015
	\$	\$
Salaries and benefits	2,930,366	3,124,200
Occupancy	358,425	279,828
Amortization	197,063	163,271
Shared services	313,194	320,555
Public relations	53,680	29,519
Consulting services	54,584	53,954
Supplies	28,001	25,793
Board Chair per diems	43,925	36,575
Board member per diems	46,550	26,850
Board member expenses	49,260	47,422
Obstetrics expert panel	4,785	92,183
Mail, courier and telecommunications	37,004	47,739
LHIN collaborative	38,000	37,721
Other	202,390	187,710
	4,357,227	4,473,320

9. Project Initiatives

The LHIN received funds for various project initiatives reported in the statement of operations. Details of expenses incurred in relation to the Diabetes Regional Coordination Centres are as follows:

	Budget	2016	2015
	\$	\$	\$
Salaries and benefits	672,720	666,710	638,021
Operating expenses	215,608	203,851	210,657
General and administrative expenses	888,328	870,561	848,678

Expenses incurred in respect of all other initiatives were for professional services.

Erie St. Clair Local Health Integration Network

Notes to the financial statements

March 31, 2016

10. Funding repayable to the MOHLTC

In accordance with the MLPA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

In accordance with the TPA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to MOHLTC.

- a) The amount repayable to the MOHLTC related to current year activities is made up of the following components:

			2016	2015
	Funding received	Eligible expenses	Excess funding	Excess funding
	\$	\$	\$	\$
Transfer payments to HSPs	1,141,071,593	1,141,071,593	-	-
LHIN operations	4,160,760	4,160,164	596	15,394
Project Initiatives				
French Language Health Planning Entities Fund	425,533	390,073	35,460	-
Critical Care Lead Fund	75,000	75,000	-	-
Primary Care Lead Fund	75,000	75,000	-	-
Emergency Department Lead	75,000	73,716	1,284	934
Diabetes Regional Coordination	870,561	870,561	-	39,650
Enabling Technologies	510,000	510,000	-	-
	1,147,263,447	1,147,226,107	37,340	55,978

- b) The continuity of the amount due to the MOHLTC at March 31 is as follows:

	2016	2015
	\$	\$
Due to MOHLTC, beginning of year	55,978	150,645
Funding repayable to the MOHLTC related to current year activities (Note 10a)	37,340	55,978
Amounts repaid to MOHLTC during the year	-	(150,645)
Due to MOHLTC, end of year	93,318	55,978

11. Pension agreements

The LHIN makes contributions to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 33 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2016 was \$283,144 (2015 - \$272,398) for current service costs and is included as an expense in the statement of operations. The last actuarial valuation was completed for the plan as at December 2015. Currently, the plan is fully funded.

12. Guarantees

The LHIN is subject to the provisions of the *Financial Administration Act*. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favor of third parties, except in accordance with the *Financial Administration Act* and the related Indemnification Directive.

Erie St. Clair Local Health Integration Network

Notes to the financial statements

March 31, 2016

12. Guarantees (continued)

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the *Local Health System Integration Act*, 2006 and in accordance with s. 28 of the *Financial Administration Act*.

13. Commitments

The LHIN has funding commitments to health service providers associated with accountability agreements. The LHIN had the following funding commitments as of March 31, 2016.

	\$
2017	764,626,485
2018	199,068,064

The LHIN also has commitments under various operating leases related to building and equipment, which will be renewed in accordance with standard lease terms. Minimum lease payments due in each of the next five years are as follows:

	\$
2017	332,464
2018	332,464
2019	326,164
2020	313,532
2021	309,622

Hamilton Niagara Haldimand Brant LHIN

264 Main Street East
Grimsby, ON L3M 1P8
Tel: 905 945-4930
Toll Free: 1 866 363-5446
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www.hnhblhin.on.ca

Management's Responsibility for the Financial Statements

March 31, 2016

The integrity and objectivity of the accompanying financial statements of the Hamilton Niagara Haldimand Brant Local Health Integration Network (HNHBLHIN) is the responsibility of management. These financial statements have been prepared in compliance with legislation and in accordance with Generally Accepted Account Principles (GAAP) and under Public Sector Accounting Board (PSAB).

Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for the preparation of the financial statements. These systems are monitored and evaluated by management, the Audit Committee and Board of Directors.

The external auditors meet with Management and the Audit Committee to review the financial statements and discuss any significant financial reporting or internal control matters prior to approval of the financial statements by the Board of Directors.

The financial statements have been audited by Deloitte & Touche LP, independent external auditors appointed by the Board of Directors.



Donna Cripps
Chief Executive Officer



Derek Bodden
Director, Finance



Deloitte LLP
5140 Yonge Street
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Independent Auditor's Report

To the Members of the Board of Directors of the
Hamilton Niagara Haldimand Brant
Local Health Integration Network

We have audited the accompanying financial statements of Hamilton Niagara Haldimand Brant Local Health Integration Network, which comprise the statements of financial position as at March 31, 2016, and the statements of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Hamilton Niagara Haldimand Brant Local Health Integration Network, as at March 31, 2016 and the results of its operations, change in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in dark ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants
Licensed Public Accountants
May 25, 2016

Hamilton Niagara Haldimand Brant Local Health Integration Network

Statement of financial position
as at March 31, 2016

	2016	2015
	\$	\$
Financial assets		
Cash	1,062,371	868,913
HST receivable	21,831	25,366
Accounts receivable - other	85,256	180
Due from Ministry of Health and Long-Term Care ("MOHLTC") transfer payments to Health Service Providers ("HSPs") (Note 9)	31,249,618	22,453,844
	32,419,076	23,348,303
Liabilities		
Accounts payable and accrued liabilities	262,301	213,956
Due to the MOHLTC (Note 3b)	913,720	725,631
Due to Health Service Providers ("HSPs") (Note 9)	31,249,618	22,453,844
Due to the LHIN Shared Services Office (Note 4)	2,601	81
Deferred capital contributions (Note 5)	21,659	43,958
	32,449,899	23,437,470
Commitments (Note 6)		
Net debt	(30,823)	(89,167)
Non-financial assets		
Prepaid expenses	9,164	45,209
Tangible capital assets (Note 7)	21,659	43,958
Accumulated surplus	-	-

Approved by the Board



Chair



Vice Chair

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

Hamilton Niagara Haldimand Brant Local Health Integration Network

Statement of operations
year ended March 31, 2016

		2016	2015
	Budget (Note 8)	Actual	Actual
	\$	\$	\$
Revenue			
MOHLTC funding			
HSPs transfer payments (Note 9)	2,884,971,100	2,941,067,069	2,895,775,446
Operations of LHIN	4,916,172	4,599,809	4,897,490
Project Initiatives			
Enabling Technologies for Integration Project Management Office ("ETI PMO") (Note 4)	510,000	510,000	510,000
ER/ALC Performance Lead	-	100,000	100,000
French Language Services	-	106,000	106,000
French Language Planning Entity	-	411,693	411,693
Emergency Dept LHIN LEAD	-	75,000	75,000
Critical Care LHIN LEAD	-	75,000	75,000
Aboriginal Planning	37,500	37,500	37,500
Primary Care LHIN Lead	-	75,000	75,000
Diabetes Education	-	824,475	841,301
Physiotherapy	-	-	-
Amortization of deferred capital contributions (Note 5)	-	38,662	43,893
	2,890,434,772	2,947,920,208	2,902,948,323
Funding repayable to the MOHLTC (Note 3a)	-	(188,089)	(725,631)
	2,890,434,772	2,947,732,119	2,902,222,692
Expenses			
Transfer payments to HSPs (Note 9)	2,884,971,100	2,941,067,069	2,895,775,446
General and administrative (Note 11)	4,916,172	4,452,413	4,228,189
Project Initiatives (Note 10)			
ETI PMO	510,000	510,000	510,000
ER/ALC Performance Lead	-	100,000	100,000
French Language Services	-	106,000	106,000
French Language Planning Entity	-	411,693	411,693
Emergency Dept LHIN LEAD	-	72,969	73,478
Critical Care LHIN LEAD	-	75,000	72,599
Aboriginal Planning	37,500	37,500	37,500
Primary Care LHIN Lead	-	75,000	75,000
Diabetes Education	-	824,475	832,787
	2,890,434,772	2,947,732,119	2,902,222,692
Annual surplus and closing accumulated surplus, end of year			
	-	-	-

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

Hamilton Niagara Haldimand Brant Local Health Integration Network

Statement of change in net debt
year ended March 31, 2016

		2016	2015
	Budget (Note 8)	Actual	Actual
	\$	\$	\$
Annual surplus	-	-	-
Change in prepaid expenses	-	36,045	(37,277)
Acquisition of tangible capital assets	-	(16,363)	(18,681)
Amortization of tangible capital assets	-	38,662	43,893
Increase in net debt	-	58,344	(12,065)
Net debt, beginning of year	-	(89,167)	(77,102)
Net debt, end of year	-	(30,823)	(89,167)

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

Hamilton Niagara Haldimand Brant Local Health Integration Network

Statement of cash flows
year ended March 31, 2016

	2016	2015
	\$	\$
Operating transactions		
Annual surplus	-	-
Add items not affecting cash		
Amortization of capital assets	38,662	43,893
Less items not affecting cash		
Amortization of deferred capital contributions	(38,662)	(43,893)
Changes in non-cash operating items		
Accounts receivable - other	(85,076)	762
HST receivable	3,535	6,839
Due from MOHLTC to HSPs	(8,795,774)	26,996,401
Accounts payable and accrued liabilities	48,345	(153,554)
Due to the MOHLTC	188,089	297,216
HSPs from MOHLTC	8,795,774	(26,996,401)
LHIN Shared Services Office	2,520	(2,026)
Prepaid expenses	36,045	(37,277)
	193,458	111,960
Capital investment		
Acquisition of tangible capital assets	16,363	(18,681)
Financing transaction		
Capital contributions received	(16,363)	18,681
Net change in cash	193,458	111,960
Cash, beginning of year	868,913	756,953
Cash, end of year	1,062,371	868,913

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

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements

March 31, 2016

1. Description of business

The Hamilton Niagara Haldimand Brant Local Health Integration Network was incorporated by Letters Patent on June 2, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the *Local Health System Integration Act, 2006* (the "Act") as the Hamilton Niagara Haldimand Brant Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers the Counties of Hamilton, Niagara, Haldimand, Brant, most of the County of Norfolk and the City of Burlington. The LHIN enters into service accountability agreements with service providers.

The LHIN is funded by the Province of Ontario in accordance with the Ministry - LHIN Performance Agreement ("MLPA"), which describes budget arrangements established by the Ministry of Health and Long-Term Care ("MOHLTC"). These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to Health Service Providers ("HSPs"), effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account. Commencing April 1, 2007, all funding payments to LHIN managed HSPs in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized HSPs are expensed in the LHIN's financial statements for the year ended March 31, 2016.

The LHIN has also entered into an Accountability Agreement with the MOHLTC, which provides the framework for LHIN accountabilities and activities.

The LHIN statements do not include any MOHTLC managed programs.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian Public Sector accounting standards. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of tangible capital assets.

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements

March 31, 2016

2. Significant accounting policies (continued)

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at period end.

Deferred capital contributions

Any amounts received that are used to fund expenses that are recorded as tangible capital assets, are recorded as deferred capital contributions and are recognized over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the Statement of operations, is in accordance with the amortization policy applied to the related tangible capital asset recorded.

Tangible capital assets

Tangible capital assets are recorded at historical cost. Historical cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of tangible capital assets. The cost of tangible capital assets contributed is recorded at the estimated fair value on the date of contribution. Fair value of contributed tangible capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the tangible capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a tangible capital asset are capitalized. Computer software is recognized as an expense when incurred.

Tangible capital assets are stated at cost less accumulated amortization. Tangible capital assets are amortized over their estimated useful lives as follows:

Computer equipment	3 years straight-line method
Leasehold improvements	Life of lease straight-line method
Office equipment, furniture and fixtures	5 years straight-line method

For assets acquired or brought into use during the year, amortization is provided for a full year. Infrastructure/web development costs are included with computer equipment for accounting and reporting purposes.

Segment disclosures

The LHIN was required to adopt Section PS 2700 - Segment Disclosures, for the fiscal year beginning April 1, 2007. A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the statement of operations and within the related notes for both the prior and current year sufficiently discloses information of all appropriate segments and therefore no additional disclosure is required.

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements

March 31, 2016

2. Significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimate and assumptions include valuation of accrued liabilities and useful lives of the tangible capital assets. Actual results could differ from those estimates.

3. Funding repayable to the MOHLTC

In accordance with the MLPA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

- a) The amount repayable to the MOHLTC related to current year activities is made up of the following components:

			2016	2015
	Funding received	Eligible expenses	Excess funding	Excess funding
	\$	\$	\$	\$
Transfer payments to HSPs	2,941,067,069	2,941,067,069	-	-
LHIN operations	4,638,471	4,452,413	186,058	713,194
ETI PMO	510,000	510,000	-	-
French Language Planning Entity	411,693	411,693	-	-
French Language Services	106,000	106,000	-	-
ER/ALC Performance Lead	100,000	100,000	-	-
Emergency Dept. LHIN LEAD	75,000	72,969	2,031	1,522
Critical Care LHIN LEAD	75,000	75,000	-	2,401
Primary Care Lead	75,000	75,000	-	-
Aboriginal Planning	37,500	37,500	-	-
Diabetes Education	824,475	824,475	-	8,514
	2,947,920,208	2,947,732,119	188,089	725,631

- b) The amount due to the MOHLTC at March 31, 2016 is made up as follows:

	2016	2015
	\$	\$
Due to MOHLTC, beginning of year	725,631	428,215
Funding repayable related to current year activities to the MOHLTC (Note 3a)	188,089	725,631
Amount recovered by the MOHLTC during the year	-	(428,215)
Due to MOHLTC, end of year	913,720	725,631

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements

March 31, 2016

4. Related party transactions

LHIN Shared Services Office, Local Health Integration Network Collaborative

The LHIN Shared Services Office (the "LSSO") and the Local Health Integration Network Collaborative (the "LHINC") are divisions of the Toronto Central LHIN and are subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO and LHINC, on behalf of the LHINs are responsible for providing services to all LHINs. The full costs of providing these services are billed to all the LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHINs at the year end, are recorded as a receivable (payable) from (to) the LSSO. This is all done pursuant to the shared services agreement the LSSO has with all LHINs.

Enabling Technologies for Integration Project Management Office

Effective January 31, 2014, the LHIN entered into an agreement with South West, Erie St. Clair and Waterloo Wellington LHIN's (the "Cluster") in order to enable the effective and efficient delivery of e-health programs and initiatives within the geographic area of the Cluster. Under the agreement, decisions related to the financial and operating activities of the Enabling Technologies for Integration Project Management Office are shared. No LHIN is in a position to exercise unilateral control.

The LHIN's financial statement reflects its share of the MOHLTC funding for Enabling Technologies for Integration Project Management Offices for its Cluster and related expenses. During the year, the LHIN received funding from the South West LHIN of \$510,000.

5. Deferred capital contributions

	2016	2015
	\$	\$
Balance, beginning of year	43,958	69,170
Capital contributions received during the year	16,362	18,681
Amortization for the year	(38,661)	(43,893)
Balance, end of year	21,659	43,958

6. Commitments

The LHIN has commitments under various operating leases related to building and equipment. Lease renewals are likely. Minimum lease payments due under existing leases are as follows:

	\$
2017	172,786
2018	172,786
2019	71,994

The LHIN also has funding commitments to HSPs associated with accountability agreements. The actual amounts which will ultimately be paid are contingent upon LHIN funding received from MOHLTC.

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements

March 31, 2016

7. Tangible capital assets

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office, equipment, furniture and fixtures	494,740	(478,224)	16,516	8,499
Computer equipment	248,908	(243,765)	5,143	35,459
Leasehold improvements	572,444	(572,444)	-	-
	1,316,092	(1,294,433)	21,659	43,958

8. Budget figures

The budgets were approved by the Government of Ontario. The budget figures reported on the Statement of operations reflect the initial budget at April 1, 2015. The figures have been reported for the purposes of these statements to comply with PSAB reporting requirements. During the year the government approved budget adjustments. The following reflects the adjustments for the LHIN during the year:

The final HSP funding budget of \$2,941,067,069 is derived as follows:

	\$
Initial budget	2,884,971,100
Adjustment due to announcements made during the year	56,095,969
Final budget	2,941,067,069

The final LHIN general and administrative budget of \$7,130,840 is derived as follows:

	\$
Initial budget	
LHIN operations	4,916,172
ETI PMO	510,000
Aboriginal Planning	37,500
Additional funding received during the year for:	
French Language Planning Entity	411,693
French Language Services Coordinator	106,000
ER/ALC Performance Lead	100,000
Emergency Dept. LHIN LEAD	75,000
Critical Care LHIN LEAD	75,000
Primary Care Lead	75,000
Diabetes Education	824,475
Final budget	7,130,840

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements

March 31, 2016

9. Transfer payments to HSPs

The LHIN has authorization to allocate funding of \$2,941,067,069 (2015 - \$2,895,775,446) to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors in 2016 as follows:

	2016	2015
	\$	\$
Operations of hospitals	1,933,929,144	1,914,168,474
Grants to compensate for municipal taxation - public hospitals	462,000	464,700
Long-term care homes	487,760,279	478,905,154
Community care access centres	311,792,567	307,373,115
Community support services	52,497,726	47,447,841
Acquired brain injury	7,549,178	7,619,608
Assisted living services in supportive housing	35,752,550	34,857,366
Community health centres	29,277,055	28,958,381
Community mental health addictions program	82,046,570	75,980,807
	2,941,067,069	2,895,775,446

The LHIN receives money from the MOHLTC which it in turn allocates to the HSPs. As of March 31, 2016 an amount of \$31,249,618 (2015 - \$22,453,844) was payable to the HSPs. This amount has been reflected as revenue and expenses within the LHIN's operations and is included above.

10. Project initiatives

The LHIN received funds for various project initiatives listed in the Statement of Operations. The following table classifies the initiatives expenses by object:

	2016	2015
	\$	\$
Salaries and benefits	902,803	894,626
Professional services	1,206,825	1,201,529
Shared services	36,000	41,000
Occupancy	37,000	38,687
Supplies	10,790	13,079
Mail, courier and telecommunications	10,438	18,194
Other	8,781	11,942
	2,212,637	2,219,057

Diabetes strategy operational expenses included in the project initiative expenses above are as follows:

	Actual 2016	Actual 2015
	\$	\$
Salaries and benefits	717,701	717,701
Others	106,774	115,086
	824,475	832,787

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements

March 31, 2016

11. Expenses by object

The Statement of operations presents the expenses by function. The following classifies general and administrative expenses by object:

	2016	2015
	\$	\$
Salaries and benefits	3,421,040	3,107,790
Board Chair per diems	26,425	19,425
Directors' per diems	32,559	24,396
Board expenses	9,654	7,913
Travel	19,164	19,268
Consulting services	127,301	78,279
Community forums and communication	43,340	40,281
Supplies, equipment, maintenance, other	56,942	55,801
Occupancy costs	284,161	319,080
Amortization	38,662	43,893
Shared services	393,164	512,063
	4,452,412	4,228,189

12. Pension agreements

The LHIN makes contributions to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of 40 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2016 was \$330,651 (2015 - \$282,948) for current service costs and is included as an expense in the Statement of operations. The last actuarial valuation was completed for the plan as at December 31, 2015. At that time, the plan was fully funded.

13. Guarantees

The LHIN is subject to the provisions of the *Financial Administration Act*. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the *Financial Administration Act* and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the *Local Health System Integration Act*, 2006 and in accordance with s. 28 of the *Financial Administration Act*.

Mississauga Halton **LHIN**
RLISS de Mississauga Halton

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Management's Responsibility for the Financial Statements

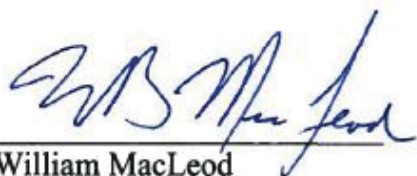
March 31, 2016

The integrity and objectivity of the accompanying financial statements of the Mississauga Halton Local Health Integration Network (MH LHIN) is the responsibility of management. These financial statements have been prepared in compliance with legislation and in accordance with Generally Accepted Accounting Principles (GAAP) and under Public Sector Accounting Board (PSAB).


Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for the preparation of the financial statements. These systems are monitored and evaluated by Management, the Audit Committee and Board of Directors.

Management meets with the external auditors and the Board of Directors to review the financial statements and discuss any significant financial reporting or internal control matters prior to approval of the financial statements.

The financial statements have been audited by Deloitte & Touche LP, independent external auditors appointed by the Board of Directors.



William MacLeod
Chief Executive Officer



Dale McGregor
Senior Director, Finance & Chief Financial Officer



Ontario

Local Health Integration
Network
Réseau local d'intégration
des services de santé



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Independent Auditor's Report

To the Members of the Board of Directors of the
Mississauga Halton Local Health Integration Network

We have audited the accompanying financial statements of Mississauga Halton Local Health Integration Network, which comprise the statement of financial position as at March 31, 2016, and the statements of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Mississauga Halton Local Health Integration Network as at March 31, 2016 and the results of its operations, change in its net debt, and its cash flows for the years then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

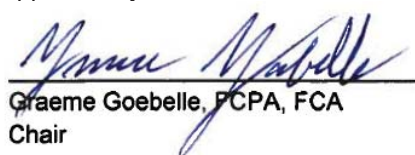
Chartered Professional Accountants
Licensed Public Accountants
June 2, 2016

Mississauga Halton Local Health Integration Network

Statement of financial position
as at March 31, 2016

	2016	2015
	\$	\$
Financial assets		
Cash	637,682	524,558
Accounts receivable		
Ministry of Health and Long-Term Care ("MOHLTC")		
transfer payments to Health Service Providers ("HSPs") (Note 3)	6,866,104	6,291,900
Due from other LHINs	10,448	-
Other	30,575	64,990
	7,544,809	6,881,448
Liabilities		
Accounts payable and accrued liabilities	525,540	422,417
Accounts payable HSPs transfer payments (Note 3)	6,866,104	6,291,900
Due to MOHLTC (Note 4b)	181,681	166,825
Due to the LHIN Shared Services Office (Note 5)	5,168	6,126
Due to other LHIN	-	47,635
Deferred capital contributions (Notes 6)	57,465	95,996
	7,635,958	7,030,899
Net debt	(91,149)	(149,451)
Commitments (Note 7)		
Non-financial assets		
Prepaid expenses	33,684	53,455
Tangible capital assets (Note 8)	57,465	95,996
	91,149	149,451
Accumulated surplus	-	-

Approved by the Board


Graeme Goebelle, FCPA, FCA
Chair


Patrick Hop Hing, CPA, CA
Audit and Finance Committee Chair

The accompanying notes to the financial statements are an integral part of this financial statement.

Mississauga Halton Local Health Integration Network

Statement of operations
year ended March 31, 2016

	Budget (Note 9)	2016 Actual	2015 Actual
	\$	\$	\$
Revenue			
MOHLTC Funding			
HSP transfer payments (Note 3)	1,387,877,491	1,458,106,534	1,406,724,984
LHIN Operation	4,115,693	4,115,693	4,080,678
Project Initiatives			
Regional Coordination Diabetes Service (RCDS)	1,262,853	1,262,853	1,288,626
French Language Health Services	106,000	106,000	106,000
Aboriginal Engagement	5,000	5,000	5,000
ER/ALC Performance Lead	100,000	100,000	100,000
Critical Care Lead	75,000	75,000	75,000
Emergency Department (ED) Lead	-	75,000	75,000
Primary Care Lead	-	75,000	75,000
LHIN Enabling Technologies for Integration Project Management Office (ETI PMO)	-	239,935	265,249
Amortization of deferred capital contributions (Note 6)	-	38,531	38,939
	1,393,542,037	1,464,199,546	1,412,834,476
Funding repayable to the MOHLTC (Note 4a)	-	(14,856)	(166,825)
	1,393,542,037	1,464,184,690	1,412,667,651
Expenses			
Transfer payments to HSPs (Note 3)	1,387,877,491	1,458,106,534	1,406,724,984
General and administrative expense LHIN operation (Note 10)	4,115,693	4,153,911	4,036,308
Project Initiatives (Note 11)			
Regional Coordination Diabetes Service (RCDS)	1,262,853	1,262,853	1,214,351
French Language Health Services	106,000	100,651	105,871
Aboriginal Engagement	5,000	4,375	4,359
ER/ALC Performance Lead	100,000	99,701	99,689
Critical Care Lead	75,000	72,000	72,000
Emergency Department (ED) Lead	-	72,083	72,135
Primary Care Lead	-	72,647	72,705
ETI PMO	-	239,935	265,249
	1,393,542,037	1,464,184,690	1,412,667,651
Annual surplus and accumulated surplus, end of year	-	-	-

The accompanying notes to the financial statements are an integral part of this financial statement.

Mississauga Halton Local Health Integration Network

Statement of change in net debt
year ended March 31, 2016

	Budget (Note 9)	2016 Actual	2015 Actual
	\$	\$	\$
Annual surplus	-	-	-
Change in prepaid expenses	-	19,771	(18,455)
Acquisition of tangible capital assets	-	-	(35,015)
Amortization of tangible capital assets	-	38,531	38,939
Increase in net debt	-	58,302	(14,531)
Net debt, beginning of year	-	(149,451)	(134,920)
Net debt, end of year	-	(91,149)	(149,451)

The accompanying notes to the financial statements are an integral part of this financial statement.

Mississauga Halton Local Health Integration Network

Statement of cash flows
year ended March 31, 2016

	2016	2015
	\$	\$
Operating transactions		
Annual surplus	-	-
Add item not affecting cash		
Amortization of tangible capital assets	38,531	38,939
Less item not affecting cash		
Amortization of deferred capital contributions	(38,531)	(38,939)
Changes in non-cash operating items		
Accounts receivable -Other	34,415	(21,756)
Due from other LHINs	(10,448)	-
Accounts receivable MOHLTC transfer payments to HSPs	(574,204)	(916,700)
Accounts payable and accrued liabilities	103,123	(117,927)
Accounts payable HSPs transfer payments	574,204	916,700
Due to MOHLTC	14,856	(44,575)
Due to LHIN Shared Services Office	(958)	242
Due to other LHIN	(47,635)	(8,659)
Prepaid expenses	19,771	(18,455)
	113,124	(211,130)
Capital transaction		
Acquisition of tangible capital assets	-	(35,015)
Financing transaction		
Capital contributions received (Note 6)	-	35,015
Net increase (decrease) in cash	113,124	(211,130)
Cash, beginning of year	524,558	735,688
Cash, end of year	637,682	524,558

The accompanying notes to the financial statements are an integral part of this financial statement.

Mississauga Halton Local Health Integration Network

Notes to the financial statements

March 31, 2016

1. Description of business

The Mississauga Halton Local Health Integration Network was incorporated by Letters Patent on June 9, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the *Local Health System Integration Act*, 2006 (the "Act") as the Mississauga Halton Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers a south-west portion of the City of Toronto, the south part of Peel Region and all of Halton Region except for Burlington. The LHIN enters into service accountability agreements with service providers.

The LHIN is funded by the Province of Ontario in accordance with the Ministry - LHIN Performance Agreement ("MLPA"), which describes budget arrangements established by the Ministry of Health and Long-Term Care ("MOHLTC") and provides the framework for the LHIN accountabilities and activities. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to Health Service Providers ("HSPs"), effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSPs. The cash associated with the transfer payment does not flow through the LHIN bank account. Commencing April 1, 2007, all funding payments to LHIN managed HSPs in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized HSPs are expensed in the LHIN's financial statements for the year ended March 31, 2016.

The LHIN has also entered into an Accountability Agreement with the MOHLTC, which provides the framework for LHIN accountabilities and activities.

The LHIN statements do not include any MOHLTC managed programs.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian public sector accounting standards. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of tangible capital assets.

Mississauga Halton Local Health Integration Network

Notes to the financial statements

March 31, 2016

2. Significant accounting policies (continued)

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and the reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. As directed by the ministry, there are circumstances when funding received by the HSP is used to pay expenses for which the related services have not yet been performed. These amounts are recorded by the HSP as payable to the MOHLTC/LHIN at period end.

Deferred capital contributions

Any amounts received that are used to fund expenditures that are recorded as tangible capital assets in the operation of the LHIN, are recorded as deferred capital contributions and are recognized as revenue over the useful life of the asset reflective of the provision of its services. The amount recorded under revenue in the statement of operations, is in accordance with the amortization policy applied to the related tangible capital asset recorded.

Tangible capital assets

Tangible capital assets are recorded at historic cost. Historic cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of tangible capital assets. The cost of tangible capital assets contributed is recorded at the estimated fair value on the date of contribution. Fair value of contributed tangible capital assets is estimated using the cost of the asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the tangible capital asset would be recognized at its nominal value.

Maintenance and repair costs are recognized as expenses when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a tangible capital asset are capitalized. Computer software is recognized as an expense when incurred.

Tangible capital assets are stated at cost less accumulated amortization. Tangible capital assets are amortized over their estimated useful lives as follows:

Computer equipment	3 years straight-line method
Web development	3 years straight-line method
Leasehold improvements	Life of lease straight-line method
Office equipment, furniture and fixtures	5 years straight-line method

For assets acquired or brought into use during the year, amortization is provided for a full year.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include valuation of accrued liabilities and useful lives of the tangible capital assets. Actual results could differ from those estimates.

Mississauga Halton Local Health Integration Network

Notes to the financial statements

March 31, 2016

3. Transfer payments to HSPs

In fiscal 2016, the LHIN had authorization to allocate funding of \$1,458,106,534 to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors in fiscal 2016 as follows:

	2016	2015
	\$	\$
Operation of hospitals	958,676,890	926,426,138
Long term care homes	199,446,779	195,611,049
Community care access centres	165,232,001	158,431,497
Community support services	47,045,682	44,303,753
Assisted living services in supportive housing	38,647,831	36,310,784
Community mental health	33,375,109	30,976,433
Addictions program	7,242,873	6,375,189
Acquired brain injury	5,988,872	5,968,872
Community health centres	2,450,497	2,321,269
	1,458,106,534	1,406,724,984

The LHIN receives money from the MOHLTC which it in turn allocates to the HSPs. As at March 31, 2016, an amount of \$6,866,104 (2015 - \$6,291,900) was receivable from the MOHLTC and \$6,866,104 (2015 - \$6,291,900) was payable to the HSPs. These amounts have been reflected as revenue and expenses with the LHIN's operations and are included above.

4. Funding repayable to the MOHLTC

In accordance with the MLPA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

- a) The amount repayable to the MOHLTC related to current year activities is made up of the following components:

			2016	2015
	Funding received	Eligible expenses	Excess funding	Excess funding
	\$	\$	\$	\$
Transfer payments to HSPs	1,458,106,534	1,458,106,534	-	-
LHIN operations	4,154,224	4,153,911	313	83,309
LHIN special funded initiatives				
Regional Coordination Diabetes Services (RCDS)	1,262,853	1,262,853	-	74,275
French Language Health Services	106,000	100,651	5,349	129
Aboriginal Engagement	5,000	4,375	625	641
ER/ALC Performance Lead	100,000	99,701	299	311
Critical Care Lead	75,000	72,000	3,000	3,000
ED Lead	75,000	72,083	2,917	2,865
Primary Care Lead	75,000	72,647	2,353	2,295
ETI PMO	239,935	239,935	-	-
	1,938,788	1,924,245	14,543	83,516
	1,464,199,546	1,464,184,690	14,856	166,825

Mississauga Halton Local Health Integration Network

Notes to the financial statements

March 31, 2016

4. Funding repayable to the MOHLTC (continued)

b) The amount due to the MOHLTC at March 31 is made up as follows:

	2016	2015
	\$	\$
Due to MOHLTC, beginning of year	166,825	211,400
Amount recovered by the MOHLTC during the year	-	(211,400)
Funding repayable to the MOHLTC related to current year activities (Note 4a)	14,856	166,825
Due to MOHLTC, end of year	181,681	166,825

5. Shared services agreement

LHIN Shared Services Offices and LHIN Collaborative

The LHIN Shared Services Office (the "LSSO") is a division of the Toronto Central LHIN and is subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO, on behalf of the LHINs, is responsible for providing services to all LHINs. The full costs of providing these services are billed to all of the LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHIN at the year-end are recorded as a receivable (payable) from (to) the LSSO. This is all done pursuant to the Shared Service Agreement the LSSO has with all the LHINs.

The Local Health Integration Network Collaborative ("LHINC") became a division of the Toronto Central LHIN in fiscal 2010. LHINC was formed to foster engagement of the LHINs' HSP community and encourage collaborative integration of the health care system to all LHINs. LHINC is subject to the same policies, guidelines and directives as the LSSO and Toronto Central LHIN.

Enabling Technologies for Integration Project Management Office

Effective February 1, 2012, the Central, Central West, Central East, Toronto Central, Mississauga Halton and North Simcoe Muskoka (the "Cluster") LHINs entered into an agreement in order to enable the effective and efficient delivery of e-health programs and initiatives within the geographical area of the Cluster. Under this agreement, decisions related to the financial and operating activities of the Enabling Technologies for Integration Project Management Office are shared. No LHIN is in a position to exercise unilateral control.

The LHIN's financial statement reflects its share of the MOHLTC funding for Enabling Technologies for Integration Project Offices for its Cluster and related expenses. During the year, the LHIN received one-time funding from Central West LHIN of \$239,935 (2015 - \$265,249).

6. Deferred capital contributions

	2016	2015
	\$	\$
Balance, beginning of year	95,996	99,920
Capital contributions received during the year	-	35,015
Amortization for the year	(38,531)	(38,939)
Balance, end of year	57,465	95,996

Mississauga Halton Local Health Integration Network

Notes to the financial statements

March 31, 2016

7. Commitments

The LHIN has commitments under various operating leases related to building and equipment. The LHIN's existing building lease was renegotiated and extended to December 31, 2020. Other lease renewals are likely. Minimum lease payments due in each of the next five years are as follows:

	\$
2017	288,047
2018	343,971
2019	333,460
2020	330,432
2021	247,824
	<u>1,543,734</u>

The LHIN also has funding commitments to all HSPs associated with accountability agreements which allocate planning targets for future fiscal years. The actual amounts which will ultimately be paid are contingent upon actual LHIN funding received from the MOHLTC.

8. Tangible capital assets

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office equipment, furniture and fixtures	324,659	270,066	54,593	90,018
Leasehold improvements	887,343	884,471	2,872	4,308
Computer equipment	41,683	41,683	-	1,670
	<u>1,253,685</u>	<u>1,196,220</u>	<u>57,465</u>	<u>95,996</u>

9. Budget figures

Health Service Providers

The initial funding budget figures reported in the statement of operations reflect the opening base as at April 1, 2015. The figures have been reported for the purposes of these statements to comply with PSAB reporting requirements. During the year the government approved budget adjustments. The following reflects the adjustments for the LHIN during the year.

The final HSP funding budget of \$1,458,106,534 as at March 31, 2016 is made up of the following:

	\$
Initial HSP funding budget as at April 1, 2015	1,387,877,491
Adjustments due to announcements made during the year	70,229,043
Final HSP funding budget	<u>1,458,106,534</u>

Mississauga Halton Local Health Integration Network

Notes to the financial statements

March 31, 2016

9. Budget figures (continued)

LHIN operations

The final operating budget from MOHLTC of \$6,054,481 as at March 31, 2016 is made up of the following:

	\$
Initial budget as at April 1, 2015	
LHIN Operation	4,115,693
RCDS	1,262,853
French Language Services	106,000
Aboriginal Engagement	5,000
ER/ALC Performance Lead	100,000
Critical Care Lead	75,000
Additional funding received during the year for:	
ED Lead	75,000
Primary Care Lead	75,000
ETI PMO	239,935
Final budget	6,054,481

10. General and administration expenses

The statement of operations presents the expenses by function. The following classifies general and administrative expenses by object:

	2016	2015
	\$	\$
Salaries and benefits	3,023,776	2,879,456
Shared services	372,259	388,954
LHIN Collaborative	47,500	47,500
Staff travel	21,429	24,282
Communication	33,384	28,674
Accommodation	223,024	215,096
Advertising	5,792	5,674
Professional fees and medical professional services	16,800	16,800
Consulting fees	41,822	62,774
Equipment rentals	10,547	9,519
Insurance	7,900	7,466
Other meeting expenses	24,816	24,054
Board Chair's per diem expenses	49,875	38,500
Other Board members' per diem expenses	57,175	50,050
Other governance costs and travel	23,989	34,592
Printing and translation	35,528	45,589
Staff development	18,983	18,925
IT equipment	51,458	24,388
Office supplies and purchased equipment	28,694	51,907
Amortization	38,531	38,939
Other services	20,629	23,169
	4,153,911	4,036,308

Mississauga Halton Local Health Integration Network

Notes to the financial statements

March 31, 2016

11. Project Initiatives

The LHIN received funds for various project initiatives listed in the Statement of operations. The following classifies LHIN project initiatives, by object:

	2016	2015
	\$	\$
Salaries and benefits	1,393,419	1,352,062
Shared services	9,405	12,232
Staff travel	3,512	3,416
Communication	1,250	927
Accommodation	73,797	103,981
Professional fees/Medical Professional Services	380,969	360,930
Consulting fees	-	3,600
Equipment rentals	1,602	-
Printing and translation	15,964	-
Other meeting expenses	4,407	8,307
Staff development	4,096	16,174
IT equipment	33,627	39,156
Office supplies and purchased equipment	1,951	4,890
Other services	246	684
	1,924,245	1,906,359

Diabetes strategy operational expenses included in the above project initiatives are as follows:

	Actual 2016	Actual 2015
	\$	\$
Salaries and benefits	1,038,814	977,418
Others	224,039	236,933
	1,262,853	1,214,351

12. Pension agreements

The LHIN makes contributions to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 35 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2016 was \$380,196 (2015 - \$337,283) for current service costs and is included as an expense in the statement of operations. The last actuarial valuation was completed for the plan as at December 31, 2015. At that time, the plan was fully funded.

13. Guarantees

The LHIN is subject to the provisions of the *Financial Administration Act*. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the *Financial Administration Act* and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the *Local Health System Integration Act*, 2006 and in accordance with s. 28 of the *Financial Administration Act*.

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Management's Responsibility for the Financial Statements

March 31, 2016

The integrity and objectivity of the accompanying financial statements of the North East Local Health Integration Network (NE LHIN) is the responsibility of management. These financial statements have been prepared in compliance with legislation and in accordance with Generally Accepted Account Principles (GAAP) and under Public Sector Accounting Board (PSAB).

Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for the preparation of the financial statements. These systems are monitored and evaluated by management, the Audit Committee and Board of Directors.

Management meets with the external auditors and the Board of Directors to review the financial statements and discuss any significant financial reporting or internal control matters prior to approval of the financial statements.

The financial statements have been audited by Deloitte & Touche LP, independent external auditors appointed by the Board of Directors.



Louise Paquette
Chief Executive Officer



Kate Fyfe
Senior Director, System Performance and
Chief Financial Officer



Ontario

Local Health Integration
Network
Réseau local d'intégration
des services de santé



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Independent Auditor's Report

To the Members of the Board of Directors of the
North East Local Health Integration Network

We have audited the accompanying financial statements of the North East Local Health Integration Network (the "LHIN"), which comprise the statement of financial position as at March 31, 2016, and the statements of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of LHIN as at March 31, 2016, and the results of its operations, change in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants
Licensed Public Accountants
June 9, 2016

North East Local Health Integration Network

Statement of financial position
as at March 31, 2016

	2016	2015
	\$	\$
Financial assets		
Cash	418,629	319,024
Accounts receivable	24,166	17,158
HST receivable	26,496	35,137
Due from MOHLTC-Health Service Providers ("HSP") (Note 7)	24,187,382	3,485,239
	24,656,673	3,856,558
Liabilities		
Accounts payable and accrued liabilities	483,268	402,456
Due to MOHLTC (Note 10b)	-	-
Due to the LHIN Shared Services Office (Note 3)	37	7,438
Due to Health Service Providers ("HSP") (Note 7)	24,187,382	3,485,239
Deferred capital contributions (Note 4)	209,231	186,407
	24,879,918	4,081,540
Net debt	(223,245)	(224,982)
Commitments (Note 13)		
Non-financial assets		
Prepaid expenses	14,014	38,575
Tangible capital assets (Note 5)	209,231	186,407
	223,245	224,982
Accumulated surplus	-	-

Approved by the Board



Director



Director

The accompanying notes to the financial statements are an integral part of this financial statement.

North East Local Health Integration Network

Statement of operations
year ended March 31, 2016

	Budget (Note 6)	2016 Actual	2015 Actual
	\$	\$	\$
Revenues			
MOHLTC funding			
HSP transfer payments (Note 7)	1,455,090,400	1,475,183,814	1,456,998,541
Operations of LHIN	4,752,782	5,070,965	4,735,727
Project Initiatives			
Enabling technologies	-	510,000	510,000
French Language Health Service	296,800	296,800	296,800
Réseau du mieux-être francophone du Nord de l'Ontario	796,159	796,159	796,159
Emergency Department Lead	-	75,000	75,000
Critical Care Lead	-	75,000	75,000
Aboriginal Engagement	100,000	100,000	100,000
Emergency Room/Alternate Level of Care	100,000	100,000	100,000
Primary Care Lead	-	75,000	75,000
Diabetes Regional Coordinating Centre	1,087,560	1,065,809	1,087,560
Amortization of deferred capital contributions (Note 4)	86,235	102,869	135,895
	1,462,309,936	1,483,451,416	1,464,985,682
Funding repayable to MOHLTC (Note 10)	-	-	-
	1,462,309,936	1,483,451,416	1,464,985,682
Expenses			
Transfer payments to HSPs (Note 7)	1,455,090,400	1,475,183,814	1,456,998,541
General and administrative (Note 8)	4,752,782	5,070,965	4,735,727
Project Initiatives Note 9)			
Enabling technologies	-	510,000	510,000
French Language Health Service	296,800	296,800	296,800
Réseau du mieux-être francophone du Nord de l'Ontario	796,159	796,159	796,159
Emergency Department Lead	-	75,000	75,000
Critical Care Lead	-	75,000	75,000
Aboriginal Engagement	100,000	100,000	100,000
Emergency Room/Alternate Level of Care	100,000	100,000	100,000
Primary Care Lead	-	75,000	75,000
Diabetes Regional Coordinating Centre	1,087,560	1,065,809	1,087,560
Amortization of tangible capital assets	86,235	102,869	135,895
	1,462,309,936	1,483,451,416	1,464,985,682
Annual surplus and accumulated surplus, end of year	-	-	-

The accompanying notes to the financial statements are an integral part of this financial statement.

North East Local Health Integration Network

Statement of change in net debt
year ended March 31, 2016

	Budget	2016	2015
	\$	\$	\$
Annual surplus	-	-	-
Acquisition of tangible capital assets	(92,700)	(125,693)	(17,495)
Amortization of tangible capital assets	86,235	102,869	135,895
Decrease (increase) in prepaid expenses, net	-	24,561	(19,725)
Decrease (increase) in net debt	(6,465)	1,737	98,675
Net debt, beginning of year	(224,982)	(224,982)	(323,657)
Net debt, end of year	(231,447)	(223,245)	(224,982)

The accompanying notes to the financial statements are an integral part of this financial statement.

North East Local Health Integration Network

Statement of cash flows year ended March 31, 2016

	2016	2015
	\$	\$
Operating transactions		
Annual surplus	-	-
Items not affecting cash		
Amortization of tangible capital assets	102,869	135,895
Amortization of deferred capital contributions (Note 4)	(102,869)	(135,895)
Changes in non-cash working capital		
Accounts receivable	(7,008)	(15,935)
HST Receivable	8,641	28,181
Due from MOHLTC-Health Service Providers	(20,702,143)	1,383,952
Accounts payable and accrued liabilities	37,745	(409,781)
Due to MOHLTC	-	(15,090)
Due to the LHIN Shared Service Office	(7,401)	2,483
Due to Health Service Providers	20,702,143	(1,383,952)
Prepaid expenses	24,561	(19,725)
	56,538	(429,867)
Capital transaction		
Acquisition of tangible capital assets net of change in accounts payable related to capital asset acquisitions	(82,626)	(216,169)
Financing transaction		
Increase in deferred capital contributions (Note 4)	125,693	17,495
Net increase (decrease) in cash	99,605	(628,541)
Cash, beginning of year	319,024	947,565
Cash, end of year	418,629	319,024

(See additional information presented in Note 5.)

The accompanying notes to the financial statements are an integral part of this financial statement.

North East Local Health Integration Network

Notes to the financial statements

March 31, 2016

1. Description of business

The North East Local Health Integration Network was incorporated by Letters Patent on June 2, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the Local Health System Integration Act, 2006 (the "Act") as the North East Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers the area of Northeastern Ontario. The LHIN enters into service accountability agreements with service providers.

The LHIN is funded by the Province of Ontario in accordance with Ministry-LHIN Performance Agreement ("MLPA"), which describes budget arrangements established by the Ministry of Health and Long-Term Care ("MOHLTC") and provides the framework for the LHIN accountabilities and activities. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to HSPs, effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account. Commencing April 1, 2007, all funding payments to LHIN managed Health Service Providers ("HSP") in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized HSPs are expensed in the LHIN's financial statements for the year ended March 31, 2016.

The LHIN statements do not include any MOHLTC managed programs.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian public sector accounting standards. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of tangible assets.

North East Local Health Integration Network

Notes to the financial statements

March 31, 2016

2. Significant accounting policies (continued)

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at period end.

Deferred capital contributions

Any amounts received that are used to fund expenses that are recorded as tangible capital assets, are recorded as deferred capital contributions and are recognized as revenue over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the statement of operations, is in accordance with the amortization policy applied to the related tangible capital asset recorded.

Tangible capital assets

Tangible capital assets are recorded at cost. Cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of tangible capital assets. The cost of tangible capital assets contributed is recorded at the estimated fair value on the date of contribution. Fair value of contributed tangible capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the tangible capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a tangible capital asset are capitalized.

Tangible capital assets are stated at cost less accumulated amortization. Tangible capital assets are amortized over their estimated useful lives as follows:

Furniture and fixtures	5 years straight-line method
Computer equipment	3 years straight-line method
Leasehold improvements	Life of lease straight-line method

For assets acquired and brought into use during the year, amortization is provided for a full year.

Segment disclosures

A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the statement of operations and within the related notes for both the prior and current year sufficiently discloses information of all appropriate segments and therefore no additional disclosure is required.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include valuation of accrued liabilities and useful lives of the tangible capital assets. Actual results could differ from those estimates.

North East Local Health Integration Network

Notes to the financial statements

March 31, 2016

3. Related party transactions

LHIN Shared Services Office, LHIN Collaborative

The LHIN Shared Services Office (the "LSSO") and the LHIN Collaborative (LHINC) are divisions of the Toronto Central LHIN and are subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO and LHINC, on behalf of the LHINs, are responsible for providing services to all LHINs. The full costs of providing these services are billed to all the LHINs. Any portions of the LSSO/LHINC operating costs overpaid (or not paid) by the LHIN at the year-end are recorded as a receivable from (payable to) the LSSO/LHINC. This is all done pursuant to the agreement the LSSO/LHINC has with all the LHINs.

Enabling Technologies for Integrated Project management Office

In fiscal 2014, the LHIN entered into an agreement with the Champlain, South East and North West LHINs (the "Cluster") in order to enable the effective and efficient delivery of e-health programs and initiatives within the geographic area of the Cluster. Funding was provided to enable the cluster LHINs Project Management Offices to advance eHealth, information management and information technology initiatives as outlined in the ETI PMO Toolkit Business Case approved by the MOHLTC.

The LHIN's financial statements reflects its share of the MOHLTC funding for ETI PMO for its Cluster and related expenses. During the year the LHIN received of \$510,000 (2015 - \$510,000).

4. Deferred capital contributions

	2016	2015
	\$	\$
Balance, beginning of year	186,407	304,807
Capital contributions received	125,693	17,495
Amortization	(102,869)	(135,895)
Balance, end of year	209,231	186,407

5. Tangible capital assets

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Furniture and fixtures	215,060	186,646	51,734	44,476
Computer equipment	267,227	215,494	28,413	18,519
Leasehold improvements	1,235,980	1,106,896	129,084	123,412
	1,718,267	1,509,036	209,231	186,407

Non-cash transactions

During the year, tangible capital assets were acquired at an aggregate cost of \$125,693 (2015 - \$17,495) of which \$43,067 (2015 - \$ Nil) were paid after year-end and \$82,626 (2015 - \$17,495) were paid during the year.

North East Local Health Integration Network

Notes to the financial statements

March 31, 2016

6. Budget figures

The budgets were approved by the Government of Ontario. The budget figures reported on the statement of operations reflect the initial budget at April 1, 2015. The figures have been reported for the purposes of these statements to comply with PSAB reporting principles. During the year the government approved budget adjustments. The following reflects the adjustments for the LHIN during the year:

The total HSP funding budget of \$1,475,183,814 is made up of the following:

	\$
Initial HSP Funding budget	1,455,090,400
Adjustment due to announcements made during the year	20,093,414
	1,475,183,814

The total operating budget of \$8,164,733 is made up of the following:

Initial budget	7,133,301
Additional funding received during the year	1,157,125
Amount treated as Capital Contribution	(125,693)
Total budget	8,164,733

7. Transfer payments to HSPs

The LHIN has authorization to allocate the funding of \$1,475,183,814 to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors as follows:

	2016	2015
	\$	\$
Operation of Hospitals	950,979,622	946,543,719
Grants to compensate for Municipal Taxation -		
Public Hospitals	211,725	211,725
Long-term Care Homes	223,277,091	219,412,436
Community Care Access Centres	135,563,964	132,359,143
Community Support Services	37,623,196	34,785,603
Acquired Brain Injury	3,028,649	2,983,649
Assisted Living Services in Supportive Housing	22,892,242	20,715,195
Community Health Centres	18,384,080	19,352,638
Community Mental Health	60,754,003	57,799,582
Substance Abuse and Gambling Problem	22,469,242	22,834,851
	1,475,183,814	1,456,998,541

The LHIN receives funding from the MOHLTC and in turn allocates it to the HSPs. As at March 31, 2016, an amount of \$24,187,382 (2015 - \$3,485,239) was receivable from the MOHLTC and was payable to the HSPs. These amounts have been reflected as revenue and expenses in the statement of operations and are included in the table above.

North East Local Health Integration Network

Notes to the financial statements

March 31, 2016

8. General and administrative expenses

The statement of operations presents the expenses by function; the following classifies these same expenses by object:

	2016	2015
	\$	\$
Salaries and wages	3,256,005	2,954,194
HOOPP	295,501	277,759
Other benefits	403,421	366,950
Staff travel	135,273	141,368
Governance Travel	24,693	11,546
Communications	135,160	144,631
Accommodation	216,846	259,396
Advertising	6,051	6,939
Consulting fees	45,795	80,364
Equipment rentals	9,792	9,876
Board Chair per diems	17,500	9,575
Other Governance per diems	20,637	23,922
Insurance	6,287	6,762
LHIN Shares Services Office	260,956	225,091
LHIN Collaborative	47,500	47,500
Other meeting expenses	35,643	27,685
Other governance expenses	7,095	4,733
Printing and translation	80,739	44,849
Staff development	18,123	38,630
IT equipment	15,267	26,102
Office supplies and equipment	30,055	23,804
Other	2,626	4,051
	5,070,965	4,735,727

9. Program initiatives

The LHIN received funds for various project initiatives listed in the Statement of Operations. The following table classifies the initiatives expenses by object:

	2016	2015
	\$	\$
Salaries and benefits	1,814,477	1,814,434
Professional services	223,871	220,680
Shared services	120,708	130,000
Occupancy	77,568	73,500
Public relations and community engagement	29,367	38,071
Supplies	9,541	9,042
Mail, courier and telecommunications	10,937	13,450
Other operating expenses	807,299	816,342
	3,093,768	3,115,519

North East Local Health Integration Network

Notes to the financial statements

March 31, 2016

9. Program initiatives (continued)

Diabetes strategy operational expenses included in the project initiative expenses above are as follows:

	Budget 2016	Actual 2016	Actual 2015
	\$	\$	\$
Salaries and benefits	877,620	877,620	877,620
Other operating expenses	209,940	188,189	209,940
	1,087,560	1,065,809	1,087,560

10. Funding repayable to the MOHLTC

In accordance with the MLPA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

a) The amount repayable to the MOHLTC is made up of the following components:

			2016	2015
	Funding received	Eligible expenses	Excess funding	Excess funding
	\$	\$	\$	\$
Transfer payments to HSPs	1,475,183,814	1,475,183,814	-	-
LHIN operations	5,070,965	5,070,965	-	-
Amortization of capital assets	102,869	102,869	-	-
Enabling technologies	510,000	510,000	-	-
French Language Health Services	296,800	296,800	-	-
Reseau du mieux-etre franophone du Nord l'Ontario	796,159	796,159	-	-
Emergency Department Lead	75,000	75,000	-	-
Critical Care Lead	75,000	75,000	-	-
Aboriginal Engagement	100,000	100,000	-	-
Emergency Room/Alternate Level of Care	100,000	100,000	-	-
Primary Care Lead	75,000	75,000	-	-
Diabetes Regional Coordination Centre	1,065,809	1,065,809	-	-
	1,483,451,416	1,483,451,416	-	-

b) The amount due to the MOHLTC is made up of the following components:

	2016	2015
	\$	\$
Opening balance	-	15,090
Funding recovered by the MOHLTC	-	(15,090)
Funding repayable to the MOHLTC (Note 10a)	-	-
Closing balance	-	-

North East Local Health Integration Network

Notes to the financial statements

March 31, 2016

11. Pension agreements

The LHIN makes contributions to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 49 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2016 was \$432,307 (2015 - \$416,562) for current service costs and is included as an expense in the statement of operations. The last actuarial valuation was completed for the plan as at December 31, 2015. At that time the plan was fully funded.

12. Guarantees

The LHIN is subject to the provisions of the *Financial Administration Act*. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in the favor of third parties, except in accordance with the *Financial Administration Act* and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the *Local Health System Integration Act, 2006* and in accordance with s. 28 of the *Financial Administration Act*.

13. Commitments

The LHIN has commitments under various operating leases related to building and equipment. Minimum lease payments due under the building and equipment lease are as follows:

	\$
2017	201,292
2018	175,208
2019	179,792
2020	179,792
2021	95,948
Thereafter	136,000
	968,032

The LHIN also has funding commitments to HSPs associated with accountability agreements. As of March 31, 2016 the LHIN had signed Accountability Agreements with all Hospitals, Long-Term Care Home and Community Agencies. The actual amounts which will ultimately be paid are contingent upon actual LHIN funding received from MOHLTC.

North Simcoe Muskoka **LHIN**

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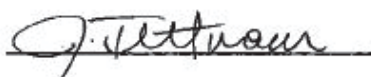
Management's Responsibility for the Financial Statements
March 31, 2016.

The integrity and objectivity of the accompanying financial statements of the North Simcoe Muskoka Local Health Integration Network is the responsibility of management. These financial statements have been prepared in compliance with legislation and in accordance with Generally Accepted Accounting Principles (GAAP) and Public Sector Accounting Board (PSAB) standards.

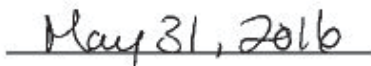
Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for the preparation of the financial statements. These systems are monitored and evaluated by management, the Finance & Audit Committee and Board of Directors.

Management meets with the external auditors and the Board of Directors to review the financial statements and discuss any significant financial reporting or internal control matters prior to approval of the financial statements.

The financial statements have been audited by Deloitte LLP, independent external auditors appointed by the Board of Directors.



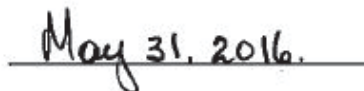
Jill Tettmann
CEO



Date



Archibald Outar
Controller



Date



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Independent Auditor's Report

To the Members of the Board of Directors of the
North Simcoe Muskoka Local Health Integration Network

We have audited the accompanying financial statements of the North Simcoe Muskoka Local Health Integration Network (the "LHIN"), which comprise the statement of financial position as at March 31, 2016, and the statements of operations, change in net debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of North Simcoe Muskoka LHIN as at March 31, 2016, and the results of its operations, change in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in cursive script that reads "Deloitte LLP".

Chartered Professional Accountants
Licensed Public Accountants
May 24, 2016


North Simcoe Muskoka Local Health Integration Network

Statement of financial position
as at March 31, 2016

	2016	2015
	\$	\$
Financial assets		
Cash	574,738	472,092
Due from Ministry of Health and Long-Term Care ("MOHLTC") (Note 9)	422,741	7,009,074
HST receivable and other	58,970	94,086
	1,056,449	7,575,252
Liabilities		
Accounts payable and accrued liabilities	536,780	583,195
Due to MOHLTC Ontario (Note 3b)	169,959	76,389
Due to Health Service Providers ("HSP") (Note 9)	422,741	7,009,074
Due to Central West LHIN (note 4)	8,666	-
Deferred revenue	-	6,210
Deferred capital contributions (Note 5)	239,827	383,095
	1,377,973	8,057,963
Net debt	(321,524)	(482,711)
Commitments (Note 6)		
Non-financial assets		
Prepaid expenses	81,697	99,616
Tangible capital assets (Note 7)	239,827	383,095
	321,524	482,711
Accumulated surplus	-	-

Approved by the Board

 Director

 Director

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

North Simcoe Muskoka Local Health Integration Network

Statement of operations
year ended March 31, 2016

	Budget (Note 8)	2016 Actual	2015 Actual
	\$	\$	\$
Revenue			
MOHLTC Ontario funding			
HSP transfer payments (Note 9)	858,411,071	872,661,140	858,411,071
Operations of LHIN	4,151,655	4,011,655	4,097,670
Project Initiatives			
Aboriginal Planning	30,000	30,000	30,000
Critical Care Lead	75,000	75,000	75,000
Enabling Technologies for			
Integration Project Management Office	-	384,803	501,431
Emergency Department LHIN Lead	75,000	75,000	75,000
Entite de planification des services de sante en francaise #4 Centre Sud-Ouest	654,060	654,060	654,064
Emergency Room/Alternative Level of Care			
Performance Lead	100,000	100,000	100,000
French Language Health Services	106,000	106,000	104,286
Primary Care LHIN Lead	75,000	75,000	75,000
Diabetes Regional Coordination	837,731	837,731	833,406
Amortization of deferred capital contributions (Note 5)	-	143,268	144,514
	864,515,517	879,153,657	865,101,442
Funding repayable to the MOHLTC			
Ontario (Note 3a)	-	(93,570)	(76,389)
	864,515,517	879,060,087	865,025,053
Expenses			
Transfer payments to HSPs (Note 9)	858,411,071	872,661,140	858,411,071
General operating expenses (Note 10)	4,151,655	4,104,502	4,191,549
Project Initiatives (Note 11)			
Aboriginal Planning	30,000	30,000	30,000
Critical Care Lead	75,000	75,000	72,250
Enabling Technologies for			
Integration Project Management Office	-	384,803	501,431
Emergency Department LHIN Lead	75,000	75,000	67,168
Entite de planification des services de sante en francaise #4 Centre Sud-Ouest	654,060	654,060	654,064
Emergency Room/Alternative Level of Care			
Performance Lead	100,000	100,000	100,000
French Language Health Services	106,000	102,204	91,361
Primary Care LHIN Lead	75,000	75,000	72,753
Diabetes Regional Coordination	837,731	798,378	833,406
	864,515,517	879,060,087	865,025,053
Annual surplus	-	-	-
Accumulated surplus, beginning of year	-	-	-
Accumulated surplus, end of year	-	-	-

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

North Simcoe Muskoka Local Health Integration Network

Statement of change in net debt
year ended March 31, 2016

	Budget (Note 8)	2016 Actual	2015 Actual
	\$	\$	\$
Annual surplus			
Acquisition of tangible capital assets	-	-	(85,690)
Amortization of tangible capital assets	-	143,268	144,514
Change in other non-financial assets	-	17,919	(26,273)
Increase in net debt	-	161,187	32,551
Net debt, beginning of year	(482,711)	(482,711)	(515,262)
Net debt, end of year	(482,711)	(321,524)	(482,711)

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

North Simcoe Muskoka Local Health Integration Network

Statement of cash flows
year ended March 31, 2016

	2016	2015
	\$	\$
Operating transactions		
Annual surplus	-	-
Less items not affecting cash		
Amortization of tangible capital assets	143,268	144,514
Amortization of deferred capital contributions (Note 5)	(143,268)	(144,514)
	-	-
Changes in non-cash operating items		
Prepaid expenses	17,919	(26,273)
Due from MOHLTC ("HSP's")	6,586,333	(360,274)
HST receivable	35,116	13,816
Accounts payable and accrued liabilities	(46,415)	(185,946)
Due to the MOHLTC Ontario	93,570	(12,918)
Due to HSPs	(6,586,333)	360,274
Due to Central West LHIN	8,666	-
Deferred revenue	(6,210)	(3,750)
	102,646	(215,071)
Capital investment		
Acquisition of tangible capital assets	-	(85,690)
Financing transactions		
Capital contributions received (Note 5)	-	85,690
Net increase (decrease) in cash	102,646	(215,071)
Cash, beginning of year	472,092	687,163
Cash, end of year	574,738	472,092

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

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2016

1. Description of business

The North Simcoe Muskoka Local Health Integration Network was incorporated by Letters Patent on June 2, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the Local Health System Integration Act, 2006 (the "Act") as the North Simcoe Muskoka Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers the municipalities of Muskoka, most of Simcoe County and part of Grey County. The LHIN enters into service accountability agreements with service providers.

The LHIN is funded by the Province of Ontario in accordance with Ministry-LHIN Performance Agreement ("MLPA"), which describes budget arrangements established by the Ministry of Health and Long-Term Care ("MOHLTC") and provides the framework for the LHIN accountabilities and activities. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to Health Service Providers ("HSP"), effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account. Commencing April 1, 2007, all funding payments to LHIN managed HSP in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized HSPs are expensed in the LHIN's financial statements for the year ended March 31, 2016.

The LHIN statements do not include any MOHLTC managed programs.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian public sector accounting standards. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, and they are measurable. Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of tangible capital assets.

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2016

2. Significant accounting policies (continued)

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and the reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at period end.

Deferred capital contributions

Any amounts received that are used to fund tangible capital asset purchases, are recorded as deferred capital contributions and are recognized over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the Statement of operations, is in accordance with the amortization policy applied to the related tangible capital asset recorded.

Tangible capital assets

Tangible capital assets are recorded at historic cost. Historic cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of tangible capital assets. The cost of tangible capital assets contributed is recorded at the estimated fair value on the date of contribution. Fair value of contributed tangible capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the tangible capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a tangible capital asset are capitalized. Computer software is recognized as an expense when incurred.

Tangible capital assets are stated at cost less accumulated amortization. Tangible capital assets are amortized over their estimated useful lives as follows:

Leasehold improvements	Life of lease straight-line method
Office furniture and equipment	5 years straight-line method

For assets acquired or bought into use during the year, amortization is provided for a full year.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Segmented disclosures

Management has determined that existing disclosures in the Statement of operations and within the related notes for both the prior and current year sufficiently disclose information of all appropriate segments and, therefore, no additional disclosure is required.

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2016

3. Funding repayable to the MOHLTC

In accordance with the MLPA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

- a) The amount repayable to the MOHLTC related to current year activities is made up of the following components:

			2016	2015
	Funding received	Eligible expenses	Excess funding	Excess funding
	\$	\$	\$	\$
General LHIN operations	4,011,655	3,961,234	50,421	50,635
LHIN special funded initiatives				
Aboriginal Planning	30,000	30,000	-	-
Diabetes regional Centre	837,731	798,378	39,353	-
Critical Care Lead	75,000	75,000	-	2,750
Enabling Technologies	384,803	384,803	-	-
Emergency Department LHIN Lead	75,000	75,000	-	7,832
Entité de planification des services de santé en français #4 Centre Sud-Ouest	654,060	654,060	-	-
Emergency Room/Alternative Level of Care Performance Lead	100,000	100,000	-	-
French Language Health Services	106,000	102,204	3,796	12,925
Primary Care LHIN Lead	75,000	75,000	-	2,247
Total LHIN special funded initiatives	2,337,594	2,294,445	43,149	25,754
	6,349,249	6,255,679	93,570	76,389

- b) The amount due to the MOHLTC at March 31 is made up as follows:

	2016	2015
	\$	\$
Due to MOHLTC, beginning of year	76,389	89,307
Funding repaid to MOHLTC during the current year	-	(89,307)
Funding repayable to the MOHLTC related to current year activities (Note 3a)	93,570	76,389
Due to MOHLTC, end of year	169,959	76,389

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2016

4. Related party transactions

LHIN Shared Service Office and LHINC Collaborative

The LHIN Shared Services Office (the "LSSO") is a division of the Toronto Central LHIN and is subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO, on behalf of the LHINs, is responsible for providing services to all LHINs. The full costs of providing these services are billed to all of the LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHINs at year end are recorded as a receivable (payable) from (to) the LSSO. This is all done pursuant to the Shared Service Agreement the LSSO has with all the LHINs.

LHIN Collaborative (LHINC) was formed in fiscal 2010 as a LHIN-led service to strengthen relationships between and among health service providers. LHINC is accountable to the LHINs, and funded by the LHINs with support from the Ministry of Health and Long-Term Care.

Enabling Technologies for Integration Project Management Office

Effective February 1, 2012, the LHIN entered into an agreement with Central, Central West, Central East, Toronto Central, and Mississauga Halton (the "Cluster") in order to enable the effective and efficient delivery of e-health programs and initiatives within the geographic area of the Cluster. Under the agreement, decisions related to the financial and operating activities of the Enabling Technologies for Integration Project Management Office are shared. No LHIN is in a position to exercise unilateral control.

The LHIN's financial statement reflects its share of the MOHLTC funding for Enabling Technologies for Integration Project Management Offices for its Cluster and related expenses. During the year, the LHIN received funding from Central West LHIN of \$ 406,000 (2015 - \$510,000). The LHIN incurred eligible expenditures related to this funding totalling \$384,803. During the year, the LHIN returned \$12,531 to the Central West LHIN. The remaining unspent amount of \$8,666 is reported as due to Central West LHIN on the statement of financial position.

5. Deferred capital contributions

	2016	2015
	\$	\$
Balance, beginning of year	383,095	441,919
Capital contributions received during the year	-	85,690
Amortization for the year	(143,268)	(144,514)
Balance end of year	239,827	383,095

6. Commitments

The LHIN has commitments under various operating leases expiring at dates up to 2020 related to building and equipment. Lease renewals are likely. Minimum lease payments due over the remaining terms of these leases are as follows:

	\$
2017	246,569
2018	246,569
2019	246,569
2020	102,737

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2016

6. Commitments (continued)

The LHIN has funding commitments to health service providers associated with accountability agreements. The LHIN had the following funding commitments as of March 31, 2016.

	\$
2017	422,741

The actual amounts which will ultimately be paid are contingent upon LHIN funding received by the MOHLTC.

7. Tangible capital assets

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office furniture and equipment	883,626	715,351	168,275	254,580
Leasehold improvements	1,180,907	1,109,355	71,552	128,515
	2,064,533	1,824,706	239,827	383,095

8. Budget figures

The budgets were approved by the Government of Ontario. The budget figures reported on the Statement of operations reflect the initial budget at April 1, 2015. The figures have been reported for the purposes of these statements to comply with PSAB reporting requirements. During the year the government approved budget adjustments. The following reflects the adjustments for the LHIN during the year:

The total HSP funding budget of \$872,661,140 is made up of the following:

	\$
Initial budget	858,411,071
Adjustment due to announcements made during the year	14,250,069
	872,661,140

The total revised operating budget of \$6,489,249 is made up of the following:

	\$
Initial operating budget as reported on the statement of operations	6,104,446
Adjust for funding changes made during the year:	
Enabling Technologies	384,803
Revised operating budget	6,489,249

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2016

9. Transfer payments to HSPs

The LHIN has authorization to allocate funding of \$872,661,140 (2015 - \$858,411,071) to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors in fiscal 2016 as follows:

	2016	2015
	\$	\$
Operations of hospitals	436,879,064	441,043,734
Grants to compensate for municipal taxation - public hospitals	77,625	77,625
Long term care homes	144,103,019	140,687,279
Community care access centres	101,664,352	99,268,959
Community support services	15,213,671	13,968,654
Assisted living services in supportive housing	8,437,968	7,526,798
Community health centres	11,627,492	11,010,190
Community mental health	27,446,349	26,070,583
Addictions program	5,265,334	5,017,284
Specialty psychiatric hospitals	120,750,514	112,554,151
Grants to compensate for municipal taxation - psychiatric hospitals	23,400	23,400
Acquired brain injury	1,172,352	1,162,414
	872,661,140	858,411,071

The LHIN receives money from the MOHLTC and in turn allocates it to the HSPs. As at March 31, 2016, an amount of \$ 422,741 (2015 - \$7,009,074) was receivable from the MOHLTC and payable to HSPs. These amounts have been reflected as revenue and expenses in the Statement of operations and are included in the table above.

10. General operating expenses

The Statement of operations presents General operating expenses by function, the following classifies general operating expenses, by object.

	2016	2015
	\$	\$
Salaries and benefits	2,764,678	2,986,288
Occupancy	198,089	166,477
Amortizaion	143,268	144,514
Shared services	318,990	277,392
Advertising and public relations	50,978	57,252
Consulting services	186,102	167,392
Other services	103,203	98,949
Supplies, equipment and licences	78,384	89,275
Board Chair Per Diems	57,525	52,365
Other Board Per Diems	45,350	42,225
Board expenses	32,677	20,539
Travel	33,254	41,810
Mail, courier and telecommunications	92,004	47,071
	4,104,502	4,191,549

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2016

11. Project Initiatives

The Statement of operations presents total expenses for individual project initiative, the following classifies initiative expenses by object:

	2016	2015
	\$	\$
Salaries and benefits	1,150,772	1,059,484
Occupancy	106,921	91,152
Shared services	110,174	117,199
Advertising and public relations	10,002	3,139
Consulting services	10,750	7,973
Other services	38,603	144,428
Supplies, equipment and licences	9,445	946
Medical Professional Services	174,596	315,387
Travel	18,051	16,118
Mail, courier and telecommunications	11,069	12,543
Special project expenditures	654,060	654,064
	2,294,445	2,422,433

Expenses incurred in respect of Diabetes Regional Coordination and included above are as follows:

	2016	2015
	\$	\$
Salaries and benefits	560,535	571,082
Operating expenses	237,843	262,324
	798,378	833,406

12. Pension agreements

The LHIN makes contributions to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 35 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2016 was \$315,009 (2015 - \$280,295) for current service costs and is included as an expense in the Statement of Operations. The last actuarial valuation was completed for the plan as of December 31, 2015. At that time, the plan was fully funded.

13. Guarantees

The LHIN is subject to the provisions of the *Financial Administration Act*. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favor of third parties, except in accordance with the *Financial Administration Act* and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the Local Health System Integration Act, 2006 and in accordance with s. 28 of the *Financial Administration Act*.

North West Local Health Integration Network

Management's Responsibility for the Financial Statements

March 31, 2016

The integrity and objectivity of the accompanying financial statements of the North West Local Health Integration Network (LHIN) is the responsibility of management. These financial statements have been prepared in compliance with legislation and in accordance with Generally Accepted Account Principles (GAAP) and under Public Sector Accounting Board (PSAB).

Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for the preparation of the financial statements. These systems are monitored and evaluated by management, the Audit Committee and Board of Directors.

Management meets with the external auditors and the Board of Directors to review the financial statements and discuss any significant financial reporting or internal control matters prior to approval of the financial statements.

The financial statements have been audited by Deloitte LLP, independent external auditors appointed by the Board of Directors.



Laura Kokocinski
CEO



Chris Weislo
Controller



Deloitte LLP
5140 Yonge Street
Suite 1700
Toronto ON M2N 6L7
Canada

Tel: 416-601-6150
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Independent Auditor's Report

To the Members of the Board of Directors of the
North West Local Health Integration Network

We have audited the accompanying financial statements of North West Local Health Integration Network, which comprise the statement of financial position as at March 31, 2016, and the statement of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of North West Local Health Integration Network as at March 31, 2016 and the results of its operations, change in its net debt, and its cash flows for the years then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in dark ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants
Licensed Public Accountants
May 31, 2016

North West Local Health Integration Network

Statement of financial position as at March 31, 2016

	2016	2015
	\$	\$
Financial assets		
Cash	409,994	514,910
Due from Ministry of Health and Long Term Care ("MOHLTC")		
Health Service Provider ("HSP") transfer payments (Note 9)	9,261,071	2,405,758
Accounts receivable	101,786	107,274
	9,772,851	3,027,942
Liabilities		
Accounts payable and accrued liabilities	369,031	510,863
Due to HSPs (Note 9)	9,261,071	2,405,758
Due to MOHLTC (Note 3)	137,920	126,790
Due to the LHIN Shared Services Office (Note 4)	15,919	12,775
Deferred capital contributions (Note 5)	117,344	170,781
	9,901,285	3,226,967
Net debt	(128,434)	(199,025)
Commitments (Note 6)		
Non-financial assets		
Tangible capital assets (Note 7)	117,344	170,781
Prepaid expenses	11,090	28,244
	128,434	199,025
Accumulated surplus	-	-

Approved by the Board

 Director

 Director

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

North West Local Health Integration Network

Statement of operations year ended March 31, 2016

	Budget (Note 8)	2016 Actual	2015 Actual
	\$	\$	\$
Revenue			
MOHLTC funding			
HSPs transfer payments (Note 9)	636,712,500	665,422,964	652,454,696
Operations of LHIN	4,779,592	4,771,417	4,625,906
Project Initiatives			
Aboriginal Community Engagement	160,000	160,000	160,000
Emergency Department ("ED") LHIN Lead	-	75,000	75,000
Critical Care ("CC") LHIN Lead	-	75,000	75,000
Emergency Room/Alternative Level of Care ("ER/ALC") Performance Lead	100,000	100,000	100,000
Primary Care ("PC") LHIN Lead	-	75,000	75,000
French Language Health Services	106,000	106,000	106,000
Diabetes Regional Coordination Centre	1,042,299	1,042,299	1,063,570
Enabling Technologies for Integration			
Project Management Office	-	510,000	510,000
Amortization of deferred capital contributions	-	61,612	161,710
	642,900,391	672,399,292	659,406,882
Funding repayable to the MOHLTC (Note 3)	-	(11,130)	(126,790)
	642,900,391	672,388,162	659,280,092
Expenses			
Transfer payments to HSPs (Note 9)	636,712,500	665,422,964	652,454,696
General and administrative (Note 10)	4,779,592	4,832,446	4,731,846
Project Initiatives (Note 11)			
Aboriginal Community Engagement	160,000	160,000	154,770
Enabling Technologies for Integration			
Project Management Office (Note 4)	-	510,000	510,000
ED LHIN Lead	-	75,000	74,721
CC LHIN Lead	-	72,000	75,000
Emergency Room/Alternative Level of Care ("ER/ALC") Performance Lead	100,000	100,000	100,000
Primary Care ("PC") LHIN Lead	-	67,453	73,518
French Language Health Services	106,000	106,000	106,000
Diabetes Regional Coordination Centre	1,042,299	1,042,299	999,541
	642,900,391	672,388,162	659,280,092
Annual surplus and accumulated surplus, end of year	-	-	-

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

North West Local Health Integration Network

Statement of change in net debt
year ended March 31, 2016

	2016	2015
	\$	\$
Annual surplus	-	-
Acquisition of tangible capital assets	(8,175)	(153,686)
Amortization of tangible capital assets	61,612	161,710
Decrease (increase) in Prepaid expenses	17,154	(28,244)
Decrease (increase) in net debt	70,591	(20,220)
Net debt, beginning of year	(199,025)	(178,805)
Net debt, end of year	(128,434)	(199,025)

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

North West Local Health Integration Network

Statement of cash flows year ended March 31, 2016

	2016	2015
	\$	\$
Operating transactions		
Annual surplus	-	-
Less items not affecting cash		
Amortization of tangible capital assets	61,612	161,710
Amortization of deferred capital contributions (Note 5)	(61,612)	(161,710)
Changes in non-cash operating items		
Prepaid expenses	17,154	(28,244)
Due from MOHLTC - HSPs transfer payments	(6,855,313)	121,981
Accounts receivable	5,488	(53,073)
Accounts payable and accrued liabilities	(141,832)	97,198
Due to HSPs	6,855,313	(121,981)
Due to MOHLTC	11,130	(164,544)
Due to LHIN Shared Services Office	3,144	6,161
	(104,916)	(142,502)
Capital transaction		
Acquisition of tangible capital assets	(8,175)	(153,686)
Financing transaction		
Increase in deferred capital contributions (Note 5)	8,175	153,686
Net decrease in cash	(104,916)	(142,502)
Cash, beginning of year	514,910	657,412
Cash, end of year	409,994	514,910

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

North West Local Health Integration Network

Notes to the financial statements

March 31, 2016

1. Description of business

The North West Local Health Integration Network was incorporated by Letters Patent on June 16, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the Local Health System Integration Act, 2006 (the "Act") as the North West Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

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The LHIN is funded by the Province of Ontario in accordance with Ministry-LHIN Performance Agreement ("MLPA"), which describes budget arrangements established by the Ministry of Health and Long-Term Care ("MOHLTC") and provides the framework for the LHIN accountabilities and activities. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to the Health Service Providers ("HSPs"), effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSPs. The cash associated with the transfer payment does not flow through the LHIN bank account. Commencing April 1, 2007, all funding payments to LHIN managed HSPs in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized HSPs are expensed in the LHIN's financial statements for the year ended March 31, 2016.

The LHIN statements do not include any MOHLTC managed programs.

2. Significant accounting policies

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Basis of accounting

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North West Local Health Integration Network

Notes to the financial statements

March 31, 2016

2. Significant accounting policies (continued)

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at period end.

Deferred capital contributions

Any amounts received that are used to fund expenses that are recorded as tangible capital assets, are recorded as deferred capital contributions and are recognized as revenue over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the Statement of operations, is in accordance with the amortization policy applied to the related tangible capital asset recorded.

Tangible capital assets

Tangible capital assets are recorded at historic cost. Historic cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of tangible capital assets. The cost of tangible capital assets contributed is recorded at the estimated fair value on the date of contribution. Fair value of contributed tangible capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the tangible capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a tangible capital asset are capitalized. Computer software is recognized as an expense when incurred.

Tangible capital assets are stated at cost less accumulated amortization. Tangible capital assets are amortized over their estimated useful lives as follows:

Office furniture and fixtures	5 years straight-line method
Computer equipment	3 years straight-line method
Leasehold improvements	Life of lease straight-line method
Web development	3 years straight-line method

For assets acquired or brought into use during the year, amortization is provided for a full year.

Segmented information

A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the Statement of operations and within the related notes for both the prior and current year sufficiently disclose information for all appropriate segments and therefore no additional disclosure is required.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include valuation of accrued liabilities and useful lives of the tangible capital assets. Actual results could differ from those estimates.

North West Local Health Integration Network

Notes to the financial statements

March 31, 2016

3. Funding repayable to the MOHLTC

LHIN Shared Service Office and LHINC Collaborative

In accordance with the MLPA, the LHIN is required to be in a balanced position at year-end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

In accordance with the Performance Agreement, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to MOHLTC.

The amount repayable to the MOHLTC related to the current year activities is made up of the following components:

			2016	2015
	Funding	Eligible expenses	Funding excess	Funding excess
	\$	\$	\$	\$
Transfer payments to HSPs				-
LHIN operations	4,771,417	4,770,834	583	55,769
Aboriginal Community Engagement	160,000	160,000	-	5,231
Enabling Technologies for Integration				
Project Management Office	510,000	510,000	-	-
ED LHIN Lead	75,000	75,000	-	279
Critical Care ("CC") LHIN Lead	75,000	72,000	3,000	-
ER/ALC Performance Lead	100,000	100,000	-	-
PC LHIN Lead	75,000	67,453	7,547	1,482
French Language Health Services	106,000	106,000	-	-
Diabetes Education	4,142,299	4,142,299	-	64,029
	10,014,716	10,003,586	11,130	126,790

The continuity of the amount due to the MOHLTC at March 31 is as follows:

	2016	2015
	\$	\$
Due to MOHLTC, beginning of year	126,790	291,334
Funding repaid to MOHLTC	-	(291,334)
Funding repayable to the MOHLTC related to current year activities	11,130	126,790
Due to MOHLTC, end of year	137,920	126,790

4. Related party transactions

LHIN Shared Services Office and LHINC

The LHIN Shared Services Office (the "LSSO") and the Local Health Integration Network Collaborative (the "LHINC") are divisions of the Toronto Central LHIN and are subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO and LHINC, on behalf of the LHINs are responsible for providing services to all LHINs. The full costs of providing these services are billed to all the LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHIN at year end is recorded as a receivable (payable) from (to) the LSSO. This is all done pursuant to the shared service agreement the LSSO has with all LHINs.

North West Local Health Integration Network

Notes to the financial statements

March 31, 2016

4. Related party transactions (continued)

Enabling Technologies for Integration Project Management Office

Effective February 1, 2012, the LHIN entered into an agreement with South East LHIN, North East LHIN and Champlain LHIN (the "Cluster") in order to enable the effective and efficient delivery of e-health programs and initiatives within the geographic area of the Cluster. Under the agreement, decisions related to the financial and operating activities of the Enabling Technologies for Integration Project Management Office are shared. No LHIN is in a position to exercise unilateral control.

The LHIN's financial statement reflects its share of the MOHLTC funding for Enabling Technologies for Integration Project Management Offices for its Cluster and related expenses. During the year, the LHIN received funding from Champlain LHIN of \$510,000 (2015 - \$510,000).

5. Deferred capital contributions

	2016	2015
	\$	\$
Balance, beginning of year	170,781	178,805
Capital contributions received during the year	8,175	153,686
Amortization for the year	(61,612)	(161,710)
Balance, end of year	117,344	170,781

6. Commitments

The LHIN has commitments under various operating leases related to building and equipment extending to 2021. Lease renewals are likely. Minimum lease payments due in each of the next five years are as follows:

	\$
2017	372,414
2018	352,402
2019	351,676
2020	348,046
2021	89,369
	1,513,907

The LHIN also has funding commitments to HSPs associated with accountability agreements. The LHIN had the following funding commitments as of March 31, 2016.

	\$
2017	631,954,724
2018	211,067,231
	843,021,955

The actual amounts which will ultimately be paid are contingent upon actual LHIN funding received from the MOHLTC.

North West Local Health Integration Network

Notes to the financial statements

March 31, 2016

7. Tangible capital assets

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office furniture and fixtures	392,570	369,295	23,275	42,372
Computer equipment	90,807	75,726	15,081	19,261
Leasehold improvements	835,427	756,439	78,988	109,148
	1,318,804	1,201,460	117,344	170,781

8. Budget figures

The budget was approved by the Government of Ontario. The budget figures reported in the statement of operations reflect the initial budget. The figures have been reported for the purposes of these statements to comply with PSAB reporting principles. During the year, the government approved budget adjustments. The following reflects the adjustments for the LHIN during the year:

The final HSP funding budget of \$665,423,024 is derived as follows:

	\$
Initial HSP funding budget	636,712,500
Adjustment due to announcements made during the year	28,710,524
Final HSP funding budget	665,423,024

The final LHIN budget, excluding the HSP funding, of \$6,914,716 is derived as follows:

	\$
Initial budget	6,187,891
Additional funding received during the year	
E-Health	510,000
Critical Care Lead	75,000
ED LHIN Lead	75,000
Primary Care Lead	75,000
Amount treated as capital contributions made during the year	(8,175)
Final budget	6,914,716

North West Local Health Integration Network

Notes to the financial statements

March 31, 2016

9. Transfer payments to HSPs

The LHIN has authorization to allocate funding of \$665,422,964 to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors as follows:

	2016	2015
	\$	\$
Operation of hospitals	446,290,959	441,657,628
Grants to compensate for municipal taxation - public hospitals	105,375	105,375
Long term care homes	75,276,603	71,169,619
Community care access centres	55,897,643	52,851,858
Community support services	15,822,655	15,896,203
Acquired brain injury	1,038,082	1,047,400
Assisted living services in supportive housing	13,567,753	13,149,211
Community health centres	9,783,414	9,723,533
Community mental health program	31,747,914	31,116,875
Addictions program	15,892,626	15,736,994
	665,423,024	652,454,696

The LHIN receives funding from the MOHLTC and in turn allocates it to the HSPs. As at March 31, 2016, an amount of \$9,261,071 (2015 - \$2,405,758) was receivable from the MOHLTC, and \$9,261,071 (2015 - \$2,405,758) was payable to HSPs. These amounts have been reflected as revenue and expenses in the Statement of operations and are included in the table above.

10. General and administrative expenses

The statement of operations presents expenses by function. The following classifies general and administrative expenses by object:

	2016	2015
	\$	\$
Salaries and benefits	3,436,289	3,205,785
Occupancy	258,249	200,071
Amortization	61,612	161,710
Equipment and maintenance	46,178	58,268
Shared services	371,680	393,662
Public relations and community forums	37,782	35,851
Professional fees	15,100	14,800
Travel	147,937	136,982
Staff development and recruitment	68,789	122,757
Consulting services	36,673	23,764
LHIN collaborative	47,500	47,500
Supplies, printing and office	88,957	76,001
Other board member per diems	58,064	43,541
Board chair per diems	19,775	23,645
Other governance and travel costs	92,731	129,381
Mail, courier and telecommunications	45,131	58,128
	4,832,446	4,731,846

North West Local Health Integration Network

Notes to the financial statements

March 31, 2016

11. Project Initiatives

The Statement of operations presents project initiative expenses for each individual initiative, the following classifies project initiative expenses by object:

	2016	2015
	\$	\$
Salaries and benefits	1,497,402	1,427,709
Professional services	335,084	337,493
Travel	71,494	89,797
Accommodations	83,585	78,138
Computer	58,955	40,544
Meeting/Public Relations	13,644	38,980
Staff development and recruitment	14,641	24,676
Translation services	14,468	17,571
Supplies - printing and office	22,363	15,180
Mail, courier and telecommunications	11,132	13,461
Shared Services	9,984	10,000
	2,132,752	2,093,549

Diabetes strategy operational expenses included in the project initiative expenses above are as follows:

	Budget 2016	Actual 2016	Actual 2015
	\$	\$	\$
Salaries and benefits	873,000	874,865	840,000
Other expenses	169,299	167,434	159,541
	1,042,299	1,042,299	999,541

12. Pension agreements

The LHIN makes contributions to the Hospitals of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 44 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2016 was \$379,785.87 (2015 - \$363,096) for current service costs and is included as an expense in the Statement of operations. The last actuarial valuation was completed for the plan in December 31, 2015. At that time, the plan was fully funded.

13. Guarantees

The LHIN is subject to the provisions of the *Financial Administration Act*. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the *Financial Administration Act* and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the Local Health System Integration Act, 2006 and in accordance with s. 28 of the *Financial Administration Act*.

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March 31, 2016

Management's Responsibility for the Financial Statements

The integrity and objectivity of the accompanying financial statements of the South East Local Health Integration Network (SELHIN) is the responsibility of management. These financial statements have been prepared in compliance with the legislation and in accordance with Generally Accepted Account Principles (GAAP) and under Public Sector Accounting Board (PSAB).

Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for the preparation of the financial statements. These systems are monitored and evaluated by management, the Audit Committee and Board of Directors.

Management meets with the external auditors and the Board of Directors to review the financial statements and discuss any significant financial reporting or internal control matters prior to approval of the financial statements.

The financial statements have been audited by Deloitte, independent external auditors appointed by the Board of Directors.


Paul Huras
Chief Executive Officer
South East Local Health Integration Network


Paula Heinemann
Director, Corporate Services / Controller
South East Local Health Integration Network



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Independent Auditor's Report

To the Members of the Board of Directors of the
South East Local Health Integration Network

We have audited the accompanying financial statements of the South East Local Health Integration Network (the "LHIN"), which comprise the statement of financial position as at March 31, 2016, and the statements of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of LHIN as at March 31, 2016, and the results of its operations, change in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

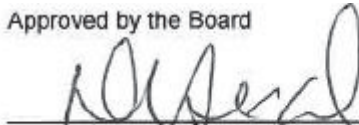
Chartered Professional Accountants
Licensed Public Accountants
May 30, 2016

South East Local Health Integration Network

Statement of financial position
as at March 31, 2016

	2016	2015
	\$	\$
Financial assets		
Cash	768,724	848,841
Accounts receivable (Note 3)	41,503	54,955
	810,227	903,796
Liabilities		
Accounts payable and accrued liabilities (Note 4)	555,248	662,232
Due to Ministry of Health and Long-Term Care (Note 5b)	115,146	70,605
Due to the LHIN Shared Services Office (Note 7)	23,035	11,109
Deferred capital contributions (Note 8)	207,222	236,879
Obligations under capital lease (Note 16)	176,022	206,836
	1,076,673	1,187,661
Net debt	(266,446)	(283,865)
Commitments (Note 15)		
Non-financial assets		
Prepaid expenses	59,224	46,986
Tangible capital assets (Note 9)	207,222	236,879
	266,446	283,865
Accumulated surplus	-	-

Approved by the Board


Donna Segal - Board Chair


Chris Salt - Finance and Audit Committee Chair

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

South East Local Health Integration Network

Statement of operations year ended March 31, 2016

	Budget (Note 10)	2016 Actual	2015 Actual
	\$	\$	\$
Revenue			
MOHLTC funding			
HSP transfer payments (Note 10, 11)	1,081,634,683	1,108,268,201	1,118,513,373
Operations of LHIN (Note 5, 10)	4,543,169	4,490,774	4,481,243
Project Initiatives			
Enabling Technologies	510,000	510,000	510,000
Emergency Department	-	75,000	75,000
Aboriginal Initiative	15,000	15,000	15,000
ER/ALC Initiative	100,000	100,000	100,000
French Language Services Initiative	106,000	106,000	106,000
Critical Care Initiative	-	75,000	75,000
Primary Care Initiative	-	75,000	75,000
Chronic Disease Management (Note 6)	948,254	929,289	948,254
Amortization of deferred capital contributions (Note 8)	-	62,052	120,018
	1,087,857,106	1,114,706,316	1,125,018,888
Funding repayable to the MOHLTC (Note 5a)	-	(44,541)	(70,605)
	1,087,857,106	1,114,661,775	1,124,948,283
Expenses			
Transfer payments to HSPs (Note 11)	1,081,634,683	1,108,268,201	1,118,513,373
General and administrative (Note 12)	4,543,169	4,552,376	4,596,395
Project Initiatives (Note 6)			
Enabling Technologies	510,000	510,000	510,000
Emergency Department	-	42,499	42,000
Aboriginal Initiative	15,000	14,859	15,000
ER/ALC Initiative	100,000	100,000	100,000
French Language Services Initiative	106,000	106,000	106,000
Critical Care Initiative	-	72,000	72,000
Primary Care Initiative	-	75,000	72,631
Chronic Disease Management	948,254	920,840	920,884
	1,087,857,106	1,114,661,775	1,124,948,283
Annual surplus and accumulated surplus, end of year	-	-	-

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

South East Local Health Integration Network

Statement of change in net debt
year ended March 31, 2016

	2016	2015
	\$	\$
Annual surplus	-	-
Acquisition of tangible capital assets	(32,395)	(61,926)
Amortization of tangible capital assets	62,052	120,018
Increase in prepaid expenses, net	(12,238)	(8,753)
Decrease in net debt	17,419	49,339
Net debt, beginning of year	(283,865)	(333,204)
Net debt, end of year	(266,446)	(283,865)

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

South East Local Health Integration Network

Statement of cash flows year ended March 31, 2016

	2016	2015
	\$	\$
Operating transactions		
Annual surplus	-	-
Less items not affecting cash		
Amortization of tangible capital assets	62,052	120,018
Amortization of deferred capital contributions (Note 8)	(62,052)	(120,018)
Changes in non-cash operating items		
Accounts receivable	13,452	(6,894)
Prepaid expenses	(12,238)	(8,753)
Accounts payable and accrued liabilities	(106,984)	48,514
Due to MOHLTC	44,541	1,676
Due to the LHIN Shared Services Office	11,926	6,469
Due to Champlain LHIN	-	(4,346)
	(49,303)	36,666
Capital transaction		
Acquisition of tangible capital assets	(32,395)	(61,926)
Financing transactions		
Increase in deferred capital contributions (Note 8)	32,395	61,926
Repayment of obligations under capital lease	(30,814)	(29,314)
	1,581	32,612
Net change in cash	(80,117)	7,352
Cash, beginning of year	848,841	841,489
Cash, end of year	768,724	848,841

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

South East Local Health Integration Network

Notes to the financial statements

March 31, 2016

1. Description of business

The South East Local Health Integration Network was incorporated by Letters Patent on June 9, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the Local Health System Integration Act, 2006 (the "Act") as the South East Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The LHIN has also entered into a Performance Agreement with the Ministry of Health and Long-Term Care ("MOHLTC"), which provides the framework for LHIN accountabilities and activities.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas based on where residents primarily received their care (98% of all South East LHIN residents obtain care from local health service providers). The LHIN allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion.

The LHIN is home to over 500,000 people and has a geographic area which spans 19,473 square kilometers; the South East LHIN is the fourth largest geographic local health integration network. The LHIN serves approximately 3.8% of Ontarians who live, in almost equal proportion, along a ribbon of more urban areas following Highway 401, or in small rural communities located across the remainder of the area. The LHIN encompasses the areas of Hastings, Prince Edward, Lennox and Addington, Frontenac, Leeds and Grenville Counties, the cities of Kingston, Belleville and Brockville, the towns of Smith Falls and Prescott, and part of Lanark and Northumberland Counties. The LHIN enters into service accountability agreements with service providers.

The LHIN is funded by the Province of Ontario in accordance with the Ministry-LHIN Performance Agreement ("Performance Agreement"), which describes budget arrangements established by the MOHLTC. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to HSPs, effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account. Commencing April 1, 2007, all funding payments to LHIN managed health service providers in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized Health Service Providers ("HSP") are expensed in the LHIN's financial statements for the year ended March 31, 2016.

The LHIN statements do not include any Ministry managed programs.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian public sector accounting standards. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of tangible capital assets.

South East Local Health Integration Network

Notes to the financial statements

March 31, 2016

2. Significant accounting policies (continued)

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at year end.

Deferred capital contributions

Any amounts received that are used to fund expenses that are recorded as tangible capital assets, are recorded as deferred capital contributions and are recognized as revenue over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the Statement of Operations, is in accordance with the amortization policy applied to the related tangible capital asset recorded.

Tangible capital assets

Tangible capital assets are recorded at cost. Cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of tangible capital assets. The cost of tangible capital assets contributed is recorded at the estimated fair value on the date of contribution. Fair value of contributed tangible capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the tangible capital asset would be recognized at nominal value.

Operations betterments or improvements that significantly increase or prolong the service life or capacity of a tangible capital asset are capitalized. Maintenance and repair costs are recognized as an expense when incurred. Computer software is recognized as an expense when incurred.

Tangible capital assets are stated at cost less accumulated amortization. Tangible capital assets are amortized, on a straight line basis, over their estimated useful lives as follow:

Office equipment	5 years
Computer equipment	3 years
Infrastructure/Web developments	3 years
Leasehold improvements	Life of lease

Segment disclosures

A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the Statement of Operations and within the related notes for both the prior and current year sufficiently disclosed information of all appropriate segments and, therefore, no additional disclosure is required.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include valuation of accrued liabilities and useful lives of the tangible capital assets. Actual results could differ from those estimates.

South East Local Health Integration Network

Notes to the financial statements

March 31, 2016

3. Accounts receivable

At March 31, 2016 the LHIN has accounts receivable of \$41,503 (2015 - \$54,955) which represents HST receivable \$39,478 for the last quarter of the fiscal year, and CPP overpayment \$2,025.

4. Accounts payable and accrued liabilities

At March 31, 2016 the LHIN has accounts payable and accrued liabilities of \$555,248 (2015 - \$662,232). This amount represents accounts payable trade of \$268,639 (2015 - \$250,619), and accrued liabilities \$286,609 (2015 - \$411,613).

5. Funding repayable to the MOHLTC

In accordance with the Performance Agreement, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

In accordance with the accounting policy related to deferred capital contributions (Note 2) the LHIN has recognized as revenue ("funding received"), the amortization of deferred capital contributions of \$62,052 (2015 - \$120,018), and has deferred 2016 funding used for the acquisition of capital assets of \$32,395 (2015 - \$61,926). This has resulted in an increase to the overall LHIN Operations revenue as shown in Note 5(a) below:

	2016	2015
	\$	\$
LHIN Operations base funding	4,523,169	4,543,169
Less: Amounts deferred related to acquisition of capital assets	(32,395)	(61,926)
LHIN Operations Revenue (Statement of operations)	4,490,774	4,481,243
Add: Deferred revenue from capital contributions	62,052	120,018
LHIN Operations Funding (Note 5a)	4,552,826	4,601,261

(a) The amount repayable to the MOHLTC is made up of the following components:

			2016	2015
	Funding received	Related expenses	Excess funding	Excess funding
	\$	\$	\$	\$
Transfer payments to HSPs	1,108,268,201	1,108,268,201	-	-
LHIN operations	4,552,826	4,552,376	450	4,866
Emergency department initiative	75,000	42,499	32,501	33,000
Aboriginal initiative	15,000	14,859	141	-
ER/ALC Initiative	100,000	100,000	-	-
French Language Services Initiative	106,000	106,000	-	-
Critical Care Initiative	75,000	72,000	3,000	3,000
Primary Care Initiative	75,000	75,000	-	2,369
Chronic Disease Management	929,289	920,840	8,449	27,370
Repayable directly to MOHLTC	1,114,196,316	1,114,151,775	44,541	70,605
Enabling technologies, repayable to MOHLTC through Champlain LHIN	510,000	510,000	-	-
	1,114,706,316	1,114,661,775	44,541	70,605

South East Local Health Integration Network

Notes to the financial statements

March 31, 2016

5. Funding repayable to the MOHLTC (continued)

(b) The amount due to the MOHLTC at March 31 is made up as follows:

	2016	2015
	\$	\$
Opening balance	70,605	68,929
Funding repaid during the year	-	(68,929)
One-time funding repayable to MOHLTC	44,091	65,739
LHIN Operations funding repayable to MOHLTC	450	4,866
Closing balance	115,146	70,605

6. Operations of LHIN - Ancillary Funded Project Initiatives

The LHIN received funds for various initiatives listed in the Statement of Operations. The following table classifies the initiatives expenses by object:

	2016	2015
	\$	\$
Salaries and benefits	1,391,142	1,372,973
Professional services	180,972	186,000
Shared services	82,368	73,736
Accommodations	63,765	69,532
Public relations	36,256	20,117
Supplies	17,650	48,663
Mail, courier and telecommunications	7,434	5,005
Other	61,611	62,489
	1,841,198	1,838,515

Chronic Disease Management (CDM)

Initial funding \$948,254 with in-year reduction of 2%. The CDM operational expenses are included above and are as follows:

	Budget 2016	Actual 2016	Actual 2015
	\$	\$	\$
Funding	948,254	929,289	948,254
Salaries and benefits	772,209	768,232	759,104
Others	176,045	152,608	161,780
	948,254	920,840	920,884

South East Local Health Integration Network

Notes to the financial statements

March 31, 2016

7. Related party transactions

LHIN Shared Services Office (LSSO)

The LSSO is a division of the Toronto Central LHIN and, as such, is subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO is responsible for providing services to all LHINs. The full costs of providing these services are billed to all the LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHIN at the year end are recorded as a receivable from (payable to) the LSSO. This is all done pursuant to the Shared Service Agreement the LSSO has with all the LHINs.

LHIN Collaborative (LHINC)

LHINC was formed in fiscal 2010 to strengthen relationships between and among health service providers, associations and the LHINs, and to support system alignment. The purpose of LHINC is to support the LHINs in:

- Fostering engagement of the health service provider community in support of collaborative and successful integration of the health care system;
- Their role as system manager;
- Where appropriate, the consistent implementation of provincial strategy and initiatives;
- The identification and dissemination of best practices; and
- LHINC is an LHIN-led organization and accountable to the LHINs. LHINC is funded by the LHINs with support from the ministry of health and long-term care.

LHINC is a division of Toronto Central LHIN and as such is subject to the same policies, guidelines and directives as the Toronto Central LHIN.

Enabling Technologies for Integration Project Management Office

In fiscal 2014, the LHIN entered into an agreement with the Champlain, North East and North West LHINs (the "Cluster") in order to enable the effective and efficient delivery of e-health programs and initiatives within the geographic area of the Cluster. Under the agreement, decisions related to the financial and operating activities of the Enabling Technologies for Integration Project Management Office are shared. No LHIN is in a position to exercise unilateral control.

The LHIN's financial statement reflects its share of the MOHLTC funding for Enabling Technologies for Integration Project Management Office for its Cluster and related expenses. During the year, the LHIN received funding from the Champlain LHIN of \$510,000 (2015 - \$510,000).

8. Deferred capital contributions

	2016	2015
	\$	\$
Balance, beginning of year	236,879	294,971
Capital contributions received during the year	32,395	61,926
Amortization for the year	(62,052)	(120,018)
Balance, end of year	207,222	236,879

South East Local Health Integration Network

Notes to the financial statements

March 31, 2016

9. Tangible capital assets

	2016		2015
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Office equipment	425,379	412,931	12,448
Computer equipment	177,243	165,220	12,023
Leasehold improvements	407,537	224,786	182,751
	1,010,159	802,937	207,222
			236,879

10. Budget figures

The budget was approved by the Government of Ontario. The budget figures reported in the Statement of Operations reflect the initial budget at April 1, 2015. The figures have been reported for the purposes of these statements to comply with PSAB reporting requirement. During the year the government approves budget adjustments. The following reflects the adjustments for the LHIN during the year:

The total HSP funding budget of \$1,108,268,201 is made up of the following:

	\$
Initial HSP funding budget	1,081,634,683
Adjustment due to announcements made during the year	26,633,518
Total HSP funding budget	1,108,268,201

The total operating budget of \$4,523,169 is made up of the following:

	\$
Initial LHIN Operations Budget	4,543,169
Adjustment (Reduction)	(20,000)
Total LHIN Operations funding budget	4,523,169

11. Transfer payments to HSPs

The LHIN has authorization to allocate the funding of \$1,108,268,201 to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors as follows:

	2016	2015
	\$	\$
Operation of Hospitals	656,045,023	675,888,668
Grants to compensate for Municipal Taxation -		
Public Hospitals	190,725	190,725
Long-Term Care Homes	185,883,240	182,055,536
Community Care Access Centres	122,643,463	121,141,263
Community Support Services	36,976,678	35,252,773
Assisted Living Services in Supportive Housing	2,241,305	2,179,046
Community Health Centres	29,472,727	28,781,915
Community Mental Health Addictions Program	74,815,040	73,023,447
	1,108,268,201	1,118,513,373

South East Local Health Integration Network

Notes to the financial statements

March 31, 2016

12. General and administrative expenses

- (a) The Statement of Operations presents expenses by function. The following classifies general and administrative expenses by object, as follows:

	2016	2015
	\$	\$
Program based		
Salaries	3,410,658	3,344,467
Consulting and LHIN-based projects	17,618	22,500
	3,428,276	3,366,967
Shared services	309,098	277,926
Collaborative	37,698	50,929
Other (Note 12b)	193,002	222,747
Accommodations	201,101	194,052
Office equipment and supplies	106,262	154,224
Board per diem	75,600	53,125
Public relations	84,599	106,688
Mail, courier and telecommunications	54,688	49,719
	4,490,324	4,476,377
Amortization	62,052	120,018
	4,552,376	4,596,395

- (b) The breakdown of "Other" general and administrative expenses listed in the table above are:

	2016	2015
	\$	\$
Training and development	66,970	92,551
Travel	118,399	122,561
Recruitment	2,234	595
Insurance	5,399	7,040
	193,002	222,747

- (c) The total expenses related to governance is as follows, and are included in the expenses listed in Note 12(a) above:

	2016	2015
	\$	\$
Board chair per diems	23,625	19,775
All other per diems	51,975	33,350
Total per diems	75,600	53,125
Other administrative costs	28,000	21,425
Total governance expenditures	103,600	74,550
Overhead - salaries, benefits, accommodations and shared services	142,735	140,333
Total governance related costs	246,335	214,883

- (d) The total occupancy and shared service costs are reduced from actual expenses in Note 12(a) above, due to partial cost sharing with ancillary funded projects for project staff that utilize office space and or shared services during the year.

South East Local Health Integration Network

Notes to the financial statements

March 31, 2016

13. Pension agreements

The LHIN makes contributions to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2016 was \$303,353 (2015 - \$298,188) for current service costs and is included as an expense in the Statement of Financial Activities. The last actuarial valuation was completed for the plan as of December 31, 2015. At that time, the plan was fully funded.

14. Guarantees

The LHIN is subject to the provisions of the Financial Administration Act. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the Financial Administration Act and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the *Local Health System Integration Act, 2006* and in accordance with s. 28 of the *Financial Administration Act*.

15. Commitments

The LHIN has commitments under various operating leases related to building and equipment. Minimum lease payments due under the building lease as follows:

	\$
2017	224,064
2018	224,064
2019	224,064
2020	224,064
2021	205,392
Thereafter	-
	1,101,648

The LHIN also has funding commitments to HSPs associated with accountability agreements. As of March 31, 2016, the LHIN had signed Performance Agreements with all Hospitals and Community Agencies for the next one to three years dependent upon the specific sector. The actual amounts which will ultimately be paid are contingent upon actual LHIN funding received from MOHLTC.

16. Obligations under capital lease

The LHIN has a lease under the provision of capital lease of leasehold improvements. The cost of this lease is included in equipment and the related liabilities are included in long-term debt to reflect the effective acquisition and financing of these items. The lease on the building expires in February, 2021.

South East Local Health Integration Network

Notes to the financial statements

March 31, 2016

16. Obligations under capital lease (continued)

The present value of future minimum rentals is as follows:

	\$
2017	40,456
2018	40,456
2019	40,456
2020	40,456
2021	37,084
Future minimum lease payments	198,908
Less: amount representing interest	(22,886)
Present value of future minimum rentals	176,022

Remaining principal payments required on this long-term debt for the next five years are as follows:

	\$
2017	32,390
2018	34,048
2019	35,789
2020	37,621
2021	36,174
	176,022

South West LHIN

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Management Responsibility Report

The management of the South West Local Health Integration Network (LHIN) is responsible for preparing the accompanying financial statements in conformity with generally accepted accounting principles. In preparing these financial statements, management selects appropriate accounting policies and uses its judgement and best estimates to report events and transactions as they occur. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Financial data included throughout this Annual Report is prepared on a basis consistent with that of the financial statements.

The LHIN maintains a system of internal accounting controls designed to provide reasonable assurance, at a reasonable cost, that assets are safeguarded and that transactions are executed and recorded in accordance with the LHIN's policies for doing business.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control, and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee. The Committee meets approximately four times annually to review audited and unaudited financial information. Deloitte LLP has full and free access to the Audit Committee.

Management acknowledges its responsibility to provide financial information that is representative of the LHIN's operations, is consistent and reliable, and is relevant for the informed evaluation of the LHIN's activities.



Michael Barrett
Chief Executive Officer



Lorri Lowe
Controller/Manager of Corporate Services

June 6, 2016



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Independent Auditor's Report

To the Members of the Board of Directors of the
South West Local Health Integration Network

We have audited the accompanying financial statements of South West Local Health Integration Network, which comprise the statement of financial position as at March 31, 2016, and the statements of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of South West Local Health Integration network as at March 31, 2016 and the results of its operations, changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

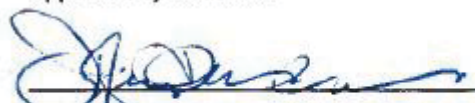
Chartered Professional Accountants
Licensed Public Accountants
May 17, 2016


South West Local Health Integration Network

Statement of financial position
as at March 31, 2016

	2016	2015
	\$	\$
Financial assets		
Cash	435,353	412,804
Due from Ministry of Health and Long-Term Care ("MOHLTC")		
Health Service Provider ("HSP") transfer payments (Note 9)	13,455,322	13,800,587
Harmonized sales tax receivable	36,227	81,988
Due from Waterloo Wellington LHIN (Note 3c)	-	55,905
	13,926,902	14,351,284
Liabilities		
Accounts payable and accrued liabilities	424,798	453,340
Due to Health Service Providers ("HSPs") (Note 9)	13,455,322	13,800,587
Due to MOHLTC (Note 3b)	61,122	55,636
Due to the LHIN Shared Services Office (Note 4)	8,708	58,879
Deferred capital contributions (Note 5)	43,594	68,725
	13,993,544	14,437,167
Net debt	-66,642	-85,883
Commitments (Note 6)		
Non-financial assets		
Prepaid expenses	23,048	17,158
Tangible capital assets (Note 7)	43,594	68,725
	66,642	85,883
Accumulated surplus	-	-

Approved by the Board

 Director

 Director

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

South West Local Health Integration Network

Statement of operations year ended March 31, 2016

	Budget (Note 8)	2016 Actual	2015 Actual
	\$	\$	\$
Revenue			
MOHLTC funding			
HSP transfer payments (Note 9)	2,239,055,748	2,258,840,834	2,250,035,712
Operations of LHIN	4,895,719	5,018,025	4,875,026
Project Initiatives			
Aboriginal Planning	35,000	35,000	35,000
French Language Services	106,000	106,000	104,595
Critical Care	75,000	75,000	75,000
Emergency Department ("ED") Lead	75,000	75,000	75,000
Emergency Room/Alternative Level of Care ("ER/ALC") Performance Lead	100,000	100,000	98,576
Primary Care Lead	75,000	75,000	75,000
Enabling Technologies ETI PMO	2,040,000	2,040,000	2,007,086
Diabetes Regional Coordinating Centre	1,192,370	1,168,523	1,179,307
Amortization of deferred capital contributions (Note 5)	111,406	32,826	111,406
	2,247,761,243	2,267,566,208	2,258,671,708
Enabling Technologies ETI PMO allocated to other LHIN's	(1,530,000)	(1,530,000)	(1,530,000)
Funding repayable to the MOHLTC (Note 3a)	-	(5,486)	269
	2,246,231,243	2,266,030,722	2,257,141,977
Expenses			
Transfer payments to HSPs (Note 9)	2,239,055,748	2,258,840,834	2,250,035,712
General and administrative (Note 11)	5,007,125	5,050,623	4,985,134
Project Initiatives (Note 10)			
Aboriginal Planning	35,000	34,930	34,638
French Language Services	106,000	105,774	104,555
Critical Care	75,000	72,886	73,374
ED Lead	75,000	74,972	73,728
ER/ALC Performance Lead	100,000	99,746	98,372
Primary Care Lead	75,000	73,127	74,457
Enabling Technologies	510,000	509,487	485,540
Diabetes Regional Coordinating Ctr	1,192,370	1,168,343	1,176,467
	2,246,231,243	2,266,030,722	2,257,141,977
Annual surplus and accumulated surplus, end of year	-	-	-

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

South West Local Health Integration Network

Statement of change in net debt
year ended March 31, 2016

	2016 Actual	2015 Actual
	\$	\$
Annual surplus	-	-
Change in prepaid expenses, net	(5,890)	38,494
Acquisition of tangible capital assets	(7,695)	(39,499)
Amortization of tangible capital assets	32,826	111,406
Decrease in net debt	19,241	110,401
Net debt, beginning of year	(85,883)	(196,284)
Net debt, end of year	(66,642)	(85,883)

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

South West Local Health Integration Network

Statement of cash flows
year ended March 31, 2016

	2016	2015
	\$	\$
Operating transactions		
Annual surplus	-	-
Less items not affecting cash		
Amortization of capital assets	32,826	111,406
Amortization of deferred capital contributions (Note 5)	(32,826)	(111,406)
Changes in non-cash operating items		
Increase in due from MOHLTC HSP transfer payments	345,265	(2,262,670)
Decrease in due from LHIN Shared Services Office	-	-
(Increase) decrease in accounts receivable	55,905	(55,905)
(Increase) decrease in Harmonized Sales Tax receivable	45,761	(22,197)
Increase (decrease) in accounts payable and accrued liabilities	(28,542)	30,947
Increase in due to HSPs	(345,265)	2,262,670
(Decrease) increase in due to MOHLTC	5,486	(482,177)
Increase in due to LHIN Shared Services Office	(50,171)	55,563
Decrease (increase) in prepaid expenses	(5,890)	38,494
	22,549	(435,275)
Capital transaction		
Acquisition of tangible capital assets	(7,695)	(39,499)
Financing transaction		
Deferred capital contributions received (Note 5)	7,695	39,499
Net decrease in cash	22,549	(435,275)
Cash, beginning of year	412,804	848,079
Cash, end of year	435,353	412,804

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

South West Local Health Integration Network

Notes to the financial statements

March 31, 2016

1. Description of business

The South West Local Health Integration Network was incorporated by Letters Patent on July 9, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the *Local Health System Integration Act, 2006* (the "Act") as the South West Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers approximately 22,000 square kilometers from Tobermory in the north to Long Point in the south. The LHIN enters into service accountability agreements with service providers.

The LHIN is funded by the Province of Ontario in accordance with the Ministry-LHIN Performance Agreement ("MLPA"), which describes budget arrangements established by the MOHLTC. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to HSPs, effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account.

The LHIN statements do not include any Ministry managed programs.

The LHIN is also funded by eHealth Ontario in accordance with the eHealth Ontario - LHIN Transfer Payment Agreement ("TPA"), which describes budget arrangements established by eHealth Ontario. These financial statements reflect agreed funding arrangements approved by eHealth Ontario. The LHIN cannot authorize an amount in excess of the budget allocation set by eHealth Ontario.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian public sector accounting standards. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of tangible capital assets.

South West Local Health Integration Network

Notes to the financial statements

March 31, 2016

2. Significant accounting policies (continued)

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. Unspent amounts are recorded as payable to the MOHLTC at period end. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed.

Deferred capital contributions

Any amounts received that are used to fund expenses that are recorded as tangible capital assets, are recorded as deferred capital revenue and are recognized as revenue over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the statement of operations, is in accordance with the amortization policy applied to the related tangible capital asset recorded.

Tangible capital assets

Tangible capital assets are recorded at historic cost. Historic cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of tangible capital assets. The cost of tangible capital assets contributed is recorded at the estimated fair value on date of contribution. Fair value of contributed tangible capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the tangible capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a tangible capital asset are capitalized. Computer software is recognized as an expense when incurred.

Tangible capital assets are stated at cost less accumulated amortization. Tangible capital assets are amortized over their estimated useful lives as follows:

Computer equipment	3 years straight-line method
Leasehold improvements	Life of lease straight-line method
Office equipment, furniture and fixtures	5 years straight-line method
Web development	3 years straight-line method

For assets acquired or brought into use, during the year, amortization is provided for a full year.

Segment disclosures

A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the statement of operations and within the related notes for both the prior and current year sufficiently discloses information of all appropriate segments and, therefore, no additional disclosure is required.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimate and assumptions include valuation of accrued liabilities and useful lives of the tangible capital assets. Actual results could differ from those estimates.

South West Local Health Integration Network

Notes to the financial statements

March 31, 2016

3. Funding repayable to the MOHLTC

In accordance with the MLPA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

In accordance with the TPA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to eHealth Ontario.

- a) The amount repayable to the MOHLTC related to current year activities is made up of the following components:

			2016	2015
	Funding	Eligible expenses	Funding excess	Funding excess
	\$	\$	\$	\$
Transfer payments to HSPs	2,258,840,834	2,258,840,834		-
LHIN operations	5,018,025	5,017,797	228	1,298
Aboriginal Planning	35,000	34,930	70	362
French Language Services	106,000	105,774	226	40
Enabling Technologies	2,040,000	2,039,487	513	47,451
Critical Care Lead	75,000	72,886	2,114	1,626
ED Lead	75,000	74,972	28	1,272
Primary Care Lead	75,000	73,127	1,873	543
ER/ALC Lead	100,000	99,746	254	204
Diabetes Regional Coord. Centres	1,168,523	1,168,343	180	2,840
	2,267,533,382	2,267,527,896	5,486	55,636

- b) The amount due to the MOHLTC at March 31 is made up as follows:

	2016	2015
	\$	\$
Due to MOHLTC, beginning of year	55,636	537,813
Funding repaid to MOHLTC	-	(537,813)
Funding repayable to the MOHLTC related to current year activities (Note 3a)	4,973	8,185
Funding repayable to the MOHLTC related to current year ETI PMO Cluster activities	513	47,451
Due from MOHLTC, end of year	61,122	55,636

- c) Enabling Technologies for Integration (ETI PMO)

Effective January 31, 2014, the LHIN entered into an agreement with Erie St. Clair, Hamilton Niagara Haldimand Brant and Waterloo Wellington (the "Cluster") in order to enable the effective and efficient delivery of e-health programs and initiatives within the geographic area of the Cluster. Under the agreement, decisions related to the financial and operating activities of the Enabling Technologies for Integration Project Management Office are shared. No LHIN is in a position to exercise unilateral control.

The South West LHIN is designated the Lead LHIN with this agreement and as such holds the accountability over the distribution of the funds and manages the shared Project Management Office. In the event that the Cluster experiences a surplus the Lead LHIN is responsible for returning those funds to the MOHLTC. The total Cluster funding received for the year ended March 31, 2016 was \$2,040,000 (2015 - \$2,040,000).

South West Local Health Integration Network

Notes to the financial statements

March 31, 2016

3. Funding repayable to the MOHLTC and eHealth Ontario (continued)

Funding of \$1,530,000 (2015 - \$1,530,000) was allocated to other LHIN's within the cluster who incurred eligible expenses of \$-1,530,000 (2015 - \$1,474,095). The LHIN has setup a payable to the MOHLTC for \$513.

The following provides condensed financial information for the ETI PMO funding and expenses for the cluster:

			2016	2015
	Funding allocated	Eligible expenses	Excess funding	Excess funding
	\$	\$	\$	\$
Erie St. Clair LHIN	510,000	510,000	-	-
Hamilton Niagara Haldimand Brant LHIN	510,000	510,000	-	-
Waterloo Wellington LHIN	510,000	510,000	-	55,905
South West LHIN	510,000	509,487	513	(8,454)
	2,040,000	2,039,487	513	47,451

4. Related party transactions

The LHIN Shared Services Office (the "LSSO") is a division of the Toronto Central LHIN and is subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO, on behalf of the LHINs is responsible for providing services to all LHINs. The full costs of providing these services are billed to all the LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHIN at the year-end are recorded as a receivable (payable) from (to) the LSSO. This is all done pursuant to the shared service agreement the LSSO has with all the LHINs.

The LHIN Collaborative (the "LHINC") was formed in fiscal 2010 to strengthen relationships between and among health service providers, associations and the LHINs, and to support system alignment. The purpose of LHINC is to support the LHINs in fostering engagement of the health service provider community in support of collaborative and successful integration of the health care system; their role as system manager; where appropriate, the consistent implementation of provincial strategy and initiatives; and the identification and dissemination of best practices. LHINC is a LHIN-led organization and accountable to the LHINs. LHINC is funded by the LHINs with support from the MOHLTC.

5. Deferred capital contributions

	2016	2015
	\$	\$
Balance, beginning of year	68,725	140,632
Capital contributions received during the year (Note 8)	7,695	39,499
Amortization for the year	(32,826)	(111,406)
Balance, end of year	43,594	68,725

South West Local Health Integration Network

Notes to the financial statements

March 31, 2016

6. Commitments

The LHIN has commitments under various operating leases extending to 2021 related to building and equipment which have standard renewal terms. Minimum lease payments due in each of the next five years are as follows:

	\$
2017	306,266
2018	305,491
2019	301,668
2020	301,668
2021	125,615

The LHIN also has funding commitments to HSPs associated with accountability agreements. Minimum commitments to HSPs, based on the current accountability agreements, are as follows:

	\$
2017	2,249,599,783

The actual amounts which will ultimately be paid are contingent upon actual LHIN funding received from the MOHLTC.

7. Tangible capital assets

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Computer equipment	242,202	216,494	25,708	52,487
Leasehold improvements	1,588,789	1,588,789	-	289
Office equipment, furniture and fixtures	235,703	217,817	17,886	15,949
	2,066,694	2,023,100	43,594	68,725

8. Budget figures

The budget was approved by the Government of Ontario. The budget figures reported in the statement of operations reflect the initial budget at April 1, 2015. The figures have been reported for the purposes of these statements to comply with PSAB reporting requirements. During the year the government approved budget adjustments. The following reflects the adjustments for the LHIN during the year:

The final HSP funding budget of \$2,258,840,834 is derived as follows:

	\$
Initial budget	2,239,055,748
Adjustment due to announcements made during the year	19,785,086
Final HSP funding budget	2,258,840,834

South West Local Health Integration Network

Notes to the financial statements

March 31, 2016

8. Budget figures (continued)

The final LHIN budget, excluding HSP funding, of \$8,692,278 is derived as follows:

	\$
Initial budget	8,594,089
Additional funding received during the year	106,154
Amount treated as capital contributions during the year	(7,695)
Final LHIN operating budget	8,692,548

9. Transfer payments to HSPs

The LHIN has authorization to allocate funding of \$2,258,840,834 to various HSPs in its geographic area. The LHIN approved transfer payments to various sectors in 2016 as follows:

	2016	2015
	\$	\$
Operation of hospitals	1,542,996,544	1,550,296,136
Grants to compensate for municipal taxation - public hospitals	426,600	439,800
Long term care homes	333,918,931	329,020,764
Community care access centres	219,536,498	214,373,167
Community support services	45,453,213	46,365,977
Assisted living services in supportive housing	23,913,885	19,864,254
Community health centres	21,557,702	20,772,244
Community mental health addictions program	71,037,461	68,903,370
	2,258,840,834	2,250,035,712

The LHIN receives funding from the MOHLTC and in turn allocates it to the HSPs. As at March 31, 2016, an amount of \$ 13,455,322 (2015 - \$13,800,587) was receivable from MOHLTC, and was payable to HSPs. These amounts have been reflected as revenue and expenses in the Statement of operations and are included in the table above.

10. Project Initiatives

The LHIN received funds for various initiatives listed in the Statement of Operations. The following table classifies the initiatives expenses by object:

	2016	2015
	\$	\$
Salaries and benefits	1,540,912	1,557,657
Professional services	332,541	222,059
Shared services	10,142	19,142
Occupancy	63,433	58,481
Public relations and community engagement	-	23,788
Supplies	3,846	13,636
Mail, courier and telecommunications	13,032	11,314
Other	175,359	215,054
	2,139,265	2,121,131

South West Local Health Integration Network

Notes to the financial statements

March 31, 2016

10. Project Initiatives (continued)

Diabetes Regional Coordination Centres

The MOHLTC provided the LHIN with \$1,168,523 (2015 - \$1,192,370) related to Diabetes Regional Coordination Centres initiatives. The LHIN incurred operating expenses of \$1,168,343 (2015 - \$1,176,467) and capital expenses of \$nil (2015 - \$13,063) have been recorded as capital assets and the related funding has been recorded as deferred capital contributions. The LHIN has setup a payable to the MOHLTC for the remaining balance of \$180. Expenses incurred include the following:

	2016	2015
	\$	\$
Salaries	1,030,567	926,404
Operating expenses	137,776	250,063
Total	1,168,343	1,176,467

11. General and administrative expenses

The statement of operations presents the expenses by function; the following classifies general and administrative expenses by object:

	2016	2015
	\$	\$
Salaries and benefits	3,609,224	3,533,796
Occupancy	265,928	254,419
Amortization	32,826	111,406
Shared services	371,522	382,520
LHIN Collaborative	46,857	50,929
Public relations	68,182	52,295
Consulting and project expenses	44,766	23,875
Supplies	20,987	17,840
Board chair per diem	46,536	43,225
Board member per diem	74,271	62,246
Board member expenses	47,062	62,933
Mail, courier and telecommunications	43,255	58,845
Other	379,207	330,805
	5,050,623	4,985,134

12. Pension agreements

The LHIN makes contributions to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 44 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2016 was \$387,615 (2015 - \$378,658) for current service costs and is included as an expense in the statement of operations. The last annual funding valuation was completed for the plan as at December 31, 2015. As at that time, the plan was fully funded.

South West Local Health Integration Network

Notes to the financial statements

March 31, 2016

13. Guarantees

The LHIN is subject to the provisions of the Financial Administration Act. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favor of third parties, except in accordance with the Financial Administration Act and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the Local Health System Integration Act, 2006 and in accordance with s.28 of the Financial Administration Act.

Toronto Central LHIN

May 18, 2016

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Management's Responsibility for the Financial Statements

Toronto Central Local Health Integration Network (the "LHIN"), a crown agency, is dedicated to the highest standards of integrity in its business. To safeguard the LHIN's assets and assure the reliability of financial information, the LHIN follows sound management practices and procedures, and maintains appropriate information systems and internal financial controls.

The integrity and objectivity of the accompanying financial statements of the LHIN is the responsibility of management. These financial statements have been prepared in compliance with legislation and in accordance with Generally Accepted Accounting Principles (GAAP) and under Public Sector Accounting Board (PSAB).

Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for the preparation of the financial statements. These systems are monitored and evaluated by management, the Audit Committee and Board of Directors.

Management meets with the external auditors and the Board of Directors to review the financial statements and discuss any significant financial reporting or internal control matters prior to approval of the financial statements.

The financial statements have been audited by Deloitte & Touche LP, independent external auditors appointed by the Board of Directors.



Susan Fitzpatrick

Chief Executive Officer



Raj Krishnapillai

Senior Director, Finance, Corporate &
Shared Services (Chief Financial Officer)



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Independent Auditor's Report

To the Members of the Board of Directors of the
Toronto Central Local Health Integration Network

We have audited the accompanying financial statements of the Toronto Central Local Health Integration Network (the "LHIN"), which comprise the statement of financial position as at March 31, 2016, and the statements of operations, change in net debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the LHIN as at March 31, 2016, and the results of its operations, change in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants
Licensed Public Accountants
May 30, 2016

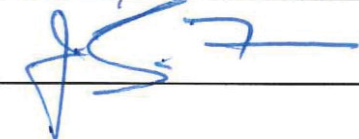
Toronto Central Local Health Integration Network

Statement of financial position
as at March 31, 2016

	2016	2015
	\$	\$
Financial assets		
Cash	1,416,307	1,011,834
Due from Local Health Integration Networks ("LHINs") (Note 3)	79,564	132,107
Due from Ministry of Health and Long-Term Care ("MOHLTC") regarding HSP transfer payments	18,030,794	34,279,012
Harmonized Sales Tax receivable	301,196	453,182
	19,827,861	35,876,135
Liabilities		
Accounts payable and accrued liabilities	1,896,288	1,666,185
Due to HSPs	18,030,794	34,279,012
Due to MOHLTC (Note 4b)	4,707	2,807
Deferred capital contributions (Note 5)	1,514,992	2,213,523
	21,446,781	38,161,527
Net debt	(1,618,920)	(2,285,392)
Commitments (Note 15)		
Non-financial assets		
Prepaid expenses	103,928	71,869
Tangible capital assets (Note 6)	1,514,992	2,213,523
	1,618,920	2,285,392
Accumulated surplus	-	-

Approved by the Board

 Director

 Director

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

Toronto Central Local Health Integration Network

Statement of operations year ended March 31, 2016

	Budget (Note 7)	2016 Actual	2015 Actual
	\$	\$	\$
Revenue			
Ministry of Health and Long-Term Care ("MOHLTC") funding	5,535,121	5,535,121	5,256,532
Ministry of Health and Long-Term Care ("MOHLTC") funding to LHINC	670,000	792,000	670,000
MOHLTC Funding to LHIN Shared Services Offices ("LSSO")			-
Health Service Provider ("HSP") transfer payments (Note 8)	4,761,002,833	4,799,105,830	4,761,002,833
Project Initiatives (Note 9)			
Enabling Technologies (Note 3)	510,000	440,000	510,000
Emergency Department ("ED") Lead	75,000	75,000	75,000
Aboriginal Health Transition Planning	20,000	20,000	20,000
Emergency Room and Alternate Level of Care ("ER/ALC")	100,000	100,000	100,000
Critical Care ("CC") Lead	75,000	75,000	75,000
Resources Matching Referrals Leads	125,000	125,000	370,000
French Language Health Services ("FLHS")	106,000	106,000	106,000
French Planning Entities	568,713	568,713	568,713
Primary Care Lead	75,000	75,000	75,000
Diabetes Regional Coordination Centre	1,106,715	1,106,715	1,129,301
Pan and Parapan Am Games	207,249	207,249	414,498
Emergency Management Communication Tool ("EMCT")	500,000	500,000	800,000
Amortization of deferred capital contributions (Note 5)	1,379,579	1,280,484	1,379,579
Amounts recovered/recoverable from the LHINs to LHINC	709,000	617,500	662,071
Amounts recovered/recoverable from the LHINs to LSSO	5,663,296	4,379,679	4,382,157
	4,778,428,506	4,815,109,291	4,777,596,684
Funding repayable to the MOHLTC related to operations (Note 4a)	-	(1,900)	(2,807)
	4,778,428,506	4,815,107,391	4,777,593,877
Expenses			
Transfer payments to HSPs (Note 8)	4,761,002,833	4,799,105,830	4,761,002,833
General and administrative (Note 10)	5,739,463	5,849,492	5,458,067
LHIN Shared Services Office (Note 11)	6,703,304	5,276,278	5,422,165
LHIN Collaborative (Note 12)	1,514,229	1,477,114	1,467,300
Project Initiatives (Note 9)			
Enabling Technologies	510,000	440,000	510,000
Emergency Department ("ED") Lead	75,000	75,000	75,000
Aboriginal Health Transition Planning	20,000	20,000	20,000
Emergency Room and Alternate Level of Care ("ER/ALC")	100,000	100,000	100,000
Critical Care ("CC") Lead	75,000	75,000	75,000
Resources Matching Referrals Leads	125,000	125,000	370,000
French Language Health Services ("FLHS")	106,000	106,000	106,000
French Planning Entities	568,713	568,713	568,713
Primary Care Lead	75,000	75,000	75,000
Diabetes Regional Coordination Centre	1,106,715	1,106,715	1,129,301
Pan and Parapan Am Games	207,249	207,249	414,498
Emergency Management Communication Tool ("EMCT")	500,000	500,000	800,000
	4,778,428,506	4,815,107,391	4,777,593,877
Annual surplus and accumulated surplus, end of year	-	-	-

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

Toronto Central Local Health Integration Network

Statement of change in net debt year ended March 31, 2016

	2016	2015
	\$	\$
Annual surplus	-	-
Acquisition of tangible capital assets	(581,953)	(1,090,044)
Amortization of tangible capital assets	1,280,484	1,379,579
Acquisition of prepaid expenses	(103,928)	(71,869)
Use of prepaid expenses	71,869	75,150
Decrease in net debt	666,472	292,816
Net debt, beginning of year	(2,285,392)	(2,578,208)
Net debt, end of year	(1,618,920)	(2,285,392)

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

Toronto Central Local Health Integration Network

Statement of cash flows year ended March 31, 2016

	2016	2015
	\$	\$
Operating transactions		
Annual surplus	-	-
Less: items not affecting cash		
Amortization of tangible capital assets	1,280,484	1,379,579
Amortization of deferred capital contributions (Note 5)	(1,280,484)	(1,379,579)
	-	-
Changes in non-cash operating items		
Due from LHINs	52,543	(111,420)
Harmonized Sales Tax receivable	151,986	113,189
Due from MOHLTC regarding		
HSP transfer payments	16,248,218	6,546,403
Accounts payable and accrued liabilities	230,103	(303,102)
Due to HSPs	(16,248,218)	(6,546,403)
Due to MOHLTC	1,900	(10,800)
Prepaid expenses	(32,059)	3,281
	404,473	(308,852)
Capital transaction		
Acquisition of tangible capital assets	(581,953)	(1,090,044)
Financing transaction		
Increase in deferred capital contributions (Note 5)	581,953	1,090,044
Net change in cash	404,473	(308,852)
Cash, beginning of year	1,011,834	1,320,686
Cash, end of year	1,416,307	1,011,834

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

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2016

1. Description of business

The Toronto Central Local Health Integration Network was incorporated by Letters Patent on June 2, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the Local Health System Integration Act, 2006 (the "Act") as the Toronto Central Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The LHIN has also entered into an Accountability Agreement with the Ministry of Health and Long Term Care ("MOHLTC"), which provides the framework for LHIN accountabilities and activities.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers the City of Toronto. The LHIN enters into service accountability agreements with service providers.

The LHIN is funded by the Province of Ontario in accordance with the Ministry-LHIN Performance Agreement ("MLPA"). These financial statements reflect the terms of the MLPA related to this funding.

The LHIN assumed responsibility to authorize transfer payments to HSPs, effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account. Commencing April 1, 2007, all funding payments to LHIN managed HSPs in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized HSPs are expensed in the LHIN's financial statements for the year ended March 31, 2016.

The LHIN financial statements do not include any MOHLTC managed programs.

The LHIN is also funded for the Diabetes Regional Coordination Centre ("RCC") program in accordance with the Ministry-LHIN Performance Agreement. The operational mandate, functions and funding for delivery of the RCC Program were transferred to the LHIN in the 2012/13 fiscal year.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian public sector accounting standards. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of tangible capital assets.

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2016

2. Significant accounting policies (continued)

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at period end.

Deferred capital contributions

Any amounts received that are used to fund expenditures that are recorded as tangible capital assets, are initially recorded as deferred capital contributions and are recognized as revenue over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the Statement of operations, is in accordance with the amortization policy applied to the related capital asset recorded.

Tangible capital assets

Tangible capital assets are recorded at historic cost. Historic cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of tangible capital assets. The cost of tangible capital assets contributed is recorded at the estimated fair value on date of contribution. Fair value of contributed tangible capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the tangible capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a tangible capital asset are capitalized. Computer software is recognized as an expense when incurred.

Tangible capital assets are stated at cost less accumulated amortization. Tangible capital assets are amortized over their estimated useful lives as follows:

Office furniture and fixtures	5 years straight-line method
Computer equipment	3 years straight-line method
Leasehold improvements	Life of lease straight-line method

For assets acquired or brought into use during the year, amortization is calculated for a full year.

Segmented financial reporting

The financial statements of the LHIN include the accounts of the LHIN Shared Services Office (the "LSSO") and LHIN Collaborative (the "LHINC") which are its divisions. Separate schedules of LSSO and LHINC financial position and financial activities are presented in the attached schedules to the financial statements.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimate and assumptions include valuation of accrued liabilities and useful lives of the tangible capital assets. Actual results could differ from those estimates.

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2016

3. Related party transactions

The LHIN Shared Services Office (the "LSSO") is a division of the Toronto Central LHIN and is subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO, on behalf of the LHINs is responsible for providing services to all LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHINs at year end are recorded as a receivable (payable) to (from) the LSSO. This is all done pursuant to the Shared Service Agreement the LSSO has with all the LHINs.

The LHIN Collaborative (the "LHINC") is a division of the Toronto Central LHIN and is subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LHINC is responsible for providing advice to all LHINs in the areas of planning integration and community engagement, allocation methodologies, accountability performance and system alignment and co-ordination. Any portion of the LHINC operating costs overpaid (or not paid) by the LHIN at the year-end are recorded as a receivable (payable) to (from) the LHINC. This is all done pursuant to the LHINC Agreement the LHINC has with all the LHINs.

Enabling Technologies for Integrated Project Management Office

Effective April 1, 2013, the LHIN entered into an agreement with the Central, Central West, Central East, Mississauga Halton and North Simcoe Muskoka LHINs (the "Cluster") in order to enable the effective and efficient delivery of e-health programs and initiatives within the geographic area of the Cluster.

Under the agreement, decisions related to the financial and operating activities of the Enabling Technologies for Integration Project Management Office are shared. No LHIN is in a position to exercise unilateral control.

The LHIN's financial statement reflects its share of the MOHLTC funding for Enabling Technologies for Integration Project Management Offices for its Cluster and related expenses. During the year, the LHIN received MOHLTC funding through the Central West LHIN of \$440,000 (2015 - \$510,000).

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2016

4. Funding repayable to the MOHLTC

In accordance with the MLPA and the Transfer Payment Agreement ("TPA"), the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

- a) The amount repayable to the MOHLTC related to the current activities is made up of the following components:

			2016	2015
	Funding received	Eligible expenses	Excess funding	Excess funding
	\$	\$	\$	\$
Transfer payments to HSPs	4,799,105,830	4,799,105,830	-	-
LHIN operations	5,851,392	5,849,492	1,900	2,807
LHINC	792,000	792,000	-	-
E-Health	440,000	440,000	-	-
ED Lead	75,000	75,000	-	-
Aboriginal Health Transition Planning	20,000	20,000	-	-
ER/ALC	100,000	100,000	-	-
Critical Care Lead	75,000	75,000	-	-
ALC Resources Matching	125,000	125,000	-	-
FLHS	106,000	106,000	-	-
French Planning Entities	568,713	568,713	-	-
Primary Care lead	75,000	75,000	-	-
Diabetes RCC	1,106,715	1,106,715	-	-
Pan and Parapan Am Games	207,249	207,249	-	-
EMCT	500,000	500,000	-	-
	4,809,147,899	4,809,145,999	1,900	2,807

During the year, the LHIN was provided net funding of \$568,713 (Note 9) (2015 - \$568,713) from the MOHLTC for the French Planning Entities which was flowed directly to "Entité de planification pour les services de santé en français de Toronto Centre".

- b) The amount due to the MOHLTC related to current activities at March 31 is made up as follows:

	2016	2015
	\$	\$
Due to MOHLTC, beginning of year	(2,807)	(13,607)
MOHLTC payment	-	13,607
Funding repayable to the MOHLTC related to current year activities (Note 4a)	(1,900)	(2,807)
Due to MOHLTC, end of year	(4,707)	(2,807)

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2016

5. Deferred capital contributions

	2016	2015
	\$	\$
Balance, beginning of year	2,213,523	2,503,058
Capital contributions received during the year	581,953	1,090,044
Amortization for the year	(1,280,484)	(1,379,579)
Balance, end of year	1,514,992	2,213,523

6. Tangible capital assets

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office furniture and fixtures	560,463	450,952	109,511	171,266
Computer equipment	6,786,290	5,380,809	1,405,481	1,872,336
Leasehold improvements	2,032,454	2,032,454	-	169,921
	9,379,207	7,864,215	1,514,992	2,213,523

7. Budget figures

The budget figures reported in the Statement of operations reflect the initial budget at April 1, 2015. The figures have been reported for the purposes of these statements to comply with PSAB reporting requirements. Budget amount for amortization is included for comparison purposes.

The following reflects the adjustments for the LHIN during the year:

	\$
Initial HSP Funding budget	4,761,002,833
Adjustment due to announcements made during the year	38,102,997
Total HSP Funding	4,799,105,830

The total HSP funding is \$4,799,105,830.

TC LHIN operating budget, excluding HSP Funding is \$9,003,798.

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2016

8. Transfer payments to HSPs

The LHIN has authorization to allocate funding of \$4,799,105,830 (2015 - \$4,761,002,833) to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors in fiscal 2015-2016 as follows:

	2016	2015
	\$	\$
Operation of hospitals	3,580,546,410	3,584,903,808
Long-term care homes	274,101,551	267,424,716
Community care access centre	250,907,414	244,702,630
Community support services	104,091,661	93,459,523
Assisted living services in supportive housing	57,894,669	53,669,470
Community health centres	93,491,259	91,699,161
Community mental health addictions program	138,782,566	127,118,591
Addictions program	38,299,857	37,861,791
Specialty psychiatric hospital	260,990,443	260,163,143
	4,799,105,830	4,761,002,833

9. Operations of LHIN - Project Initiatives

The LHIN received funds for various initiatives listed in the Statement of operations. The following table classifies the initiatives expenses by object:

	2016	2015
	\$	\$
Salaries and benefits	2,287,025	3,102,353
Professional services	158,180	197,164
Funding transferred (Note 4)	568,713	568,713
Other	384,759	375,282
	3,398,677	4,243,512

Diabetes Regional Coordination Centre operational expenses included in the project fund expenses above are as follows:

	Actual 2016	Actual 2015
	\$	\$
Salaries and benefits	930,944	954,043
Others	175,771	175,258
	1,106,715	1,129,301

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2016

10. General and administrative expenses

The Statement of operations presents the expenses by function; the following classifies general and administrative expenses:

	2016	2015
	\$	\$
Salaries and benefits	4,239,667	3,954,564
Occupancy	387,313	263,686
Amortization	316,271	204,342
Shared services	235,978	317,718
LHINC	47,500	50,929
Consulting services	206,106	77,246
Translation services	48,371	55,390
Professional services	15,560	15,900
Supplies	45,398	48,865
Computer expenses	27,397	144,955
Governance	56,884	39,346
Mail, courier and telecommunications	33,099	42,131
Other	189,948	242,995
	5,849,492	5,458,067

The following lists the Board Chair and Directors per diem costs as well as their travel and development expenses, which are included in governance expense in the general and administrative expenses above.

		2016	2015
	Budget	Actual	Actual
	\$	\$	\$
Board Chair per diem cost	36,408	17,675	15,050
Directors per diem cost	61,677	38,375	23,950
Board travel and development expenses	1,915	834	346
	100,000	56,884	39,346

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2016

11. LHIN Shared Services Office

The following presents the financial position and financial activities, by object, of the LHIN Shared Services Office (LSSO) for the year:

LHIN Shared Services Office Statement of financial position as at March 31, 2016

	2016	2015
	\$	\$
Financial assets		
Cash	543,202	326,821
Due from LHINs	70,118	132,107
Harmonized Sales Tax receivable	172,071	235,921
	785,391	694,849
Liabilities		
Accounts payable and accrued liabilities	863,577	649,741
Due to TC LHIN*	10,109	96,153
Deferred capital contributions	1,087,211	1,401,857
	1,960,897	2,147,751
Net debt	1,175,506	1,452,902
Non-financial assets		
Prepaid expenses	88,295	51,045
Tangible capital assets	1,087,211	1,401,857
	1,175,506	1,452,902
Accumulated surplus	-	-

* Amounts due to/from TC LHIN and LHINC are eliminated upon combination.

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2016

11. LHIN Shared Services Office (continued)

LHIN Shared Services Office Statement of financial activities year ended March 31, 2016

		2016	2015
	Budget	Actual	Actual
	\$	\$	\$
Revenue			
Amounts recovered/recoverable from the LHINs	5,663,296	4,761,343	4,783,818
Amortization of deferred capital contributions	1,040,008	896,599	1,040,008
	6,703,304	5,657,942	5,823,826
Expenses**			
Salaries	1,821,346	1,501,996	1,603,744
Benefits	375,643	287,247	299,551
Supplies	29,314	28,266	29,164
Telecommunications	19,055	10,479	11,357
Recruitment and staff development	10,623	36,884	20,040
Consulting fees	8,000	21,275	21,244
Professional services	23,500	20,580	21,970
Meeting expenses	7,479	1,114	1,582
Amortization	1,040,008	896,599	1,040,008
Occupancy	184,185	145,620	167,812
Other	35,715	31,432	20,530
Outsourcing services and computer expense	3,148,436	2,676,450	2,586,824
Total common LHIN services expenses	6,703,304	5,657,942	5,823,826
Less: inter-entity transactions eliminated on combination***	-	(381,664)	(401,661)
	6,703,304	5,276,278	5,422,165

** Included in total expenses above are \$755,297 (2015 - \$750,151) related to legal department expenses, of which \$658,794 (2015 - \$637,313) are salaries and benefits expenses.

*** Included in total expenses above are \$381,664 (2015 - \$401,661) related to inter-entity transactions and are eliminated upon combination.

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2016

12. LHIN Collaborative

The following presents the financial position and financial activities, by object, of the LHIN Collaborative (LHINC) for the year:

LHIN Collaborative Statement of financial position as at March 31, 2016

	2016	2015
	\$	\$
Financial assets		
Cash	90,893	188,446
Harmonized Sales Tax receivable	578	1,055
	91,471	189,501
Liabilities		
Accounts payable and accrued liabilities	87,323	46,229
Due to TC LHIN*	5,051	149,596
Deferred capital contributions	-	67,614
	92,374	263,439
Net debt	903	73,938
Non-financial assets		
Prepaid expenses	903	6,324
Tangible capital assets	-	67,614
	903	73,938
Accumulated surplus	-	-

* Amounts to TC LHIN are eliminated upon combination.

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2016

12. LHIN Collaborative (continued)

LHIN Collaborative Statement of financial activities year ended March 31, 2016

		2016	2015
	Budget	Actual	Actual
	\$	\$	\$
Revenue			
Amounts recovered/recoverable from the LHINs	709,000	665,000	713,000
MOHLTC funding	670,000	792,000	670,000
Amortization of deferred capital contributions	135,229	67,614	135,229
	1,514,229	1,524,614	1,518,229
Funding repayable to the MOHLTC related to operations	-	-	-
	1,514,229	1,524,614	1,518,229
Expenses**			
Salaries	932,452	1,038,056	984,087
Benefits	189,633	201,543	197,613
Supplies	17,456	11,157	5,292
Telecommunications	10,283	7,638	8,589
Recruitment and staff developments	17,474	10,370	5,231
Computer expense	7,596	8,356	3,696
Consulting fees	32,885	27,871	8,871
Meeting expenses	13,826	5,271	7,547
Amortization	135,229	67,614	135,229
Occupancy	95,044	94,406	111,454
Other	17,951	7,932	6,220
Shared services	44,400	44,400	44,400
	1,514,229	1,524,614	1,518,229
Less: inter-entity transactions eliminated on combination	-	(47,500)	(50,929)
	-	1,477,114	1,467,300

** Included in total expenses above are \$47,500 (2015 - \$50,929) in inter-entity transactions that are eliminated upon combination.

MOHLTC funding of \$30,000 (2015 - \$30,000) was attributed to the Provincial End-of-Life Network.
MOHLTC funding of \$122,000 (2015 - nil) was attributed to the Personal Support Service Initiative.

13. Pension agreements

The LHIN makes contributions to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 62 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2016 was \$598,304 (2015 - \$616,320) for current service costs and is included as an expense in the Statement of operations. The last actuarial valuation was completed for the plan as of December 31, 2015. At that time, the plan was fully funded.

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2016

14. Guarantees

The LHIN is subject to the provisions of the Financial Administration Act. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the Financial Administration Act and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the Local Health System Integration Act, 2006 and in accordance with s. 28 of the Financial Administration Act.

15. Commitments

The LHIN has commitments under various operating leases related to building and equipment. Lease renewals are likely. Minimum lease payments due over the remaining term of existing leases is as follows:

	\$
2017	690,158
2018	726,478
2019	755,250
2020	763,749
2021	386,059
	3,321,694

The LHIN also has funding commitments to some HSPs associated with accountability agreements for fiscal 2016 and 2017. The actual amounts, which will ultimately be paid, are contingent upon actual LHIN funding received from the MOHLTC.

Combined statement of financial position and operations by division - Schedule 1
as at March 31, 2016

operations by division - Schedule 1	2016	2015	2016	2015	2016	2015	2016	2015
	Toronto Central	Shared Services Office	Collaborative	Total	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$
Financial assets								
Cash	782,212	496,567	543,202	326,821	90,893	188,446	1,416,307	1,011,834
Due from LSSO/LHINC/TC LHIN*	15,160	245,749	-	-	-	-	15,160	245,749
Due from Local Health Integration Networks ("LHINs")	9,446	-	70,118	132,107	-	-	79,564	132,107
Due from MOHL TC regarding HSP transfer payments	18,030,794	34,279,012	-	-	-	-	18,030,794	34,279,012
Harmonized Sales Tax receivable	128,547	216,206	172,071	235,921	578	1,055	301,196	453,182
	18,966,159	35,237,534	785,391	694,849	91,471	189,501	19,843,021	36,121,884
Liabilities								
Accounts payable and accrued liabilities	945,388	970,215	863,577	649,741	87,323	46,229	1,896,288	1,666,185
Due to LSSO/LHINC/TC LHIN*	-	-	10,109	96,153	5,051	149,596	15,160	245,749
Due to HSPs	18,030,794	34,279,012	-	-	-	-	18,030,794	34,279,012
Deferred capital contributions	427,781	744,052	1,087,211	1,401,857	-	67,614	1,514,992	2,213,523
Due to Ministry of Health and Long-Term Care ("MOHL TC")	4,707	2,807	-	-	-	-	4,707	2,807
	19,408,670	35,996,086	1,960,897	2,147,751	92,374	263,439	21,461,941	38,407,276
Net debt	442,511	758,552	1,175,506	1,452,902	903	73,938	1,618,920	2,285,392
Non-financial assets								
Prepaid expenses	14,730	14,500	88,295	51,045	903	6,324	103,928	71,869
Tangible capital assets	427,781	744,052	1,087,211	1,401,857	-	67,614	1,514,992	2,213,523
	442,511	758,552	1,175,506	1,452,902	903	73,938	1,618,920	2,285,392
Accumulated surplus	-	-	-	-	-	-	-	-

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

Toronto Central Local Health Integration Network

Combined statement of financial position and operations by division - Schedule I (continued)
year ended March 31, 2016

Combined statement of financial position and operations by division -												
Schedule I (continued)	2016			2015			2016			2015		
	Toronto Central Operations			Shared Services Office			Collaborative			Total		
	Budget	Actual		Budget	Actual		Budget	Actual		Total		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue												
Amounts recovered/recoverable from the LHINs												
MOHL TC funding	5,535,121	5,535,121	-	5,663,296	4,761,343	4,783,818	709,000	665,000	713,000	5,426,343	5,496,818	
HSP transfer payments (Note 8)	4,761,002,833	4,799,105,830	-	-	-	-	670,000	792,000	670,000	6,327,121	5,926,532	
Enabling Technologies funding (Note 3)	510,000	440,000	-	-	-	-	-	-	-	4,799,105,830	4,761,002,833	
Emergency Department ("ED") Leads (Note 9)	75,000	75,000	-	-	-	-	-	-	-	510,000	510,000	
Aboriginal Health Transition Planning (Note 9)	20,000	20,000	-	-	-	-	-	-	-	75,000	75,000	
Emergency Room and Alternate Level of Care (ER/ALC) (Note 9)	100,000	100,000	-	-	-	-	-	-	-	20,000	20,000	
Critical Care ("CC") Lead (Note 9)	75,000	75,000	-	-	-	-	-	-	-	100,000	100,000	
Resources Matching Referrals (Note 9)	125,000	125,000	-	-	-	-	-	-	-	75,000	75,000	
French Language Health Services (Note 9)	106,000	106,000	-	-	-	-	-	-	-	125,000	370,000	
French Planning Entities (Note 9)	568,713	568,713	-	-	-	-	-	-	-	106,000	106,000	
Primary Care Lead (Note 9)	75,000	75,000	-	-	-	-	-	-	-	568,713	568,713	
Diabetes Regional Coordination Centre (Note 9)	1,106,715	1,106,715	-	-	-	-	-	-	-	75,000	75,000	
Pan and Parapan Am Games (Note 9)	207,249	207,249	-	-	-	-	-	-	-	1,106,715	1,129,301	
Emergency Mgmt Comm Tool (Note 9)	500,000	500,000	-	-	-	-	-	-	-	207,249	414,498	
Amortization of deferred capital contributions (Note 5)	204,342	316,271		1,040,008	896,599	1,040,008	135,229	67,614	135,229	500,000	800,000	
	4,770,210,973	4,808,355,999		6,703,304	5,657,942	5,823,826	1,514,229	1,524,614	1,518,229	4,815,536,455	4,778,049,274	
Funding surplus repayable to the MOHL TC related to operations (Note 4(a))		(1,900)		6,703,304	5,657,942	-	-	1,524,614	-	(1,900)	(2,807)	
	4,770,210,973	4,808,353,999	4,770,704,412	6,703,304	5,657,942	5,823,826	1,514,229	1,524,614	1,518,229	4,815,536,555	4,778,046,467	
Expenses												
General and administrative (Note 10)	5,739,463	5,849,492		-	-	-	-	-	-	5,849,492	5,458,067	
Common LHIN Services* (Note 11)	-	-		6,703,304	5,657,942	5,823,826	-	-	-	5,657,942	5,823,826	
LHIN Collaborative** (Note 12)	-	-		-	-	-	-	-	-	1,524,614	1,518,229	
Transfer payments to HSPs (Note 8)	4,761,002,833	4,799,105,830	4,761,002,833	-	-	-	1,514,229	1,524,614	1,518,229	4,799,105,830	4,761,002,833	
Enabling Technologies (Note 3)	510,000	440,000	510,000	-	-	-	-	-	-	440,000	510,000	
Emergency Department ("ED") Leads (Note 9)	75,000	75,000	75,000	-	-	-	-	-	-	75,000	75,000	
Aboriginal Health Transition Planning (Note 9)	20,000	20,000	20,000	-	-	-	-	-	-	20,000	20,000	
Emergency Room and Alternate Level of Care (ER/ALC) (Note 9)	100,000	100,000	100,000	-	-	-	-	-	-	100,000	100,000	
Critical Care ("CC") Lead (Note 9)	75,000	75,000	75,000	-	-	-	-	-	-	75,000	75,000	
Resources Matching Referrals (Note 9)	125,000	125,000	125,000	-	-	-	-	-	-	125,000	370,000	
French Language Health Services (Note 9)	106,000	106,000	106,000	-	-	-	-	-	-	106,000	106,000	
French Planning Entities (Note 9)	568,713	568,713	568,713	-	-	-	-	-	-	568,713	568,713	
Primary Care Lead (Note 9)	75,000	75,000	75,000	-	-	-	-	-	-	75,000	75,000	
Diabetes Regional Coordination Centre (Note 9)	1,106,715	1,106,715	1,106,715	-	-	-	-	-	-	1,106,715	1,129,301	
Pan and Parapan Am Games (Note 9)	207,249	207,249	207,249	-	-	-	-	-	-	207,249	414,498	
Emergency Mgmt Comm Tool (Note 9)	500,000	500,000	500,000	-	-	-	-	-	-	500,000	800,000	
	4,770,210,973	4,808,353,999	4,770,704,412	6,703,304	5,657,942	5,823,826	1,514,229	1,524,614	1,518,229	4,815,536,555	4,778,046,467	
Annual surplus and accumulated surplus, end of year												
	-	-	-	-	-	-	-	-	-	-	-	-

* These amounts will be adjusted by \$381,664 for Toronto Central LHIN transactions. These numbers reflect LSSO operations on behalf of all 14 LHINs (Note 11).

** These amounts will be adjusted by \$47,500 for Toronto Central LHIN transactions. These numbers reflect LHINC operations on behalf of all 14 LHINs (Note 12).

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

Waterloo Wellington Local Health Integration Network

Management Responsibility Report

The management of Waterloo Wellington Local Health Integration Network (LHIN) is responsible for preparing the accompanying financial statements in conformity with generally accepted accounting principles. In preparing these financial statements, management selects appropriate accounting policies and uses its judgment and best estimates to report events and transactions as they occur. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Financial data included throughout this Annual Report is prepared on a basis consistent with that of the financial statements.

The LHIN maintains a system of internal accounting controls designed to provide reasonable assurance, at a reasonable cost, that assets are safeguarded and that transactions are recorded in accordance with the LHIN's policies for doing business.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control, and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit committee. The Committee meets approximately four times annually to review audited and unaudited financial information. Deloitte & Touche LLP has full and free access to the Audit Committee.

Management acknowledges its responsibility to provide financial information that is representative of the LHIN's operations, is consistent and reliable, and is relevant for the informed evaluation of the LHIN's activities.



Toni Lemon
Interim Chief Executive Officer



Stacey Rous
Director of Performance and Accountability,
Acting Director Finance and Corporate Support



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Independent Auditor's Report

To the Members of the Board of Directors of the
Waterloo Wellington Local Health Integration Network

We have audited the accompanying financial statements of Waterloo Wellington Local Health Integration Network, which comprise the statement of financial position as at March 31, 2016, and the statements of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Waterloo Wellington Local Health Integration Network as at March 31, 2016 and the results of its operations, change in its net debt, and its cash flows for the years then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants
Licensed Public Accountants
June 22, 2016

Waterloo Wellington Local Health Integration Network

Statement of financial position
as at March 31, 2016

	2016	2015
	\$	\$
Financial assets		
Cash	539,555	421,932
Due from Ministry of Health and Long-Term Care (Note 9)	11,436,200	5,546,146
Other receivables	32,924	306,375
	12,008,679	6,274,453
Liabilities		
Accounts payable and accrued liabilities	391,921	542,072
Due to Ministry of Health and Long-Term Care (Note 3b)	194,990	248,355
Due to Health Service Providers ("HSPs") (Note 9)	11,436,200	5,546,146
Due to the Local Health Integration Networks Shared Services Office (Note 4)	16,535	4,308
Deferred capital contributions (Note 5)	199,505	249,620
	12,239,151	6,590,501
Net debt	(230,472)	(316,048)
Commitments (Note 6)		
Non-financial assets		
Prepaid expenses	30,967	66,428
Tangible capital assets (Note 7)	199,505	249,620
	230,472	316,048
Accumulated surplus	-	-

Approved by the Board

_____  _____ Board Chair

_____  _____ Finance and Audit Committee Chair

The accompanying notes to the financial statements are an integral part of this financial statement.

Waterloo Wellington Local Health Integration Network

Statement of operations
year ended March 31, 2016

	Budget (Note 8)	2016 Actual	2015 Actual
	\$	\$	\$
Revenue			
Ministry of Health and Long-Term Care funding Health Service Providers transfer payments (Note 9)	1,024,202,400	1,054,673,430	1,035,139,980
Local Health Integration Network operations - general and administrative	4,198,719	4,238,720	4,107,343
Project Initiatives			
Diabetes Regional Coordination	1,036,138	1,036,138	1,057,284
Enabling Technologies ETI PMO	510,000	510,000	510,000
Emergency Department Lead	75,000	75,000	75,000
Emergency Department/Alternative Levels of Care Lead	100,000	100,000	100,000
Aboriginal Planning	5,000	5,000	5,000
French Language Services	106,000	106,000	106,000
Critical Care Lead	75,000	75,000	75,000
Primary Care Lead	75,000	75,000	75,000
Amortization of deferred capital contributions (Note 5)	-	50,115	94,245
	1,030,383,257	1,060,944,403	1,041,344,852
Funding repayable to Ministry of Health and Long-Term Care (Note 3b)	-	(2,540)	(248,355)
	1,030,383,257	1,060,941,863	1,041,096,497
Expenses			
Transfer payments to Health Service Providers (Note 9)	1,024,202,400	1,054,673,430	1,035,139,980
Local Health Integration Network operations - general and administrative (Note 11)	4,198,719	4,286,295	4,085,542
Project Initiatives (Note 10)			
Diabetes Regional Coordination	1,036,138	1,036,138	985,524
Enabling Technologies ETI PMO	510,000	510,000	454,095
Emergency Department Lead	75,000	75,000	75,000
Emergency Department/Alternative Levels	100,000	100,000	100,000
Aboriginal Planning	5,000	5,000	924
French Language Services	106,000	106,000	105,432
Critical Care Lead	75,000	75,000	75,000
Primary Care Lead	75,000	75,000	75,000
	1,030,383,257	1,060,941,863	1,041,096,497
Annual surplus and accumulated surplus, end of year	-	-	-

The accompanying notes to the financial statements are an integral part of this financial statement.

Waterloo Wellington Local Health Integration Network

Statement of change in net debt
year ended March 31, 2016

	Budget (Note 8)	2016	2015
	\$	\$	\$
Annual surplus	-	-	-
Change in prepaid expenses, net	-	35,461	(33,202)
Acquisition of tangible capital assets	-	-	(91,377)
Amortization of tangible capital assets	50,115	50,115	94,245
Decrease (increase) in net debt	50,115	85,576	(30,334)
Net debt, beginning of year	(316,048)	(316,048)	(285,714)
Net debt, end of year	(265,933)	(230,472)	(316,048)

The accompanying notes to the financial statements are an integral part of this financial statement.

Waterloo Wellington Local Health Integration Network

Statement of cash flows
year ended March 31, 2016

	2016	2015
	\$	\$
Operating activities		
Annual surplus	-	-
Less: items not affecting cash		
Amortization of tangible capital assets	50,115	94,245
Amortization of deferred capital contributions (Note 5)	(50,115)	(94,245)
	-	-
Changes in non-cash operating items		
Due from Ministry of Health and Long-Term Care	(5,890,054)	(3,167,674)
Decrease in other receivables	273,451	(182,285)
Decrease in accounts payable and accrued liabilities	(150,151)	(125,591)
Due to Ministry of Health and Long-Term Care	(53,365)	(86,151)
Due to Health Service Providers ("HSPs")	5,890,054	3,167,674
Due to Local Health Integration Networks		
Shared Services Office	3,458	4,219
Champlain LHIN	8,769	-
Prepaid expenses	35,461	(33,202)
	117,623	(423,010)
Acquisition of tangible capital assets	-	(91,377)
Financing activity		
Capital contributions received (Note 5)	-	91,377
Net decrease in cash	117,623	(423,010)
Cash, beginning of year	421,932	844,942
Cash, end of year	539,555	421,932

The accompanying notes to the financial statements are an integral part of this financial statement.

Waterloo Wellington Local Health Integration Network

Notes to the financial statements

March 31, 2016

1. Description of business

The Waterloo Wellington Local Health Integration Network was incorporated by Letters Patent on June 2, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the *Local Health System Integration Act, 2006* (the "Act") as the Waterloo Wellington Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers all of the County of Wellington, the Region of Waterloo, and the City of Guelph. The LHIN also contains part of Grey County, which is split with the South West and the North Simcoe Muskoka LHINs. The LHIN enters into service accountability agreements with health service providers.

The LHIN is funded by the Province of Ontario in accordance with the Ministry LHIN Performance Agreement ("MLPA"), which describes budget arrangements established by the Ministry of Health and Long-Term Care ("MOHLTC") and provides the framework for the LHIN accountabilities and activities. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to Health Service Providers ("HSPs"), effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSPs' Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account.

Commencing April 1, 2007, all funding payments to LHIN managed HSPs in a LHIN geographic area, have flowed through each LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized HSPs are expensed in each LHIN's financial statements for the year ended March 31, 2016.

The LHIN statements do not include any Ministry managed programs.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian public sector accounting standards. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable. Through the accrual basis of accounting, expenses include non-cash items such as the amortization of tangible capital assets.

Waterloo Wellington Local Health Integration Network

Notes to the financial statements

March 31, 2016

2. Significant accounting policies (continued)

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at period end.

Deferred capital contributions

Any amounts received that are used to fund capital assets, are recorded as deferred capital contributions and are recognized as revenue over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the statement of operations, is in accordance with the amortization policy applied to the related tangible capital asset recorded.

Tangible capital assets

Tangible capital assets are recorded at historic cost. Historic cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of capital assets. The cost of tangible capital assets contributed is recorded at the estimated fair value on date of contribution. Fair value of contributed tangible capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the tangible capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a tangible capital asset are capitalized. Computer software is recognized as an expense when incurred.

Tangible capital assets are stated at cost less accumulated amortization. Tangible capital assets are amortized over their estimated useful lives as follows:

Computer equipment, furniture and fixtures	3 years straight-line method
Leasehold improvements	Life of lease straight-line method
Office equipment	5 years straight-line method

For assets acquired or brought into use during the year, amortization is provided for a full year.

Segment disclosures

A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the statement of operations and within the related notes for both the prior and current year sufficiently disclose information of all appropriate segments and, therefore, no additional disclosure is required.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include valuation of accrued liabilities and useful lives of the tangible capital assets. Actual results could differ from those estimates.

Waterloo Wellington Local Health Integration Network

Notes to the financial statements

March 31, 2016

3. Funding repayable to the MOHLTC

In accordance with the MLPA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

- a) The amount repayable to the MOHLTC related to current year activities is made up of the following components:

			2016	2015
	Funding received	Eligible expenses	Funding excess	Funding excess
	\$	\$	\$	\$
Transfer payments to HSPs	1,054,673,430	1,054,673,430	-	-
LHIN operations	4,288,835	4,286,295	2,540	116,046
Diabetes Regional Coordination Centre	1,036,138	1,036,138	-	71,760
Enabling Technologies	510,000	510,000	-	55,905
Critical Care Lead	75,000	75,000	-	-
Emergency Department Lead	75,000	75,000	-	-
Emergency Department/Alternative Levels of Care Lead	100,000	100,000	-	-
Aboriginal Planning	5,000	5,000	-	4,076
French Language Services	106,000	106,000	-	568
Primary Care Lead	75,000	75,000	-	-
	1,060,944,403	1,060,941,863	2,540	248,355

- b) The amount due to the MOHLTC at March 31 is made up as follows:

	2016	2015
	\$	\$
Due to MOHLTC, beginning of year	248,355	334,506
Paid to MOHLTC during year	-	(334,506)
Paid to South West LHIN for eHealth Surplus (Prior Year)	(55,905)	-
Funding repayable to the MOHLTC related to current year activities (Note 3a)	2,540	248,355
Due to MOHLTC, end of year	194,990	248,355

4. Related party transactions

LHIN Shared Services Office, Local Health Integration Network Collaborative

The LHIN Shared Services Office (the "LSSO") and the Local Health Integration Network Collaborative (the "LHINC") are divisions of the Toronto Central LHIN and are subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO, on behalf of the LHINs is responsible for providing services to all the LHINs. The full costs of providing these services are billed to all the LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHINs at the year end are recorded as a receivable (payable) from (to) the LSSO. This is all done pursuant to the shared service agreement the LSSO has with all the LHINs.

Waterloo Wellington Local Health Integration Network

Notes to the financial statements

March 31, 2016

4. Related party transactions (continued)

The LHINC was formed in fiscal 2011 to strengthen relationships between and among health service providers, associations and the LHINs, and to support system alignment. The purpose of LHINC is to support the LHINs in:

- Fostering engagement of the health service provider community in support of collaborative and successful integration of the health care system;
- Their role as system manager;
- Where appropriate, the consistent implementation of provincial strategy and initiatives;
- The identification and dissemination of best practices.

LHINC is a LHIN-led organization and accountable to the LHINs. LHINC is funded by the LHINs with support from the MOHLTC.

Enabling Technologies for Integrated Project Management Office

Effective January 31, 2014, the LHIN entered into an agreement with Erie St. Clair, Hamilton Niagara Haldimand Brant and South West (the "Cluster") in order to enable the effective and efficient delivery of e-health programs and initiatives within the geographic area of the Cluster. Under the agreement, decisions related to the financial and operating activities of the Enabling Technologies for Integration Project Management Office are shared. No LHIN is in a position to exercise unilateral control.

The MOHLTC provided the South West LHIN with \$2,040,000 (2015 - \$2,040,000) related to Enabling Technologies initiatives. The South West LHIN flowed \$510,000 (2015 - \$510,000) of the funding to the Waterloo Wellington LHIN.

5. Deferred capital contributions

	2016	2015
	\$	\$
Balance, beginning of year	249,620	252,488
Capital contributions received during the year	-	91,377
Amortization for the year	(50,115)	(94,245)
	199,505	249,620

6. Commitments

The LHIN has commitments under various operating leases and maintenance contracts related to building, software and equipment. Lease renewals are likely. Minimum lease payments due in each of the next five years are as follows:

	\$
2017	311,380
2018	311,380
2019	311,380
2020	77,845
2021	-
Thereafter	-

The LHIN also has funding commitments to HSPs associated with accountability agreements. The actual amounts which will ultimately be paid are contingent upon actual LHIN funding received from the MOHLTC.

Waterloo Wellington Local Health Integration Network

Notes to the financial statements

March 31, 2016

7. Tangible capital assets

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office equipment, furniture and fixtures	362,261	352,024	10,237	14,965
Computer equipment	85,467	84,350	1,117	2,234
Leasehold improvements	358,651	170,500	188,151	232,421
	806,379	606,874	199,505	249,620

8. Budget figures

The budget figures reported in the statement of operations reflect the initial budget at April 1, 2015 as approved by the LHIN Board. The figures have been reported for the purposes of these statements to comply with PSAB reporting requirements. During the year the government approved budget adjustments. The following reflects the adjustments for the LHIN during the year:

The final HSP funding budget of \$1,054,673,430 is derived as follows:

	\$
Initial budget	1,024,202,400
Additional funding received during the year	30,471,030
Final budget	1,054,673,430

The final LHIN general and administrative and specific initiatives budget of \$ 6,321,088 is derived as follows:

	\$
Initial budget	6,180,857
Additional funding received during the year	140,231
Amount treated as capital contributions made during the year	
Final budget	6,321,088

Waterloo Wellington Local Health Integration Network

Notes to the financial statements

March 31, 2016

9. Transfer payments to HSPs

During the year, the LHIN was authorized to allocate funding of \$1,054,673,430 (2015 - \$1,035,139,980) to the various HSPs in its geographic area. Actual transfer payments to the various sectors in fiscal 2016 as follows:

	2016	2015
	\$	\$
Operations of hospitals	582,067,918	591,089,080
Grants to compensate for municipal taxation - public hospitals	159,225	159,225
Long-term care homes	188,499,088	178,940,392
Community care access centre	143,693,475	130,112,449
Community support services	28,302,607	27,176,605
Assisted living services in supportive housing	6,471,004	6,013,278
Community health centres	21,353,059	21,393,493
Community mental health programs	42,203,639	38,641,303
Specialty psychiatric hospitals	30,642,050	30,642,050
Addictions programs	11,281,365	10,972,105
Health infrastructure renewal fund		-
	1,054,673,430	1,035,139,980

The LHIN receives funding from the MOHLTC and in turn allocates it to the HSPs. As at March 31, 2016, an amount of \$11,436,200 (2015 - \$5,546,146) was receivable from the MOHLTC and payable to HSPs. These amounts have been reflected as revenue and expenses in the statement of operations and are included in the table above.

10. Project Initiatives

Separate funding amounts were received by the LHIN from MOHLTC for specific project initiatives. These revenues and the associated expenses are classified by initiative in the Statement of operations. The following table classifies the initiative expenses by object:

	2016	2015
	\$	\$
Salaries, benefits, and consulting services	1,703,878	1,664,776
Occupancy	90,503	74,338
Shared services	126,049	120,008
Public relations	19,793	1,410
Mail, courier, and telecommunications	11,465	5,042
Other	30,450	5,401
	1,982,138	1,870,975

Waterloo Wellington Local Health Integration Network

Notes to the financial statements

March 31, 2016

10. Project Initiatives (continued)

Diabetes strategy operational expenses included in the project initiative expenses above are as follows:

	2016	2015
	\$	\$
Salaries and benefits	855,773	857,288
Other expenses	180,365	128,236
One-time expense	-	-
	1,036,138	985,524

11. LHIN operations - general and administrative expenses

The statement of operations presents expenses by function. The following classifies general and administrative expenses by object:

	2016	2015
	\$	\$
Salaries and benefits	3,150,000	2,579,361
Occupancy	201,790	215,822
Amortization	50,115	94,245
Shared Services	255,615	283,655
LHIN Collaborative	47,500	47,500
Public relations	47,660	129,647
Consulting services	129,368	271,347
Supplies	34,366	67,888
Board Chair per diems	68,950	65,975
All other board members' per diems	34,033	26,550
Other governance costs	63,072	53,023
Mail, courier and telecommunications	33,057	44,148
Other	170,769	206,381
	4,286,295	4,085,542

12. Pension agreements

The LHIN makes contributions to the Hospitals of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 35 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2016 was \$352,614 (2015 - \$299,130) for current service costs and is included as an expense in the statement of operations. The last actuarial valuation was completed for the plan on December 31, 2015. At that time, the plan was fully funded.

13. Guarantees

The LHIN is subject to the provision of the *Financial Administration Act*. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the *Financial Administration Act* and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the *Local Health System Integration Act, 2006* and in accordance with s. 28 of the *Financial Administration Act*.

Metrolinx

June 29, 2016

Management's Responsibility for Financial Information

Metrolinx Management and the Board of Directors are responsible for the financial statements and all other information presented in these financial statements. The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Where appropriate, the financial statements include amounts based on management's best estimates and judgements.

Management has developed and maintains financial and management controls, information systems and management practices to provide reasonable assurance of the reliability of financial information. Internal audits are conducted to assess management systems and practices, and reports are issued to the Audit Committee of the Board.

The Metrolinx Board of Directors, through the Audit Committee, assures that management fulfills its responsibilities for financial information and internal control. This Committee reviews the financial statements and the external auditors' report.

The financial statements have been examined by PricewaterhouseCoopers LLP, Metrolinx's appointed external auditor. The external auditor's responsibility is to express an opinion based on their audits. The audits are conducted in accordance with Canadian generally accepted auditing standards. The Auditor's Report outlines the scope of the Auditor's examination and opinion.

For the fiscal year ended March 31, 2016, Metrolinx's Board of Directors, through the Audit Committee, was responsible for assuring that management fulfilled its responsibilities for financial reporting and internal control. The Committee meets regularly with management, the internal auditor and PricewaterhouseCoopers LLP to satisfy itself that each group has discharged its respective responsibility. The Committee reviews the financial statements before recommending approval by the Board of Directors. PricewaterhouseCoopers LLP had direct and full access to the Audit Committee, with and without the presence of management, to discuss their audit and their findings as to the integrity of Metrolinx's financial reporting and the effectiveness of the system of internal controls.



Bruce McCuaig
President and Chief Executive Officer



Robert Siddall, CPA, CA
Chief Financial Officer



June 29, 2016

Independent Auditor's Report

To the Board of Directors of Metrolinx

We have audited the accompanying financial statements of Metrolinx, which comprise the statement of financial position as at March 31, 2016, and the statements of operations, changes in net assets, remeasurement gains and losses, and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215*

PwC refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Metrolinx as at March 31, 2016, the results of its operations, its remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other matters

The financial statements of Metrolinx for the year ended March 31, 2015, were audited by another firm of Professional Chartered Accountants who expressed an unqualified opinion on those financial statements on June 25, 2015.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Metrolinx**Statement of Financial Position****As at March 31, 2016**

(in thousands of dollars)

	2016 \$	2015 \$
Assets		
Current assets		
Cash and cash equivalents (note 5)	459,347	304,444
Restricted cash (note 6)	14,004	46,667
Accounts receivable (note 8)	78,168	154,156
Contributions due from Province of Ontario	-	156,743
Contributions due from Government of Canada	57,386	40,885
Spare parts and supplies	11,916	8,335
Prepaid expenses	16,319	18,592
	<u>637,140</u>	<u>729,822</u>
Accounts receivable - long-term (note 8)	74,787	-
Contributions due from Province of Ontario - long-term (note 11)	944,550	48,368
Capital assets (note 7)	13,910,393	11,570,895
Deposits on land (note 9)	111,153	121,389
Advances on capital projects (note 9)	183,073	213,458
Long-term lease (note 10)	27,553	27,880
	<u>15,888,649</u>	<u>12,711,812</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	595,519	616,305
Presto Farecard E-Purse (note 5)	34,645	29,024
Advance from Province of Ontario (note 6)	14,004	46,667
Due to Province of Ontario	29,932	-
	<u>674,100</u>	<u>691,996</u>
Long-term payable (note 11)	944,550	48,368
Deferred capital contributions (note 12)	11,854,540	9,734,686
Pension plan top-up benefits payable (note 14)	61,433	56,741
Other employee future benefits payable (note 15)	117,457	105,411
	<u>13,652,080</u>	<u>10,637,202</u>
Net Assets		
Invested in capital assets (note 16)	2,350,079	2,171,056
Invested in long-term lease	27,553	27,880
Internally restricted (note 17)	26,332	26,332
Deficiency of net assets	(167,395)	(150,658)
	<u>2,236,569</u>	<u>2,074,610</u>
	<u>15,888,649</u>	<u>12,711,812</u>
Economic dependence (note 2)		
Commitments (note 18)		
Contingencies (note 19)		

Approved by the Board of Directors*J. Robert S. Rich*

Director

B. Davis

Director

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

Metrolinx

Statement of Operations

For the year ended March 31, 2016

(in thousands of dollars)

	2016 \$	2015 \$
Revenue		
Operating revenue	521,311	469,965
Contribution from the Province of Ontario	233,829	190,440
Investment income	3,487	4,771
Amortization of deferred capital contributions (note 12)	453,057	350,331
	<u>1,211,684</u>	<u>1,015,507</u>
Expenses		
Supplies and services	81,468	50,971
Equipment maintenance	90,847	77,850
Facilities and track	107,519	95,648
Labour and benefits	273,342	248,427
Rail and bus operations	222,918	218,789
Amortization of capital assets	456,685	352,125
Amortization of long term lease	327	327
Loss (gain) on disposal of capital assets	72	(10,817)
	<u>1,233,178</u>	<u>1,033,320</u>
Excess of expenses over revenue	<u>(21,494)</u>	<u>(17,813)</u>

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

Metrolinx**Statement of Changes in Net Assets****For the year ended March 31, 2016**

(in thousands of dollars)

	2016				2015	
	Invested in capital assets \$ (note 16)	Invested in long- term lease \$	Internally restricted net assets \$ (note 17)	Deficiency \$	Total \$	Total \$
Balance - Beginning of year	2,171,056	27,880	26,332	(150,658)	2,074,610	1,959,643
Excess of expenses over revenues	-	-	-	(21,494)	(21,494)	(17,813)
Amortization - net of amortization to revenue	(4,430)	(327)	-	4,757	-	-
Assets contributed by the Province of Ontario (note 20(b))	13,575	-	-	-	13,575	15
Land acquisitions - net of deposits	70,607	-	-	-	70,607	23,258
Deposits on land	99,271	-	-	-	99,271	109,507
Balance - End of year	2,350,079	27,553	26,332	(167,395)	2,236,569	2,074,610

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

Metrolinx

Statement of Remeasurement Gains and Losses

For the year ended March 31, 2016

(in thousands of dollars)

	2016 \$	2015 \$
Balance - Beginning of year	-	612
Amounts reclassified to the statement of operations:		
Forward fuel purchase contracts	-	(612)
Net remeasurement losses	-	(612)
Balance - End of year	-	-

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

Metrolinx

Statement of Cash Flows

For the year ended March 31, 2016

(in thousands of dollars)

	2016 \$	2015 \$
Cash provided by (used in)		
Operating activities		
Excess of expenses over revenues	(21,494)	(17,813)
Amortization of capital assets and long-term lease	457,012	352,452
Loss (gain) on disposal of capital assets	72	(10,817)
Amortization of deferred capital contributions	(453,057)	(350,331)
Employee future benefits - net of payments	16,737	11,745
	(730)	(14,764)
Change in non-cash working capital		
Accounts receivable	1,201	(3,186)
Spare parts and supplies	(3,581)	(1,871)
Prepaid expenses	2,273	4,136
Accounts payables and accrued liabilities	(887,981)	6,967
PRESTO Farecard E-Purse	5,621	5,049
	(883,197)	(3,669)
Capital activities		
Purchase of capital assets	(729,729)	(1,916,361)
Proceeds from sale of capital assets	730	14,763
Deposits on land (note 16)	(99,271)	(109,507)
Advances on capital projects (note 16)	(183,073)	(213,458)
	(1,011,343)	(2,224,563)
Financing activities		
Grants received for purchase of land	169,878	132,765
Capital contributions	1,846,902	2,006,620
	2,016,780	2,139,385
Net change in cash, cash equivalents and restricted cash	122,240	(88,847)
Cash, cash equivalents and restricted cash - Beginning of year	351,111	439,958
Cash, cash equivalents and restricted cash - End of year	473,351	351,111
Supplemental cash flow information		
Non-cash capital activities		
Change in accounts payable and accrued liabilities relating to capital assets	867,196	(53,831)
Change in advance from Province of Ontario (note 6)	(32,863)	-
Change in long-term capital payable/contribution due from Province	896,182	48,368
Assets contributed by the Province of Ontario (note 20(b))	13,575	15
Non-cash financing activities		
Capital contributions receivable/payable	140,242	(50,286)
Sunk Project costs recoverable from TTC transferred from work-in-progress to accounts receivable	-	(4,175)

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

Metrolinx

Notes to Financial Statements

March 31, 2016

(in thousands of dollars)

1 Nature of operations

Metrolinx is a Crown agency, reporting to the Minister of Transportation of Ontario (MTO). It is a non-share capital corporation and is exempt from income taxes under Section 149(1) (d) of the Income Tax Act (Canada).

Metrolinx was created by sections of the Greater Toronto Transportation Authority Act, 2006 which were proclaimed on August 24, 2006. On May 14, 2009, Bill 163 was proclaimed amending the Greater Toronto Transportation Authority Act, 2006 and changing the title of the Act to the Metrolinx Act, 2006. Metrolinx's mandate is to lead the coordination, planning, financing and development of an integrated multi-modal transportation network for the Greater Toronto and Hamilton Area (GTHA). Taking a regional approach, Metrolinx brings together the Province of Ontario (the Province), municipalities and local transportation authorities to produce long-term economically and environmentally sustainable transportation solutions.

GO Transit is a division of Metrolinx that operates an inter-regional public transit system consisting of integrated rail and bus corridors. The network of rail and bus services primarily serves communities across the Greater Toronto and Hamilton Area including the cities of Toronto and Hamilton, and regions of Halton, Peel, York, Durham as well as Simcoe County, Dufferin County, Wellington County and the cities of Barrie, Guelph, Kitchener and Niagara Falls and the Town of Bradford-West Gwillimbury.

The Union Pearson (UP) Express is a division of Metrolinx that is responsible for providing high-quality dedicated express rail service connecting Canada's busiest transportation hubs, Union Station in downtown Toronto and Toronto Pearson International Airport. The UP Express began operations on June 6, 2015

PRESTO is a division of Metrolinx which created and operates the PRESTO fare system, an electronic fare card that allows riders to transfer seamlessly across multiple transit systems. PRESTO is currently available on eleven transit agencies in the GTHA and Ottawa. PRESTO is currently being rolled out across the Toronto Transit Commission (TTC) and as at March 31, 2016, 27 subway stations and all legacy and new streetcars have been equipped with PRESTO fare payment devices. All TTC stations and buses are planned to be enabled by December 31, 2016.

2 Economic dependence

Metrolinx currently generates revenues primarily from the provision of transportation services from its three operating divisions.

In addition, Metrolinx receives government grants:

- from all three levels of government to support its investment in capital infrastructure to be used in the delivery of current and future transportation services; and
- yearly operating subsidy from the Province of Ontario to further support the delivery of transportation services.

The ability of Metrolinx to continue to offer and grow its services is dependent upon the ongoing grants it receives as outlined above.

Metrolinx

Notes to Financial Statements

March 31, 2016

(in thousands of dollars)

3 Summary of significant accounting policies

Financial statement presentation

These financial statements have been prepared by management in accordance with the accounting principles for government not-for-profit organizations recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada).

Financial instruments

Financial instruments are financial assets or liabilities of Metrolinx which, in general, provide Metrolinx the right to receive cash or another financial asset from another party or require Metrolinx to pay another party cash or other financial assets.

All financial instruments reported on the statement of financial position of Metrolinx are measured at:

Cash and cash equivalents	amortized cost
Restricted cash	amortized cost
Accounts receivable	amortized cost
Contributions due from Province of Ontario	amortized cost
Contributions due from Government of Canada	amortized cost
Contributions due from Province of Ontario - long-term	amortized cost
Accounts payable and accrued liabilities	amortized cost
PRESTO Fare Card E-Purse	amortized cost
Advance from Province of Ontario	amortized cost
Due to Province of Ontario	amortized cost
Long-term payable	amortized cost

Transaction costs on assets measured at fair value are expensed as incurred.

The fair value of Metrolinx's cash and cash equivalents, accounts receivable, contributions due from Province of Ontario, contributions due from Government of Canada, accounts payable and accrued liabilities, due to Province of Ontario and PRESTO Fare Card E-Purse approximate their carrying values due to the short-term nature of these financial instruments. The fair value of other financial instruments approximate their carrying values unless otherwise noted, based on market rates available to Metrolinx for financial instruments with similar risks, terms and maturities.

Fair value represents the amount that would be exchanged in an arm's length transaction between willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists. Metrolinx's fair values are management's estimates and are generally determined using market conditions at a specific point in time. The determinations are subjective in nature, involving uncertainties and the exercise of significant judgment.

Metrolinx enters into contracts for diesel fuel to manage exposure to diesel fuel price risks. These derivative instruments are recorded on the statement of financial position as an asset or liability and are measured at fair value. The unrealized gains or losses in the derivative instruments' fair value are recognized in the statement of remeasurement gains and losses.

Metrolinx**Notes to Financial Statements****March 31, 2016**

(in thousands of dollars)

Metrolinx does not hold or issue derivative financial instruments for trading or speculative purposes, and controls are in place to detect and prevent these activities.

Impairment of financial instruments

Management reviews its financial instruments for other than temporary impairment on an annual basis. When a financial instrument is determined to have an other than temporary impairment, a loss is recognized in the statement of operations.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks net of bank overdrafts and highly liquid short-term investments with maturities of three months or less at the time of purchase.

Spare parts and supplies

Spare parts and supplies are carried at the lower of cost and net realizable value. Cost is determined using the weighted-average method.

Capital assets

Capital assets are recorded at cost. The cost of a capital asset includes all costs directly related to the acquisition, construction, development or betterment of the capital asset. Salaries, wages and associated employee benefits for staff directly involved in the acquisition, development or construction of a capital asset are included in the cost of the capital asset.

Metrolinx has adopted a whole property approach in capitalizing and amortizing its buildings, rail equipment and bus equipment. Under this approach, all components attached to the building structure (lighting, elevators, air conditioning, etc.) are amortized over a composite service life of the property as a whole.

If the development or construction of a capital asset is terminated or deferred indefinitely before completion, the costs capitalized to date are expensed, unless there is an alternative use for the capital asset or unless recovery of those costs from a third party can be reasonably estimated and collection is likely based on related agreements.

Capital assets derived through an Alternate Financing Procurement (AFP) contract for design, build, finance and maintenance will contain a portion of the capital design and construction costs that will be paid upon substantial completion of the construction of the capital asset and the remainder over the useful life. A matching contribution receivable from the Province of Ontario is recorded. Annual service payments and lifecycle payments will be paid annually over the term of the contract.

Metrolinx

Notes to Financial Statements

March 31, 2016

(in thousands of dollars)

Amortization

Metrolinx provides for the amortization of the various classes of assets over their estimated useful lives on a straight-line basis as follows:

Buildings (including shelters and ticket booths)	5 - 20 years
Leasehold improvements	lease life
Locomotives and other railway rolling stock	20 - 25 years
Improvements to railway right-of-way plant	20 years
Track work and installation	20 years
Buses (including double decker buses)	10 years
Parking lots	20 years
Computer equipment and software	5 - 10 years
Grade separations	50 years
Other (including furniture and equipment)	3 - 12 years

Work-in-progress is comprised of direct construction and development costs. No amortization is recorded until the assets are in service.

Long-term lease

Long-term lease represents the pre-payment of the lease regarding Union Station. The amount is being amortized straight-line over 100 years, being the term of the lease plus one renewal period.

Employee future benefits

Metrolinx provides pension plan benefits through the multi-employer Ontario Municipal Employees Retirement System (OMERS) Pension Fund. The expense for the period equals the required contribution for the period.

Metrolinx provides a top-up pension plan benefit calculated by using the accrued benefit method which reflects the projected benefits for services rendered to date. Adjustments arising from employee benefit plan amendments, experience gains and losses and changes in assumptions are amortized to earnings over the average remaining service period of the active employees. Any past service costs are expensed when incurred.

Metrolinx also provides other employee future benefits calculated by using the accrued benefit method which reflects the projected benefits for services rendered to date. Adjustments arising from employee benefit plan amendments, experience gains and losses and changes in assumptions are amortized to earnings over the average remaining service period of active employees. Any past service costs are expensed when incurred.

Commuter services revenue

Revenue is recognized when the transportation service is provided.

Metrolinx**Notes to Financial Statements****March 31, 2016**

(in thousands of dollars)

Contributions

Metrolinx follows the deferral method of accounting for contributions. Unrestricted contributions, including operating grants, are recognized as revenue in the period to which they relate.

Deferred capital contributions relate to funds received for the acquisition of capital assets. These deferred capital contributions are recognized as revenue over the same period as the amortization of the related capital asset.

Internally restricted net assets

Internally restricted net assets are internally restricted to provide a funding source for planned future obligations and to provide flexibility against uncertainties which may arise. All reserves are approved by the Board of Directors and are disclosed on the statement of financial position as net assets.

Liability for contaminated sites

Metrolinx assesses all land holdings to determine if contaminations, as defined under the standard and regulatory requirements, are present on lands not being used in providing transit and other related services. While contaminations may be present, the resultant liability also depends on the existing and future disturbances to the land. A complete inventory of all land holdings was developed and assessed for under the standard. There were no liabilities to report in the fiscal year.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The items subject to the most significant estimates are amortization of capital assets, certain accrued liabilities, pension plan top-up benefits payable and other employee future benefits payable.

Future accounting pronouncements

PSAB has released the following new handbook sections which will be applicable to Metrolinx to the extent that there are no specific standards in Section PS 4200 to PS 4270, Government Not-for-Profit Organizations.

PS 2200, Related Party Disclosures, PS 3420, Inter-entity Transactions, PS 3210, Assets, PS 3320, Contingent Assets, and PS 3380, Contractual Rights, are all effective for fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted. PS 3430, Restructuring, is effective for fiscal years beginning on or after April 1, 2018. Earlier adoption is permitted.

Management is currently assessing the impact of these new standards.

Metrolinx

Notes to Financial Statements

March 31, 2016

(in thousands of dollars)

4 Financial instruments and risk management

Metrolinx's financial assets and liabilities have exposure to the following risks:

Credit risk

Metrolinx is subject to credit risk through its receivables. It is management's opinion that the risk is minimal as most of the receivables are from federal, provincial and municipal governments and organizations controlled by them.

Interest rate risk

Metrolinx does not have significant exposure to interest rate risk related to its long-term liabilities as they are primarily with related parties and are non-interest bearing.

Other price risk

Metrolinx is exposed to changes in crude oil prices as a result of diesel fuel consumption. The potential fluctuations in crude oil prices could have a significant impact on the cost of providing transportation services. This risk is reduced, from time to time, through the use of diesel fuel forward purchase contracts to lock in firmly committed future operating costs for own use consumption.

5 PRESTO Farecard E-Purse balances

The balance of funds held on PRESTO Farecard E-Purse in the amount of \$34,645 (2015 - \$29,024) has been included in cash and cash equivalents. The E-Purse balance is held on behalf of the Farecard owner and therefore a liability is recorded on the statement of financial position.

6 Funds being held for Province of Ontario

During the fiscal year ended March 31, 2007, the former Greater Toronto Transit Authority (GO Transit) received \$46,667 from the Province for their contribution towards the TTC participation in the GTA Farecard project. During the year ended March 31, 2016, TTC began to meet the requirements to receive this funding. As at March 31, 2016, \$32,662 has been utilized and the balance of \$14,005 is expected to be utilized during the year ending March 31, 2017.

Metrolinx

Notes to Financial Statements

March 31, 2016

(in thousands of dollars)

7 Capital assets

	2016		2015	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Land	2,105,810	-	2,105,810	1,941,084
Buildings	1,216,723	384,259	832,464	502,931
Leasehold improvements	90,121	30,518	59,603	10,021
Locomotives and other railway rolling stock	1,901,495	616,202	1,285,293	1,132,971
Improvements to railway right-of-way plant	1,220,544	610,524	610,020	672,521
Grade separations, track work and installations	2,972,340	444,240	2,528,100	1,617,905
Work-in-progress	4,954,488	-	4,954,488	4,448,042
Buses	362,969	190,939	172,030	191,403
Parking lots	690,093	214,908	475,185	468,630
Computer equipment and software	905,315	315,668	589,647	521,252
Other	424,201	126,448	297,753	64,135
	16,844,099	2,933,706	13,910,393	11,570,895

Work-in-progress includes the following:

	2016 \$	2015 \$
Rail corridor expansion	472,780	1,098,652
Union Station	334,347	412,382
Rail fleet	445,821	470,682
PRESTO system	126,091	60,115
Light Rapid Transit and Bus Rapid Transit	2,608,742	1,692,619
Various	966,707	713,592
	4,954,488	4,448,042

Work-in-progress relates to projects which are expected to come into service in one to six years.

Metrolinx

Notes to Financial Statements

March 31, 2016

(in thousands of dollars)

8 Accounts receivable

Accounts receivable are composed of the following:

	2016 \$	2015 \$
Recoverable HST	43,634	49,952
Recoverable PRESTO costs	4,147	4,123
Sunk project costs recoverable from City of Toronto	-	74,787
Other receivables	30,387	25,294
	78,168	154,156
Sunk project costs recoverable from City of Toronto - long-term	74,787	-
	152,955	154,156

Included in accounts receivable is \$74,787 (2015 - \$74,787) related to the design of the Light Rapid Transit (LRT) Scarborough corridor in the City of Toronto incurred by Metrolinx as at March 31, 2016 and does not include costs related to any contract amendments or cancellations with 3rd party vendors. On October 8, 2013, City of Toronto Council voted to replace the planned LRT currently under construction under the Master Agreement with a Scarborough Subway. The City of Toronto has agreed to reimburse Metrolinx for expenditures incurred for the Scarborough LRT, including any potential costs associated with the LRT vehicle supply contract. Accordingly, the costs incurred to date have been reclassified from work-in-progress to accounts receivable.

9 Advances on capital projects

Metrolinx has entered into Memorandum of Agreements (MOAs) with York Region Rapid Transit Corporation (YRRTC), The Regional Municipality of York (York Region), City of Toronto and the TTC. The MOAs outline the projects, expected costs, and responsibilities of the parties involved. The MOAs also outline the definition of eligible costs and ownership rights of the projects specified in the agreements. A Master Agreement with YRRTC and York Region was signed April 14, 2011 and covers both past and future eligible costs of constructing the bus rapidway. The MOA with the City of Toronto and the TTC was extended until the earlier of September 30, 2012 and the date on which Metrolinx, TTC and the City finalize definitive legal agreements. A Master Agreement with TTC and the City of Toronto was signed November 28, 2012 and covers the cost of constructing the Eglinton LRT, Scarborough RT, Finch West LRT and Sheppard East LRT. The Master Agreement also covers project governance and costs related to the East Rail Maintenance Facility Alternate Financing procurement.

Pursuant to these agreements, advances were paid to York Region and to the TTC to provide working capital for deposits on land totalling \$109,646 (2015 - \$97,939) and other project costs totalling \$183,073 (2015 - \$213,458) to fund projects being developed by York Region and TTC on behalf of Metrolinx. The deposits on land referred to above relate to obtaining, in the future, perpetual easements required for the operation of the York Region bus rapidway. The advances on capital projects are to be held in a separate account and any interest accrued will be applied against the project.

Metrolinx

Notes to Financial Statements

March 31, 2016

(in thousands of dollars)

As at March 31, 2016, Metrolinx has expended approximately \$3,321 (2015 - \$2,087) in relation to these projects, including the following amounts that have been advanced for costs expected to be incurred to June 30, 2016 and deposits related to future perpetual easements.

	2016 \$	2015 \$
York Region	281,731	298,575
TTC	10,988	12,822
	292,719	311,397
Other land deposits	1,508	23,450
	294,226	334,847

10 Long-term lease

	2016		2015	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Leasehold - Union Station	32,704	5,151	27,553	27,880

11 Long-term payable and contributions due from Province of Ontario - long term

Metrolinx and Infrastructure Ontario entered into an Alternate Financing Procurement (AFP) contract with Crosslinx Transit Solutions for the design, build, finance and maintenance of its Eglinton Crosstown Light Rail Transit Line during the year ended March 31, 2016. The AFP contract with Crosslinx Transit Solutions is for 30 years at a total amount of \$9,103,676. Metrolinx and Infrastructure Ontario had entered into another AFP contract with Plenary Infrastructure for the design, build, finance and maintenance of its East Rail Maintenance Facility during the year ended March 31, 2015. The AFP contract with Plenary Infrastructure is for 30 years at a total amount of \$964,987.

Costs incurred on these contracts as at March 31, 2016 are as following and are included in work-in-progress.

	2016 \$	2015 \$
Eglinton Crosstown Light Rail Transit Line	731,985	-
East Rail Maintenance Facility	212,565	48,368
	944,550	48,368

A matching contribution receivable from the Province for costs incurred to date is included in deferred capital contributions.

Metrolinx

Notes to Financial Statements

March 31, 2016

(in thousands of dollars)

12 Deferred capital contributions

The changes in the deferred capital contributions for the year are as follows:

	2016 \$	2015 \$
Balance - Beginning of year	9,734,686	7,979,746
Contributions received or receivable in the period for capital acquisitions		
Province of Ontario	2,528,462	2,070,305
Municipalities	9,886	6,529
Government of Canada	34,563	28,437
Amortization of deferred capital contributions	(453,057)	(350,331)
Balance - End of year	11,854,540	9,734,686

Metrolinx realized a shortfall in municipal funding related to its capital program. The Province has provided funding to bridge the shortfall in the current year in the amount of \$141,097 (2015 - \$171,111) and the cumulative amount is \$1,114,484 (2015 - \$973,387). The Province will work with its municipal partners to address the funding shortfalls.

13 Pension contributions

Metrolinx provides pension benefits for substantially all of its permanent employees through participation in the OMERS Pension Fund. The amount expensed in pension contributions for the year ended March 31, 2016 is \$25,857 (2015 - \$23,107).

14 Pension plan top-up benefits liability

With repatriation of the former GO Transit to the Province in 2002, bargaining and non-bargaining employees requested the Province to rectify the difference in pension benefits to be received by employees of GO Transit. When GO Transit was transferred from the Province to the Greater Toronto Services Board in 1999, the Provincial Plans were frozen and a new plan commenced under OMERS. It had been resolved that GO Transit was responsible for the pension obligation. GO Transit completed an actuarial valuation as of April 1, 2013. The updated actuarial valuation is being carried out as of April 1, 2016 and was not available at the time these financial statements were prepared. The financial statement items resulting from the valuation have been determined in accordance with Section 3250 of the PSA Handbook. The pension expense recognized during the year is \$6,891 (2015 - \$4,778).

The cost of pension plan top-up benefits is actuarially determined using the projected benefit method pro-rated on service. The discount rate used to determine the accrued benefit obligation was determined based on the Ontario provincial bond yields. The actuarial gains and losses are amortized over the average remaining service period of active employees.

Metrolinx

Notes to Financial Statements

March 31, 2016

(in thousands of dollars)

Information about Metrolinx's pension plan top-up is as follows:

	2016 \$	2015 \$
Accrued benefit obligation	67,247	74,608
Fair value of plan assets	(2,126)	(1,698)
Funded status - plan deficit	65,121	72,910
Unamortized net actuarial loss	(3,688)	(16,169)
Accrued benefit liability	61,433	56,741

Details of the accrued benefit obligation are as follows:

	2016 \$	2015 \$
Accrued benefit obligation - Beginning of year	74,608	60,169
Current service cost	1,870	1,494
Interest cost on accrued benefit obligation	2,192	2,385
Benefit payments	(1,776)	(1,024)
Actuarial (gain) loss on accrued benefit obligation	(9,647)	11,584
Accrued benefit obligation - End of year	67,247	74,608

Details of the pension expense are as follows:

	2016 \$	2015 \$
Current service cost	1,870	1,494
Interest cost on accrued benefit obligation	2,192	2,385
Actual return on plan assets	(4)	(4)
Expected return versus actual return on plan assets	4	4
Amortization of actuarial loss	2,829	899
	6,891	4,778

Plan assets by asset category are as follows:

	2016 %	2015 %
Cash invested	2	12
Cash on deposit with Canada Revenue Agency	98	88
	100	100

Metrolinx

Notes to Financial Statements

March 31, 2016

(in thousands of dollars)

Other information about Metrolinx's benefit plan is as follows:

	2016 \$	2015 \$
Employer contributions	2,200	1,600
Benefits	1,776	1,025

The significant actuarial assumptions adopted in measuring Metrolinx's pension plan top-up benefit obligations are as follows:

	2016	2015
Discount rate	3.1%	2.9%
Rate of compensation increase	2.75%	3%
Inflation per annum	2%	2%
Expected average remaining service life	6 years	6 years

15 Other employee future benefits liability

Metrolinx provides post-retirement life and health benefits, Workplace Safety & Insurance Board (WSIB) liabilities and retiree severance benefits. The plan is unfunded and requires nominal contributions from employees. Substantially all full-time active employees are eligible for life and health benefits. A limited number of employees are eligible for severance benefits.

The measurement date of the plan assets and accrued benefit obligation is March 31 of each year. The most recent actuarial valuation of the other employee future benefits was as at March 31, 2014. The valuation was performed in accordance with the standards of the Canadian Institute of Actuaries. The financial statement items resulting from the valuation have been determined in accordance with Section PS3250 of the PSA Handbook. The post-retirement non-pension benefits recognized during the period were \$14,663 (2015 - \$10,892).

The cost of post-retirement non-pension benefits is actuarially determined using the projected benefit method pro-rated on service, retirement ages of employees and expected health-care costs. The discount rate used to determine the accrued benefit obligation was determined based on the Ontario provincial bond yields. The actuarial gains and losses are amortized over the average remaining service period of active employees. Past service costs are expensed when incurred.

Metrolinx

Notes to Financial Statements

March 31, 2016

(in thousands of dollars)

Information about Metrolinx's post-retirement non-pension benefits is as follows:

	2016 \$	2015 \$
Accrued benefit obligation	151,855	149,894
Fair value of plan assets	-	-
Funded status - plan deficit	151,855	149,894
Unamortized net actuarial loss	(34,398)	(44,483)
Accrued benefit liability	117,457	105,411

Details of the accrued benefit obligation are as follows:

	2016 \$	2015 \$
Accrued benefit obligation - Beginning of year	149,894	112,285
Current service cost	6,729	4,896
Interest cost on accrued benefit obligation	4,446	4,579
Benefit payments	(2,617)	(2,325)
Actuarial (gain) loss on accrued benefit obligation	(6,597)	30,459
Accrued benefit obligation - End of year	151,855	149,894

Details on the post-retirement non-pension benefits expense are as follows:

	2016 \$	2015 \$
Current service cost	6,729	4,896
Interest cost on accrued benefit obligation	4,446	4,579
Amortization of actuarial loss	3,488	1,417
	14,663	10,892

Metrolinx

Notes to Financial Statements

March 31, 2016

(in thousands of dollars)

The significant actuarial assumptions adopted in measuring Metrolinx's post-retirement non-pension benefit obligations are as follows:

	2016	2015
Discount rate for post-retirement non-pension benefit	3.1%	2.9%
Discount rate for WSIB liabilities	2.6%	2.3%
Discount rate for retiree severance benefits	2.4%	2%
Expected average remaining service life for post-retirement non-pension benefit	15 years	15 years
Expected average remaining service life for WSIB liabilities	10 years	10 years
Expected average remaining service life for retiree severance benefits	5 years	6 years
Rate of compensation increase	3%	3%
Inflation per annum	2%	2%
Initial Weighted Average Health Care Trend Rate	5.4%	5.5%
Ultimate Weighted Average Health Care Trend Rate	4.3%	4.3%
Dental care benefits increase	4%	4%

16 Net assets invested in capital assets

	2016 \$	2015 \$
Capital assets	13,910,393	11,570,895
Deposits on land	111,153	121,389
Advances on capital projects	183,073	213,458
Less: Deferred capital contributions used to purchase capital assets	(11,854,540)	(9,734,686)
	<u>2,350,079</u>	<u>2,171,056</u>

17 Internally restricted net assets

The internally restricted net assets are as follows:

	2016 \$	2015 \$
MCOR	21,051	21,051
Employment obligation	889	889
Self-insured retention	2,013	2,013
Stabilization	2,379	2,379
	<u>26,332</u>	<u>26,332</u>

The Municipal Capital and Operating Restructuring (MCOR) reserve was established to assist in funding large capital expenditures.

The Employment Obligation reserve was established to assist in funding general employment related obligations of Metrolinx.

Metrolinx

Notes to Financial Statements

March 31, 2016

(in thousands of dollars)

The Self Insured Retention reserve was established to assist in funding any claims against the self-insured retention layer of Metrolinx's insurance program.

The Stabilization reserve was established to assist in funding fluctuations in operating and capital budgets of Metrolinx from year to year.

18 Commitments

The minimum operating lease payments in each of the next five years and thereafter are as follows:

	\$
2017	26,932
2018	24,910
2019	24,113
2020	22,716
2021	22,875
Subsequent	<u>241,027</u>
	<u>362,573</u>

Metrolinx has also committed approximately \$10,681,251 for various capital asset additions/projects.

A significant amount of the services provided by Metrolinx are operated and maintained by outside parties. These services are governed by the agreements with the Canadian National Railway Company (CN), Canadian Pacific Railway Company (CP), Bombardier Inc., PNR Rail Works Inc. (PNR), Toronto Terminals Railway Ltd. (TTR) and by a number of minor service agreements. Metrolinx has entered into the following major agreements for approximately \$229,600 per year:

- Master Operating Agreement with CN terminating on May 31, 2017;
- Commuter Agreement with CP terminating on December 31, 2019;
- Equipment Maintenance contract with Bombardier terminating on May 31, 2023;
- Rail Crew contract with Bombardier terminating on May 31, 2023;
- Routine Track and Signal Maintenance contract with PNR terminating on June 30, 2019; and
- Rail Corridor Management Service Agreement with TTR terminating on June 30, 2019.

The remaining annual service payments relating to the AFP contract with Crosslinx Transit Solutions (note 10) aggregate to \$277,673. The annual service payments relating to the AFP contract with Plenary Infrastructure (note 10) will aggregate to \$535,526 after substantial completion of the project expected during the fiscal year ending March 31, 2019.

As at March 31, 2016, Metrolinx had outstanding letters of credit totalling \$28 (2015 - \$28).

Metrolinx**Notes to Financial Statements****March 31, 2016**

(in thousands of dollars)

19 Contingencies

Various lawsuits have been filed against Metrolinx for incidents which arose in the ordinary course of business. Management has reviewed these claims and made provisions as appropriate. Where the outcome of a claim is not yet determinable, any settlement will be recorded when it is determined that a claim is likely to be settled and the amount is determinable.

20 Related party transactions and balances

Metrolinx had the following transactions with related parties during the year.

- a) The Ontario Ministry of Government Services, Infrastructure Ontario and Ontario Northland charged Metrolinx \$706 (2015 - \$881), \$11,654 (2015 - \$30,999) and \$1,921 (2015 - \$5,656), respectively, during the year for the provision of services provided by these organizations. In addition, Infrastructure Ontario charged \$nil (2015 - \$22,674) in capital expenditures related to the Design-Build-Finance contract for the Union Pearson rail link project. At March 31, 2016, accounts payable and accrued liabilities and long-term payable included \$5,152 (2015 - \$9,592) and \$53 (2015 - \$2,903) owing to the Infrastructure Ontario and Ontario Northland, respectively.
- b) Metrolinx procured four parcels of land for \$nil from the Ontario Ministry of Transportation during the year. The transfer was treated as a contribution from the Province equivalent to the fair value of the asset that amounted to \$13,575 (2015 - \$15).

The transactions in 19(a) are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Contributions of capital assets from the Province are recorded at the fair value.

Balances due from/to the Province of Ontario are separately disclosed on the statement of financial position. Amounts are non-interest bearing with no specified terms of repayments.

21 Guarantees

In the normal course of business, Metrolinx enters into agreements that meet the definition of a guarantee.

- a) In the normal course of business, Metrolinx has entered into agreements that include indemnities in favour of third parties such as purchase and sale agreements, confidentiality agreements, engagement letters with advisers and consultants, outsourcing agreements, leasing contracts, information technology agreements and service agreements. These indemnification agreements may require Metrolinx to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated.

Metrolinx

Notes to Financial Statements

March 31, 2016

(in thousands of dollars)

- b) Indemnity has been provided to all directors and or officers of Metrolinx including, but not limited to, all costs to settle suits or actions due to association with Metrolinx, subject to certain restrictions. Metrolinx has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The term of the indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as a trustee, director or officer of Metrolinx. The maximum amount of any potential future payment cannot be reasonably estimated.

The nature of these indemnification agreements prevents Metrolinx from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability which stems from the unpredictability of future events and the unlimited coverage offered to counterparties.

Historically, Metrolinx has not made any significant payments under such or similar indemnification agreements and therefore no amount has been recorded with respect to these agreements.

**METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION****Management Report**

The accompanying financial statements are the responsibility of the management of Metropolitan Toronto Convention Centre Corporation. The financial statements have been prepared by management in accordance with the accounting requirements of the Financial Administration Act including Ontario Regulation 395/11. The statements include certain amount based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

Management maintains a system of internal accounting and administrative control that is designed to provide reasonable assurance the financial information is relevant, reliable and accurate and that the Corporation's assets are properly accounted for and adequately safeguarded.

The financial statements have been audited by KPMG LLP, a firm of independent external auditors appointed by the Board of Director, whose report follows.

Imtiaz Dhanjee

Vice President Finance

June 17, 2016



KPMG LLP
Bay Adelaide Centre
333 Bay Street, Suite 4600
Toronto ON M5H 2S5
Canada
Tel 416-777-8500
Fax 416-777-8818

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Metropolitan Toronto
Convention Centre Corporation and the Minister
of Tourism, Culture and Sport

We have audited the accompanying financial statements of Metropolitan Toronto Convention Centre Corporation, which comprise the statement of financial position as at March 31, 2016, the statements of operations and accumulated surplus, changes in net debt and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with the accounting requirements of the Financial Administration Act, including Ontario Regulation 395/11, *Government Transfers* of the Financial Administration Act, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements of Metropolitan Toronto Convention Centre Corporation, as at March 31, 2016 and for the year then ended, are prepared in all material respects in accordance with the accounting requirements of the Financial Administration Act, including Ontario Regulation 395/11, *Government Transfers* of the Financial Administration Act.

Emphasis of Matter

Without modifying our opinion, we draw attention to note 2 to the financial statements, which discloses that the financial statements are prepared in accordance with the Financial Administration Act, including Ontario Regulation 395/11, *Government Transfers* of the Financial Administration Act.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants, Licensed Public Accountants

June 10, 2016
Toronto, Canada

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

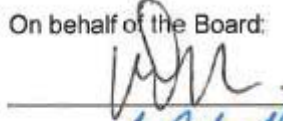
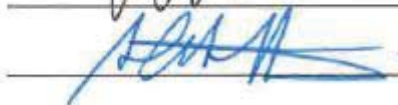
Statement of Financial Position

March 31, 2016, with comparative information for 2015

	2016	2015
Financial assets:		
Cash and cash equivalents	\$ 9,820,956	\$ 5,176,954
Customer deposits (note 3)	13,846,707	12,744,735
Accounts receivable (note 8)	3,379,899	4,248,228
	<u>27,047,562</u>	<u>22,169,917</u>
Liabilities:		
Accounts payable and accrued liabilities	5,131,236	6,037,917
Deferred revenue	13,846,707	12,744,735
Employee future benefits (note 6)	2,151,000	2,292,700
Deferred contributions related to tangible capital assets	44,689,997	45,683,108
	<u>65,818,940</u>	<u>66,758,460</u>
Net debt	(38,771,378)	(44,588,543)
Non-financial assets:		
Tangible capital assets (note 4)	184,778,981	188,739,644
Inventories	440,654	548,090
Prepaid expenses	666,149	688,435
	<u>185,885,784</u>	<u>189,976,169</u>
Commitments (note 9)		
Accumulated surplus (note 5)	\$ 147,114,406	\$ 145,387,626

See accompanying notes to financial statements.

On behalf of the Board:


 _____ Director

 _____ Director

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Statement of Operations and Accumulated Surplus

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

	March 31, 2016	March 31, 2016	March 31, 2015
	Budget	Actual	Actual
Revenue:			
Food and beverage	\$ 23,614,500	\$ 23,629,120	\$ 24,908,262
Facility rental	16,250,000	16,141,461	16,173,121
Parking	10,900,000	10,888,475	10,675,527
Commissions	5,900,100	6,010,587	5,609,899
Communications	1,950,000	2,123,320	2,028,459
Capital contribution	993,100	993,111	993,111
Other	3,292,300	3,412,625	3,270,518
Total gross revenue	62,900,000	63,198,699	63,658,897
Expenses (note 7):			
Facility rental	4,526,400	4,412,230	4,362,530
Event services	536,900	542,173	535,660
Food and beverage	14,959,900	15,359,362	15,548,725
Communications	801,200	741,138	640,644
Parking	2,880,400	2,743,461	2,695,616
Sales and marketing	4,612,300	4,197,747	3,952,508
Engineering	5,149,400	5,084,225	5,123,863
Energy	3,143,300	3,139,112	3,092,339
General and administrative	7,132,700	7,103,903	7,484,841
Other	2,827,500	2,800,207	2,709,646
Amortization	8,979,600	8,848,361	8,522,155
Total expenses	55,549,600	54,971,919	54,668,527
Annual surplus	7,350,400	8,226,780	8,990,370
Accumulated surplus, beginning of year	144,760,800	145,387,626	141,397,256
Distribution payment (note 5)	(6,500,000)	(6,500,000)	(5,000,000)
Accumulated surplus, end of year	\$ 145,611,200	\$ 147,114,406	\$ 145,387,626

See accompanying notes to financial statements.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Statement of Changes in Net Debt

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

	March 31, 2016	March 31, 2016	March 31, 2015
	Budget	Actual	Actual
Annual surplus	\$ 7,350,400	\$ 8,226,780	\$ 8,990,370
Acquisition of tangible capital assets	(5,843,500)	(4,887,698)	(6,923,584)
Amortization of tangible capital assets	8,979,500	8,848,361	8,522,155
	10,486,400	12,187,443	10,588,941
Acquisition of inventories	(5,480,000)	(5,241,509)	(5,273,120)
Acquisition of prepaid expenses	(645,000)	(1,057,841)	(949,403)
Consumption of inventories	5,470,000	5,348,945	5,228,400
Use of prepaid expenses	663,800	1,080,127	777,130
Distribution payment	(6,500,000)	(6,500,000)	(5,000,000)
Decrease in net debt	3,995,200	5,817,165	5,371,948
Net debt, beginning of year	(45,066,500)	(44,588,543)	(49,960,491)
Net debt, end of year	\$ (41,071,300)	\$ (38,771,378)	\$ (44,588,543)

See accompanying notes to financial statements.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Statement of Cash Flows

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

	2016	2015
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 8,226,780	\$ 8,990,370
Items not involving cash:		
Amortization	8,848,361	8,522,155
Employee future benefits	(141,700)	(39,100)
Deferred contributions related to amortization of tangible capital assets	(993,111)	(993,111)
	15,940,330	16,480,314
Change in non-cash assets and liabilities:		
Accounts receivable	868,329	(818,487)
Inventories	107,436	(44,720)
Prepaid expenses	22,286	(172,273)
Accounts payable and accrued liabilities	(906,681)	(1,065,021)
	16,031,700	14,379,813
Financing activities:		
Distribution payment (note 5)	(6,500,000)	(5,000,000)
Capital activities:		
Additions to tangible capital assets	(4,887,698)	(6,923,584)
Increase in cash and cash equivalents	4,644,002	2,456,229
Cash and cash equivalents, beginning of year	5,176,954	2,720,725
Cash and cash equivalents, end of year	\$ 9,820,956	\$ 5,176,954

See accompanying notes to financial statements.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements

Year ended March 31, 2016

Metropolitan Toronto Convention Centre Corporation (the "Corporation") is incorporated as a corporation without share capital under Bill 141, the *Metropolitan Toronto Convention Centre Corporation Act, 1988*, and is subject to control by the Province of Ontario through the Ministry of Tourism, Culture and Sport. The Corporation is a Crown Agency under the same act and is exempt from income taxes.

The Corporation operates a convention facility for conventions, trade shows, consumer shows, corporate and food and beverage events and parking facilities.

1. Significant accounting policies:

(a) Revenue recognition:

Revenue from food and beverage sales, facility rentals and the use of the Corporation's parking facilities is recognized when services are provided. Commissions revenue is recognized as it is earned. Cancellation fees are recognized when an event is cancelled.

(b) Deferred contributions related to tangible capital assets:

Funding received from the Province of Ontario used for the acquisition of depreciable tangible capital assets is recorded as deferred contributions. This is recognized as a recovery in the statement of operations equal to depreciation charged on the related depreciable tangible capital assets, of which the annual change in the account of \$993,111 (2015 - \$993,111) is recorded in the statement of cash flows.

(c) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

1. Significant accounting policies (continued):

Non-financial assets include:

(i) Tangible capital assets

Tangible capital assets are recorded at cost less accumulated amortization. Amortization is charged on a straight-line basis over the following estimated useful lives of the assets:

Building	50 years
Furniture, fixtures and computer equipment	3 - 10 years
Leasehold improvements	5 - 20 years

Tangible capital assets are reviewed for impairment whenever conditions indicate that a tangible capital asset no longer contributes to the Corporation's ability to provide services, or that the value of future economic benefits associated with the tangible capital asset is less than its net book value.

(ii) Inventories

Inventories are recorded at the lower of cost and net realizable value.

(iii) Prepaid expenses

(d) Deferred revenue:

Deferred revenue represents customer deposits received for future use of the Corporation's facilities. Deposits are applied against the customer's billing when services are rendered.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

1. Significant accounting policies (continued):

(e) Use of estimates:

The preparation of financial statements requires management to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the useful lives of tangible capital assets, valuation allowances for accounts receivable, and assets and obligations related to employee future benefits. Actual results could differ from those estimates.

(f) Financial instruments:

Financial instruments are recorded at fair values on initial recognition and subsequently recorded at cost or amortized cost.

(g) Budget figures:

Budget figures have been derived from the Business Plan approved by the Board of Directors on February 18, 2015.

2. Basis of presentation:

The Financial Administration Act requires that the financial statements be prepared in accordance with the accounting principles used by the Province of Ontario, being the Canadian public sector accounting standards ("PS") as published by the Public Sector Accounting Board and that changes may be required to these standards as a result of regulation.

Ontario Regulation 395/11 requires that government transfers used for the acquisition of depreciable tangible capital assets is recorded as deferred contributions and is recognized as a recovery in the statement of operations equal to depreciation charged on the related depreciable tangible capital assets. This accounting requirement is not consistent with the requirements of PS, which require that government transfers be recognized as revenue when approved by the transferor and eligibility criteria have been met unless the transfer contains a stipulation that creates a liability, in which case, the transfer is recognized as revenue over the period that the liability is extinguished.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

2. Basis of presentation (continued):

Accordingly, these financial statements have been prepared in accordance with the accounting requirements of the Financial Administration Act, including Ontario Regulation 395/11, *Government Transfers* of the Financial Administration Act.

3. Customer deposits:

Customer deposits represent cash received for future use of the Corporation's facilities. The customer deposits are invested in 1-year Guaranteed Investment Certificates which mature at various dates.

4. Tangible capital assets:

2016	Cost	Accumulated amortization	Net book value
Building	\$ 230,623,960	\$ 80,400,518	\$ 150,223,442
Furniture, fixtures and computer equipment	38,469,049	28,796,847	9,672,202
Leasehold improvements	68,138,282	43,254,945	24,883,337
	<u>\$ 337,231,291</u>	<u>\$ 152,452,310</u>	<u>\$ 184,778,981</u>

2015	Cost	Accumulated amortization	Net book value
Building	\$ 229,390,495	\$ 75,858,580	\$ 153,531,915
Furniture, fixtures and computer equipment	36,731,125	26,740,032	9,991,093
Leasehold improvements	66,221,973	41,005,337	25,216,636
	<u>\$ 332,343,593</u>	<u>\$ 143,603,949</u>	<u>\$ 188,739,644</u>

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

5. Accumulated surplus:

The total accumulated surplus includes the contributed surplus, accumulated distribution payments and the accumulated annual surplus as follows:

	Contributed surplus	Accumulated distribution payments	Accumulated annual surplus	Total accumulated surplus
Balance, March 31, 2015	\$ 142,850,705	\$ (59,000,000)	\$ 61,536,921	\$ 145,387,626
Distribution payment	—	(6,500,000)	—	(6,500,000)
Annual surplus	—	—	8,226,780	8,226,780
Balance, March 31, 2016	\$ 142,850,705	\$ (65,500,000)	\$ 69,763,701	\$ 147,114,406

The contributed surplus balance was created as a result of the Ontario Financing Authority (the "OFA") issuing a release to the Corporation as at March 30, 2003 from all of its obligations under the temporary expansion financing.

The Corporation agreed to make a minimum distribution payment to the Province of Ontario annually in the amount of \$2,500,000 less any amount of payments in lieu of property taxes that it makes within that year and annually, any such further amounts agreed to in writing by the Corporation and the OFA.

The Board of Directors approved a distribution payment of \$6,500,000 on March 9, 2016 based on the financial results of fiscal 2016 (fiscal 2015 - \$5,000,000). Since the establishment of the distribution policy, the total amount paid is \$65,500,000 (2015 - \$59,000,000).

6. Employee future benefits:

The Corporation maintains a registered pension plan that provides a defined benefit component and a defined contribution component. Under the defined benefit component of the pension plan, contributions are made by employees at specified rates and by the sponsor in such amounts and at such times as determined by the consulting actuaries. The defined benefit component of the plan provides pension benefits based on the length of service and best average pensionable earnings. Certain retired employees also receive health and other post-retirement benefits paid for by the Corporation. Furthermore, there is also an unfunded executive retirement allowance plan available to an executive which accrues at the rate of 15% of the executive's base salary and a funded retirement compensation agreement for a retired executive which no longer accrues benefits.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

6. Employee future benefits (continued):

The Corporation accrues its obligations under the defined benefit plan as the employees render the services necessary to earn the pension and other retirement benefits. The actuarial determination of the accrued benefit obligations for pensions and other retirement benefits uses the projected accrued benefit cost method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors). The measurement date of the post-employment plans and retirement compensation agreement coincides with the Corporation's fiscal year, and the defined benefit plan measurement date is December 31. The most recent actuarial valuations of the defined benefit plan for funding purposes (and the next required valuations) and the actuarial valuation of the other post-employment plans (and the next required valuations) are as follows:

- (a) Defined benefit registered pension plan - December 31, 2013 (December 31, 2016);
- (b) Other post-employment plans - March 31, 2014 (March 31, 2017);
- (c) Retirement compensation agreement - March 31, 2016 (March 31, 2017); and
- (d) Executive retiring allowance plan - March 31, 2016 (March 31, 2017).

Actuarial gains (losses) on plan assets arise from the difference between the actual return on plan assets for a period and the expected return on plan assets for that period. For the purpose of calculating the expected return on plan assets, those assets are valued at fair value. Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains (losses) are amortized over the expected average remaining service period of active employees ("EARSL").

As shown in the following table, the Corporation has a deficit of \$4,485,300 (2015 - \$1,800,108) for its employee future benefit plans. Unamortized net actuarial loss is \$2,334,300 (2015 - gain of \$492,592) and results in an employee future benefit liability of \$2,151,000 (2015 - \$2,292,700) recorded in the financial statements.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

6. Employee future benefits (continued):

Currently, there are 113 employees enrolled in the defined benefit plan and 207 employees enrolled in the defined contribution plan. During 2005, the Corporation closed the defined benefit component of the plan. All new eligible plan members must join the defined contribution component of the plan. The defined contribution portion of the plan is fully funded as at March 31, 2016.

Information about the Corporation's pension plan and employee benefit arrangements are detailed in the table below:

	2016			2015		
	Pension plan	Employee benefits	Total	Pension plan	Employee benefits	Total
Defined benefit plan expense:						
Current year benefit cost	\$ 1,269,400	\$ 97,900	\$ 1,367,300	\$ 1,180,200	\$ 89,000	\$ 1,269,200
Amortization of actuarial loss (gain)	(63,800)	29,400	(34,400)	20,600	20,400	41,000
Employee contributions	(183,800)	—	(183,800)	(185,800)	—	(185,800)
Defined benefit plan expense	1,021,800	127,300	1,149,100	1,015,000	109,400	1,124,400
Defined benefit plan interest expense:						
Interest cost on accrued benefit obligation	1,641,800	111,600	1,753,400	1,589,200	110,000	1,699,200
Expected return on plan assets	(1,643,500)	(20,900)	(1,664,400)	(1,528,300)	(22,100)	(1,550,400)
Defined benefit plan interest expense (income)	(1,700)	90,700	89,000	60,900	87,900	148,800
Total defined benefit plan expense	1,020,100	218,000	1,238,100	1,075,900	197,300	1,273,200
Defined contribution plan cost	604,700	—	604,700	561,300	—	561,300
Total benefit plan expense	\$ 1,624,800	\$ 218,000	\$ 1,842,800	\$ 1,637,200	\$ 197,300	\$ 1,834,500

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

6. Employee future benefits (continued):

	2016			2015		
	Pension plan	Employee benefits	Total	Pension plan	Employee benefits	Total
Expected closing balance of accrued benefit obligation:						
Actual accrued benefit obligation, beginning of year	\$ 29,555,871	\$ 2,489,000	\$ 32,044,871	\$ 27,524,600	\$ 2,280,800	\$ 29,805,400
Current year benefit cost	1,269,400	97,900	1,367,300	1,180,200	89,000	1,269,200
Interest cost	1,641,800	111,600	1,753,400	1,589,200	110,000	1,699,200
Benefit payments	(680,100)	(86,400)	(766,500)	(953,800)	(84,400)	(1,038,200)
Expected closing balance of accrued benefit obligation, end of year	\$ 31,786,971	\$ 2,612,100	\$ 34,399,071	\$ 29,340,200	\$ 2,395,400	\$ 31,735,600
Expected plan assets:						
Actual plan assets, beginning of year	\$ 29,452,600	\$ 792,163	\$ 30,244,763	\$ 26,334,200	\$ 781,200	\$ 27,115,400
Employer contributions	1,355,400	24,400	1,379,800	1,256,600	55,700	1,312,300
Employee contributions	183,800	—	183,800	185,800	—	185,800
Expected return on plan assets	1,643,500	20,900	1,664,400	1,528,300	22,100	1,550,400
Benefit payments	(680,100)	(86,400)	(766,500)	(953,800)	(84,400)	(1,038,200)
Expected plan assets, end of year	\$ 31,955,200	\$ 751,063	\$ 32,706,263	\$ 28,351,100	\$ 774,600	\$ 29,125,700
Amortization of gains (losses) on accrued benefit obligation:						
Expected closing balance of accrued benefit obligation	\$ 31,786,971	\$ 2,612,100	\$ 34,399,071	\$ 29,340,200	\$ 2,395,400	\$ 31,735,600
Actual accrued benefit obligation	31,787,000	2,573,500	34,360,500	29,555,871	2,489,000	32,044,871
Experience gain (loss)	\$ (29)	\$ 38,600	\$ 38,571	\$ (215,671)	\$ (93,600)	\$ (309,271)
Annual amortization over EARS	\$ —	\$ 4,800	\$ 4,800	\$ (20,600)	\$ (10,100)	\$ (30,700)
Amortization of gains (losses) on plan assets:						
Expected closing balance of plan assets	\$ 31,955,200	\$ 751,063	\$ 32,706,263	\$ 28,351,100	\$ 777,600	\$ 29,128,700
Actual plan assets	29,153,000	722,200	29,875,200	29,452,600	792,163	30,244,763
Experience gain (loss)	\$ (2,802,200)	\$ (28,863)	\$ (2,831,063)	\$ 1,101,500	\$ 14,563	\$ 1,116,063
Annual amortization over EARS	\$ (267,100)	\$ (2,300)	\$ (269,400)	\$ 105,000	\$ 1,100	\$ 106,100
Actual pension liability recorded in the statement of financial position:						
Actual accrued benefit obligation	\$ 31,787,000	\$ 2,573,500	\$ 34,360,500	\$ 29,555,871	\$ 2,489,000	\$ 32,044,871
Actual plan assets	(29,153,000)	(722,200)	(29,875,200)	(29,452,600)	(792,163)	(30,244,763)
Deficit	2,634,000	1,851,300	4,485,300	103,271	1,696,837	1,800,108
Unamortized actuarial gains (losses)	(2,162,200)	(172,100)	(2,334,300)	703,829	(211,237)	492,592
Actual pension liability recorded	\$ 471,800	\$ 1,679,200	\$ 2,151,000	\$ 807,100	\$ 1,485,600	\$ 2,292,700

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

6. Employee future benefits (continued):

The total accrued pension benefit liability of \$2,151,000 (2015 - \$2,292,700) is included in the Corporation's statement of financial position.

The significant actuarial assumptions used in accounting for the plans are as follows:

	2016		2015	
	Pension plan	Employee benefits	Pension plan	Employee benefits
Discount rate	5.50%	3.20 - 5.50%	5.50%	2.90 - 5.50%
Expected return on plan assets	5.50%	2.75%	5.75%	2.88%
Rate of compensation increase	2.50%*	n/a	2.50%	n/a
Indexation rate	1.50%	1.50%	1.50%	1.50%
EARS (years)	10.5	8.8 - 12.6	10.5	8.8 - 13.3

* 2.50% per year for calendar years 2014 and 2015, 3.75% per year thereafter in accordance with the actuarial valuation assumptions as at December 31, 2013.

Assumed health care cost trend rates at March 31:

	2016	2015
Initial health care cost trend rate	7.75%	8.00%
Cost trend rate declines to	4.00%	4.00%
Year that the rate reaches the rate it is assumed to remain at	2031	2031

7. Expenses:

Included in expenses are wages and benefits of \$25,535,350 (2015 - \$25,804,761).

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

8. Financial instruments, risk management and capital management:

(a) Financial instruments:

PS 3450 requires an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 - unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 - observable or corroborated inputs, other than Level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 - unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

The Corporation's financial assets carried at fair value, which include cash and cash equivalents and customer deposits, are classified as Level 1.

There were no financial instruments categorized in Level 2 or in Level 3 as at March 31, 2016 and 2015.

There were no changes in categorization of financial assets and liabilities into the three levels in the fair value hierarchy during the year.

The carrying values of cash and cash equivalents, customer deposits, accounts receivable and accounts payable and accrued liabilities approximate fair values due to their short-term nature.

(b) Risk management:

The Corporation's activities expose it to a variety of financial risks: credit risk and liquidity risk. Risk management is the responsibility of the Corporation's management which identifies and evaluates financial risks. Material risks are monitored and discussed with the Finance and Audit Committee of the Board of Directors. The Corporation does not utilize derivative financial instruments.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

8. Financial instruments, risk management and capital management (continued):

(i) Credit risk:

Credit risk arises from cash held with the banks and financial institutions and accounts receivable. The objective of managing counterparty credit risk is to prevent losses in financial assets. The Corporation assesses the quality of its counterparties, taking into account their creditworthiness and reputation, past experience and other factors.

The aging of accounts receivable is as follows:

	2016	2015
Current	\$ 1,415,128	\$ 1,721,045
Less than 60 days overdue	1,753,982	2,195,444
More than 60 days overdue	5,283	4,740
Less allowance for doubtful accounts	(19,737)	(24,264)
Total trade accounts receivable	3,154,656	3,896,965
Non-trade accounts receivable	225,243	351,263
	\$ 3,379,899	\$ 4,248,228

The carrying amounts of accounts receivable represent the maximum credit exposure.

(ii) Liquidity risk:

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Corporation's objective in managing liquidity risk is to maximize available cash reserves to meet its liquidity requirements in order to meet obligations as they come due. The Corporation has established a conservative investment policy to achieve this objective. The governance of this policy refers to the Corporation's power to invest surplus monies only in the following investments:

- (a) Canadian government securities (federal and provincial);
- (b) guaranteed investment certificates; and
- (c) deposit receipts, deposit notes and bankers' acceptance (Schedule A or B bank).

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

8. Financial instruments, risk management and capital management (continued):

The policy also includes minimum quality requirements and recognized bond rating agencies pertaining to the above investments.

The Corporation's financial liabilities, which include accounts payable and accrued liabilities, are generally due within one year.

(c) Capital management:

The Corporation's objective in managing capital is to safeguard the entity's ability to continue as a going concern and make distributions to the OFA.

9. Commitments:

The Corporation is committed to minimum annual lease payments (excluding common area charges) under various operating leases for facility rental, parking, office space, computer equipment and equipment, as follows:

2017	\$ 1,947,912
2018	1,020,492
2019	816,160
2020	567,705
2021	94,063
Thereafter	1,722,525
	<hr/>
	\$ 6,168,857

The Corporation's minimum annual distribution of \$2,500,000 required to be paid to the OFA (as disclosed in note 5) has been excluded from the commitments schedule above.

