DRAFT #4
June 6, 2017

Fund Financial Statements of

THE VHA HOME HEALTHCARE PENSION PLAN

Year ended December 31, 2016

INDEPENDENT AUDITORS' REPORT

To the Administrator of The VHA Home HealthCare Pension Plan

We have audited the accompanying fund financial statements of The VHA Home HealthCare Pension Plan, which comprise the statement of net assets available for benefits as at December 31, 2016, the statement of changes in net assets available for benefits for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The fund financial statements have been prepared by management based on the financial reporting provisions of Section 76 of Regulation 909 of the Pension Benefits Act (Ontario).

Management's Responsibility for the Fund Financial Statements

Management is responsible for the preparation and fair presentation of these fund financial statements in accordance with the financial reporting provisions of Section 76 of Regulation 909 of the Pension Benefits Act (Ontario), and for such internal control as management determines is necessary to enable the preparation of fund 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 fund 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 fund financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the fund financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the fund 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 fund 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 fund 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 fund financial statements present fairly, in all material respects, the net assets available for benefits of The VHA Home HealthCare Pension Plan as at December 31, 2016, and the changes in its net assets available for benefits for the year then ended in accordance with the financial reporting provisions of Section 76 of Regulation 909 of the Pension Benefits Act (Ontario).

Basis of Accounting and Restriction on Use

Without modifying our opinion, we draw attention to note 2(a) to the fund financial statements, which describes the basis of accounting. The fund financial statements are prepared to assist the Administrator of The VHA Home HealthCare Pension Plan to comply with the requirements of the Financial Services Commission of Ontario under Section 76 of Regulation 909 of the Pension Benefits Act (Ontario). As a result, the fund financial statements may not be suitable for another purpose.

Our report is intended solely for the Administrator of The VHA Home HealthCare Pension Plan and the Financial Services Commission of Ontario, and should not be used by parties other than the Administrator of The VHA Home HealthCare Pension Plan or the Financial Services Commission of Ontario.

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Chartered Professional Accountants, Licensed Public Accountants

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Vaughan, Canada

THE VHA HOME HEALTHCARE PENSION PLAN

DRAFT Statement of Net Assets Available for Benefits

December 31, 2016, with comparative information for 2015

	2016			2015		
	Defined benefit	Defined contribution	Total	Defined benefit	Defined contribution	Total
Assets						
Contributions receivable:						
Employer	$ 92,272	$ 3,287	$ 95,559	$ 89,086	$ 3,151	$ 92,237
Employee	–	13,176	13,176	–	13,312	13,312
Investments (note 4)	8,237,991	2,812,902	11,050,893	7,167,083	2,638,370	9,805,453
	8,330,263	2,829,365	11,159,628	7,256,169	2,654,833	9,911,002
Liabilities						
Accounts payable and accrued liabilities	17,817	–	17,817	35,733	–	35,733
Net assets available for benefits	$ 8,312,446	$ 2,829,365	$ 11,141,811	$ 7,220,436	$ 2,654,833	$ 9,875,269

See accompanying notes to fund financial statements.

On behalf of the Administrator:

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THE VHA HOME HEALTHCARE PENSION PLAN

DRAFT Statement of Changes in Net Assets Available for Benefits

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

	2016			2015		
	Defined benefit	Defined contribution	Total	Defined benefit	Defined contribution	Total
Increase in net assets:						
Investment income	$ –	$ 299	$ 299	$ 2,425	$ 297	$ 2,722
Change in fair value:						
Net realized gain on sale of investments	103,044	203,261	306,305	171,486	132,076	303,562
Change in net unrealized gains	540,970	–	540,970	278,507	–	278,507
Employer contributions:						
Current service	698,748	62,807	761,555	724,574	62,595	787,169
Special payments	112,200	–	112,200	117,400	–	117,400
Employee contributions:						
Required	–	249,024	249,024	–	253,943	253,943
Voluntary	–	7,909	7,909	–	7,698	7,698
	1,454,962	523,300	1,978,262	1,294,392	456,609	1,751,001
Decrease in net assets:						
Change in net unrealized losses	–	37,167	37,167	–	28,505	28,505
Retirement benefit payments	128,637	240,810	369,447	102,876	46,488	149,364
Termination refunds	93,899	70,791	164,690	411,846	369,718	781,564
Investment management fees	54,112	–	54,112	50,331	–	50,331
Death benefits	1,349	–	1,349	–	–	–
Professional fees	73,684	–	73,684	95,766	–	95,766
Audit fee	11,271	–	11,271	13,044	–	13,044
	362,952	348,768	711,720	673,863	444,711	1,118,574
Increase in net assets available for benefits	1,092,010	174,532	1,266,542	620,529	11,898	632,427
Net assets available for benefits, beginning of year	7,220,436	2,654,833	9,875,269	6,599,907	2,642,935	9,242,842
Net assets available for benefits, end of year	$ 8,312,446	$ 2,829,365	$ 11,141,811	$ 7,220,436	$ 2,654,833	$ 9,875,269

See accompanying notes to fund financial statements.

1. Description of the Plan:

The VHA Home HealthCare Pension Plan (the "Plan") is a registered pension plan in the Province of Ontario under registration number 1128123. Non-unionized employees of VHA Home HealthCare (the "Association") and employees that are members of the Ontario Public Service Employees Union are eligible to join the Plan. The primary purpose of the Plan is to provide retirement income to employees of the Association after retirement.

Full-time employees are eligible to join the Plan after one year of service. Part-time employees with at least 700 hours of service are eligible to join after two years of employment.

The Plan has a defined benefit portion and a defined contribution portion.

The defined benefit portion is calculated based on 0.75% of the average of the best three consecutive years of annual earnings times the number of years of pensionable service.

The defined contribution portion allows employees to make voluntary contributions of up to 4% of their earnings. The Association contributes 25 cents for every dollar of employee contributions.

Normal retirement age for the Plan is 65. A member who retires after age 55 but before age 65 is entitled to defer payments until age 65 or receive an immediate pension reduced by 6% per year for early retirement.

Manufacturers Life Insurance Company ("Manulife") is the custodian of the defined benefit assets and the assets are managed with no member involvement in investment elections. Manulife is the custodian of the defined contribution assets and members assume responsibility of their own investment elections.

2. Basis of preparation:

(a) Basis of presentation:

As permitted by the Financial Services Commission of Ontario ("FSCO"), the Plan may prepare plan financial statements in accordance with Canadian accounting standards for pension plans or prepare fund financial statements in accordance with Canadian accounting standards for pension plans, excluding pension obligations and any resulting surplus or deficit.

2. Basis of preparation (continued):

The Plan has prepared fund financial statements in accordance with Canadian accounting standards for pension plans, excluding pension obligations and any resulting surplus or deficit.

In selecting or changing accounting policies that do not relate to its investment portfolio or pension obligations, Canadian accounting standards for pension plans require the Plan to comply (on a consistent basis) with either International Financial Reporting Standards in Part I of the Chartered Professional Accountants of Canada ("CPA Canada") Handbook - Accounting or Canadian accounting standards for private enterprises ("ASPE") in Part II of the CPA Canada Handbook - Accounting. The Plan has chosen to comply on a consistent basis with ASPE.

These fund financial statements have been prepared to assist the Administrator of the Plan to comply with the requirements of FSCO under Section 76 of Regulation 909 of the Pension Benefits Act (Ontario). As a result, these fund financial statements may not be suitable for another purpose.

These fund financial statements of the Plan do not purport to show the adequacy of the Plan's assets to meet its pension obligation. Such an assessment requires additional information, such as the Plan's actuarial reports and information about the Association's financial health.

These fund financial statements have been prepared in accordance with the significant accounting policies set out below.

(b) Basis of measurement:

The fund financial statements have been prepared on the historical cost basis, except for investments and derivative financial instruments, which are measured at fair value through the statement of changes in net assets available for benefits.

2. Basis of preparation (continued):

(c) Use of estimates and judgments:

The preparation of the fund financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the statement of net assets available for benefits and the reported amounts of changes in net assets available for benefits during the year. 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.

3. Significant accounting policies:

(a) Income recognition:

Investment income is recorded on an accrual basis and includes interest income, dividends and other income.

(b) Foreign currency:

Transactions in foreign currencies are translated into Canadian dollars at the exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into Canadian dollars at the exchange rate at that date.

Foreign currency differences arising on retranslation are recognized in the statement of changes in net assets available for benefits as a change in net unrealized gains (losses).

(c) Financial assets and financial liabilities:

(i) Non-derivative financial assets:

Financial assets are recognized initially on the trade date, which is the date that the Plan becomes a party to the contractual provisions of the instrument. Upon initial recognition, attributable transaction costs are recognized in the statement of changes in net assets available for benefits as incurred.

3. Significant accounting policies (continued):

The Plan measures all of its investments at fair value through the statement of changes in net assets available for benefits.

All other non-derivative financial assets, including contributions receivable, are measured at amortized cost.

(ii) Non-derivative financial liabilities:

All financial liabilities are recognized initially on the trade date at which the Plan becomes a party to the contractual provisions of the instrument.

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

The Plan considers its accounts payable and accrued liabilities to be non-derivative financial liabilities.

(d) Fair value measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In determining fair value, if an asset or a liability measured at fair value has a bid price and an ask price, the price within the bid-ask spread that is the most representative of fair value in the circumstances shall be used to measure fair value. The Plan uses closing market price as a practical expedient for fair value measurement.

When available, the Plan measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's-length basis.

If a market for a financial instrument is not active, then the Plan establishes fair value using a valuation technique. Valuation techniques include using recent arm's-length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models.

3. Significant accounting policies (continued):

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique which variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognized in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

All changes in fair value, other than interest and dividend income and expense, are recognized in the statement of changes in net assets available for benefits as part of the change in net unrealized gains (losses).

Fair values of investments are determined as follows:

Guaranteed investment certificates and term deposits maturing after a year are valued at the present value of estimated future cash flows discounted at interest rates in effect on the last business day of the year for investments of a similar type, quality and maturity.

Pooled funds are valued at the unit values supplied by the pooled fund administrator, which represent the Plan's proportionate share of underlying net assets at fair values determined using closing market prices.

(e) Net realized gain on sale of investments:

The net realized gain on sale of investments is the difference between proceeds received and the average cost of investments sold.

(f) Income taxes:

The Plan is a registered pension plan, as defined by the Income Tax Act (Canada) and, accordingly, is not subject to income taxes.

4. Investments and statutory disclosure:

The following information is provided in respect of individual investments with a cost or fair value in excess of 1% of the cost or fair value of net assets available for benefits, as required by Section 76 of Regulation 909 of the Pension Benefits Act (Ontario):

Defined benefit assets:

2016:

Fund name and operator	Nature of investments	Fair value	Cost
Manulife Leith Wheeler Diversified Pooled Fund	Fixed income, Canadian equities, foreign equities	$ 4,014,124	$ 2,875,018
Manulife Mawer Canadian Balanced Fund	Fixed income, Canadian equities, foreign equities	4,223,867	2,966,201
		$ 8,237,991	$ 5,841,219

2015:

Fund name and operator	Nature of investments	Fair value	Cost
Manulife Leith Wheeler Diversified Pooled Fund	Fixed income, Canadian equities, foreign equities	$ 3,330,278	$ 2,615,313
Manulife Mawer Canadian Balanced Fund	Fixed income, Canadian equities, foreign equities	3,836,805	2,695,967
		$ 7,167,083	$ 5,311,280

4. Investments and statutory disclosure (continued):

Defined contribution assets:

2016:

Fund name and operator	Nature of investments	Fair value	Cost
Manulife 1 Year GIA	Guaranteed Interest Account	$ 25,655	$ 25,655
Manulife CI American Value Fund	US Large Cap Equity	27,856	18,120
ML BG Canadian Equity	Canadian Equity Fund	28,636	23,457
ML BR LifePath Index Retire	Target Date Fund	34,891	35,408
ML BR LifePath Index 2020	Target Date Fund	395,754	409,575
ML BR LifePath Index 2025	Target Date Fund	136,029	138,440
ML BR LifePath Index 2030	Target Date Fund	470,432	475,857
ML BR LifePath Index 2035	Target Date Fund	387,415	382,831
ML BR LifePath Index 2040	Target Date Fund	244,512	239,035
ML BR LifePath Index 2045	Target Date Fund	269,318	257,169
ML BR LifePath Index 2050	Target Date Fund	161,619	152,803
MLI Canadian Money Market Fund	Money Market Fund	63,993	64,417
MLI International Equity Fund	International Equity Fund	42,806	37,467
MLI Leith Wheeler Diversified Pooled Fund	Balanced Fund	331,627	327,288
MLI Mawer Canadian Equity Fund	Canadian Equity Fund	117,546	88,320
MLI McLean Budden Fixed Income Fund	Fixed Income Fund	37,082	39,050
Other	Various	37,731	37,373
		$ 2,812,902	$ 2,752,265

2015:

Fund name and operator	Nature of investments	Fair value	Cost
Manulife 1-Year GIA	Guaranteed Interest Account	$ 25,512	$ 25,512
Manulife CI American Value Fund	U.S. Equity Fund	30,356	19,752
ML BG Canadian Equity	Canadian Equity Fund	44,225	40,926
ML BR LifePath Index Retire	Target Date Fund	162,248	165,927
ML BR LifePath Index 2020	Target Date Fund	403,999	411,633
ML BR LifePath Index 2025	Target Date Fund	160,318	161,600
ML BR LifePath Index 2030	Target Date Fund	387,584	391,671
ML BR LifePath Index 2035	Target Date Fund	325,430	324,956
ML BR LifePath Index 2040	Target Date Fund	183,325	183,168
ML BR LifePath Index 2045	Target Date Fund	221,203	217,899
ML BR LifePath Index 2050	Target Date Fund	131,127	128,346
MLI Canadian Money Market Fund	Money Market Fund	78,663	78,926
MLI International Equity Fund	International Equity Fund	44,674	37,767
MLI Leith Wheeler Diversified Pooled Fund	Pooled Fund	298,466	301,517
MLI Mawer Canadian Equity Fund	Canadian Equity Fund	98,403	80,935
MLI McLean Budden Fixed Income Fund	Fixed Income Fund	34,162	35,576
Other	Various	8,675	8,789
		$ 2,638,370	$ 2,614,900

5. Related party transactions:

The Plan defines its key management personnel as the Association's Board of Directors and other members of senior executives responsible for planning, controlling and directing the activities of the Plan. The Plan has not paid for services provided by key management personnel.

6. Financial instruments:

(a) Fair values:

The fair values of investments are as described in note 3(d). The fair values of other financial assets and financial liabilities approximate their carrying amounts due to the short-term nature of these financial instruments.

Fair value measurements recognized in the statement of net assets available for benefits are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values.

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

The investments in the Plan's defined benefit and defined contribution portions are all Level 2 as at December 31, 2016 and 2015. There were no transfers among levels during the year.

6. Financial instruments (continued):

(b) Associated risks:

Risk management relates to the understanding and active management of risks associated with all areas of the business and the associated operating environment. For the defined contribution portion, the members direct the investment decisions for the assets in their accounts. As a result, the Plan does not provide quantitative sensitivity analysis disclosures for market, interest, credit, foreign currency or liquidity risk. For the defined benefit portion, investments are primarily exposed to market price, interest rate, credit, foreign currency and liquidity risk. The Plan has formal policies and procedures that establish target asset mix. The Plan's policies also require diversification of investments within categories and set limits on exposure to individual investments. The Plan's investments are not managed on a look- through basis. There has been no proration of the Plan's share of each pooled fund's risk disclosure provided.

(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 the Plan's financial instruments are carried at fair value with fair value changes recognized in the statement of changes in net assets available for benefits, all changes in market conditions will directly result in an increase (decrease) in net assets. Market price risk is managed through construction of a diversified portfolio that consists of instruments traded on various markets and across various industries.

(ii) Interest rate risk:

The Plan is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the value of fixed income investments. The risk is mitigated by staggering the term of the investments.

(iii) 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 into with the Plan. Credit risk is generally higher when a non-exchange traded financial instrument is involved because the counterparty for non-exchange traded financial instruments is not backed by an exchange clearinghouse.

6. Financial instruments (continued):

The Plan's fixed income investments are primarily in Canadian-issued instruments and are diversified among federal, provincial, corporate and other issuers. In order to minimize the exposure to credit risk, a comprehensive investment policy has been developed. There were no significant concentrations of credit risk in the portfolio in either 2016 or 2015.

(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. The Plan invests in foreign mutual funds. Consequently, the Plan is exposed to risk that the exchange rate of the various currencies may change in a manner that has an adverse effect on the value of the portion of the Plan's assets denominated in currencies other than the Canadian dollar. Foreign currency risk is managed through construction of a diversified portfolio of instruments in various currencies.

(v) Liquidity risk:

Liquidity risk is the risk that the Plan may be unable to cover benefits payable, withdrawals and other liabilities.

All of the Plan's investments are considered to be readily realizable as their underlying assets can be quickly liquidated at amounts close to their fair market value in order to meet liquidity requirements. The Plan also maintains cash on hand for liquidity purposes and to pay accounts payable and accrued liabilities.

7. Capital risk management:

For the defined benefit portion, the capital of the Plan is represented by the net assets available for benefits. The Plan's objective when managing the capital is to sustain a certain level of net assets in order to meet the pension obligations of the Association, which are not presented or discussed in these specified-purpose fund financial statements.

The Plan fulfils its primary objective by adhering to specific investment policies outlined in its Statement of Investment Policies and Procedures (the "SIP&P"), which states investment objectives, guidelines and benchmarks used in investing the capital of the Plan, permitted categories of investments, asset-mix diversification and rate of return expectations. The SIP&P was last amended effective May 2014.

7. Capital risk management (continued):

The SIP&P permits four broad categories of assets. A set of benchmarks has been identified to measure against each category's annual rate of investment return (net of fees). The Plan's investment was allocated within the allowed asset categories range as of the date of the financial statements. The following table presents the asset allocation for each asset category and total investments, along with appropriate benchmarks:

	Asset allocation %		
Asset category	SIP&P target	2016	2015
Canadian equities	20 - 40	19	22
Foreign equities	20 - 40	44	40
Fixed income	25 - 45	33	34
Short term	0 - 10	4	4

The Plan's investments are within the asset allocation target ranges as at December 31, 2016.

The Plan invests in units of the Manulife Funds, which itself invests in pooled funds managed by Leith Wheeler Diversified Fund and Mawer Canadian Fund (the investment managers), in accordance with the SIP&P and investment mandates specific to each investment manager. The Plan's investment positions expose it to a variety of financial risks, which are discussed in note 6. The allocation of assets among various asset categories is monitored by the Administrator on a monthly basis. A comprehensive review is conducted quarterly, which includes measurement of returns, comparison of returns to appropriate benchmarks, ranking of returns to appropriate universes and risk analysis.

Increases in net assets available for benefits are a direct result of investment income generated by investments held by the Plan and contributions into the Plan by eligible employees and by the Association.

The main use of net assets is for benefit payments to eligible Plan members. The Plan is required to file fund financial statements with FSCO. There is no change in the way capital is managed this year.

The employer is required under the Pension Benefits Act (Ontario) to pay contributions, based on actuarial valuations, necessary to ensure the benefits are funded. No contributions remain past due as at the end of the year covered by the fund financial statements.

7. Capital risk management (continued):

For the defined contribution portion, the capital of the Plan is represented by the net assets available for benefits and is managed individually by the participating members of the Plan via guaranteed interest accounts and pooled fund investments offered by Manulife. The benefits a retiree or employee receives at retirement or on termination under this defined contribution portion are not predetermined. Income distribution or benefits are based on the assets within the retiree's or employee's individual retirement plan account at the time they retire. Under this provision, the employee determines which investments his/her contributions, along with the contributions of the Association, are invested in from a selection of investment options available within the defined contribution provision. This allows the individual to create a portfolio suited to his/her own investment goals and tolerance for risk. The amount of money an individual employee has in the group plan account at retirement is based on the amount of contributions made over the years and the earnings these investments have made.

The SIP&P permits the following seven broad categories of funds: target date, balanced, Canadian equities, U.S. equities, international equities, fixed income and guaranteed interest accounts.

The employer is required under the Pension Benefits Act (Ontario) to pay contributions in accordance with the Plan's provision. More details on employee and employer contributions that were paid during the year is disclosed in the statement of changes in net assets available for benefits. No contributions remain past due as at December 31, 2016.