Treasury Board Secretariat

Public Accounts of Ontario

Financial Statements of Government Organizations

VOLUME 2B
2017–2018

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A GUIDE TO THE PUBLIC ACCOUNTS

1. SCOPE OF THE PUBLIC ACCOUNTS

The 2017-2018 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, 2017 to March 31, 2018. 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 (CONT'D)

THE NIAGARA PARKS COMMISSION

MANAGEMENT REPORT
March 31, 2018

The Management of The Niagara Parks Commission are responsible for the financial statements and all other information presented in these statements. The statements have been prepared by management in accordance with the framework identified in Note 2 in the accompanying audited financial statements.

The financial statements include amounts based on best estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the 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 that the financial information is relevant, reliable, accurate and that the Commission's assets are properly accounted for and adequately safeguarded.

The Board of The Niagara Parks Commission is responsible for gaining assurance that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The Board, through the Audit and Finance Committee, meets periodically with Management to discuss financial results, auditing matters, financial reporting issues and to satisfy itself that each group is properly discharging responsibilities. The Committee reviews the financial statements before recommending approval by the Board.

The financial statements have been audited by Grant Thornton LLP, the Commission's appointed External Auditor and in accordance with Canadian generally accepted auditing standards on behalf of the Commission, Minister of Tourism, Culture and Sport and the Provincial Auditor General. Grant Thornton LLP had direct and full access to all Commission records as well as full access to the Audit and Finance Committee with and without the presence of Management to discuss their audit and findings as to the integrity of the Commission's financial reporting.

Reegan McCullough
Chief Executive Officer
June 14, 2018

M. Neubauer

Margaret Neubauer
Senior Director, Corporate Services
June 14, 2018

GrantThornton

Independent auditor's report

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**To The Niagara Parks Commission,
the Minister of Tourism, Culture and Sport and the Auditor General of Ontario**

We have audited the accompanying financial statements of The Niagara Parks Commission, which comprise the statement of financial position as at March 31, 2018, and the statements of operations, accumulated surplus, changes 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 of these financial statements in accordance with the basis of accounting described in Note 2 to the financial statements, 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 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.

Grant Thornton

Opinion

In our opinion, the financial statements of The Niagara Parks Commission for the year ended March 31, 2018 are prepared, in all material respects, in accordance with the basis of accounting described in Note 2 to the financial statements.

Emphasis of matters

Without modifying our opinion, we draw attention to Note 2 to the financial statements which describes the basis of accounting used in the preparation of these financial statements and the significant differences between such basis of accounting and Canadian public sector accounting standards.

Grant Thornton LLP

Port Colborne, Canada | Chartered Professional Accountants
June 14, 2018 | Licensed Public Accountants

The Niagara Parks Commission
Statement of Financial Position

As at March 31	2018	2017
(in thousands of dollars)		
Financial assets		
Cash and cash equivalents	**$ 16,258**	$ 8,207
Accounts receivable	**1,655**	4,974
Inventories – saleable	**3,889**	4,055
	21,802	17,236
Liabilities		
Accounts payable	**8,603**	10,977
Accrued payroll	**3,984**	2,758
Deferred revenue (Note 4)	**2,364**	2,283
Deferred capital funding (Note 5)	**26,983**	28,534
Long term financing (Note 6)	**24,714**	26,592
Post-employment benefits (Note 7)	**3,182**	3,121
Power plant stabilization obligation (Note 8)	**26,134**	29,414
	95,964	103,679
Net debt	**(74,162)**	(86,443)
Non-financial assets		
Tangible capital assets (Page 20)	**163,428**	158,613
Inventories – other	**847**	936
Prepaid expenses	**426**	479
	164,701	160,028
Accumulated surplus (Note 10)	**$ 90,539**	$ 73,585

Commitments and contingencies (Notes 11 and 12)

On behalf of the Commission

Janice Thomson

Janice Thomson, Chair

Ian Nielsen-Jones, Commissioner

See accompanying notes to the financial statements.

The Niagara Parks Commission
Statement of Operations

For the year ended March 31, 2018

(in thousands of dollars)	Budget 2018	**Actual 2018**	Actual 2017
Revenues			
Revenue producing operations	$ 83,717	**$ 93,097**	$ 84,567
Land rent	7,081	**7,121**	7,009
Commission, rentals and fees	17,478	**18,106**	15,546
Premium on United States funds – net	920	**745**	1,119
Government transfers – special projects	102	**337**	891
Interest revenue	61	**384**	138
Sundry revenue	368	**442**	277
	109,727	**120,232**	109,547
Expenses (Page 21)			
Revenue producing operations			
Cost of goods sold	14,415	**16,054**	14,871
Operating	39,424	**41,295**	38,995
Maintenance	17,589	**18,157**	16,343
Administrative and police	14,862	**15,506**	13,838
Marketing and promotion	3,920	**3,882**	3,414
Special projects	102	**283**	520
	90,312	**95,177**	87,981
Net surplus before other items	19,415	**25,055**	21,566
Other items			
Interest on long term debt	1,393	**1,303**	1,420
Amortization of tangible capital assets	9,185	**9,430**	8,754
Amortization of deferred capital funding (Note 5)	(1,532)	**(1,767)**	(1,706)
Gain on disposal of tangible capital assets	(2)	**(320)**	(48)
	9,044	**8,646**	8,420
Net surplus from operations	10,371	**16,409**	13,146
Net decrease (increase) in power plant stabilization obligation (Note 8)	(705)	**545**	(709)
Annual surplus	$ 9,666	**$ 16,954**	$ 12,437

See accompanying notes to the financial statements.

The Niagara Parks Commission
Statement of Accumulated Surplus
For the year ended March 31, 2018

(in thousands of dollars)	Budget 2018	**Actual 2018**	Actual 2017
Accumulated surplus (Note 10)			
Beginning of year	$ 73,585	**$ 73,585**	$ 61,148
Annual surplus	9,666	**16,954**	12,437
End of year	$ 83,251	**$ 90,539**	$ 73,585

See accompanying notes to the financial statements.

The Niagara Parks Commission
Statement of Changes in Net Debt
For the year ended March 31, 2018

(in thousands of dollars)	Budget 2018	**Actual 2018**	Actual 2017
Annual surplus	$ 9,666	**$ 16,954**	$ 12,437
Amortization of tangible capital assets (Page 20)	9,185	**9,430**	8,754
Purchase of tangible capital assets (Page 20)	(15,950)	**(14,250)**	(12,088)
Proceeds from the disposal of tangible capital assets	-	**325**	101
Gain on sale of tangible capital assets – net	(2)	**(320)**	(48)
	2,899	**12,139**	9,156
Use of prepaid expenses	-	**53**	751
Use of other inventories	-	**89**	263
Decrease in net debt	2,899	**12,281**	10,170
Net debt			
Beginning of year	(86,443)	**(86,443)**	(96,613)
End of year	$ (83,544)	**$ (74,162)**	$ (86,443)

See accompanying notes to the financial statements.

The Niagara Parks Commission
Statement of Cash Flows

For the year ended March 31	2018	2017
(in thousands of dollars)		
Increase in cash and cash equivalents		
Operating activities		
Annual surplus	**$ 16,954**	$ 12,437
Charges against income not requiring an outlay of funds		
Amortization of tangible capital assets (Page 20)	**9,430**	8,754
Amortization of deferred capital funding (Note 5)	**(1,767)**	(1,706)
Gain on disposal of tangible capital assets	**(320)**	(48)
Increase in post-employment benefits (Note 7)	**180**	173
(Decrease) increase in power plant stabilization obligation – net (Note 8)	**(545)**	709
	23,932	20,319
Net change in working capital balances related to operations (Note 13)	**2,560**	570
	26,492	20,889
Capital activities		
Stabilization works on power plants (Note 8)	**(2,735)**	(371)
Purchase of tangible capital assets (Page 20)	**(14,250)**	(12,088)
Proceeds from disposal of tangible capital assets	**325**	101
	(16,660)	(12,358)
Financing activities		
Receipt of capital funding (Note 5)	**216**	3,850
Repayment of long term financing	**(1,878)**	(1,779)
Payment of post-employment benefits (Note 7)	**(119)**	(610)
	(1,781)	1,461
Net increase in cash and cash equivalents	**8,051**	9,992
Cash and cash equivalents (Note 13)		
Beginning of year	**8,207**	(1,785)
End of year	**$ 16,258**	$ 8,207

See accompanying notes to the financial statements.

The Niagara Parks Commission
Notes to the Financial Statements
For the year ended March 31, 2018

1. Nature of operations

The Niagara Parks Commission (the "Commission") is governed by the Niagara Parks Act. Initially established in 1885, the Commission is an "Operational Enterprise" of the Province of Ontario and is responsible for maintaining, protecting and showcasing over 1,300 hectares of parkland stretching some 56 kilometres along the Niagara River from Lake Erie to Lake Ontario. The Commission is exempt from corporate income taxes under the Income Tax Act (Canada) and Ontario Corporation Tax Act.

The Commission is also classified as an Other Government Organization by the Ministry of Finance and as such, the Commission's audited financial statements are published as part of the Public Accounts.

2. Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with the financial reporting provisions of the Ontario Financial Administration Act, Ontario Ministry of Tourism Memorandum of Understanding and the accounting requirements of Regulation 395/11 of the Ontario Financial Administration Act. The Ontario Ministry of Tourism Memorandum of Understanding requires that the financial statements be prepared in accordance with the Canadian public sector accounting standards. The Ontario Financial Administration Act provides that changes may be required to the application of these standards as a result of regulation.

Regulation 395/11 to the Ontario Financial Administration Act requires that contributions received or receivable for the acquisition or development of depreciable tangible capital assets and contributions of depreciable tangible capital assets for use in providing services, be recorded as deferred capital contributions and be recognized as revenue in the Statement of Operations at a rate equal to amortization charged on the related depreciable tangible capital assets. These contributions include government transfers and externally restricted contributions.

The accounting requirement under Regulation 395/11 is not consistent with the requirements of Canadian public sector accounting standards which requires that:

- government transfers be recognized as revenue when approved by the transferor and the 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 in accordance with public sector accounting standard PS3410;
- externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified in accordance with public sector accounting standard PS3100.

As a result revenue recognized in the Statement of Operations and certain related deferred revenues and deferred capital contributions would be recorded differently under Canadian Public Sector Accounting Standards.

The Niagara Parks Commission
Notes to the Financial Statements

For the year ended March 31, 2018

2. Significant accounting policies (continued)

Basis of accounting (continued)

The significant accounting principles used in the preparation of these financial statements are summarized below.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits with maturities of less than three months.

Inventories

Saleable and other inventories are valued at the lower of average cost and net realizable value.

Tangible capital assets

Tangible capital assets are recorded at cost. Cost includes all directly attributable expenses in the acquisition, construction, development and/or betterment of the asset required to install the asset at the location and in the condition necessary for its intended use. Contributed tangible capital assets are capitalized at estimated fair value upon acquisition.

The Commission capitalizes an amount of interest as part of the costs of its capital works in progress and financed via long term financing.

Works of art for display in the Commission property are not included as capital assets. Works of art are held for exhibition, educational and historical interest. Such assets are deemed worthy of preservation because of the social rather than financial benefits they provide to the community. No valuation of the collection has been disclosed in the financial statements.

Leases are classified as capital or operating leases. Leases that transfer substantially all benefits incidental to ownership are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

Amortization is calculated on a straight-line basis to write-off the net cost of each asset over its estimated useful life for all classes except land. Land is considered to have an infinite life without amortization. Residual values of assets are assumed to be zero with any net gain or loss arising from the disposal of assets recognized in the Statement of Operations. Amortization is charged on a monthly basis. Assets under construction are not amortized until the asset is available for productive use.

Amortization is based on the following classifications and useful lives:

Classification	Useful Life
Land improvements, buildings, roadways and structures	7 to 40 years
Equipment and furnishings	3 to 10 years
Vehicles	10 to 12 years

The Niagara Parks Commission
Notes to the Financial Statements

For the year ended March 31, 2018

2. Significant accounting policies (continued)

Deferred revenue

Revenue that is restricted by legislation of senior governments or by agreement with external parties are deferred and reported as restricted revenues. When qualifying expenses are incurred, restricted revenues are brought into revenue at equal amounts. Revenues received in advance of expenses that will be incurred in a later period are deferred until they are earned by being matched against those expenses.

Deferred capital funding

Government transfers for capital purposes and contributed tangible capital assets are recorded as a liability, referred to as deferred capital funding, and are recognized into revenue at the same rate as the related tangible capital assets are amortized, in accordance with Regulation 395/11 to the Ontario Financial Administration Act, as disclosed above.

Post-employment benefits

The present value of the cost of providing employees with future benefit programs is expensed as employees earn these entitlements.

Liabilities 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. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when a site is not in productive use and all the following criteria are met:

- an environmental standard exists;
- contamination exceeds the environmental standard;
- the Commission:
  - o is directly responsible; or
  - o accepts responsibility;
- it is expected that future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

The liability is recognized as management’s estimate of the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

Revenue recognition

Revenue from gift shops, restaurants and attractions are recognized when merchandise has been transferred to the customer or services have been rendered. Revenue from land rent, commissions, rentals, fees and sundry are recognized over the life of the agreement or when earned.

The Niagara Parks Commission
Notes to the Financial Statements
For the year ended March 31, 2018

2. Significant accounting policies (continued)

Foreign currency translation

These financial statements are presented in Canadian dollars. Assets and liabilities denominated in foreign currencies are translated at the exchange rates in effect at the Statement of Financial Position date. Gains and losses on translation are reflected in the annual surplus (deficit).

Use of estimates and measurement uncertainty

The preparation of financial statements in accordance with Canadian public sector accounting standards 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 reporting period. Actual results could differ from those estimates. Two areas in which estimates are used are with regards to post-employment benefits and the power plant stabilization obligation.

3. Credit facilities

The credit facilities, which have a maximum borrowing capacity of $ 15,000,000, provide for two types of loans. There is a variable rate loan facility which varies with the Canadian Imperial Bank of Commerce prime rate and there is a fixed rate operating loan facility available with a maximum term not to exceed 364 days at rates which are set relative to banker's acceptance rates. These credit facilities are unsecured and expire on March 31, 2021, with an option of a three year renewal at the Commission's discretion. As at March 31, 2018, $ Nil has been drawn upon for all credit facilities (2017 - $ Nil). Taking into account outstanding cheques and deposits, the balance reported on the Statement of Financial Position is $ Nil (2017 - $ Nil).

4. Deferred revenue	**2018**	2017
	(in thousands of dollars)	
Defunct power stations (Note 8)	**$ -**	$ 8
Sale proceeds related to Fort Erie land transaction	**314**	314
Other	**2,050**	1,961
	$ 2,364	$ 2,283

Fort Erie land transaction obligation

In fiscal 2009, the Commission and the Peace Bridge Authority ("PBA") entered into an agreement to transfer parcels of land. The PBA acquired a 5.952 acre parcel located in Fort Erie from the Commission for $ 2,021,206. The Commission acquired an option for $ 670,000 plus an annual sum of $ 7,300 adjusted for inflation, to receive 1.973 acres of river front property located at the end of Jarvis Street in Fort Erie from the PBA. The agreement calls for the net proceeds to the Commission in the amount of $ 1,351,206 to be spent on a) funding improvements at Old Fort Erie which are intended for the 200th year anniversary of the War of 1812 and b) returning and/or maintaining the Jarvis Street property as parkland.

The Niagara Parks Commission
Notes to the Financial Statements
For the year ended March 31, 2018

4. Deferred revenue (continued)

The net proceeds were recorded as part of deferred revenue on the Statement of Financial Position. To date approximately $ 996,000 from these proceeds have been spent on the capital works project for the renovation of Old Fort Erie and approximately $ 47,000 has been spent on the Jarvis Street property maintenance. As of March 31, 2018, $ 314,285 remains for use in 2019 and beyond.

5. Deferred capital funding

	2018	2017
	(in thousands of dollars)	
Deferred capital funding		
Beginning of year	**$ 28,534**	$ 26,390
Received during year for capital projects	**216**	3,850
Amortization	**(1,767)**	(1,706)
End of year	**$ 26,983**	$ 28,534

6. Long term financing

	2018	2017
	(in thousands of dollars)	
Unsecured fixed rate term loan requiring blended payments of principal and interest of $ 2,640,907 per annum, bearing interest at 5.06% through to April, 2027	**$ 20,420**	$ 21,951
Unsecured fixed rate term loan requiring blended first annual payment of $ 543,418 and then payments of $ 569,965 per annum thereafter, bearing interest at 5.07% through to April, 2027	**4,214**	4,553
The Commission has an option to purchase land requiring annual payments of $ 7,300 until January, 2028 (Note 4)	**80**	88
	$ 24,714	$ 26,592

The principal payments of the long term financial obligations due in the next five years are as follows:

2019	$ 1,972
2020	2,071
2021	2,173
2022	2,285
2023	2,401

The Niagara Parks Commission
Notes to the Financial Statements
For the year ended March 31, 2018

7. Post-employment benefits

Defined termination benefits

The Commission provides a defined employee future benefit, payable on termination to certain full time employees with a minimum of five years of service. The benefit is calculated on the basis of one week's remuneration, at the time of termination, for every year of full time service provided to the Commission to a maximum of twenty-six weeks. The accrued benefit liability as at March 31, 2018 is $ 3,182,078 (2017 - $ 3,121,208).

The Commission requires an actuarial valuation of the post-employment benefits be conducted every three years. The last valuation was completed for the year ended March 31, 2016 with extrapolations through to 2019 and updated on March 29, 2017. The latest valuation reflects approved changes by the Commission regarding eligibility and maximum amounts of the benefit payable upon termination.

The actual obligation as at March 31, 2018 is $ 2,485,872 (2017 - $ 2,331,209) which is the actuarial valuation for March 31, 2017 adjusted for the actual benefits paid of $ 118,646, incorporated in an actuarial update provided dated March 29, 2017.

Defined benefit plan information

	2018	2017
	(in thousands of dollars)	
Employee benefit plan assets	**$ Nil**	$ Nil
Employee benefit plan liabilities	**3,182**	3,121
Employee benefit plan deficit	**$ 3,182**	$ 3,121
Benefit obligation recognized on the Statement of Financial Position		
Benefit obligation, beginning of year	**$ 3,121**	$ 3,558
Expense for the year	**180**	173
Benefits paid during the year	**(119)**	(610)
Benefit obligation, end of year	**$ 3,182**	$ 3,121
The net benefit expense is as follows:		
Current service cost	**$ 173**	$ 163
Interest cost	**101**	104
Amortization of actuarial gain/loss	**(94)**	(94)
	$ 180	$ 173

The Niagara Parks Commission
Notes to the Financial Statements

For the year ended March 31, 2018

7. Post-employment benefits (continued)

The main actuarial assumptions applied in the valuation of the defined benefit plan are as follows:

Interest (discount) rate – the accrued obligation and the expense for the year were determined using a discount rate of 4.25% (2017 - 4.25%).

Salary levels – future salary and wage levels were assumed to increase at 2% per annum.

These assumptions were reviewed in the current year.

Pension benefits

The Commission provides pension benefits for all its permanent employees (and to non-permanent employees who elect to participate) through the Public Service Pension Fund ("PSPF") and the Ontario Public Service Employees' Union Pension Fund ("OPSEU Pension Fund"). These 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 Pension Fund, determines the Commission'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 Commission. The Commission's annual payments of $ 2,451,210 (2017 - $ 2,316,697), of which $ 1,225,605 (2017 - $ 1,158,349) represents the employees' portion, are included in the administrative and police expense on the Statement of Operations.

The cost of post-employment, non-pension benefits are paid by the Province and therefore are not included in the Statement of Operations.

The Niagara Parks Commission
Notes to the Financial Statements
For the year ended March 31, 2018

8. Power plant stabilization obligation

The Province of Ontario directed the Commission to accept ownership of three former electricity generating power stations all located within Commission lands.

The Toronto Power Generating Station ("TPGS") and the Ontario Power Generating Station ("OPGS") were transferred by Ontario Power Generation Inc. ("OPG") to the Commission at no cost in August, 2007. As part of the terms of transfer of TPGS and OPGS, OPG was to undertake certain structural and environmental work to ensure that the buildings were no threat to the public. The Canadian Niagara Power Generating Station ("CNPGS") previously owned by Fortis Ontario was transferred April 30, 2009.

The Ministry of Tourism engaged the services of an architectural firm (The Ventin Group Inc.) to ensure that the original Government Directive governing the initial transfer was complied with and to identify work and related costs required to "stabilize and mothball" all the facilities until an ultimate use for the buildings can be determined. The Ventin Group identified the remaining lead paint at the TPGS and OPGS as a deficiency which OPG should have resealed or encapsulated after cleaning. The Ventin Group reported that there are substantial costs required to bring the three power stations to what would be considered a "mothball" state. Therefore, additional costs would be required to bring these buildings to a "development ready" state. Further, there are in existence certain secondary structures related to TPGS and OPGS that were not accounted for in the original Government Directive that will result in additional remediation costs at some point in the future.

The Commission is of the belief that the acceptance of these power generating stations will require a significant infusion of funds that is beyond its capacity to meet. As at March 31, 2018, ongoing discussions with the Province have not resulted in any assurance that the Commission will not be responsible for any future costs. Any costs that are expected to be incurred for the purposes described above may not commence without funding received from the Province.

VFA, Inc. has reviewed the infrastructure through site visits and prepared estimates using standard engineering formulas. Further, they have provided the Commission with their assessment and a requirements list report providing costs for each component of stabilization required, as well as the timing of when these costs should be incurred. Their initial report was completed in 2013 and updates are provided annually. Commission engineering staff have reviewed the list and categorized the costs by year according to urgency and based on expected available funding, with the most urgent requirements addressed over the next two years. In addition, the Commission undertook several studies to determine critical underground infrastructure that needs replacing, including seismic studies, review of intake gates, geophysical and geotechnical settlement and a stability investigation.

This obligation represents the Commission's best estimate of the costs required to "stabilize and mothball" the three power stations based on the information noted above. The power plant stabilization obligation represents works identified in the Asset Management Information System (AMIS) database, and is based on condition assessments completed by VFA Inc. and current costs to undertake the improvements.

The Niagara Parks Commission
Notes to the Financial Statements
For the year ended March 31, 2018

8. Power plant stabilization obligation (continued)

The stabilization obligation as of March 31, 2018 has been calculated to be $ 26,134,012 (2017 - $ 29,414,141):

	2018	2017
	(in thousands of dollars)	
Power plant stabilization obligation		
Beginning of year	**$ 29,414**	$ 29,076
Actual work performed during year		
NPC funded	**(2,681)**	(318)
Grant funded	**(54)**	(53)
Net (decrease) increase in change in value of power plant stabilization obligation	**(545)**	709
End of year	**$ 26,134**	$ 29,414

The decrease of $ 3,280,129 is a result of stabilization work completed during the year in the amount of $ 2,735,366 of which $ 54,277 was funded by grants, and $ 2,681,089 funded by the Commission. The remaining $ 544,760 reduction in the obligation is a result of future work being avoided due to the work carried out in the current year, savings in actual costs compared to original estimates in the amount of $30,265 and a change of $ 3,450 in cost estimates to complete the remaining stabilization works.

In fiscal 2019, NPC has requested VFA Inc. to undertake a detailed update of the power plant assets only, to update the condition assessments provided in previous years from a stabilization perspective. Any changes in condition and in the cost of stabilization components will be used to update the obligation as of March 31, 2019.

A capital asset has not been recorded for these properties as there is an impairment in their value, which has been documented in the various studies carried out to date.

As at October 31, 2009, the Commission had received $ 1,550,000 in funding from the Ministry of Tourism, Culture and Sport (MTCS) to assist in the “stabilizing and mothball” process. All of this funding has now been utilized for its intended purpose.

The Commission has incurred annual costs related to maintenance and security for all sites and has recorded them in the Statement of Operations and are included in the maintenance expense.

The Niagara Parks Commission
Notes to the Financial Statements
For the year ended March 31, 2018

9. Liabilities for contaminated sites

The Commission reports environmental liabilities related to the management and remediation of any contaminated sites where the Commission is obligated or likely obligated to incur such costs. Currently no such contaminated sites have been identified and therefore no liability has been recorded.

The Commission's ongoing efforts to assess contaminated sites may result in future environmental remediation liabilities related to newly identified sites, or changes in the assessments or intended use of existing sites. Any changes to the Commission's liabilities for contaminated sites will be accrued in the year in which they are assessed as likely and reasonably estimable.

10. Accumulated surplus

	2018	2017
	(in thousands of dollars)	
Operating surplus	**$ 8,124**	$ 2,633
Investment in tangible capital assets	**136,445**	130,079
Unfunded		
Long term debt	**(24,714)**	(26,592)
Post-employment benefits	**(3,182)**	(3,121)
Power plant stabilization obligation	**(26,134)**	(29,414)
	(54,030)	(59,127)
Accumulated surplus	**$ 90,539**	$ 73,585

Surplus funds

Pursuant to Section 16(2) of the Niagara Parks Act, any surplus moneys shall, on the order of the Lieutenant Governor in Council, be paid to the Minister of Finance and shall form part of the consolidated revenue fund. As of March 31, 2018 no surplus moneys have been recorded as a liability to the Minister of Finance.

11. Commitments

The Commission has committed to approximately $ 18,838,000 in capital works projects in the next year.

The Commission has two agreements with a franchisor requiring the payment of service fees as follows:

a) Queen Victoria Place: 4.0% of gross sales, advertising and promotion fee of 2.5% of gross sales. The term of the agreement is ten years, expiring in October, 2022.
b) Table Rock: 6.0% of gross sales, advertising and promotion fee of 1.0% of gross sales. The term of the agreement is twenty-seven months, expiring in November, 2018.

The Niagara Parks Commission
Notes to the Financial Statements
For the year ended March 31, 2018

12. Contingencies

The Commission is in litigation pertaining to certain claims for which the likelihood of loss is not determinable and the amount not reasonably estimable. Accordingly, no provision for these claims is reflected in the financial statements.

13. Statement of cash flows

	2018	2017
	(in thousands of dollars)	
Changes in working capital components include		
Accounts receivable	**$ 3,319**	$ (3,236)
Inventories – saleable and other	**255**	100
Accounts payable	**(2,374)**	1,936
Accrued payroll	**1,226**	52
Deferred revenue	**81**	967
Prepaid expenses	**53**	751
	$ 2,560	$ 570
Cash and cash equivalents consist of:		
Cash on hand	**$ 469**	$ 424
Cash balance with banks	**15,789**	7,783
	$ 16,258	$ 8,207

14. Comparative figures

Certain prior year amounts have been reclassified to conform with current year consolidated financial statement presentation.

The Niagara Parks Commission
Schedule of Tangible Capital Assets
For the year ended March 31, 2018

(in thousands of dollars)	Land	Land Improvements	Buildings, Roadways and Structures	Equipment and Furnishings	Vehicles	Capital Works in Progress	**2018**	2017
Cost								
Beginning of year	$ 14,359	$ 17,135	$ 241,819	$ 44,148	$ 4,887	$ 765	**$ 323,113**	$ 311,418
Add additions	-	-	8,139	2,904	1,116	2,091	**14,250**	12,088
Less disposals	-	-	-	(685)	(213)	-	**(898)**	(393)
Transfers of capital works in progress	-	-	329	436	-	(765)	**-**	
End of year	14,359	17,135	250,287	46,803	5,790	2,091	**336,465**	323,113
Accumulated amortization								
Beginning of year	-	-	121,934	39,406	3,160	-	**164,500**	156,086
Add amortization	-	-	7,444	1,568	418	-	**9,430**	8,754
Less disposals	-	-	-	(685)	(208)	-	**(893)**	(340)
End of year	-	-	129,378	40,289	3,370	-	**173,037**	164,500
Net book value	$ 14,359	$ 17,135	$ 120,909	$ 6,514	$ 2,420	$ 2,091	**$ 163,428**	$ 158,613

The Niagara Parks Commission
Schedule of Expenses by Object

For the year ended March 31, 2018

(in thousands of dollars)	Budget 2018	**Actual 2018**	Actual 2017
Cost of goods sold	$ 14,414	**$ 16,054**	$ 14,871
Salaries, wages and benefits	50,170	**51,951**	48,399
Sales and other	4,335	**5,269**	4,013
Equipment repairs and maintenance	4,527	**4,843**	4,599
Materials and supplies	2,666	**2,896**	2,699
Advertising and promotion	3,420	**3,542**	3,050
Facilities	7,386	**6,837**	6,771
Administrative	3,292	**3,502**	3,059
Special projects	102	**283**	520
	$ 90,312	**$ 95,177**	$ 87,981

nohfc

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Northern Ontario Heritage Fund Corporation
Year ended March 31, 2018

Responsibility for Financial Reporting

The accompanying financial statements of the Northern Ontario Heritage Fund Corporation (NOHFC) have been prepared in accordance with Canadian public sector accounting standards, and are the responsibility of management. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 6, 2018.

Management is responsible for the integrity of the financial statements and maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The Board, through the Audit Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Audit Committee, comprised of members who are not employees/officers of NOHFC generally meets periodically with management and the Office of the Auditor General to satisfy itself that each group has properly discharged its respective responsibility.

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

Melanie Muncaster
Executive Director
NOHFC

Jocelyn Ouellet, CPA, CMA
Senior Corporate Controller
NOHFC

Susan Richichi, CPA, CA
Manager Financial Services
NOHFC

Glen Vine
Manager Program Services (A)
NOHFC

Office of the Auditor General of Ontario
Bureau de la vérificatrice générale de l'Ontario

Independent Auditor's Report

To the Northern Ontario Heritage Fund Corporation

I have audited the accompanying financial statements of the Northern Ontario Heritage Fund Corporation, which comprise the statement of financial position as at March 31, 2018 and the statements of operations, changes in net financial 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 opinion.

Opinion

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Northern Ontario Heritage Fund Corporation as at March 31, 2018, and the results of its operations, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Toronto, Ontario
June 6, 2018

Susan Klein, CPA, CA, LPA
Assistant Auditor General

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NORTHERN ONTARIO HERITAGE FUND CORPORATION

Statement of Financial Position

March 31, 2018, with comparative information for 2017

($000s)	2018	2017
Financial Assets		
Current assets:		
Cash and cash equivalents (note 3)	$ 299,217	$ 301,466
Accrued interest	1,323	488
Current portion of loan receivable (note 4)	8,118	7,118
	308,658	309,072
Loans receivable (note 4)	32,624	34,473
	341,282	343,545
Financial Liabilities		
Accounts payable and accrued liabilities (note 5)	4,341	10,462
Net financial assets	336,941	333,083
Non-Financial Assets		
Tangible capital assets (note 6)	2	5
Commitments (note 9)		
Net investment by the Province of Ontario	$ 336,943	$ 333,088

See accompanying notes to financial statements.

On behalf of the Board:

_____ Co-Chair

_____ Co-Chair

_____ Executive Director

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Statement of Operations

Year ended March 31, 2018, with comparative information for 2017

($000s)	Budget 2018	2018	2017
Revenue:			
Province of Ontario grant	$ 100,000	$ 100,000	$ 100,000
Interest on cash and cash equivalents	1,946	3,329	1,933
Interest on loans receivable	1,588	2,502	2,158
Recoveries	–	849	1,167
	103,534	106,680	105,258
Expenses:			
Conditional contributions	91,460	93,951	74,834
Credit losses (note 7)	6,775	1,762	2,981
Administration (note 8)	11,261	7,112	7,754
	109,496	102,825	85,569
Excess/(Deficiency) of revenue over expenses	$ (5,962)	3,855	19,689
Net investment by the Province of Ontario, beginning of year		333,088	313,399
Net investment by the Province of Ontario, end of year		$ 336,943	$ 333,088

See accompanying notes to financial statements.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Statement of Changes in Net Financial Assets

Year ended March 31, 2018, with comparative information for 2017

($000s)	2018	2017
Excess of revenue over expenses	$ 3,855	$ 19,689
Amortization of capital assets	3	4
Increase in net financial assets	3,858	19,693
Net financial assets beginning of year	333,083	313,390
Net financial assets, end of year	$ 336,941	$ 333,083

See accompanying notes to financial statements.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Statement of Cash Flows

Year ended March 31, 2018 with comparative information for 2017

($000s)	2018	2017
Lending, investing and financial assistance activities:		
Loan disbursements	$ (12,806)	$ (14,925)
Loan repayments and recoveries	12,674	14,802
Conditional contributions	(99,902)	(77,197)
Interest received on loans receivable	2,445	2,175
Other revenue	122	7
	(97,467)	(75,138)
Financing activities:		
Cash contributions from the Province for lending and financial assistance activities	100,000	100,000
Operating activities:		
Amortization	(3)	(4)
Interest received on cash and cash equivalents	2,500	1,867
Administration costs	(7,279)	(8,482)
	(4,782)	(6,619)
Net (decrease)/increase in cash and cash equivalents	(2,249)	18,243
Cash and cash equivalents, beginning of year	301,466	283,223
Cash and cash equivalents, end of year	$ 299,217	$ 301,466

See accompanying notes to financial statements.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements

Year ended March 31, 2018

1. Nature of the business:

The Northern Ontario Heritage Fund Corporation (the "Corporation") was established, without share capital, on June 1, 1988 under the Northern Ontario Heritage Fund Act. The purpose of the Corporation is to fund infrastructure improvements and economic development opportunities in Northern Ontario by providing financial assistance by way of conditional contributions, forgivable performance loans, and term loans. As an Ontario Crown agency, the Corporation is exempt from federal and provincial income taxes under the Income Tax Act (Canada).

The Corporation partners with communities, businesses and entrepreneurs across Northern Ontario to create jobs and strengthen the Northern economy. The Corporation delivers five targeted programs as follows: Strategic Economic Infrastructure Program, Northern Community Capacity Building Program, Northern Innovation Program, Northern Business Opportunity Program, and Northern Ontario Internship Program.

2. Significant accounting policies:

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

(a) Basis of accounting:

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

(b) Transactions with the Province of Ontario:

The Province of Ontario contributes funds to finance the lending and financial assistance activities. The net investment by the Province of Ontario is increased (reduced) by the excess (deficiency) of revenue over expenses.

(c) Cash and cash equivalents:

Cash and cash equivalents consist primarily of funds on deposit in chartered banks and short-term investments on deposit with the Ontario Financing Authority, a related party.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements

Year ended March 31, 2018

2. Significant accounting policies (continued):

(d) Financial instruments:

Financial instruments obtained in arm's-length transactions are initially measured at their fair value. Interest free loans are discounted to fair value when initially recorded. Financial instruments are subsequently measured in one of the following categories (i) fair value or (ii) cost or amortized cost. The Corporation uses fair value for the subsequent measurement of cash and cash equivalents. The Corporation uses amortized cost for the subsequent measurement of loans receivable and accounts payable and accrued liabilities.

(e) Tangible capital assets:

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to the acquisition or betterment of the asset.

The cost, less residual value of the tangible capital asset, is amortized on a straight line basis over its estimated useful life as follows:

	Years
Automotive	7

(f) Provision for credit losses:

Credit losses arise on loans receivable issued by the Corporation. In addition to specific write-offs and write-downs, a provision for credit losses is maintained in an amount considered adequate to absorb anticipated credit-related losses. The provision for losses on loans consists of provisions on specific loans and a general provision on the remaining loans and is deducted from loans receivable.

The amounts written off and written down in the year and changes in provisions, are charged to credit losses in the Statement of Operations. Recoveries reflect Funds received during the year from loans provided for in a prior year and are recorded as recoveries on the Statement of Operations.

(g) Revenue recognition:

Government grants are recognized when receivable, amounts are determinable and collectability is assured. Interest income is recognized on the accrual basis. Interest revenue on loans receivable is recognized in the financial statements in an amount estimated to be recoverable. Interest revenue ceases to be recognized on fully impaired loans.

2. Significant accounting policies (continued):

(h) Conditional contributions and forgivable loans:

The Corporation expenses conditional contributions and forgivable performance loans when disbursed. Approved commitments are not recognized in the financial statements until the conditions of the funding have been met by the recipients.

(i) Use of estimates:

Preparation of the financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimated. Significant estimates include the provision for credit losses and the loan discount.

3. Cash and cash equivalents:

The Northern Ontario Heritage Fund Act restricts investments to securities issued or guaranteed by the provinces, Canada, United States, United Kingdom, the International Bank for Reconstruction and Development and any Canadian Schedule I or II bank, and other investments as authorized by the Lieutenant Governor in Council. The Corporation, through an Investment Management Agreement with the Ontario Financing Authority, invests excess funds in securities as allowed by the Act.

Cash and cash equivalents consist of:

($000s)	2018	2017
Cash	$ 96,780	$ 100,243
Short-term investments	202,437	201,223
	$ 299,217	$ 301,466

Short-term investments consist of Treasury Bills (maturing within 365 days) which yielded 1.52% on average (2017 – 0.67%). All Treasury Bills are redeemable on demand.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements

Year ended March 31, 2018

4. Loans receivable:

($000s)	2018	2017
Current	$ 8,118	$ 7,118
Long-term	55,091	58,896
Loans in arrears and default	7,561	10,080
Provision for credit losses	(29,792)	(34,217)
Loan discount	(236)	(286)
	$ 40,742	$ 41,591

Generally, loans bear fixed interest rates ranging from 0% to 8.25% and are fully repayable within 20 years from the date disbursed.

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

($000s)	2018	2017
Balance, beginning of year	$ 34,217	$ 34,846
Loans written off in the year	(5,489)	(2,478)
Change in loan provision	1,064	1,849
Balance, end of year	$ 29,792	$ 34,217

The change in the loan discount balances are as follows:

($000s)	2018	2017
Balance, beginning of year	$ 286	$ 295
Amount amortized to interest on loans receivable	(50)	(9)
Balance, end of year	$ 236	$ 286

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements

Year ended March 31, 2018

5. Accounts payable and accrued liabilities:

Accounts payable and accrued liabilities relate largely to normal business transactions with recipients, in accordance with conditional grant agreements and intercompany balance between the Ministry and the Corporation.

($000s)		2018		2017
Due to Ministry of Northern Development and Mines	$	1,016	$	1,185
Accrued Liabilities		3,325		9,277
Total	$	4,341	$	10,462

6. Tangible capital assets:

($000s)		2018		2017
Cost				
Opening	$	26	$	26
Additions		–		–
Closing		26		26
Accumulated amortization:				
Opening		21		17
Amortization		3		4
Closing		24		21
Net book value, end of year	$	2	$	5

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements

Year ended March 31, 2018

7. Credit losses:

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

($000s)		2018		2017
Loans written off in the year	$	5,489	$	2,478
Less: amounts provided for in previous years		(5,494)		(2,478)
Closing		(5)		–
Changes in provision on active loans		1,767		2,981
Change in credit loss provision		1,762		2,981
Credit losses	$	1,762	$	2,981

8. Administration expenses:

Details of administration expenses in the year are as follows:

($000s)		Budget 2018		2018		2017
Salaries, wages and benefits	$	2,319	$	2,162	$	1,952
Transportation and communications		346		315		386
Services		3,532		1,691		2,214
Management fees		4,000		2,414		3,047
Marketing		1,000		490		122
Supplies and equipment		60		37		29
Amortization on tangible capital assets		4		3		4
	$	11,261	$	7,112	$	7,754

The Province provides pension benefits for all of the Corporation's permanent staff through participation in the Public Service Pension Fund and the Ontario Public Service Employees' Union Pension Fund which are both multi-employer defined benefit pension plans established by the Province of Ontario. The costs of the pension plans, and other post-retirement non-pension benefits provided to eligible staff are paid by the Province and are not included in these financial statements.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements

Year ended March 31, 2018

9. Commitments:

Funds committed but not disbursed as at March 31, 2018 are $290,735,571 (2017 – $252,664,593).

10. Financial instruments:

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

(a) Credit risk:

Credit risk is the risk that the counterparty to a financial instrument may fail to discharge an obligation or commitment that it has entered into. The Corporation provides credit to its loan portfolio clients in the normal course of operations. To mitigate the risk, the Corporation screens loan applicants, registers security on the loans and maintains provisions for contingent credit losses.

(b) Liquidity risk:

The Corporation's exposure to liquidity risk is low as cash and cash equivalents exceed the current commitments. The Corporation mitigates this risk by monitoring cash activities and expected outflows.

(c) Market risk:

Market risk is comprised of currency risk, interest rate risk and other price risk. The Corporation does not conduct any transactions that are denominated in foreign currency. The Corporation's loans receivable bear fixed interest rates. The Corporation's cash and cash equivalents balance includes Treasury Bills where market value is close to cost, so market risk is low.

11. Related Party Transactions

Administrative expenses, excluding amortization and bank charges, as presented in note 8, are provided by the Ministry of Northern Development and Mines and charged at cost.

Accounts payable and accrued liabilities includes amounts due to the Ministry of Northern Development and Mines at fiscal yearend for administrative expenses (see note 5).

Short term investments are managed on behalf of the Corporation by the Ontario Financing Authority under an Investment Management Agreement (see note 3).

Public Health Ontario | Santé publique Ontario

Management Responsibility Report

PHO management is responsible for preparing the accompanying financial statements in conformity with Canadian public sector accounting standards for government not-for-profit organizations as established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA).

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.

PHO 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 PHO 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 & Finance Standing Committee. The Committee meets at least four times annually to review audited and unaudited financial information. Ernst & Young LLP has full and free access to the Audit & Finance Standing Committee.

Management acknowledges its responsibility to provide financial information that is representative of PHO operations, is consistent and reliable, and is relevant for the informed evaluation of PHO activities.

Cathy Campos, CPA, CA
Directrice générale des finances

D[r] Peter D. Donnelly, MD
Président-directeur général

Independent auditors' report

To the Members of
Ontario Agency for Health Protection and Promotion

We have audited the accompanying financial statements of **Ontario Agency for Health Protection and Promotion [operating as Public Health Ontario]**, which comprise the statement of financial position as at March 31, 2018, and the statements of operations and 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.

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 **Ontario Agency for Health Protection and Promotion [operating as Public Health Ontario]** as at March 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
June 20, 2018

Ontario Agency for Health Protection and Promotion
[operating as Public Health Ontario]

Statement of financial position

[in thousands of dollars]

As at March 31

	2018 $	2017 $
Assets		
Current		
Cash	**16,700**	28,612
Accounts receivable *[note 3]*	**12,064**	2,149
Prepaid expenses	**1,418**	1,453
Total current assets	**30,182**	32,214
Restricted cash *[note 4]*	**6,454**	7,072
Capital assets, net *[note 5]*	**82,622**	88,800
	119,258	128,086
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities	**23,667**	26,150
Total current liabilities	**23,667**	26,150
Deferred capital asset contributions *[note 6]*	**84,818**	91,041
Deferred contributions *[note 7]*	**2,436**	3,068
Accrued benefit liability *[note 8]*	**3,173**	3,616
Other liabilities	**5,164**	4,211
Total liabilities	**119,258**	128,086
Commitments and contingencies *[note 12]*		
Net assets	**—**	—
	119,258	128,086

See accompanying notes

On behalf of the Board:

Director

Director

Ontario Agency for Health Protection and Promotion
[operating as Public Health Ontario]

Statement of operations and changes in net assets

[in thousands of dollars]

Year ended March 31

	2018	2017
	$	$
Revenue		
Ministry of Health and Long-Term Care		
Base operations	**152,918**	152,960
Health Promotion Resource Centre	**4,219**	3,573
Amortization of deferred capital asset contributions *[note 6]*	**6,951**	6,932
Other grants	**2,058**	1,746
Miscellaneous recoveries	**1,072**	1,787
	167,218	166,998
Expenses *[notes 8 and 10]*		
Public health laboratory program	**103,904**	102,690
Science and public health programs	**43,320**	43,361
General and administration *[note 9]*	**13,043**	14,015
Amortization of capital assets	**6,951**	6,932
	167,218	166,998
Excess of revenue over expenses for the year	**—**	—
Net assets, beginning of year	**—**	—
Net assets, end of year	**—**	—

See accompanying notes

Ontario Agency for Health Protection and Promotion
[operating as Public Health Ontario]

Statement of cash flows

[in thousands of dollars]

Year ended March 31

	2018 $	2017 $
Operating activities		
Excess of revenue over expenses for the year	**—**	—
Add (deduct) items not affecting cash		
Amortization of deferred capital asset contributions	**(6,951)**	(6,932)
Amortization of capital assets	**6,951**	6,932
	—	—
Changes in non-cash operating items		
Decrease (increase) in accounts receivable *[note 11]*	**(9,913)**	5,701
Decrease in prepaid expenses	**35**	657
Increase (decrease) in deferred contributions	**(632)**	164
Increase in other liabilities	**953**	427
Decrease in accounts payable and accrued liabilities *[note 11]*	**(46)**	(57)
Net change in accrued benefit liability	**(443)**	(816)
Cash provided by (used in) operating activities	**(10,046)**	6,076
Capital activities		
Net acquisition of capital assets *[note 11]*	**(3,210)**	(1,841)
Cash used in capital activities	**(3,210)**	(1,841)
Financing activities		
Contributions for capital asset purchases *[note 11]*	**726**	471
Decrease in restricted cash	**618**	1,710
Cash provided by financing activities	**1,344**	2,181
Net increase (decrease) in cash during the year	**(11,912)**	6,416
Cash, beginning of year	**28,612**	22,196
Cash, end of year	**16,700**	28,612

See accompanying notes

Ontario Agency for Health Protection and Promotion
[operating as Public Health Ontario]

Notes to financial statements

[in thousands of dollars]

March 31, 2018

1. Description of the organization

Ontario Agency for Health Protection and Promotion [“OAHPP”] [operating as Public Health Ontario] was established under the *Ontario Agency for Health Protection and Promotion Act, 2007* as a corporation without share capital. OAHPP’s mandate is to enhance the protection and promotion of the health of Ontarians, contribute to efforts to reduce health inequities, provide scientific and technical advice and support to those working across sectors to protect and improve the health of Ontarians and to carry out and support activities such as population health assessment, public health research, surveillance, epidemiology, planning and evaluation.

Under the *Ontario Agency for Health Protection and Promotion Act, 2007*, OAHPP is primarily funded by the Province of Ontario.

OAHPP, as an agency of the Crown, is exempt from income taxes.

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian public sector accounting standards as established by the Public Sector [“PS”] Accounting Board of the Chartered Professional Accountants of Canada. OAHPP has elected to follow PS 4200-4270 in the CPA Canada Public Sector Accounting Handbook.

Revenue recognition

Contributions are recorded in the accounts when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted contributions are recognized as revenue when initially recorded in the accounts. Externally restricted contributions are recorded as deferred contributions or deferred capital contributions when initially recorded in the accounts and recognized as revenue in the period in which the related expenses are incurred.

Capital assets

Capital assets are recorded at acquisition cost. Contributed capital assets are recorded at fair market value at the date of contribution. Amortization is provided on a straight-line basis based upon the estimated useful service lives of the assets as follows:

Building service equipment	5—30 years
Other equipment	5—10 years
Furniture	5—20 years
Leasehold improvements	Over the term of the lease

Inventory and other supplies held for consumption

Inventory and other supplies held for consumption are expensed when acquired.

Ontario Agency for Health Protection and Promotion
[operating as Public Health Ontario]

Notes to financial statements

[in thousands of dollars]

March 31, 2018

Employee future benefits

Contributions to multi-employer, defined benefit pension plans are expensed on an accrual basis.

Other employee future benefits are non-pension benefits that are provided to certain employees and are accrued as the employees render the service necessary to earn these future benefits. The cost of these future benefits is actuarially determined using the projected unit credit method, prorated on service and management's best estimate of expected salary escalation and retirement ages of employees. Net actuarial gains and losses related to the employee future benefits are amortized over the average remaining service life of 10 years for the related employee group. Employee future benefit liabilities are discounted using the average interest cost for the Province of Ontario's net new debt obligations with maturities that correspond to the duration of the liability.

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 not allocated.

Contributed materials and services

Contributed materials and services are not recorded in the financial statements.

Financial instruments

Financial instruments, including accounts receivable and accounts payable, are initially recorded at their fair value and are subsequently measured at cost, net of any provisions for impairment.

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 amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Significant estimates and assumptions used in these financial statements require the exercise of judgment and are used for, but not limited to, salary and benefit accruals, employee future benefit plans [severance credits] and the estimated useful lives of capital assets. Actual results could differ from these estimates.

Adoption of new accounting standards

During the year, OAHPP adopted the new accounting standards PS 2200, Related Party Disclosures, and PS 3420, Inter-entity Transactions. These new standards are effective for fiscal years beginning on or after April 1, 2017. PS 2200 defines a related party and establishes disclosures required for related party transactions. PS 3420 establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective. The change in accounting policy was applied on a retroactive basis and additional related party disclosures are included in note 10. The adoption of PS 3420 did not have any impact on the financial statements.

Ontario Agency for Health Protection and Promotion
[operating as Public Health Ontario]

Notes to financial statements

[in thousands of dollars]

March 31, 2018

3. Accounts receivable

Accounts receivable consist of the following:

	2018 $	**2017** $
Ministry of Health and Long-Term Care	**11,158**	822
Harmonized Sales Tax	**528**	532
Other	**378**	795
	12,064	2,149

4. Restricted cash

[a] Restricted cash consists of the following:

	2018 $	**2017** $
Ministry of Health and Long-Term Care *[note 4[b]]*	**6,407**	6,969
Sheela Basrur Centre *[note 7[a]]*	**47**	103
	6,454	7,072

Restricted cash from the Ministry of Health and Long-Term Care ["MOHLTC"] represents funding received in connection with the liability assumed by OAHPP in connection with severance *[note 8[b]],* other credits [primarily accrued vacation pay] related to employees who transferred to OAHPP [Ontario public health laboratories in 2008 and Public Health Architecture in 2011] and unspent cash pertaining to capital projects. Funds associated with severance and other credits are drawn down when transferred employees leave employment with OAHPP. Funds associated with capital projects are drawn down when capital assets are purchased.

[b] The continuity of MOHLTC restricted cash is as follows:

	2018			
	Severance credits $	**Other credits** $	**Capital projects** $	**Total** $
Restricted cash, beginning of year	**3,317**	**1,411**	**2,241**	**6,969**
Interest earned *[note 6]*	**39**	**16**	**26**	**81**
Restricted cash drawdown *[note 8[b]]*	**(556)**	**(16)**	**(71)**	**(643)**
Restricted cash, end of year	**2,800**	**1,411**	**2,196**	**6,407**

Ontario Agency for Health Protection and Promotion
[operating as Public Health Ontario]

Notes to financial statements
[in thousands of dollars]

March 31, 2018

	2017			
	Severance credits	**Other credits**	**Capital projects**	**Total**
	$	$	$	$
Restricted cash, beginning of year	4,231	1,477	2,925	8,633
Interest earned *[note 6]*	36	13	38	87
Restricted cash drawdown *[note 8[b]]*	(950)	(79)	(722)	(1,751)
Restricted cash, end of year	3,317	1,411	2,241	6,969

5. Capital assets

Capital assets consist of the following:

	2018		
	Cost	**Accumulated amortization**	**Net book value**
	$	$	$
Building service equipment	**369**	**339**	**30**
Other equipment	**32,450**	**29,292**	**3,158**
Furniture	**3,852**	**3,279**	**573**
Leasehold improvements	**96,789**	**20,364**	**76,425**
Construction in progress	**2,436**	—	**2,436**
	135,896	**53,274**	**82,622**

	2017		
	Cost	**Accumulated amortization**	**Net book value**
	$	$	$
Building service equipment	369	302	67
Other equipment	31,764	27,559	4,205
Furniture	3,838	2,925	913
Leasehold improvements	96,789	15,537	81,252
Construction in progress	2,363	—	2,363
	135,123	46,323	88,800

Ontario Agency for Health Protection and Promotion
[operating as Public Health Ontario]

Notes to financial statements

[in thousands of dollars]

March 31, 2018

6. Deferred capital asset contributions

Deferred capital asset contributions represent the unamortized amount of contributions received for the purchase of capital assets. The amortization of deferred capital asset contributions is recorded as revenue in the statement of operations and changes in net assets. The continuity of the deferred capital asset contributions balance is as follows:

	2018 $	2017 $
Deferred capital asset contributions, beginning of year	**91,041**	100,345
Contributions for capital purposes	**702**	704
Adjustment to deferred capital assets contributions	**—**	(3,114)
Interest earned on unspent contributions *[note 4[b]]*	**26**	38
Amortization of deferred capital asset contributions	**(6,951)**	(6,932)
Deferred capital asset contributions, end of year	**84,818**	91,041
Unspent deferred capital asset contributions *[note 4[b]]*	**(2,196)**	(2,241)
Deferred capital asset contributions spent on capital assets	**82,622**	88,800

In the prior year, OAHPP reduced deferred capital asset contributions by $3,114 related to funding for leasehold improvements for a new laboratory facility incurred in 2015 that were determined to be those of the landlord and not OAHPP.

Restricted cash includes $2,196 [2017 – $2,241] *[note 4[b]]* related to unspent deferred capital asset contributions.

7. Deferred contributions

[a] Deferred contributions consist of unspent externally restricted grants and donations for the following purposes:

	2018 $	2017 $
Severance credits	**561**	671
Sheela Basrur Centre *[note 4[a]]*	**47**	103
Third party funds	**1,828**	2,294
	2,436	3,068

Ontario Agency for Health Protection and Promotion
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Notes to financial statements

[in thousands of dollars]

March 31, 2018

The continuity of deferred contributions is as follows:

	2018 $	2017 $
Deferred contributions, beginning of year	**3,068**	2,904
Amounts received during the year	**1,542**	2,022
Amounts recognized as revenue during the year	**(2,174)**	(1,858)
Deferred contributions, end of year	**2,436**	3,068

[b] Deferred contributions for severance credits represent the difference between the restricted cash held for severance credits *[note 4[b]]* and the portion of the accrued benefit liability associated with service prior to the transfer of employees of the laboratories to OAHPP *[note 8[b]]*.

[c] Deferred contributions for the Sheela Basrur Centre [the “Centre”] represent unspent funds held by OAHPP restricted for the Centre’s outreach programs. In addition to these funds, $289 [2017 – $278] is held by the Toronto Foundation for the benefit of the Centre and its programs.

Named after the late Dr. Sheela Basrur, a former Chief Medical Officer of Health for the Province of Ontario, the Centre was created to become a prominent provider of public health education and training.

8. Employee future benefit plans

[a] Multi-employer pension plans

Certain employees of OAHPP are members of the Ontario Public Service Employees Union [“OPSEU”] Pension Plan, the Healthcare of Ontario Pension Plan [“HOOPP”] or the Ontario Public Service Pension Plan [“PSPP”], which are multi-employer, defined benefit pension plans. These pension plans are accounted for as defined contribution plans. OAHPP contributions to the OPSEU Pension Plan, HOOPP and PSPP during the year amounted to $1,787 [2017 – $2,043], $4,233 [2017 – $3,915] and $512 [2017 – $511], respectively, and are included in expenses in the statement of operations and changes in net assets.

The most recent valuation for financial reporting purposes completed by OPSEU as of December 31, 2017 disclosed net assets available for benefits of $20.3 billion with pension obligations of $18.3 billion, resulting in a surplus of $2.0 billion.

The most recent valuation for financial reporting purposes completed by HOOPP as of December 31, 2017 disclosed net assets available for benefits of $77.8 billion with pension obligations of $59.6 billion, resulting in a surplus of $18.2 billion.

The most recent valuation for financial reporting purposes completed by PSPP as of December 31, 2017 disclosed net assets available for benefits of $26.5 billion with pension obligations of $27.2 billion, resulting in a deficit of $0.7 billion.

Ontario Agency for Health Protection and Promotion
[operating as Public Health Ontario]

Notes to financial statements

[in thousands of dollars]

March 31, 2018

[b] Severance credits

OAHPP assumed the unfunded non-pension post-employment defined benefit plans provided to employees from the Government of Ontario as part of the transfer of employees from Ontario public health laboratories [in 2008] and Public Health Architecture [in 2011]. These defined benefit plans provide a lump-sum payment paid on retirement to certain employees related to years of service. During the year ended March 31, 2018, severance credits related to employees under the AMAPCEO union were settled on a group basis and discharged from the liability. The total amount of this payout was $492. The latest actuarial valuation for the non-pension defined benefit plans for the remaining eligible employees was performed as at March 31, 2018. OAHPP measures its accrued benefit obligation for accounting purposes as at March 31 of each year based on an extrapolation from the latest actuarial valuation.

Additional information on the benefit plans is as follows:

	2018	**2017**
	$	$
Accrued benefit obligation	**3,409**	4,047
Unamortized actuarial losses	**(236)**	(431)
Accrued benefit liability, end of year	**3,173**	3,616

The continuity of the accrued benefit liability as at March 31 is as follows:

	2018	**2017**
	$	$
Accrued benefit liability, beginning of year	**3,616**	4,432
Expense for the year	**113**	134
Contributions to cover benefits paid *[note 4[b]]*	**(556)**	(950)
Accrued benefit liability, end of year	**3,173**	3,616

The significant actuarial assumptions adopted in measuring OAHPP's accrued benefit obligation and expenses are as follows:

	2018	**2017**
	%	%
Accrued benefit obligation		
Discount rate	**2.50**	2.00
Rate of compensation increase	**2.25**	2.25
Rate of inflation	**2.00**	2.00
Expense		
Discount rate	**2.00**	2.00
Rate of compensation increase	**2.25**	2.25
Rate of inflation	**2.00**	2.00

Ontario Agency for Health Protection and Promotion
[operating as Public Health Ontario]

Notes to financial statements

[in thousands of dollars]

March 31, 2018

9. Directors' remuneration

The Government Appointees Directive requires the disclosure of remuneration paid to directors. During the year ended March 31, 2018, directors were paid $15 [2017 – $27].

10. Related party transactions

OAHPP is controlled by the Province of Ontario through the MOHLTC 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 these related parties are outlined below.

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

[a] OAHPP has entered into transfer payment agreements with various related parties. Under these agreements, OAHPP makes payments to these parties once defined eligibility requirements have been met. Expenses for the year include transfer payments of $4,861 [2017 - $3,634], which are recorded in science and public health programs in the statement of operations and changes in net assets.

[b] OAHPP incurred costs of $17,984 [2017 – $18,170] for the rental of office space and other facility related expenses from Ontario Infrastructure and Lands Corporation, and information technology services and support costs of $6,388 [2017 - $6,332] from the Minister of Finance. These transactions are recorded in public health laboratory, science and public health programs or general and administration expenses in the statement of operations and changes in net assets.

[c] OAHPP incurred costs of $1,257 [2017 – $1,296] with various related parties for other contracted services, including legal and laboratory testing. These transactions are recorded public health laboratory, science and public health programs or general and administration expenses in the statement of operations and changes in net assets.

11. Supplemental cash flow information

The change in accounts payable and accrued liabilities is adjusted for capital assets received but not paid of $192 as at March 31, 2018 [2017 – $2,629].

The change in accounts receivable is adjusted for contributions for capital assets receivable but not received of $824 as at March 31, 2018 [2017 – $822].

Ontario Agency for Health Protection and Promotion
[operating as Public Health Ontario]

Notes to financial statements

[in thousands of dollars]

March 31, 2018

12. Commitments and contingencies

[a] Under the Laboratories Transfer Agreement, MOHLTC is responsible for all obligations and liabilities in respect of the public health laboratories that existed as at the transfer date, or that may arise thereafter and have a cause of action that existed prior to the transfer date of December 15, 2008.

[b] OAHPP is a member of the Healthcare Insurance Reciprocal of Canada ["HIROC"]. HIROC is a pooling of the liability insurance risks of its members. Members of the pool pay annual deposit premiums that are actuarially determined and are expensed in the current year. These premiums are subject to further assessment for experience gains and losses, by the pool, for prior years in which OAHPP participated. As at March 31, 2018, no assessments have been received.

[c] OAHPP has committed future minimum annual payments related to premises as follows:

	$
2019	17,391
2020	18,068
2021	17,480
2022	16,182
2023	16,250
Thereafter	231,582

Ontario Capital Growth Corporation

June 11, 2018

Management's Responsibility for Financial Reporting

The accompanying financial statements of the Ontario Capital Growth Corporation (OCGC) have been prepared in accordance with Canadian public sector accounting standards and are the responsibility of Management. The preparation of financial statements necessarily involves the use of estimates based on Management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to March 31, 2018.

Management maintains a system of internal controls designed to provide a reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provide for appropriate delegation of authority and segregation of responsibilities. The Ontario Internal Audit Division of the Ministry of Finance has the ability to independently evaluate the effectiveness of these internal controls on an ongoing basis and, as applicable, report its findings to Management and the Audit and Risk Committee of the Board of Directors.

The Board of Directors is responsible for ensuring that Management fulfills its responsibilities for financial reporting and internal controls. The Audit and Risk Committee assists the Board of Directors in carrying out these responsibilities. It meets periodically with Management, internal auditors and the external auditor, as applicable, to deal with issues raised by them and to review the financial statements before recommending approval by the Board of Directors.

The financial statements have been audited by an independent auditor, Deloitte LLP. The auditor's responsibility is to express an opinion on whether OCGC's financial statements fairly represent OCGC's financial position in accordance with Canadian public sector accounting standards. The auditor's report, which appears on the following page, outlines the scope of the auditor's examination and its opinion.

On behalf of Management:

Steve Romanyshyn, President and Chief Executive Officer

Deloitte.

Deloitte LLP
400 Applewood Crescent
Suite 500
Vaughan ON L4K 0C3
Canada

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Independent Auditor's Report

To the Board of Directors of Ontario Capital Growth Corporation

We have audited the accompanying financial statements of the Ontario Capital Growth Corporation, which comprise the Statement of Financial Position as at March 31, 2018, the statements of operations and changes in accumulated operating surplus, remeasurment gains and losses, change in net financial 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

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 Ontario Capital Growth Corporation as at March 31, 2018, and the results of its operations, change in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other matter

The statement of financial position as at March 31, 2017 and the statements of operations and changes in accumulated operating surplus, remeasurement gains and losses, change in net financial assets, and cash flows for the year then ended were audited by another auditor who issues an unmodified opinion on June 20, 2017.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
June 11, 2018

Ontario Capital Growth Corporation
Statement of financial position
As at March 31, 2018
(Canadian dollars)

	Notes	2018	2017
		$	$
Financial assets			
Cash and cash equivalents		**10,672,287**	12,607,854
Marketable securities	5	**193,363,780**	88,744,639
Accounts receivable	4	**1,376,302**	346,971
Ontario Venture Capital Fund LP - OVCF	6	**71,376,786**	66,308,481
Ontario Emerging Technologies Fund - OETF	7 and 12	**30,785,102**	42,372,654
Northleaf Venture Catalyst Fund LP - NVCF	8	**50,000,000**	50,000,000
ScaleUP Venture Fund I LP - SUVF	9	**6,250,000**	4,250,000
Yaletown Innovation Growth LP - Yaletown	10	**1,000,000**	—
		364,824,257	264,630,599
Liabilities			
Accounts payable and accrued liabilities	15	**235,974**	278,443
Net financial assets		**364,588,283**	264,352,156
Non financial assets	19	**—**	—
Accumulated surplus		**364,588,283**	264,352,156
Contractual commitments	11		
Accumulated surplus is comprised of			
Accumulated operating surplus		**363,610,185**	263,791,514
Accumulated remeasurement gains		**978,098**	560,642
		364,588,283	264,352,156

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

Approved by the Board

__________________________, Director

__________________________, Director

Ontario Capital Growth Corporation

Statement of operations and changes in accumulated operating surplus

Year ended March 31, 2018
(Canadian dollars)

	Notes	2018 Budget	2018 Actual	2017 Actual
			$	$
Revenues				
Funding and transfer payments from the Province of Ontario				
OETF	7	**12,000,000**	**8,800,000**	7,800,000
ScaleUP Venture Fund - SUVF	9	**—**	**—**	25,000,000
Life Science Venture Capital Fund - LSVC	16	**35,000,000**	**35,000,000**	—
Cleantech Equity Fund - CEF	17	**55,000,000**	**55,000,000**	—
Interest income		**630,000**	**1,216,129**	612,227
Investment income on OETF portfolio investments	13	**22,000**	**1,149,101**	1,318,977
Realized capital gain on OETF investments		**5,000,000**	**9,864,249**	655,767
Capital gain on distribution from OVCF		**1,991,000**	**1,991,340**	5,121,691
Foreign exchange gain (loss)	3	**(71,000)**	**17,185**	27,995
		109,572,000	**113,038,004**	40,536,657
Expenses				
Reimbursements to the Ministry	15	**1,009,000**	**978,048**	874,424
Cash management fees		**42,000**	**33,642**	28,450
Professional services fees		**898,000**	**595,933**	398,845
Board and committee member expenses		**7,000**	**2,145**	7,159
Impairment of OETF portfolio investments	14	**11,655,000**	**11,609,565**	2,265,810
		13,611,000	**13,219,333**	3,574,688
Annual surplus		**95,961,000**	**99,818,671**	36,961,969
Accumulated operating surplus, beginning of year		**263,791,514**	**263,791,514**	226,829,545
Accumulated operating surplus, end of year		**359,752,514**	**363,610,185**	263,791,514

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

Ontario Capital Growth Corporation

Statement of remeasurement gains and losses

Year ended March 31, 2018

(Canadian dollars)

	2018 Budget	2018 Actual	2017 Actual
		$	$
Accumulated remeasurement gains, beginning of year	**560,642**	**560,642**	955,367
Unrealized gains (losses) attributable to			
Foreign exchange	—	**(186)**	(813,432)
Marketable securities	—	**(33,023)**	(33,692)
OETF portfolio investments	**439,358**	**450,665**	452,399
	439,358	**417,456**	(394,725)
Accumulated remeasurement gains, end of year	**1,000,000**	**978,098**	560,642

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

Ontario Capital Growth Corporation

Statement of change in net financial assets

Year ended March 31, 2018

(Canadian dollars)

		2018	2017
	Budget	**Actual**	Actual
		$	$
Annual surplus	**95,961,000**	**99,818,671**	36,961,969
Net remeasurement gains (losses)	**439,358**	**417,456**	(394,725)
Increase in net financial assets	**96,400,358**	**100,236,127**	36,567,244
Net financial assets, beginning of year	**264,352,156**	**264,352,156**	227,784,912
Net financial assets, end of year	**360,752,514**	**364,588,283**	264,352,156

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

Ontario Capital Growth Corporation

Statement of cash flows

Year ended March 31, 2018

(Canadian dollars)

	2018	2017
	$	$
Operating transactions		
Annual surplus	**99,818,671**	36,961,969
Realized gains on sale of OETF investments	**(9,864,249)**	(655,767)
Realized gains on sale of OVCF investments	**(1,991,340)**	(5,121,691)
Impairment of OETF portfolio investment	**11,609,565**	2,265,810
Changes in non-cash operating balances		
Decrease in accounts receivable	**(1,029,331)**	(324,149)
(Decrease) increase in accounts payable and accrued liabilities	**(42,469)**	57,262
	98,500,847	33,183,434
Investing transactions		
Proceeds from disposal and redemptions of marketable securities	**496,772,093**	142,418,283
Purchase of marketable securities	**(601,424,257)**	(146,185,925)
Purchase of investments in OVCF	**(5,850,000)**	(6,466,594)
Proceeds from investments in OVCF	**1,991,340**	5,121,691
Return of capital from OVCF	**781,695**	1,677,744
Purchase of investments in NVCF	**—**	(19,930,273)
Purchase of investments in SUVF	**(2,000,000)**	(4,250,000)
Purchase of investments in Yaletown	**(1,000,000)**	—
Sale of investments in OETF	**14,861,679**	5,343,367
Purchase of investments in OETF	**(4,568,964)**	(5,955,652)
	(100,436,414)	(28,227,359)
(Decrease) increase in cash and cash equivalents during the year	**(1,935,567)**	4,956,075
Cash and cash equivalents, beginning of year	**12,607,854**	7,651,779
Cash and cash equivalents, end of year	**10,672,287**	12,607,854

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

1. Description of business

The Ontario Capital Growth Corporation (OCGC or the Corporation) is a corporation without share capital, established under the Ontario Capital Growth Corporation Act, 2008 (the Act), which was proclaimed in force as at February 1, 2009 as an agency of the Ministry of Research and Innovation (MRI). In May 2016, MRI was reorganized as the Ministry of Research, Innovation and Science (collectively, the Ministry). As at March 31, 2018, OCGC is responsible to the Minister of Research, Innovation and Science (the Minister).

The legislative authority of the Corporation is set out in the Act. Under Section 4 of the Act, the objects of the Corporation are:

a) to receive, hold, administer and otherwise deal with the interest of the Government of Ontario in the limited partnership known as the Ontario Venture Capital Fund LP;

b) to receive, hold and deal with property, whether real or personal, in connection with the objects described in Section 4(a); and

c) to carry out the other objects that are prescribed by regulations.

Ontario Regulation 278/09 made under the Act prescribed additional objects of the Corporation. As of November 2017, the following are prescribed as classes of investments for the purposes of clause 4(b) of the Act:

i) Investments in venture capital funds that invest in,

   (1) for-profit businesses, if the venture capital fund’s investments include investments in private businesses, or

   (2) other venture capital funds that invest in for-profit businesses if the other venture capital fund’s investment includes investments in private businesses.

ii) Investments in for-profit businesses that are,

   (1) private businesses, or

   (2) public businesses, if the Corporation,

      (a) invested in the business when it was a private business, or

      (b) has an investment in a venture capital fund described in paragraph 1 that made a direct or indirect investment in the business when it was a private business.

iii) Investments in businesses that the Corporation considers to be emerging technology businesses, which portfolio shall be known in English as the Ontario Emerging Technologies Fund and in French as Fonds ontarien de développement des technologies émergentes.

The following are prescribed as additional objects of the Corporation for the purposes of clause 4(c) of the Act:

1) To develop or participate in conferences or other events regarding venture capital matters.

2) To collect, analyze or distribute information regarding venture capital matters.

3) To provide advice to the Government of Ontario on venture capital matters.

4) To undertake other activities that are similar or related to the objects described in paragraphs 1, 2 and 3

As of March 31, 2018, the Corporation has venture capital investments outstanding in five funds: (1) the Ontario Venture Capital Fund LP (OVCF); (2) the Ontario Emerging Technologies Fund (OETF); (3) the Northleaf Venture Catalyst Fund LP (NVCF); (4) the ScaleUP Venture Fund I, LP (SUVF); and (5) the Yaletown Innovation Growth LP (Yaletown). Additional information leading to the formation of the funds may be found in Notes 6, 7, 8, 9, and 10, respectively.

Ontario Capital Growth Corporation
Notes to the financial statements
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1. Description of business (continued)

As required by the Agencies and Appointments Directive, the Corporation and the Minister have entered into a memorandum of understanding, which outlines the operational, administrative, financial and other relationships that exist between the Minister, the Ministry and the Corporation.

OCGC claims exemption from federal and provincial income taxes under paragraph 149(1)(d) of the Income Tax Act (Canada). As a provincial entity listed in Schedule A of the Canada-Ontario Reciprocal Taxation Agreement, OCGC can claim government rebates of the Harmonized Sales Tax (HST). Under the pay-and-rebate model, OCGC pays the HST on taxable supplies and services, and subsequently applies for a rebate of the HST paid.

The Province of Ontario has classified OCGC as an Operational Enterprise Agency with the same fiscal year ending March 31.

2. Summary of significant accounting policies

The Corporation's functional and presentation currency is the Canadian dollar. These financial statement have been prepared in accordance with Canadian public sector accounting standards (PSAS) established by the Canadian Public Sector Accounting Board. The more significant accounting policies of the Corporation are summarized below.

Cash and cash equivalents

Cash and cash equivalents include demand deposits that are readily convertible into known amounts of cash and that are subject to an insignificant risk of change in value.
Cash equivalents include investments that are short-term and highly liquid and have maturities of less than three months from the original purchase date.

Marketable securities

Investments in securities that are traded in an active market are measured at fair value as at March 31, with any unrealized gain or loss recognized on the statement of remeasurement gains and losses. Remeasurement gains and losses related to a particular investment are reclassified to the statement of operations and changes in accumulated operating surplus when that investment is settled. Fair value includes the value of accrued interest, as applicable.

Investments in securities that are not traded in an active market are measured at cost. Impairment losses, which are other than temporary, are recognized in the statement of operations and changes in accumulated operating surplus when they occur.

Investments in limited partnerships

Investments in OVCF, NVCF, SUVF and Yaletown are classified as financial instruments and carried at cost based on the capital calls made by their respective general partner. These investments are not traded in an active market; therefore, the fair values of the investments are not readily determinable. The investments are subsequently tested for impairment annually and any losses due to impairment are recognized immediately in the statement of operations and changes in accumulated operating surplus.

2. Summary of significant accounting policies (continued)

Ontario Emerging Technologies Fund (OETF)

The investments in OETF are classified as financial instruments and carried at cost or measured at fair value based on whether or not there exists an active market for the securities.
OETF investments quoted in an active market are measured at fair value as at the statements of financial position date with any unrealized gain or loss recognized on the statement of remeasurement gains and losses. Remeasurement gains and losses are reclassified to the statement of operations and changes in accumulated operating surplus when an investment becomes impaired or is derecognized. Impairment losses that are other than temporary are recorded to the statement of operations and changes in accumulated operating surplus when recognized. Fair value includes the value of accrued interest or dividends payable, as applicable.

When an OETF investment is not traded in an active market, it is measured at cost.
OETF investments are tested for impairment annually and any impairment losses are recognized immediately in the statement of operations and changes in accumulated operating surplus.

Accrued interest, dividends and realized gains on the sale of OETF investments are recorded as described below under revenue recognition. If the Corporation has evidence the amounts owing will be collected, these amounts are accrued as receivable; otherwise, a reserve is taken against these amounts. If, in a future year, the Corporation receives an amount that had been written off, it is recorded as a recovery that had been previously deemed uncollectible. Amounts written off or recovered are recognized in the statement of operations and changes in accumulated operating surplus in the year in which they occur.

Fair value and impairment

The Corporation's carrying values of cash and cash equivalents, accounts receivable and accounts payable approximate their fair values due to the immediate or short-term nature of these financial instruments.

The fair values of investments in OVCF, NVCF, SUVF and Yaletown are not readily determinable and have been recorded at cost. OVCF, NVCF, SUVF and Yaletown do not have a quoted market price in an active market. Subject to an impairment assessment policy, the Corporation may carry out periodic testing of fund investments to determine whether there has been an other than temporary loss in value that would indicate impairment. If the investment is determined to be impaired, it is written down to the new carrying value and the resulting impairment loss is recognized immediately in the statement of operations and changes in accumulated operating surplus.

The co-investments made in OETF are recorded at cost, which represents fair value at the time of acquisition. Investments in OETF that are quoted in an active market are measured at fair value at March 31. Any unrealized gain or loss is recognized in the statement of remeasurement gains and losses until the investment is derecognized in which the gain or loss is recognized in the statement of operations and changes in accumulated operating surplus. All other investments in OETF are measured at cost or amortized cost. As part of the reporting process to the Government of Ontario, the Corporation is required to carry out periodic valuations of OETF investments to determine whether there has been an other than temporary loss in value that would indicate impairment. If the investments are determined to be impaired, they are written down to the new carrying value and the impairment expense is recognized immediately in the statement of operations and changes in accumulated operating surplus. Furthermore, to the extent that a security held in OETF represents a compound financial instrument with an embedded derivative, such as an equity conversion option, the value of that derivative at acquisition should be measured at fair value unless that derivative is linked to and must be settled by delivery of unquoted equity instruments, in which case, the derivative would be required to be measured at cost. For derivatives classified to the fair value category, value is first determined by referencing a quoted price in an active market, or in the absence of this, by applying a suitable valuation technique.

Ontario Capital Growth Corporation
Notes to the financial statements
March 31, 2018
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2. Summary of significant accounting policies (continued)

Revenue recognition

Interest income is recognized as it is earned. For marketable securities and OETF investments, interest income is accrued using the effective interest rate method. Interest income is recorded on an accrual basis in accordance with the terms of the purchase agreement and to the extent that such amounts are expected to be collected.

Dividend income is recognized in the year the Corporation becomes entitled to receive the dividend as per the terms and conditions of the share issuance.

Realized gains on the sale of OETF investments are recognized in the year the Corporation becomes entitled to receive the proceeds as per the terms and conditions of the respective disposition.

Distributions from OVCF, NVCF, SUVF and Yaletown are recognized in the year the Corporation becomes entitled to receive the distribution as per the terms and conditions of the respective limited partnership agreement.

OETF, NVCF, SUVF, CEF and LSVCF funding received represents monies transferred from the Ministry to the Corporation, as described in Notes 7, 8, 9, 17 and 16, respectively. The funding is recognized when received.

Expense categories

Cash management fees primarily represent fees paid to the Ontario Financing Authority (OFA) for cash management and related services.

Professional fees relate to fees paid to third party service providers.

Board and committee member expenses represent monies paid to board and committee members according to the Board and Committee Members Remuneration Policy, which conforms with the Agencies and Appointments Directive of Management Board of Cabinet (February 2015). In 2015, the Canada Revenue Agency (CRA) ruled that part-time per diem appointees (PTPDAs) are to be treated as employees for tax purposes only. This means that HST may not be paid for per diem services, since CRA does not consider appointee services (a) to be taxable supply; and (b) Employment Insurance is applicable. PTPDAs cannot participate in Canada Pension Plan with respect to their PTPDA services.

Reimbursements to the Ministry represent direct OCGC expenses paid by the Ministry on its behalf for administrative purposes only.

Foreign currency translation

Foreign currency gains and losses on monetary items are recognized immediately in the statement of operations and changes in accumulated operating surplus. Unrealized foreign currency gains and losses on marketable securities, investments in OVCF, investments in NVCF, investments in SUVF, investments in Yaletown and OETF investments are recognized in the statement of remeasurement gains and losses. Unrealized foreign currency exchange gains and losses are reclassified from the statement of remeasurement gains and losses to the statement of operations and changes in accumulated operating surplus when the financial instrument is derecognized.

2. Summary of significant accounting policies (continued)

Measurement uncertainty

The preparation of financial statements in accordance with PSAS 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 dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Such estimates are based on the best information available at the time of preparation of the financial statements and are periodically reviewed to reflect new information as it becomes available. Actual results could differ from those estimates. Accounts involving significant estimates include the valuation of OVCF, OETF, NVCF, SUVF and Yaletown.

3. Financial instruments

The Corporation has exposure to credit risk, liquidity risk, currency risk, interest rate risk and other price risk arising from financial instruments. This note presents information about OCGC's exposure to each of these risks.

Credit risk

Credit risk arises from the potential a counterparty will fail to perform its obligations. The Corporation is currently exposed to credit risk through its holdings of convertible debt instruments in OETF.

The Corporation considers obligations of the Governments of Ontario and Canada to be relatively risk-free (Note 5).

Liquidity risk

Liquidity risk is the risk an entity will encounter difficulty in raising funds to meet both expected and unexpected cash demands associated with its financial liabilities. The Corporation manages liquidity risk by maintaining holdings of cash or highly liquid investments. In addition, the Ministry provides funding to the Corporation to meet obligations as required.

Currency risk

Currency risk is the risk to the Corporation's results of operations that arises from fluctuations of foreign currency exchange rates and the degree of volatility of these rates. The Corporation's exposure to foreign currency exchange risk is limited to holding US dollar cash and cash equivalents and holding OETF investments denominated in US dollars. OCGC does not hedge its US dollar exposure. The Corporation had a net exposure of $11,229,599 US dollar as at March 31, 2018 ($4,037,509 in 2017). A 5% increase (5% decrease) of the Canadian dollar against the US dollar as at March 31, 2018 would result in an impact of $561,480 ($201,875 in 2017) on the statement of remeasurement gains and losses with no impact on the annual surplus. In practice, the actual trading results may differ from this sensitivity analysis and the impact could be material.

Ontario Capital Growth Corporation
Notes to the financial statements
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3. Financial instruments (continued)

Interest rate risk

Interest rate risk is the risk the value of a financial instrument might be adversely affected by a change in interest rates. In seeking to minimize the risks from interest rate fluctuations, the Corporation manages exposure through its normal operating and financing activities. The Corporation is exposed to interest rate risk primarily through its short-term marketable securities and OETF investments. Risks from interest rate fluctuations for marketable securities are minimal due to the investments being held for a term of three years or less to match the OVCF, NVCF, SUVF and Yaletown drawdowns projected by their respective fund managers. The impact of interest rate fluctuations on OETF investments are considered minimal as these instruments are primarily held for purposes of capital appreciation.

Other price risk

Other price risk is the risk the value of financial instruments will fluctuate as a result of changes in market prices or from factors specific to an individual investment. The maximum risk resulting from the financial instruments is equivalent to their fair value. The marketable securities consist of treasury bills that are not subject to significant price risk. As at March 31, 2018, if the value of the investments in OVCF, NVCF, SUVF, Yaletown and OETF had increased or decreased by 5% and all other variables held constant, the value of the investments would have changed by $7,970,594 ($8,146,557 in 2017). Investments made through OVCF, NVCF, SUVF, Yaletown or in OETF are highly illiquid, do not have a readily determinable market price, and are generally in early stage companies where the ultimate value that may be realized by OCGC on eventual disposition is inherently unpredictable.

Returns on these investments will depend on factors specific to each company (such as financial performance, product viability and quality of management), and external forces (such as the economic environment and technological progress by competitors). The carrying value of the OETF portfolio is measured at cost less changes for any other than temporary impairment in value at the statement of financial position date; however, the amounts that may ultimately be realized could be materially different.

4. Accounts receivable

As a Schedule A provincial agency, OCGC is required to follow the pay and rebate model with respect to HST applied to direct purchases. The Corporation pays the HST on its purchases and, subsequently, files a monthly rebate claim with the Canada Revenue Agency for the HST paid. HST rebates receivable as at March 31, 2018 amounted to $3,289 ($10,209 in 2017).

Realized gains on the sale of OETF investments are recognized in the year the Corporation becomes entitled to receive the proceeds as per the terms and conditions of the respective dispositions. Accounts receivable, as a result of dispositions of OETF investments made in 2018, amounted to $1,373,013 ($336,762 in 2017).

5. Marketable securities

OCGC may temporarily invest any monies not immediately required to carry out its objectives in:

a) debt obligations of or guaranteed by the Government of Canada or a province of Canada; or

b) interest bearing accounts and short-term certificates of deposit issued or guaranteed by a chartered bank, trust company, credit union or caisse populaire.

(Amounts in Canadian dollars)

5. Marketable securities (continued)

The value of investments in marketable securities as at March 31 are as follows:

	2018		2017	
	Par value	**Fair value**	Par value	Fair value
	$	**$**	$	$
Province of Ontario treasury bills, due dates ranging from June 20, 2018 to March 6, 2019 average coupon rate of 0.00%	**69,549,000**	**68,895,000**	55,183,000	54,920,796
Province of Ontario treasury bills, due dates ranging from April 25, 2018 to June 27, 2018 average coupon rate of 0.00%	**124,759,000**	**124,468,780**	33,871,000	33,823,843
	194,308,000	**193,363,780**	89,054,000	88,744,639

Fair value includes any accrued interest owing on the treasury bills.

The fair value of the marketable securities may fluctuate depending on changes in interest rates. For the year ended March 31, 2018, a change in interest rates of 1.0% would result in an impact of $1,933,638 ($887,456 in 2017) to the results of operations.

6. Ontario Venture Capital Fund LP (OVCF)

In June 2008, the OVCF was established with an investment commitment from the Province of Ontario of $90 million. OVCF is a $205 million joint initiative of the Government of Ontario and private institutional investors, formed to invest primarily in Ontario based and Ontario focused venture capital and growth equity funds that support innovative, high potential companies.

The investment in OVCF is carried at cost, based on the capital calls made by the OVCF general partner. As OVCF is not traded in an active market, the fair value of the investment is not readily determinable.

7. Ontario Emerging Technologies Fund (OETF)

OETF was launched in July 2009 with a commitment from the Province of Ontario to provide funding of $250 million. OETF, as a direct co-investment fund, makes investments into innovative high potential companies alongside other qualified investors with a proven track record of success. Investments are in three strategic sectors: (a) clean technology; (b) digital media and information and communication technologies; and (c) life sciences and advanced health technologies.

On May 30, 2012, the Corporation implemented a pause on any new investments under OETF for an indefinite period of time. This decision did not affect the Corporation's ability to continue to make follow-on investments into existing portfolio companies and did not affect investments-in-process that had already been approved by OCGC's Board of Directors but had not yet closed.

For the year ended March 31, 2018, the aggregate OETF transfer payments received from the Ministry were $8,800,000 ($7,800,000 in 2017).

Ontario Capital Growth Corporation
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8. Northleaf Venture Catalyst Fund LP (NVCF)

In January 2014, the NVCF was established with an initial investment commitment of $36.25 million from the Corporation. As at July 2015, OCGC had increased its commitment to a final total of $50 million. NVCF is a $300 million joint initiative of the Government of Ontario, Government of Canada and the private sector, formed to invest primarily in Canadian venture capital funds that support innovative, high potential companies.

The investment in NVCF is carried at cost, based on the capital calls net of any return of recallable capital made by the NVCF general partner. As NVCF is not traded in an active market, the fair value of the investment is not readily determinable.

9. ScaleUP Venture Fund I, LP (SUVF)

In February 2017, the Corporation made an investment commitment of $25 million to the SUVF. SUVF is a joint initiative of the Government of Ontario and the private sector, formed to invest primarily in promising Ontario-based start-ups that have shown initial market success and demonstrate strong growth potential, but require new investment financing and mentorship to expand their operations. The final fund size is $106 million.

The investment in SUVF is carried at cost, based on the capital calls net of any return of recallable capital made by the SUVF general partner. As SUVF is not traded in an active market, the fair value of the investment is not readily determinable.

10. Yaletown Innovation Growth LP (Yaletown)

In October 2017, the Corporation made an investment commitment of $20 million to the Yaletown Innovation Growth LP. Yaletown is a joint initiative of the Government of Ontario and other public and private sector, formed with a focus on information-technology, energy-technology and clean-technology companies in Canada and the United States. The total fund size is $100 million as of March 31, 2018.

The investment in Yaletown is carried at cost, based on the capital calls net of any return of recallable capital made by the Yaletown general partner. As Yaletown is not traded in an active market, the fair value of the investment is not readily determinable.

11. Contractual commitments

OCGC has the following contractual commitments:

a) In accordance with a financial service agreement between the OFA and OCGC, OFA conducts investment and cash management services and activities for OCGC. OFA is the agency of the Province of Ontario responsible for providing financial and centralized cash management services for the government. OCGC pays OFA a fee for these services based on assets under management and reimburses for other related activities on a cost recovery basis.

b) Pursuant to the OVCF limited partnership agreement, OCGC is committed to making capital contributions on notice of capital calls. As at March 31, 2018, the total uncalled commitment is $15,975,537 ($21,825,537 in 2017) to be drawn down over the remaining years of the limited partnership.

c) Pursuant to the NVCF limited partnership agreement, OCGC is committed to making capital contributions on notice of capital calls. As at March 31, 2018, there is no further uncalled commitment (nil in 2017) to be drawn over the remaining years of the limited partnership.

11. Contractual commitments (continued)

d) Pursuant to the SUVF limited partnership agreement, OCGC is committed to making capital contributions on notice of capital calls. As at March 31, 2018, the total uncalled commitment is $18,750,000 ($20,750,000 in 2017) to be drawn down over the remaining years of the limited partnership.

e) Pursuant to the Yaletown limited partnership agreement, OCGC is committed to making capital contributions on notice of capital calls. As at March 31, 2018, the total uncalled commitment is $19,000,000 (nil in 2017) to be drawn down over the remaining years of the limited partnership.

f) In accordance with the contract between Ernst & Young LLP (E&Y) and OCGC, E&Y conducts due diligence services and activities to qualify OETF co-investors. OCGC pays both fixed and hourly rates for these services and activities, respectively.

g) In accordance with the contract between LP Analyst and OCGC, LP Analyst provides investment consulting services including sourcing strategy, conducts due diligence services and activities for potential new fund investments, provides business advice to support negotiation, and undertake portfolio monitoring and reporting. OCGC pays both fixed and hourly rates for these services and activities, respectively.

h) In accordance with the contract between Covington Capital Corporation (Covington) and OCGC, Covington conducts services and activities to qualify, monitor, and exit OETF's investments. OCGC pays both fixed and hourly rates for these services and activities, respectively.

i) In accordance with the contract between Weiler & Company and OCGC, Weiler & Company performs accounting functions relating to the operations of OCGC. OCGC pays an hourly rate for these services.

12. Investments in OETF

Investments in OETF can take the form of equity, warrants or convertible debt transacted in Canadian dollars (CAD) or US dollars (USD). The investments in OETF as at March 31 are summarized as follows:

			2018			2017
	Acquisition cost*	**Carrying value**	**Contingent****	Acquisition cost*	Carrying value	Contingent**
	$	**$**	**$**	$	$	$
CAD investments	**32,354,381**	**27,056,001**	**—**	45,081,492	39,064,467	338,274
USD investments	**1,413,160**	**3,729,101**	**—**	1,413,160	3,308,187	—
	33,767,541	**30,785,102**	**—**	46,494,652	42,372,654	338,274

* Represents historical cost net of investments exited and investments written off to nil.

** Represents follow-up on investments committed to by the Corporation but not yet executed.

All investments have been made in accordance with OETF guidelines. As at March 31, 2018, the OETF investment portfolio consisted of investments in 8 different companies, ranging from 0.03% to 3.49% of net assets. The percentage calculations exclude impaired investments in companies with a nominal or $nil carrying value.

13. Income on investment in funds

For the year ended March 31, 2018, the Corporation recognized $1,149,101 ($1,318,977 in 2017) of investment income in funds.

14. Impairment of OETF investments

For the year ended March 31, 2018, impairment charges of $11,609,565 ($2,265,810 in 2017) in OETF investments were identified by management and were recognized in the statement of operations and changes in accumulated operating surplus.

15. Accounts payable

The Corporation and the Ministry carry out their respective operations on a shared cost basis. The Corporation reimburses the Ministry for certain expenses incurred on its behalf. These expenses may include but are not limited to staff salaries, benefits, information technology allocations per staff member, accommodations, external legal services, website development, French language translation, and other services.

Recognition and measurement of any reimbursement is subject to annual reconciliation between the Corporation and the Ministry, and approval of the extent and scope of the Ministry services to be provided.

The Corporation accrues eligible expenses reimbursable to the Ministry under accounts payable based on estimates provided by the Ministry that can be independently verified by the Corporation. Reimbursement payable in arrears as at March 31, 2018 amounted to $95,193 ($90,628 in 2017).

The remaining balance as at March 31, 2018 in the amount of $140,781 ($187,815 in 2017) represents payables in arrears to miscellaneous service providers.

16. Life Sciences Venture Capital Fund (LSVCF)

In March 2018, the Government of Ontario announced up to $50 million to establish a new Life Science Venture Capital Fund (LSVCF). The Ministry entered into the LSVCF transfer payment agreement with OCGC and subsequently disbursed $35 million to the Corporation. Folded into this initiative was $10 million disbursed in 2014 originally to establish a new life sciences seed venture capital fund.

As at March 31, 2018, the LSVCF initiative remains in development.

17. Cleantech Equity Fund (CEF)

The 2016 Ontario Budget committed $55 million to develop new approaches to making equity investments by the Province in clean technology (“cleantech”) firms. The 2016 Ontario Fall Economic Statement reaffirmed this commitment, indicating the intention of the Province to take steps to promote the establishment of one or more cleantech equity funds through which the Province’s budget commitment can be invested.

OCGC will implement this initiative by establishing one or more limited partnerships in which the Corporation will participate as a limited partner on the same terms as the other limited partners.

17. Cleantech Equity Fund (CEF) (continued)

In August 2017, the Ministry entered into the CEF transfer payment agreement with OCGC and subsequently $55 million to the Corporation.

In November 2017, the Ontario Capital Growth Corporation made an initial investment commitment of $20 million to the Yaletown Innovation Growth LP.

As at March 31, 2018, the second CEF initiative remains in development.

18. Related party transactions

As of March 31, 2018, the Corporation has related party transactions with the Ministry of Research, Innovation and Science (MRIS), the Ministry of Economic Development and Growth ("MEDG"), the Ontario Financing Authority ("OFA"), and the Province of Ontario.

OCGC has no tangible capital assets or liabilities. It is subject to a policy whereby the Ministry or another government organization provides for the management of assets and liabilities used for, or as the result of, the provision of services to the Corporation (e.g. payroll, accommodation, utilities, information technology and communications services, et cetera).

OCGC has limited resources to issue cheques or transact wire transfers to pay its direct suppliers and service providers. With the approval of the Ministry's controllership office, OCGC utilizes the Ministry's access to Ontario Shares Services ("OSS") to indirectly pay most of its suppliers and service providers. OSS journals these payments though the government's integrated financial information system ("IFIS") to cost centres of the Ministry. In turn, OCGC is invoiced by the Ministry quarterly for reimbursements.

The provision of services to the Corporation by a related party is subject to a policy of reimbursement for the costs of such services or service level agreement fee. If the Corporation has no "unrestricted" financial resources and/or has exhausted eligible transfer payments to reimburse the Ministry, the Ministry will offset such expenses in arrears from the Ministry's other direct operating expenses ("ODOE") budget line. The Ministry's contingent liability to the Corporation was noted in each of the OVCF, OETF, NVCF, SUVF, CEF and LSVCF submissions to Treasury Board and the Management Board of Cabinet that were subsequently approved.

19. Non-financial assets

The Corporation does not have any tangible capital assets or prepaid expenses. An inventory of office supplies is held for use and expensed in the year in which they are purchased. The total cost of these supplies is not material to the financial statements and they are expected to be used up in a period of less than one year from their purchase date.

Ontario Clean Water Agency

Management's Responsibility for Financial Information

OCWA's management and Board of Directors 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.

OCWA is dedicated to the highest standards of integrity in its business. To safeguard assets, the Agency has a sound set of internal financial controls and procedures that balance benefits and costs. Management has developed, and continues to maintain, financial and management controls, information systems and management practices to provide reasonable assurance of the reliability of financial information in accordance with the bylaws of the Agency. Internal audits are conducted to assess management systems and practices, and reports are issued to the Executive Management Team.

The Board of Directors ensures that management fulfills its responsibilities for financial and internal control. The Board of Directors and the Audit and Finance Committee of the Board meet quarterly to oversee the financial activities of the Agency and at least once a year to review the financial statements and the external auditor's report and recommend them to the Minister of the Environment and Climate Change for approval.

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

Nevin McKeown
President and Chief Executive Officer

Prem Rooplal
Vice President
Finance and Corporate Services

Toronto, Ontario
April 5, 2018

Office of the Auditor General of Ontario
Bureau de la vérificatrice générale de l'Ontario

Independent Auditor's Report

To the Ontario Clean Water Agency

I have audited the accompanying financial statements of the Ontario Clean Water Agency, which comprise the statement of financial position as at December 31, 2017 and the statements of operations and change 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 Ontario Clean Water Agency as at December 31, 2017 and the results of its operations, change in its net assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Toronto, Ontario
April 5, 2018

Bonnie Lysyk, MBA, FCPA, FCA, LPA
Auditor General

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Statement of Financial Position

As at December 31, 2017

(in thousands of dollars)

	December 31, 2017	December 31, 2016
Assets		
Current assets:		
Cash and short-term investments (note 3a)	26,087	42,791
Accounts receivable, net		
Municipalities and other customers (note 3b)	31,656	25,569
Ministry of the Environment and Climate Change	362	16
Harmonized sales tax receivable	3,599	2,258
Prepaid Expenses	840	4,269
Current portion of investments receivable for water and wastewater facilities (note 2)	258	579
	62,802	75,482
Non-current assets:		
Investments in term deposits (note 3a)	47,397	31,771
Investments receivable for water and wastewater facilities (note 2)	55	283
Loan receivable - Ontario Infrastructure and Lands Corporation (note 3c)	120,000	120,000
Tangible Capital Assets, net (note 4)	6,160	7,360
	173,612	159,414
Total Assets	236,414	234,896

Statement of Financial Position

As at December 31, 2017

(in thousands of dollars)

	December 31, 2017	December 31, 2016
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	16,817	21,152
Current portion of employee future benefits (note 8a)	4,629	3,998
	21,446	25,150
Long-term liabilities:		
Employee future benefits (note 8a)	9,087	9,764
Net Assets	205,881	199,982
Contingencies and Measurement Uncertainty (note 1e)		
Total Liabilities and Net Assets	236,414	234,896

see accompanying notes to financial statements

On behalf of the Board

Director

Director

Statement of Operations and Change in Net Assets

For the year ending December 31, 2017

(in thousands of dollars)

	December 31, 2017	December 31, 2016
Utility Operations Revenues:		
Utility operations	190,918	175,892
Other Business	1,211	2,020
Total Operating Revenues	192,129	177,912
Operating Expenses:		
Salaries and benefits (note 8a and note 8b)	75,738	71,878
Other operating expenses	110,664	97,198
Amortization of tangible capital assets	2,590	2,656
Total Operating Expenses	188,992	171,732
Excess of revenue over expenses – Utility Operations	3,137	6,180
Interest from Investments and loans receivable	2,620	2,393
Excess of revenue over expenses	5,757	8,573
Net Assets, opening balance	199,982	192,584
Adjustment to Net Assets (note 6)	142	(1,175)
Net Assets, ending balance	205,881	199,982

see accompanying notes to financial statements

Statement of Cash Flows

For the year ending December 31, 2017

(in thousands of dollars)

	December 31, 2017	December 31, 2016
Cash Provided by (used for) Operating Activities		
Excess of revenue over expense-Utility Operations	3,137	6,180
Items Not Affecting Cash		
Amortization of Tangible Capital Assets	2,590	2,656
Decrease in future employee benefits expense	(677)	(2,184)
	5,050	6,652
Changes in non-cash operating working capital		
Accounts Receivable	(7,774)	(2,939)
Prepaid Expenses	3,429	(3,763)
Accounts Payable and Accrued Liabilities	(4,335)	3,058
Legislated Severance	631	(759)
	(8,049)	(4,403)
Net Cash Flows from operating activities	(2,999)	2,249
Cash From Investing Activities		
Interest	2,620	2,393
Principal Repaid on Loans	549	606
Increase in non-current Term Deposits	(15,626)	(3,405)
Net cash flows from investing activities	(12,457)	(406)
Cash Used in Capital Activities		
Tangible Capital Assets Acquired	(1,390)	(1,295)
Cash Used in Financing Activities		
Changes in Net Assets	142	(1,175)
Decrease in Cash and Short-Term Investments	(16,704)	(627)
Cash and Short-Term Investments, Opening Balance	42,791	43,418
Cash and Short-Term Investments, Closing Balance	26,087	42,791

Notes to Financial Statements

December 31, 2017

GENERAL

The Ontario Clean Water Agency (The "Agency") was established on November 15, 1993, under the authority of The Capital Investment Plan Act, 1993 (the "Act").

The Agency's objects include:

(a) D assisting municipalities, the Government of Ontario and other persons or bodies to provide water and sewage works and other related services by financing, planning, developing, building and operating those works and providing those services;

(b) financing and promoting the development, testing, demonstration and commercialization of technologies and services for the treatment and management of water, wastewater and stormwater;

(c) carrying out the activities described in clauses (a) and (b) in Ontario and elsewhere in a manner that protects human health and the environment and encourages the conservation of water resources; and

(d) with respect to activities described in clauses (a) and (b) that are carried out in Ontario, carrying them out in a manner that supports provincial policies for land use and settlement.

The Agency is exempt from Federal and Provincial income taxes.

1. SIGNIFICANT ACCOUNTING POLICIES

The Agency is classified as a government not-for-profit for financial reporting purposes. These financial statements are prepared by management in accordance with Canadian public sector accounting standards for provincial reporting entities established by the Canadian Public Sector Accounting Board. The Agency has chosen to use the standards for not-for-profit organizations that include the 4200 series sections. The significant accounting policies are as follows:

(a) Cash and Short-term Investments

Cash and short-term investments, including a portfolio of bonds, are recorded at cost. Accrued interest is recorded in accounts receivable. Bonds are expected to be held until maturity.

Notes to Financial Statements

December 31, 2017

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Tangible Capital Assets

Major capital expenditures with a future useful life beyond the current year are capitalized at cost. Tangible Capital Assets are amortized on a straight-line basis as follows:

Computer Software	2-7 years
Information Systems	7 years
Furniture and Fixtures	5 years
Automotive Equipment	4-20 years
Computer Hardware	3-7 years
Machinery and Equipment	5 years
Leasehold Improvements	Life of the lease

(c) Revenue Recognition

Revenue on contracts with clients for the operation of water and wastewater treatment facilities based on a fixed annual price is recognized in equal monthly amounts as earned.

Revenue on contracts with clients based on the recovery of costs plus a percentage markup or recovery of costs plus a fixed management fee is recognized at the time such costs are incurred.

Revenue for additional work for clients outside the scope of the operations and maintenance contract, such as capital repairs on equipment, is recognized when the costs are incurred, and normally includes a pre-determined markup on cost.

(d) Financial Instruments

A financial instrument is an asset that will ultimately be settled in cash.

All financial instruments have been valued at cost, which approximates fair value.

The financial instruments consist of cash and short-term investments, accounts receivable, investments receivable, bond portfolio, term deposits, loans receivable, accounts payable and accrued liabilities, and employee future benefits.

A Statement of Remeasurement of Gains and Losses has not been prepared because all financial instruments are valued at cost and there are no changes in fair value to record.

Notes to Financial Statements

December 31, 2017

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

[e] Measurement Uncertainty

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenditures for the period. Significant items subject to such estimates and assumptions include the amortization expense, accrued liabilities and employee future benefits. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. INVESTMENTS RECEIVABLE FOR WATER AND WASTEWATER FACILITIES

These investments represent the outstanding principal portion of amounts receivable from clients for capital expenditures undertaken by the Agency on their behalf, and recoverable operating costs, if any, not billed.

The investments receivable are supported by agreements that bear interest at rates between 6.35% and 9.63%. Scheduled principal repayments of the investments are as follows:

(12 Months Beginning January)	*(in thousands of dollars)*
2018	258
2019	26
2020	29
	313
Less: Current portion	(258)
	55

Notes to Financial Statements

December 31, 2017

2. INVESTMENTS RECEIVABLE FOR WATER AND WASTEWATER FACILITIES (cont'd)

In August of 1999, the Agency entered into a loan agreement to finance the construction of a water pipeline, which was completed in May 2000. The outstanding loan balance including accumulated interest was $18.6 million at December 31, 2005. The Agency has recognized the loan as fully impaired and accordingly the loan amount of $18.6 million has been reflected in an allowance for loan impairment.

Other than as described in this note, there are no other provisions established for investment receivables.

3. FINANCIAL INSTRUMENTS

(a) Cash and Investments

The Agency has $73.5 million invested in bank balances, term deposits and a bond portfolio as follows:

	(in thousands of dollars)
Bank Balances	5,156
Short term bonds (coupon rates 1.54%)	7,494
Term deposits due within a year (Interest rates 1.55%-1.91%)	13,437
Cash and Short-Term Investments	26,087
Term deposits due within two years (Interest rate 1.75%- 2.22%)	47,397
	73,484

The fair value of the bank balances and term deposits approximates carrying value and the fair value of the short-term bond portfolio is $7.4 million.

Notes to Financial Statements

December 31, 2017

3. FINANCIAL INSTRUMENTS (cont'd)

(b) **Credit Risk**

The maximum exposure to credit risk consists of the total of cash and short-term investments, accounts receivable, investments in term deposits, investments receivable and loans receivable.

The Agency is exposed to low credit risk because receivables are due from municipalities and payment is usually collected in full. Credit rating reviews are performed for non-municipal clients. All bank balances and short-term investments are held by large Canadian chartered banks.

A breakdown of the accounts receivable from municipalities and other customers is as follows:

	(in thousands of dollars)
0-60 days	29,132
61-90 days	1,104
91-120 days	347
121-150 days	118
More Than 151 days	955
Total Net Accounts Receivable Municipalities and Other Customers	31,656

An account receivable is considered to be impaired when dispute resolution has failed and the account is forwarded to legal counsel for further action. At December 31, 2017, two accounts were considered impaired. The outstanding balances totaled to $0.7 million (2016 - $0.8 million). Net Accounts Receivable includes an Allowance for Doubtful Accounts which is based on a provision for 25% of Accounts Receivable aged greater than 60 Days. The Agency believes that this policy mitigates the risk of incorrect provision.

Notes to Financial Statements

December 31, 2017

3. FINANCIAL INSTRUMENTS (cont'd)

(c) **Cash Flow Risk**

The Agency has extended a $120 million loan to Ontario Infrastructure and Lands Corporation which matures on March 1, 2023 with a variable interest rate set at four basis points below the average monthly Canadian Dollar Offered Rate. It also has term deposits and bank balances that are sensitive to the prevailing interest rates. As a result, it is exposed to a cash flow risk related to the fluctuations in interest rates.

(d) **Other**

The Agency is exposed to low risk for electricity and chemical costs because most of the contracts are structured to pass these costs through to the customer.

Other than as described in these notes, the Agency is not exposed to any additional currency, liquidity or other price risk on its financial instruments.

4. TANGIBLE CAPITAL ASSETS

(in thousands of dollars)	*Cost*	Accumulated Amortization	**Net December 31, 2017**	Net December 31, 2016
Computer Software	8,232	5,119	**3,113**	4,235
Information Systems	5 ,988	5,213	**775**	985
Furniture and Fixtures	226	179	**47**	67
Automotive Equipment	4,763	4,155	**608**	193
Computer Hardware	5,275	4,162	**1,113**	1,328
Machinery and Equipment	1,220	840	**380**	383
Leasehold Improvements	426	302	**124**	169
	26,130	19,970	**6,160**	7,360

The Board approved capital and re-engineering expenditures of up to $14.7M from fiscal 2012 onward to modernize the Agency's operating and maintenance information technology and infrastructure. As at December 31, 2017, $12.9 million was spent and the project is now complete. Of the remainder, $1.2 million will be carried over to be used in the next stage of OCWA's technology evolution. In 2017 the Board approved the Agency's Business Transformation Program (BTP) which will be implemented in 2018. The BTP is focused on strategic investments in infrastructure, IT systems and business practices.

Notes to Financial Statements

December 31, 2017

5. LEASE COMMITMENTS

Annual lease payments under operating leases for rental of office equipment, premises and vehicles in aggregate are as follows:

	(in thousands of dollars)
2018	3,040
2019	2,555
2020	1,536
2021	731
Thereafter	232
	8,094

6. NET ASSETS

When the Agency was first established, the opening net assets were received from the Province of Ontario in the form of the book value of net assets in excess of obligations assumed.

Subsequent adjustments to the balance are for costs, such as legal costs, that relate to property received by the Province of Ontario when the Agency was established.

In 2014, the Agency was named in an action for soil contamination clean up due to a diesel spill the circumstances of which occurred prior to the establishment of the Agency. In 2016 the claim was settled out of court for $1.2 million and the amount was recorded, in fiscal year 2016, as an adjustment to net assets. In 2017, $0.3 million was recovered from the Agency's insurer. In addition, the Agency was required to pay approximately $0.2 million for legal costs and costs to demolish a structure related to property which existed prior to the establishment of the Agency. These amounts were recorded as an adjustment to net assets.

7. CONTINGENCIES

(a) Contingent Liabilities

The Agency is involved in various legal claims arising in the normal course of business, the outcome of which cannot be determined at this time. Most of the legal claims are covered by insurance after the application of a deductible, ranging from $5,000 to $100,000, depending on when the event giving rise to the claim occurred and the nature of the claim.

Notes to Financial Statements

December 31, 2017

7. CONTINGENCIES (cont'd)

(b) Letters of Credit

The Agency has lines of credit with the Royal Bank of Canada for $15 million. As of December 31, 2017, $7.8 million of these lines of credit have been used to provide letters of credit to municipalities in accordance with the terms of their operations and maintenance agreements.

8. RELATED PARTY TRANSACTIONS

(a) Non-Pension Employee Future Benefits

The Agency is responsible for its accrued legislated severance, unpaid vacation, and workers compensation obligations.

The costs of these employee future benefits obligations have been estimated at $13.7 million (2016 - $13.8 million) of which $4.6 million (2016 - $4.0 million) has been classified as current liability. The amount charged to the income statement in 2017 was $1.0 million (2016 - $1.4 million) and is included in salaries and benefits expense in the Statement of Operations and Changes in Net Assets.

During the year the accrued employee benefits obligation was reduced by $0.6 million (2016 – $1.5 million) due to a curtailment resulting from changes under the Public Service Act of Ontario.

Included in employee future benefits obligation is an estimated workers compensation obligation in the amount of $2.9 million (2016 - $3.1 million). This amount has been determined from the most recent available actuarial calculations provided by the Workplace Safety and Insurance Board (WSIB) as at December 31, 2016.

It is management's opinion that the balance at December 31, 2017 will not be materially different. Adjustment to the estimated WSIB obligation cumulative balance, if any, will be made in the year the updated balance is provided by WSIB.

The cost of other post-retirement, non-pension employee benefits is paid by the Province and therefore is not included in the financial statements.

Notes to Financial Statements

December 31, 2017

8. RELATED PARTY TRANSACTIONS (cont'd)

(b) **Pension Plan**

The Agency'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 Agency's annual payments of 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 agency. The Agency's annual payments of $4.6 million (2016 - $4.6 million), are included in salaries and benefits in the Statement of Operations and Change in Net Assets.

(c) **Other**

As a result of the relationship of the Agency with the Province, the following related party transactions exist:

(i) The Agency received revenue of $2.2 million (2016 - $3.0 million) from the Ontario Infrastructure and Lands Corporation for water and wastewater treatment services OCWA has provided. The services were provided at competitive rates similar to those of other OCWA clients.

(ii) The Agency received revenue of $1.7 million (2016 - $1.6 million) from the Ministry of the Environment and Climate Change (MOECC) for water and wastewater treatment services OCWA has provided. The services were provided at competitive rates similar to those of other OCWA clients.

(iii) The Agency received revenue of $0.2 million (2016 - $0.1 million) from the Ministry of the Northern Development and Mines for water and wastewater treatment services OCWA has provided. The services were provided at competitive rates similar to those of other OCWA clients.

(iv) The Agency received revenue of $0.013 million (2016 - $0 million) from the Ministry of Natural Resources and Forestry for water and wastewater treatment services OCWA has provided. The services were provided at competitive rates similar to those of other OCWA clients.

(v) The Agency has a $120 million loan receivable with Ontario Infrastructure and Lands Corporation, as described in note 3c.

(vi) The Agency relies on the Province to process its payroll and administer its benefits, and to obtain some internal audit and legal services. The Province absorbs some of these administrative costs.

Ontario Climate Change Solutions Deployment Corporation

Management's Responsibility for Financial Reporting

The management of Ontario Climate Change Solutions Deployment Corporation (OCCSDC) is responsible for the integrity and fair presentation of the financial statements accompanying this report. The financial statements have been prepared in accordance with Canadian public sector accounting standards and of necessity include some amounts that are based on estimates and judgements.

OCCSDC maintains systems of internal accounting controls designed to provide reasonable assurance that the financial information is accurate and reliable, the company assets and liabilities are adequately accounted for, and assets are safeguarded. The systems include policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The financial statements have been reviewed by OCCSDC's Finance, Investment, Risk, Audit and Accounting (FIRAA) Committee and have been approved by its Board of Directors. In addition, the financial statements have been audited by the Office of the Auditor General of Ontario, whose responsibility it is to express an opinion on whether they have been prepared 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.

On behalf of management:

Parminder Sandhu Chief Executive Officer	Shauna Blackburn, CPA, CA, PMP, CPA(IL) Senior Lead, Finance & Administration

Toronto, Ontario
August 10, 2018

Office of the Auditor General of Ontario
Bureau de la vérificatrice générale de l'Ontario

Independent Auditor's Report

To the Ontario Climate Change Solutions Deployment Corporation

I have audited the accompanying financial statements of the Ontario Climate Change Solutions Deployment Corporation, which comprise the statement of financial position as at March 31, 2018, 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 (together the "financial statements").

Management's Responsibility for the Financial Statements

Management is responsible for the preparation 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 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 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 Ontario Climate Change Solutions Deployment Corporation as at March 31, 2018 and the result of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Future of the Corporation

While not affecting my opinion, I draw attention to note 6 to the financial statements which indicates that the Provincial government will be winding down the Corporation.

Toronto, Ontario
August 10, 2018

Bonnie Lysyk, MBA, FCPA, FCA, LPA
Auditor General

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Ontario Climate Change Solutions Deployment Corporation

Statement of Financial Position

As at March 31, 2018

	2018 $000's
ASSETS	
Current	
Cash – unrestricted	5,481
Interest Receivable	26
	5,507
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts payable and accrued liabilities	110
Net Assets	
Unrestricted fund	5,397
	5,507

Susan Lo
Director

Parminder Sandhu
Chair

See accompanying notes to financial statements

Ontario Climate Change Solutions Deployment Corporation

Statement of Operations

For the Year Ended March 31, 2018

	2018 $000's
Revenue	
Province of Ontario	101,448
Interest Income	26
	101,474
Expenses	
Grant Funding Program Supporting Low Carbon Technology Deployment – (Note 3)	95,932
Salaries and Benefits	135
Buildings and Office Space Leases	8
Travel and Other Expenses	2
	96,077
Excess of revenues over expenses	5,397

See accompanying notes to financial statements

Ontario Climate Change Solutions Deployment Corporation

Statement of Changes in Net Assets

For the Year Ended March 31, 2018

	2018 $000's
Net assets, beginning of the year	-
Excess of revenues over expenditures for the year	5,397
Net assets, end of year	5,397

See accompanying notes to financial statements

Ontario Climate Change Solutions Deployment Corporation

Statement of Cash Flow

For the Year Ended March 31, 2018

	2018 $000's
Excess of revenues over expenses	5,397
Net change in non-cash working capital	84
Increase in cash during the year	5,481
Cash, beginning of year	-
Cash, end of year	5,481

See accompanying notes to financial statements

Ontario Climate Change Solutions Deployment Corporation

Notes to the Financial Statements
March 31, 2018

1. NATURE OF CORPORATION

The Ontario Climate Change Solutions Deployment Corporation (OCCSDC) (the "Corporation") was established as a crown-controlled corporation without share capital on February 17, 2017. The Corporation became operational when the Board of Directors was established in June 2017 and reached operational independence from the Ministry of the Environment, Conservation and Parks (formerly the Ministry of the Environment and Climate Change) in mid-March 2018. As a result, there were no expenditures in fiscal year 2017. The Agency's objective is to stimulate the development of industry, trades and business undertakings in Ontario that further the deployment of commercially available technology that reduces greenhouse gas emissions from buildings and from the production of goods by:

(a) Providing information
(b) Engaging in marketing
(c) Providing services and arranging for services to be provided
(d) Providing incentives and engaging in financing activities, including providing incentives to individuals
(e) Stimulating private sector financing
(f) Researching market barriers that inhibit the deployment of commercially-available technology and addressing these barriers

In order to meet its objective, the Corporation has the capacity to enter into agreements with private and public sector entities. The Corporation tracks the dollar value of such agreements to demonstrate the impact of the Corporation's investment.

The Corporation is currently dependent on the receipt of funding from the Provincial and/or Federal Government to operate and deliver its programs. The Corporation's primary funding source is the Province's 'Green House Gas Reduction Account' which receives revenues via the Provinces participation in the cap and trade program.

The Corporation is a not-for-profit organization, and thus not subject to income tax.

Ontario Climate Change Solutions Deployment Corporation

Notes to the Financial Statements
March 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements are prepared by management in accordance with Canadian public sector accounting standards for government not-for-profit organizations, as issued by the Public Sector Accounting Board of the Chartered Professional Accountants (CPA) Canada.

(b) Revenue Recognition

The Corporation follows the deferral method of accounting for revenues.

Province of Ontario Grant

The Corporation is funded by the Province of Ontario. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant is related to a future period, it is deferred and recognized in a subsequent period when the related activity occurs.

Interest Income

Interest income is recognized in the period in which it is earned.

(c) 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 revenues and expenses during the reporting period. Actual results could differ from management's best estimates.

(d) Financial Instruments

Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest, currency, liquidity, or credit risks arising from these financial instruments.

The Corporation's financial instruments are accounted for as follows:

- Cash and cash equivalents are measured at amortized cost, which approximates fair value.
- Accounts receivable are stated at amortized cost.
- Accounts payable and accrued liabilities are stated at cost.

Ontario Climate Change Solutions Deployment Corporation

Notes to the Financial Statements
March 31, 2018

3. GRANT FUNDING PROGRAM SUPPORTING LOW CARBON TECHNOLOGY DEPLOYMENT

In its first year of operation, the Corporation focused on meeting its objective through grant funding agreements with entities to deliver programs that deploy commercially available technology to reduce greenhouse gas emissions from buildings or the production of goods. The Corporation made the following payments prior to March 31, 2018, in accordance with the terms of the respective agreements.

Program	**Recipient(s)**	**2018 $000's**
Residential		
Residential Programs - Installations, Support, and Rebates	Independent Electricity System Operator	32,594
Social Housing	Housing Services Corporation	10,000
Modern Wood Heating	Economic Development Corporation of Wawa, The Corporation of the Municipality of Sioux Lookout, Wikwemikong Development Commission, Nishnawbe Aski Nation Corporate Services	2,973
		45,567
Businesses		
Covered Agriculture	Ontario Soil and Crop Improvement Association	3,000
Food and Beverage Manufacturing	Ontario Centres of Excellence Inc.	2,000
Industries	Ontario Centres of Excellence Inc.	30,365
Support to Small-Medium Enterprises	Ontario Centres of Excellence Inc.	15,000
		50,365
		95,932

4. BOARD AND COMMITTEE EXPENSES

Board and Committee members receive remuneration to attend board and committee meetings and are reimbursed for travel expenses incurred to attend these meetings. These costs were incurred by the Province, on behalf of the Corporation, during the year ended March 31, 2018. These costs are not included in the Corporation's financial statements.

Ontario Climate Change Solutions Deployment Corporation

Notes to the Financial Statements
March 31, 2018

5. RELATED PARTY TRANSACTIONS

The Province provides funding to the Corporation and the Corporation is dependent on the Province to operate and deliver its programs. Prior to the Corporation becoming operationally independent from the Ministry of the Environment, Conservation and Parks (formerly the Ministry of the Environment and Climate Change) in mid-March 2018, all administrative costs and procurement services such as third party services for website management, call centre management, program design, communications and marketing, were incurred by the Province. These costs which totalled approximately $9.8 million, are not included in the Corporation's financial statements.

The Independent Electricity System Operator (IESO) is a related party of the Corporation through the common control of the Province. Payments from the Corporation to IESO for fiscal year 2018 (see note 3) are approximately $32.6 million.

6. SUBSEQUENT EVENTS

The Corporation is currently dependent on the receipt of funding from the Provincial and/or Federal Government to operate and deliver its programs. The Corporation's primary funding source is the Province's 'Green House Gas Reduction Account' which receives revenues via the Provinces participation in the cap and trade program.

On May 8, 2018 the Province entered into a funding agreement with the Federal Government for $419,970,000 related to programs designed to meet Ontario's commitments under the Canada-Ontario Low Carbon Economic Leadership Fund Funding Agreement. Of this amount, 49% relates to potential funding for the Corporation.

On July 3, 2018, the Province filed Ontario Regulation 386/18 Prohibition Against the Purchase, Sale and Other Dealings with Emission Allowances and Credits under the *Climate Change Mitigation and Low-carbon Economy Act*, 2016, which ended the cap-and-trade program, through which the Corporation and its initiatives are funded. With the cancellation of the cap-and-trade program, the Corporation's access to the Federal government funding noted above is uncertain.

On July 10, 2018 the Minister of the Environment, Conservation and Parks (formerly the Minister of the Environment and Climate Change) directed the Corporation to carry out an orderly wind down of the Corporation's programs and to prepare an orderly wind down plan for the Corporation. This includes winding down the grant funding program supporting low carbon technology deployment.

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The Ontario Educational Communuications Authority -

Management's Responsibility for Financial Statements

The accompanying financial statements of the Ontario Educational Communications Authority have been prepared in accordance with Canadian public sector accounting standards and are the responsibility of management. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 21, 2018.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. The Internal Audit Department independently evaluates the effectiveness of these internal controls on a periodic basis and reports its findings to management and to the Board of Directors.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Board reviews and approves the financial statements. The Audit Committee of the Board meets periodically with management, Internal Audit, and the Office of the Auditor General of Ontario to discuss audit, internal control, accounting policy, and financial reporting matters.

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, which appears on the following page, outlines the scope of the Auditor General's examination and opinion.

On behalf of Management:

L de Wilde

Lisa de Wilde
Chief Executive Officer

Office of the Auditor General of Ontario
Bureau de la vérificatrice générale de l'Ontario

Independent Auditor's Report

To the Ontario Educational Communications Authority
and to the Minister of Education

I have audited the accompanying financial statements of the Ontario Educational Communications Authority, which comprise the statement of financial position as at March 31, 2018 and the statement of operations, statement of changes in net assets and statement of 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 Ontario Educational Communications Authority as at March 31, 2018 and the results of its operations, changes in net assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Toronto, Ontario
June 21, 2018

Susan Klein, CPA, CA, LPA
Assistant Auditor General

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tvo **The Ontario Educational Communications Authority**
Financial Statements for the year ended March 31, 2018

Statement of Financial Position

As of March 31, 2018

($000s)	2018	2017
Assets		
Current Assets		
Cash and cash equivalents (note 3)	11,104	13,542
Short term investments (note 3)	11,774	8,796
Accounts receivable (note 3)	970	1,051
Prepaid expenses	1,057	1,123
Inventories	145	150
	25,050	**24,662**
Broadcast rights and production costs (note 7)	**20,037**	**20,653**
Investments held for Capital Renewal (note 5)	**5,176**	**5,112**
Net capital assets (note 6)	**15,507**	**13,983**
Total Assets	**65,770**	**64,410**
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	9,070	9,443
Deferred revenue (note 8)	6,157	4,981
	15,227	**14,424**
Deferred capital contributions (note 9)	9,446	8,857
Employee future benefits (note 4)	15,152	20,973
Asset retirement obligation (note 6)	205	196
	24,803	**30,026**
Net Assets		
Invested in broadcast rights and production costs	20,037	20,653
Invested in capital assets	10,840	9,870
Internally restricted (note 12a)	-	354
Unrestricted	(5,137)	(10,917)
	25,740	**19,960**
Total Liabilities and Net Assets	**65,770**	**64,410**

Commitments and contingencies (notes 14 and 16)
See accompanying Notes to Financial Statements.

On behalf of the Board:

Peter Bizan

Chair

T.P. h

Director

Statement of Operations

For the year ended March 31, 2018

($000s)	2018	2017
Revenues		
Government operating grants (note 10)	40,046	40,045
Independent Learning Centre and Homework Help contracts (note 15)	9,142	9,727
Earned revenue (note 12)	11,039	11,668
Government project funding (note 11)	3,690	1,741
Amortization of deferred capital contributions (note 9)	670	740
	64,587	**63,921**
Expenses		
Content and programming	18,446	18,686
Technical and production support services	15,893	17,042
Independent Learning Centre (note 15)	15,615	12,512
Management and general expenses	5,711	6,740
Employee future benefits (note 4)	(2,463)	3,493
Cost of earned revenue (note 12)	2,915	3,165
Amortization of capital assets and accretion expense (note 6)	2,690	2,626
	58,807	**64,264**
Excess / (Deficiency) of revenues over expenses	**5,780**	**(343)**

See accompanying Notes to Financial Statements.

tvo **The Ontario Educational Communications Authority**
Financial Statements for the year ended March 31, 2018

Statement of Changes in Net Assets

For the year ended March 31, 2018

($000s)	2018				
	Invested in Broadcast Rights and Production Costs	**Invested in Capital Assets**	**Internally Restricted**	**Unrestricted**	**Total**
Balance, beginning of year	**20,653**	**9,870**	**354**	**(10,917)**	**19,960**
Excess/(deficiency) of revenues over expenses	(7,529)	(2,023)	-	15,332	5,780
Invested in assets during the year	6,913	2,993	-	(9,906)	-
Inter-fund transfers (note 12)	-	-	(354)	354	-
Balance, end of year	**20,037**	**10,840**	**-**	**(5,137)**	**25,740**

($000s)	2017				
	Invested in Broadcast Rights and Production Costs	**Invested in Capital Assets**	**Internally Restricted**	**Unrestricted**	**Total**
Balance, beginning of year	**21,221**	**8,414**	**1,726**	**(11,058)**	**20,303**
Excess/(deficiency) of revenues over expenses	(7,251)	(1,893)	-	8,801	(343)
Invested in assets during the year	6,683	3,349	-	(10,032)	-
Inter-fund transfers (note 12)	-	-	(1,372)	1,372	-
Balance, end of year	**20,653**	**9,870**	**354**	**(10,917)**	**19,960**

See accompanying Notes to Financial Statements.

tvo **The Ontario Educational Communications Authority**
Financial Statements for the year ended March 31, 2018

Statement of Cash Flows

For the year ended March 31, 2018

($000s)	2018	2017
Operating Activities		
(Deficiency) / excess of revenues over expenses	5,780	(343)
Add/(deduct) non-cash items:		
Amortization of capital assets and accretion expense (note 6)	2,690	2,626
Amortization of deferred capital contributions	(670)	(740)
Amortization of broadcast rights and production costs	7,529	7,251
Employee future benefits expense	(3,414)	3,059
Loss / (gain) on disposal of capital assets	(3)	10
Net changes in non-cash working capital:		
Accounts receivable	81	235
Inventories	5	(2)
Prepaid expenses	66	251
Deferred revenue	1,176	2,357
Accounts payable and accrued liabilities	(373)	1,027
Contributions to employee benefit plans	(2,407)	(2,466)
Cash provided by operating activities	**10,460**	**13,265**
Capital transactions		
Broadcast rights additions	(6,913)	(6,683)
Capital asset additions	(4,212)	(4,183)
Proceeds from disposal of capital assets	10	-
Cash applied to capital transactions	**(11,115)**	**(10,866)**
Investing and financing transactions		
Increase short term investments	(2,978)	(2,536)
Current year's deferred capital contributions	1,195	715
Cash provided by investing and financing activities	**(1,783)**	**(1,821)**
Net increase (decrease) in cash position during the year	**(2,438)**	**579**
Cash and cash equivalents, beginning of year	**13,542**	**12,964**
Cash and cash equivalents, end of year	**11,104**	**13,542**

See accompanying Notes to Financial Statements.

Notes to Financial Statements

For the year ended March 31, 2018

1. AUTHORITY AND MANDATE

The Ontario Educational Communications Authority (the "Authority") is a Crown Corporation of the Province of Ontario that was created in June 1970 by the Ontario Educational Communications Authority Act (the "Act"). In accordance with the Act, the Authority's main objective is to initiate, acquire, produce, distribute, exhibit or otherwise deal in programs and materials in the educational broadcasting and communications fields. The Authority is licenced by the Canadian Radio-television and Telecommunications Commission ("CRTC") to broadcast English-language educational television programs. The broadcasting licence is subject to renewal by the CRTC and the current licence is for the period September 1, 2015 to August 31, 2022.

The Authority is a registered charitable organization which may issue donation receipts for income tax purposes. As a Crown Corporation of the Province of Ontario, the Authority is exempt from income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements of the Authority have been prepared by management in accordance with Canadian Public Sector Accounting Standards for Government Not-for-Profit Organizations.

(b) Cash and Cash Equivalents

Cash includes balances with banks, net of any overdrafts. Cash equivalents consist of short-term, high-grade Canadian dollar investments maturing within 90 days.

(c) Inventories Held for Consumption

Inventories held for consumption, consisting of maintenance supplies and media tapes, are valued at cost where cost is determined on a first-in-first-out basis, net of an allowance for obsolescence.

(d) Capital Assets

Capital assets are recorded at cost less accumulated amortization. Capital assets are amortized on a straight line basis over the following terms beginning the year following acquisition:

Capital Assets	Amortization Period
Building	30 years
Computer Equipment	5 years
Computer Software	3-5 years
In-House Technical Equipment	7 years
Leasehold Improvements	5 years
Office Equipment	10 years
Office Furniture and Fixtures	15 years
Transmitters	17 years
Transmitters - Asset Retirement Obligation	17 years
Transmitter Monitoring Equipment	7 years
Vehicles	5 years

The Authority reviews the carrying amounts of its capital assets on an annual basis. When a capital asset no longer has any long-term service potential, the Authority will recognize an expense (write-down) equal to the excess of its net carrying amount over any residual value.

Work in progress is not amortized until the completed assets are placed into operation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Revenue Recognition

1. The Authority follows the deferral method of accounting for grants and contributions whereby restricted grants, contributions and bequests are recognized as revenue in the year in which the related expenses are incurred. Unrestricted grants, contributions and bequests are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.
2. Revenue from grants and contributions restricted for the purchase of capital assets is deferred and amortized over the same period of use as the related capital asset.
3. Revenue from the licensing of program material is recognized when the program material is delivered.
4. Individual donations are recorded on a cash basis. Contributions from corporate sponsors are recognized equally over the period the sponsorship program is delivered by the Authority.
5. Revenue from sponsorship is recognized when the content is broadcast or webcast.
6. Student fees for courses offered by the Independent Learning Centre ("ILC") and registration fees for General Education Development ("GED") are recognized as revenue at the time of enrolment.

(f) Employee Future Benefits

For all employee service up to December 31, 2017, the Authority accrues its obligations under employee defined benefit pension plans and the related costs, net of plan assets. The following accounting policies have been adopted:

1. The cost of pension benefits and other post-retirement benefits is determined by independent actuaries based on management's best estimate assumptions using the projected benefits method prorated on service.
2. Past service costs and any transitional asset or obligation are amortized over the expected average remaining service period of active plan members.
3. Actuarial gains and losses are recognized and amortized over the expected average remaining service period of active plan members.
4. The expected return on plan assets is based on the fair value of plan assets.

Effective January 1, 2018, eligible Authority employees are members of the Public Service Pension Plan (PSPP) and the Public Service Supplementary Benefits Account (PSSBA). The Authority accounts for its participation in the PSPP and PSSBA, which are multi-employer defined benefit pension plans, as defined contribution plans..

The Province of Ontario, who is the sole sponsor of the PSPP and PSSBA, determines the Authority's annual payments to the Plans and is responsible for ensuring that the pension funds are financially viable. Any surplus or unfunded liabilities arising from statutory actuarial funding valuations are not assets or obligations of the Authority. Therefore, the Authority's contributions are accounted for as if the plans were defined contribution plans with the Authority's contributions being expensed in the period they come due.

(g) Broadcast Rights and Production Costs

Broadcast rights and production costs are accounted for as follows:

- Current events and network promotion programs produced by the Authority are expensed in the year the costs are incurred.
- All other programs produced by the Authority and programs licensed under co-production, pre-buy and acquisition contracts are recorded at cost less accumulated amortization. Amortization is calculated on a straight line basis over the following periods:
    - Program licence acquired: term of contract
    - Program produced by the Authority: four years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Financial Instruments

The Authority's financial instruments are accounted for as follows:

- Cash and cash equivalents, including investments held for capital renewal, are measured at amortized cost.
- Accounts receivable are stated at amortized cost.
- Accounts payable and accrued liabilities are stated at cost.

(i) Asset Retirement Obligation

Liabilities are recognized for statutory, contractual or legal obligations, associated with the retirement of property, plant and equipment when those obligations result from the acquisition, construction, development or normal operation of the asset. The obligations are initially measured at fair value, determined using present value methodology, and the resulting costs capitalized into the carrying amount of the related asset. In subsequent periods, the liability is adjusted for the accretion of discount and any changes in the amount or timing of the underlying future cash flows. The capitalized asset retirement cost is amortized on the same basis as the related asset and the discount accretion is included in determining the results of operations. The Authority recognizes a liability for future decommissioning of its transmitter facilities.

(j) Measurement Uncertainty

The preparation of financial statements in accordance 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 contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Items requiring the use of significant estimates include employee future benefit obligations and useful life of capital assets and broadcast rights. Actual results could differ from those estimates.

(k) Prepaid Expenses

Prepaid expenses include, property tax, cleaning, hydro, software support and other prepaids and are charged to expense over the period the Authority is expected to benefit from the expenditure.

(l) Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

3. FINANCIAL INSTRUMENTS

Cash and cash equivalents

The Authority's cash equivalents consist of short-term, high-grade Canadian dollar investments. These investments mature within 90 days and had an average yield of 1.4% (2017 – 1.0%). The cash equivalent amount is $11,104,000 (2017 - $13,542,000)

Short term investments

The Authority's short term investments consist of high-grade Canadian dollar investments that have a maturity date greater than 90 days. All the investments were purchased with a term of 1 year or less. The short term amount is $11,774,000 (2017 – $8,796,000).

3. FINANCIAL INSTRUMENTS (CONT'D)

Accounts receivable

($000s)	2018	2017
ILC earned revenue, donations, sales and licensing, tower rentals and transmitter maintenance fees	578	581
HST rebate	332	436
Others	60	34
	970	**1,051**

Operating line of credit

As part of its financial arrangements, the Authority negotiated a demand revolving line of credit with CIBC. The maximum available credit under the facility is $1.0 million (2017 – $1.0 million). The line of credit is unsecured and bears interest at the bank's prime lending rate. As at March 31, 2018, no amount (2017 – $0) was outstanding under the facility.

Risk disclosures

(a) Liquidity risk:

Liquidity risk is the risk that the Authority will not be able to meet its cash flow obligations as they fall due. The Authority manages its liquidity risk by monitoring its operating requirements and prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. The Authority is not exposed to significant liquidity risk.

(b) 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 is exposed to credit risk arising from its accounts receivable. Given the amount of the Authority's accounts receivable and past experience regarding payments, the Authority is not exposed to significant credit risk.

(c) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Due to the short-term nature of the Authority's financial instruments, their carrying value approximates fair value and as a result the Authority is not exposed to significant interest rate risk.

(d) Foreign currency risk:

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Authority maintains a U.S. dollar bank account. Its balance was not large enough at any time during the year to expose the Authority to significant currency risk.

4. EMPLOYEE FUTURE BENEFITS

Plan Merger and Curtailment

Effective January 1, 2018, the Authority's Main and Executive Pension Plans were merged with the Public Service Pension Plan (PSPP) and the Authority's Supplementary Retirement Plan was merged with the Public Service Supplementary Benefits Plan (PSSBP), (collectively, the "Merger").

The PSPP and PSSBP are contributory defined benefit plans. PSPP 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. The PSPP is funded by contributions from participating employers and members, and by the investment earnings from the Public Service Pension Fund. Contributions from members and employers are remitted to the Ontario Pension Board (OPB). The portion of these contributions that exceeds Income Tax Act (Canada) limits is transferred to the PSSBP.

4. EMPLOYEE FUTURE BENEFITS (CONT'D)

As a result of the Merger, the Authority's plans have been curtailed to cease member contributions and freeze credited service effective December 31, 2017. The impact of this curtailment is the immediate recognition of previously unrecognized net actuarial gains of $5,955,000 through defined benefit pension expense. There is no gain or loss to the current obligation for this change.

Pending regulatory approval of the Merger and transfer of Authority plan assets to the PSPP and PSSBP, the Authority continues to account for its obligations under the Main, Executive and Supplementary Plans as defined benefit pension plans and the related costs, net of plan assets for all employee service accrued up to December 31, 2017. Upon approval of the Merger and transfer of Authority plan assets, the Main, Executive and Supplementary Plans will be fully settled and therefore, cease to exist.

Contributions to PSPP and PSSBP made during the year by the Authority on behalf of its employees amounted to $572,000 and are included in employee future benefits expenses.

The Authority recorded the following (gain) / expense for the year:

($000s)	**2018**	**2017**
Related to the Authority's plan	2,920	3,493
Net actuarial gain to Plan curtailment	(5,955)	-
Net (gain) / expense	(3,035)	3,493
Contributions to the PSPP	572	-
Total Employee Future Benefit net (gain) / expense	**(2,463)**	**3,493**

Authority-sponsored pension and other post-employment benefit plans have the following components:

(a) Registered pension plans:

- Main Pension Plan – Most employees of the Authority are members of this plan, which consists of three elements – a non-contributory, defined benefit, best average earnings and years of service element; a contributory, defined contribution element; and a non-contributory, defined contribution element.
- Executive Pension Plan – Executives are members of this non-contributory, defined benefit, best average earnings and years of service plan. On August 28, 2017, this plan was amended to require members to make contributions.

(b) Supplementary retirement plan:

- Certain employees are members of this unregistered and non-contributory plan which funds the portion of pension entitlements in excess of the maximum allowed for registered pension plans under the federal Income Tax Act.

The future benefits payable to employees under the defined benefit plans are adjusted for inflation based on the consumer price index up to a maximum of 3% per year.

(c) Post-employment benefits plan:

- The Authority offers post-employment benefits such as health care, dental care, and life insurance on a shared cost basis.

The most recent actuarial valuation for funding purposes of the registered defined benefit pension plans was performed as of January 1, 2017.

Information about the Authority's pension and other benefit plans is presented in the following tables.

The Ontario Educational Communications Authority

Financial Statements for the year ended March 31, 2018

4. EMPLOYEE FUTURE BENEFITS (CONT'D)

	Registered Pension Plans		Supplementary Retirement Plan		Post-employment Benefit Plan		Total	
($000s)	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Plan deficit as of January 1:								
Accrued benefit obligation	100,306	99,892	2,056	1,551	13,217	12,541	115,579	113,984
Fair value of plan assets	(102,274)	(99,862)	-	-	-	-	(102,274)	(99,862)
	(1,968)	30	2,056	1,551	13,217	12,541	13,305	14,122
Balance of unamortized actuarial (gains)/losses as of January 1	-	4,897	-	331	1,966	2,235	1,966	7,463
Contributions – Jan 1 to Mar 31	(54)	(558)	-	-	(65)	(54)	(119)	(612)
Employee future benefits liability as at March 31	**(2,022)**	**4,369**	**2,056**	**1,882**	**15,118**	**14,722**	**15,152**	**20,973**

	Registered Pension Plans		Supplementary Retirement Plan		Post-employment Benefit Plan		Total	
($000s)	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Expenses for the year:								
Defined benefit plan:								
Service cost (employer portion)	2,132	2,126	192	193	415	501	2,739	2,820
Amortization of actuarial (gains)/losses	(518)	(277)	(44)	(41)	(230)	(170)	(792)	(488)
Interest cost on accrued benefit obligation	5,674	5,593	64	55	472	463	6,210	6,111
Expected return on plan assets	(5,616)	(5,384)	-	-	-	-	(5,616)	(5,384)
Net actuarial gains on curtailment	(5,917)	-	(38)	-	-	-	(5,955)	-
Total defined benefit expense	(4,245)	2,058	174	207	657	794	(3,414)	3,059
Defined contribution plan expense	379	434	-	-	-	-	379	434
Total expenses	**(3,866)**	**2,492**	**174**	**207**	**657**	**794**	**(3,035)**	**3,493**
Contributions made to the plans:								
Pension plan contributions - Authority	2,241	2,674	-	18	250	291	2,491	2,983
Pension plan contributions - employees	809	1,018	-	-	-	-	809	1,018
Payments made from all the plans as of January 1:								
Pension benefits paid	4,959	4,782	-	-	-	-	4,959	4,782
Termination benefits paid	5,517	2,656	-	-	-	-	5,517	2,656

The significant assumptions adopted in measuring the employee benefit obligations and pension expenses are as follows:

	Registered Pension Plans		Supplementary Retirement Plan		Post-employment Benefit Plan	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Discount rate to determine the accrued benefit obligation	5.75% to 6.00%	5.75% to 6.00%	3.70%	3.70%	3.70%	3.70%
Discount rate to determine the benefit cost	5.75% to 6.00%	5.75% to 6.00%	3.60%	3.70%	3.60%	3.70%
Expected investment return	5.75% to 6.00%	5.75% to 6.00%	N/A	N/A	N/A	N/A
Pension indexation	2.00%	2.25%	2.00%	2.25%	N/A	N/A
Salary rate increase	2.00% yr 1, 2.50% thereafter	2.00% yr 1, 2.50% thereafter	2.00% yr 1, 2.50% thereafter	2.00% yr 1, 2.50% thereafter	N/A	N/A
Health cost rate increase	N/A	N/A	N/A	N/A	4.50%	4.50%
Drug cost rate increase	N/A	N/A	N/A	N/A	6.95%	6.95%
Dental cost rate increase	N/A	N/A	N/A	N/A	4.50%	4.50%
Employee average remaining service lifetime (years)	9 to 11	11	9	11	11	12

The drug cost rate increase assumption is expected to decrease to 4.5% by 2023.

4. EMPLOYEE FUTURE BENEFITS (CONT'D)

Defined benefit plan assets as at January 1 measurement date consisted of:

	Percentage of Total Fair Value of Plan Assets	
	2018	**2017**
Asset category		
Equity securities	57%	55%
Debt securities	37%	39%
Real estate fund	6%	6%

The actual investment return on pension plan assets was 7.2% in 2018 (2017 – 8.05%).

5. INVESTMENTS HELD FOR CAPITAL RENEWAL

To ensure that the Authority's technical capital assets keep pace with technological changes and can be maintained or replaced when needed, the Capital Renewal Fund was established in 1984. Up to fiscal 2008/09, the Authority set aside up to 2% of the funding received as a contribution to the Capital Renewal Fund. Available funds are invested in short-term deposits maturing within 365 days that earned an average interest rate of 1.3% (2017 – 1.2%) during the fiscal year. The changes in the fund are as follows:

($000s)	**2018**	**2017**
Balance, beginning of year	5,112	5,329
Purchase of capital assets	-	(273)
Interest earned	64	56
	5,176	**5,112**

6. CAPITAL ASSETS AND ASSET RETIREMENT OBLIGATION

Capital Assets

Capital assets consist of the following:

($000s)			**2018**			**2017**
	Cost	**Accumulated Amortization**	**Net Book Value**	**Cost**	**Accumulated Amortization**	**Net Book Value**
Land	186	-	186	186	-	186
Building	1,988	1,939	49	2,268	2,197	71
Transmitters	7,179	5,025	2,154	7,421	5,064	2,357
Transmitters - asset retirement obligation	557	472	85	557	463	94
Transmitter monitoring equipment	2,061	1,897	164	2,061	1,766	295
In house technical equipment	20,758	19,191	1,567	21,703	19,900	1,803
Leasehold improvements	9,559	8,868	691	9,299	8,706	593
Computer equipment	6,593	5,184	1,409	6,677	5,075	1,602
Office furniture and fixtures	2,106	1,580	526	2,065	1,460	605
Office equipment	175	175	-	905	899	6
Vehicles	303	177	126	317	223	94
Computer software	10,785	3,430	7,355	5,623	2,403	3,220
Work-in-progress – software	1,195	-	1,195	3,057	-	3,057
Total	**63,445**	**47,938**	**15,507**	**62,139**	**48,156**	**13,983**

Amortization expense for the year was $2,681,623 (2017 - $2,618,469) and is included in Amortization of capital assets and accretion expense in the Statement of Operations.

Work-in-progress constitutes web sites construction and gaming development that have not been launched.

6. CAPITAL ASSETS AND ASSET RETIREMENT OBLIGATION (CONT'D)

Asset Retirement Obligation

The Authority recognized a liability for future decommissioning of its transmitter and low power repeat transmitter (LPRT) facilities which was required under their respective leases. In determining the fair value of its asset retirement obligations, the Authority discounted the associated cash flows at credit-adjusted risk free rates. The total undiscounted amount of the estimated future obligations is $316,000 (2017 – $316,000).

($000s)	2018	2017
Opening balance	196	188
Accretion expense	9	8
Closing balance	**205**	**196**

7. BROADCAST RIGHTS AND PRODUCTION COSTS

Broadcast rights and production costs consist of the following:

($000s)			2018			2017
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Broadcast rights and completed productions	72,240	55,372	16,868	65,318	47,843	17,475
Work in progress	3,169	-	3,169	3,178	-	3,178
	75,409	**55,372**	**20,037**	**68,496**	**47,843**	**20,653**

Amortization expense for the year was $7,529,020 (2017 – $7,250,625) and is included in Content and programming expense.

8. DEFERRED REVENUE

($000s)	2018	2017
ILC – Ministry of Education grant and provincial project funding (note 15)	2,720	2,637
Funding for ILC adoption of new learning environment deferred (note 11)	1,716	1,056
Accessibility for Ontarians for Disability Act project funding	47	(40)
Bequest (note 12)	69	88
Gift to be utilized for Local Hubs (note 12)	1,208	861
Transmitter tower rental and maintenance	158	168
Sponsorship revenue	164	163
Other	75	48
	6,157	**4,981**

Expenditures related to the above deferrals, except for the bequest, have been budgeted for the 2019 fiscal year.

9. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent contributions received for the purchase of capital assets and are recorded as revenue (amortization of deferred capital contributions) in the Statement of Operations when the related capital assets are amortized. The changes in the deferred contributions balance are as follows:

tvo **The Ontario Educational Communications Authority**
Financial Statements for the year ended March 31, 2018

9. DEFERRED CAPITAL CONTRIBUTIONS (CONT'D)

($000s)			2018
	Unamortized Capital Contributions	Unspent Funds	Total
Deferred capital contributions, beginning of year	**3,745**	**5,112**	**8,857**
Homework Help website rebuild (note 15)	1,095	-	1,095
Student record system (note 15)	100	-	100
Interest earned	-	64	64
Amortization of deferred capital contributions to revenue	(670)	-	(670)
Deferred capital contributions, end of year	**4,270**	**5,176**	**9,446**

($000s)			2017
	Unamortized Capital Contributions	Unspent Funds	Total
Deferred capital contributions, beginning of year	**3,769**	**5,330**	**9,099**
Capital Maintenance Fund	273	(273)	-
Master Control Room Ingest Upgrades	46	-	46
Agenda Studio Lighting Upgrade	210	-	210
Web Infrastructure	187	-	187
Interest earned	-	55	55
Amortization of deferred capital contributions to revenue	(740)	-	(740)
Deferred capital contributions, end of year	**3,745**	**5,112**	**8,857**

10. GOVERNMENT OPERATING GRANTS

($000s)	2018	2017
Ontario Ministry of Education		
Base grant	38,446	38,445
Capital maintenance grant	1,600	1,600
	40,046	**40,045**

11. GOVERNMENT PROJECT FUNDING

($000s)	2018	2017
Provincial project funding		
Ministry of Education		
Accessibility for Ontarians with Disabilities Act funding	350	597
Special one-time capital grant		
Capital Expenditure Grant	-	443
Capital Expenditure Grant – deferred	-	(443)
Funding for ILC – transition to Virtual Learning Environment	5,056	2,199
Funding for ILC – transition to Virtual Learning Environment deferred (note 8)	(1,716)	(1,056)
Corporate project funding		
Funding deferred from prior year (note 8)	-	1
Total government and project funding	**3,690**	**1,741**

12. EARNED REVENUE AND COST

($000s)			2018			2017
	Revenue	Cost	Net Revenue	Revenue	Cost	Net Revenue
Individual and corporate donations and sponsorships	5,767	2,915	2,852	5,705	3,165	2,540
Green Family Gift (b)	558	-	558	-	-	-
Donald Pounder Bequest (a)	19	-	19	144	-	144
ILC earned revenue	2,685	-	2,685	2,804	-	2,804
Tower rental and transmitter maintenance	1,044	-	1,044	1,028	-	1,028
Net proceeds from insurance settlement (note 18)	-	-	-	1,075	-	1,075
Interest income	402	-	402	302	-	302
Sales and licensing	131	-	131	272	-	272
Property tax rebate program for charities	219	-	219	245	-	245
Asset disposal	10	-	10	-	-	-
BDU affiliate fees	99	-	99	88	-	88
Cancellation fee received	75	-	75	-	-	-
Others	30	-	30	5	-	5
	11,039	**2,915**	**8,124**	**11,668**	**3,165**	**8,503**

(a) Donald Pounder Bequest

During the year ended March 31, 2014, the Authority was informed that it was a beneficiary of the estate of a TVO viewer. A total bequest of $2,592,000 (2016 – $37,000, 2015 – $127,000, 2014 – $2,428,000) was received. The donor stipulated in his will that 25%, or $648,000 (2016 – $10,000, 2015 – $32,000, 2014 – $606,000) of the bequest be applied toward *The Agenda* program. This restricted portion of the bequest is included in Deferred revenue in the Statement of Financial Position. Revenue is recognized when expenditures are incurred toward new projects associated with *The Agenda*.

The Authority has internally restricted the remaining 75%, or $1,944,000 (2016 – $27,000, 2015 – $95,000, 2014 – $1,822,000), of the bequest for new projects or enhancement of existing products or services as approved by the Board of Directors. During the year, the Authority applied $373,000 ($19,000 of the restricted portion and $354,000 of the internally restricted portion) to fund new projects.

The Bequest revenue of $19,000 recognized in the Statement of Operations is the total of the restricted portion utilized in the year.

Total bequest revenue received during fiscal years 2017 and 2018 has been accounted for as follows:

($000s)			2018			2017
	Restricted	Internally Restricted	Total	Restricted	Internally Restricted	Total
Bequest balance, beginning of year	88	354	442	232	1,726	1,958
Utilization of bequest	(19)	(354)	(373)	(144)	(1,372)	(1,516)
Bequest balance, end of year	**69**	**-**	**69**	**88**	**354**	**442**

(b) Green Family Gift to be Utilized for Local Hubs

In December 2016, the Authority received a $2,000,000 gift to be utilized in the set up and operation of 4 journalistic local hubs ("Local Hubs") in the province to provide in-depth current affairs journalism in regions across Ontario. The gift consists of a $1,500,000 commitment plus an additional matching gift of up to $500,000 if the Authority raises $300,000 toward this project by June 2018. Revenue will be recognized in future years when expenditures are incurred for the set up and operation of the Local Hubs. There were expenditures of $558,000 for the year ended March 31, 2018. As at March 31, 2018, a total of $1,600,000 in respect of the gift had been received and $166,000 has been raised by the Authority. These amounts have been included in deferred revenue.

($000s)	2018	2017
Balance, beginning of year	861	-
Contributions received – Green Foundation	750	850
Contributions received – Individual Donor gifts	155	11
Utilization of gift	(558)	-
Balance, end of year	**1,208**	**861**

13. EXPENSES

a) Allocated Expenses

The Authority allocates certain general expenses to major activities on the following bases:

Building cost – based on floor area occupied by the activity
Cost of mailing, shipping and printing – based on usage

Total general expenses allocated to major functional groups are as follows:

($000s)	2018	2017
Current affairs and documentaries	1,604	1,531
Technical and production support services	922	1,605
Independent Learning Centre	931	876
Management and general	493	567
Cost of other earned revenue	77	68
	4,027	**4,647**

b) Expenses by Type

The Statement of Operations reports on expenses by activity. Expenses by type during the fiscal year are as follows:

($000s)	2018	2017
Salaries and wages	33,862	32,145
Licences and other	7,992	7,823
Advertising	1,560	2,460
Other services	1,948	1,156
Employee benefits	6,553	6,316
Facilities	4,818	4,757
Employee future benefits	(2,463)	3,493
Transportation and communication	2,013	2,069
Supplies and equipment	406	424
Amortization of capital assets and accretion expense	2,690	2,545
	58,807	**63,188**

14. COMMITMENTS

The Authority has entered into operating leases covering transmission facilities, offices, warehouses and equipment. Future lease payments are as follows:

Year ending March 31 ($000s)	Head Office Space	Others	Total
2019	1,297	1,119	2,416
2020	1,297	1,027	2,324
2021	1,275	698	1,973
2022	1,267	375	1,642
2023	1,307	104	1,411
2024 and beyond	5,898	-	5,898
	12,341	**3,323**	**15,664**

The lease of head office space expires on August 31, 2027 with options to extend the lease to August 31, 2047.

15. THE INDEPENDENT LEARNING CENTRE AND HOMEWORK HELP

The ILC provides a wide range of distance education courses, in English and in French that allow students and adults to earn secondary school diploma credits, upgrade their basic skills, or study for personal development. The General Education Development testing is also available.

TVO administers the Homework Help program, which provides free online math help resources for students in Grade 7 to 10.

The ILC receives funding for these activities pursuant to contracts with the Ministry of Education to provide services. The portion of the funding that has been identified for specific projects is deferred until the related expenses have been incurred.

a) TVO recognized the following revenue in respect of these contracts:

($000s)	**2018**	**2017**
ILC and Homework Help Contracts:		
Ministry of Education ILC contract	6,420	6,420
Homework Help contract	4,000	4,000
Capital expenditure – deferred (note 9)	(1,195)	-
Funding deferred from prior year (note 8)	2,637	1,944
Funding deferred to a future year (note 8)	(2,720)	(2,637)
ILC grant and project funding recognized	**9,142**	**9,727**

b) The ILC incurred the following non-project operating expenses:

($000s)	**2018**	**2017**
ILC Expenses during the year:		
Salaries and benefits	9,244	9,363
Transportation and communication	236	370
Services	584	465
Allocated general expenses (note 13)	931	876
Licences	522	232
Supplies, equipment and others	858	63
Total ILC expenses	**12,375**	**11,369**

c) During the year, the ILC incurred expenses in connection with the transition to the Virtual Learning Environment. Funding for this project was provided by the Ministry of Education and is reported in Government Project Funding (note 11):

($000s)	**2018**	**2017**
ILC Adoption and preparation for new learning environment	**3,240**	**1,143**

Direct expenses related to the funding deferred to a future year have been budgeted for the 2019 fiscal year.

16. CONTINGENCIES

Contingencies refer to possible legal claims that have been made by or against the Authority, the ultimate outcome of which cannot be predicted with certainty. Management does not expect that the outcome of the claims against the Authority will have a material and adverse effect on its results and does not believe any provisions for losses are necessary at this time. No amounts have been recognized in the accounts for claims made by or against the Authority. Any settlements will be accounted for at the time of settlement.

17. RELATED PARTY TRANSACTIONS

The Authority is a Crown Corporation of the Province of Ontario and is therefore a related party to other organizations that are controlled by or subject to significant influence by the Province. Specifically, the Authority received revenue from Ontario school boards for Independent Learning Centre (ILC) course fees and sales of educational materials. These transactions were recorded at exchange amounts agreed to by the related parties.

Non-grant revenue received from related parties during the year are as follows:

($000s)	2018	2017
School boards	**436**	**682**

18. NET PROCEEDS ON INSURANCE SETTLEMENT

On August 27, 2014, the Authority incurred damage to its production facility and to a portion of the equipment in the facility from a flood.

($000s)	2018	2017
Proceeds of disposition - insurance settlement for flood damage	-	1,741
Less legal expenses	-	(666)
Net proceeds of disposition	**-**	**1,075**

19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the basis of the financial statement presentation adopted in the current year.

ONTARIO ELECTRICITY FINANCIAL CORPORATION

Ontario Electricity Financial Corporation financial statements for the year ended December 31, 2017 were not available at the time of printing. When available, they will be posted to the website: www.ontario.ca.

Ontario Energy Board

Financial Statements

Management's Responsibility

The Ontario Energy Board's management is responsible for the integrity and fair presentation of the financial statements and other information presented in the annual report. The financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards. The preparation of financial statements necessarily involves the use of management's judgment and best estimates, particularly when transactions affecting the current accounting period cannot be determined with certainty until future periods.

The Ontario Energy Board maintains systems of internal accounting controls designed to provide reasonable assurance that reliable financial information is available on a timely basis and that the Ontario Energy Board's assets and liabilities are adequately accounted for and assets safeguarded.

The financial statements have been reviewed and approved by the Ontario Energy Board's Management Committee. In addition the financial statements have been audited by the Auditor General of Ontario, whose report follows.

Mary Anne Aldred
Chief Operating Officer & General Counsel
June 20, 2018

Office of the Auditor General of Ontario
Bureau de la vérificatrice générale de l'Ontario

Independent Auditor's Report

To the Ontario Energy Board

I have audited the accompanying financial statements of the Ontario Energy Board, which comprise the statement of financial position as at March 31, 2018 and the statements of operations and 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 Ontario Energy Board as at March 31, 2018 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 20, 2018

Bonnie Lysyk, MBA, FCPA, FCA, LPA
Auditor General

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Ontario Energy Board

STATEMENT OF FINANCIAL POSITION

As of March 31, 2018

		2018		2017
ASSETS				
Current Assets:				
Cash (note 9)	$	16,547,004	$	13,274,921
Accounts receivable (note 9)		920,340		635,949
Regulatory process costs to be assessed (note 9)		2,567,787		4,547,463
Deposits and prepaid expenses		441,447		355,569
Total Current Assets		20,476,578		18,813,902
Long-term Assets:				
Capital assets (note 5)		3,772,980		3,541,382
Total Long-term Assets		3,772,980		3,541,382
TOTAL ASSETS	**$**	**24,249,558**	**$**	**22,355,284**
LIABILITIES				
Current Liabilities:				
Deferred revenue (note 3b)	$	2,512,448	$	1,094,242
Accounts payable and accrued liabilities		6,798,717		6,847,048
Total Current Liabilities		9,311,165		7,941,290
Long-term Liabilities:				
Deferred revenue related to capital assets (note 3c)		3,314,542		2,820,979
Deferred rent inducement (note 8)		591,911		930,083
Pension liability (note 6b)		136,789		207,933
Total Long-term Liabilities		4,043,242		3,958,995
TOTAL LIABILITIES	**$**	**13,354,407**	**$**	**11,900,285**
Operating Reserve (note 4)	$	8,400,000	$	8,000,000
Net Assets:				
Internally Restricted Net Assets (note 7)		2,495,151		2,454,999
TOTAL LIABILITIES, RESERVE AND NET ASSETS	**$**	**24,249,558**	**$**	**22,355,284**

See accompanying notes to financial statements

On behalf of the Management Committee:

Rosemarie T. Leclair	Christine Long	Ken Quesnelle
Chair	Vice-Chair	Vice-Chair

Ontario Energy Board

STATEMENT OF OPERATIONS AND NET ASSETS

Year Ended March 31, 2018

		2018		2017
REVENUES				
Recovery of Costs:				
General cost recovery (note 3a)	$	37,422,067	$	35,994,760
Regulatory process costs		3,082,811		4,085,707
Regulatory process costs - OESP (note 11)		1,591,057		4,279,913
Amortization of deferred revenue related to capital assets		1,171,922		780,639
Total Revenues from Recovery of Costs		43,267,857		45,141,019
Other Revenues:				
Licence fees		396,100		396,400
Interest income (note 9)		170,920		134,016
Administrative penalties and interest (note 7)		40,152		126,724
Miscellaneous income		6,965		5,168
Total Other Revenues		614,137		662,308
TOTAL REVENUES	**$**	**43,881,994**	**$**	**45,803,327**
EXPENSES				
Salaries and benefits		29,322,280		28,043,034
Consulting and professional (note 11)		5,351,320		7,267,704
Publications, media and advertising (note 11)		2,940,808		4,666,850
Premises		2,881,736		2,829,533
Information technology		1,033,869		1,089,125
Meetings, training and travel		693,163		472,749
Office and administration		446,744		526,969
Amortization of capital assets paid by OEB		1,171,922		780,639
TOTAL EXPENSES	**$**	**43,841,842**	**$**	**45,676,603**
EXCESS OF REVENUES OVER EXPENSES	**$**	**40,152**	**$**	**126,724**
Net Assets, beginning of period		2,454,999		2,328,275
NET ASSETS, end of period (note 7)	**$**	**2,495,151**	**$**	**2,454,999**

See accompanying notes to financial statements

Ontario Energy Board

STATEMENT OF CASH FLOWS

Year Ended March 31, 2018

		2018		2017
Net inflow (outflow) of cash related to the following activities:				
OPERATING				
Assessment billed	$	40,505,758	$	38,870,615
Regulatory process costs revenue		4,673,868		8,365,620
Other revenues		614,136		662,308
Expenses		(43,841,842)		(45,676,603)
		1,951,920		2,221,940
Adjustment for Non-cash Expenses:				
Amortization of capital assets paid by OEB		1,171,922		780,639
Amortization of leasehold improvements paid by Landlord		261,965		261,965
Deferred rent inducement		(338,172)		(338,172)
		1,095,715		704,432
Changes in Non-cash Working Capital:				
Accounts receivable		(284,392)		613,105
Regulatory process costs to be assessed		1,979,676		(2,110,930)
Deposits and prepaid expenses		(85,877)		55,966
Operating reserve		400,000		1,129,385
Accounts payable and accrued liabilities		(48,330)		43,316
Pension liability		(71,144)		(68,116)
		1,889,933		(337,274)
Net Cash from Operating Activities		**4,937,568**		**2,589,098**
INVESTING				
Maturity of investments				3,850,613
Net Cash from Investing Activities		-		**3,850,613**
CAPITAL				
Capital asset purchases		(1,665,485)		(1,781,613)
Net Cash Used in Capital Activities		**(1,665,485)**		**(1,781,613)**
NET CHANGE IN CASH		3,272,083		4,658,098
Cash, beginning of period		13,274,921		8,616,823
Cash, end of period	**$**	**16,547,004**	**$**	**13,274,921**

See accompanying notes to financial statements

Ontario Energy Board
Notes to the Financial Statements
March 31, 2018

1. Nature of the Corporation

The Ontario Energy Board (the "OEB") is the regulator of Ontario's natural gas and electricity industries. The OEB also deals with energy matters referred to it by the Minister of Energy and the Minister of Natural Resources and Forestry.

Effective August 1, 2003, and pursuant to the *Ontario Energy Board Act, 1998* (the "OEB Act"), the OEB was continued as a corporation without share capital, empowered to fully recover its costs from natural gas and electricity industry participants.

As an agent of Her Majesty in right of Ontario, the OEB is exempted from federal and provincial income taxes under the *Income Tax Act.*

The OEB is classified as a government not-for-profit organization for accounting purposes.

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards (PS), which constitutes generally accepted accounting principles for government not-for-profit organizations in Canada. The OEB has elected to use the standards for government not-for-profit organizations that include sections PS 4200 to PS 4270.

Significant accounting policies followed in the preparation of these financial statements include:

a) Revenue Recognition

Revenues received in the fiscal year (FY) 2018 that relate to subsequent years are not recognized as revenue and are deferred. Recognition of revenue is matched to the expenses of the OEB as follows:

- General cost recovery under section 26 of the OEB Act related to the expenses of the OEB is recognized as revenue to the extent that the total expenses are in excess of regulatory process costs (section 30 and section 79.2), amortization of deferred revenue related to capital assets, and other revenues. When revenue is assessed in excess of actual cost in a current year, it is deferred and recognized in the following fiscal year and referred to as a true-up (note 3b).

Ontario Energy Board
Notes to the Financial Statements
March 31, 2018

- Revenue from administrative penalties assessed against market participants under section 112.5 of the OEB Act is recognized in the year the OEB accepts an assurance of voluntary compliance or issues the enforcement order for the amount identified, provided that the order is not under appeal and collection is reasonably assured. If the order is appealed, revenue will be recognized in the year in which all rights of appeal are exhausted and the order becomes final. Revenue from administrative penalties is not used to reduce the costs assessed under the OEB's Cost Assessment Model, but used to support activities relating to consumer education, outreach and other activities in the public interest. Both administrative penalties and their related expenses are reflected in the Statement of Operations and Net Assets and are reflected as internally restricted net assets, which are summarized in note 7 of the financial statements.

- Deferred revenue related to capital assets is recognized as revenue on the same basis that the underlying capital assets are amortized. Revenue related to capital asset expenditures is deferred because they have been billed in advance (note 3c).

- Regulatory process costs (section 30 and section 79.2 of the *OEB Act*) are recognized as revenue when related expenses are incurred.

  - Section 30 costs are regulatory process costs incurred in relation to specific proceedings and consultation processes. They are recovered from regulated entities through the cost award decisions made by the OEB in respect of those proceedings and processes. Some proceedings and consultation processes span several financial years. The OEB funds such proceedings and consultations through its operating reserve until the costs are finally recovered under section 30 of the *Ontario Energy Board Act, 1998.*

  - Section 79.2 costs are regulatory process costs related to the administration of the Ontario Electricity Support Program (OESP). Section 79.2 enables the OEB to continue to recover its OESP administration costs from the Independent Electricity System Operator (IESO). It also enables responsibility for the administration of the OESP to be transferred from the OEB to a Minister of the Crown. The OEB understands that this transfer may be deferred for an unspecified period of time.

- Other revenues are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Ontario Energy Board
Notes to the Financial Statements
March 31, 2018

b) Capital Assets

Capital assets are recorded at cost less accumulated amortization. Amortization is calculated on a straight-line basis over the estimated useful lives of the assets, beginning in the fiscal year following the acquisition, as follows:

Office furniture and equipment	5 - 10 years
Computer software	3 or 5 years
Computer equipment	3 or 5 years
Audio visual equipment	3 years
Leasehold improvements	Remaining lease period

c) Financial Instruments

The OEB's financial instruments are initially measured at their fair value and subsequently measured in one of the following categories: (i) fair value or (ii) cost or amortized cost. The OEB uses fair value for the subsequent measurement of cash, accounts receivable, regulatory process costs to be assessed, accounts payable and accrued liabilities.

d) Use of Estimates

The preparation of financial statements in accordance with Canadian Public Sector Accounting Standards (PS) requires that management 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 revenues, expenses and recoveries for the year. Actual amounts could differ from these estimates.

e) Employee Pension Plans

The OEB's full-time employees participate in the Public Service Pension Plan (PSPP), which is a defined benefit pension plan for employees of the Province and many provincial agencies. The Province of Ontario, which is the sole sponsor of the PSPP, determines the OEB's annual payments to the Plan. Since the OEB is not a sponsor of the pension plan, gains and losses arising from statutory actuarial funding valuations are not assets or obligations of the OEB, as the sponsor is responsible for ensuring that the pension funds are financially viable. The OEB's expense is limited to the required contributions to the Plan as described in note 6a.

Ontario Energy Board
Notes to the Financial Statements
March 31, 2018

The OEB also manages a supplementary unfunded pension plan for a former Chair as described in note 6b. The OEB accrues its obligations and the related cost under this supplemental unfunded pension plan. The actuarial liability and the current service cost are determined by independent actuaries using the projected benefit method, prorated on management's best estimate assumptions.

3. Industry Assessments for FY 2018

During FY 2018, the natural gas and electricity industry participants were assessed estimated costs for FY 2018 based on budgeted amounts. Amounts assessed in excess of actual costs are a true-up and are reported as current deferred revenue. The calculations of the general cost recovery, true-up and deferred revenue are outlined in the following tables.

a) FY 2018 General cost recovery

Salaries and benefits	$29,322,280
Consulting and professional	5,351,320
Publications, media and advertising	2,940,808
Premises	2,881,736
Information technology	1,033,869
Meetings, training and travel	693,163
Office and administration	446,744
Amortization of capital assets paid by the OEB	1,171,922
Total expenses	43,841,842
Regulatory process costs, amortization of deferred revenue related to capital assets and other revenues excluding administration penalties and interest	(6,419,775)
General cost recovery at March 31, 2018	**$37,422,067**

Ontario Energy Board
Notes to the Financial Statements
March 31, 2018

b) FY 2018 Current Deferred Revenue (FY 2018 True-up)

General cost recovery (note 3a)	$37,422,067	
FY 2018 Capital expenditures paid by the OEB	1,665,485	
Operating reserve adjustment	400,000	
Total assessment (actual)		39,487,552
Total assessment (budget)		42,000,000
FY 2018 Current deferred revenue (FY 2018 True-up)		**$2,512,448**

c) FY 2018 Deferred Revenue Related to Capital Assets

Revenues related to capital asset expenditures are deferred because they have been billed in advance with the exclusion of leasehold improvements paid by the landlord, which were not included in the assessments. As part of the leasehold inducements included in the lease agreement, the landlord paid for $3,540,400 of leasehold improvements on behalf of the OEB since the start of the lease on January 1, 2005.

Net book value of capital assets FY 2018 (note 5)	$3,772,980
Net book value of leasehold improvements paid by landlord (note 5)	(458,438)
FY 2018 Deferred revenue related to capital assets	**$3,314,542**

Ontario Energy Board
Notes to the Financial Statements
March 31, 2018

4. Operating Reserve

As part of its self-financing status, the OEB established an operating reserve, which is adjusted on an annual basis. The primary objective of maintaining this reserve is to fund the OEB's operations in the event of revenue shortfalls or unanticipated expenditures. It is to be used for cash flow management and to support working capital requirements.

Based on the review of cash flow, the OEB has increased the maximum allowable operating reserve to 20% of the OEB's current annual funding requirement. The operating reserve is currently 20%.

FY 2018 Operating reserve

Operating reserve as at March 31, 2017	$8,000,000
Adjustment to the operating reserve	400,000
Operating reserve as at March 31, 2018	**$8,400,000**

The OEB is not subject to any externally imposed reserve requirements.

Ontario Energy Board
Notes to the Financial Statements
March 31, 2018

5. Capital Assets

	Cost	Accumulated amortization	Net book value FY 2018	Net book value FY 2017
Office furniture and equipment	$2,821,564	$2,712,365	$ 109,199	$66,860
Computer equipment	3,227,292	2,530,816	696,476	702,324
Computer software	6,675,590	4,631,086	2,044,504	1,539,359
Audio visual equipment	598,909	559,857	39,052	32,340
Leasehold improvements paid by OEB	1,576,129	1,150,818	425,311	480,096
Leasehold improvements paid by Landlord	3,540,400	3,081,962	458,438	720,403
Total	**$18,439,884**	**$14,666,904**	**$3,772,980**	**$3,541,382**

6. Employee Future Benefits

a) The OEB's contribution to the Public Service Pension Plan (PSPP) for FY 2018 was $1,861,073 (2017 - $1,885,906), and is included in salaries and benefits costs on the Statement of Operations and Net Assets.

b) The unfunded supplemental pension plan for a former Chair had an accrued total benefit obligation of $136,789 (2017 - $207,933) and an accrued benefit liability with respect to the OEB of $136,789 (2017 - $207,933). The OEB's related expense for the year was negative $46,476 (2017 - negative $41,990) and is reflected in salaries and benefits costs. Benefits paid during the year were $24,668 (2017 - $26,126). The significant actuarial assumptions adopted at March 31, 2018 included a discount rate of 2.50% (2017 – 2.25%).

c) The OEB is not responsible for the cost of employee post-retirement and non-pension benefits. These costs are the responsibility of the Province of Ontario, a related party.

Ontario Energy Board
Notes to the Financial Statements
March 31, 2018

7. Internally Restricted Net Assets

The internally restricted net assets at March 31, 2018 represent revenue from administrative penalties assessed against individual market participants under section 112.5 of the *Ontario Energy Board Act, 1998.* According to the OEB Cost Assessment Model, revenue from administrative penalties will not be used to reduce payments under the general assessment. Revenue from administrative penalties plus any related interest revenue is internally restricted by the Management Committee to support activities relating to consumer education, outreach and other activities in the public interest.

The changes in internally restricted net assets are as follows:

Balance, beginning of the year		$2,454,999
Administrative penalties issued in FY 2018	$10,000	
Interest revenue from administrative penalties	30,152	
Administrative penalties and interest		40,152
Expenses incurred		0
Balance, end of the year		**$2,495,151**

Ontario Energy Board
Notes to the Financial Statements
March 31, 2018

8. Deferred Rent Inducement and Operating Lease Commitments

The OEB entered into a lease commitment for its office space during FY 2005, which included various lease inducements. Deferred rent inducement represents the benefit of operating lease inducements which are being amortized on a straight-line basis over 15 years, being the term of the lease.

The changes in deferred rent inducements are as follows:

	FY 2018	FY 2017
Balance, beginning of the year	$930,083	$1,268,255
Less: Amortization of deferred rent inducement netted against premises expense	(338,172)	(338,172)
Balance, end of the year	**$591,911**	**$930,083**

The minimum base rental payments under the operating lease, expiring December 31, 2019, for the remaining one year and nine months and in aggregate are as follows:

March 31, 2019	$1,100,563
December 31, 2019	825,422
Total	**$1,925,985**

OEB is committed to pay its proportionate share of realty taxes and operating expenses for the premises, which amounted to $1,739,187 during FY 2018 (2017 - $1,720,853). These amounts are expected to be similar in future years.

9. Financial Instruments

Interest rate risk:

The OEB's financial assets and liabilities are not exposed to significant interest rate risk. Cash balances earn interest at a rate ranged from 0.85% to 1.60 % (2017 – 0.85%). The average cash balance interest rate for the year was 1.22% (2017 – 0.85%).

A 25 basis point change in the interest rate would impact the OEB's operating surplus by $40,707 (2017 - $28,468).

Ontario Energy Board
Notes to the Financial Statements
March 31, 2018

Currency risk:

The OEB's exposure to currency risk is minimal as few transactions are in currencies other than Canadian dollars.

Credit risk:

The OEB's exposure to credit risk is minimal. The OEB has minimal credit risk exposure in regard to accounts receivable due to high historical collection rates. The accounts receivable aging is summarized below:

	Current	+60 Days	+90 Days	Total
Regulatory process costs	$ 380,947			$380,947
HST recovery	516,003			516,003
Interest receivable	23,390			23,390
Total	**$920,340**	**$0**	**$0**	**$920,340**

The OEB also has minimal credit risk exposure in regard to the $ 2,567,787 (2017 - $4,547,463) of regulatory process costs to be assessed due to high historical collection rates. Included in these costs is $ 647,891 to be collected by related parties.

Regulatory process costs to be assessed are costs incurred by the OEB which will be invoiced in a future fiscal year after March 31, 2018.

Liquidity risk:

The OEB's exposure to liquidity risk is minimal as the OEB has a sufficient cash balance to settle all current liabilities. As of March 31, 2018, the OEB had a cash balance of $16,547,004 (2017 - $ 13,274,921) to settle current liabilities of $ 9,311,165 (2017 - $7,941,290).

10. Related Party Transactions

The Province of Ontario is a related party as it is the controlling entity of the OEB. Therefore, the Independent Electricity System Operator (IESO), Ontario Power Generation (OPG), Hydro One, Ontario Ministry of Energy and Ontario Ministry of Finance are related parties of the OEB, through the common control of the Province of Ontario. The total related party transactions for FY 2018 are revenues of $12,100,620

Ontario Energy Board
Notes to the Financial Statements
March 31, 2018

(2017 - $13,713,900) and expenses of $76,315 (2017 - $133,071). These expenses relate to information technology and advertising expenses.

Related party transactions pertaining to employee future benefits are disclosed in note 6. Related party transactions incurred with the establishment of the Ontario Electricity Support Program (OESP) are included in note 11.

11. Ontario Electricity Support Program (OESP) Administration

In FY 2015, the OEB entered into contractual commitments regarding the implementation and administration of the new OESP, a new rate assistance program for low-income electricity customers, which as of January 1, 2016, provides eligible low-income customers with a monthly credit on their electricity bills. These commitments include the costs associated with the centralized service provider engaged by the OEB to administer the OESP. Costs relating to implementation ended in FY 2017. Currently the OEB incurs only administration costs to promote awareness of and expand access to the OESP. Ongoing program costs are incurred by Independent Electricity System Operator (IESO).

In FY 2018, the Statement of Operations and Net Assets has $1,591,057 (2017 - $4,279,913) of expenses related to the program. Section 79.2 of the OEB Act enables the OEB to recover its costs from the IESO. This section also enables responsibility for the administration of the OESP to be transferred from the OEB to a Minister of the Crown. The OEB understands that this transfer may be deferred for an unspecified period of time.

Total revenue and expenditures included in these financial statements related to OESP are as follows:

	FY 2018	FY 2017
Revenue:		
Regulatory process costs - OESP	$ 1,591,057	$ 4,279,913
Total revenue	**$ 1,591,057**	**$ 4,279,913**
Expenses:		
Consulting and professional	$ 0	$ 1,137,825
Publications, media and advertising	1,583,761	3,047,102
Other expenses	7,296	94,986
Total expenses	**$ 1,591,057**	**$ 4,279,913**

Ontario Energy Board
Notes to the Financial Statements
March 31, 2018

12. Comparative Figures

Certain prior year figures have been reclassified in order to conform to the current year's presentation.

ONTARIO FINANCING AUTHORITY

Financial Statements

Responsibility for Financial Reporting

The accompanying Financial Statements of the OFA have been prepared in accordance with Canadian public sector accounting standards. The preparation of the Financial Statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The Financial Statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 15, 2018.

Management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. An internal audit function independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its findings to management and the Audit and Risk Management Committee of the Board.

The Board, through the Audit and Risk Management Committee, is responsible for ensuring management fulfils its responsibilities for financial reporting and internal controls. The Audit and Risk Management Committee meets quarterly with management and the internal auditors, and at least twice yearly with the external auditor, to deal with issues raised by them and to review the financial statements before recommending approval by the Board.

The 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's examination and opinion.

On behalf of management:

Gadi Mayman
Chief Executive Officer

Ken Kandeepan
Chief Financial and Risk Officer

Auditor’s Report

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

Independent Auditor’s Report

To the Ontario Financing Authority
and to the Minister of Finance

I have audited the accompanying financial statements of the Ontario Financing Authority, which comprise the statement of financial position as at March 31, 2018, and the statements of operations, change in net financial assets and cash flow 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 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 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 Ontario Financing Authority as at March 31, 2018 and the results of its operations, its change in net financial assets and its cash flow for the year then ended in accordance with Canadian public sector accounting standards.

Toronto, Ontario
June 15, 2018

Bonnie Lysyk, MBA, FCPA, FCA, LPA
Auditor General

ONTARIO FINANCING AUTHORITY
Statement of Financial Position
As at March 31, 2018

(in thousands of dollars)		**2018**		*2017*
FINANCIAL ASSETS				
Cash	$	28,653	*$*	*21,664*
Due from agencies & related parties (Note 6) (c)		1,970		*3,555*
Due from the Province of Ontario		2,176		*1,743*
		32,799		*26,962*
LIABILITIES				
Accounts payable and accrued liabilities		2,176		*1,743*
Due to the Province of Ontario		3,637		*1,422*
Deferred revenue (Note 3)		1,621		*1,504*
		7,434		*4,669*
Net financial assets		**25,365**		***22,293***
NON-FINANCIAL ASSETS				
Tangible capital assets (Note 2)		1,240		*1,196*
Prepaid expenses		381		*308*
		1,621		*1,504*
Accumulated surplus	$	**26,986**	*$*	***23,797***

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors:

Scott Thompson
Chair

Gadi Mayman
Chief Executive Officer

ONTARIO FINANCING AUTHORITY
Statement of Operations
For the year ended March 31, 2018

(in thousands of dollars)	2018 Budget	2018 Actual	*2017 Actual*
REVENUE			
Cost recovery from the Province of Ontario (Note 4)	$ 21,752	$ 20,073	*$ 18,280*
Cost recovery from agencies & related parties (Note 6) (c)	4,859	5,004	*4,841*
Amortization of deferred capital contributions (Note 3)	789	768	*831*
Interest revenue (Note 5)	3,305	4,090	*3,655*
	30,705	29,935	*27,607*
EXPENSES			
Salaries, wages and benefits	22,175	21,103	*19,257*
Administrative and general	4,536	3,974	*3,864*
Bad debt expense	–	901	*–*
Amortization of tangible capital assets (Note 3)	789	768	*831*
	27,500	26,746	*23,952*
Annual surplus	3,205	3,189	*3,655*
Accumulated surplus at beginning of year	23,797	23,797	*20,142*
Accumulated surplus at end of year	$ 27,002	$ 26,986	*$ 23,797*

See accompanying notes to financial statements.

ONTARIO FINANCING AUTHORITY

Statement of Change in Net Financial Assets

For the year ended March 31, 2018

(in thousands of dollars)	**2018 Budget**	**2018 Actual**	***2017 Actual***
Annual surplus	$ 3,205	$ 3,189	*$ 3,655*
Acquisition of tangible capital assets (Note 3)	(817)	(812)	*(826)*
Amortization of tangible capital assets (Note 3)	789	768	*831*
Prepaid expenses	–	(73)	*42*
Change in net financial assets	3,177	3,072	*3,702*
Net financial assets at beginning of year	22,293	22,293	*18,591*
Net assets at end of year	$ 25,470	$ 25,365	*$ 22,293*

See accompanying notes to financial statements.

ONTARIO FINANCING AUTHORITY

Statement of Cash Flow

For the year ended March 31, 2018

(in thousands of dollars)	**2018**	***2017***
Operating transactions		
Annual surplus	$ 3,189	*$ 3,655*
Less: Items not affecting cash		
Amortization of tangible capital assets	768	*831*
(Increase)/Decrease in prepaid expenses	(73)	*42*
Increase/(Decrease) in deferred revenue	117	*(47)*
Changes in non-cash working capital:		
Decrease/(Increase) in due from agencies & related parties	1,585	*(467)*
(Increase)/Decrease in due from the Province (net of accounts payable)	(433)	*176*
Increase/(Decrease) in accounts payable	433	*(176)*
Increase in recoveries due to the Province	2,215	*76*
Cash (used)/provided by operating transactions	7,801	*4,090*
Capital transaction		
Cash used to acquire tangible capital assets	(812)	*(826)*
Cash applied to capital transactions	(812)	*(826)*
Net change in cash	6,989	*3,264*
Cash at beginning of year	21,664	*18,400*
Cash at end of year	**$ 28,653**	***$ 21,664***

See accompanying notes to financial statements.

ONTARIO FINANCING AUTHORITY

Notes to Financial Statements

For the year ended March 31, 2018

BACKGROUND

The Ontario Financing Authority (the "OFA") was established as an agency, of the Crown, on November 15, 1993, by the *Capital Investment Plan Act, 1993* (the "Act"). In accordance with the Act, the OFA:

- conducts borrowing, investment and financial risk management for the Province of Ontario ("the Province");
- manages the Provincial debt;
- provides centralized financial services for the Province including banking and cash management;
- advises ministries, Crown agencies and other public bodies on financial policies and projects;
- assists Crown agencies and other public bodies to borrow and invest money;
- acts at the direction of the Province in lending to certain public bodies;
- invests on behalf of some public bodies;
- with Ontario Power Generation Inc. (OPG), manages the investment activities of OPG's Used Fuel Segregated Fund and Decommissioning Segregated Fund; and
- carries out the day-to-day operations of Ontario Electricity Financial Corporation (OEFC) and provides a broad range of financial services to Ontario Infrastructure and Lands Corporation (Infrastructure Ontario).

In addition, the OFA's objects include:

- providing such other financial services as are considered advantageous to the Province or any public body; and
- any additional objects as directed by the Lieutenant Governor in Council.

The Memorandum of Understanding between the OFA and the Minister of Finance is an administrative agreement that serves as an important governance tool for the OFA in delivering on its mandate and objectives.

The OFA is a corporation established under the laws of Ontario. The OFA is exempt from federal and provincial income taxes under paragraph 149(1)(d) of the *Income Tax Act* (Canada).

1. SIGNIFICANT ACCOUNTING POLICIES

(a) **Basis of Accounting:** These financial statements are prepared by management in accordance with Canadian Public Sector Accounting Standards for provincial reporting entities established by the Canadian Public Sector Accounting Board.

(b) **Tangible capital assets:** Tangible capital assets are stated at cost. Amortization is provided using the straight-line method over the estimated useful life of the assets, with a half-year provision applied in both the year of acquisition and the year of disposal. The estimated useful life of the assets are as follows:

Furniture and equipment	5 years
Computer hardware	3 years
Leasehold improvements	Term of lease

Funding received from the Province for the acquisition of tangible capital assets is recorded as deferred revenue and amortized to cost recovery on the same basis as the tangible capital assets.

(c) Measurement Uncertainty: The preparation of financial statements in accordance with Canadian public sector accounting standards 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 revenues and expenses during the reporting period. Items requiring the use of significant estimates include: useful life of tangible capital assets, accruals and the accrued benefit obligation. Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

(d) Accounts Payable and Accrued Liabilities: Accounts payable relate to normal business transactions with third-party vendors and are subject to standard commercial terms. Accrued liabilities relate to accruals for salaries and benefits.

(e) Revenue and Expenses: OFA is funded from the Consolidated Revenue Fund (CRF) as part of Treasury Program. OFA can charge fees subject to statutory and regulatory authority and it earns revenues from public bodies outside of the CRF; the OFA retains revenues earned from the interest rate spread on its loans to public bodies.

(f) Financial Instruments: The OFA's financial assets and liabilities are accounted for as follows:

- Cash is subject to an insignificant risk of change in value so carrying value approximates fair value; and

- Accounts receivable, due from agencies & related parties, due from the Province of Ontario, accounts payable, due to the Province of Ontario and deferred revenue are recorded at cost.

The OFA does not use derivative financial instruments on its own behalf.

ONTARIO FINANCING AUTHORITY

Notes to Financial Statements

For the year ended March 31, 2018

2. TANGIBLE CAPITAL ASSETS

Year ended March 31, 2018

(in thousands of dollars)	Computer Hardware	Leasehold Improvements	Furniture and Equipment	Total
Cost				
Opening balance, April 1, 2017	$14,026	$1,858	$1,126	$17,010
Additions	693	35	84	812
Disposals	(523)	–	–	(523)
Closing balance, March 31, 2018	14,196	1,893	1,210	17,299
Accumulated Depreciation				
Opening balance, April 1, 2017	12,948	1,790	1,076	15,814
Amortization	693	54	21	768
Disposals	(523)	–	–	(523)
Closing balance, March 31, 2018	13,118	1,844	1,097	16,059
Net Book Value, March 31, 2018	$1,078	$49	$113	$1,240

Year ended March 31, 2017

(in thousands of dollars)	Computer Hardware	Leasehold Improvements	Furniture and Equipment	Total
Cost				
Opening balance, April 1, 2016	$13,650	$1,833	$1,093	$16,576
Additions	768	25	33	826
Disposals	(392)	–	–	(392)
Closing balance, March 31, 2017	14,026	1,858	1,126	17,010
Accumulated Depreciation				
Opening balance, April 1, 2016	12,702	1,608	1,065	15,375
Amortization	638	182	11	831
Disposals	(392)	–	–	(392)
Closing balance, March 31, 2017	12,948	1,790	1,076	15,814
Net Book Value, March 31, 2017	$1,078	$68	$50	$1,196

3. DEFERRED REVENUE

Deferred revenue represents the unamortized portion of the cost recovered from the Province for the acquisition of tangible capital assets as well as prepaid expenses to be allocated over the period the resources are consumed.

(in thousands of dollars)		Year ended March 31, 2018	
	Tangible Capital Assets	**Prepaid Expenses**	**Total**
Balance, beginning of year	$ 1,196	$ 308	$ 1,504
Additions	812	532	1,344
Amortization	(768)	–	(768)
Expensed in the current year	–	(459)	(459)
Balance, end of year	$ 1,240	$ 381	$1,621

(in thousands of dollars)		Year ended March 31, 2017	
	Tangible Capital Assets	**Prepaid Expenses**	**Total**
Balance, beginning of year	$ 1,201	$ 350	$ 1,551
Additions	826	548	1,374
Amortization	(831)	–	(831)
Expensed in the current year	–	(590)	(590)
Balance, end of year	$ 1,196	$ 308	$ 1,504

Amortization of $768,000 (2017 – $831,000) represents the offset to the contributions received for the purchase of tangible capital assets. The $459,000 (2017 – $590,000) expensed represents the amount allocated to the current year expenses from the prepaid expenses.

4. DEBT AND INVESTMENT MANAGEMENT FOR THE PROVINCE

The OFA manages debt on behalf of the Province amounting to $348.8 billion, as at March 31, 2018 (2017 Actual – $333.1 billion) as per the interim projection published in the 2018 Annual Budget. The OFA also manages investments amounting to $55.6 billion as at March 31, 2018 (2017 – $44.4 billion) including $21.3 billion (2017 – $19.9 billion) under the joint management of funds owned by Ontario Power Generation Inc. (OPG) under the *Ontario Nuclear Funds Agreement (ONFA)*. The Province, OPG and certain OPG subsidiaries entered into the agreement in March 2002 to set aside funds necessary to dispose of nuclear waste and used fuel and to decommission nuclear power stations. The agreement came into force on July 24, 2003.

Cost recovery from the Province for all debt management and investment activities for the year ended March 31, 2018 was $20.1 million (2017 – $18.3 million).

ONTARIO FINANCING AUTHORITY

Notes to Financial Statements

For the year ended March 31, 2018

5. TRANSACTIONS WITH PUBLIC BODIES

The OFA provides financing to various public bodies on direction from the Province. As the OFA is directed by the Province to make these loans in furtherance of stated Provincial initiatives, and these loans are included in the Province's consolidated financial statements, these transactions are not reflected in these financial statements.

Funds for these loans are advanced to the OFA by the Province under credit facilities aggregating $18.9 billion expiring from 2036 to 2044. Principal repayments received from public bodies by the OFA are forwarded to the Province. The interest rates charged to public bodies is generally slightly higher than the rate charged by the Province on the advances to fund the loans ("the spread").

The OFA will generally retain a portion of the spread in order to recover the administrative costs of managing these loans. The spread retained by the OFA includes a cost recovery component and, where applicable, a proxy commercial interest rate spread. The inclusion of the proxy commercial spread results in an interest rate equivalent to what would be charged on the loan by a commercial lender and reflects the relative risk associated with the loan. During the year ended March 31, 2018, $4.1 million in interest rate spread revenue was recognized (2017 – $3.7 million) of which $0.6 million is receivable at year end (2017 – $2.1 million).

Loans to Public Bodies by the Province:

As at March 31, 2018, the principal amounts receivable by the OFA on behalf of the Province represent long term and short term loans. Interest accrued on the outstanding loans listed below amounted to $91.1 million (2017 – $93.9 million), of which $90.6 million (2017 – $92.7 million) will be flowed to the Province.

These are related party transactions, with the exception of those with the Corporation of the City of Windsor and the University of Ontario Institute of Technology.

ONTARIO FINANCING AUTHORITY

Notes to Financial Statements

For the year ended March 31, 2018

(in thousands of dollars)

	March 31, 2018	*March 31, 2017*
Colleges of Applied Art and Technologies	$328,940	*$320,653*
Corporation of the City of Windsor	8,171	*8,171*
Independent Electricity System Operator	13,766	*81,209*
Niagara Parks Commission	4,214	*4,553*
Ontario Cannabis Retail Corporation	25,000	–
Ontario Lottery and Gaming Corporation	32,653	*33,769*
Ontario Northland Transportation Commission	2,158	*2,564*
Ottawa Convention Centre Corporation	47,115	*48,016*
Royal Ontario Museum	23,734	*26,000*
School Boards	5,254,496	*5,473,075*
University of Ontario Institute of Technology	–	*5,501*
Total	**$ 5,740,247**	***$ 6,003,511***

Colleges of Applied Art and Technologies have been loaned $328.9 million (2017 – $320.7 million) for various campus projects including new and expanded student residences, computer equipment, parking facilities, and an energy saving capital project. These loans bear interest ranging from 1.32 per cent to 5.75 per cent and mature from 2018 to 2042.

The Corporation of the City of Windsor is a municipality within the meaning of the *Municipal Act*. The financing provided is for the acquisition, design and construction of the Windsor Justice Facility consisting of a provincial division courthouse and city police headquarters. This is a 20 year loan bearing interest at 6.41 per cent and maturing in March 2021. The outstanding balance is $8.2 million (2017 – $8.2 million).

The Independent Electricity System Operator (IESO), a corporation established pursuant to Part II of the *Electricity Act, 1998,* had been provided a maximum $975 million credit facility to primarily fund the Regulated Price Plan variance account. Under the amended agreement between OFA and IESO on November 6, 2017, this credit facility has been reduced to a maximum of $475 million. This credit facility has been extended until November 30, 2019. As at March 31, 2018, the IESO has drawn $13.5 million from this facility for Rural or Remote Electricity Rate Protection (RRRP) variance account bearing an interest rate at 1.52 per cent. In addition, under a new agreement entered into between the OFA and the IESO on November 6, 2017, the IESO has been provided a maximum $2 billion credit facility for the purpose of supporting the IESO's role in implementation and administration of the *Ontario Fair Hydro Act, 2017*. This credit facility expires on September 23,

ONTARIO FINANCING AUTHORITY
Notes to Financial Statements
For the year ended March 31, 2018

2022. As at March 31, 2018, the IESO has drawn $0.3 million from this facility bearing interest rate at 1.52 per cent.

The Niagara Parks Commission, a Crown agency of the Province, operating under the *Niagara Parks Act, 1990*, has been provided a loan of $4.2 million (2017 – $4.6 million) to finance additional capital costs incurred for the redevelopment of phase I of Table Rock House in Queen Victoria Park, Niagara Falls. This loan bears interest at 5.07 per cent and matures in April 2027.

The Ontario Cannabis Retail Corporation (OCRC) is a Crown agency of the Province, operating under the *Ontario Cannabis Retail Corporation Act, 2017,* has been provided a loan facility of $150 million for the purpose of funding the set-up and operating costs. As of March 31, 2018, OCRC has drawn $25 million from this facility bearing interest rate of 1.79 per cent.

The Ontario Lottery and Gaming Corporation (OLG) is a Crown agency of the Province under the *Ontario Lottery and Gaming Corporation Act*, *1999*, and has been provided loans totalling $32.6 million (2017 – $33.8 million) to fund several projects, bearing interest at 2.65 per cent and maturing from April 2018 to September 2022.

The Ontario Northland Transportation Commission (ONTC) is a Crown agency of the Province under the *Ontario Northland Transportation Commission Act, 1990*. ONTC's total borrowing of $2.2 million (2017 – $2.6 million) matures from 2020 to 2031 and bears interest ranging from 4.90 to 5.22 per cent.

Ottawa Convention Centre Corporation (OCC), a Crown agency of the Province governed under the *Ottawa Convention Centre Corporation Act, 1988*, was provided a 25 year loan of $40.0 million in September 2011, bearing annual interest at 4.67 per cent with a maturity in September 2036. Pursuant to a directive signed by the Minister of Finance on November 2, 2012, the Province provided OCC with a repayment deferral of principal and interest up to five years, with interest to continue to accrue over the five year deferral period. In fiscal 2016–17, the Province had recorded an allowance for doubtful accounts of $47.1 million for the principal and capitalized interest. Subsequently, in fiscal 2017–18, the OFA has written off $0.9 million for its share of the capitalized interest. Two settlement agreements became effective as at March 31, 2018, in respect to OCC's outstanding principal and accrued interest. One agreement signed by the Minister of Finance, releases the OFA from all of its obligations (principal and interest) relating to advances made to the OFA, in consideration of the other release agreement between the OFA, OCC and the Ministry of Tourism, Culture and Sport. The latter agreement releases OCC for the full amount of any outstanding principal and interest in consideration of the OCC agreeing to make payments on or before March 31 in each fiscal year to the OFA in the amount of at least $1 million annually, with the first payment to be made by March 31, 2019, which will then be transferred to the Province. If the OCC is not in a position to make full or partial payment, the Ministry of Tourism, Culture and Sport will make the payment to the OFA on behalf of the OCC. The agreement also requires OCC to pay to the OFA, on an annual basis, any surplus cash not required for operational purposes. This potential payment to the OFA is separate from the $1 million annual payment.

The Royal Ontario Museum (ROM) is a Crown agency of the Province under a Special Act of the Ontario Legislature and has borrowed $23.7 million (2017 – $26.0 million) bearing a floating interest rate, currently set at 3.24 per cent. All outstanding loans are scheduled to be repaid by March 2027.

School boards have been provided loans under various programs beginning in 2006. During the year ended March 31, 2018, school boards made semi-annual blended payments of principal and interest, leaving the total outstanding amount at $5,254.5 million (2017 – $5,473.0 million). These loans bear interest ranging from 2.43 to 5.38 per cent and mature from 2019 to 2042. The School Board loan program has been gradually replaced by a Ministry of Education capital grant facility model. Since April 1, 2017, this new funding model fully replaced the need for capital loans from the OFA. School Boards will, however, continue to make interest and principal payments until all outstanding balances are paid off.

The University of Ontario Institute of Technology (UOIT) is a corporation established under the *University of Ontario Institute of Technology Act, 2002*. The Province has provided a five-year term loan which matured in October 2017 and was repaid in full.

6. INVESTMENT AND DEBT MANAGEMENT FOR RELATED PARTY AGENCIES

a. The OFA provides investment management services to the following related party agencies. Fees are aimed at recovering OFA costs and are charged on the basis of either the market or par value of the assets under management based on a range of up to 0.20 per cent.

Deposit Insurance Corporation of Ontario
Northern Ontario Heritage Fund
Ontario Capital Growth Corporation
Pension Benefits Guarantee Fund
Ontario Immigrant Investor Corporation
Ontario Infrastructure and Lands Corporation
Ontario Trillium Foundation

Investments managed on behalf of these entities totalled $2.1 billion at March 31, 2018 (2017 – $1.9 billion).

b. The OFA provides debt management services to the following related party agencies on a cost recovery basis:

Ontario Electricity Financial Corporation (OEFC)
The OFA provides financial services and advice on a cost recovery basis to OEFC and manages its debt portfolio of approximately $19.1 billion (2017 – $20.4 billion).

Ontario Infrastructure and Lands Corporation (OILC)
The OFA provides borrowing and other financial services and advice on a cost recovery basis to OILC and manages its debt of approximately $3.2 billion at March 31, 2018 (2017 – $3.7 billion) including loans from the Province, a provincial agency and third parties.

Metrolinx
The OFA provides services to Metrolinx with respect to its fuel commodity hedging program on a cost recovery basis.

ONTARIO FINANCING AUTHORITY

Notes to Financial Statements

For the year ended March 31, 2018

c. The total costs recovered and receivables outstanding for related party agencies at March 31, 2018 are set out below:

(in thousands of dollars)

	March 31, 2018	***March 31, 2017***
Costs Recovered:		
OEFC	$ 3,832	*$ 3,765*
OILC	672	*740*
Metrolinx	108	-
Investment Management	392	*336*
Total	$ 5,004	*$ 4,841*
Receivables:		
OEFC	$ 1,083	*$ 1,070*
OILC	166	*187*
Other	49	*94*
Investment Management	110	86
Interest Rate Spread (Note 5)	562	*2,118*
Total	$ 1,970	*$ 3,555*

7. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The main risks that the OFA's financial instruments are exposed to are credit risk, liquidity risk and market risk. These risks are limited to the financial instruments reflected on the statement of financial position and do not extend to the financing provided to various public bodies, disclosed in note 5 to the financial statements.

Credit risk

Credit risk is the risk that the counterparty to a financial instrument may fail to discharge an obligation or commitment into which it has entered. This risk is minimal as most of the receivables are from the Province of Ontario.

The risk of not collecting the receivables related to OEFC, OILC and others is also considered to be minimal.

Liquidity risk

Liquidity risk is the risk that the OFA will not be able to meet its cash flow obligations as they fall due. The OFA's exposure to liquidity risk is minimal as all operating and capital expenses are cost recovered from the Province of Ontario.

Market risk

The market risk arises from the possibility that changes in market prices will affect the value of the financial instruments of the OFA. The OFA is not exposed to market risk.

8. FUTURE EMPLOYEE BENEFITS

(a) Pension Benefits

The OFA provides pension benefits to its full-time employees through participation in the Public Service Pension Plan (PSPP), which is a multi-employer defined benefit pension plan established by the Province of Ontario. The Ministry of Government and Consumer Services (MGCS) is responsible for funding the employer's contribution to the Pension Fund and accordingly, the OFA has no additional liability for these future costs. In addition, the cost of post-retirement, non-pension benefits is paid by MGCS and is not reported in these financial statements.

(b) Accrued Employee Benefits Obligation

The legislated severance entitlement upon retirement for the Association of Management, Administrative and Professional Crown Employees of Ontario (AMAPCEO), excluded employees, management-excluded employees and other Management employees who retire after January 1, 2016, will be paid based on the salary in effect on December 31, 2015. The legislated severance entitlement upon retirement for the Ontario Public Service Employee Union (OPSEU), excluded employees who retire after January 1, 2016, will be paid based on the salary in effect on December 31, 2016.

For all other employees subject to terms set out in collective agreements who have completed five years of service, the OFA provides termination pay equal to one week's salary for each year of service up to a maximum of 50 percent of their annual salary.

The costs of this legislated severance entitlements earned by AMAPCEO and OPSEU, excluded employees, management excluded employees, management employees as at March 31, 2018 amounted to $3,877,000 (2017 – $3,918,000). In addition, the unused vacation entitlements earned by all employees as at March 31, 2018 amounted to $945,000 (2017 – $757,000).

On an ongoing basis, MGCS is responsible for funding the legislated severance entitlements, as well as unused vacation entitlements and accordingly no additional expense or liability is reported in these financial statements. Accrued employee benefits obligation is recorded at cost on the entitlements earned by employees up to March 31, 2018. A fair value estimate based on actuarial assumptions about when these benefits will actually be paid has not been made, as it is not expected that there would be a significant difference from the recorded amount.

ONTARIO FINANCING AUTHORITY

Notes to Financial Statements

For the year ended March 31, 2018

9. COMMITMENTS AND CONTINGENCIES

Lease Commitment:

The OFA rents its premises under an operating lease which has been extended for another five years to June 30, 2022, and the minimum base rental payments for the lease are as follows:

(in thousands of dollars)

	March 31, 2018
2019	893
2020	952
2021	972
2022	972
Total	**$3,789**

OFA is committed to pay its proportionate share of realty taxes and operating expenses for the premises for the year ended March 31, 2018, which amounted to $995,438 (2017 – $999,900).

Committed Credit Facilities:

At the direction of the Province, the OFA has committed to finance a number of public bodies for which funds have not yet been advanced. The details are as follows:

The Deposit Insurance Corporation of Ontario (DICO) was provided a maximum $400 million revolving credit facility to ensure DICO's capacity to address systematic difficulties in the credit union system or the failure of large institutions that require resources above those in the Deposit Insurance Reserve Fund (DIRF) which is currently valued at approximately $256.7 million. All principal and interest is required to be repaid by December 31, 2029. As of March 31, 2018, DICO had not utilized this credit facility.

The Ontario Infrastructure and Lands Corporation (OILC) is a Crown agency of the Province under the *Ontario Infrastructure and Lands Corporation Act, 2011* and has been provided a Revolving Credit Facility to a maximum amount of $100 million maturing on March 27, 2023. As of March 31, 2018, OILC had not drawn any funds from this facility.

The Ontario Northland Transportation Corporation (ONTC) has been provided a Revolving Credit Facility to a maximum amount of $5 million on March 16, 2018 maturing on October 30, 2020. As of March 31, 2018, ONTC had not drawn any funds from this facility.

The Ontario Lottery and Gaming Corporation has been provided a Non-Revolving Facility of $87.5 million on July 18, 2017, which will be subsequently converted into 5 year term loan following substantial completion of the project. As of March 31, 2018, OLG had not drawn any funds from this facility.

In the event fund are advanced under the above facilities they will be disclosed under Note 5 – Transactions with Public Bodies.

Contingencies:

At March 31, 2018, there were no claims under which the OFA would be financially liable. The Province continues to guarantee the term deposits issued by the Province of Ontario Savings Office prior to 2003.

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

MANAGEMENT'S REPORT

Management of the Ontario French-language Educational Communications Authority (OFLECA) is responsible for the financial statements, the notes to the financial statements and all other financial information contained in this financial report.

Management has prepared the financial statements in accordance with Canadian public sector accounting standards. In order to achieve the objective of fair presentation in all material respects, reasonable estimates and professional judgements were used. Management believes the financial statements present fairly the OFLECA's financial position as at March 31, 2018, as well as the results of its operations and its cash flows for the year then ended.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, Management has developed and maintains a system of internal controls designed to provide reasonable assurance that the OFLECA'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 is responsible for ensuring that the OFLECA's Management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board of Directors carries out its responsibility for review of the financial statements principally through the Audit Committee. The Audit Committee meets with Management and the external auditors to discuss the results of audit examinations and financial reporting matters and to satisfy itself that each party is properly discharging its responsibilities. The external auditors have full access to the Audit Committee with or without the presence of Management.

The financial statements for the year ended March 31, 2018 have been audited by Marcil Lavallée, Chartered Professional Accountants, Licensed Public Accountants, the independent external auditors appointed by the members of the OFLECA. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their professional opinion on the financial statements.

Glenn O'Farrell
President and Chief Executive Officer

Lisa Larsen
Lisa Larsen, CPA, CA
Director of Finance responsible for Financial, Legal and Administrative Services

Toronto, Ontario
June 15, 2018

INDEPENDENT AUDITOR'S REPORT

To the Directors of
Ontario French-language Educational Communications Authority

We have audited the accompanying financial statements of the Ontario French-language Educational Communications Authority (OFLECA), which comprise the statement of financial position as at March 31, 2018, and the statements of operations, changes in net assets and cash flows for the year then ended, as well as 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.

Marcil Lavallée

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Comptables professionnels agréés
Chartered Professional Accountants

BHD / IAPA
Nos partenaires canadiens et internationaux
Our Canadian and International Partners

Marcil-Lavallee.ca

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Ontario French-language Educational Communications Authority as at March 31, 2018, as well as the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Marcil Lavallée

Chartered Professional Accountants, Licensed Public Accountant

Ottawa, Ontario
June 15, 2018

Marcil Lavallée

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

STATEMENT OF FINANCIAL POSITION
MARCH 31, 2018

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash	$ **8,589,862**	$ 6,301,711
Accounts receivable (Note 4)	**2,640,935**	2,458,310
Prepaid expenses	**832,505**	1,049,600
	12,063,302	9,809,621
RESTRICTED CASH (Note 5)	**3,035,889**	3,486,866
BROADCASTING RIGHTS (Note 6)	**16,255,871**	15,508,462
IN-HOUSE PROGRAMMING (Note 7)	**17,043,009**	19,557,126
ASSET – EMPLOYEE FUTURE BENEFITS (Note 8)	**2,644,986**	2,232,286
CAPITAL ASSETS (Note 9)	**7,320,710**	8,535,918
	46,300,465	49,320,658
	$ **58,363,767**	$ 59,130,279

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

STATEMENT OF FINANCIAL POSITION
MARCH 31, 2018

	2018	2017
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 10)	$ **7,085,732**	$ 5,280,554
Deferred contributions (Note 11)	**1,501,809**	1,178,978
	8,587,541	6,459,532
LIABILITY – EMPLOYEE FUTURE BENEFITS (Note 8)	**2,379,100**	2,214,700
DEFERRED CONTRIBUTIONS – BROADCASTING RIGHTS (Note 12)	**16,255,871**	16,007,540
DEFERRED CONTRIBUTIONS – IN-HOUSE PROGRAMMING (Note 13)	**17,043,009**	19,557,126
DEFERRED CONTRIBUTIONS – CAPITAL ASSETS (Note 14)	**8,596,237**	9,833,192
	44,274,217	47,612,558
	52,861,758	54,072,090
NET ASSETS		
Internal Restrictions (Note 5)		
- TFO Fund	**1,519,008**	1,519,008
- Pension Fund	**-**	-
Unrestricted	**3,983,001**	3,539,181
	5,502,009	5,058,189
	$ **58,363,767**	$ 59,130,279

ON BEHALF OF THE BOARD

President of the Board

President of the Finance and Audit Committee

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2018

	2018	2017
REVENUE		
Contributions		
- Operating grants (Note 15)	**$ 18,153,804**	$ 16,805,450
- Funding for special projects (Note 16)	**492,129**	1,058,698
- Corporate and government (Note 17)	**3,270,834**	3,251,838
Other revenue (Note 18)	**2,884,019**	3,107,333
Amortization of deferred contributions		
- Broadcasting rights (Note 12)	**5,766,877**	6,578,952
- In-house programming (Note 13)	**10,163,709**	10,147,202
- Capital assets (Note 14)	**2,981,764**	2,809,779
	43,713,136	43,759,252
EXPENSES		
Content and programming	**9,647,566**	9,849,393
Production and technology	**6,141,916**	5,816,382
Administration	**8,076,255**	7,908,988
Write-off of capital assets	**5,191**	409,101
Amortization of broadcasting rights	**5,766,877**	6,578,952
Amortization of in-house programming	**10,163,709**	10,147,202
Amortization of capital assets	**2,981,764**	2,809,779
Employee future benefits	**734,338**	274,379
	43,517,616	43,794,176
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE NET ACTUARIAL GAINS ON EMPLOYEE FUTURE BENEFITS PLANS	**195,520**	(34,924)
Net actuarial gains – Employee future benefits plans	**248,300**	702,886
EXCESS OF REVENUE OVER EXPENSES	**$ 443,820**	$ 667,962

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2018

	Internal Restrictions				
	TFO Fund	Pension Fund	Unrestricted	2018 Total	2017 Total
BALANCE, BEGINNING OF YEAR	$ 1,519,008	$ -	$ 3,539,181	$ 5,058,189	$ 4,390,227
Excess of revenue over expenses	-	-	443,820	443,820	667,962
BALANCE, END OF YEAR	$ 1,519,008	$ -	$ 3,983,001	$ 5,502,009	$ 5,058,189

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2018

	2018	2017
OPERATING ACTIVITIES		
Excess of revenue over expenses	$ **443,820**	$ 667,962
Adjustments for:		
Amortization of broadcasting rights	**5,766,877**	6,578,952
Amortization of in-house programming	**10,163,709**	10,147,202
Amortization of capital assets	**2,981,764**	2,809,779
Net actuarial gains – Employee future benefits Plan	**(248,300)**	(702,886)
Amortization of deferred contributions – broadcasting rights	**(5,766,877)**	(6,578,952)
Transfer – deferred contributions – broadcasting rights	**(518,078)**	(204,850)
Amortization of deferred contributions – in-house programming	**(10,163,709)**	(10,147,202)
Amortization of deferred contributions – capital assets	**(2,981,764)**	(2,809,779)
Transfer – deferred contributions capital assets	**(297,274)**	(4,275)
Loss on write-off of capital assets	**5,191**	409,101
	(614,641)	165,052
Net change in non-cash working capital items (Note 3)	**2,162,479**	(2,745,668)
	1,547,838	(2,580,616)
INVESTING ACTIVITIES RELATED TO CAPITAL ASSETS AND INTANGIBLE ASSETS		
Programming grant	**6,533,286**	4,672,712
In-house programming grant	**7,649,592**	9,462,392
Capital grant	**2,042,083**	2,463,595
Acquisition of broadcasting rights	**(6,514,286)**	(4,145,507)
Acquisition of in-house programming	**(7,649,592)**	(9,462,392)
Acquisition of capital assets – net amount	**(1,776,989)**	(2,591,488)
Proceeds from disposal of capital assets	**5,242**	16,066
	289,336	415,378
NET INVESTING ACTIVITY		
Net change in restricted cash	**450,977**	366,251
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**2,288,151**	(1,798,987)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**6,301,711**	8,100,698
CASH AND CASH EQUIVALENTS, END OF YEAR	$ **8,589,862**	$ 6,301,711

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2018

1. STATUTE AND NATURE OF OPERATIONS

The Ontario French-language Educational Communications Authority (the Authority) is a Crown corporation created by a decree on April 1, 2007. The Authority is an independent French language broadcasting network and a charitable organization under the Income Tax Act and, as such, is exempt from income tax.

The Authority's main objectives are to provide French language educational broadcasting and telecommunications to the general public, to provide for the francophone community's interests and needs, and to develop the knowledge and skills of this community.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian public sector accounting standards (PSAS-GNFPO). The Authority has elected to apply Section SP 4200 series for government not-for-profit organizations. The accounting policies are set out below:

Management estimates

The preparation of financial statements in compliance with the PSAS-GNFPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the periods covered. Actual amounts could differ from these estimates. The main estimates relate to the useful life of capital assets, broadcasting rights and capitalized in-house programming costs and to the evaluation of certain provisions. Estimates also include the basis of allocating expenses used to capitalize the portion of the salaries and other expenses related to in-house programming. Estimates also include assets and liabilities related to employee future benefits.

The main items for which significant estimates were made are the defined benefits assets and liabilities for the accrued benefit pension plan and other retirement benefits plan. To estimate these amounts, management is required to make various assumptions that it considers reasonable, including with respect to inflation rates, discount rates and mortality rates. Management also takes into account future salary increases and the retirement age of employees. Any changes to the assumptions could have a significant impact on the Authority's results and financial position. The staff pension benefit expense could increase or decrease in upcoming years.

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Contribution receivable

A contribution receivable is recognized as an asset when the amount to be received can be reasonably estimated and ultimate collection is reasonably assured.

Revenue recognition

Contributions

The Authority follows the deferral method of accounting for contributions.

Unrestricted contributions are recognized as revenue in the statement of operations when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions which are, explicitly or implicitly, externally restricted for the purchase of capital assets or broadcasting rights or internally developed television broadcasting subject to amortization (in-house programming) are deferred in the statement of financial position and recognized as revenue in the statement of operations on the same basis and over the same periods as the related assets.

Contributions which are, explicitly or implicitly, externally restricted for specific expenses to be incurred in future years (in-house programming and others) are deferred in the statement of financial position and recognized as revenue in the statement of operations in the period in which the related expenses are incurred.

Subscriptions

Revenue from signal subscriptions is recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Interest income

Interest income is recognized as revenue when it becomes due.

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Contributions received in the form of supplies and services

The Authority accounts for the contributions received in the form of supplies and services when the fair value of these contributions can be reasonably estimated, and when the Authority would have obtained the supplies and services for its regular operations in another manner. Contributions received in the form of supplies and services are recorded at the fair value of the supplies and services received.

Financial instruments

Measurement of financial instruments

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

The Authority subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in operations.

Financial assets measured at amortized cost include cash, accounts receivable and restricted cash.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in operations. 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 operations.

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Transaction costs

The Authority recognizes its transaction costs in operations 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.

Cash and cash equivalents

The Authority's policy is to present unrestricted cash and investments with a term equal to or less than three months in cash and cash equivalents.

In-house programming, broadcasting rights and production costs

In-house programming, broadcasting rights and production costs are accounted for as follows:

In-house programming

In-house programming is defined as internally developed television broadcasting. Completed and in-progress programming having a future economic value through rebroadcasting and the use of web-based interactive tools is accounted for on an individual basis at cost, deducted from accumulated amortization and cumulative loss in value. Cost includes the cost of supplies and services and the portion of the labour and other direct expenses related to programming. Programming costs are recognized in the statement of operations with the television and new media services expense using the straight-line method over a period of four years or when programming is sold or unusable.

Broadcasting rights and production costs

Broadcasting rights and productions under co-production, pre-purchase and acquisition contracts are accounted for at cost. Broadcasting rights are amortized over a period of four years on a straight-line basis.

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets

Capital assets are recorded at cost, net of accumulated amortization.

Amortization is calculated using the straight-line method over the estimated useful lives of assets over the following periods:

	Periods
Mobility (tablets and smart phones)	2 years
Office equipment	3 years
Office infrastructure	4 years
Computerized production equipment	5 years
Production equipment	7 years
Office furniture and equipment	10 years
Leasehold improvements	Duration of the lease

Write-down of capital assets, broadcasting rights and in-house programming

When capital assets, broadcasting rights and in-house programming no longer contribute to the Authority's ability to provide services, the excess of the carrying amount of such assets over their residual value, if any, is recognized in the statement of operations.

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee future benefits

The Authority accrues its obligations under the employee defined benefit plans, net of the fair value of plan assets. In order to do so, the Authority has adopted the following policies:

- The actuarial determination of the accrued benefit obligations for pensions and other retirement benefits uses the projected benefit method prorated on service. This determination incorporates management's best estimate of future salary levels, discount rate, other cost escalation, retirement ages of employees and other actuarial factors;
- For the purpose of calculating the expected return on plan assets, those assets are valued at fair value;
- An actuarial gain (loss) arises from the difference between the actual long-term 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) for each period are recognized on a systematic basis and are amortized over the average remaining service life of active employees covered by the pension plan, which is 13 years. The average remaining service period of the active employees covered by the other retirement benefit plans is 17 years.

Foreign currency translation

Monetary assets and liabilities in foreign currency are translated at the exchange rate in effect at the balance sheet date, whereas other assets and liabilities are translated at the exchange rate in effect at the transaction date. Revenue and expenses in foreign currency are translated at the average rate in effect during the year, with the exception of expenses relating to non-monetary assets and liabilities, which are translated at the historical rate. Exchange gains and losses are recognized in the current year's operations.

Excess financing

Government ministries can require the reimbursement of any excess funding. All such reimbursements will be accounted for in the financial year in which they occur.

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2018

3. NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

	2018	2017
Accounts receivable	$ **(182,625)**	$ 249,074
Prepaid expenses	**217,095**	13,480
Accounts payable and accrued liabilities	**1,805,178**	(2,044,718)
Deferred contributions	**322,831**	(963,504)
	$ **2,162,479**	$ (2,745,668)

4. ACCOUNTS RECEIVABLE

	2018	2017
Ministry of Education	$ **12,968**	$ 43,631
Governments and government agencies	**962,001**	967,332
Subscriptions (cable broadcasting and educational subscriptions)	**217,899**	200,049
Commodity taxes	**671,183**	886,714
Others	**776,884**	360,584
	$ **2,640,935**	$ 2,458,310

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2018

5. RESTRICTED CASH

	2018	2017
Reserves		
- Capital renewal [a]	$ **1,000,000**	$ 1,000,000
- TFO Fund [b]	**1,519,008**	1,519,008
- Broadcasting rights	**-**	400,000
- Transition	**55,011**	55,011
- AODA [c]	**186,343**	116,495
Commitments		
- Broadcasting rights	**-**	99,078
- Capital assets	**275,527**	297,274
	$ **3,035,889**	$ 3,486,866

[a] A portion of the funding received annually can be set aside to ensure that the Authority's technical capital assets keep pace with technological changes and can be maintained or replaced.

[b] During the 2008-2009 year, the Authority decided to restrict contributions obtained from the dissolution of the TVOntario Foundation, which were received during the previous year. To this effect, these restricted funds may be used for purposes determined by the Board of Directors from time to time, and only with the approval of the Board.

[c] Annually, a portion of the operating budget is specifically allocated to meet the requirements of the *Accessibility for Ontarians with Disabilities Act, 2005* (AODA). The balance of $186,343 was recognized as deferred revenue and as an addition to the restricted cash. This amount will be used during the year ended March 31, 2019.

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2018

6. BROADCASTING RIGHTS

	2018		
	Cost	**Accumulated amortization**	**Net value**
Broadcasting rights and completed productions	**$ 30,368,633**	**$ 16,951,105**	**$ 13,417,528**
Broadcasting rights written off during the year	**(5,179,957)**	**(5,179,957)**	**-**
	25,188,676	**11,771,148**	**13,417,528**
Work in progress	**2,838,343**	**-**	**2,838,343**
	$ 28,027,019	**$ 11,771,148**	**$ 16,255,871**

	2017		
	Cost	Accumulated amortization	Net value
Broadcasting rights and completed productions	$ 31,711,653	$ 19,948,549	$ 11,763,104
Broadcasting rights written off during the year	(8,164,321)	(8,164,321)	-
	23,547,332	11,784,228	11,763,104
Work in progress	3,745,358	-	3,745,358
	$ 27,292,690	$ 11,784,228	$ 15,508,462

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2018

7. IN-HOUSE PROGRAMMING

	2018		
	Cost	**Accumulated amortization**	**Net value**
In-house programming	**$ 48,842,668**	**$ 31,799,659**	**$ 17,043,009**
In-house programming completely amortized and written off during the year	**(9,090,044)**	**(9,090,044)**	**-**
	$ 39,752,624	**$ 22,709,615**	**$ 17,043,009**

	2017		
	Cost	Accumulated amortization	Net value
In-house programming	$ 48,588,672	$ 29,031,546	$ 19,557,126
In-house programming completely amortized and written off during the year	(7,395,596)	(7,395,596)	-
	$ 41,193,076	$ 21,635,950	$ 19,557,126

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2018

8. ASSET AND LIABILITY – EMPLOYEE FUTURE BENEFITS

Description of pension and other retirement benefit plans

The Authority has a number of funded and unfunded defined benefit plans, as well as defined contribution plans, that provide pension, other retirement and post-employment benefits to most of its employees.

The pension plan to which most of the Authority's employees contribute is made up of two components. The first component consists of a defined benefit plan entirely funded by the Authority. According to this plan, pension benefits are based on the number of years of service and the employee's salary at the end of their career. Every year, the pension benefits are grossed-up in accordance with the rate of inflation, up to a maximum of 3%. The second component consists in a defined contribution plan, with contributions paid by both the Authority and the participants. Other retirement benefit plans are contributory health care, dental and life insurance plans.

Total cash payments

Cash payments made for future employee benefits, consisting of cash contributed by the Authority to its funded pension plan, cash payments directly to beneficiaries on account of its unfunded other retirement benefit plans, and cash contributed to its defined contribution plans, amount to $1,095,963 (2017: $1,723,605).

Defined benefit plans

The Authority measures its accrued defined benefit obligations and the fair value of the plan assets as at March 31 of each year. The most recent actuarial valuation of the pension plan, for funding purposes, was prepared by Mercer as at March 31, 2018 and is a data extrapolation and evaluation based on the complete actuarial valuation dated March 31, 2017.

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2018

8. ASSET AND LIABILITY – EMPLOYEE FUTURE BENEFITS (continued)

Reconciliation of the funded status of the benefit plans to amounts recorded in the financial statements

	2018		
	Funded Pension Benefit Plan	**Other Unfunded Retirement Benefit Plans**	**Total**
Accrued benefit obligations	**$ 13,442,600**	**$ 1,986,300**	**$ 15,428,900**
Fair value of plan assets	**(17,009,600)**	**-**	**(17,009,600)**
Funded status – plan deficit (surplus)	**(3,567,000)**	**1,986,300**	**(1,580,700)**
Unamortized net actuarial gain (loss)	**922,000**	**392,800**	**1,314,800**
Accrued pension liability (asset)	**$ (2,645,000)**	**$ 2,379,100**	**$ (265,900)**

	2017		
	Funded Pension Benefit Plan	Other Unfunded Retirement Benefit Plans	Total
Accrued benefit obligations	$ 12,364,300	$ 1,780,400	$ 14,144,700
Fair value of plan assets	(15,897,000)	-	(15,897,000)
Funded status – plan deficit (surplus)	(3,532,700)	1,780,400	(1,752,300)
Unamortized net actuarial gain (loss)	1,300,414	434,300	1,734,714
Accrued pension liability (asset)	$ (2,232,286)	$ 2,214,700	$ (17,586)

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2018

8. ASSET AND LIABILITY – EMPLOYEE FUTURE BENEFITS (continued)

Pension plan asset components

At the measurement date of March 31, the pension plan assets consist of the following:

	2018	2017
	%	%
Asset category		
Equity securities	**60**	60
Debt securities	**40**	40
Other	**-**	-
	100	100

Employee future benefit costs recognized in the year and benefits paid

	2018	
	Pension Benefit Plan	**Other Benefit Plans**
Employee future benefits costs recognized	**$ 386,100**	**$ 198,800**
Benefits paid, reimbursements and transfers	**$ 756,100**	**$ 34,400**

	2017	
	Pension Benefit Plan	Other Benefit Plans
Employee future benefits costs recognized	$ 547,400	$ 227,400
Benefits paid, reimbursements and transfers	$ 810,300	$ 24,200

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2018

8. ASSET AND LIABILITY – EMPLOYEE FUTURE BENEFITS (continued)

Employee future benefits costs recognized consists of the following:

	Pension Benefit Plan		Other Benefit Plans	
	2018	2017	**2018**	2017
Current service benefits' costs	$ **716,000**	$ 667,000	$ **160,700**	$ 151,600
Amortization of net actuarial losses (gains)	**(125,100)**	(30,200)	**(19,100)**	7,600
Interest costs of pension benefits	**717,600**	691,100	**-**	68,200
Actuarial loss (gain) related to the expected return on plan assets	**(922,400)**	(780,500)	**57,200**	-
	$ **386,100**	$ 547,400	$ **198,800**	$ 227,400

Significant assumptions

The significant assumptions used are as follows (weighted average):

	2018	
	Pension Benefit Plan	**Other Benefit Plans**
	%	**%**
Accrued benefit obligations		
Discount rate	**5.65**	**3.00**
Rate of compensation increase:		
Non-unionized employees	**1.50 until 2019**	**-**
Non-unionized employees	**2.50 2020 and after**	**-**
Unionized employees	**2.50 per year**	**-**
Employee future benefits costs		
Discount rate	**5.75**	**3.20**
Expected long-term rate of return on plan assets	**5.75**	**-**
Rate of compensation increase:		
Non-unionized employees	**1.50 until 2019**	**-**
Non-unionized employees	**2.50 2020 and after**	**-**
Unionized employees	**2.50 per year**	**-**

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2018

8. ASSET AND LIABILITY – EMPLOYEE FUTURE BENEFITS (continued)

Significant assumptions (continued)

	2017	
	Pension Benefit Plan	Other Benefit Plans
	%	%
Accrued benefit obligations		
Discount rate	5.75	3.10
Rate of compensation increase:		
Non-unionized employees	1.50 until 2019	-
Non-unionized employees	2.50 2020 and after	-
Unionized employees	2.50 per year	-
Employee future benefits costs		
Discount rate	5.70	3.20
Expected long-term rate of return on plan assets	5.70	-
Rate of compensation increase:		
Non-unionized employees	1.50 until 2019	-
Non-unionized employees	2.50 2020 and after	-
Unionized employees	2.50 per year	-

The assumed health care cost trend rates are based on the following:

	2018	2017
	%	%
Growth rate of health care costs	**5.28**	5.46
Prescription medication:		
Initial health care cost trend rate	**6.5**	6.5
Cost trend rate declines to	**4.5**	4.5
Year that the rate reaches the rate it is assumed to remain at	**2030**	2030
Hospitalization cost, eye care, dental care and other medical care	**Between 0 and 5.00**	Between 0 and 5.00

Defined contribution plan

The total expense recognized in relation with the defined contribution plan amounts to $262,727 (2017: $244,957).

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2018

9. CAPITAL ASSETS

	2018		
	Cost	**Accumulated amortization**	**Net value**
Mobility	**$ 204,482**	**$ 90,708**	**$ 113,774**
Office equipment	**651,062**	**355,014**	**296,048**
Office infrastructure	**562,253**	**345,406**	**216,847**
Production equipment	**13,782,516**	**11,452,381**	**2,330,135**
Computerized production equipment	**12,207,491**	**9,775,750**	**2,431,741**
Office furniture and equipment	**1,991,512**	**1,062,901**	**928,611**
Leasehold improvements	**6,316,218**	**5,312,664**	**1,003,554**
	$ 35,715,534	**$ 28,394,824**	**$ 7,320,710**

	2017		
	Cost	Accumulated amortization	Net value
Mobility	$ 89,025	$ 44,148	$ 44,877
Office equipment	523,529	170,584	352,945
Office infrastructure	558,022	205,643	352,379
Production equipment	13,468,839	10,849,740	2,619,099
Computerized production equipment	11,301,493	8,637,794	2,663,699
Office furniture and equipment	1,773,743	851,495	922,248
Leasehold improvements	6,271,579	4,690,908	1,580,671
	$ 33,986,230	$ 25,450,312	$ 8,535,918

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2018

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018	2017
Trades payable and accrued charges	$ **5,640,515**	$ 4,000,957
Accrued wages and benefits	**1,136,748**	987,817
Government remittances	**308,469**	291,780
	$ **7,085,732**	$ 5,280,554

11. DEFERRED CONTRIBUTIONS

	2018		
	Ministry of Education	Others	Total
Deferred Contributions			
Balance, beginning of year	$ 607,067	$ 90,002	$ 697,069
Add: Amount received	938,120	65,744	1,003,864
Less: Amount recognized as revenue	(375,208)	(55,167)	(430,375)
Balance, end of year	1,169,979	100,579	1,270,558
Special projects			
Balance, beginning of year	80,792	401,117	481,909
Add: Amount received	43,750	75,000	118,750
Less: Amount recognized as revenue	(80,792)	(288,616)	(369,408)
Balance, end of year	43,750	187,501	231,251
Total	$ 1,213,729	$ 288,080	$ 1,501,809

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2018

11. DEFERRED CONTRIBUTIONS (continued)

	2017		
	Ministry of Education	Others	Total
Deferred contributions			
Balance, beginning of year	$ 2,043,593	$ 37,492	$ 2,081,085
Add: Amount received	396,495	101,916	498,411
Less: Amount recognized as revenue	(1,833,021)	(49,406)	(1,882,427)
Balance, end of year	607,067	90,002	697,069
Special projects			
Balance, beginning of year	54,750	6,647	61,397
Add: Amount received	789,387	401,117	1,190,504
Less: Amount recognized as revenue	(763,345)	(6,647)	(769,992)
Balance, end of year	80,792	401,117	481,909
Total	$ 687,859	$ 491,119	$ 1,178,978

12. DEFERRED CONTRIBUTIONS – BROADCASTING RIGHTS

	2018	2017
Balance, beginning of year	$ **16,007,540**	$ 18,118,630
Add:		
Amount received this year – Ministry of Education	**3,550,239**	3,694,426
Amount received prior year – Ministry of Education	**-**	-
Amount received – Others	**2,483,969**	978,286
Less:		
Transfer	**(19,000)**	(204,850)
Amortization – Amount recognized as revenue	**(5,766,877)**	(6,578,952)
Balance, end of year	$ **16,255,871**	$ 16,007,540

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2018

13. DEFERRED CONTRIBUTIONS – IN-HOUSE PROGRAMMING

	2018	2017
Balance, beginning of year	**$ 19,557,126**	$ 20,241,936
Add:		
Amount received – Ministry of Education	**6,827,936**	8,678,754
Amount received – Canadian Media Fund	**821,656**	783,638
Less:		
Amortization – Amount recognized as revenue	**(10,163,709)**	(10,147,202)
Balance, end of year	**$ 17,043,009**	$ 19,557,126

14. DEFERRED CONTRIBUTIONS – CAPITAL ASSETS

	2018	2017
Balance, beginning of year	**$ 9,833,192**	$ 10,183,651
Add:		
Amounts added to deferred contributions – Ministry of Education	**2,042,083**	2,463,595
Less:		
Transfer	**(297,274)**	(4,275)
Amortization – Amount recognized as revenue	**(2,981,764)**	(2,809,779)
Balance, end of year	**$ 8,596,237**	$ 9,833,192

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2018

15. CONTRIBUTIONS – OPERATING GRANTS

	2018	2017
Received in current year		
Grant – core	**$ 18,054,225**	$ 15,235,943
Grant – core – AODA	**657,300**	657,300
Grant – capital	**1,750,000**	2,475,000
Grant – broadcasting rights	**3,550,239**	3,517,703
Grant – in-house programming	**6,827,936**	8,678,754
Received in prior year		
Capital	**297,274**	4,275
Broadcasting rights	**400,000**	176,723
AODA	**116,495**	201,977
Dedicated projects	**258,713**	1,091,045
Transfer to deferred contributions		
Broadcasting rights	**(3,950,239)**	(3,694,426)
In-house programming	**(6,827,936)**	(8,678,754)
Capital assets	**(2,042,083)**	(2,463,595)
Dedicated projects	**(751,776)**	(280,000)
Dedicated projects – AODA	**(186,344)**	(116,495)
	$ 18,153,804	$ 16,805,450

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2018

16. CONTRIBUTIONS – FUNDING FOR SPECIAL PROJECTS

	2018		
	Ministry of Education	**Others**	**Total**
Funding received in current year	**$ 455,087**	**$ 75,000**	**$ 530,087**
Funding recognized	**80,792**	**-**	**80,792**
Less: Deferred contributions	**(43,750)**	**(75,000)**	**(118,750)**
	$ 492,129	**$ -**	**$ 492,129**

	2017		
	Ministry of Education	Others	Total
Funding received in current year	$ 1,078,093	$ -	$ 1,078,093
Funding recognized	54,750	6,647	61,397
Less: Deferred contributions	(80,792)	-	(80,792)
	$ 1,052,051	$ 6,647	$ 1,058,698

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2018

17. CONTRIBUTIONS – CORPORATE AND GOVERNMENT

	2018	2017
Ministry of Education		
Funding received in current year	**$ 2,605,000**	$ 2,605,000
Canada Media Fund		
Funding received in current year	**1,167,863**	1,605,099
Less: Deferred contributions – in-house programming	**(821,656)**	(783,638)
Less: Deferred contributions – other	**(112,500)**	(401,117)
Other Ontario agencies		
Funding received in current year	**2,818,969**	982,632
Funding recognized from prior years	**99,078**	34
Less: Deferred contributions – broadcasting rights	**(2,583,047)**	(978,078)
Other provinces		
Funding received in current year	**118,631**	137,589
Funding recognized from prior years	**31,634**	4,120
Less: Deferred contributions	**(63,244)**	-
Corporate		
Funding received in current year	**10,106**	78,197
Funding recognized from prior years	**-**	2,208
Less: Contributions deferred to the following year	**-**	(208)
	$ 3,270,834	$ 3,251,838

18. OTHER REVENUE

	2018	2017
Signal subscriptions	**$ 1,664,436**	$ 2,069,093
Promotion, donations and other	**720,976**	447,361
Sublease	**121,113**	89,009
Interest	**100,303**	88,670
Donations received in the form of services	**277,191**	413,200
	$ 2,884,019	$ 3,107,333

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2018

19. RELATED PARTY TRANSACTIONS BETWEEN RELATED ORGANIZATIONS

As sponsor of the Ontario French-language Educational Communications Authority Pension Plan, the Authority has undertaken to pay certain costs of the pension plan, including compensation of employees, professional fees and costs associated with the use of premises and other associated costs.

20. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Authority is exposed to various financial risks resulting from both its operations and its investment activities. The Authority's management manages financial risks.

The Authority does not enter into financial agreements including derivative financial instruments for speculative purposes.

Financial risks

The Authority's main financial risk exposure and its financial risk management policies are as follows:

Credit risk

Credit risk is the risk of financial loss for the Authority if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Such risks arise mainly from certain financial assets held by the Authority consisting of cash and cash equivalents and accounts receivable.

The Authority is exposed to credit risk attributable to its accounts receivable. The credit risk is assessed as low mainly due to the type of debtor, for the most part comprised of the government.

The Authority is exposed to concentration risk attributable to cash and cash equivalents and restricted cash since it only trades with one financial institution. The Authority manages its credit risk by dealing with a reputable bank.

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2018

20. FINANCIAL INSTRUMENTS (continued)

Exchange risk

The Authority is exposed to exchange risk due to cash and cash equivalents and accounts receivable denominated in US dollars. As at March 31, 2018, cash and cash equivalents in US dollars totalled USD $170,889 (CAD $220,344) (2017: USD $113,997 and CAD $151,623).

The Authority does not enter into forward exchange contracts to cover its exchange risk exposure. The Authority believes that it is not subject to significant foreign exchange risk from its financial instruments.

Liquidity risk

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations as they become due.

Liquidity risk management serves to maintain a sufficient amount of cash and cash equivalents. To ensure that the Authority has the necessary funds to fulfil its obligations, the Authority's management establishes budgets, but does not prepare cash flow forecasts.

As at March 31, 2018, the Authority has a cash and cash equivalents and restricted cash balance of $11,625,751 (2017: $9,788,577). All the Authority's financial liabilities totalling $7,085,732 (2017: $5,280,554) have contractual maturities of less than 365 days.

21. CONTRACTUAL OBLIGATIONS

The Authority has entered into operating lease agreements, expiring August 31, 2027, which call for payments of $7,542,427 for the rental of office space. The minimum lease payments for the next five years are $798,447 for the year ended March 31, 2019, $753,816 for the year ended March 31, 2020, $777,285 for the year ended March 31, 2021, $777,285 for the year ended March 31, 2022 and $803,570 for the year ended March 31, 2023.

The Authority has entered into other operating lease agreements expiring in 2018-2019 which call for monthly lease payments of $23,386 for access to communication services. The minimum lease payments for the next two years amount to $405,631 for the year ended March 31, 2019 and $190,792 for the year ended March 31, 2020.

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2018

21. CONTRACTUAL OBLIGATIONS (continued)

As at March 31, 2018, the Authority had committed an amount of $5,560,503 for the purchase of broadcasting rights, of which $4,005,222 will be paid during the year ending March 31, 2019 and $1,555,281 during the year ending March 31, 2020.

As at March 31, 2018, the Authority had committed an amount of $275,527 for the purchase of capital assets for the 2018-2019 year.

The Authority has also entered into other contracts for an amount of $46,588 which will be paid during the 2018-2019 year.

22. CONTINGENCY

The funding received from government ministries may be refunded following an audit if the funding received is identified as a surplus based on the funding arrangements agreed between the parties. As at March 31, 2018, management has not been informed of any potential refund.

23. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to be consistent with the current year's presentation.

Ontario Immigrant Investor Corporation -

Ontario Immigrant Investor Corporation (OIIC)
400 University Avenue 3rd Floor
Toronto, Ontario
M7A 2R9

Ontario

Responsibility for Financial Reporting

Management and the Board of Directors are responsible for the financial statements presented. The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. The preparation of financial statements necessarily involves the use of estimates based on management's judgement. The financial statements have been properly prepared with reasonable limits of materiality and in light of information available up to June 13, 2018.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

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 his opinion.

On behalf of management

Cindy Lam
Chair

Office of the Auditor General of Ontario
Bureau de la vérificatrice générale de l'Ontario

Independent Auditor's Report

To the Ontario Immigrant Investor Corporation

I have audited the accompanying financial statements of the Ontario Immigrant Investment Corporation, which comprise the statement of financial position as at March 31, 2018, and the statement of operations, changes in net financial 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 Ontario Immigrant Investment Corporation as at March 31, 2018 and the results of its operations, changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Future of the Corporation

While not affecting my opinion, I draw attention to note 1 to the financial statements which indicates that the Federal government has ended its Immigrant Investor Program. The Corporation is expected to remain operational until it has repaid all provincial allocations of immigrant investors' funds to the Federal government, which will occur by March 31, 2023.

Toronto, Ontario
June 13, 2018

Susan Klein, CPA, CA, LPA
Assistant Auditor General

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Ontario Immigrant Investor Corporation

Statement of Financial Position
As at March 31, 2018

	2018 ($ 000)	2017 ($ 000)
FINANCIAL ASSETS		
Cash	714	2,369
Investments (Note 3)	385,731	514,647
Accounts receivable	23	32
	386,468	517,048
LIABILITIES AND ACCUMULATED SURPLUS		
Accounts payable	196	280
Repayable Provincial Allocations (Note 4)	353,104	491,661
	353,300	491,941
Net Financial Assets	33,168	25,107
Non-Financial Assets		
Deferred Commission Charges (Note 5)	1,219	5,306
Accumulated Surplus	34,387	30,413

See accompanying notes to financial statements.

Approved on behalf of the Board:

Director

M. Barile

Director

Ontario Immigrant Investor Corporation

Statement of Operations
For the Year Ended March 31, 2018

	Budget ($ 000)	2018 Actuals ($ 000)	2017 Actuals ($ 000)
Revenue			
Interest income	10,541	8,863	12,859
	10,541	8,863	12,859
Expenses (Note 6)			
Amortization of deferred commission charges (Note 5)	4,153	4,087	5,806
Investment management fee (Note 3)	1,012	802	1,164
	5,165	4,889	6,970
Excess of Revenue over Expenses	5,376	3,974	5,889
Accumulated Surplus, beginning of year	30,413	30,413	124,524
Payment to the Province of Ontario (Note 7)	-	-	(100,000)
Accumulated Surplus, end of year	35,789	34,387	30,413

See accompanying notes to financial statements.

Ontario Immigrant Investor Corporation

Statement of Changes in Net Financial Assets
For the Year Ended March 31, 2018

	2018 ($ 000)	2017 ($ 000)
Excess of Revenue Over Expenses	3,974	5,889
Deferred Commission Charges - Current Year	-	(119)
Amortization of Deferred Commission Charges	4,087	5,806
Payment to the Province of Ontario	-	(100,000)
Increase/ (Decrease) in Net Financial Assets	8,061	(88,424)
Net Financial Assets, beginning of year	25,107	113,531
Net Financial Assets, end of year	33,168	25,107

See accompanying notes to financial statements.

Ontario Immigrant Investor Corporation

Statement of Cash Flows
For the Year Ended March 31, 2018

	2018 ($ 000)	2017 ($ 000)
Cash provided by (used in) operating activities		
Interest received	198	844
Investment Management Fees paid	(876)	(1,260)
	(678)	(416)
Cash (used in) provided by investing and financing activities		
Provincial allocations received net of commissions	160	1,835
Provincial allocations repaid	(138,719)	(228,729)
Provincial allocations refunded	-	(272)
	(138,559)	(227,166)
Investments matured	205,787	1,226,570
Investments purchased	(68,205)	(908,417)
Payment to the Province of Ontario	-	(100,000)
	137,582	218,153
Net decrease in cash	(1,655)	(9,429)
Cash, beginning of year	2,369	11,798
Cash, end of year	714	2,369

See accompanying notes to financial statements.

Ontario Immigrant Investor Corporation

Notes to Financial Statements
March 31, 2018

1. Nature and Future of the Corporation

The Ontario Immigrant Investor Corporation (Corporation) was established as a corporation without share capital on April 30, 1999 pursuant to Ontario Regulation 279/99 made under the *Development Corporations Act*.

The Corporation was established in order to participate in a federal Immigrant Investor Program (IIP). Under the IIP, each participating province established a vehicle to receive and invest immigrant investor dollars for the purposes of creating or continuing employment in Canada in order to foster the development of a strong and viable economy. Each participating province, in turn, guarantees immigrant investors that their investment will be repaid after five years with no interest.

The 2014 federal budget announced the termination of the IIP with a commitment to process applications that were received prior to February 11, 2014. In July 2017, Ontario received approval to suspend the receipt of monies from the federal government. Accordingly, the Corporation will remain operational until fiscal 2022/23 to meet its repayment obligations under the IIP.

2. Significant Accounting Policies

(A) BASIS OF ACCOUNTING

These financial statements have been prepared by management in accordance with Canadian public sector accounting standards.

(B) REVENUE RECOGNITION

Accrued interest is recognized as earned and amounts not yet received are included in the carrying value of investments.

(C) FINANCIAL INSTRUMENTS

A financial instrument is an asset or liability that will ultimately be settled in cash. The Corporation's financial assets and financial liabilities are accounted for as follows:

Cash, accounts receivable and accounts payable are recorded at cost, which approximates fair value due to the short-term nature of these instruments.

Investments are initially recorded at cost and subsequently recorded at cost plus accrued interest earned to date.

Ontario Immigrant Investor Corporation

Notes to Financial Statements
March 31, 2018

2. Significant Accounting Policies (continued)

Repayable provincial allocations are originally recorded at the actual amounts received and remain at those amounts until repaid due to the interest-free nature of the debt. They have not been discounted to reflect fair value.
The Corporation does not use derivative financial instruments.

(D) DEFERRED COMMISSION CHARGES

Commissions paid to intermediaries, for introducing new immigrant investors, are deferred and amortized to expense on a straight-line basis over the same period as the related Repayable Provincial Allocation beginning in the fiscal year when the allocation is received. If the application for permanent residence is withdrawn by the immigrant investor or denied by the federal government, the Corporation recovers the commission in the year when this occurs. The deferred charges represent the unamortized balance of the commissions.

3. Investments

Prior to February 2011, the Corporation invested all of its allocations in fixed income securities issued by the Province of Ontario, maturing within five years. In general, fixed rate bonds were purchased to align maturity dates to the Provincial Allocations repayment schedule provided in Note 4. For fiscal year 2018, these fixed income securities had a weighted-average yield of 2.10% (2017 - 2.07%).

In September 2010, in order to satisfy the requirements of the Federal Immigrant Investor Program the Corporation approved a new investment strategy to direct a significant portion of allocations received to the Loan Program managed by Ontario Infrastructure and Lands Corporation (OILC) a related party. Through its Loan Program, OILC helps finance hundreds of infrastructure projects such as the construction of roads, bridges and facilities thereby fostering economic development and job creation.

The Corporation entered into an agreement with OILC to direct a significant portion of the allocations to OILC monthly, in exchange for promissory notes due five years from the date of the transfer at either a fixed or floating interest rate effectively equal to the OILC's cost of borrowing for similar terms as determined by the Ontario Financing Authority. For fiscal year 2018, these promissory notes had a weighted average interest rate of 2.13% (2017 - 1.98%). As a result of the announced termination of the Immigrant Investor Program, there was a significant reduction in the provincial allocations and OILC stopped borrowing funds from the Corporation in August 2014.

Allocations not taken by OILC are placed in five year fixed income securities issued by the Province of Ontario. Upon maturation, investment funds and any surplus income are put into short-term 90 day rotational Treasury Bills to earn nominal interest until the date of repayment to the investors. For the fiscal year 2018, these Treasury Bills had a weighted average yield of 0.98% per annum (2017 - 0.58%).

Ontario Immigrant Investor Corporation

Notes to Financial Statements
March 31, 2018

3. Investments (continued)

The entire portfolio of investments is managed by the Ontario Financing Authority (OFA), a related party, in accordance with the terms and conditions set out in an agreement signed between the OFA, the Corporation and the Province. The OFA receives an investment management fee of 0.2% of the average par value or face value of the investments outstanding during the year for performing these services.

The investments balance which includes accrued interest is broken down as follows:

	March 31, 2018 Cost ($ 000)	March 31, 2018 Market ($ 000)	March 31, 2017 Cost ($ 000)	March 31, 2017 Market ($ 000)
OILC Promissory Notes	257,779	235,468	377,448	356,019
Fixed Income Bonds	108,626	100,014	122,011	116,047
Treasury Bills	19,326	19,324	15,188	15,188
	385,731	354,806	514,647	487,254

The Corporation is exposed to interest rate risk whenever any funds received from immigrants are invested in fixed income securities because the future return and market value of the investments is dependent on the prevailing interest rates. However, there is very little exposure to fluctuating interest rates during the 5-year period of the repayable provincial allocations because the maturity of the fixed income investments matches the maturity of the repayable provincial allocations.

It is management's opinion that the Corporation is not exposed to significant credit or currency risk because all investments are with related parties supported by the Province and none of them are denominated in a foreign currency.

4. Repayable Provincial Allocations

The Corporation incurs long-term obligations from funds received under the federal Immigrant Investor Program in accordance with the terms and conditions set out in agreements signed in June 1999 and June 2011 between the federal Minister of Citizenship and Immigration and the Corporation. The agreement states that the federal Minister, as agent of the Corporation, receives funds from immigrant investors and transfers Ontario's share of the funds (Provincial Allocation) to the Corporation. The Corporation will repay any Provincial Allocations received without interest at expiry of the Allocation Period, being five years from the date the Provincial Allocation was originally received.

Ontario Immigrant Investor Corporation

Notes to Financial Statements
March 31, 2018

4. Repayable Provincial Allocations (continued)

The Province guarantees the repayment of the Provincial Allocations when due. The repayment schedule on Provincial Allocations is as follows:

	($ 000)
Due fiscal year 2019	263,860
Due fiscal year 2020	79,962
Due fiscal year 2021	7,154
Due fiscal year 2022	1,967
Due fiscal year 2023	161
	353,104

An investor's application for permanent residence may be withdrawn by the Investor or denied by the federal government. As at March 31, 2018 there are no applications in process.

5. Deferred Commission Charges

Deferred commission charges are comprised as follows:

	2018 ($ 000)	2017 ($ 000)
Balance, beginning of year	5,306	10,993
Commissions – current year	-	119
Amortization	(4,087)	(5,806)
Balance, end of year	1,219	5,306

6. Administration Support Services

Business support, strategic management services and other administrative support, including accommodation, financial, legal and human resource services is provided by the Ministry of Economic Development and Growth and the Ministry of Citizenship and Immigration without charge.

7. Payment to the Province of Ontario

In 2016-17 the Board of Directors resolved to declare a payment of $100,000,000 to the Consolidated Revenue Fund of the Province of Ontario, under section 16.4 of the Financial Administration Act. The payment was made to the Province in March 2017. No such payment occurred in the current year.

Ontario Immigrant Investor Corporation

Notes to Financial Statements
March 31, 2018

8. Comparative Figures

Certain comparative figures have been reclassified to conform to the basis of the financial statement presentation adopted in the current year.

INFRASTRUCTURE ONTARIO
RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of Ontario Infrastructure and Lands Corporation have been prepared in accordance with accounting principles for governments recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada and, where applicable, the recommendations of the Accounting Standards Board of the Chartered Professional Accountants of Canada and are the responsibility of management.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The Board of Directors oversees management's responsibilities for financial reporting through the Audit Committee. The Audit Committee reviews the financial statements and recommends them to the Board for approval.

The financial statements have been audited by PricewaterhouseCoopers LLP. The Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's report outlines the scope of the Auditor's examination and opinion.

On behalf of management,

Ehren Cory *President and Chief Executive Officer*	Krishnan Iyer *Executive Vice President Lending and Chief Financial Officer*

June 21, 2018

Independent Auditor's Report

To the Directors of
Ontario Infrastructure and Lands Corporation

We have audited the accompanying financial statements of Ontario Infrastructure and Lands Corporation, which comprise the statement of financial position as at March 31, 2018 and the statements of operations and accumulated surplus, re-measurement gains and losses, 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.

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
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pwc

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ontario Infrastructure and Lands Corporation as at March 31, 2018 and the results of its operations, its re-measurement gains and losses, changes in its 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

INFRASTRUCTURE ONTARIO
STATEMENT OF FINANCIAL POSITION
As at March 31
(in thousands of dollars)

	March 31 2018	March 31 2017 (Note 20)
Financial assets		
Cash	$ **434,441**	$ 410,784
Restricted cash (Note 2 & 18)	**136,894**	75,244
Accounts receivable (Note 3)	**45,319**	35,620
Interest receivable	**45,947**	45,906
Investment income receivable	**2,037**	1,779
Loans receivable (Note 4)	**5,898,136**	5,661,622
Projects receivable (Note 6)	**33,099**	45,086
Investments (Note 7)	**177,505**	177,505
	6,773,378	6,453,546
Liabilities		
Accounts payable	**2,149**	3,891
Accrued liabilities	**27,408**	27,024
Liabilities held in trust (Note 2 & 18)	**136,894**	75,244
Interest payable	**66,159**	67,302
Derivatives (Note 5 & 21)	**13,628**	87,748
Deferred revenue	**40,421**	25,696
Debt - loan program (Note 9a)	**5,900,028**	5,669,159
Capital - loan program (Note 9b)	**399,681**	399,681
	6,586,368	6,355,745
Net financial assets	**187,010**	97,801
Non-financial assets		
Tangible capital assets (Note 10)	**2,586**	1,934
	189,596	99,735
Accumulated surplus	**203,224**	187,483
Accumulated re-measurement losses	**(13,628)**	(87,748)
	$ **189,596**	$ 99,735

Contingencies (Note 16)
Commitments (Note 17)

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

Approved

Board Chair

Director, Chair Audit Committee

INFRASTRUCTURE ONTARIO
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
For the year ended March 31
(in thousands of dollars)

	2018 Budget	**2018**	2017
Revenues			
Interest revenue (Note 11)	$ 231,818	**$ 233,278**	$ 218,812
Project delivery fees	36,800	**34,240**	33,553
Project transaction fees	14,855	**23,193**	26,740
Management fees	56,232	**55,928**	54,633
Recoverable advisory and other costs	-	**26,924**	17,946
Other income	1,547	**3,021**	11,114
	341,252	**376,584**	362,798
Expenses			
Salaries and benefits	69,774	**69,389**	68,164
General and administration (Note 12)	21,780	**17,309**	19,386
Interest expense (Note 11)	209,795	**210,278**	196,769
Project transaction costs	14,855	**22,553**	27,198
Recoverable advisory and other costs	-	**26,924**	17,946
Sub-contracting fees	10,088	**9,890**	9,678
Loan valuation allowance	1,500	**4,500**	11,231
	327,792	**360,843**	350,372
Surplus	13,460	**15,741**	12,426
Accumulated surplus, beginning of year	187,483	**187,483**	175,057
Accumulated surplus, end of year	$ 200,943	**$ 203,224**	$ 187,483

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

INFRASTRUCTURE ONTARIO
STATEMENT OF RE-MEASUREMENT GAINS AND LOSES
For the year ended March 31
(in thousands of dollars)

		2018		2017
Accumulated re-measurement losses, beginning of year	**$**	**(87,748)**	$	(147,778)
Realized losses - reclassified to the Statement of Operations		**30,681**		39,562
Re-measurement gains		**43,439**		20,468
Net re-measurement gains in the year		**74,120**		60,030
Accumulated re-measurement losses, end of year	**$**	**(13,628)**	$	(87,748)

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

INFRASTRUCTURE ONTARIO
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
For the year ended March 31
(in thousands of dollars)

	2018	2017
Surplus	**$ 15,741**	$ 12,426
Acquisition of tangible capital assets	**(2,192)**	(514)
Amortization of tangible capital assets	**1,540**	1,622
Net re-measurement gains in the year	**74,120**	60,030
Net change in net financial assets	**89,209**	73,564
Net financial assets at beginning of year	**97,801**	24,237
Net financial assets at end of year	**$ 187,010**	$ 97,801

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

INFRASTRUCTURE ONTARIO
STATEMENT OF CASH FLOWS
For the year ended March 31
(in thousands of dollars)

	2018	2017 (Note 20)
Operating activities		
Surplus	$ **15,741**	$ 12,426
Items not requiring a current cash outlay:		
Loan valuation allowance	**4,500**	11,231
Amortization of deferred concession costs	**(5,913)**	(6,580)
Amortization of tangible capital assets	**1,540**	1,622
	15,868	18,699
Changes in working capital items:		
(Increase)/decrease in restricted cash	**(61,650)**	173,014
(Increase)/decrease in accounts receivable	**(9,699)**	5,280
(Increase)/decrease in interest receivable	**(41)**	18,815
Decrease in projects receivable	**11,987**	757
Decrease in accounts payable	**(1,742)**	(2,220)
Increase/(decrease) in accrued liabilities	**384**	(644)
Increase/(decrease) in liabilities held in trust	**61,650**	(173,014)
Increase in deferred revenue	**14,725**	8,857
Cash provided by operating activities	**31,482**	49,544
Capital activities		
Acquisition of tangible capital assets	**(2,192)**	(514)
Cash used in capital activities	**(2,192)**	(514)
Investing activities		
(Increase)/decrease in investment income receivable	**(258)**	72
Issuance of loans receivable	**(674,160)**	(810,290)
Loan repayments	**439,059**	369,193
Cash used in investing activities	**(235,359)**	(441,025)
Financing activities		
Decrease in interest payable	**(1,143)**	(6,590)
Repayment of short term revolving credit facility	**(200,000)**	(115,000)
Debt issuances	**924,321**	819,408
Debt repayments	**(493,452)**	(780,118)
Cash provided by/(used in) financing activities	**229,726**	(82,300)
Net increase/(decrease) in cash	**23,657**	(474,295)
Cash, beginning of year	**410,784**	885,079
Cash, end of year	$ **434,441**	$ 410,784

INFRASTRUCTURE ONTARIO
NOTES TO FINANCIAL STATEMENTS
March 31, 2018 and 2017

NATURE OF THE CORPORATION

Ontario Infrastructure and Lands Corporation (Infrastructure Ontario, Agency, Corporation) is a Crown corporation reporting to the Minister of Infrastructure (Minister) and is classified by the Government of the Province of Ontario (Province, Government) as an operational enterprise.

The mandate of Infrastructure Ontario includes the following:

- To provide financing for infrastructure purposes to municipalities and to eligible public organizations;
- To provide the Minister with advice and services, including project management, contract management and development, related to public works for which the Minister is responsible;
- To provide the Government with advice and services, including project management, contract management and development, related to public works for which the Minister is not responsible, when directed to do so in writing by the Minister;
- To provide financial management for public works managed by the Ministry of Infrastructure (Ministry) or by a Crown agency for which the Minister is responsible;
- To carry out the powers, duties and functions delegated by the Minister to the Corporation under the Ministry of Infrastructure Act, 2011;
- To provide advice and services related to real property to public sector organizations when directed to do so in writing by the Minister;
- To provide advice and services to the Minister or other members of the executive council, on financial, strategic or other matters involving the Government, when directed to do so in writing by the Minister;
- To implement or assist in the implementation of transactions involving the Government, when directed to do so in writing by the Minister; and
- To provide advice and services, including project management and contract management services related to infrastructure projects in Ontario that are not public works, when directed to do so in writing by the Minister.

As a Crown corporation, Infrastructure Ontario is exempt from federal and provincial income taxes under paragraph 149(1) (d) of the Income Tax Act of Canada. Infrastructure Ontario is subject to Harmonized Sales Tax (HST).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting
These financial statements are prepared in accordance with Canadian Public Sector Accounting standards established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada).

Management estimates
The preparation of financial statements in accordance with Canadian Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

Key areas where management has made estimates are in the percentage of completion for the determination of revenue from project delivery fees, the loan portfolio valuation allowance and the fair value of derivatives. Actual results could differ from those and other estimates, the impact of which would be recorded in future periods.

Financial instruments
Infrastructure Ontario's financial assets include cash, restricted cash, accounts receivable, interest receivable, investment income receivable, loans receivable, projects receivable, and investments. Infrastructure Ontario's

INFRASTRUCTURE ONTARIO
NOTES TO FINANCIAL STATEMENTS
March 31, 2018 and 2017

financial liabilities include accounts payable, accrued liabilities, liabilities held in trust, interest payable, derivatives, deferred revenue and the debt supporting the loan program.

Initial recognition and measurement
All financial assets and liabilities are initially recognized at fair value. Fair value is the amount of the consideration that would be agreed on in an arm's length transaction between knowledgeable willing parties, who are under no compulsion to act. Financial instruments are classified at initial recognition as either (i) fair value or (ii) cost or amortized cost. Derivatives are classified in the fair value category. All other financial instruments are classified in the cost or amortized cost category.

The amortized cost of the 2003-04 program loans (see Note 4) issued by Infrastructure Ontario, which were considered to have concessionary terms, was determined as the present value of the future cash flows of the loan, and discounted using Infrastructure Ontario's cost of borrowing. The difference between the face value of the loan and its present value is, in substance, a grant. The grant portion is recognized as a concession cost at the date of issuance of the loan and amortized to match the underlying interest subsidy, over the term of the loan.

Transaction costs for financial instruments measured at cost or amortized cost are added to or netted against the carrying value of the financial asset or financial liability, respectively.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as described below:

i. *Financial instruments at fair value*
Financial instruments at fair value are re-measured at their fair value at the end of each reporting period. Any unrealized gains and losses are recognized in the Statement of Re-Measurement Gains and Losses and are subsequently reclassified to the Statement of Operations upon disposal or settlement.

Infrastructure Ontario uses the following hierarchy for determining and disclosing the fair value of financial instruments:
- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: valuation techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: valuation techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data

The fair value of financial instruments not traded in an active market is determined by appropriate valuation techniques, including forward pricing and swap models, using present value calculations. The models incorporate various inputs including forward interest rate curves.

ii. *Financial instruments at cost or amortized cost*
Financial instruments not measured at fair value are measured at cost or amortized cost.

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

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Impairment

i. *Loss in value of an investment (not quoted in an active market)*
A write-down is recognized in the Statement of Operations and Accumulated Surplus when there has been a loss in the value of the investment considered as an 'other than temporary' loss. A loss is considered 'other than temporary' when the carrying value of the investment exceeds its anticipated value for a prolonged period of time. If the anticipated value of the portfolio investment subsequently increases, the write-down to the statement of operations is not reversed.

ii. *Loans receivable impairment*
A loan valuation allowance is established against the loan portfolio after management's review of existing economic, industry and portfolio conditions across the different loan segments. The general valuation allowance is underpinned by a model in which risk ratings are assigned at the time of loan origination, monitored on an ongoing basis, and adjusted to reflect changes in underlying credit risk. A specific valuation allowance is also established in instances of known borrower credit deterioration on the expected non-recoverable portion of the loan receivable.

Derivative financial instruments
Infrastructure Ontario uses derivative financial instruments, specifically interest rate swaps, to manage its interest rate risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered and subsequently re-measured to fair value at each reporting date. Derivatives are carried as financial assets when the fair value is in a receivable position and as financial liabilities when the fair value is in a payable position.

Any unrealized gains or losses arising from changes in the fair value of derivatives are recorded in the Statement of Re-Measurement Gains and Losses and are subsequently re-classified to the Statement of Operations and Accumulated Surplus upon disposal or settlement.

Tangible capital assets
Tangible capital assets are recorded at cost less accumulated amortization. Amortization is provided using the straight-line method over the estimated useful lives of the assets beginning in the fiscal year of acquisition, with a half-year provision in the year of acquisition and a half-year in the year of disposal. The estimated useful lives of the assets are as follows:

Computer equipment	3 years
Software	5 years
Furniture, fixtures and office equipment	10 years
Leasehold improvements	10 years

Impairment of tangible capital assets
The Agency reviews the carrying value of tangible capital assets for potential impairment when there is evidence that events or changes in circumstances exist, that indicate a tangible capital asset no longer contributes to the Government's ability to provide goods and services, or that the value of future economic benefits associated with the tangible capital asset is less than its net book value. In these circumstances, the cost of the tangible capital asset is reduced to reflect the decline in the asset's value. No such impairment losses have been incurred to date.

Revenue recognition
Interest revenue
Interest on investments and loans receivable are recognized using the effective interest rate method.

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Project delivery fees and project transaction fees
Project delivery fees represent the recovery of IO's staff salaries and benefits, and general and administration costs in delivering services. Project transaction fees represent the recovery of external advisor costs.

Infrastructure Ontario provides professional services under either cost based or fixed price contracts. For cost based contracts, revenue is recorded when an arrangement is in place, costs are incurred, and collectibility is reasonably assured. Revenue from fixed price contracts is recorded using the percentage of completion method. Percentage of completion is calculated based on a ratio of cost incurred to total estimated costs. Losses, if any, on fixed price contracts are recognized during the period they are identified. Deferred revenue is set up when amounts billed on a project exceed the revenue recognized under both cost based and fixed price contracts.

Management fees and recoverable advisory costs
Management fees and recoverable advisory costs are recognized as revenue when an arrangement is in place, services are provided and collectibility is reasonably assured.

2. RESTRICTED CASH

Restricted cash includes funds held in trust for Infrastructure Ontario's lending clients of $121.9 million (2017 - $55.4 million) and project construction consortiums of $15.0 million (2017 - $19.8 million), detailed further in Note 18.

3. ACCOUNTS RECEIVABLE

($ thousands)	**2018**	2017
Net trade accounts receivable	**$ 44,077**	$ 34,713
HST receivable	**1,242**	907
	$ 45,319	$ 35,620

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4. LOANS RECEIVABLE

($ thousands)	2018		2017	
Construction advances		**Interest %**		Interest %
Infrastructure renewal loan program	**$ 157,081**	**1.43-2.64**	$ 349,328	1.45-1.93
Debentures receivable				
Concessionary loan program				
Maturity terms:				
6 to 10 years	**5,835**	**2.08-2.51**	14,150	2.08-2.71
11 to 15 years	**20,046**	**2.28-2.67**	25,385	2.28-2.67
16 to 20 years	**211,009**	**2.36-2.95**	234,136	2.36-2.95
Greater than 20 years	**55,713**	**2.52-3.05**	58,536	2.52-3.05
	292,603		332,207	
Infrastructure renewal loan program				
Maturity terms:				
1 to 5 years	**37,626**	**1.18-3.56**	45,048	1.18-4.55
6 to 10 years	**638,127**	**1.52-5.73**	665,754	1.52-5.73
11 to 15 years	**636,208**	**2.24-5.26**	678,568	2.24-5.26
16 to 20 years	**1,441,526**	**2.71-5.89**	1,411,196	2.71-5.89
Greater than 20 years	**2,748,604**	**2.77-5.91**	2,234,573	2.77-5.91
	5,502,091		5,035,139	
Total	**5,951,775**		5,716,674	
Deferred costs on concessionary loans				
Deferred costs, beginning of year	**(36,503)**		(43,083)	
Amortization of concession costs	**5,913**		6,580	
Deferred costs, end of year	**(30,590)**		(36,503)	
Loan valuation allowance	**(23,049)**		(18,549)	
Loans receivable	**$ 5,898,136**		$ 5,661,622	

Construction advances are loans due from municipalities, other public sector bodies and not for profit entities. The interest rate on these construction loans is 30 day bankers' acceptances plus a fixed spread in basis points depending on the risk categorization of the counterparty. These loans are of a shorter term than the debentures (usually less than five years), and are repaid when construction is complete.

Debentures receivable are due from municipalities, other public sector clients and not for profit entities, with loan maturity terms ranging from four to forty years since inception.

Infrastructure Ontario manages its credit risk with the current loan portfolio through various provisions in the loan agreements. The Agency has an intercept mechanism with the Province, which allows for funds owing to a borrower from the Province to be redirected to Infrastructure Ontario. Loans to non-government borrowers are subject to restrictive covenants on assets and the borrower is required to provide security and in some cases, provide loan insurance.

The loan valuation allowance is based on an assessment of existing economic, industry and portfolio conditions which may indicate that a loan is impaired or losses will be incurred. At March 31, 2018, Infrastructure Ontario has a loan valuation allowance of $23.0 million (2017 - $18.5 million).

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5. DERIVATIVES

Infrastructure Ontario operates within strict risk limits to ensure exposure to interest rate risk is managed in a prudent and cost effective manner. A variety of strategies are used to manage this risk, including the use of interest rate derivatives. Infrastructure Ontario does not use derivatives for speculative purposes, and no new derivative contracts have been initiated since Infrastructure Ontario entered into back to back loans with the Province in April 2015 (Note 9).

Derivatives are financial contracts, the value of which is derived from underlying instruments. Infrastructure Ontario, which is a borrower and lender, uses derivatives to create hedges for instruments with differing maturity dates. The interest rate variability risk is managed through interest rate swaps, which are legal contracts under which Infrastructure Ontario agrees with another party to exchange cash flows based on one or more notional amounts using stipulated reference interest rates for a specified period. Interest rate swaps allow Infrastructure Ontario to more closely match its existing loans receivable and debt obligations and thereby effectively convert them into instruments with terms that minimize the Agency's interest rate risk exposure. Infrastructure Ontario has swapped certain of its fixed rate loans receivable and fixed rate debt portfolio into floating rate instruments.

The table below presents a maturity schedule of Infrastructure Ontario's derivatives, outstanding as at March 31, 2018, based on the notional amounts of the contracts. The notional amounts of interest rate swaps represent the amount to which the fixed and floating rates are applied in order to calculate the exchange of cash flows. The notional amounts are not recorded in the Statement of Financial Position. They represent the volume of outstanding derivative contracts and are not indicative of credit risk, market risk or actual cash flows of such instruments.

	Maturity					
($ thousands)	Within 1 year	Within 2 to 5 years	Within 6 to 10 years	Within 11 to 15 years	Over 15 years	Total Notional Value
Liability swap	$ 257,100	912,482	310,000	-	852,857	$ 2,332,439
Asset swap	$ 267,827	1,089,816	977,759	565,280	725,422	$ 3,626,104

Derivatives are recorded at fair value as at March 31, 2018 resulting in derivative assets of $207.7 million, derivative liabilities of $221.3 million which are presented on a net basis on the Statement of Financial Position resulting in net derivative liabilities of $13.6 million and accumulated unrealized losses on the Statement of Re-Measurement Gains and Losses of $13.6 million (2017 – derivative assets of $283.3 million, derivative liabilities of $371.0 million, net derivative liabilities of $87.7 million on the Statement of Financial Position and accumulated unrealized losses on the Statement of Re-Measurement Gains and Losses of $87.7 million). Fair values were determined using level 2 basis of valuation as defined in Note 1.

The fair values of these derivatives were determined using pricing models, with market observable inputs which take into account current market and contractual prices of the underlying instruments, as well as the time value and yield curve underlying the positions. The determination of the fair value of derivatives includes consideration of credit risk and ongoing direct costs over the life of the instruments.

As at March 31, 2018, all interest rate swap agreements are with the Province.

INFRASTRUCTURE ONTARIO
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6. PROJECTS RECEIVABLE

Projects receivable are amounts which have been recognized as revenue either on a percentage of completion method or when the recoverable expenses were incurred, but have not yet been invoiced. Certain projects receivable, will not be invoiced until the completion of the project. Projects receivable are due from various Provincial ministries, agencies and other public sector organizations.

7. INVESTMENTS

Investments consist of bonds carried at cost. As at March 31, 2018, the interest rates on these investments ranged from 2.10% to 4.40% (2017 – 2.10% to 4.40%) with maturities from September 2018 to June 2024.

8. OFA CREDIT FACILITY

Infrastructure Ontario has a 5 year subordinated revolving credit facility of up to $100.0 million with the Ontario Financing Authority (OFA), an agency of the Province, to provide working capital for the Alternative Financing and Procurement program. Advances are to be repaid on completion of projects. As at March 31, 2018, the full balance of the facility remains undrawn.

9a. DEBT – LOAN PROGRAM

All facilities are available exclusively for the lending program.

($ thousands)	**2018**	**Interest %**	2017	Interest %
Program funding				
Senior debt				
Infrastructure Renewal Bonds	**$ 300,000**	**4.70**	$ 300,000	4.70
Subordinate debt				
Short-term revolving credit facility	**170,000**	**1.22-1.44**	370,000	0.68-0.69
Ontario Immigrant Investor Corporation loans				
Fixed	**187,898**	**1.86-2.64**	195,440	1.86-2.64
Floating	**46,718**	**1.55**	155,144	1.55
OIPC/OILC bonds				
Fixed	**2,015,000**	**2.20-4.96**	2,315,000	2.02-4.96
Floating Rate Notes	**300,000**	**1.89-1.95**	300,000	1.10-1.16
Long-term non-revolving credit facility				
Fixed	**2,266,105**	**1.21-3.58**	1,580,243	1.21-3.58
Floating Rate Notes	**620,000**	**2.00-2.18**	460,000	1.39
	5,905,721		5,675,827	
Debt issue costs	**(5,693)**		(6,668)	
	5,900,028		5,669,159	

9b. CAPITAL – LOAN PROGRAM

	2018	Interest %	2017	Interest %
Capital funding				
Province of Ontario loan	**279,681**	**1.35**	279,681	0.67
Ontario Clean Water Agency loan	**120,000**	**1.54**	120,000	0.91
	399,681		399,681	

All capital funding and subordinated debt is subordinate to the senior debt and rank pari passu amongst each other.

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The following table illustrates the debt principal and estimated interest payments for the next five years and thereafter:

($ thousands)		
Fiscal year		**Amount**
2018-2019	$	961,532
2019-2020		318,708
2020-2021		534,131
2021-2022		242,933
2022-2023		601,891
Thereafter		5,931,469
	$	**8,590,664**

Infrastructure Renewal Bonds
On April 19, 2007, Infrastructure Ontario issued $300 million of Infrastructure Renewal Bonds. The bonds bear interest at 4.70% per annum and mature on June 1, 2037.

Short-term Revolving Credit Facility
Effective May 2014, Infrastructure Ontario issues short term notes under a short term revolving credit facility to fund its short term construction loans. The revolving credit facility with the Province is authorized to issue a maximum of $900 million for terms ranging from three months to one year. As at March 31, 2018, maturities ranged from April 2018 to June 2018, while interest on the notes ranged from 1.22% to 1.44% (2017 – 0.68% to 0.69%).

Ontario Immigrant Investor Corporation Loans
Ontario Immigrant Investor Corporation (OIIC), an agency of the Province, provided five-year subordinated loans. The loans are subordinated obligations of Infrastructure Ontario and rank behind all other existing and future senior obligations of Infrastructure Ontario.

As at March 31, 2018, interest on fixed rate bonds ranged between 1.86% and 2.64% (2017 – 1.86% to 2.64%) compounded semi-annually and paid on maturity. Maturities ranged from April 2018 to July 2019. Interest on bonds bearing a variable rate of interest is reset and compounded quarterly with a floor rate of 1.55% (2017 – 1.55%) per annum. Maturities ranged from April 2018 to January 2019.

OIPC / OILC Bonds
Infrastructure Ontario issued Ontario Infrastructure Projects Corporation (OIPC) and Ontario Infrastructure and Lands Corporation (OILC) bonds to the Province for the purpose of funding its loan program. The bonds are subordinated obligations of Infrastructure Ontario and rank behind all other existing and future senior obligations of Infrastructure Ontario.

As at March 31, 2018, interest on fixed rate bonds ranged from 2.20% to 4.96% (2017 – 2.02% to 4.96%) per annum and maturities ranged from September 2018 to June 2045. Interest is paid semi-annually on these bonds until maturity. The Floating Rate Notes (FRN) bear interest from three month Canadian Dollar Offered Rate (CDOR) plus 16 basis points to three month CDOR plus 22 basis points and the maturity of the notes is June 30, 2018. Interest is reset and paid quarterly until the maturity of the FRN's.

Long-term Non-Revolving Credit Facility
In April 2015, Infrastructure Ontario began funding long term loans on a back to back basis directly with the Province through a long term non-revolving credit facility. The new debt structures mirror the underlying loans receivable they fund and have similar terms including maturity, payment frequency and type of amortization. This funding structure creates a match between the assets and liabilities and eliminates the need

to use derivatives to hedge interest rate risks. In November 2016, Infrastructure Ontario was approved to borrow an additional $2.5 billion from the Province for the purposes of funding the loan program from November 2016 to November 2018. As at March 31, 2018, $1.1 billion of the facility is available and undrawn.

As at March 31, 2018, interest with fixed rates on the back to back loans ranged from 1.21% to 3.58% (2017 – 1.21% to 3.58%) and maturities ranged from May 2019 to February 2048. The FRNs bear interest from three month CDOR plus 27 basis points to three month CDOR plus 45 basis points and the maturity of the notes ranged from September 2022 to June 2025. Interest is reset and paid quarterly until the maturity of the FRN's.

Province of Ontario Loan
The Province provided Infrastructure Ontario with a 50 year subordinated loan of approximately $280 million in exchange for a promissory note that matures on March 31, 2053. The interest on the note is reset quarterly at the Province's three-month Treasury bill rate and payable quarterly. On March 31, 2018, interest on the note was reset at 1.35% (2017 – 0.67%).

Ontario Clean Water Agency Loan
The Ontario Clean Water Agency (OCWA), an agency of the Province, provided a twenty-year subordinated loan of $120 million to Infrastructure Ontario secured by a promissory note due on March 1, 2023. The interest rate on the note is reset monthly at four basis points below the one month CDOR payable quarterly. On March 31, 2018, interest on the note was reset at 1.54% (2017 – 0.91%).

Together, the Province and OCWA loans provide Infrastructure Ontario with long term subordinate funding which provides: (i) credit protection to holders of senior debt such as Infrastructure Renewal Bonds; and (ii) a liquidity backstop for Infrastructure Ontario's financing needs.

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10. TANGIBLE CAPITAL ASSETS

					Year ended March 31, 2018
($ thousands)	**Computer Equipment**	**Software**	**Furniture, Fixtures and Office Equipment**	**Leasehold Improve-ments**	**Total**
Cost					
Balance, April 1, 2017	$ 17,665	4,153	2,119	9,828	$ 33,765
Additions	1,291	260	137	504	2,192
Balance, March 31, 2018	18,956	4,413	2,256	10,332	35,957
Accumulated amortization					
Balance, April 1, 2017	16,760	4,153	1,989	8,929	31,831
Additions	771	26	22	721	1,540
Balance, March 31, 2018	17,531	4,179	2,011	9,650	33,371
Net book value - March 31, 2018	$ 1,425	234	245	682	$ 2,586

					Year ended March 31, 2017
($ thousands)	Computer Equipment	Software	Furnture, Fixtures and Office Equipment	Leasehold Improve-ments	Total
Cost					
Balance, April 1, 2016	$ 17,286	4,153	1,984	9,828	$ 33,251
Additions	379	-	135	-	514
Balance, March 31, 2017	17,665	4,153	2,119	9,828	33,765
Accumulated amortization					
Balance, April 1, 2016	15,880	4,153	1,949	8,227	30,209
Additions	880	-	40	702	1,622
Balance, March 31, 2017	16,760	4,153	1,989	8,929	31,831
Net book value - March 31, 2017	$ 905	-	130	899	$ 1,934

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11. INTEREST INCOME (EXPENSE)

($ thousands)		2018		2017
Interest revenue	$	**233,278**	$	218,812
Interest expense		**(210,278)**		(196,769)
Net interest margin	$	**23,000**	$	22,043

The breakdown of interest expense on debt is as follows:

Program funding				
Infrastructure Renewal Bonds	$	**(14,100)**	$	(14,048)
Short-term revolving credit facility		**(2,273)**		(3,095)
Ontario Immigrant Investor Corporation Loans		**(6,330)**		(9,395)
OIPC/OILC Bonds		**(83,587)**		(86,776)
Long-term non-revolving credit facility		**(68,358)**		(38,610)
		(174,648)		(151,924)
Interest rate swap net payment		**(30,681)**		(39,562)
Debt issue cost amortization		**(975)**		(1,070)
		(206,304)		(192,556)
Capital funding				
Province of Ontario loan		**(2,549)**		(3,172)
Ontario Clean Water Agency loan		**(1,425)**		(1,041)
		(3,974)		(4,213)
Total interest expense	$	**(210,278)**	$	(196,769)

The reconciliation of cash interest received and paid to net interest margin is as follows:

Cash interest received	$	**226,530**	$	209,134
Cash interest paid		**(209,852)**		(202,651)
		16,678		6,483
Non-cash interest				
Amortization of loan concession costs (Note 4)		**5,913**		6,580
Other non-cash interest		**409**		8,980
Net interest margin	$	**23,000**	$	22,043

Other non-cash interest includes net interest accrued (revenue and expense), and the amortization of debt issue costs.

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12. GENERAL AND ADMINISTRATION EXPENSES

($ thousands)	2018 Budget	**2018**	2017
Information technology	$ 6,192	**$ 6,234**	$ 7,839
Premises	5,877	**5,536**	4,825
Professional and consulting services	5,994	**2,547**	3,564
Office and administration	1,521	**1,262**	1,323
Communications	340	**190**	213
Amortization	1,856	**1,540**	1,622
	$ 21,780	**$ 17,309**	$ 19,386

13. RELATED PARTY TRANSACTIONS

The Agency is economically dependent on the Province as a significant portion of its revenue is received from the Province for the provision of services to various Ontario Crown Agencies and Ministries, including the Ministry of Health and Long Term Care, the Ministry of the Attorney General, the Ministry of Government Services, the Ministry of Community Safety and Correctional Services, and the Ministry of Transportation, in addition to the Ministry of Infrastructure.

Infrastructure Ontario’s prime sources of revenue from the Province are:

1. Project delivery fees and project transaction fees
   Fees based on a percentage of project costs or on a cost recovery basis charged for services, including project and contract management, provided to various Ontario Crown Agencies and Ministries.

2. Management fees
   Fees charged for services, including property and project management, provided to the Ministry’s General Real Estate Portfolio.

3. Recoverable advisory costs
   Third party adviser services provided to various Ministries and Ontario Crown Agencies on a cost recovery basis.

Infrastructure Ontario has interest bearing loans from the Province, OCWA, OIIC and the OFA (Note 8 and 9).

14. FUTURE EMPLOYEE BENEFITS

The Agency provides a defined contribution pension plan for certain full-time employees. The Agency’s contribution to this plan for the year ended March 31, 2018 was $3.2 million (2017 – $3.0 million).

The Agency provides pension benefits to certain of its full-time employees through participation in the Public Service Pension Plan, which is a multi employer defined benefit plan established by the Province. The contribution to the pension plan of $0.4 million for the year ended March 31, 2018 (2017 – $0.4 million) is based on formulas set by the Ontario Pension Board and has been expensed. The cost of post-retirement, non-pension employee benefits for these employees is paid by the Ministry of Government Services and is not included in the financial statements.

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15. RISK MANAGEMENT

The principal risks that Infrastructure Ontario is exposed to as a result of holding financial instruments are credit, market, liquidity and interest rate risks. The Credit and Real Estate Committee of the Board of Directors reviews policies for managing each of these risks, which are summarized below.

Credit risk
Credit risk is the risk of loss arising from a counterparty's inability to fulfill its financial contractual obligations to Infrastructure Ontario. The Agency is exposed to credit risk on cash accounts, investments and receivables, but primarily on loans receivable. The Agency manages credit risk through the implementation of policies and review processes.

Credit risk – loans receivable
Oversight of the credit risk of the lending program is the primary concern of the Credit and Real Estate Committee of the Board of Directors.

The credit risk policy ensures loan amounts are commensurate with both the borrower's ability to service debt and Infrastructure Ontario's own risk tolerance. The credit risk policy establishes principles for evaluating credit risk for each sector based on an established set of risk factors. Separate underwriting and credit functions exist to ensure an independent review and challenge through the adjudication process. Due diligence is conducted and a final scoring and recommendation for each applicant is presented to the management credit review committee and to the Board of Directors for approval, if necessary, based on Infrastructure Ontario's delegation of authority.

Infrastructure Ontario has a risk based loan review process that covers all lending sectors and provides early identification of possible changes in the credit worthiness of counterparties. The objectives of the loan review are to: assess the status of funded projects in construction; ensure payment and covenant compliance over the term of the loan; initiate timely corrective action to minimize any potential credit loss; and escalate potential loan repayment issues to the management credit review committee and the Board of Directors.

Infrastructure Ontario's maximum exposure to credit risk on loans receivable, without taking into account any collateral held or other credit enhancements, as at March 31, 2018 was $5,898.1 million.

Infrastructure Ontario classifies and manages its loans by tiers. Tier 1 borrowers have a taxbase and/or receive provincial transfers which provide a strong source of debt repayment. Tier 2 borrowers are in sectors that are either regulated or entitled to government based revenue contracts and therefore have a stable source of debt repayment. Tier 3 borrowers are organizations dependent on self generated revenues either by market-set prices or donations and fund raising. The profile of the loans receivable at March 31, 2018 is as follows:

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($ thousands)	Outstanding	Loan Valuation Allowance	2018	2017
Tier 1				
Municipalities	$ 3,704,559			
City of Toronto (as guarantor)	988,165			
Universities	126,704			
Local service boards	138			
Social housing (with municipal guarantee)	112,093			
Affordable housing (with municipal guarantee)	2,463			
Community health & social service hubs (with municipal guarantee)	3,306			
Sports & Recreation (with municipal guarantee)	18,063			
	4,955,491	**(262)**	**4,955,229**	4,706,788
Tier 2				
Local distribution corporations	190,869			
Long term care	136,681			
Affordable housing (insured by CMHC)[(1)]	128,957			
Affordable housing (not insured by CMHC)[(1)]	150,365			
Social housing	95,948			
Aboriginal health access centres	2,796			
Community health & social service hubs	19,810			
	725,426	**(3,483)**	**721,943**	721,769
Tier 3				
Power generators	110,139			
District energy	25,971			
Municipal corporations (other)	30,880			
Beneficial entities (arts training, etc.)	91,473			
Sports and recreation	12,395			
	270,858	**(19,304)**	**251,554**	269,568
Deferred costs on concessionary loans				
Deferred costs, beginning of year	(36,503)			
Amortization of concession costs	5,913			
Deferred costs, end of year	**(30,590)**	**-**	**(30,590)**	(36,503)
Loans receivable	**$ 5,921,185**	**$ (23,049)**	**$ 5,898,136**	$ 5,661,622

(1) CMHC is defined as Canada Mortgage and Housing Corporation

Collateral – loans receivable

Infrastructure Ontario lends on the strength of the applicants' ability to service loan payments over time. The Agency does not lend on a residual asset value basis and does not factor in possession or control of an asset in the evaluation of debt service coverage. It lends on the basis of a strong assurance of permanent sources of cash flow, namely the unique position of many borrowers to generate tax revenue or receive funding from the Province. Infrastructure Ontario mitigates its credit risk from the loan portfolio through various mitigation control provisions. The Agency has an intercept mechanism with the Province which allows for funds owing to certain borrowers (including municipalities) that receive funding from the Province, to be redirected to Infrastructure Ontario. Clients that do not receive provincial funding are required to provide adequate security such as: guarantees, first ranking mortgage/charge, general security agreement, assignment of rents and leases and assignment of accounts, agreements and collateral.

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Impairment – loans receivable
The loan valuation allowance is established against the loan portfolio after management's review of existing economic, industry and portfolio conditions across the different loan segments. The general valuation allowance is underpinned by a model in which risk ratings are assigned at the time of loan origination, monitored on an ongoing basis, and adjusted to reflect changes in underlying credit risk. A specific valuation allowance is also established in instances of known borrower credit deterioration on the expected non-recoverable portion of the loan receivable.

Credit risk – cash, receivable and investments
The maximum exposure to credit risk on the cash, restricted cash, receivables and investments, without taking into account any collateral held or other credit enhancements, as at March 31, 2018 was:

($ thousands)	2018	Past Due >90 days
Cash	$ 434,441	$ -
Restricted cash	136,894	-
Accounts receivable	45,319	7,436
Interest receivable	45,947	-
Investment income receivable	2,037	-
Projects receivable	33,099	-
Investments	177,505	-
	$ 875,242	$ 7,436

Market risk
Market risk is the risk the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. This could occur on investments purchased as an economic hedge against borrowed funds that were surplus to immediate lending requirements. These investments were sold as required in order to fund loans. As a result of entering into back to back loan arrangements with the OFA, purchasing investments as an economic hedge is no longer needed. In addition, the entity only invests in bonds authorized under the approved policies and therefore are highly rated by recognized credit rating agencies and can be readily liquidated.

Interest rate risk
Interest rate risk is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. This could occur when the re-pricing of assets is not aligned with the re-pricing of liabilities. As a result of entering into back to back loan arrangements with the OFA, this re-pricing mismatch has been eliminated on all new loans after April 2015.

Management also controls interest rate risk through the use of interest rate swap derivatives as well as through the alignment of asset and liability risk structures and maturities.

Sensitivity to variations in interest rates
The sensitivity of a +/-1% change in the interest rate for the year ended March 31, 2018 would have a $4.1 million / ($4.8 million) impact on the surplus (deficit); a +/-1 basis point change in the interest rate as at March 31, 2018 would have a $0.7 million / ($0.7 million) impact on the accumulated re-measurement gains (losses).

Liquidity risk
Liquidity risk is the risk Infrastructure Ontario will not be able to meet its financial obligations as they come due. The senior debt is protected by the capital funding, funded by long-term subordinated loans provided by the Province and the OCWA. The capital funding is invested in long term liquid instruments that can be converted into cash in the event of any foreseeable liquidity crisis.

INFRASTRUCTURE ONTARIO
NOTES TO FINANCIAL STATEMENTS
March 31, 2018 and 2017

Infrastructure Ontario's borrowing by-laws are approved by the Board of Directors and the Minister of Infrastructure as well as the Minister of Finance. All borrowing is made with prudent consideration of interest rate and liquidity risks and complies with the asset-liability management policy. OFA coordinates and executes all borrowing activities. Infrastructure Ontario borrows directly from the Province for its long-term funding needs through the OFA.

The following illustrates the maturities of contracted obligations as at March 31, 2018:

($ thousands)	Within 1 year	1 to 5 years	Over 5 years	Total
Accounts payable	$ 2,149	$ -	$ -	$ 2,149
Accrued liabilities	27,408	-	-	27,408
Liabilities held in trust	136,894	-	-	136,894
Interest payable	66,159	-	-	66,159
Derivative liabilities	-	-	13,628	13,628
Debt and capital – principal and interest	961,532	1,697,663	5,931,469	8,590,664
Total financial liabilities	**$ 1,194,142**	**$ 1,697,663**	**$ 5,945,097**	**$ 8,836,902**

16. CONTINGENCIES

The Agency is involved in various disputes and litigation. In the opinion of management, the resolution of disputes against the Agency, will not result in a material effect on the financial position of the Agency.

17. COMMITMENTS

Minimum base rent annual payments under operating leases for the Agency's office space for the next five years and thereafter are:

($ thousands) **Fiscal year**	**Amount**
2018-2019	$ 4,708
2019-2020	4,382
2020-2021	4,454
2021-2022	4,008
2022-2023	3,653
Thereafter	20,611
	$ 41,816

Infrastructure Ontario has $475.1 million of unadvanced loan commitments as at March 31, 2018.

18. FUNDS HELD IN TRUST

Infrastructure Ontario is required by the CMHC to collect property taxes and reserve funds as a condition of providing certain affordable housing loans. As part of the CMHC certificate of insurance, the funds need to be set up in a trust account and administered by Infrastructure Ontario. In addition, certain borrowers set up reserve funds in the trust account as a requirement of the loan agreement. As at March 31, 2018, the funds under administration were $121.9 million (2017 – $55.4 million).

INFRASTRUCTURE ONTARIO
NOTES TO FINANCIAL STATEMENTS
March 31, 2018 and 2017

Infrastructure Ontario maintains a project trust general ledger account to record funds received from various ministries and payable to project construction consortiums related to project substantial completion payments, interim payments, as well as payments received for variations, furniture, fixtures and equipment. Variations are changes to scope agreed to after the initial contract has been executed – also called contract change orders. All the above payments are paid directly by the sponsoring ministries, but flow through Infrastructure Ontario. As at March 31, 2018, Infrastructure Ontario held $15.0 million (2017 – $19.8 million) in its project trust general ledger account.

Infrastructure Ontario maintains several operating bank accounts and a short-term investment account which it holds in trust and administers on behalf of the Ministry. These accounts relate directly to the operations of the Ministry's general real estate portfolio, for which the Agency is the financial manager pursuant to the Ontario Infrastructure and Lands Corporation Act, 2011. The funds held in trust for the Ministry as at March 31, 2018 were $408.8 million (2017 – $234.2 million), and are not recorded in these financial statements.

INFRASTRUCTURE ONTARIO
NOTES TO FINANCIAL STATEMENTS
March 31, 2018 and 2017

19. SEGMENTED INFORMATION

Infrastructure Ontario's reporting structure reflects how the business is managed. Infrastructure Ontario manages its operations to enable delivery and accountability on priorities such as those set by the Minister as well as corporate objectives determined by the Board. Infrastructure Ontario also assesses and anticipates future assignments and works to align its resources accordingly. As a result, Infrastructure Ontario is able to effectively allocate its resources and responsibilities by operating divisions in order to ensure efficiency and sustainability of operations over the period of the business plan. The table below is a summary of financial information by segment:

	For the year ended March 31, 2018				
($ thousands)	Major Projects	Real Estate	Lending	Commercial Projects	Total
Revenues					
Interest revenue	$ -	$ -	$ 233,278	$ -	$ 233,278
Project delivery fees	31,316	-	-	2,924	34,240
Project transaction fees	10,412	4,444	-	8,337	23,193
Management fees	-	55,928	-	-	55,928
Recoverable advisory and other costs	26,924	-	-	-	26,924
Other income	-	1,641	1,380	-	3,021
	68,652	62,013	234,658	11,261	376,584
Expenses					
Salaries and benefits	23,845	37,775	4,640	3,129	69,389
General and administration	6,554	8,356	1,846	553	17,309
Interest expense	-	-	210,278	-	210,278
Project transaction costs	9,772	4,444	-	8,337	22,553
Recoverable advisory and other costs	26,924	-	-	-	26,924
Sub-contracting fees	-	9,890	-	-	9,890
Loan valuation allowance	-	-	4,500	-	4,500
	67,095	60,465	221,264	12,019	360,843
Surplus/(deficit)	$ 1,557	$ 1,548	$ 13,394	$ (758)	$ 15,741

INFRASTRUCTURE ONTARIO
NOTES TO FINANCIAL STATEMENTS
March 31, 2018 and 2017

For the year ended March 31, 2018 - Budget

($ thousands)	Major Projects	Real Estate	Lending	Commercial Projects	Total
Revenues					
Interest revenue	$ -	$ -	$ 231,818	$ -	$ 231,818
Project delivery fees	34,596	-	-	2,204	36,800
Project transaction fees	14,855	-	-	-	14,855
Management fees	-	56,232	-	-	56,232
Recoverable advisory and other costs	-	-	-	-	-
Other income	-	1,147	400	-	1,547
	49,451	57,379	232,218	2,204	341,252
Expenses					
Salaries and benefits	24,374	37,240	4,986	3,174	69,774
General and administration	9,387	9,263	2,432	698	21,780
Interest expense	-	-	209,795	-	209,795
Project transaction costs	14,855	-	-	-	14,855
Recoverable advisory and other costs	-	-	-	-	-
Sub-contracting fees	-	10,088	-	-	10,088
Loan valuation allowance	-	-	1,500	-	1,500
	48,616	56,591	218,713	3,872	327,792
Surplus/(deficit)	$ 835	$ 788	$ 13,505	$ (1,668)	$ 13,460

For the year ended March 31, 2017

($ thousands)	Major Projects	Real Estate	Lending	Commercial Projects	Total
Revenues					
Interest revenue	$ -	$ -	$ 218,812	$ -	$ 218,812
Project delivery fees	31,228	-	-	2,325	33,553
Project transaction fees	7,520	682	-	18,538	26,740
Management fees	-	54,633	-	-	54,633
Recoverable advisory and other costs	17,946	-	-	-	17,946
Other income	-	3,040	8,074	-	11,114
	56,694	58,355	226,886	20,863	362,798
Expenses					
Salaries and benefits	22,566	37,476	4,906	3,216	68,164
General and administration	7,984	8,201	2,495	706	19,386
Interest expense	-	-	196,769	-	196,769
Project transaction costs	7,888	682	-	18,628	27,198
Recoverable advisory and other costs	17,946	-	-	-	17,946
Sub-contracting fees	-	9,678	-	-	9,678
Loan valuation allowance	-	-	11,231	-	11,231
	56,384	56,037	215,401	22,550	350,372
Surplus/(deficit)	$ 310	$ 2,318	$ 11,485	$ (1,687)	$ 12,426

INFRASTRUCTURE ONTARIO
NOTES TO FINANCIAL STATEMENTS
March 31, 2018 and 2017

20. COMPARATIVE FIGURES

The comparative Statement of Financial Position has been reclassified to present restricted cash separately from cash and to separate debt and capital related to the loan program to conform with the financial statement presentation in the current year.

In addition, the comparative Statement of Cash Flows has been reclassified to include restricted cash in the operating activities.

21. ADJUSTMENT TO PRIOR PERIOD

Management determined that the derivative financial instruments should be presented on a net basis in the Statement of Financial Position in accordance with the provisions of the agreement with its counterparty. Previously, the derivative financial instruments were presented on a gross basis in the Statement of Financial Position. As a result, the prior year reported derivative assets of $283.3 million and liabilities of $371.0 million have been adjusted to present the net derivative liabilities of $87.7 million as at March 31, 2017.

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Ontario
Ontario Mortgage and Housing Corporation
Société ontarienne d'hypothèques et de logement

Management's Responsibility for Financial Statements

The accompanying financial statements of the Ontario Mortgage and Housing Corporation have been prepared in accordance with Canadian public sector accounting standards and are the responsibility of management. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the statements have been properly prepared within the reasonable limits of materiality and in light of information available up to June 11, 2018.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis.

The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. An internal audit function independently evaluates the effectiveness of these internal controls on a periodic basis and reports its findings to management and to the Board of Directors.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal controls. The Board of Directors reviews and approves the financial statements.

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, which appears on the following page, outlines the scope of the Auditor General's examination and opinion.

On behalf of Management,

Keith Extance

Chief Executive Officer

Office of the Auditor General of Ontario
Bureau de la vérificatrice générale de l'Ontario

Independent Auditor's Report

To the Ontario Mortgage and Housing Corporation
and to the Minister of Housing

I have audited the accompanying financial statements of the Ontario Mortgage and Housing Corporation, which comprise the statement of financial position as at March 31, 2018, and the statements of operations, changes in net debt and accumulated deficit, 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 Ontario Mortgage and Housing Corporation as at March 31, 2018, 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.

Toronto, Ontario
June 11, 2018

Susan Klein, CPA, CA, LPA
Assistant Auditor General

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ONTARIO MORTGAGE AND HOUSING CORPORATION

Statement of Financial Position
As at March 31, 2018

	March, 31, 2018 ($ 000)	March 31, 2017 ($ 000)
Liabilities		
Accounts payable and accrued liabilities (Note 6)	6,270	8,373
Long-term debt (Note 7)	217,513	275,654
Long-Term Environmental Remediation (Note 3)	43,683	44,433
	267,466	328,460
Financial Assets		
Cash (Note 4)	1,714	1,560
Accrued interest from Universities and Colleges	44	60
Due from Province of Ontario	6,160	8,248
Investments in student housing properties (Note 5)	2,440	3,301
	10,358	13,169
Net Debt and Accumulated Deficit	(257,108)	(315,291)

Contingent Liabilities (Note 8)

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

On behalf of the Board:

Janet Hope, Chair

Keith Extance, Chief Executive Officer

ONTARIO MORTGAGE AND HOUSING CORPORATION

Statement of Operations
For the year ended March 31, 2018

	Budget ($ 000)	2018 ($ 000)	2017 ($ 000)
Revenue			
Subsidies from Province of Ontario:			
Debt service obligations	73,100	73,061	81,632
Environmental Remediation (Note 3)	11,500	2,500	9,871
Affordable Home Ownership Program (AHP) Mortgages	-	113	85
Interest received from Student Housing	200	191	245
Miscellaneous	10	39	32
Total revenues	84,810	75,904	91,865
Expenses			
Debentures Interest:			
Devolved properties	15,800	15,781	20,115
Student housing	200	191	245
Environmental Remediation (Note 3)	400	1,748	321
Miscellaneous	10	1	1
Total expenses	16,410	17,721	20,682
Excess of Revenues over Expenses (Note 9)	68,400	58,183	71,183

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

ONTARIO MORTGAGE AND HOUSING CORPORATION
Statement of Net Debt and Accumulated Deficit
For the year ended March 31, 2018

	Budget ($ 000)	2018 ($ 000)	2017 ($ 000)
Net Debt and Accumulated Deficit, beginning of year	(315,291)	(315,291)	(386,474)
Excess of Revenues over Expenses (Note 9)	68,400	58,183	71,183
Net Debt and Accumulated Deficit, end of year	(246,891)	(257,108)	(315,291)

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

ONTARIO MORTGAGE AND HOUSING CORPORATION

Statement of Cash Flows
For the year ended March 31, 2018

	2018 ($ 000)	2017 ($ 000)
Operating transactions		
Excess of Revenue over Expenses	58,183	71,183
Changes in non-cash working capital:		
Decrease in Accounts Payable and Accrued Liabilities	(2,103)	(3,489)
Decrease in Long-Term Environmental Remediation	(750)	(9,550)
Decrease in Accrued Interest from Universities and Colleges	16	10
Increase in Due from Canada Mortgage and Housing Corporation	-	6
Decrease in Due from the Province of Ontario	2,088	3,432
Cash provided by operating transactions	57,434	61,592
Financing Transactions		
Long-Term Debt Repayment		
– Province of Ontario	(6,067)	(6,602)
– Canada Mortgage and Housing Corporation	(52,074)	(55,721)
Cash applied to financing transactions	(58,141)	(62,323)
Investing Transactions		
Collection of Ontario Student Housing Long-Term Debt	861	806
Increase in Cash	154	75
Cash Balance at Beginning of Year	1,560	1,485
Cash Balance at End of Year	1,714	1,560

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

ONTARIO MORTGAGE AND HOUSING CORPORATION
Notes to the Financial Statements
For the year ended March 31, 2018

1. Nature of Operations

The Ontario Mortgage and Housing Corporation (the Corporation), formerly thė Ontario Housing Corporation, was established without share capital in 2006 under the Ontario Mortgage and Housing Corporation Act (OMHCA), as a provincial government agency. The Corporation's responsibilities include maintaining debt retirement obligations, debt service administration and satisfying obligations related to former public housing. The Corporation also carries out any other duties assigned by the Minister of Housing in respect of matters under the OMHCA.

In addition, the Corporation has the authority to manage, administer and deliver the Affordable Home Ownership Program, set out in the Canada-Ontario Affordable Housing Program Agreement, and to manage, administer and deliver other prescribed programs.

Under the *Social Housing Reform Act 2000*, the Corporation transferred, for no consideration, ownership of public housing units to Local Housing Corporations (LHCs) which are controlled by Municipal Service Managers. The Corporation retained its Investment in Student Housing and certain other assets, and responsibility for administering the Corporation's debts, and contingent liabilities. The Ontario Ministry of Housing (the Ministry) provides the Corporation with subsidies to cover its debt service payments and other expenses.

The Corporation is also responsible for managing the marketable and forgivable loans and mortgages that were owned by Ontario Mortgage Corporation prior to its dissolution and that were transferred to the Corporation on April 1, 2015.

As an agent of Her Majesty in right of Ontario, the OMHC is exempted from federal and provincial income taxes under the Income Tax Act and the Taxation Act.

2. Significant Accounting Policies

Significant accounting policies followed by the Corporation are summarized below:

(A) BASIS OF ACCOUNTING

These financial statements are prepared by management in accordance with Canadian public sector accounting standards for provincial reporting entities established by the Canadian Public Sector Accounting Board.

(B) REVENUES

Subsidies from the Province of Ontario (the Province) are accounted for as revenue when received, which is when the related expenses are incurred and when the environmental remediation liability is settled.

ONTARIO MORTGAGE AND HOUSING CORPORATION

Notes to the Financial Statements
For the year ended March 31, 2018

2. Significant Accounting Policies (Continued)

(C) EXPENSES

Expenses are reported on an accrual basis as incurred. These expenses include debt servicing cost such as interest expenses.

(D) FINANCIAL INSTRUMENTS

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

- Cash is subject to insignificant risk of change in value so the carrying value approximates fair value.
- Accrued Interest from Universities and Colleges, due from the Province, Investments in Student Housing Properties (note 5) and Interest Receivable are measured at amortized cost.
- Long-Term Debt, which consists of loans from the Province and Canada Mortgage and Housing Corporation debentures (note 7), is measured at amortized cost.
- Accounts Payable and Accrued Liabilities (note 6) are measured at cost.

(E) ACCUMULATED DEFICIT

The Accumulated Deficit that resulted from the transfer of properties to LHCs for no consideration is reduced each year by an amount equal to the portion of the subsidy from the Province required to cover principal payments on the Corporation's long-term debt. The Accumulated Deficit is also reduced by the revenues provided by the Province to settle the Corporation's Long-Term Environmental Remediation liability.

(F) USE OF ESTIMATES

Preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts. Actual results could differ from those estimates. Significant estimates include Long-Term Environmental Remediation Liability and Contingent Liabilities for Contaminated Sites.

ONTARIO MORTGAGE AND HOUSING CORPORATION

Notes to the Financial Statements
For the year ended March 31, 2018

3. Long-Term Environmental Remediation

The balance in the Liability for contaminated sites as at March 31, 2018 is $43.7 million.

The liability is management's best estimate based on environmental investigations performed by independent experts and reflects the costs required to remediate the sites. Remediation is expected to occur within the next six years.

There are two commitments as at March 31, 2018 - the multi-year Regent Park redevelopment project and the Alexandra Park redevelopment.

Regent Park, formerly owned by the Corporation, is being re-developed by the Toronto Community Housing Corporation (TCHC). The site has soil contamination as a result of historical industrial uses. Based on the redevelopment plan prepared by TCHC, it is expected that phases 2 and 3 will be completed by 2020-2021 after which phases 4 and 5 will start. Current cost estimates, based on site testing reports, to complete phases 2 and 3 are $12.0 million and, for phases 4 and 5 are $29 million.

In June 2013, TCHC advised that an Environmental Site Assessment (ESA) identified soil and groundwater contamination on the Alexandra Park site. In March 2014, TCHC requested that the Corporation provide financial assistance for soil remediation work. Cost estimates to remediate the contamination total $3.7 million.

The Long-Term Environmental Remediation liability balance is comprised of the following:

	($000)
April 1, 2017 Opening Balance	44,433
Increase: Revised Estimate	1,750
Decrease: Subsidy from Province for Remediation	(2,500)
Balance as at March 31, 2018	43,683

Cumulative costs for site remediation to March 31, 2018 are $35.1 million (2017 – $32.6 million).

4. Cash

The cash balance is made up of the following:

	March 31, 2018 ($ 000)	March 31, 2017 ($ 000)
Cash	542	500
Internally Restricted Cash	1,172	1,060
Total Cash Balance	1,714	1,560

The internally restricted cash includes monies received from the Affordable Housing Program (AHP) which are to be used under the OMHCA for housing purposes only.

ONTARIO MORTGAGE AND HOUSING CORPORATION

Notes to the Financial Statements
For the year ended March 31, 2018

5. Investments in Student Housing Properties

The Corporation's investments in student housing properties represents funds advanced to universities and colleges to cover building costs for student accommodation projects. Each advance is associated with a specific long-term debt obligation of the Corporation and each educational institution makes semi-annual payments to the Corporation equal to the payments on the Corporation's corresponding long-term debt. When the debt is fully repaid, any related encumbrances in favour of the Corporation on the properties are discharged.

	March 31, 2018 ($ 000)	March 31, 2017 ($ 000)
Original Cost	35,115	35,115
Less: Accumulated Capital Repayments	32,675	31,814
	2,440	3,301

6. Accounts Payable and Accrued Liabilities

Most of the Accounts Payable and Accrued Liabilities balance is comprised of accrued interest payable on the Corporation's Long-Term Debt and amounts owing for environmental remediation costs incurred prior to year end.

7. Long Term Debt

Long term debt is comprised of the following:

	March 31, 2018 ($ 000)	March 31, 2017 ($ 000)
Canada Mortgage and Housing Corporation	194,867	246,941
Loans Repayable to the Province	22,646	28,713
	217,513	275,654

The Corporation borrowed funds from the Canada Mortgage and Housing Corporation (CMHC) and received capital funds from the Province to finance investments in real property – now devolved to the LHCs. The capital funds provided by the Province are Loans Repayable to the Province, with interest and principal payments being made to the Ontario Ministry of Finance.

Interest on both the CMHC debt and the Loans Repayable to the Province are payable at various rates based on individual agreements – the average rates are 5.69% and 6.70% respectively (2017 – 5.93% and 6.81% respectively). Interest expense for year ended March 31, 2018 totaled $16.0 million; (2017 – $20.4 million), $1.9 million (2017 – $2.4 million) of which was paid to the Province.

The interest expense is included in Debentures Interest in the Statement of Operations and is off-set by the subsidy from the Ministry.

ONTARIO MORTGAGE AND HOUSING CORPORATION

Notes to the Financial Statements
For the year ended March 31, 2018

7. Long Term Debt (continued)

Scheduled payments over the next five years and thereafter are as follows:

	Gross Payments ($ 000)	Principal Payments ($ 000)
2019	63,858	53,192
2020	41,483	34,604
2021	31,410	26,799
2022	22,327	19,381
2023	15,064	13,321
Thereafter	16,250	14,764

8. Contingent Liabilities

(A) GUARANTEED DEBT

The Corporation previously entered into loan insurance agreements with CMHC pertaining to mortgage loans on projects funded under various provincially-funded non-profit housing programs administered by the Ministry. Under these agreements, CMHC has insured mortgage loans made by lenders approved under the National Housing Act for the purpose of purchasing, improving, constructing or altering housing units. While the insurance is provided by CMHC, the Corporation is liable to CMHC for any net costs, including any environmental liabilities, incurred as a result of the loan defaults.

The Corporation would request that the Ministry reimburse any costs incurred by the Corporation. As of March 31, 2018, there were $4.1 billion (2017 – $4.2 billion) of mortgage loans outstanding on provincially funded projects. To date, there have been no claims for defaults on the insured mortgage loans.

(B) CONTAMINATED SITES

The Corporation retains potential liability for cleaning up environmental contaminants of former public housing properties under the *Environmental Protection Act*, as noted in the former *Social Housing Reform Act, 2000* and maintained in the *Housing Services Act, 2011*. The Ministry reimburses the Corporation for costs incurred.

The Ministry completed its review in 2014-15 of the more than 1,500 former OMHC sites in order to better refine potential liabilities for environmental contamination. The potential liability is for soil and groundwater contaminants as defined under the *Environmental Protection Act*. Estimates were developed using a risk-based approach that analyzed current and historical land uses, local redevelopment potential, construction date and building type to assess potential environmental risk. A total of 50 sites were identified as having a high degree of risk for potential contamination. These 50 sites represent a potential contingent liability of approximately $295 million. The need for remediation would be confirmed if and when a Municipal Service Manager has identified a site for redevelopment.

ONTARIO MORTGAGE AND HOUSING CORPORATION

Notes to the Financial Statements
For the year ended March 31, 2018

9. Excess of Revenues over Expenses

The Corporation derives its revenues from two subsidies from the Province: the debt service obligation subsidy and the environmental remediation subsidy. The debt service obligation subsidy covers the interest on long-term debt included in Corporation's expenses, and the remaining portion represents the excess of revenues over expenses that is applied to the principal payments on the long-term debt.

Similarly, the environmental remediation subsidy covers the environmental remediation costs included in the Corporation's expenses, and the remaining portion represents the excess of revenues over expenses that is applied to offset the site remediation costs that are accounted for in the Long-Term Environmental Remediation obligation as described in note 3.

10. Related Party Transactions

The Corporation is controlled by the Province and is therefore a related party to other organizations that are controlled by or subject to significant influence by the Province. Transactions with related parties were:

(A) LOANS TO ONTARIO COLLEGES

As of March 31, 2018, the outstanding balance due from colleges with respect to loans for Student Housing Properties (Note 5) was $446,000 (2017 - $518,000). Total interest and principal payments received from colleges were $108,000 (2017 - $108,000).

(B) ADMINISTRATIVE EXPENSES

The Ministry provides administrative, financial, and program services to the Corporation at no charge. The cost for these services amounted to $150,000 (2017 - $150,000). All Board members are senior civil servants and support services are provided by staff of the Ministry in the normal course of their duties.

11. Risk Management

The Corporation is not exposed to significant credit risk as amounts classified as loans and receivables are due primarily from the Province and publicly-funded Ontario colleges and universities. The Corporation is also not exposed to significant liquidity risk or interest rate risk. These risks are borne by the Province.

Ontario Northland Transportation Commission

Management's Responsibility

The Ontario Northland Transportation Commission's management is responsible for the integrity and fair presentation of the consolidated financial statements and other information included in the annual report. The consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards. The preparation of consolidated financial statements necessarily involves the use of management's judgment and best estimates, particularly when transactions affecting the current accounting period cannot be determined with certainty until future periods. All financial information in the annual report is consistent with the consolidated financial statements.

The Commission maintains systems of internal accounting controls designed to provide reasonable assurance that the financial information is accurate and reliable and that the Commission's assets and liabilities are adequately accounted for and assets safeguarded.

The Commission is responsible for ensuring that management fulfils its responsibilities for internal control and financial reporting. The Commission meets with management and external auditors to satisfy itself that each group has met its responsibilities. These consolidated financial statements have been reviewed and approved by the Commission.

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

T. Laughren
Chair

C. Moore
President and CEO

North Bay, Ontario
June 27, 2018

Office of the Auditor General of Ontario
Bureau de la vérificatrice générale de l'Ontario

Independent Auditor's Report

To the Ontario Northland Transportation Commission

I have audited the accompanying consolidated financial statements of the Ontario Northland Transportation Commission, which comprise the consolidated statement of financial position as at March 31, 2018, and the consolidated statements of changes in net assets, operations, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of Ontario Northland Transportation Commission as at March 31, 2018 and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Toronto, Ontario
June 27, 2018

Bonnie Lysyk, MBA, FCPA, FCA, LPA
Auditor General

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Ontario Northland Transportation Commission
Consolidated Statement of Financial Position
(dollars in thousands)

March 31	2018	2017
Assets		
Current		
Cash and cash equivalents	$ 2,445	$ 1,008
Accounts receivable (Net of allowance - $84; 2017 - $73)	17,586	21,999
Inventory	16,479	17,629
Prepaid expenses	922	459
	37,432	41,095
Restricted cash (Note 4, 8 and 12)	2,296	2,271
Capital assets (Note 5)	399,706	372,591
Accrued pension benefit asset (Note 6a)	38,181	39,197
	$ 477,615	$ 455,154
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities	$ 22,841	$ 23,194
Current portion of long-term debt (Note 10)	427	406
Deferred revenue	105	65
	23,373	23,665
Deferred government contributions (Note 4 and 8)	2,209	2,185
Deferred government capital contributions (Note 9)	301,863	265,139
Long-term debt (Note 10)	1,731	2,159
Accrued non-pension benefit obligation (Note 6b)	87,858	86,183
Liability for contaminated sites (Note 11)	6,675	3,500
	423,709	382,831
Net assets		
Unrestricted	53,819	72,237
Internally restricted – Reserve for Self Insurance (Note 4 and 12)	87	86
	53,906	72,323
	$ 477,615	$ 455,154

Contingencies (Note 15) / **Commitments** (Note 16)

Approved on behalf of the Commission:

Chair

President and CEO

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

Ontario Northland Transportation Commission
Consolidated Statement of Changes in Net Assets
(dollars in thousands)

For the year ended March 31	2018	2017
Unrestricted Net Assets		
Balance, beginning of year	$ 72,237	$ 81,875
Transfer from (to) Reserve for Self Insurance (Note 12)	(1)	4,619
Deficiency of revenues over expenses for the year	(18,417)	(14,257)
Balance, end of year	$ 53,819	$ 72,237
Internally Restricted - Reserve for Self Insurance (Note 12)		
Balance, beginning of year	$ 86	$ 4,705
Transfers (to) from Unrestricted Net Assets	1	(4,619)
Balance, end of year	$ 87	$ 86
Total Net Assets	$ 53,906	$ 72,323

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

Ontario Northland Transportation Commission
Consolidated Statement of Operations
(dollars in thousands)

For the year ended March 31	2018	2017
Revenues		
Sales and other (Note 14)	$ 60,599	$ 61,435
Expenses (Note 14)		
Labour and Benefits (Note 6)	69,371	60,659
Materials and Parts	16,051	15,516
Services	6,916	7,998
Supplies and Equipment	4,002	4,475
Other (Note 18)	13,239	14,254
Interest on long-term debt (Note 10)	119	140
Loss (gain) on sale of capital assets	(195)	1,466
Investment income	(1)	(35)
Amortization of capital assets	15,653	14,109
	125,155	118,582
Deficiency of revenues over expenses before government funding	(64,556)	(57,147)
Government Operating Contributions (Note 13)	36,739	35,224
Amortization of deferred capital contributions (Note 9)	9,400	7,666
Deficiency of revenues over expenses for the year	$ (18,417)	$ (14,257)

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

Ontario Northland Transportation Commission
Consolidated Statement of Cash Flows
(dollars in thousands)

Year ended March 31	2018	2017
Cash provided by (used in)		
Operating activities		
Deficiency excess of revenues over expenses for the year	$ (18,417)	$ (14,257)
Items not affecting cash		
Amortization of capital assets	15,653	14,109
Amortization of deferred capital contributions	(9,400)	(7,666)
Loss (gain) on disposal of capital assets	(195)	1,466
Employee future benefit expense	19,960	14,807
	7,601	8,459
Changes in non-cash working capital balances		
Accounts receivable	4,413	24,280
Inventory	1,150	(5,558)
Prepaid expenses	(463)	(92)
Accounts payable and accrued liabilities	(353)	(11,744)
Deferred government contributions and deferred revenue	64	15
	12,412	15,360
Capital activities		
Purchase of capital assets	(43,679)	(52,624)
Proceeds from sale of capital assets	295	589
	(43,384)	(52,035)
Financing activities		
Principal repayment of long-term debt	(406)	(386)
Deferred capital contributions	46,934	48,753
Pension contributions paid	(13,171)	(11,063)
Non-pension benefits paid	(4,098)	(4,107)
Increase in liability for contaminated sites	3,175	-
	32,434	33,197
Increase (decrease) in cash and cash equivalents during the year	1,462	(3,478)
Cash and cash equivalents, beginning of year	3,279	6,757
Cash and cash equivalents, end of year	$ 4,741	$ 3,279
Represented by		
Cash and cash equivalents	$ 2,445	$ 1,008
Restricted cash and cash equivalents (Note 4)	2,296	2,271
	$ 4,741	$ 3,279

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

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements
(dollars in thousands)

Year ended March 31, 2018

1. Nature of Organization

The Ontario Northland Transportation Commission (the "Commission") is a Crown agency, reporting to the Minister of Northern Development and Mines (MNDM.) The Commission delivers a variety of services, including rail freight, passenger rail, motor coach, and remanufacturing and repair primarily in Northern Ontario.

The Commission generates revenues from the provision of transportation services. The Commission also receives an annual operational subsidy as well as capital subsidy from the Province of Ontario. The ability of the Commission to continue to offer its services and fulfill its mandate is dependent on the ongoing subsidies it receives from the Province.

As a not-for-profit Crown agency of the Province, the Commission is exempt from income taxes. This exemption extends to its wholly-owned subsidiaries, and accordingly no tax provision is recorded in these financial statements.

2. Significant Accounting Policies

These consolidated financial statements are prepared in accordance with the standards applicable for government not-for-profit organizations found in the Public Sector Accounting Handbook. They include the accounts of the Commission and its wholly-owned subsidiaries, Ontario Northland International Consulting Services Inc. and Nipissing Central Railway Company.

Revenue Recognition

Revenue from all sources is recognized when all of the following conditions are met:

a) services are provided or products delivered to customers
b) there is clear evidence that an arrangement exists, and
c) collection is reasonably assured.

Rail services revenues are generally recognized on completion of movements, with interline movements being treated as complete when the shipment is turned over to the connecting carrier.

Contract revenues are generally recorded on a percentage of completion basis as work reaches predetermined project milestones.

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements
(dollars in thousands)

Year ended March 31, 2018

2. **Significant Accounting Policies** (continued)

The Commission accounts for provincial contributions under the deferral method of accounting as follows:

- 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 related to operating expenditures are recognized as revenue when the related expenditures are incurred.

- The Province reimburses the Commission for the cost of certain capital assets purchased for use in operations. The Commission records the contributions as deferred capital contributions. Deferred capital contributions are amortized to revenue on a straight-line basis at rates corresponding to those of the related capital assets.

Capital Assets

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

The estimated useful lives for principal categories of capital assets are as follows:

Land	No amortization
Roadway	20 to 50 years
Buildings	50 years
Equipment	3 to 33 years
Coaches	10 to 12 years

No amortization is provided on assets under construction until they are placed in use.

Employee Future Benefits

Pension Plans - The Commission maintains a contributory defined benefit pension plan for its employees. It provides for pensions based on years of service and average pensionable earnings and is generally applicable from the first day of the month following employment. A Supplementary Employee Retirement Plan (SERP) also exists for employees who earn a lifetime pension amount in excess of the Canadian Income Tax Act's maximum. The obligations under the plan are determined using the accrued benefit method reflecting projected benefits for services rendered to date. The plans are not indexed; however, there have been a variety of ad hoc increases made to pensioners.

Non-Pension Benefit Plans - The Commission offers non-pension post retirement benefits such as group life, health care and long-term disability to employees through defined benefit plans. The costs associated with these future benefits are actuarially determined using the projected benefits method prorated on service and best estimate assumptions. In addition, as a Schedule 2 employer under the Workplace Safety and Insurance Board (WSIB), the Commission recognizes workers compensation benefits on an accrual basis using actuarial calculations provided by the WSIB for benefits in force, benefits not yet awarded and administrative loading costs.

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements
(dollars in thousands)

Year ended March 31, 2018

2. Significant Accounting Policies (continued)

Employee Future Benefits (continued)

Both Pension and Non-Pension expenses consist of current service costs, interest and adjustments arising from plan amendments, changes in assumptions and net actuarial gains or losses. These expenses are recorded in the year in which employees render services to the Commission. Event driven gains and losses are recognized immediately as revenues or expenses (WSIB and long term disability). Actuarial gains and losses are amortized on a straight line basis over the Expected Average Remaining Service Life (EARSL) of the employees covered by the plans (approximately 12 years). Past service costs are recognized in the period of plan amendment.

Pension fund assets are valued using current market values.

Inventory

Materials and supplies, with the exception of used rail and wheel-sets, are valued at the lower of cost and net realizable value by using the weighted-average costing methodology. Wheel-sets are valued at standard cost. The Commission uses the same cost formulas for all inventories having a similar nature and use to the Commission. The Commission periodically reviews the value of items in inventory and records write-downs or write-offs based on its assessment of slow moving or obsolete inventory. When net realizable value is less than carrying cost, inventory is written down accordingly. When circumstances which previously caused inventories to be written down no longer exist, that previous impairment is reversed.

Impairment of Capital Assets

Capital assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the capital asset may not contribute to the Commission's ability to deliver services. Recoverability is measured by a comparison of the carrying amount to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, both the asset and any related deferred capital contributions are written down by the amount by which the carrying amount of the asset exceeds the fair value of the asset. When quoted market prices are not available, the Commission uses the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset as an estimate of fair value.

Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated at the prevailing rates of exchange at the Consolidated Statement of Financial Position date. Revenues and expenses are translated at the rates of exchange in effect at the transaction date. Realized and unrealized gains and losses are included in the determination of excess of revenue over expenses.

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements
(dollars in thousands)

Year ended March 31, 2018

2. **Significant Accounting Policies** (continued)

Accounting Estimates

The preparation of the consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the useful lives of capital assets, valuation allowances for accounts receivable and inventory, liability for contaminated sites, and obligations for pension and non-pension post employment benefits. By their nature, these estimates are subject to measurement uncertainty. The effect of changes in such estimates on the consolidated financial statements in future periods could be significant. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the consolidated statement of operations in the year in which they become known.

Cash and Cash Equivalents

Cash includes cash on hand, balances with banks, and internally restricted cash.

Financial Instruments

The Commission classifies its financial instruments as either fair value or amortized cost. The accounting policy for each category is as follows:

Fair value

This category includes cash and cash equivalents which is initially recognized at cost and subsequently carried at fair value.

Transaction costs related to financial instruments in the fair value category are expensed as incurred.

Amortized cost

This category includes accounts receivable, accounts payable and accrued liabilities and long-term debt. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets, except for contributions, which are initially recognized at fair value.

Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Writedowns on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the writedown being recognized in the statement of operations.

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements
(dollars in thousands)

Year ended March 31, 2018

2. Significant Accounting Policies (continued)

Liabilities for Contaminated Sites

A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. Sites that are currently in productive use are only considered a contaminated site if an unexpected event results in contamination. A liability for remediation of contaminated sites is recognized when the Commission is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability includes all costs directly attributable to remediation activities including post remediation operations, maintenance and monitoring. The liability is recorded net of any expected recoveries.

3. Inventory

The cost of inventory expensed to operations and used in capital projects for 2018 was $12,096 (2017 - $12,357).

4. Restricted Cash

	2018	2017
Externally restricted – Deferred Contributions (Note 8)	$ 2,209	$ 2,185
Internally restricted – Reserve for Self Insurance (Note 12)	87	86
	$ 2,296	$ 2,271

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements
(dollars in thousands)

Year ended March 31, 2018

5. Capital Assets

	2018			2017
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Rail Services				
Roadway	$ 469,371	$ 173,339	$ 296,032	$ 280,381
Buildings	53,734	25,460	28,274	26,660
Equipment	110,409	62,894	47,515	31,651
Under construction	11,718	-	11,718	18,313
Motor Coach Services				
Buildings	2,998	757	2,241	2,224
Coaches	12,140	2,268	9,872	9,352
Under construction	3	-	3	-
Refurbishment				
Buildings	4,033	925	3,108	3,152
Equipment	1,183	240	943	858
	$ 665,589	$ 265,883	$ 399,706	$ 372,591

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements
(dollars in thousands)

Year ended March 31, 2018

6. Employee Future Benefits

The Commission is the administrator of its contributory pension plan which covers all permanent staff. The pension fund assets primarily include marketable securities, real estate and corporate and government bonds, which are invested by professional investment managers. The Commission's pension plans have an annual measurement date of December 31st.

The accrued pension benefit asset and non-pension benefit obligation and expenses are determined annually by independent actuaries in accordance with accepted actuarial practices and Canadian public sector accounting standards using management's best estimates. The date of the most recent actuarial valuation for the contributory pension plans for funding purposes was January 1, 2017. In accordance with existing pension regulations, annual valuations will be completed for the Commission's pension plans. The date of the most recent report for accounting purposes for the non-pension post employment benefit plan was December 31, 2017.

The pension plan's asset target percentage allocation and average asset allocation as at March 31, 2018, by category are as follows:

		Target	**2018**	2017
Equity securities	– Domestic	10% - 20%	**13.7%**	26.7%
	– Foreign	15% - 35%	**25.5%**	20.7%
Debt securities		40% - 60%	**57.8%**	49.1%
Real estate		0% - 15%	**2.0%**	1.8%
Short-term and other		0% - 15%	**1.0%**	1.7%
Total			**100%**	100%

Target percentages have been adjusted to conform to the revised investment policy.

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements
(dollars in thousands)

Year ended March 31, 2018

6. Employee Future Benefits (continued):

a. Reconciliation of accrued benefit obligation to accrued benefit asset (liability):

Pension Plans:

	Pension	SERP	2018 Total	2017 Actual
Accrued benefit obligation	$ (579,262)	$ (3,513)	$ (582,775)	$ (556,716)
Plan assets at fair value	548,330	-	548,330	523,157
Funded status - plan (deficit) surplus	(30,932)	(3,513)	(34,445)	(33,559)
Unamortized net actuarial loss	71,487	1,139	72,626	72,756
Accrued benefit asset (liability) net of valuation allowance, end of year	$ 40,555	$ (2,374)	$ 38,181	$ 39,197

	Pension	SERP	2018 Total	2017 Actual
Accrued benefit asset, beginning of year	$ 41,509	$ (2,312)	$ 39,197	$ 39,303
Employee future benefit expense	(13,885)	(302)	(14,187)	(11,169)
Funding contributions	12,931	240	13,171	11,063
Accrued benefit asset, end of year	$ 40,555	$ (2,374)	$ 38,181	$ 39,197

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements
(dollars in thousands)

Year ended March 31, 2018

6. **Employee Future Benefits** (continued):

b. **Reconciliation of accrued benefit obligation to accrued benefit asset (liability)**

Non-Pension Benefit Plans:

	2018	2017
Accrued benefit obligation, end of year	**$ (87,540)**	$ (88,246)
Unamortized net actuarial (gain) loss	**(318)**	2,063
Accrued benefit liability, end of year	**$ (87,858)**	$ (86,183)

	2018	2017
Accrued benefit liability, beginning of year	**$ (86,183)**	$ (86,652)
Benefit expense	**(5,773)**	(3,638)
Benefits paid	**4,098**	4,107
Accrued benefit liability, end of year	**$ (87,858)**	$ (86,183)

Included in the accrued non-pension benefit liability are workers' compensation benefits in the amount of $ 13,849 (2017 - $15,296). This amount has been determined from the most recent available actuarial calculations provided by the Workplace Safety and Insurance Board as at December 31, 2017.

c. **Components of Net Periodic Pension Benefit Expense**

	2018	2017
Current service cost less employee contributions	**$ 6,188**	$ 5,581
Interest on accrued benefit obligation	**28,741**	29,137
Expected return on plan assets	**(26,805)**	(28,107)
Amortization of net actuarial loss	**6,063**	4,558
	$ 14,187	$ 11,169

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements
(dollars in thousands)

Year ended March 31, 2018

6. Employee Future Benefits (continued):

d. Components of Net Periodic Non-Pension Benefit Expense

	2018	2017
Current service cost	$ 520	$ 2,334
Interest on accrued benefit obligation	2,605	2,662
Amortization and immediate recognition of net actuarial (gains) losses	2,648	(1,358)
	$ 5,773	$ 3,638

Total pension and non-pension benefit expense included in Labour and Benefits on the Statement of Operations is $19,960 (2017 - $14,807).

e. Weighted Average Assumptions

	2018	2017
Discount rate - pension	5.25%	5.50%
Discount rate - non pension	3.61%	3.76%
Discount rate – long-term disability	3.61%	3.76%
Discount rate - WSIB	4.50%	4.50%
Expected long-term rate of return on plan assets	5.00%	5.25%
Rate of compensation increase		
2017 to 2019	2.0 %	2.0%
2020	2.5 %	2.5%
2021 & thereafter	3.0%	3.0%
Average remaining service period (years)	12	12
Drug cost increases (grading down to 5% in 2020)	6.00%	6.50%
Medical and hospital cost increases	5.00%	5.00%
Dental cost increases	4.50%	4.50%
Vision care cost increases	0%	0%

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements
(dollars in thousands)

Year ended March 31, 2018

7. Credit Facilities

In March 2018, the Commission secured an operating line of credit with the Ontario Financing Authority (OFA) in the amount of $5 million, of which zero was being utilized as at March 31, 2018. The line of credit bears interest at the Province of Ontario's cost of borrowing for a 30-day term plus 2.5 basis points.

8. Deferred Contributions

Deferred contributions are restricted funds received from the Province to be used only on future expenditures relating to refurbishment bids for new contracts. These contributions will be recognized as revenue in the fiscal year the related expenditures are incurred.

The change in the deferred contributions balance is as follows:

	2018	2017
Balance, beginning of year	$ **2,185**	$ 2,169
Interest income	**24**	16
Balance, end of year	$ **2,209**	$ 2,185

9. Deferred Capital Contributions

Deferred capital contributions represent the unamortized capital contributions received from the Province to fund the acquisition of capital assets. The amortization of deferred capital contributions is recorded as revenue in the consolidated statement of operations using rates similar to those used to amortize the related assets acquired.

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

	2018	2017
Balance, beginning of year	$ **265,139**	$ 227,383
Contributions from the Province	**46,934**	48,753
Amortization to revenue	**(9,400)**	(7,666)
Retirements and transfers	**(810)**	(3,331)
Balance, end of year	$ **301,863**	$ 265,139

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements
(dollars in thousands)

Year ended March 31, 2018

10. Long-term Debt

	2018	2017
Loan from Ontario Financing Authority, bearing interest at 5.22 % per annum, repayable in blended monthly payments of $30 for 15 years beginning February 1, 2005	**$ 638**	$ 962
Loan from Ontario Financing Authority, bearing interest at 4.90% per annum, repayable in blended monthly payments of $13 for 25 years beginning February 1, 2006.	**1,520**	1,603
	2,158	2,565
Less current portion	**427**	406
Long-term debt	**$ 1,731**	$ 2,159

Interest on long-term debt was $119 (2017 - $140).

Principal payments required in the next five years and thereafter are as follows:

2018-2019	$ 427
2019-2020	390
2020-2021	96
2021-2022	101
2022-2023	106
Thereafter	1,038
	$ 2,158

11. Contaminated sites

The liability for contaminated sites is comprised of costs expected to be incurred on a former transloading property, identified in prior years, and former telecommunications sites, identified in the current year. The estimated costs have been determined with the assistance of consulting engineering firms and historical experience with remediation activities. The liability includes all costs anticipated to be incurred on these properties and there are no anticipated recoveries expected.

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements
(dollars in thousands)

Year ended March 31, 2018

11. Contaminated sites (continued):

		2018		2017
Former transloading property	$	3,500	$	3,500
Former tower sites		3,175		-
Contaminated sites liability	$	6,675	$	3,500

12. Internally Restricted Net Assets – Reserve for Self Insurance

The Commission follows the policy of self-insuring for damages from rolling stock derailments and for cargo damage. Annually the Commission gives consideration to transferring funds from its' unrestricted net assets to the Reserve for Self Insurance (the "Reserve") to finance such costs. Interest earned on the reserve balance and claims expensed in the reserve balance are recorded as revenue and expenses in the consolidated statement of operations then transferred to/from the Reserve.

The Reserve was significantly depleted in the previous year. The Commission and the Province continue to work on an implementation plan to deal with the self insurance fund and any related funding.

13. Government Contributions

A Memorandum of Understanding between the Commission and the Minister of Northern Development and Mines dated June 29, 2017, defines the amount of operating and capital contributions provided each fiscal year.

Details of Government contributions received during the year are as follows:

		2018		2017
Ministry of Northern Development and Mines:				
Rail - Passenger Service and Moosonee Branch	$	16,176	$	17,144
Rail and Other System Operations		12,158		11,448
Pension deficit funding pressure		7,483		5,852
	$	35,817	$	34,444
Special Operating – Ontera towers (Note 18)		459		780
Current year's operations		36,276		35,224
Capital contributions (Note 9)		46,934		48,753
Total from Ministry of Northern Development and Mines		83,210		83,977
National Transportation Agency of Canada:				
Current year's operations		463		-
Total Government contributions	$	83,673	$	83,977

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements
(dollars in thousands)

Year ended March 31, 2018

13. Government Contributions (continued):

In summary:

		2018		2017
Total Operating contributions:				
Ministry of Northern Development and Mines	$	**36,276**	$	35,224
National Transportation Agency of Canada		**463**		-
	$	**36,739**	$	35,224
Capital contributions (Note 9)		**46,934**		48,753
Total contributions	$	**83,673**	$	83,977

14. Segmented Information Disclosures

The Commission is a diversified Crown agency of the Province of Ontario that provides a wide range of services to its customers in Northeastern Ontario such as rail and motor coach transportation, refurbishment and freight services. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

Rail Services

Rail services relates to providing logistics and transportation solutions and the shipment of large quantities of products to and from Northeastern Ontario.

Polar Bear Services

Polar Bear Services relates to providing passenger transportation and shipping solutions between Cochrane and Moosonee.

Motor Coach Services

Motor coach services provides shipping solutions and passenger transportation to connect communities throughout Northern Ontario.

Remanufacturing and Repair

The Remanufacturing and Repair team is responsible for the repair and rehabilitation of railway rolling stock from customers spanning North America.

Administration

This relates to the expenses for the operations of the Commission itself and cannot be directly attributed to specific segments. It also includes some rental of properties to external customers in order to reduce overall costs.

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements
(dollars in thousands)

Year ended March 31, 2018

14. Segmented Information Disclosures (continued)

	Rail Services	Polar Bear Services	Motor Coach Services	Remanufacturing and Repair	Administration Note i)	Provincial Government Operating Contributions	2018 Total
Revenues	36,713	7,537	10,963	5,182	204	-	60,599
Expenses							
Labour and fringe benefits	23,190	11,379	5,790	2,700	6,352	-	49,411
Materials and parts	8,228	3,160	2,543	1,992	128	-	16,051
Services	2,230	1,459	1,488	89	1,650	-	6,916
Supplies and equipment	1,761	1,395	458	66	322	-	4,002
Other	3,617	1,022	1,337	65	2,227	-	8,268
	39,026	18,415	11,616	4,912	10,679	-	84,648
Excess (deficiency) revenues over expenses before items below:	(2,313)	(10,878)	(653)	270	(10,475)	-	(24,049)
Derailments	195	-	-	-	-	-	195
Inventory write-offs	1,142	-	-	-	-	-	1,142
Environmental assessment – Ontera towers	-	-	-	-	459	-	459
Contamination – Ontera towers	-	-	-	-	3,175	-	3,175
Interest on long-term debt	43	-	76	-	-		119
(Gain) loss on sale of capital assets	(145)	-	-	-	(50)		(195)
Investment income	-	-	-	-	(1)	-	(1)
Amortization of capital assets	10,052	3,421	1,022	442	716	-	15,653
Employee future benefits	6,883	4,724	1,811	882	5,660	-	19,960
Deficiency of revenues over expenses before government funding	(20,483)	(19,023)	(3,562)	(1,054)	(20,434)	-	(64,556)
Federal government operating contributions	463	-	-	-	-	-	463
Provincial government operating contributions	-	-	-	-	459	35,817	36,276
Amortization of deferred capital contributions	4,865	2,847	971	113	604	-	9,400
Excess (deficiency) of revenues over expenses	(15,155)	(16,176)	(2,591)	(941)	(19,371)	35,817	(18,417)

Note i) Administration employee future benefits includes $3,108 in long-term disability expenses for the entire organization.

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements
(dollars in thousands)

Year ended March 31, 2018

14. Segmented Information Disclosures (continued)

	Rail Services	Polar Bear Services	Motor Coach Services	Remanufacturing and Repair	Administration (Note i)	Provincial Government Operating Contributions	2017 Total
Revenues	37,977	8,198	10,809	4,130	321	-	61,435
Expenses							
Labour and fringe benefits	21,340	11,443	5,461	2,154	5,454	-	45,852
Materials and parts	7,547	4,049	2,193	1,582	145	-	15,516
Services	2,743	1,651	2,040	188	1,376	-	7,998
Supplies and equipment	1,972	1,454	553	129	367	-	4,475
Other	2,973	1,453	1,152	84	2,710	-	8,372
	36,575	20,050	11,399	4,137	10,052	-	82,213
Excess (deficiency) revenues over expenses before items below:	1,402	(11,852)	(590)	(7)	(9,731)	-	(20,778)
Derailments	5,102	-	-	-	-	-	5,102
Demolition – Ontera towers	-	-	-	-	780	-	780
Interest on long-term debt	59	-	81	-	-	-	140
(Gain) loss on sale of capital assets	(316)	1,059	(35)	-	758	-	1,466
Investment income	-	-	-	-	(35)	-	(35)
Amortization of capital assets	9,571	2,942	788	362	446	-	14,109
Employee future benefits	6,945	3,723	1,677	124	2,338	-	14,807
Deficiency of revenues over expenses before government funding	(19,959)	(19,576)	(3,101)	(493)	(14,018)	-	(57,147)
Provincial government operating contributions	-	-	-	-	780	34,444	35,224
Amortization of deferred capital contributions	4,122	2,432	738	49	325	-	7,666
Excess (deficiency) of revenues over expenses	(15,837)	(17,144)	(2,363)	(444)	(12,913)	34,444	(14,257)

Note i) Administration employee future benefits includes $253 in long-term disability expenses for the entire organization.

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements
(dollars in thousands)

Year ended March 31, 2018

15. Contingencies

In the normal course of its operations, various statements of claim have been issued against the Commission claiming damages for personal injury, property damages, environmental actions and employment-related issues. Damages, if any, cannot be estimated at this time and in any event the Commission is of the opinion that these claims are unfounded or covered by insurance after application of a $2,000 deductible. Should any loss result, it would be charged to the consolidated statement of operations when the amount is ascertained.

16. Commitments

The Commission is also obligated to certain job guarantee agreements with a significant number of its unionized employees. To the extent of any actual claims under these agreements, the Commission would maintain provisions for such items. Due to the nature of these agreements, the exposure for future payments may be material. However, such exposure would be based on certain actions of the Commission that have not occurred and as such no provision has been made as at the year-end date.

17. Economic Dependence

i. Customers:
The Rail Services Division derives substantially all of its revenue from four major customers.

ii. Province:
The Commission generates revenues from rail and motor coach services as well as remanufacturing and repair services. In addition, the Commission receives operating and capital grants from the Provincial government. The ability to continue to offer and grow its services and meet its obligations are dependent on the ongoing grants it receives from the Province of Ontario.

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements
(dollars in thousands)

Year ended March 31, 2018

18. Other Expenses

Included in Other expenses for the year are the following:

i. During the year the Commission incurred $458 in costs for environmental assessments of the land of six former communication towers in northern Ontario. These towers were originally sold as part of the Ontera disposition in fiscal 2015, however they were transferred back to the Commission in fiscal 2017.

ii. As result of the environmental assessments of the former Ontera tower sites, a contamination expense was recorded for $3,175 for the three northern sites located along the James Bay coast.

iii. During the year the Commission expensed $1,142 for inventory usage, and obsolete, and revalued inventory.

19. Settlement Expenses

In connection with the cancellation of the Northlander passenger train operation in 2012, a wage settlement agreement was negotiated with the United Steelworkers, the bargaining agent for those employees. The agreement was signed in August 2013 and resulted in wage continuation and maintenance of basic rates payments extending into August 2017 amounting to $616. In the current fiscal year $181 was paid out relating to this obligation.

20. Subsequent Events

In March 2018, the Province approved in principle the merger of the Ontario Northland Transportation Commission Contributory Pension Plan with the Public Service Pension Plan ("PSPP") effective May 1, 2018. Approval is required by the Financial Service Commission of Ontario and then the assets will be transferred to the Ontario Pension Board ("OPB"). No agreement is in place yet but is expected later in 2018. Ontario Northland Transportation Commission employees will begin contributing to the PSPP beginning May 1, 2018 and the Ontario Northland Transportation Commission Contributory Pension Plan will continue to pay pensioners and earn investment income until the assets are transferred to OPB. These financial statements do not recognize the impact of this merger of pension plans.

On May 30, 2018, the Polar Bear Express passenger train derailed 24 miles south of Moosonee with passengers and crew onboard. No serious injuries were reported. The cause and estimate of costs of the derailment are unknown at this time.

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements
(dollars in thousands)

Year ended March 31, 2018

21. Financial Instrument Classification

The following table provides cost and fair value information of financial instruments by category. The maximum exposure to credit risk would be the carrying value as shown below.

	2018		
	Fair Value	**Amortized Cost**	**Total**
Cash and cash equivalents	**$ 2,445**	**$ -**	**$ 2,445**
Accounts receivable	**-**	**17,586**	**17,586**
Accounts payable and accrued liabilities	**-**	**22,841**	**22,841**
Long-term debt	**-**	**2,158**	**2,158**
	$ 2,445	**$ 42,585**	**$ 45,030**

	2017		
	Fair Value	Amortized Cost	Total
Cash and cash equivalents	$ 1,008	$ -	$ 1,008
Accounts receivable	-	21,999	21,999
Accounts payable and accrued liabilities	-	23,194	23,194
Long-term debt	-	2,565	2,565
	$ 1,008	$ 47,758	$ 48,766

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements
(dollars in thousands)

Year ended March 31, 2018

21. Financial Instrument Classification (continued)

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

				2018
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	**$ 2,445**	**$ -**	**$ -**	**$ 2,445**

				2017
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 1,008	$ -	$ -	$ 1,008

There were no transfers between Level 1 and 2 for the years ended March 31, 2018 and 2017. There were no transfers in or out of Level 3.

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements
(dollars in thousands)

Year ended March 31, 2018

22. Financial Instrument Risk Management

Credit risk

Credit risk is the risk of financial loss to the Commission if a debtor fails to make payments of interest and principal when due. The Commission is exposed to this risk relating to its cash and accounts receivable. The Commission holds its cash accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation. In the event of default, the Commission's cash accounts are insured up $400,000 (2017 - $400,000).

Accounts receivable are due from customers and the Province of Ontario. Credit risk is mitigated by financial approval processes before a customer is granted credit. The Commission measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is set up based on the Commission's historical experience regarding collections. The amounts outstanding at year end were as follows:

March 31, 2018					**Past Due**
	Total	**Current**	**1-30 days**	**31-60 days**	**over 61 days**
Government receivables	**$ 4,968**	**$ 1,665**	**$ 3,303**	**$ -**	**$ -**
Customer receivables	**12,702**	**10,354**	**1,427**	**141**	**780**
Gross receivables	**17,670**	**12,019**	**4,730**	**141**	**780**
Less: impairment allowances	**(84)**	**-**	**-**	**-**	**(84)**
Net receivables	**$ 17,586**	**$ 12,019**	**$ 4,730**	**$ 141**	**$ 696**

March 31, 2017					Past Due
	Total	Current	1-30 days	31-60 days	over 61 days
Government receivables	$ 11,713	$ 7,624	$ 4,089	$ -	$ -
Customer receivables	10,359	5,793	2,008	289	2,269
Gross receivables	22,072	13,417	6,097	289	2,269
Less: impairment allowances	(73)	-	-	-	(73)
Net receivables	$ 21,999	$ 13,417	$ 6,097	$ 289	$ 2,196

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

22. Financial Instrument Risk Management (continued)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: currency risk, interest rate risk and equity risk.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Currency risk

Currency risk relates to the Commission operating in different currencies and converting non-Canadian earnings at different points in time when adverse changes in foreign currency rates occur. The Commission maintains a USD bank account to receive USD from customers and to pay USD to suppliers and other carriers. There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Interest rate risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. The Commission is exposed to this risk through its interest bearing long-term debt.

The Commission's long-term debt as described in Note 8 would not be impacted as the inherent rate of the debt has been fixed.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Equity risk

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Commission is not exposed to this risk.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Liquidity risk

Liquidity risk is the risk that the Commission will not be able to meet all cash outflow obligations as they come due. The Commission mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and regular reports to the Province of Ontario.

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements
(dollars in thousands)

Year ended March 31, 2018

22. Financial Instrument Risk Management (continued)

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows of financial liabilities):

2018	**Within 6 months**	**6 months to 1 year**	**1-5 years**	**> 5 years**
Accounts payable	**$ 22,841**	**$ -**	**$ -**	**$ -**
Long-term debt	**213**	**214**	**693**	**1,038**
Total	**$ 23,054**	**$ 214**	**$ 693**	**$ 1,038**

2017	Within 6 months	6 months to 1 year	1-5 years	> 5 years
Accounts payable	$ 23,194	$ -	$ -	$ -
Long-term debt	203	203	1,120	1,039
Total	$ 23 397	$ 203	$ 1,120	$ 1,039

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

23. Comparative Figures

Prior year's figures have been reclassified where necessary to conform to the current year's financial statement presentation.

ONTARIO PLACE CORPORATION

Ontario Place Corporation financial statements for the year ended December 31, 2017 were not available at the time of printing. When available, they will be posted to the website: www.ontario.ca.

ONTARIO SECURITIES COMMISSION

Management's Responsibility and Certification

Management is responsible for the integrity, consistency and reliability of the financial statements and other information presented in the annual report. The financial statements have been prepared by Management in accordance with International Financial Reporting Standards.

We certify that we have reviewed the financial statements and other information contained in the annual report, and, based on our knowledge, they do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the statements and the annual report.

Based on our knowledge, the financial statements together with other financial information included in the annual report fairly present in all material respects the financial condition, results of operations and cash flows of the Ontario Securities Commission (the "OSC") as of the dates and for the periods presented. The preparation of financial statements involves transactions affecting the current period which cannot be finalized with certainty until future periods. Estimates and assumptions are based on historical experience and current conditions, and are believed to be reasonable.

We are responsible for establishing and maintaining internal control over financial reporting for the OSC. We have designed such internal control over financial reporting, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles.

We evaluated, or caused to be evaluated under our supervision, the effectiveness of the OSC's internal control over financial reporting at the financial year-end, and the OSC has disclosed in its annual MD&A our conclusion about the effectiveness of internal control over financial reporting at the financial year-end based on that evaluation.

We have also disclosed in the MD&A any change in our internal control over financial reporting that occurred during the year that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

The Board of Directors ensures that management fulfills its responsibility for financial reporting and internal control. The financial statements have been reviewed by the Audit and Finance Committee and approved by the Board of Directors. The Auditor General's Report, which follows, outlines the scope of the Auditor's examination and opinion on the financial statements.

M. Jensen

Maureen Jensen
Chair and Chief Executive Officer

Mary Campione
Director, Financial Management & Reporting

June 5, 2018

Office of the Auditor General of Ontario
Bureau de la vérificatrice générale de l'Ontario

Independent Auditor's Report

To the Ontario Securities Commission

I have audited the accompanying financial statements of the Ontario Securities Commission, which comprise the statement of financial position as at March 31, 2018, and the statements of comprehensive income, statement of changes in surplus and statement of 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 International Financial Reporting 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 Ontario Securities Commission as at March 31, 2018 and its financial performance, and its cash flows for the year ended in accordance with the International Financial Reporting Standards

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Toronto, Ontario
June 5, 2018

Bonnie Lysyk, MBA, FCPA, FCA, LPA
Auditor General

Ontario Securities Commission

Statement of Financial Position
(in Canadian dollars)

As at March 31	Note(s)		2018		Restated* 2017
ASSETS					
Current					
Cash		$	58,917,413	$	42,345,003
Trade and other receivables	4, 5		3,652,751		4,795,056
Prepayments			2,380,100		1,527,576
Total current		**$**	**64,950,264**	**$**	**48,667,635**
Non-current					
Funds held pursuant to designated settlements and orders	3(d), 6	$	42,095,231	$	37,995,716
Funds restricted for CSA Systems operations and redevelopment	2, 7, 17		137,825,393		134,886,194
Reserve funds	8		20,000,000		20,000,000
Property, plant & equipment	9		11,448,550		12,502,675
Total non-current		**$**	**211,369,174**	**$**	**205,384,585**
Total assets		**$**	**276,319,438**	**$**	**254,052,220**
LIABILITIES					
Current					
Trade and other payables	10	$	16,507,584	$	16,717,810
Total current		**$**	**16,507,584**	**$**	**16,717,810**
Non-current					
Pension liabilities	12(b)	$	4,104,618	$	3,839,928
Funds held pursuant to designated settlements and orders	3(d), 6		42,095,231		37,995,716
Funds restricted for CSA Systems operations and redevelopment	2, 7, 17		137,825,393		134,886,194
Total non-current		**$**	**184,025,242**	**$**	**176,721,838**
Total liabilities		**$**	**200,532,826**	**$**	**193,439,648**
SURPLUS					
General		$	55,786,612	$	40,612,572
Reserve	8, 13		20,000,000		20,000,000
Operating surplus		**$**	**75,786,612**	**$**	**60,612,572**
Total liabilities and surplus		**$**	**276,319,438**	**$**	**254,052,220**

* 2017 Funds restricted for CSA Systems operations and redevelopment have been restated, refer to Note 2(d)(i)

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

On behalf of the Board of the Commission

M. Jensen

Maureen Jensen
Chair

William Furlong
Chair, Audit and Finance Committee

Ontario Securities Commission

Statement of Comprehensive Income

(in Canadian dollars)

For the year ended March 31	Note(s)	2018	2017
REVENUE			
Fees	3(c), 14	$ 124,230,016	$ 119,516,341
Miscellaneous		77,066	167,627
Interest income		511,625	243,132
		$ 124,818,707	**$ 119,927,100**
EXPENSES			
Salaries and benefits	15	$ 84,477,723	$ 81,864,332
Administrative	16	8,447,603	9,084,988
Occupancy		8,082,581	8,352,813
Professional services		6,584,053	6,862,591
Depreciation	9	3,906,597	3,112,148
Other		882,803	805,454
		$ 112,381,360	**$ 110,082,326**
Recoveries of insurance proceeds over loss on asset disposal	9	(521,938)	—
Recoveries of enforcement costs	3(g)	(853,902)	(160,250)
Recoveries of investor education costs	3(g), 19	(1,475,045)	(1,470,894)
		$ 109,530,475	**$ 108,451,182**
Excess of revenue over expenses		**$ 15,288,232**	**$ 11,475,918**
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit and loss:			
Remeasurements of defined benefit pension plans	12 (b)	$ (114,192)	$ (110,166)
Other comprehensive loss		**$ (114,192)**	**$ (110,166)**
Total comprehensive income		**$ 15,174,040**	**$ 11,365,752**

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

Statement of Changes in Surplus

(in Canadian dollars)

For the year ended March 31	Note(s)	2018	2017
Operating surplus, beginning of year		$ 60,612,572	$ 49,246,820
Total comprehensive income		15,174,040	11,365,752
Operating surplus, end of year		**$ 75,786,612**	**$ 60,612,572**
Represented by:			
General		$ 55,786,612	$ 40,612,572
Reserve	8, 13	20,000,000	20,000,000
		$ 75,786,612	**$ 60,612,572**

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

Ontario Securities Commission

Statement of Cash Flows

(in Canadian dollars)

For the year ended March 31	Note(s)	2018	Restated* 2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess of revenue over expenses		$ 15,288,232	$ 11,475,918
Adjusted for:			
Interest received		$ 450,107	$ 232,868
Interest income		(511,625)	(243,132)
Pension liabilities		150,498	121,720
Loss on disposal of property, plant & equipment	9	531,763	865
Depreciation	9	3,906,597	3,112,148
		$ 19,815,572	**$ 14,700,387**
Changes in non-cash working capital:			
Trade and other receivables		$ 1,203,823	$ (952,951)
Prepayments		(852,524)	(4,870)
Trade and other payables		(1,371,436)	616,974
		$ (1,020,137)	**$ (340,847)**
Net cash flows from operating activities		**$ 18,795,435**	**$ 14,359,540**
CASH FLOWS USED IN INVESTING ACTIVITIES			
Purchase of property, plant & equipment	9	$ (2,223,025)	$ (1,259,252)
Net cash used in investing activities		**$ (2,223,025)**	**$ (1,259,252)**
Net increase in cash position		$ 16,572,410	$ 13,100,288
Cash, beginning of year		**42,345,003**	**29,244,715**
Cash, end of year		**$ 58,917,413**	**$ 42,345,003**
SUPPLEMENTAL CASH FLOW INFORMATION			
Property, plant & equipment funded by trade and other payables		**$ 1,161,210**	**$ 1,483,496**

* 2017 Purchase of Property, plant & equipment and trade and other payables has been restated to reduce Property, plant & equipment funded by trade and other payables. See supplemental cash flow information above.

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

Ontario Securities Commission

Notes to the Financial Statements

1. Reporting entity

The Ontario Securities Commission (OSC) is a corporation domiciled in Canada. The address of the OSC's registered office is 20 Queen Street West, Toronto, Ontario, M5H 3S8. The OSC is a corporation without share capital and is the regulatory body responsible for regulating the province's capital markets. As a Crown corporation, the OSC is exempt from income taxes.

2. Basis of presentation

(a) Statement of compliance

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). These financial statements are as at March 31, 2018 and for the year then ended and includes comparatives. These financial statements were authorized for issue by the Board of Directors on June 5, 2018.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value, and pension liabilities that are measured net of actuarial gains and losses, as explained in Note 3(e). Historical cost is generally based on the fair value of the consideration given in exchange for assets.

(c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the OSC's functional currency. Amounts have been rounded to the nearest dollar.

(d) Use of judgments and sources of estimation uncertainty

(i) Judgments

The preparation of financial statements in accordance with IFRS requires that management make judgments in applying accounting policies that can affect the reported amounts of assets and liabilities as at the date of the financial statements, as well as the reported amounts of revenue and expenditures for the period.

The following are the judgments in applying accounting policies, apart from those involving estimates, that have the most significant effect on the amounts recognized in the financial statements.

Recoveries of investor education costs

Beginning April 1, 2015, the OSC began recovering costs that are in accordance with subparagraph 3.4(2)(b)(ii) of the *Securities Act* (Ontario) which was amended on June 20, 2012 to expand the purposes for which enforcement monies may be designated to include "for use by the Commission for the purpose of educating investors or promoting or otherwise enhancing knowledge and information of persons regarding the operation of the securities and financial markets" ("investor education costs").

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The OSC developed guidelines to assist in determining which costs would be in accordance with subparagraph 3.4(2)(b)(ii). The OSC exercised judgement in evaluating the types of costs incurred which would be in accordance with these guidelines. See Note 19 for a summary of costs recovered.

Funds restricted for Canadian Securities Administrators (CSA) Systems operations and redevelopment (Funds Restricted for CSA Systems)

Previously, the OSC was appointed to administer the financial management processes of the CSA Systems net assets. During the year, the OSC changed the application of its accounting policy for CSA Systems from the recognition of *"Net assets held for CSA Systems operations and redevelopment"* to *"Funds restricted for CSA Systems operations and redevelopment"*. This change was made to provide users of OSC's financial statements with more relevant information as it recognizes only the elements for which the OSC holds and manages for CSA Systems (cash and investments with a corresponding liability for those assets). Although the use of the CSA Systems surplus funds is governed by the four principal administrators (PAs), each having one vote on CSA Systems matters, the OSC's role is that of custodian over these funds. The four PAs are the OSC, British Columbia Securities Commission (BCSC), Alberta Securities Commission (ASC) and l'Autorité des marchés financiers (AMF).

Based on an evaluation of the contractual terms and conditions related to the arrangement, OSC management has exercised judgment to determine that participants in the capital markets, rather than the OSC (or other CSA members, including the Investment Industry Regulatory Organization of Canada (IIROC) in the case of NRD until October 13, 2013), obtain the benefit or rewards from the restricted funds or any future development of the CSA Systems. The OSC does not control or have significant influence over how the restricted funds are managed in performing its custodial role for the CSA Systems.

The OSC exercised judgment to determine that the Funds restricted for CSA Systems administered by the OSC on behalf of CSA Systems are best represented by the presentation of an asset and a corresponding liability. The change in the application of the accounting policy resulted in a reduction in the asset and corresponding liability of $25.1 million (2017 - $16.8 million).

See Note 7 for more information, including summary financial information related to CSA Systems operations and redevelopment.

(ii) Sources of estimation uncertainty

The preparation of financial statements in accordance with IFRS requires management to make assumptions about the future and other sources of estimation uncertainty that have a significant risk of affecting the carrying amounts of assets and liabilities within the next fiscal year. Determining the carrying amounts of some assets and liabilities requires management to estimate the effects of uncertain future events on those assets and liabilities at the end of the reporting period. Actual amounts can differ from these estimates to the extent future outcomes differ significantly from management's estimations. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The following are the key assumptions and other major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year.

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Notes to the Financial Statements

Supplemental pension plan

Supplemental pension plan liabilities represent the estimated present value of the OSC's obligation for future payments on March 31, 2018. The OSC utilizes an independent actuarial expert to determine the present value of the defined benefit obligation of the Supplemental pension plan and related impact to the Statement of comprehensive income and Other comprehensive income (OCI).

In some cases, this determination will involve management's best estimates and information from other accredited sources. A change in one or more of these assumptions could have a material impact on the OSC's financial statements.

The significant actuarial assumptions used to determine the present values of the defined benefit obligations and sensitivity analysis of changes in the actuarial assumptions used are outlined in Note 12(b).

Designated settlements and orders and Recoveries of enforcement costs

Funds held pursuant to designated settlements and orders and Recoveries of enforcement costs are recorded when settlements are approved or orders are made by the Commission, unless management determines that collecting the settlement and order is significantly doubtful, in which case it is recognized when payment is received. Estimation is required to determine the collectible amount of designated settlements, orders and Recoveries of enforcement costs.

Management considers the ability of the respondent to pay the sanction amount, the ability to locate the respondent and whether the respondent owns any assets. A change in any of these factors could have a material impact on the OSC's financial statements. Assets and liabilities will change based on estimated designated settlements and order amounts deemed to be collectible. Expenses may change based on Recoveries of enforcement costs. For more information on Designated settlements and orders, see Note 6.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. See Note 20 for discussion related to accounting standards, interpretations and amendments that became effective in the year.

(a) Financial instruments

Financial assets and financial liabilities are recognized when the OSC becomes a party to the contractual provisions of the instrument.

Financial instruments are classified into one of the following categories: financial assets at fair value through excess of revenues over expenses (held-for-trading), loans and receivables, and other liabilities.

Financial assets and financial liabilities are measured initially at fair value plus transaction costs, except for financial assets carried at fair value through excess of revenues over expenses, which are measured initially at fair value.

Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire or when all substantial risks and rewards of the financial assets are transferred.

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Notes to the Financial Statements

A financial liability is derecognized when it is extinguished; that is, when the contractual obligation is discharged, cancelled or expires.

The OSC has adopted the following classifications for financial assets and financial liabilities:

Financial assets at fair value through excess of revenues over expenses (held-for-trading)

Cash, cash held pursuant to designated settlements and orders, Funds restricted for CSA Systems operations and redevelopment, and Reserve funds are classified as held-for-trading. The recorded balances approximate their fair value.

Loans and receivables

Trade and other receivables and receivables from designated settlements and orders are classified as loans and receivables and are measured at amortized cost, less any impairment loss. Impairment provisions are recognized when there is objective evidence (such as significant financial difficulties on the part of a market participant, or default or significant delay in payment) that the OSC will be unable to collect all, or a portion, of the amounts due under the terms of the amount receivable.

Other liabilities

Trade and other payables are classified as other liabilities and measured at amortized cost. The recorded balances approximate their fair value.

(b) Property, plant & equipment

Items of Property, plant & equipment are recorded at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

The cost of the Property, plant & equipment, less any residual value, is depreciated and recognized in excess of revenues over expenses on a straight-line basis over the estimated useful life of the asset, as follows:

Computer hardware and related applications	3 years
Network servers and cabling	5 years
Office furniture and equipment	5 to 10 years
Leasehold improvements	Lesser of lease term[1] and useful life of asset

The estimated useful lives, residual values and depreciation method are reviewed at the end of each fiscal year. Any changes in estimates are accounted for on a prospective basis.

An item of Property, plant & equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from the disposal or retirement of an item of Property, plant & equipment is determined as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognized in excess of revenues over expenses.

1 The lease term is the non-cancellable period for which the OSC has contracted to lease the asset together with any renewal options that are reasonably certain to be exercised.

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Notes to the Financial Statements

Items of Property, plant & equipment are reviewed for impairment at each reporting date. If any impairment is indicated, the asset's recoverable amount is estimated. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

(c) Revenue recognition

Participation fees

Participation fees are recognized when received. Prior to receipt of the fee, the probability that the economic benefits associated with the transaction will flow to the OSC is unknown. Reliable measurement of participation fees for new market participants is not possible because the market capitalization of issuers or the specified Ontario revenue of registrants, on which their participation fees are based, cannot be determined prior to receipt.

These fees represent the payment for the right to participate in the Ontario capital markets. The OSC has no specific obligations throughout the year to any individual market participant. As such, the OSC's performance consists of a single act, which is receipt of the fee payment. Once the fee is paid, there is no obligation to refund the fees and there are no other unfulfilled conditions on behalf of the OSC. Therefore, participation fees are deemed to be earned upon receipt. In the case of specified regulated entities that file their participation fees through the OSC's electronic filing portal, revenue is recognized when the fee amount can be reliably measured, which is the date the required document has been filed, or the corresponding outstanding fee is paid.

Activity fees

Activity fees represent the direct cost of OSC staff resources expended in undertaking certain activities requested of staff by market participants. Activity fees are recognized when the filing is received, as the activities undertaken are normally completed in a relatively short period of time.

Late filing fees

Late filing fees relating to insider trading reports are recognized weekly and include fees related to all insider trading reports filed late in the preceding seven-day period. Other late fee amounts are recognized when the fee amount can be reliably measured, which is the date the required document has been filed, or the corresponding outstanding fee is paid.

(d) Funds held pursuant to designated settlements and orders

Funds held pursuant to designated settlements and orders are recorded when settlements are approved or orders are made by the Commission, unless management determines that collecting the settlement amount is significantly doubtful, in which case they are recognized when payment is received. Due to the restricted use of Funds held pursuant to designated settlements and orders, a corresponding Non-current liability that equals the related Non-current asset is reflected in the Statement of financial position.

(e) Employee benefits

Ontario Public Service Pension Plan (OPSPP)

The OSC provides pension benefits to its full-time employees through participation in the OPSPP. The Province of Ontario is the sole sponsor of the OPSPP. This plan is accounted for as a defined contribution plan because sufficient information is not provided to the OSC or otherwise available for the OSC to apply defined benefit plan accounting to this pension plan.

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Notes to the Financial Statements

The plan sponsor is 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 OSC. The OSC is not exposed to any liability to the plan for other entities' obligations under the terms and conditions of the plan. There is no deficit or surplus in the plan that could affect the amount of future contributions for the OSC.

In addition, there is no agreed allocation of a deficit or surplus on wind-up or withdrawal by the OSC from the plan. Payments made to the plan are recognized as an expense when employees have rendered the service entitling them to the contributions. For more information on the OPSPP, see Note 12(a).

Supplemental pension plan

The OSC also maintains unfunded supplemental pension plans for its current and former Chairs and Vice-Chairs as described in Note 12(b). These plans are final salary pension plans, which provide benefits to members in the form of a guaranteed level of pension payable for life. The level of the target benefits provided depends on the member's length of service and their salary in the final years prior to retirement. In some plans, the target benefits are indexed with inflation. The target benefits are then offset by the benefits payable from the OPSPP (registered and supplemental plans), which are linked to inflation.

The defined benefit liability recognized in the Statement of financial position for the supplemental pension plans is the present value of the defined benefit obligation at the reporting date.

Actuarial gains and actuarial losses resulting from remeasurements of the net defined benefit liability arising from the supplemental pension plans are recognized immediately in the Statement of financial position with a corresponding debit or credit through OCI in the period in which they occur. Remeasurements are not reclassified to excess of revenues over expenses in subsequent periods.

Other post-employment obligations

The costs of non-pension benefits for eligible pensioners are paid by the Government of Ontario and are not included in the Statement of comprehensive income, as described in Note 18(b).

Termination benefits

Termination benefits are generally payable when employment is terminated before the normal retirement date or when an employee accepts voluntary redundancy in exchange for these benefits. The OSC recognizes a liability and an expense for termination benefits at the earlier of the date the OSC has demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without a realistic possibility of withdrawal or when the OSC has recognized costs for providing termination benefits as a result of a restructuring involving a fundamental reorganization that has a material effect on the nature and focus of OSC operations.

Short-term benefits

Short-term employee benefits, such as salaries, pension contributions, paid annual leaves and bonuses, are measured on an undiscounted basis and are expensed as the related service is provided to the OSC.

(f) Leases

All leases currently recorded are classified as operating leases. Lease payments are expensed on a straight-line basis over the term of the lease.

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If lease incentives are received to enter into operating leases, the aggregate benefit of the incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the period in which economic benefits from the leased asset are consumed.

(g) Recoveries

Recoveries of enforcement costs

Recoveries of enforcement costs are recorded as offsets to total expenses on the date a settlement is approved or an order is issued by the OSC, unless management determines that collecting the settlement amount is significantly doubtful, in which case, recovery is recognized when payment is received.

Recoveries of investor education costs

Recoveries of investor education costs are recorded as offsets to total expenses on a quarterly basis based on the eligible expenses recorded in the quarter.

(h) Provisions

A provision is recognized when a present legal or constructive obligation results from past events, it is probable that an outflow of resources will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made.

4. Financial instruments risks

The OSC is exposed to various risks in relation to financial instruments. The OSC's objective is to maintain minimal risk. The OSC's financial assets and liabilities by category are summarized in Note 3(a). The main types of risks related to the OSC's financial instruments are currency risk, interest rate risk, credit risk and liquidity risk. This note provides information about the OSC's exposure to these risks and the OSC's objectives, policies and processes for measuring and managing these risks.

Currency risk

The OSC's exposure to currency risk is minimal due to the low number of transactions denominated in currencies other than Canadian dollars.

Interest rate risk

The OSC's financial assets and liabilities are not exposed to significant interest rate risk due to their short-term nature. The OSC's Cash, Funds held pursuant to designated settlements and orders, Funds restricted for CSA Systems operations and redevelopment and Reserve funds are held by Schedule 1 financial institutions (and credit unions in British Columbia with respect to Funds restricted for CSA Systems operations and redevelopment). The bank balances earn interest at a rate of 1.85% below the prime rate. The average rate of interest earned on bank balances for the year was 1.22% (2017 – 0.85%).

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Notes to the Financial Statements

A 25 basis point change in the interest rate would impact the OSC's operating surplus as follows:

Impact on operating surplus

	25 basis points increase in rates	25 basis points decrease in rates
Reserve funds	$ 44,096	$ (44,096)
Cash balance	58,624	(58,624)
	$ 102,720	**$ (102,720)**

Credit risk

The OSC is exposed to minimal credit risk related to Cash, Funds held pursuant to designated settlements and orders, Funds restricted for CSA Systems operations and redevelopment, Reserve funds and Trade and other receivables.

Schedule 1 financial institutions hold approximately 87% of the OSC's financial assets including those held for Funds restricted for CSA Systems operations and redevelopment and another 11% are held in two credit unions in British Columbia (for cash components of Funds restricted for CSA Systems operations and redevelopment exclusively). The remaining balance of financial assets are accounts receivable. The Credit Union Deposit Insurance Corporation (CUDIC), a statutory corporation, guarantees all deposits of British Columbia credit unions, as set out in the Financial Institutions Act. Given the nature of these counterparties, it is management's opinion that exposure to concentration of credit risk is minimal.

Trade receivable balances consist of a large number of debtors owing individually immaterial balances.

Other receivables in aggregate are material, with most debtors owing individually and in aggregate immaterial amounts, and a small number of debtors owing larger amounts, which are material in aggregate or individually, and are receivable from:

- Funds restricted for CSA Systems operations and redevelopment, to recover staff and space costs and other charges incurred,
- Funds held for designated settlements and orders, to recover investor education costs,
- Government of Canada for recovering Harmonized Sales Tax (HST) paid during the year, and
- Government of Canada to recover costs for OSC space under a sublease.

Therefore, the OSC's exposure to concentration of credit risk is minimal.

The OSC maintains an allowance for doubtful accounts. Therefore, the carrying amount of Trade and other receivables generally represents the maximum credit exposure. Based on historical information about debtors' default rates, management considers the credit quality of trade receivables that are not past due or impaired to be good. Collection efforts continue for Trade and other receivables balances, including those that are captured in the allowance for doubtful accounts.

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Notes to the Financial Statements

The aging of Trade and other receivables is as follows:

	Note	March 31, 2018	March 31, 2017
Current		$ 3,114,653	$ 2,526,475
Past due 31 to 60 days		202,548	922,861
Past due 61 to 90 days		16,208	484,114
Past due greater than 90 days (net)		319,342	861,606
Total Trade and other receivables	**5**	**$ 3,652,751**	**$ 4,795,056**

Past due greater than 90 days detail	Note	March 31, 2018	March 31, 2017
Past due greater than 90 days (gross)		$ 563,344	$ 1,034,609
Allowance for doubtful accounts	5	(244,002)	(173,003)
		$ 319,342	**$ 861,606**

Reconciliation of allowance for doubtful accounts is as follows:

	Note	March 31, 2018	March 31, 2017
Opening balance		$ 173,003	$ 161,835
Current year provision		422,723	316,268
Written-off during the year		(351,724)	(305,100)
Closing balance	**5**	**$ 244,002**	**$ 173,003**

In 2018, $351,724 of Trade and other receivables that related to balances owing prior to April 1, 2017 were written off, resulting in a reduction to the allowance for doubtful accounts and a corresponding reduction of Trade and other receivables for the same amount. The amount written off was charged to bad debt expense in prior years. The current year provision of $422,723 was charged to bad debt expense in fiscal 2018.

Liquidity risk

The OSC's exposure to liquidity risk is low as the OSC has sufficient cash, reserve fund assets, and access to a credit facility to settle all current liabilities. As at March 31, 2018, the OSC had a cash balance of $58.9 million and reserve fund assets of $20.0 million to settle current liabilities of $16.5 million.

The OSC has a $52.0 million credit facility to address any short-term cash deficiencies. Interest on the credit facility is charged at a rate of 0.5% below the prime rate. During the year, the OSC did not utilize the credit facility (2017 - $75 thousand).

The overall exposure to liquidity risk remains unchanged from 2017.

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Notes to the Financial Statements

Supplemental pension plan risks

The OSC's overall exposure to supplemental pension plan risks is low due to the plan being a supplemental plan and the limited number of plan members entitled to plan benefits. For more information, see Note 12(b).

5. Trade and other receivables

	Notes	March 31, 2018	March 31, 2017
Trade receivables		$ 726,748	$ 717,605
Other receivables		2,440,437	3,003,059
Allowance for doubtful accounts	4	(244,002)	(173,003)
		$ 2,923,183	**$ 3,547,661**
Interest receivable		105,748	44,230
Amount recoverable from investor education costs	19	363,644	687,769
HST recoverable		260,176	515,396
Total Trade and other receivables	**4**	**$ 3,652,751**	**$ 4,795,056**

6. Funds held pursuant to designated settlements and orders

The OSC has a number of settlement agreements and orders arising from enforcement proceedings where monies from these settlements and orders are to be set aside and allocated to such third parties as the Board of the OSC may determine. These funds are eligible to be allocated to the OSC for the purpose of educating investors, or promoting or otherwise enhancing knowledge and information of persons regarding the operation of the securities and financial markets, including such designated internal costs as approved by the Board.

On July 14, 2016, the OSC established the Whistleblower Program (the "Program"). Under the Program, whistleblowers may be eligible for awards of between 5% to 15% of total monetary sanctions imposed and/or voluntary payments made, if their information leads to an administrative proceeding where these amounts total $1 million or more. The maximum amount of the award has been set at $1.5 million where monetary sanctions and/or voluntary payments are not collected and $5 million where these amounts have been collected. Whistleblowers will be paid out of funds held pursuant to designated settlements and orders. To date, no payments have been made under the Program.

The accumulated funds are held in a segregated bank account and earn interest at the monthly average bank prime rate less 1.85%. The Board will allocate these funds as it determines appropriate at its discretion. This includes allocations to harmed investors, where appropriate and where an allocation can be reasonably effected.

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Notes to the Financial Statements

As at March 31, 2018 the accumulated balance is determined as follows:

	Note	March 31, 2018	March 31, 2017
Opening balance		$ 37,995,716	$ 35,555,504
Assessed during the year		$ 60,449,350	$ 163,955,995
Less:			
Amounts paid or payable directly to investors		(48,396,642)	(148,057,864)
Orders deemed uncollectible		(5,955,936)	(7,988,558)
Amount recorded from assessments in year		**6,096,772**	**7,909,573**
Adjustments to amounts assessed in prior years		437,377	(1,194,980)
Total settlements and orders recorded		**6,534,149**	**6,714,593**
Add: Interest		505,032	255,131
Less: Payments to			
OSC for recovery of Investor education costs	19	(1,799,170)	(1,412,949)
External collections firm		(71,968)	—
Harmed investors		(1,068,528)	(3,116,563)
Closing balance		**$ 42,095,231**	**$ 37,995,716**
Represented by:			
Cash		$ 40,850,699	$ 36,464,623
Receivable		1,244,532	1,531,093
		$ 42,095,231	**$ 37,995,716**

The $6,534,149 (2017 – $6,714,593) identified as total settlements and orders recorded reflects the portion of $60,449,350 (2017 – $163,955,995) in settlements and orders that was assessed during the year, for which payment was either received or has been deemed collectible. This total includes an increase of $437,377 (2017- a reversal of $1,194,980) in adjustments from orders assessed in prior years. These amounts include payments received in the current year for orders that were deemed uncollectable in prior years less orders that had been previously deemed as collectible that are now deemed as uncollectible in fiscal 2018. Included in the total assessed was $48,396,642 (2017 – $148,057,864) where the respondents were required to distribute monies directly to harmed investors, which are not captured in the OSC's accounting records.

The OSC collected a total of $5,681,000 (2017 – $7,905,652) of the designated settlements and orders assessed during the year, resulting in an average collection rate of 47.1% (2017 – 49.7%). The 2017 collection rate was restated from 38.2% as a result of a respondent fulfilling their obligation by paying investors directly. As authorized by the Board, the OSC made payments from the designated funds totalling $2,939,666 (2017 – $4,529,512). Details on the recipients of these payments are included in the table above.

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Notes to the Financial Statements

7. Funds restricted for CSA Systems Operations and Redevelopment (Funds Restricted for CSA Systems)

The core CSA Systems consist of the System for Electronic Document Analysis and Retrieval (SEDAR), the National Registration Database (NRD) and the System for Electronic Disclosure by Insiders (SEDI). The CSA is planning to develop and implement a new marketplace surveillance and analytical system to improve market analytics capacity.

The OSC has been appointed the Designated Principal Administrator – Operations (DPA) to collect, hold, and administer the surplus funds accumulated from system fees charged to market participants that use the CSA Systems. This role is essentially that of a custodian. The funds restricted for CSA Systems operations and redevelopment include surplus funds accumulated from operation of the CSA Systems, which are received, held and managed by the DPA on behalf of the PAs, and IIROC (in the case of NRD system fee surplus funds accumulated to October 13, 2013). The use of these surplus funds is restricted by various agreements between the PAs.

CGI Information Systems and Management Consultants Inc. (CGI), as service provider, hosts and maintains the CSA Systems. A CSA Systems Governance Committee (SGC), consisting of members of the four PAs, was established through an agreement signed on April 2, 2013. This agreement also created a governance framework for management and oversight of the CSA Systems, including that of CGI. It outlines how user fees will be collected and deployed, and addresses allocation and payment of liabilities that may arise. User fees are charged to recover systems operations and redevelopment costs, which are used to benefit the CSA National Systems users.

Use of the surplus funds within the terms of the various agreements requires the approval of members of the SGC. Majority approval is required for all permissible uses of the surplus funds as outlined within the various agreements, with the exception of the following, which all require unanimous approval of the PAs:

- any financial commitments in excess of the lesser of (i) $5.0 million and (ii) 15% of the accumulated surplus at such date,
- significant changes to the design of the systems, and
- any changes to system fees.

In the case of NRD, IIROC approval is required for any use of the surplus funds that deviates from the contractually agreed uses for funds accumulated prior to October 12, 2013.

The CSA is redeveloping the CSA Systems in a multi-year phased approach. Funding for the redevelopment is coming from the accumulated surplus funds.

The 2018 financial results of the CSA Systems operations and redevelopment are presented below. Assets include cash and investments of $137.8 million (2017 - $134.9 million) presented on the OSC's Statement of Financial Position. Assets also include intangible assets of $18.4 million (2017 - $14.6 million) primarily consisting of costs towards the redevelopment of the CSA National Systems.

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Notes to the Financial Statements

Summarized Statement of Financial Position

As at March 31	2018	2017
Assets	$ 164,523,346	$ 155,970,261
Liabilities	$ 1,587,219	$ 4,237,653
Surplus	162,936,127	151,732,608
Liabilities and surplus	$ 164,523,346	$ 155,970,261

Summarized Statement of Comprehensive Income

For the year ended March 31	2018	2017
Revenue	$ 27,317,404	$ 27,405,208
Expenses	16,113,885	15,528,568
Excess of revenues over expenses	$ 11,203,519	$ 11,876,640

Summarized Statement of Cash Flows

For the year ended March 31	2018	2017
Net cash flows from operating activities	6,838,523	8,891,125
Net cash flows used in investing activities	(4,160,854)	(85,494,987)
Net (decrease)/increase in cash position	2,677,669	(76,603,862)
Cash, beginning of year	19,886,194	96,490,056
Cash, end of year	$ 22,563,863	$ 19,886,194

For more information on the Net assets held for CSA Systems operations and redevelopment, see Note 2(d) and Note 17.

8. Reserve funds

As part of the approval of its self-funded status, the OSC was allowed to establish a $20.0 million reserve to be used as an operating contingency against revenue shortfalls and unanticipated expenditures, or to cover the discrepancy between timing of revenue and expenses.

The prime investment consideration for the reserve is the protection of the principal and appropriate liquidity to meet cash flow needs. Interest earned on investments is credited to the operations of the OSC. Reserve funds are held in a segregated bank account and earn interest at the monthly average bank prime rate less 1.85%.

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Notes to the Financial Statements

9. Property, plant & equipment

2018	Office furniture	Office equipment	Computer hardware and related applications	Networks and servers	Leasehold improvements	Total
COST						
Balance as at April 1, 2017	$ 4,836,379	$ 710,515	$ 23,935,095	$ 3,326,954	$ 10,391,206	$ 43,200,149
Additions	51,630	39,864	1,677,802	1,536,224	78,715	3,384,235
Disposals	—	—	(9,085)	(1,747,703)	—	(1,756,788)
Balance at March 31, 2018	**$ 4,888,009**	**$ 750,379**	**$ 25,603,812**	**$ 3,115,475**	**$ 10,469,921**	**$ 44,827,596**
ACCUMULATED DEPRECIATION						
Balance as at April 1, 2017	$ (4,588,610)	$ (528,962)	$ (19,229,409)	$ (1,866,187)	$ (4,484,306)	$ (30,697,474)
Depreciation for the year	(115,806)	(29,106)	(1,736,804)	(778,958)	(1,245,923)	(3,906,597)
Disposals	—	—	9,085	1,215,940	—	1,225,025
Balance at March 31, 2018	**$ (4,704,416)**	**$ (558,068)**	**$ (20,957,128)**	**$ (1,429,205)**	**$ (5,730,229)**	**$ (33,379,046)**
Carrying amount at March 31, 2018	**$ 183,593**	**$ 192,311**	**$ 4,646,684**	**$ 1,686,270**	**$ 4,739,692**	**$ 11,448,550**
2017						
COST						
Balance as at April 1, 2016	$ 4,791,873	$ 684,970	$ 21,417,379	$ 3,223,289	$ 10,353,145	$ 40,470,656
Additions	44,506	25,545	2,530,971	103,665	38,061	2,742,748
Disposals	—	—	(13,255)	—	—	(13,255)
Balance at March 31, 2017	$ 4,836,379	$ 710,515	$ 23,935,095	$ 3,326,954	$ 10,391,206	$ 43,200,149
ACCUMULATED DEPRECIATION						
Balance as at April 1, 2016	$ (4,469,991)	$ (503,839)	$ (18,217,067)	$ (1,186,184)	$ (3,220,635)	$ (27,597,716)
Depreciation for the year	(118,619)	(25,123)	(1,024,732)	(680,003)	(1,263,671)	(3,112,148)
Disposals	—	—	12,390	—	—	12,390
Balance at March 31, 2017	**$ (4,588,610)**	**$ (528,962)**	**$ (19,229,409)**	**$ (1,866,187)**	**$ (4,484,306)**	**$ (30,697,474)**
Carrying amount at March 31, 2017	**$ 247,769**	**$ 181,553**	**$ 4,705,686**	**$ 1,460,767**	**$ 5,906,900**	**$ 12,502,675**

In the first quarter of fiscal 2018, flooding occurred at the OSC resulting in damages to certain Property, plant and equipment. Costs incurred to replace damaged equipment amounted to $1.8 million in 2018 and have been capitalized.

An insurance claim was initiated and proceeds of $1.1 million were received. A loss on disposal of damaged capital assets of $0.5 million has been recorded against insurance proceeds on the Statement of Comprehensive Income. The OSC expects the claim to be finalized in fiscal 2019 and further proceeds will be recognized when the OSC receives formal confirmation of an approved amount.

Ontario Securities Commission

Notes to the Financial Statements

10. Trade and other payables

	March 31, 2018	March 31, 2017
Trade payables	$ 424,461	$ 1,148,122
Payroll accruals	12,417,094	12,017,104
Other accrued expenses	3,666,029	3,552,584
	$ 16,507,584	**$ 16,717,810**

11. Lease commitments

Operating leases

The OSC has entered into operating lease agreements for equipment and office space, and is committed to operating lease payments as follows:

	March 31, 2018	March 31, 2017
Less than one year	$ 8,025,122	$ 8,205,840
Between one and five years	35,131,322	34,513,391
More than five years	40,675,751	49,859,515
	$ 83,832,195	**$ 92,578,746**

Lease expense recognized during 2018 was $7,634,287 (2017 – $7,826,890). This amount consists of minimum lease payments. A portion of the OSC's office space is subleased to the CSA IT Systems Project Office and the Government of Canada on a full cost recovery basis. During the year, the OSC recorded sublease payments totaling $785,089 (2017 - $794,465) from these two organizations.

The OSC entered into a new lease as of September 1, 2017 for a term of ten years, ending August 31, 2027. The lease contains two consecutive options to extend the term beyond August 31, 2027, each for a period of five years. The lease was approved by the Minister of Finance under the *Financial Administration Act* section 28, which required review of contingent liabilities inherent in the lease.

12. Pension plans

(a) Ontario Public Service Pension Plan

All eligible OSC employees must, and members may, participate in the OPSPP. The OSC's contribution to the OPSPP for the year ended March 31, 2018 was $4,986,418 (2017 – $5,078,084), which is included under Salaries and benefits in the Statement of comprehensive income. The expected contributions for the plan for fiscal 2019 are $5,618,241.

(b) Supplemental pension plans

The OSC also has unfunded supplemental defined benefit pension plans for its current and former Chairs and Vice-Chairs. These supplemental pension plans have no plan assets. The actuarial liability and the current service cost are determined by independent actuaries using the projected benefit method prorated on services and management's best estimate assumptions. The supplemental defined benefit pension plans are non-registered plans. The benefit payments are made by the OSC as they become due.

Ontario Securities Commission

Notes to the Financial Statements

The OSC is responsible for governance of these plans. The OSC Board's Audit and Finance Committee assists in the management of the plans. The OSC has also appointed experienced, independent professional actuarial experts to provide a valuation of the pension obligation for the supplemental plans in accordance with the standards of practice established by the Canadian Institute of Actuaries.

Under the projected benefit method, the Pension liabilities are the actuarial present value of benefits accrued in respect of service prior to the valuation date, based on projected final average earnings. The current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period. The current service cost, expressed as a percentage of pensionable earnings, will be stable over time if the demographic characteristics of the active membership remain stable from valuation to valuation. However, all other things being equal, the current service cost of an active membership whose average age rises between actuarial valuations will result in an increasing current service cost.

The supplemental pension plans expose the OSC to the following risks:

- Changes in bond yields – a decrease in corporate bond yields will increase the plans' liabilities.
- Inflation risk – in plans where the target benefit is not indexed, given that the pension offset amounts are linked to inflation, higher inflation will lead to lower liabilities. Conversely, for plans where the target benefits are linked to inflation, the OSC's liability increases when inflation increases.
- Life expectancy – the majority of the obligations are to provide benefits for the life of the members. Therefore, increases in life expectancy will result in an increase in the plans' liabilities.

There were no plan amendments, curtailments or settlements during the period. The duration of all plans combined is approximately 12 years (2017 – 12 years).

	March 31, 2018	March 31, 2017
Defined benefit obligation, beginning of year	$ 3,839,928	$ 3,608,042
Current service cost	254,812	230,996
Interest cost	132,311	129,189
Benefit payments	(236,625)	(238,465)
Actuarial loss on obligation	114,192	110,166
Defined benefit obligation, end of year	**$ 4,104,618**	**$ 3,839,928**

Actuarial assumptions

The significant actuarial assumptions used to determine the present value of the defined benefit obligation were as follows:

	March 31, 2018	March 31, 2017
Discount rate(s)	3.45%	3.55%
Inflation	2.25%	2.25%
Expected rate(s) of salary increase	0%	0%
CPP YMPE increase	2.75%	2.75%
Increase in Canada Revenue Agency limit	$ 2,944.4	$ 2,914.4

Ontario Securities Commission

Notes to the Financial Statements

The assumptions for mortality rates are based on the 2014 Public Sector Mortality Table (CPM2014Publ), with a size adjustment factor for monthly income of $6,000 and more, and with fully generational projections using the improvement scale CPM-B.

Sensitivity analysis

Changes in the actuarial assumptions used have a significant impact on the defined benefit obligation.

The following is an estimate of the sensitivity of the defined benefit obligation to a change in the significant actuarial assumptions (the sensitivity assumes all other assumptions are held constant):

	March 31, 2018	March 31, 2017
Discount rate increased by 0.5% (obligation will decrease by)	5.4%	5.5%
Discount rate decreased by 0.5% (obligation will increase by)	5.9%	6.1%
Life expectancy increased by 1 year (obligation will increase by)	2.6%	2.9%
Life expectancy decreased by 1 year (obligation will decrease by)	2.6%	3.0%
Inflation rate increased by 0.5% (obligation will decrease by)	1.2%	2.0%
Inflation rate decreased by 0.5% (obligation will increase by)	1.8%	2.5%

The OSC's pension expense relating to the supplemental pension plans for the year ended March 31, 2018 was $381,703 (2017 – $360,185). The OSC expects to incur $230,500 in benefit payments relating to the supplemental pension plan during the next fiscal year.

13. Capital management

The OSC has a $20.0 million reserve fund, as described in Note 8, which it considers as capital. The primary objective of maintaining this capital is to fund OSC's operations in the event of revenue shortfalls and unanticipated expenditures, or to cover the discrepancy between timing of revenue and expenses.

The OSC maintains an investment policy where Reserve funds are restricted to direct and guaranteed obligations of the Government of Canada and its provinces, and to instruments issued by Canadian Schedule 1 financial institutions to protect the principal.

The OSC has a $52.0 million credit facility with a Schedule 1 financial institution to address any short-term cash deficiencies. The credit facility was renewed on July 1, 2016 and will expire on June 30, 2018. The Ministry of Finance has approved the renewal of the credit facility for a further two years, expiring on June 30, 2020.

The OSC is not subject to any externally imposed capital requirements.

14. Fees

The OSC's fee structure is designed to generate fees that recover the OSC's cost of providing services to market participants. The fee structure is based on the concept of "participation fees" and "activity fees". Participation fees are based on the cost of a broad range of regulatory services that cannot be practically or easily attributed to individual activities or entities, and are intended to serve as a proxy for the market participants' use of the Ontario capital markets.

Ontario Securities Commission

Notes to the Financial Statements

Activity fees represent the direct cost of OSC staff resources expended in undertaking certain activities requested of staff by market participants. Late fees represent fees applied to market participants for not filing required documents and/or paying their participation and activity fees on time.

On March 15, 2018 the commission announced that the fee rule will remain unchanged for a two year period until March 31, 2020. Factors considered while reviewing the fee structure were the existing surplus, the projected levels of revenue and expenses, projected capital expenses and the level of cash resources required to fund operations through market downturns.

Fees received are as follows:

	March 31, 2018	March 31, 2017
Participation fees	$ 104,501,605	$ 99,726,141
Activity fees	15,648,189	15,470,992
Late filing fees	4,080,222	4,319,208
	$ 124,230,016	**$ 119,516,341**

15. Salaries and benefits

	March 31, 2018	March 31, 2017
Salaries	$ 69,924,102	$ 67,727,969
Benefits	8,411,061	8,113,532
Pension expense	5,368,994	5,438,269
Severance/termination payments	773,566	584,562
	$ 84,477,723	**$ 81,864,332**

16. Administrative

	March 31, 2018	March 31, 2017
Commission expense	$ 1,620,405	$ 1,887,267
Communications & publications	1,799,864	1,865,559
Maintenance & support	2,768,072	3,069,562
Supplies	517,131	799,956
Other expenses	1,080,760	786,178
Training	661,371	676,466
	$ 8,447,603	**$ 9,084,988**

Ontario Securities Commission

Notes to the Financial Statements

17. Contingent liabilities and contractual commitments

(a) The OSC has committed to paying in full any liability with respect to CSA Systems operations and custody of the related surplus funds that arises as a result of wilful neglect or wilful misconduct on behalf of the OSC.

Under the agreements described in Note 7, the OSC, ASC, BCSC and AMF, as PAs, have committed to paying an equal share of any claim or expenses related to operation and redevelopment of the CSA Systems that exceed the surplus funds held.

In 2018, there were no such claims or expenses. As described in Note 7, the OSC, in its capacity as DPA, is holding funds in segregated bank and investment accounts that may be used to settle claims and expenses relating to the operation and redevelopment of the CSA Systems.

(b) Occasionally, the OSC is involved in legal actions arising from the ordinary course of business. Settlements from these actions are accounted for when they occur. The outcome and ultimate disposition of these actions cannot currently be determined. However, management does not expect the outcome of any legal actions, individually or in aggregate, to have a material impact on the OSC's financial position.

18. Related party transactions

(a) Funds restricted for CSA Systems operations and redevelopment

In the course of normal operations, the OSC fulfills transactions for CSA Systems with the Funds restricted for CSA Systems operations and redevelopment. During the year, total related party charges incurred and to be reimbursed were $4.2 million ($3.7 million in 2017). At March 31, 2018, $0.6 million was still owed to the OSC ($1.1 million in 2017). For more information, see Note 7.

(b) The Province of Ontario

In the course of normal operations, the OSC entered into the following transactions with the Province of Ontario:

(i) The *Securities Act* (Ontario) states that when ordered to do so by the responsible Minister, the OSC shall remit to the Province of Ontario such surplus funds as determined by the Minister. In light of the fee model as described in Note 14 and the OSC's practice of setting fees periodically, the OSC is not required to make remittances of its surplus to the Consolidated Revenue Fund. Surpluses retained by the OSC are subject to appropriate terms and conditions to be agreed with the Ministry.

(ii) Costs of non-pension benefits for eligible pensioners are paid by the Government of Ontario and are not included in the Statement of comprehensive income.

(iii) Certain payments to harmed investors from the Funds held pursuant to designated settlements and orders are made through the Civil Remedies for Illicit Activities Office (CRIA). Payments are made to CRIA from the OSC pursuant to forfeiture orders obtained by CRIA under the *Civil Remedies Act*. CRIA is an office of the Ministry of the Attorney General of Ontario.

(c) Compensation to key management personnel

The OSC's key management personnel are the members of the Board of Directors, Chair, Vice-Chairs and Executive Director.

Ontario Securities Commission

Notes to the Financial Statements

The remuneration of key management personnel includes the following expenses:

	March 31, 2018	March 31, 2017
Short-term employee benefits	$ 3,610,842	$ 3,984,123
Post-employment benefits	451,687	364,594
Total compensation	**$ 4,062,529**	**$ 4,348,717**

19. Recoveries of investor education costs

During the year, as described in Note 3(g), the OSC recorded recoveries of investor education costs from the Funds held for designated settlements and orders as follows:

	March 31, 2018	March 31, 2017
Payroll costs	$ 679,997	$ 672,628
OSC in the Community costs	14,602	16,134
Media Campaign costs (Fraud Prevention Month)	243,112	217,131
Website and other IT costs	185,080	154,063
Consulting costs	352,254	410,938
Total	**$ 1,475,045**	**$ 1,470,894**

The amount recorded in the year is $1,475,045 (2017 – $1,470,894), of which $363,644 (2017 – $687,769) is owing to the OSC at March 31, 2018. The amount reimbursed to the OSC in the year from the Designated settlements fund was $1,799,170 relating to costs incurred in the 2017 and 2018 fiscal years.

20. Accounting pronouncements

New and revised in issue, but not yet effective

The following new IFRS standards, interpretations and amendments, which have been issued but are not yet effective for the year ended March 31, 2018, have not been applied in preparing these financial statements. These pronouncements are currently under consideration or have been determined not to have a material impact on the financial statements of the OSC.

IFRS 9, *Financial Instruments*

In July 2014, the IASB issued a finalized version of IFRS 9, *Financial Instruments*. The completed version of IFRS 9 includes revised guidance on the classification and measurement of financial assets and carries forward the guidance on recognition and derecognition of financial instruments from IAS 39, *Financial Instruments: Recognition and Measurement*. This standard is effective for annual periods beginning on or after January 1, 2018. IFRS 9 is not expected to have a material impact on the financial statements of the OSC.

IFRS 15, *Revenue from Contracts with Customers*

In 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* that sets out the principles for when revenue should be recognized and how it should be measured, together with related disclosures. This standard replaces all existing IFRS revenue requirements and applies to revenue arising from contracts with customers.

Ontario Securities Commission

Notes to the Financial Statements

This standard is effective for annual periods beginning on or after January 1, 2018 and must be applied retrospectively, subject to certain practical expedients, using either a full retrospective approach or a modified retrospective approach. The new standard is applicable to the OSC's financial statements for the year ending March 31, 2019, with an initial application date of April 1, 2018.

During the year, the OSC significantly progressed with the implementation of IFRS 15, including an analysis of the standards applicability to our two most material sources of revenue: participation fees and activity fees. Although neither participation fees nor activity fees are judged to arise from contracts with customers and are therefore outside the scope of IFRS 15, the OSC has determined, considering guidance in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, that accounting for such fees in accordance with IFRS 15 would result in relevant and reliable information to our stakeholders.

The OSC intends to adopt IFRS 15 using the modified retrospective approach, adjusting general surplus as at April 1, 2018 for the cumulative effect of applying IFRS 15, if any, with comparative figures unchanged.

Based on our assessment to date, the OSC does not expect the application of IFRS 15 to result in a material impact on the OSC's financial statements.

IFRS 16, *Leases*

In 2016, the IASB issued IFRS 16, *Leases*, which sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The standard replaces IAS 17, *Leases* and related interpretations.

The standard is effective for annual periods beginning on or after January 1, 2019 and must be applied retrospectively, subject to certain practical expedients, using either a retrospective approach or a modified retrospective approach. The standard is applicable to the OSC's financial statements for the year ending March 31, 2020, with an initial application date of April 1, 2019. While early adoption is permitted, the OSC will not adopt the standard early.

The OSC is a party to various leases, as lessee and as a lessor. Where the OSC is a lessee, all leases will be recorded on the Statement of Financial Position, except short-term leases and leases of low-value items. This is expected to result in a material increase to both assets and liabilities upon adoption of the standard, and changes to the timing of recognition and classification of expenses associated with such lease arrangements. The standard substantially carries forward the lessor accounting requirements. Accordingly, the OSC expects to continue to classify such leases as operating leases or finance leases, and to account for each differently.

Over the next year, the OSC intends to progress in quantifying the impact of the standard, which is currently not known or reasonably estimable. During this time, the OSC intends to select a transition approach and prepare qualitative and quantitative information regarding the impact that initial application of the standard is expected to have on the OSC's financial statements. The OSC intends to disclose further information regarding the impact of the standard in the next annual financial statements.

Ontario Tourism Marketing Partnership Corporation

(operating as Destination Ontario)

Management Report

The accompanying financial statements are the responsibility of the management of the Ontario Tourism Marketing Partnership Corporation. The financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards. The statements include certain amounts based on estimates and judgements. 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 BDO Canada LLP, a firm of independent external auditors appointed by the Board of Directors, whose report follows.

Lisa LaVecchia
President and CEO
June 12, 2018

Ronald Ting
Treasurer
June 12, 2018

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BDO Canada **LLP**
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Mississauga ON L5B 1M2 Canada

Independent Auditor's Report

To the Board of Directors of
Ontario Tourism Marketing Partnership Corporation

We have audited the accompanying financial statements of Ontario Tourism Marketing Partnership Corporation, which comprise the statement of financial position as at March 31, 2018, 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
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 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 Ontario Tourism Marketing Partnership Corporation as at March 31, 2018, and the results of its operations and its cash flows for the year then ended, in accordance with Canadian Public Sector Accounting Standards.

BDO CANADA LLP

Chartered Professional Accountants, Licensed Public Accountants
Mississauga, Ontario
June 12, 2018

ONTARIO TOURISM MARKETING PARTNERSHIP CORPORATION
(operating as Destination Ontario)

Statement of Financial Position

	March 31 2018 ($ 000)	March 31 2017 ($ 000)
ASSETS		
Current		
Cash	**7,580**	4,997
Accounts receivable	**857**	635
Prepaid expenses	**94**	124
	8,531	5,756
Capital assets (Note 3)	**4,681**	6,326
	13,212	12,082
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	**5,478**	3,563
Deferred revenue (Note 4)	**100**	86
	5,578	3,649
Obligation for retirement benefits (Note 2k)	**1,860**	1,722
Deferred capital contributions (Note 5)	**325**	449
	2,185	2,171
	7,763	5,820
Net assets		
Unrestricted fund (deficiency)	**922**	(338)
Special projects fund (Note 2h)	**171**	723
Investment in capital assets (Note 2g)	**4,356**	5,877
	5,449	6,262
	13,212	12,082

Approved on behalf of the board:

ONTARIO TOURISM MARKETING PARTNERSHIP CORPORATION
(operating as Destination Ontario)

Statement of Operations

For the year ended March 31	**2018 ($ 000)**	2017 ($ 000)
Revenues		
Province of Ontario Grant (Note 6)	**37,156**	37,097
Advertising sales	**2,719**	1,458
Travel Information Centres - sales and rentals	**1,092**	1,098
Trade promotions	**208**	183
Amortization of deferred capital contribution	**186**	201
Interest income	**90**	51
	41,451	40,088
Expenses		
Advertising and marketing	**21,394**	22,413
Administration (Note 7)	**7,915**	7,222
Travel Information Centres (Note 8)	**5,798**	6,005
Tourism Consumer Information System (Note 9(b))	**3,852**	3,734
Amortization of capital assets	**2,101**	1,942
Partnerships and sales	**592**	608
Research	**406**	818
Board and committee expenses (Note 10)	**48**	44
	42,106	42,786
Deficiency of revenues over expenses	**(655)**	(2,698)

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

ONTARIO TOURISM MARKETING PARTNERSHIP CORPORATION
(operating as Destination Ontario)

Statement of Changes in Net Assets

For the year ended March 31, 2018

	Unrestricted Fund ($ 000)	Special Projects Fund ($ 000)	Investment in Capital Assets ($ 000)	2018 Total ($ 000)	2017 Total ($ 000)
Net assets (deficiency), beginning of year	**(338)**	**723**	**5,877**	**6,262**	9,526
Excess (deficiency) of revenues over expenditures for the year	**1,260**	**-**	**(1,915)**	**(655)**	(2,698)
TCIS redevelopment expenses (Note 2h)	**-**	**(158)**	**-**	**(158)**	(566)
Purchase of capital assets, net	**-**	**(394)**	**394**	**-**	-
Net assets, end of year	**922**	**171**	**4,356**	**5,449**	6,262

The accompanying notes are an integral part of these financial statements

ONTARIO TOURISM MARKETING PARTNERSHIP CORPORATION
(operating as Destination Ontario)

Statement of Cash Flows

For the year ended March 31	2018 ($ 000)	2017 ($ 000)
OPERATING		
Deficiency of revenues over expenses	**(655)**	(2,698)
Add (less) non-cash items:		
Amortization of deferred capital contributions	**(186)**	(201)
Amortization of capital assets	**2,101**	1,942
Obligation for retirement benefits	**138**	(61)
	1,398	(1,018)
TCIS Redevelopment Expenses – Special Project Fund	**(158)**	(566)
Change in non-cash working capital	**1,737**	1,116
	2,977	(468)
CAPITAL		
Capital asset additions	**(456)**	(1,407)
Deferred capital contributions	**62**	61
	(394)	(1,346)
Increase (decrease) in cash during the year	**2,583**	(1,814)
Cash, beginning of year	**4,997**	6,811
Cash, end of year	**7,580**	4,997

The accompanying notes are an integral part of these financial statements

ONTARIO TOURISM MARKETING PARTNERSHIP CORPORATION

(operating as Destination Ontario)

Notes to Financial Statements

March 31, 2018

1. NATURE OF CORPORATION

The Ontario Tourism Marketing Partnership Corporation (the "Corporation") was established as a corporation without share capital on November 30, 1998 pursuant to Ontario Regulation 618/98 made under the *Development Corporations Act.* The Regulation was amended by Ontario Regulation 271/04 in September, 2004 to extend the mandate of the Corporation indefinitely. The Corporation commenced active operations on April 1, 1999. In the fall of 2017, the organization announced a new corporate operating name, Destination Ontario (DO). The Ontario Tourism Marketing Partnership Corporation (OTMPC) will continue to be the official legal name of the organization. The objects of the Ontario Tourism Marketing Partnership Corporation (operating as Destination Ontario) are:

(a) to market Ontario as a travel destination;
(b) to undertake joint marketing initiatives with the tourism industry;
(c) to support and assist the marketing efforts of the tourism industry; and
(d) in co-operation with the tourism industry, the Government of Ontario, other governments and other agencies of governments, to promote Ontario as a travel destination.

The Corporation enters into agreements with private and public sector partners in order to add value to tourism marketing programs. The Corporation tracks the dollar value (leverage, in-kind) of such agreements to demonstrate the impact of the Corporation's investment on the partnered marketing programs. However, related partner revenues and expenses are not included in the Corporation's financial statements.

The Corporation is a not-for-profit organization, and thus not subject to income tax.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements are the representations of management and are prepared in accordance with Canadian Public Sector Accounting Standards including the 4200 series of standards contained in the Chartered Professional Accountants (CPA) Canada handbook.

(b) Revenue Recognition

The Corporation follows the deferral method of accounting for revenues.

Province of Ontario Grant

The Corporation is funded primarily by the Province of Ontario. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant is related to a future period, it is deferred and recognized in a subsequent period.

Advertising Sales and Travel Information Centers – sales and rentals

Revenue from Advertising sales and Travel Information Centres – sales and rentals are recognized in the period in which the service is provided or the program is run, the amount can be reasonably estimated and collection is reasonably assured.

ONTARIO TOURISM MARKETING PARTNERSHIP CORPORATION

(operating as Destination Ontario)

Notes to Financial Statements

March 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest Income

Interest income is recognized in the period in which it is earned.

Trade Promotions & Other

Trade Promotions and Other revenue items are recognized in the period in which they relate, when the amount can be reasonably estimated and collection is reasonably assured.

(c) Partner Support

The Corporation benefits from donated services provided by the tourism industry, such as transportation costs (airline and bus tickets), and accommodation and meal costs (discounted or free hotel rooms and restaurant charges). Because of the difficulty of determining their fair value, donated services are not recognized in the financial statements.

(d) Inventory

Inventory held from time to time is comprised of merchandise available for sale at the Travel Information Centres.

Inventory is stated at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

(e) Capital Assets

All capital assets are recorded at cost. Amortization is provided on a straight-line basis over the estimated useful life of the asset, with half a year amortization taken in the year of acquisition and disposition. All capital assets are amortized over three to five years.

(f) Deferred Capital Contributions

Deferred capital contributions represent amounts received from the Ministry of Tourism and Culture and Sport to finance the acquisition of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations on the same basis as the amortization of the related assets.

(g) Investment in Capital Assets

Investment in capital assets represents funds provided for capital assets. The financing of investment in capital assets is transferred from operations and the Special Projects Fund on an annual basis.

(h) Special Projects Fund

The Board approved the creation of an internally restricted Special Projects Fund to provide for longer term special projects. At March 31, 2018, $171,000 (2017 - $723,000) is being held for the Tourism Consumer Information System redevelopment project. Work on this project commenced in the summer of 2013 (Note 9a). During the year, the Board approved $158,000 (2017 - $566,000) of redevelopment costs to be charged directly to the fund.

ONTARIO TOURISM MARKETING PARTNERSHIP CORPORATION
(operating as Destination Ontario)

Notes to Financial Statements

March 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Use of Estimates

The preparation of financial statements in accordance with Canadian Public Sector Accounting Standards 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 revenues and expenses during the reporting period. Actual results could differ from those estimates as additional information becomes available in the future.

(j) Financial Instruments

Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest, currency, liquidity or credit risks arising from its financial instruments.

Financial instruments are recorded at cost when acquired or issued. In subsequent periods, investments traded in an active market are reported at fair value. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

(k) Retirement Benefits

The costs of any legislated severance under *the Public Service Act of Ontario* and earned by employees are recognized when earned by eligible employees. During the year, the obligation was increased by $138,000 (2017 – reduced by $61,000) based on assumptions derived from the March 31, 2016 actuarial valuation completed by the Province of Ontario. The liability is calculated using management’s best estimate of future inflation rates and other underlying assumptions. The liability calculated using the projected benefit method and the following assumptions approximates $1,860,000 (2017 - $1,722,000). The discount factor used was 0.79 (2017 – 0.76) and the estimated average years to retirement was 7.0 years (2017 – 15.07 years).

(l) Foreign Currency Translation

Foreign currency accounts are translated into Canadian dollars as follows;

At the transaction date, each asset, liability, revenue and expense is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date. The resulting foreign exchange gains and losses are included in income in the current period.

ONTARIO TOURISM MARKETING PARTNERSHIP CORPORATION

(operating as Destination Ontario)

Notes to Financial Statements

March 31, 2018

3. CAPITAL ASSETS

	2018 ($ 000)		2017 ($ 000)	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Furniture	**396**	**396**	396	396
Leasehold improvements	**2,556**	**2,231**	2,495	2,050
Tourism Consumer Information System	**15,657**	**11,301**	15,261	9,380
	18,609	**13,928**	18,152	11,826
Cost less accumulated amortization		**4,681**		6,326

4. DEFERRED REVENUE

	2018 ($ 000)	2017 ($ 000)
Ministry of Tourism, Culture and Sport		
OTICS – Capital assets	**93**	67
Advertising programs	**7**	19
	100	86

ONTARIO TOURISM MARKETING PARTNERSHIP CORPORATION
(operating as Destination Ontario)

Notes to Financial Statements

March 31, 2018

5. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent contributions received relating to acquisition of capital assets:

	2018 ($ 000)		2017 ($ 000)	
	Contributions	**Accumulated Amortization**	Contributions	Accumulated Amortization
Contributions received	**1,810**	**1,485**	1,749	1,300
Contributions less accumulated amortization		**325**		449

6. REVENUE: PROVINCE OF ONTARIO

The Corporation received funding that is recognized as revenue from the Province as follows:

	2018 ($ 000)	2017 ($ 000)
Core funding	**36,968**	36,968
Fun Pass	**30**	-
Ontario Travel Centres Capital	**39**	-
Summer Experience Program	**119**	129
	37,156	37,097

ONTARIO TOURISM MARKETING PARTNERSHIP CORPORATION
(operating as Destination Ontario)

Notes to Financial Statements

March 31, 2018

7. ADMINISTRATIVE EXPENSES

Certain costs of administration such as legal and human resources support services were provided by the Ministry of Tourism, Culture and Sport without charge. All other administrative expenses are borne by the Corporation and are as follows:

	2018 ($ 000)	2017 ($ 000)
Salaries and benefits	**6,753**	6,099
Services	**1,012**	972
Transportation and communications	**129**	128
Supplies and equipment	**21**	23
	7,915	7,222

The Corporation provides pension benefits for all its full-time employees through participation in the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Union Pension Fund (OPSEU Pension Fund) which are both multi-employer defined benefit pension plans established by the Province. These plans are accounted for as defined contribution plans, as the Corporation has insufficient information to apply defined benefit plan accounting to these pension plans. Included in salaries and benefits are contributions to the PSPF and OPSEU pension funds for the year of $470,000 (2017 – $423,000).

Costs of post-retirement non-pension employee benefits are paid by the Management Board Secretariat and are not included in administrative expenses.

8. TRAVEL INFORMATION CENTRES

The expenditures for the Travel Information Centres are as follows:

	2018 ($ 000)	2017 ($ 000)
Salaries and benefits	**2,822**	3,235
Accommodation	**1,344**	1,402
Merchandise for sale	**818**	687
Services	**578**	474
Transportation and communications	**196**	131
Supplies and equipment	**40**	76
	5,798	6,005

Included in salaries and benefits are contributions to the PSPF and OPSEU pension funds for the year of $179,000 (2017 - $180,000).

ONTARIO TOURISM MARKETING PARTNERSHIP CORPORATION

(operating as Destination Ontario)

Notes to Financial Statements

March 31, 2018

9. TOURISM CONSUMER INFORMATION SYSTEM REDEVELOPMENT AND COMMITMENTS

a) After a competitive procurement process in 2013, Hewlett Packard has been awarded a five year contract as the service provider for hosting, operations, maintenance and redevelopment of the Tourism Consumer Information System. As at March 31, 2018, in the last year of the five year contract, the last installment of $4,085,000 was paid out against the total committed amount to Hewlett Packard of $27,491,000.

b) During the year, total costs incurred for the Tourism Consumer Information System amounted to $4,404,000 (2017 - $5,646,000) of which $158,000 (2017 - $566,000) was charged directly to the Special Projects Fund (Note 2h) and $394,000 (2017 - $1,346,000) was capitalized to the Investment in Capital Assets. The remaining $3,852,000 (2017 - $3,734,000) is recorded in the statement of operations.

c) The Corporation has various operating leases for its premises and advertising. The minimum annual payments for the next five years are as follows:

	($ 000)
2019	840
2020	696
2021	696
2022	741
2023	741
	3,714

10. BOARD AND COMMITTEE EXPENSES

Board and committee members do not receive per diems. Board and committee members are reimbursed for meal and travel expenses incurred to attend board of directors and related committee meetings, consistent with the OPS Travel, Meals and Hospitality directive.

Ontario Trillium Foundation | Fondation Trillium de l'Ontario

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June 14, 2018

Management's Responsibility For Financial Information

The accompanying 2017-18 financial statements of the Ontario Trillium Foundation are the responsibility of management and have been prepared in accordance with generally accepted accounting principles.

Management maintains a system of internal controls designed to provide reasonable assurance that financial information is accurate and that assets are protected.

The Board of Directors ensures that management fulfils its responsibilities for financial reporting and internal control. The Finance & Audit Committee and the Board of Directors meet regularly to oversee the financial activities of the foundation, and at least annually to review the audited financial statements and the external auditors' report thereon.

The financial statements have been examined by KPMG LLP, 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. The Auditors' Report outlines the scope of the auditors' examination and opinion.

K Bambrick

Katharine Bambrick
Chief Executive Officer

Ina Gutium
Vice-President,
Talent and Corporate Services

KPMG LLP
Vaughan Metropolitan Centre
100 New Park Place, Suite 1400
Vaughan ON L4K 0J3
Canada
Tel 905-265-5900
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Ontario Trillium Foundation

We have audited the accompanying financial statements of Ontario Trillium Foundation, which comprise the statement of financial position as at March 31, 2018, the statements of operations, changes in net 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 Ontario Trillium Foundation as at March 31, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

June 14, 2018
Vaughan, Canada

ONTARIO TRILLIUM FOUNDATION

Statement of Financial Position

March 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Cash	$ 485,197	$ 1,220,518
Accounts receivable and other	866,401	485,934
Investments (note 2)	185,077,526	158,271,579
Capital assets (note 3)	905,832	997,233
	$ 187,334,956	$ 160,975,264
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	$ 2,260,169	$ 2,574,194
Deferred contributions (note 4(a))	21,547,845	12,963,028
Grants payable (note 4(b))	160,954,900	142,866,000
	184,762,914	158,403,222
Net assets:		
Invested in capital assets	905,832	997,233
Unrestricted	1,666,210	1,574,809
	2,572,042	2,572,042
Commitments (note 7)		
	$ 187,334,956	$ 160,975,264

See accompanying notes to financial statements.

On behalf of the Board:

______________________ Timothy Jackson, Chair

______________________ Tracy Elop, Treasurer

ONTARIO TRILLIUM FOUNDATION

Statement of Operations

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Revenue:		
Ontario government funding (note 4(a))	$ 136,016,183	$ 134,913,329
Grants rescinded or recovered (note 4(a))	3,167,585	3,252,397
Investment income (note 4(a))	2,105,219	1,692,059
	141,288,987	139,857,785
Expenses:		
Program activities:		
Grants pledged (note 4(a) and (b))	111,738,300	112,779,900
Grantmaking expenses (note 4(a))	15,394,525	15,455,980
Agent grants paid (note 4(a))	10,605,400	7,712,200
Services to the community (notes 4(a) and 6)	1,283,324	1,355,106
	139,021,549	137,303,186
Support services (notes 4(a) and 5)	1,871,492	2,131,187
Amortization of capital assets	395,946	423,412
	141,288,987	139,857,785
Excess of revenue over expenses	$ –	$ –

See accompanying notes to financial statements.

ONTARIO TRILLIUM FOUNDATION

Statement of Changes in Net Assets

Year ended March 31, 2018, with comparative information for 2017

	Invested in capital assets	Unrestricted	2018 Total	2017 Total
Net assets, beginning of year	$ 997,233	$ 1,574,809	$ 2,572,042	$ 2,572,042
Excess (deficiency) of revenue over expenses	(395,946)	395,946	–	–
Purchase of capital assets	304,545	(304,545)	–	–
Net assets, end of year	$ 905,832	$ 1,666,210	$ 2,572,042	$ 2,572,042

See accompanying notes to financial statements.

ONTARIO TRILLIUM FOUNDATION

Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Amortization of capital assets which does not involve cash	$ 395,946	$ 423,412
Change in non-cash operating items	25,979,225	2,502,680
	26,375,171	2,926,092
Capital activities:		
Net purchase of capital assets	(304,545)	(191,675)
Investing activities:		
Purchase of investments	(929,516,205)	(1,000,882,965)
Disposal of investments	902,710,258	997,824,796
	(26,805,947)	(3,058,169)
Decrease in cash	(735,321)	(323,752)
Cash, beginning of year	1,220,518	1,544,270
Cash, end of year	$ 485,197	$ 1,220,518

See accompanying notes to financial statements.

ONTARIO TRILLIUM FOUNDATION

Notes to Financial Statements

Year ended March 31, 2018

Ontario Trillium Foundation (the "Foundation" or "OTF"), an agency of the Ministry of Tourism, Culture and Sport ("MTCS"), is financially supported by the Ontario government. OTF began operations as an arm's-length agency of the Ontario government on August 23, 1982 and was incorporated without share capital under the laws of Ontario under letters patent dated November 17, 1982. OTF's purpose is to build healthy and vibrant communities throughout Ontario, by strengthening the capacity of the voluntary sector through investments in community-based initiatives.

Government funding is subject to Memoranda of Understanding that define how the funds must be invested and distributed.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards, including the 4200 standards for government not-for-profit organizations.

(a) Revenue recognition:

OTF follows the deferral method of accounting for contributions, which include government funding. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted contributions are deferred and recognized as revenue in the year in which the related expenses are incurred.

Investment income is recorded on the accrual basis.

(b) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. The Foundation has not elected to carry any such financial instruments at fair value.

Financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest rate method.

ONTARIO TRILLIUM FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2018

1. Significant accounting policies (continued):

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.

As financial instruments are recorded at cost or amortized costs, a statement of remeasurement gains and losses has not been included.

(c) Grants:

Grants awarded by the Foundation are recorded as grants pledged expenses in the year that the Foundation approves the grant.

Grants awarded by third party organizations for which the Foundation acts as an administrative agent are recorded as agent grant payments when payments are issued.

(d) Allocation of support services expenses:

The Foundation classifies expenses on the statement of operations by function. The Foundation allocates certain costs by identifying the appropriate basis of allocating and applying that basis consistently each year. The Foundation allocates its support services expenses proportionately on a per capita basis.

(e) Capital assets:

Capital assets are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over the following periods:

Furniture and fixtures	5 years
Computer hardware	3 years
Computer software	3 years
Leasehold improvements	Term of lease

ONTARIO TRILLIUM FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2018

1. Significant accounting policies (continued):

(f) 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. Actual results could differ from those estimates.

2. Investments:

	2018	2017
Short-term investments	$ 67,326,035	$ 69,640,678
Bonds	44,185,516	15,362,030
Laddered bond portfolio	73,565,975	73,268,871
	$ 185,077,526	$ 158,271,579

All investments, excluding the laddered bond portfolio, are in fixed income securities and mature within the next 17 months (2017 - six months). These investments bear interest from 1.18% to 1.88% (2017 - 0.53% to 1.12%).

In OTF's laddered bond portfolio, all bond investments are in fixed income securities and have maturity dates between six months and three years (2017 - six months and three years). These investments bear interest from 0.75% to 4.20% (2017 - 1.90% to 4.45%).

The Ontario Financing Authority acts as OTF's investment manager under an investment management agreement that adheres to OTF's policies and procedures governing risk and also includes additional risk concern measures.

3. Capital assets:

			2018	2017
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and fixtures	$ 1,021,345	$ 947,916	$ 73,429	$ 108,800
Computer hardware	1,318,052	987,162	330,890	201,282
Computer software	1,156,343	1,137,293	19,050	76,555
Leasehold improvements	1,426,472	944,009	482,463	610,596
	$ 4,922,212	$ 4,016,380	$ 905,832	$ 997,233

ONTARIO TRILLIUM FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2018

4. Deferred contributions and grants payable:

(a) Deferred contributions represent funding received from Ministries that has not yet been pledged as grants, paid to Local Poverty Reduction Fund ("LPRF") grantees or spent on operations. These funds are restricted until grants are approved by the Board of Directors and pledged to third parties, LPRF grant conditions are met and payments are made or until operating expenditures are made. OTF has controls in place to ensure that the restrictions on grant pledges are met prior to utilization of these funds.

						2018	2017
	General operations	Community Capital Fund	Youth Opportunities Fund	Local Poverty Reduction Fund	Ontario150 Community Capital Fund	Total	Total
Deferred contributions, beginning of year	$ 7,726,180	$ 3,046,629	$ 81,810	$ 685,884	$ 1,422,525	$ 12,963,028	$ 10,884,514
Funding received:							
Ministry of Tourism, Culture and Sport	115,000,000	–	–	–	–	115,000,000	115,000,000
Ministry of Children and Youth Services	–	–	14,901,000	–	–	14,901,000	13,491,843
Ministry of Community and Social Services	–	–	–	14,700,000	–	14,700,000	8,500,000
	115,000,000	–	14,901,000	14,700,000	–	144,601,000	136,991,843
Investment income recorded as revenue	1,866,430	–	186,250	52,539	–	2,105,219	1,692,059
Grants pledged	(99,591,200)	–	(12,147,100)	–	–	(111,738,300)	(112,779,900)
Agent grants paid	–	–	–	(10,605,400)	–	(10,605,400)	(7,712,200)
Grantmaking expenses	(11,544,134)	–	(2,512,649)	(1,085,226)	(252,516)	(15,394,525)	(15,455,980)
Support services	(1,871,492)	–	–	–	–	(1,871,492)	(2,131,187)
Amortization	(384,854)	–	(8,072)	(3,020)	–	(395,946)	(423,412)
Services to the community	(1,283,324)	–	–	–	–	(1,283,324)	(1,355,106)
Grants rescinded or recovered	2,559,041	–	233,407	–	375,137	3,167,585	3,252,397
Amounts recognized as Ontario government funding	(110,249,533)	–	(14,248,164)	(11,641,107)	122,621	(136,016,183)	(134,913,329)
Change during the year	4,750,467	–	652,836	3,058,893	122,621	8,584,817	2,078,514
Deferred contributions, end of year	$ 12,476,647	$ 3,046,629	$ 734,646	$ 3,744,777	$ 1,545,146	$ 21,547,845	$ 12,963,028

ONTARIO TRILLIUM FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2018

4. Deferred contributions and grants payable (continued):

Community Capital Fund:

On August 27, 2010, the Foundation signed an agreement with MTCS to administer the Community Capital Fund to provide grants for specific infrastructure projects that support Ontario government priorities and help to revitalize community-based infrastructure by directing funding towards capital assets.

Youth Opportunities Fund:

On November 7, 2013, the Foundation signed an agreement with the Ministry of Children and Youth Services ("MCYS") to administer the Youth Opportunities Fund ("YOF") to provide grants for community-based and positive youth development projects that improve conditions for youth who face multiple barriers to positive outcomes in the Greater Toronto Area. On October 8, 2015, the Foundation signed an amending agreement to expand the YOF program throughout the province. On August 30, 2016, the Foundation signed a service contract with MCYS to deliver additional YOF grants, focused on civic engagement, supported through the time-limited Ontario150 initiative.

Local Poverty Reduction Fund:

On November 19, 2015, the Foundation signed an agreement with Treasury Board Secretariat ("TBS") and MTCS to act as an administrative agent for the Local Poverty Reduction Fund, a granting program to provide funding to support innovative, community-driven projects that measurably improve the lives of those most affected by poverty. The transactions are deferred until such time that grant payments are made or operating expenses are incurred. TBS is responsible for application review and approval, and the Foundation supports applicants through the application process and manages the grants once they are approved.

The total funding to be received from TBS is $50,000,000 over six years. During 2018, $14,700,000 (2017 - $8,500,000) was received, of which $10,605,400 (2017 - $7,712,200) is included in agent grants paid.

ONTARIO TRILLIUM FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2018

4. Deferred contributions and grants payable (continued):

Ontario150 Community Capital Program:

On December 13, 2016, the Foundation signed an agreement with MTCS to administer the Ontario150 Community Capital Program, a one-time funding program launched as part of the Province of Ontario's 150th anniversary. The purpose of the program is to strengthen communities by supporting the repair, renovation or retrofitting of existing infrastructure to better address the diverse needs of Ontario communities while fostering economic growth.

(b) Once OTF pledges grants for distribution, the grants are recorded as grants payable. Grants pledged and not yet distributed are payable, subject to the receipt of funds by OTF and to certain performance conditions placed on the recipients. The continuity of grants payable is as follows:

	2018	2017
Grants pledged	$ 111,738,300	$ 112,779,900
Grants rescinded	(1,680,700)	(2,340,100)
Grants paid	(91,968,700)	(110,163,200)
	18,088,900	276,600
Grants payable, beginning of year	142,866,000	142,589,400
Grants payable, end of year	$ 160,954,900	$ 142,866,000

Grants are payable to various organizations in the fiscal years ending March 31 as follows:

2019	$ 3,401,700
2020	88,726,520
2021	45,408,240
2022	18,813,820
2023	3,278,520
Thereafter	1,326,100
	$ 160,954,900

ONTARIO TRILLIUM FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2018

5. Allocation of expenses:

The Foundation allocates certain of its support services expenses based on the proportion of the total staff directly involved with grantmaking and services to the community. The following percentages were used to calculate the allocation: grantmaking, 64% (2017 - 64%) and services to the community, 4% (2017 - 4%).

Support services reported in the statement of operations of $1,871,492 (2017 - $2,131,187) are reported after allocation of $3,726,298 (2017 - $4,243,373) to grantmaking expenses and $230,808 (2017 - $262,836) to services to the community.

6. Services to the community:

Services to the community are charitable activities other than grants, such as convening, knowledge sharing, capacity building and technical assistance to community organizations.

7. Commitments:

Future minimum annual rental payments for premises under operating leases are as follows:

2019	$ 1,375,600
2020	1,406,700
2021	1,410,100
2022	723,600
	$ 4,916,000

In relation to these leases, OTF has agreed to indemnify the landlord against losses occurring on the lease premises which may arise out of a breach of the lease agreement.

ONTARIO TRILLIUM FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2018

8. Indemnification of officers and directors:

OTF has indemnified its past, present and future directors, officers, employees and volunteers against expenses (including legal expenses), judgments, and any amount actually or reasonably incurred by them in connection with any action, suit or proceeding in which the directors are used as a result of their service, if they acted honestly and in good faith with a view to the best interests of OTF. The nature of the indemnity prevents OTF from reasonably estimating the maximum exposure. OTF has purchased directors' and officers' liability insurance with respect to this indemnification.

9. Financial risks:

(a) Liquidity risk:

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

Accounts payable and accrued liabilities are generally due within 60 days of receipt of an invoice.

There have been no significant changes to the liquidity risk exposure from 2017.

(b) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates, will affect the Foundation's income or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment.

There has been no significant change to the market risk exposure from 2017.

ONTARIO TRILLIUM FOUNDATION
Notes to Financial Statements (continued)

Year ended March 31, 2018

9. Financial risks (continued):

(c) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Foundation to cash flow interest rate risk. The Foundation is exposed to this risk through its investments.

As at March 31, 2018, had prevailing interest rates increased or decreased by 1%, assuming a parallel shift in the yield curve, with all other variables held constant, the estimated impact on the market value of bonds would approximate $1,250,000.

The Foundation's investments are disclosed in note 2.

There has been no change to the interest rate risk exposure from 2017.

care in motion

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647.428.2005 **tel**
647.428.20006 **fax**

June 27, 2018

The accompanying consolidated financial statements of Ornge 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 judgment that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet 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 27, 2018.

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 material misstatement, whether due to fraud or error.

The Board of Director of Ornge 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 consolidated financial statements for the year ended March 31, 2018 have been audited by MNP LLP ("MNP"). MNP's responsibility is to express an opinion on whether the consolidated financial statements present fairly, in all material respects, the financial position of Ornge as at March 31, 2018 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 27, 2018 outlines the scope of MNP's examination and opinion on the consolidated financial statements.

On behalf of management,

Andrew L. McCallum, MD FRCPC
President & Chief Executive Officer

Inna Kravitz
Interim Chief Financial Officer

Management's Responsibility

To the Board of Directors of Ornge:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting policies and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and Finance and Audit Committee are composed entirely of Directors who are neither management nor employees of the Organization. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Finance and Audit Committee has the responsibility of meeting with management and auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of the Organization's external auditors.

MNP LLP is appointed by the Board of Directors to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Committee and management to discuss their audit findings.

June 27, 2018

Chief Executive Officer

Chief Financial Officer

Independent Auditors' Report

To the Board of Directors of Ornge:

We have audited the accompanying consolidated financial statements of Ornge, which comprise the consolidated statement of financial position as at March 31, 2018, and the consolidated statements of operations and changes in net deficiency, changes in 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 Consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of Ornge as at March 31, 2018, and the results of its operations, changes in net deficiency and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

MNP LLP

Mississauga, Ontario

June 27, 2018

Chartered Professional Accountants

Licensed Public Accountants

MNP

Ornge
Consolidated Statement of Financial Position
As at March 31, 2018

(In thousands of Candian dollars)

	2018	2017
Assets		
Cash	**2,458**	6,145
Accounts receivable	**5,693**	4,703
Prepaid expenses and deposits	**1,590**	2,254
Inventory *(Note 4)*	**7,357**	6,723
Current portion of maintenance contract *(Note 6)*	**3,666**	2,479
	20,764	22,304
Restricted cash *(Note 3)*	**400**	400
Capital assets *(Note 5)*	**177,603**	180,646
Maintenance contract and other *(Note 6)*	**24,980**	11,214
	223,747	214,564
Liabilities		
Current		
Short-term loan *(Note 7)*	**8,100**	7,100
Accounts payable and accrued liabilities *(Note 9)*	**20,043**	19,074
Employee future benefits *(Note 8)*	**1,368**	1,263
Current portion of long-term debt *(Note 9)*	**9,213**	8,706
Current portion of maintenance contract obligation *(Note 10)*	**3,333**	-
	42,057	36,143
Long-term debt *(Note 9)*	**245,860**	254,910
Long-term maintenance contract obligation *(Note 10)*	**11,980**	-
	299,897	291,053
Commitments and contingencies *(Note 13), (Note 14)*		
Net deficiency		
Net deficiency	**(76,714)**	(76,489)
Accumulated remeasurement gains	**564**	-
	(76,150)	(76,489)
	223,747	214,564

Approved on behalf of the Board

Director **Director**

The accompanying notes form part of the financial statements

Ornge

Consolidated Statement of Operations and Changes in Net Deficiency

For the year ended March 31, 2018

(In thousands of Candian dollars)

	2018	*2017*
Revenue		
Ontario Ministry of Health and Long-Term Care Transport Medicine program	**174,784**	167,584
Critical Care Land Ambulance program *(Note 12)*	**13,846**	13,801
Other Income	**6,394**	5,603
	195,024	186,988
Expenses		
Salaries, employee benefits and other labour-related *(Note 8), (Note 15)*	**72,826**	68,870
Carrier and fleet-related	**66,815**	54,476
Supplies, facilities and other	**14,860**	15,443
Critical Care Land Ambulance program *(Note 12)*	**13,846**	13,801
Interest	**16,006**	15,620
Amortization of capital assets	**11,340**	11,175
	195,693	179,385
Excess (deficiency) of revenue over expenses before other income	**(669)**	7,603
Other income		
Gain on capital asset disposal - net	**444**	146
Excess (deficiency) of revenue over expenses	**(225)**	7,749
Net deficiency, beginning of the year	**(76,489)**	(84,238)
Net deficiency, end of the year	**(76,714)**	(76,489)

The accompanying notes form part of the financial statements

Ornge

Consolidated Statement of Remeasurement Gains and Losses

For the year ended March 31, 2018

(In thousands of Canadian dollars)

	2018	*2017*
Accumulated remeasurement gains, beginning of year	**-**	-
Unrealized remeasurement gains for the year		
Foreign exchange	**564**	-
Accumulated remeasurement gains, end of year	**564**	-

The accompanying notes form part of the financial statements

Ornge

Consolidated Statement of Cash Flows

For the year ended March 31, 2018

(In thousands of Canadian dollars)

	2018	*2017*
Cash provided by (used for) the following activities		
Operating		
Excess (deficiency) of revenue over expenses	**(225)**	7,749
Amortization of capital assets	**11,340**	11,175
Amortization of maintenance contract and other	**3,829**	1,332
Gain on capital asset disposal - net	**(444)**	(97)
	14,500	20,159
Changes in working capital accounts		
Accounts receivable	**(990)**	1,556
Prepaid expenses and deposits	**664**	(277)
Inventory	**(634)**	(1,105)
Restricted cash	**-**	(120)
Accounts payable and accrued liabilities	**969**	136
Maintenance contract and other	**(11)**	-
Employee future benefits	**105**	(5)
	14,603	20,344
Financing		
Advances of short-term loan	**1,000**	7,100
Principal repayment of long-term debt	**(8,706)**	(8,230)
Principal payments of maintenance contract obligation	**(2,731)**	-
	(10,437)	(1,130)
Capital activities		
Purchases of capital assets	**(8,443)**	(9,133)
Proceeds from sale of capital assets	**590**	962
Maintenance contract deposit	**-**	(14,871)
	(7,853)	(23,042)
Decrease in cash	**(3,687)**	(3,828)
Cash, beginning of year	**6,145**	9,973
Cash, end of year	**2,458**	6,145

The accompanying notes form part of the financial statements

Ornge
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018
(In thousands of Canadian dollars)

1. Purpose of the organization

Ornge operates from a number of bases across the province coordinating all aspects of Ontario's air medical transport system, critical care land transport program, and the screening of inter-facility transfers of patients within the province. The consolidated financial statements include the activities of the Ornge group of entities (the "Organization"). These include Ornge, Ornge Issuer Trust, Ornge Foundation, and wholly owned subsidiaries: Ornge Global Air Inc. and 7506406 Canada Inc.

Ornge is a corporation continued under the Canada Not-for-profit Corporations Act. Ornge is a registered charity under the Income Tax Act (Canada) (the "Act") and, as such, is exempt from income taxes pursuant to Section 149 of the Act.

On February 12, 2009, Ornge Issuer Trust (the "Trust") was created as a special purpose entity under the laws of Ontario pursuant to a declaration of trust. Ornge is the sole beneficiary of the Trust. Pursuant to the Act and Income Tax Regulations, the Trust is subject to income taxes. 4495128 Canada Inc. is the bare trustee for the Trust.

Ornge Global Air Inc. ("Ornge Air") and its wholly-owned subsidiary 7506406 Canada Inc. (“7506406”) are for-profit entities incorporated under the Canada Business Corporations Act. The entities provide rotary wing and fixed wing transport services on behalf of the Organization. Pursuant to the Act and Income Tax Regulations, Ornge Air and 7506406 are subject to income taxes.

Ornge Foundation is a registered charity and is currently inactive.

The Organization is funded primarily by the Province of Ontario in accordance with a Performance Agreement (the “Agreement”) established by the Ministry of Health and Long-Term Care (the "Ministry"). This Agreement sets out the rights and obligations of the two parties in respect of funding provided by the Ministry. It also sets out certain performance standards and obligations that establish acceptable results for the Organization's performance in a number of areas.

2. Significant accounting policies

These consolidated financial statements are the representations of management, 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. The Organization has chosen to use the standards for not-for-profit organizations that include PS 4200 to PS 4270. The consolidated financial statements include the following significant accounting policies:

Basis of consolidation

All controlled not-for-profit and for-profit entities are consolidated into the Organization. The consolidated financial statements include the assets, liabilities and activities of such entities as defined in Note 1. Transactions and balances between the entities have been eliminated in arriving at the consolidated financial statements.

Financial instruments

The Organization recognizes its financial instruments when the Organization becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, and are subsequently measured at either fair value or amortized cost.

Fair value is determined by 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. Transactions to purchase or sell these items are recorded on the trade date. Net gains and losses arising from changes in fair value are recognized in the statement of remeasurement gains and losses. With the exception of those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost using the effective interest rate method.

Financial assets measured at fair value include cash and restricted cash. Financial assets measured at amortized cost include accounts receivable.

Financial liabilities measured at amortized cost include short-term loan, accounts payable and accrued liabilities and long-term debt.

Ornge
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018
(In thousands of Canadian dollars)

2. Significant accounting policies (Continued from previous page)

Financial instruments *(Continued from previous page)*

Transaction costs directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the consolidated statement of operations and changes in net deficiency. Conversely, transaction costs are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

All financial assets are tested annually for impairment. Any impairment which is not considered temporary is recorded in the consolidated statement of operations and changes in net deficiency. Write-downs of financial assets measured at cost and/or amortized cost to reflect losses in value may be reversed for subsequent increases in value, up to their original cost. Reversals of any net remeasurements of financial assets measured at fair value are reported in the statement of remeasurement gains and losses.

Cash

Cash includes balances with banks. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

Inventory

The Organization's inventory includes aviation parts and medical supplies, which are valued at the lower of cost and replacement cost. This inventory is consumed in the normal course of operations and is not intended for sale.

Capital assets

Capital assets are recorded at cost less accumulated amortization.

Assets under construction are assets being built on behalf of the Organization. Amortization is not recorded until construction is substantially complete and the assets are ready for their intended use.

When an asset is retired, the book value and accumulated amortization of the asset are removed from the asset accounts. Any losses incurred on retirement or abandonment are recorded as an expense in the year of retirement or abandonment.

When a capital asset no longer has any long-term service potential to the Organization, the excess of its net carrying amount over any residual value is recognized as an expense in the consolidated statement of operations and changes in net deficiency.

Assets are classified as held for sale when all criteria in PS 1201.055 are met. The Organization measures the assets held for sale at the lower of their carrying amount and fair value less costs to sell. The gains or losses are recorded in the consolidated statement of operations and changes in net deficiency.

Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives as follows:

	Method	**Rate**
Building	straight-line	10 – 40 years
Equipment and vehicles	straight-line	3 – 5 years
Computer equipment and software	straight-line	3 years
Aircraft airframes	straight-line	20 – 30 years
Aircraft engines	straight-line	20 years
Avionics and rotables	straight-line	5 – 30 years
Leasehold improvements	straight-line	over term of lease

Ornge
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018
(In thousands of Canadian dollars)

2. **Significant accounting policies** (Continued from previous page)

Maintenance and repairs

The Organization has entered into long-term maintenance ("LTM") contracts for the maintenance of fixed wing and rotary wing engines, rotary wing airframes, and fixed and rotary wing avionics. The costs are based on a contractual hourly rate multiplied by the number of flight hours (subject to a minimum required hours) or an annual fixed amount. Maintenance costs that are not covered by the LTM contracts are expensed as incurred.

Certain LTM contracts that the Organization entered into contain buy-in provisions, which represent the hours flown by the aircraft prior to when they were placed in the LTM program. Buy-in provision payments are initially capitalized and subsequently recognized as an expense on a straight-line basis over the term of the contract or service life.

Revenue recognition

The Organization follows the deferral method of accounting for contributions. Most of the Organization's revenue is received from the Ministry under the terms of its Agreement with the Organization. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Unrestricted donations are recognized as revenue when received, and restricted donations are recognized as revenue in the year in which the related expenses are incurred.

Other income includes organ transfers and billings for non-OHIP covered services, which are recognized as revenue when services are provided and when amounts can be reasonably estimated, and collection is reasonably assured.

Foreign currency translation

Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at the prevailing exchange rate at the date of the transaction. Carrying values of monetary assets and liabilities and non-monetary items included in the fair value category reflect the exchange rates at the consolidated statement of financial position date.

Unrealized foreign exchange gains and losses are recognized in the consolidated statement of remeasurement gains and losses. In the period of settlement, the cumulative amount of remeasurement gains and losses is reversed in the consolidated statement of remeasurement gains and losses, and foreign exchange gains and losses are reclassified to the consolidated statement of operations and changes in net deficiency.

Employee future benefits

The Organization's employee future benefit programs consist of a multi-employer defined benefit plan, a defined contribution plan, and a non-vested sick-leave program.

Certain full-time employees of the Organization participate in the Hospitals of Ontario Pension Plan ("HOOPP" or the "Plan"), which is a defined benefit multi-employer plan. Defined contribution accounting is used to recognize the Organization's share of a defined benefit multi-employer plan.

The Organization contributes to a defined contribution plan for certain employees. Contributions are expensed as incurred.

The Organization provides non-vested sick leave programs to unionized rotary wing, fixed wing, paramedics and operations control centre employees. The Organization recognizes a liability and an expense for these sick-leave programs that accumulate in the period in which employees render services to the Organization in return for the benefits. The service period is the period from the date the employee is first eligible for benefits (generally the date of hire) to the expected date of the payment of the benefits.

In addition, there is a sick leave program for non-union employees, however, benefits earned do not vest or accumulate beyond 12 months after they are earned. As such, the Organization recognizes an expense when the event (the sick leave) that obligates the Organization occurs.

Ornge
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018
(In thousands of Canadian dollars)

2. Significant accounting policies (Continued from previous page)

Allocation of expenses

The Organization operates a Critical Care Land Ambulance ("CCLA") program. Program costs include personnel, premises and other expenses directly related to providing this program. The Organization also incurs a number of general support expenses that are common to the administration of the Organization and of the CCLA program.

The Organization allocates certain of its general support expenses by identifying the appropriate basis of allocating each component expense and applies that basis consistently each year.

Measurement uncertainty (use of estimates)

The preparation of consolidated 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 disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates are required to determine the useful lives of capital assets, the appropriate method of amortization of capital assets, the assessment of impairment of assets, and the assessment of actuarial assumptions for the non-vesting sick-leave benefit plan.

Non-vesting sick-leave benefit plan valuation is based on actuarial assumptions. Actuarial assumptions for the non-vesting sick-leave benefit plan are based on details of the membership and actuarial models. The valuation of assets held for sale is based on the expected proceeds from the sale.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in the consolidated statement of operations and changes in net deficiency in the periods in which they become known.

The amount of revenue recognized from the Ministry requires a number of estimates. Based on the Performance Agreement established between Ornge and the Ministry, if the Organization does not meet its performance standards or obligations, the Ministry has the right to adjust funding received by the Organization. The Ministry is not required to communicate certain funding adjustments until after the submission of year-end data. Since this data is not submitted until after the completion of the consolidated financial statements, the amount of Ministry funding received during the year may be increased or decreased subsequent to year end. The amount of revenue recognized in these consolidated financial statements represents management's best estimate of amounts that have been earned during the year.

3. Restricted cash

Restricted cash consists of the following:

	2018	*2017*
Deposit with BNY Trust Company of Canada ("Trustee") for $23,877 First Mortgage Series A Bond (representing 3 months' debt service)	**400**	400

4. Inventory

Inventory consists of the following:

	2018	*2017*
Aviation parts	**6,498**	5,907
Medical supplies	**859**	816
	7,357	6,723

Ornge
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018
(In thousands of Canadian dollars)

5. Capital assets

Capital assets consist of the following:

	Cost	***Accumulated amortization***	***2018 Net book value***
Land	**3,243**	**-**	**3,243**
Buildings	**22,018**	**9,867**	**12,151**
Equipment and vehicles	**18,401**	**12,865**	**5,536**
Computer equipment and software	**8,837**	**7,254**	**1,583**
Aircraft airframes	**142,973**	**26,740**	**116,233**
Aircraft engines	**38,299**	**10,620**	**27,679**
Avionics and rotables	**11,539**	**6,277**	**5,262**
Leasehold improvements	**2,469**	**1,170**	**1,299**
Assets under construction	**4,617**	**-**	**4,617**
	252,396	**74,793**	**177,603**

	Cost	*Accumulated amortization*	*2017 Net book value*
Land	3,243	-	3,243
Buildings	21,914	8,718	13,196
Equipment and vehicles	17,511	11,490	6,021
Computer equipment and software	8,183	5,453	2,730
Aircraft airframes	142,604	23,664	118,940
Aircraft engines	38,565	9,354	29,211
Avionics and rotables	11,354	5,970	5,384
Leasehold improvements	2,025	774	1,251
Assets under construction	670	-	670
	246,069	65,423	180,646

During the current year, it was determined that certain capital assets no longer had long-term service potential. As a result, the Organization recorded, as a reduction of cost, impairment of $141 (2017 - $76). The Organization also disposed of capital assets that resulted in a gain of $585 (2016 - $222).

6. Maintenance contract and other

During the year, the Organization entered into a maintenance program for its rotary wing engines for twenty years or until the second engine overhaul is completed, whichever is earlier. Similarly, a six-year maintenance program for its rotary wing airframes was entered into in fiscal 2017. Under these agreements, the respective buy-in provisions are capitalized and amortized on a straight-line basis over the life of the contract or service potential.

	2018	*2017*
Balance, beginning of year	**13,693**	-
Buy-in provision for maintenance contract recognized during the year	**18,706**	14,871
Less: amortization and other	**(3,753)**	(1,178)
	28,646	13,693
Less: Current portion	**(3,666)**	(2,479)
	24,980	11,214

Ornge
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018
(In thousands of Canadian dollars)

7. Short-term loan

On December 15, 2016, the Organization entered into a short term, unsecured credit facility for general corporate purposes. The facility currently allows borrowing of up to $40,000, bearing interest at the bank's prime rate less 0.50% per annum, under a revolving facility. The facility is unsecured and matures on December 15, 2019 with the option to extend for two additional years.

8. Employee future benefits

The Organization allocates to unionized employees a specified number of days each year for use as paid absences in the event of illness or injury. These employees are permitted to accumulate their unused allocation each year up to the allowable maximum provided in their employment agreements. Accumulated days may be used in future years to the extent that employees' illness or injury exceeds the current year's allocation of sick days. Sick days are paid out at the salary in effect at the time of usage.

All computations and disclosures are determined using a measurement date of accounting purposes as at March 31, 2018.

	2018	*2017*
Employee future benefit liabilities		
Accrued employee future benefit obligations	**1,168**	1,299
Unamortized actuarial gain (loss), end of year	**200**	(36)
	1,368	1,263
Employee future benefit expenses		
Current year benefit cost	**575**	558
Interest on accrued benefit obligation	**28**	25
	603	583

The significant actuarial assumptions adopted in measuring the Organization's accrued benefit obligations for the non-vesting sick leave were: a discount rate of 2.90% (2017 - 2.80%).

The significant actuarial assumptions adopted in measuring the Organization's expense for the non-vesting sick leave were: a discount rate of 2.90% (2017 - 2.75 %), and salary cost escalation of 2.50% (2017 - 3.50%).

9. Long-term debt

	2018	*2017*
Series A unsecured debenture (a)	**234,343**	242,704
First Mortgage Series A bond (b)	**22,687**	23,033
	257,030	265,737
Less: Unamortized transaction costs	**(1,957)**	(2,121)
	255,073	263,616
Less: Current portion	**(9,213)**	(8,706)
	245,860	254,910

(In thousands of Canadian dollars)

9. **Long-term debt** (Continued from previous page)

Principal repayments on long-term debt in each of the next five years and thereafter are estimated as follows:

2019	9,213
2020	9,747
2021	10,360
2022	11,202
2023	11,852
Thereafter	204,656
Total	**257,030**

Accrued interest included in accounts payable and accrued liabilities amounted to $4,058 (2017 - $4,200).

(a) On June 11, 2009, the Organization issued a Series A unsecured debenture (the "Debenture") in the amount of $275,000 to finance the acquisition of certain fixed wing and rotary wing aircraft and related infrastructure, and for general corporate purposes. The Debenture bears interest at 5.727% per annum, calculated annually and payable semi-annually.

Transaction costs related to the issuance of the Debenture, including professional fees, were $2,549. These costs were recorded against the Debenture amount and are being amortized over the life of the Debenture using the effective interest rate method.

The fair market value of the Debenture as at March 31, 2018 is $271,136 (2017 - $286,356). The yield on a similar private placement would be 3.72% (2017 – 3.57 %). Given that there is no active secondary market for this issue, the price quoted represents the theoretical value of the Debenture.

The Organization is subject to certain covenants associated with the Debenture. During the reporting period, the Organization met all of its covenants.

(b) On January 31, 2011, the Organization issued a First Mortgage Series A bond (the "Bond") in the amount of $23,877 for the purpose of financing the head office building. The Bond bears interest at 5.60% per annum, calculated semi-annually, and is repayable in blended payments of principal and interest monthly. The maturity date of the Bond is January 31, 2036. A mortgage and security interest in the Organization's corporate building, the related land and fixtures with a carrying value of $16,439, and all benefits to be derived from these assets, including the lease of these assets, has been provided as collateral for the bond.

Transaction costs related to the issuance of the Bond, including professional fees, were $684. These costs were recorded against the Bond amount and are being amortized over the life of the Bond using the effective interest rate method.

The Organization may redeem a portion of or the entire Bond at any time prior to its maturity at a price based on the principal amount then outstanding plus a "make-whole" premium, and accrued and unpaid interest.

Given that there is no active secondary market for this issue, the bond will always be priced at par, yielding its original issue yield of 5.60%.

The Organization is subject to certain covenants associated with the Bond. During the reporting period, the Organization met all its covenants.

Ornge
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018
(In thousands of Canadian dollars)

10. Maintenance contract obligation

	2018	*2017*
Engine maintenance program	**18,706**	-
Foreign exchange remeasurement	**(662)**	
Less: payments made during the year	**(2,731)**	-
	15,313	-
Less: Current portion	**(3,333)**	-
	11,980	-

Contractual payments on the principal balance of the buy-in are as follows:

2019	3,333
2020	3,667
2021	4,016
2022	4,297
Total	**15,313**

11. Financial instruments

The Organization, as part of its operations, carries a number of financial instruments and is exposed to interest, currency, credit, liquidity price risks arising from these financial instruments. The risk exposure and management's objectives, policies and processes for measuring and managing the risks have not changed significantly during the year.

Credit risk

Credit risk is the risk of financial loss because a counter party to a financial instrument fails to discharge its contractual obligations.

The carrying amount of the Organization's financial instruments best represents the maximum exposure to credit risk.

The maximum credit risk exposure at year-end is:

	2018	*2017*
Cash	**2,458**	6,145
Restricted cash	**400**	400
Accounts receivable	**5,693**	4,703
	8,551	11,248

Liquidity risk

The Organization derives most of its operating revenue from the Ministry. The Organization is bound by a Performance Agreement with the Ministry, which provides funds to the Organization for the purposes of delivering the services as described in the Performance Agreement. The Organization is exposed to the risk related to availability of cash resources in order to continue to provide services expected by the Organization's mandate under the Performance Agreement.

To manage liquidity risk, the Organization ensures sound management of available cash resources. The Organization has access to short-term, unsecured credit facility that is used when sufficient cash flow is not available from the Ministry funding to cover operating expenditures (see Note 7).

The Organization monitors its cash requirements based on its financial forecasts.

Ornge
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018
(In thousands of Canadian dollars)

11. **Financial instruments** (Continued from previous page)

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. In seeking to manage the risks from foreign exchange rate fluctuations, the Organization monitors current exchange rates and fluctuations to manage its accounts payable and accrued liabilities.

The Organization enters into transactions for purchases and warranty claims that are denominated in U.S. dollars for which the related accounts payable balances are subject to exchange rate fluctuations. As at March 31, 2018, the following items are denominated in U.S. dollars:

	2018 **U.S.$** ***(in thousands)***	*2017* U.S.$ *(in thousands)*
Accounts payable and accrued liabilities	**14,939**	2,092

A 1% change in the U.S. dollar foreign exchange rates would change accounts payable and accrued liabilities by approximately $193, resulting in a change to unrestricted net deficiency and accumulated remeasurement gains and losses of approximately $193.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The Organization is exposed to interest rate risk with respect to its long-term debt. A change in the interest rate of the long-term debt would have an impact on the fair value of the debt but no impact on the consolidated financial statements since the debt is measured at amortized cost and has a fixed rate of interest.

Commodity risk

The Organization requires significant quantities of aviation fuel for its aircraft operations. As a result, the Organization is exposed to commodity price risks associated with the variations in the market price for aviation fuel. The price of aviation fuel is sensitive to, among other things, the price of crude oil, refining, and delivery costs. As at March 31, 2018, the Organization has not entered into any hedge contracts.

Fair value of financial instruments

Financial instruments measured at fair value are classified according to a fair value hierarchy that reflects the importance of the data used to perform each valuation. The fair value hierarchy is made up of the following levels:

Level 1: Quoted prices (unadjusted) are available in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly; and

Level 3: Unobservable inputs in which there is little or no market data, which require the Organization to develop its own assumptions.

The fair value hierarchy requires the use of observable data on the market each time such data exists. A financial instrument is classified at the lowest level of hierarchy for which significant input has been considered in measuring fair value.

Cash and restricted cash that the Organization held as at March 31, 2018 fall within Level 1 of the fair value hierarchy.

Ornge
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018
(In thousands of Canadian dollars)

12. Critical Care Land Ambulance program expenses

The Critical Care Land Ambulance program expenses consist of direct program costs and allocation of general support expenses as follows:

	2018	*2017*
Direct program costs - CCLA	**13,035**	12,775
Allocation of administrative costs	**811**	1,026
	13,846	13,801

13. Commitments

The Organization has entered into various operating agreements to receive services in support of the Organization's transport medicine operation. The Organization is also committed under long-term leases for premises in various bases across Ontario. The estimated minimum annual payments are as follows:

Within one year	22,624
Between one and five years	76,667
Beyond five years	10,515
	109,806

14. Contingencies

The Organization is subject to various claims and potential claims. Where the potential liability is determinable, management believes that the ultimate disposition of the matters will not materially exceed the amounts recorded in the accounts. In other cases, the ultimate outcome of the claims cannot be determined at this time. Any additional losses related to the claims will be recorded in the year during which the liability is determined or adjustments to the amount recorded are determined to be required.

The Organization participates in the Healthcare Insurance Reciprocal of Canada (“HIROC”). HIROC is a pooling of the public liability insurance risks of its members. All members of the HIROC pool pay annual premiums which are actuarially determined. All members are subject to assessment for losses, if any, experienced by the pool for the years in which they were members. There are other claims covered by HIROC. Management believes that their coverage is adequate to cover any amounts payable in connection with these claims.

15. Pension plans

Certain full-time employees of the Organization are eligible to be members of HOOPP (the "Plan"), which is a multi-employer, defined benefit, final average earnings, and contributory pension. The Plan is accounted for as a defined contribution plan following the standards for multi-employer plans. The Organization's contribution to the Plan during the year amounted to $3,574 (2017 - $3,541) and is included in salaries and employee benefits expense and specifically funded programs in the consolidated statement of operations and changes in net deficiency. Contributions made by the Organization are in accordance with the funding requirements under the Plan. The most recent valuation for financial reporting purposes completed by HOOPP as of December 31, 2017 disclosed net assets available for benefits of $77,755 million with pension obligations of $59,602 million, resulting in a surplus of $18,153 million.

The Organization also maintains a defined contribution pension plan for certain groups of its employees. During the year ended March 31, 2018, the Organization contributed and expensed an aggregate of $1,875 (2017 - $1,825) to this plan.

OTTAWA CONVENTION CENTRE | CENTRE DES CONGRÈS D'OTTAWA
CANADA'S MEETING PLACE
LE LIEU DE RENCONTRE DU CANADA

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Ottawa, Ontario, Canada K1N 9J2 | F 613-563-7646

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.

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 the Agency and annually reviews the financial statements.

The financial statements have been examined independently by PricewaterhouseCoopers. The Auditor's Report outlines the scope of their examination and expresses their opinion on the financial statements of the company.

Nina Kressler
President & Chief Executive Officer

Dan Young, CPA, CMA
Vice-President & Chief Operating Officer

June 25, 2018

June 28, 2018

Independent Auditor's Report

To the Members of
Ottawa Convention Centre / Société du Centre des Congrès d'Ottawa

We have audited the accompanying financial statements of Ottawa Convention Centre / Société du Centre des Congrès d'Ottawa, which comprise the statement of financial position as at March 31, 2018 and the statements of operations, changes in net liabilities 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.

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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 Ottawa Convention Centre / Société du Centre des Congrès d'Ottawa as at March 31, 2018 and the results of its operations, change in its net liabilities 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

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99 Bank Street, Suite 710, Ottawa, Ontario, Canada K1P 1E4
T: +1 613 237 3702, F: +1 613 237 3963

Ottawa Convention Centre / Société du Centre des Congrès d'Ottawa

Statement of Financial Position

As at March 31, 2018

	2018 $	2017 $
Assets		
Current		
Cash	5,618,232	4,601,176
Accounts receivable	923,631	685,474
Prepaid expenses	88,844	86,949
	6,630,707	5,373,599
Property, plant and equipment (note 4)	145,687,622	150,905,133
	152,318,329	156,278,732
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities	1,875,153	2,164,402
Deferred revenue and deposits	2,136,415	2,992,013
Current portion of long-term debt (note 5)	51,790,381	154,451
	55,801,949	5,310,866
Deferred revenue and deposits	686,179	786,394
Long-term debt (note 5)	1,370,977	50,857,196
Deferred contributions related to property, plant and equipment (note 6)	100,610,048	103,822,979
	158,469,153	160,777,435
Net liabilities	(6,150,824)	(4,498,703)
	152,318,329	156,278,732

Commitments and contingencies (note 10)

Approved by the Board of Directors

________________ Director ________________ Director

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

Ottawa Convention Centre / Société du Centre des Congrès d'Ottawa

Statement of Operations

For the year ended March 31, 2018

	2018 $	2017 $
Revenue		
Food and beverage	12,253,808	10,255,778
Space rental	5,213,422	4,555,652
Commissions	1,633,024	1,752,922
Advertising	504,743	492,119
Other	74,043	75,204
Interest earned	36,903	16,108
	19,715,943	17,147,783
Expenses (note 7)		
Direct	8,652,664	7,443,951
Facilities	5,506,004	5,214,272
Selling, general and administrative	2,775,747	2,605,495
	16,934,415	15,263,718
Excess of revenue over expenses before undernoted items	2,781,528	1,884,065
Interest on long-term debt	(2,379,711)	(2,283,904)
Amortization of deferred contributions related to property, plant and equipment	3,212,931	3,212,931
Amortization of property, plant and equipment	(5,266,869)	(5,274,611)
Excess of expenses over revenue for the year	(1,652,121)	(2,461,519)

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

Ottawa Convention Centre / Société du Centre des Congrès d'Ottawa

Statement of Changes in Net Liabilities

For the year ended March 31, 2018

	2018 $	2017 $
Net liabilities - Beginning of year	(4,498,703)	(2,037,184)
Excess of expenses over revenue for the year	(1,652,121)	(2,461,519)
Net liabilities - End of year	(6,150,824)	(4,498,703)

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

Ottawa Convention Centre / Société du Centre des Congrès d'Ottawa

Statement of Cash Flows

For the year ended March 31, 2018

	2018 $	2017 $
Cash provided by (used in)		
Operating activities		
Excess of expenses over revenue for the year	(1,652,121)	(2,461,519)
Items not affecting cash -		
Amortization of property, plant and equipment	5,266,869	5,274,611
Amortization of deferred contributions related to property, plant and equipment	(3,212,931)	(3,212,931)
Capitalization of interest to long-term debt	2,304,162	2,201,318
	2,705,979	1,801,479
Net change in non-cash working capital balances (note 8)	(1,485,114)	1,710,367
	1,220,865	3,511,846
Capital activity		
Purchase of property, plant and equipment	(49,358)	-
Financing activity		
Repayment of long-term debt	(154,451)	(147,414)
Increase in cash during the year	1,017,056	3,364,432
Cash - Beginning of year	4,601,176	1,236,744
Cash - End of year	5,618,232	4,601,176
Supplementary information		
Interest paid	75,549	82,586

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

Ottawa Convention Centre / Société du Centre des Congrès d'Ottawa
Notes to Financial Statements
March 31, 201

1 Nature of organization

The Ottawa Convention Centre / Société du Centre des Congrès d'Ottawa ("the Centre") was incorporated by a special Act of the Ontario Provincial Legislature. The mandate of the Centre is to operate, maintain and manage an international class convention centre facility in the City of Ottawa in a manner that will promote and develop tourism and industry in Ontario. The Centre is exempt from income taxes.

2 Summary of significant accounting policies

Basis of presentation

The financial statements of the Centre are prepared in accordance with Canadian Public Sector Accounting Standards (PSAS), including accounting standards that apply to government not-for-profit organizations.

Revenue recognition

Revenue from food, beverage, space rental and other is recognized when the related goods or services are provided to the customer. Advertising revenue is recognized in the year in which the advertising is provided to the client. Commission revenue is recognized in the year in which the related event is held.

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

Contributed materials and services

From time to time, the Centre may receive contributed materials and services. Since these materials and services are either not normally purchased by the Centre or the fair value of the materials or services cannot be reasonably estimated, contributed materials and services are not recognized in these financial statements.

Use of estimates

The preparation of the financial statements in conformity with PSAS 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.

Significant estimates made in the preparation of these financial statements include the useful lives of property, plant and equipment, and commission revenues earned. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

Ottawa Convention Centre / Société du Centre des Congrès d'Ottawa
Notes to Financial Statements
March 31, 2018

Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated amortization. Amortization is provided for using the straight-line method over the estimated useful lives of the various classes of assets, except in the year of acquisition when a pro-rated share of the year's amortization is recorded based on the fiscal quarter in which the asset is acquired. Amortization is calculated at the following rates.

Building	40 years straight-line
Software	5 years straight-line
Furniture, equipment and fixtures	10 years straight-line
Technology network	15 years straight-line

The Centre reviews long-lived assets for impairment whenever events or changes in circumstances indicate the asset no longer has any long-term service potential to the Centre. The impairment loss, if any, is the excess of the carrying value over any residual value. Impairment losses are not reversed in future periods.

Deferred revenue and deposits

Deferred revenue and deposits represent amounts received in advance from customers in relation to services to be rendered in future periods.

Deferred contributions related to property, plant and equipment

Deferred contributions represent amounts received from various levels of government as well as one of the Centre's significant partners, to be used towards the construction and purchase of property, plant and equipment.

Deferred contributions are recognized as revenue on the same basis as the amortization of property, plant and equipment.

Employee future benefits

All full-time employees of the Centre are eligible to be members of the Centre's defined contribution pension plan which offers employees a pension benefit, upon retirement or termination, based on the accumulated contributions made by the individual employee and by the Centre, on their behalf, plus any investment earnings on these contributions. Contributions required to be made by the Centre are recorded in the period in which employee services are rendered.

During the year, the Centre recorded an expense of $78,866 (2017 - $71,171) for contributions made to the defined contribution pension plan, which is included in selling, general and administrative expenses.

Ottawa Convention Centre / Société du Centre des Congrès d'Ottawa
Notes to Financial Statements
March 31, 2018

Financial instruments

The Centre's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, and long-term debt.

The Centre has classified its financial instruments as follows.

Asset/liability	Measurement
Cash	fair value
Accounts receivable	amortized cost
Accounts payable and accrued liabilities	amortized cost
Long-term debt	amortized cost

The carrying amount of these financial assets and financial liabilities approximates their fair values unless otherwise disclosed.

Changes in Accounting Policies

The Centre adopted the following new accounting policies:

1. PS 2200 Related Party Transactions
   On April 1, 2017, the Centre adopted the PSA Handbook Section PS 2200 "Related Party Transactions". The new standard defines a related party and includes the requirement for disclosure of related party transactions and is effective for years beginning on or after April 1, 2017. To address this new standard, Note 3-Related Party Transactions has been included below.

2. PS 3210 Assets
   On April 1, 2017, the Centre adopted the PSA Handbook Section PS 3210 "Assets". The new standard provides guidance for applying the definition of assets set out in Section PS 1000, Financial Statement Concepts, and establishes general disclosure standards for assets and is effective for years beginning on or after April 1, 2017. This accounting change had no significant impact on the Centre's financial statements.

3. PS 3320 Contingent Assets
   On April 1, 2017, the Centre adopted the PSA Handbook Section PS 3320 "Contingent Assets". The new standard defines and establishes disclosure standards on contingent assets and is effective for years beginning on or after April 1, 2017. This accounting change had no significant impact on the Centre's financial statements.

4. PS 3380 Contractual Rights
   On April 1, 2017, the Centre adopted the PSA Handbook Section PS 3380 "Contractual Rights". The new standard defines and establishes disclosure standards on contractual rights and is effective for years beginning on or after April 1, 2017. This accounting change had no significant impact on the Centre's financial statements.

Ottawa Convention Centre / Société du Centre des Congrès d'Ottawa
Notes to Financial Statements
March 31, 2018

5. PS 3420 Inter-entity transactions
On April 1, 2017, the Centre adopted the PSA Handbook Section PS 3420 "Inter-entity transactions". The new standard establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective and is effective for years beginning on or after April 1, 2017. This accounting change had no significant impact on the Centre's financial statements.

3 Related Party Transactions

The Centre is related through common ownership to all Province of Ontario ministries, agencies, and crown corporations. Transactions with these entities, unless disclosed separately, are considered to be in the normal course of operations and are recorded at the exchange amount.

Please refer to Note 5 Long-term debt for further details regarding the long term debt transaction.

4 Property, plant and equipment

			2018
	Cost $	Accumulated amortization $	Net carrying amount $
Building	170,840,512	29,824,092	141,016,420
Software	274,577	274,577	-
Furniture, equipment and fixtures	8,443,826	5,846,907	2,596,919
Technology network	2,476,912	1,155,892	1,321,020
Land	753,263	-	753,263
	182,789,090	37,101,468	145,687,622

			2017
	Cost $	Accumulated amortization $	Net carrying amount $
Building	170,840,512	25,553,080	145,287,432
Software	274,577	274,577	-
Furniture, equipment and fixtures	8,394,470	5,016,179	3,378,291
Technology network	2,476,912	990,765	1,486,147
Land	753,263	-	753,263
	182,739,734	31,834,601	150,905,133

Ottawa Convention Centre / Société du Centre des Congrès d'Ottawa
Notes to Financial Statements
March 31, 2018

5 Long-term debt

On November 2, 2012, the Centre was granted an amendment to the financing agreement with the Ontario Financing Authority (OFA), a related party through common control. As a result of the amendment, the Centre will not be required to pay any annual instalments of principal or interest on this loan for a period of up to five years ("Stalled Repayment Period"), during which interest expense will continue to accrue. At the discretion of the OFA but no later than September 2018, the Centre is required to resume blended interest and principal repayments, based on an adjusted loan amortization schedule which will be provided by the OFA, at the end of the Stalled Repayment Period.

During the current year, the Centre informed the OFA that it would not be able to meet its obligation for this loan and would therefore breach the debt agreement in September 2018 upon failing to make the payment. Therefore, the loan has been presented as a current liability as at March 31, 2018.

	2018 $	2017 $
Loan payable from the OFA, bearing interest at the province's cost of funds plus 0.525% (2017 - 0.525%), compounded annually, including $2,304,162 (2017 - $2,201,318) of capitalized interest. As at March 31, 2018, the interest rate amounted to 4.7% (2017 - 4.7%).	51,628,557	49,324,395
Debt related to acquisition of technology services network, bearing interest at 4.7% per annum and requiring blended monthly payments of $19,167 (2017 - $19,167) from April 2011 through March 2026.	1,532,801	1,687,252
	53,161,358	51,011,647
Less: Current portion	51,790,381	154,451
	1,370,977	50,857,196

Principle payments required on long-term debt obligations over the next five years are as follows.

	$
Year ending March 31	
2019	161,824
2020	169,548
2021	177,641
2022	186,120
2023	195,005

Debt Extinguishment

On May 4, 2018, the Centre was granted a release of its obligation to repay the $40,000,000 loan plus interest to the OFA. The release is for the full amount of any outstanding principal and interest totalling $51,628,557 as of the effective date of March 31, 2018. As a result, a new agreement has been signed requiring the Centre to

Ottawa Convention Centre / Société du Centre des Congrès d'Ottawa
Notes to Financial Statements
March 31, 2018

make annual payments of $1,000,000 to the OFA in perpetuity subject to the Centre's ability to make such payments and the guarantee it obtained from the Ministry of Tourism, Culture, and Sport (the "Ministry"). The future cash flows related to this obligation have been valued at the Net Present Value of a perpetuity using a 3.63% discount rate (which is based on the Province of Ontario's 25 year borrowing rate plus a 0.5% premium reflecting the Centre's credit risk) and disclosed below totalling $27,583,238. The difference in carrying value of the old debt and the new obligation as of April 1, 2018 will be recognized as a gain on debt extinguishment totalling 24,045,319 for the year ending March 31, 2019.

As part of the new agreement with the OFA, the Centre obtained a guarantee from the Ministry, a related party through common control, to pay any shortfall in the required annual payment each year to the OFA on behalf of the Centre. The Centre is not obligated to repay any amounts paid by the Ministry under this guarantee.

The new agreement with the OFA also requires the Centre to make additional annual payments to the OFA to the extent excess cash flow from operations permits. The agreement with the OFA stipulates that the amount of any such additional payment will be negotiated annually by the Centre and the OFA based on actual operating results for the particular year as well as taking into consideration the Centre's three-year plan, including its capital plan.

Long-term debt disclosures as of April 1, 2018, after giving effect to the above agreements, would be as follows:

	April 1, 2018 $	March 31, 2018 $
Loan payable to the Ontario Financing Authority, extinguished during the year ending March 31, 2019.	-	51,628,557
Present value of non-interest bearing obligation to pay $1,000,000 per year to the OFA in perpetuity, discounted at a rate of 3.63% per annum	27,583,238	-
Debt related to acquisition of technology services network, bearing interest at 4.7% per annum and requiring blended monthly payments of $19,167 (2017 - $19,167) from April 2011 through March 2026.	1,532,801	1,532,801
	29,116,039	53,161,358
Less: Current portion	1,161,824	51,790,381
	27,954,215	1,370,977

The calculation of the gain on debt extinguishment is as follows:

Ottawa Convention Centre / Société du Centre des Congrès d'Ottawa

Notes to Financial Statements

March 31, 2018

	April 1, 2018 $
Loan payable to the Ontario Financing Authority	51,628,557
Present value of non-interest bearing obligation to pay $1,000,000 per year to the OFA in perpetuity, discounted at a rate of 3.63% per annum	(27,583,238)
Gain on debt extinguishment recognized during the year ending March 31, 2019	24,045,319

6 Deferred contributions

	2018 $	2017 $
Balance - Beginning of year	103,822,979	107,035,910
Amortization	(3,212,931)	(3,212,931)
Balance - End of year	100,610,048	103,822,979

7 Expenses

Expenses presented by function are represented as follows.

	2018 $	2017 $
Direct	8,652,664	7,443,951
Facilities	10,772,873	10,488,883
Selling, general and administrative	2,775,747	2,605,495
Financial	2,379,711	2,283,904
	24,580,995	22,822,233

The above presentation of expenses by function excludes the amortization of deferred contributions related to property, plant and equipment, as these are considered revenue in accordance with the Centre's accounting policies described in note 2.

8 Net change in non-cash working capital balances

The net change in non-cash working capital balances consists of the following changes in current assets and liabilities.

Ottawa Convention Centre / Société du Centre des Congrès d'Ottawa

Notes to Financial Statements

March 31, 2018

	2018 $	2017 $
Accounts receivable	(238,157)	506,074
Prepaid expenses	(1,895)	(4,799)
Accounts payable and accrued liabilities	(289,249)	359,739
Deferred revenue and deposits - Current	(855,598)	540,698
Deferred revenue and deposits - Long-term	(100,215)	308,655
	(1,485,114)	1,710,367

9 Financial instruments and risk management

The following classification system is used to describe the basis of the inputs used to measure the fair values of financial instruments in the fair value measurement category.

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Market based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 - Inputs for the asset or liability that are not based on observable market data; assumptions are based on the best internal and external information available and are most suitable and appropriate based on the type of financial instrument being valued in order to establish what the transaction price would have been on the measurement date in an arm's length transaction.

Cash, being the only financial instrument measured at fair value, was measured as a Level 1 financial instrument.

Credit risk

Credit risk refers to the risk resulting from the possibility that parties may default on their financial obligations to the Centre. The Centre's booking policies are designed to minimize the amounts due from customers upon the conclusion of their event and thereby reduce the Centre's exposure to credit risk. Further, the Centre's management performs regular reviews of the creditworthiness of its customers and has collection policies that management feels are adequate to minimize losses in this area. The Centre does not consider its accounts receivable as presenting any significant credit risk.

As at March 31, 2018, the Centre did not have any accounts receivable that were past due but not impaired.

Furthermore, in May 2018, the Centre obtained a guarantee from the Ministry of Tourism, Culture and Sport in relation to its perpetual obligation to the OFA detailed in Note 5. The ability of the Centre to draw on this guarantee is subject to the ongoing creditworthiness of the Ministry, however, the Centre does not currently perceive any significant credit risk related to the Ministry.

Ottawa Convention Centre / Société du Centre des Congrès d’Ottawa
Notes to Financial Statements
March 31, 2018

Liquidity risk

Liquidity risk refers to the risk that the Centre will encounter difficulty in meeting obligations associated with financial liabilities. The Centre is exposed to this risk mainly in respect of its long-term debt and the new obligation to the OFA. Following the release of its obligation to repay the OFA the loan payable to the OFA, the fair value of the obligation to the Centre amounts to $27,583,238 under the new obligation. The OFA requires that a payment of $1,000,000 be made on March 31, 2019. As part of the new agreement with the OFA, the Centre obtained a guarantee from the Ministry of Tourism, Culture and Sport that it will, pay on behalf of the Centre, all or a portion of the annual payments due to the OFA to the extent the Centre is unable to make such payments

The table below is a maturity analysis of the Centre’s financial liabilities as at March 31, 2018.

	Up to 6 months $	More than 6 months up to 1 year $	More than 1 year up to 5 years $	More than 5 years $	Total $
Accounts payable and accrued liabilities	1,813,346	48,051	6,878	6,878	1,875,153
Long-term debt (excluding non-capitalized interest)	51,708,226	82,155	932,628	438,349	53,161,358
	53,521,572	130,206	939,506	445,227	55,036,511

Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates. The Centre has $1,532,801 in debt bearing interest annually in relation to the acquisition of technology services network (note 5). Management does not consider the Centre to be exposed to significant interest rate risk.

As at March 31, 2018, the Centre’s total exposure to interest rate risk is $1,532,801. The Centre’s estimate of the effect on net assets, as at March 31, 2018, of a one percent increase or decrease in the interest rate on the loan payable, with all other variables held constant, would amount to an approximate increase or decrease of $15,328. In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

Ottawa Convention Centre / Société du Centre des Congrès d'Ottawa
Notes to Financial Statements
March 31, 2018

The sensitivity analysis included in this note should be used with caution as the changes are hypothetical and are not predictive of future performance. The above sensitivity is calculated with reference to year-end balances and will change due to fluctuations in the balances in the future. In addition, for the purpose of the sensitivity analysis, the effect of a variation in a particular assumption on the fair value of the financial instruments was calculated independently of any change in another assumption. Actual changes in one factor may contribute to changes in another factor, which may magnify or counteract the effect on the fair value of the financial instrument.

10 Commitments and contingencies

The Centre has entered into facility services and technology services agreements related to the operation of the Centre, both expiring in 2026. Under the facility services agreement, among other terms, the Centre will pay a facility management fee of $260,000 (2017 - $250,000) with annual escalations of $10,000 thereafter. Under the technology services agreement, the Centre will make annual payments adjusted for inflation of $300,868 (2017 - $296,130) attributable to the ongoing service agreement.

The Centre has also entered into a telecommunications equipment lease agreement with RCAP March 1, 2015 to February 28, 2018. The agreement was renewed in October 2017 and expires April 1, 2021. Under the agreement, the Centre will pay an annual fee of $30,877 (2017 - $34,242). All figures exclude applicable taxes.

The Centre is involved in various claims and litigation that arise in the normal course of business. During the year ended March 31, 2016, a statement of claim in the amount of $9,600,000 was issued against the Centre related to an alleged breach of contract by the plaintiff. The Centre does not agree with the claim. At this time, the outcome of these proceedings cannot be determined, therefore no amounts have been recorded related to this claim.

11 Capital management

The Centre's objective when managing capital is to maintain its ability to continue as a going concern in order to execute its mandate to operate a world-class convention facility. The Centre's capital structure is comprised of its net assets, long-term debt and deferred contributions related to property, plant and equipment. The Centre's objective in management of its capital structure is to ensure access to sufficient cash flow to carry out its ongoing operations and service its obligations.

Province of Ontario Council for the Arts

Management's Responsibility for Financial Information

The accompanying financial statements of the Province of Ontario Council for the Arts (the OAC) are the responsibility of management and have been prepared in accordance with Canadian public sector accounting standards.

Management maintains a system of internal controls designed to provide reasonable assurance that financial information is accurate and that assets are protected.

The Board of Directors ensures that management fulfils its responsibilities for financial reporting and internal control. The Finance and Audit Committee and the Board of Directors meet regularly to oversee the financial activities of the OAC, and annually to review the audited financial statements and the external auditor's report thereon.

The financial statements have been audited by the Office of the Auditor General of Ontario, whose responsibility is to express an opinion on the financial statements. The Auditor's Report that appears as part of the financial statements outlines the scope of the Auditor's examination and opinion.

On behalf of management:

Peter Caldwell
Director & CEO

Jerry Zhang
Director of Finance and Administration

June 13, 2018

Office of the Auditor General of Ontario
Bureau de la vérificatrice générale de l'Ontario

Independent Auditor's Report

To the Province of Ontario Council for the Arts and to the Minister of Tourism, Culture and Sport

I have audited the accompanying financial statements of the Province of Ontario Council for the Arts (operating as Ontario Arts Council), which comprise the statement of financial position as at March 31, 2018 and the statements of operations and changes in 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 the Province of Ontario Council for the Arts (operating as Ontario Arts Council) as at March 31, 2018 and 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.

Toronto, Ontario
June 13, 2018

Susan Klein, CPA, CA, LPA
Assistant Auditor General

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PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

(OPERATING AS ONTARIO ARTS COUNCIL)

Statement of Financial Position

March 31, 2018, with comparative information for 2017

			2018	2017
	Operating fund	Restricted and endowment funds	Total	Total
Assets				
Current assets:				
Cash and cash equivalents	$ 3,345,264	$ 2,708,928	$ 6,054,192	$ 3,858,895
Accounts receivable	41,451	–	41,451	107,467
Prepaid expenses	123,384	–	123,384	47,643
	3,510,099	2,708,928	6,219,027	4,014,005
Investments (notes 2(b) and 8)	907,122	27,433,106	28,340,228	28,983,236
Capital assets (note 3)	1,796,704	–	1,796,704	2,271,489
	$ 6,213,925	$ 30,142,034	$ 36,355,959	$ 35,268,730
Liabilities and Fund Balances				
Current liabilities:				
Accounts payable and accrued liabilities	$ 524,499	$ –	$ 524,499	$ 949,567
Deferred contributions (note 13)	1,698,069	–	1,698,069	342,930
Current portion of deferred lease inducement	165,322	–	165,322	165,322
Current portion of employee future benefits (note 2(b))	228,356	–	228,356	282,924
	2,616,246	–	2,616,246	1,740,743
Deferred lease inducement	1,115,923	–	1,115,923	1,281,245
Employee future benefits (note 2(b))	145,037	–	145,037	108,998
Fund balances:				
Invested in capital assets	515,459	–	515,459	824,922
Restricted for endowment purposes (note 4)	–	70,311	70,311	70,311
Externally restricted funds (Schedule 2)	–	16,188,687	16,188,687	16,387,341
Internally restricted funds (note 5)	–	7,172,396	7,172,396	6,406,858
Unrestricted	1,648,153	–	1,648,153	1,312,342
Accumulated remeasurement gains	173,107	6,710,640	6,883,747	7,135,970
	2,336,719	30,142,034	32,478,753	32,137,744
	$ 6,213,925	$ 30,142,034	$ 36,355,959	$ 35,268,730

Commitments (note 10)
Economic dependence (note 11)

See accompanying notes to financial statements.

On behalf of the Board:

__________ Director

__________ Director

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS
(OPERATING AS ONTARIO ARTS COUNCIL)

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2018, with comparative information for 2017

	Operating fund		Restricted and endowment funds		Total	
	2018	2017	2018	2017	2018	2017
Income:						
General grant - Province of Ontario	$ 64,937,400	$ 59,937,400	$ –	$ –	$ 64,937,400	$ 59,937,400
Special grants:						
Creative Engagement Fund	936,900	553,329	–	–	936,900	553,329
Canada/Ontario						
French Language Projects	65,000	170,000	–	–	65,000	170,000
Indigenous Culture Fund	3,471,143	108,894	–	–	3,471,143	108,894
Investment income (note 8)	427,964	327,390	1,533,516	1,787,464	1,961,480	2,114,854
Fund administration fee (note 6(a))	74,088	68,702	–	–	74,088	68,702
Recovery of prior years' grants	94,945	48,531	–	–	94,945	48,531
Miscellaneous	37,351	64,825	–	–	37,351	64,825
Contributions	–	–	10,423	15,444	10,423	15,444
	70,044,791	61,279,071	1,543,939	1,802,908	71,588,730	63,081,979
Expenditures:						
Awards and expenses	–	–	1,685,590	1,737,093	1,685,590	1,737,093
Grants	54,634,714	50,788,716	100,000	120,000	54,734,714	50,908,716
Special grants	3,932,344	510,085	–	–	3,932,344	510,085
Administration (Schedule 1)	8,568,367	8,570,968	–	–	8,568,367	8,570,968
Services (Schedule 1)	2,074,483	2,070,589	–	–	2,074,483	2,070,589
	69,209,908	61,940,358	1,785,590	1,857,093	70,995,498	63,797,451
Excess of income over expenditures (expenditures over income)	834,883	(661,287)	(241,651)	(54,185)	593,232	(715,472)
Fund balances, beginning of year	2,316,713	2,548,960	29,821,031	28,509,443	32,137,744	31,058,403
Interfund transfers	(808,534)	383,906	808,534	(383,906)	–	–
Net remeasurement (losses) gains	(6,343)	45,134	(245,880)	1,749,679	(252,223)	1,794,813
Fund balances, end of year	$ 2,336,719	$ 2,316,713	$ 30,142,034	$ 29,821,031	$ 32,478,753	$ 32,137,744

See accompanying notes to financial statements.

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

(OPERATING AS ONTARIO ARTS COUNCIL)

Statement of Remeasurement Gains and Losses

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Accumulated remeasurement gains, beginning of year	$ 7,135,970	$ 5,341,157
Unrealized gains attributed to:		
Portfolio investments	186,349	2,068,212
Amounts reclassified to the statement of operations:		
Portfolio investments	(438,572)	(273,399)
Net remeasurement (losses) gains for the year	(252,223)	1,794,813
Accumulated remeasurement gains, end of year	$ 6,883,747	$ 7,135,970

See accompanying notes to financial statements.

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

(OPERATING AS ONTARIO ARTS COUNCIL)

Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Excess of income over expenditures (expenditures over income)	$ 593,232	$ (715,472)
Items not involving cash:		
Gain on income distributions	(976,888)	(1,502,467)
Gain on sale of investments	(603,028)	(344,830)
Amortization and impairment of capital assets	549,845	721,347
Change in deferred lease inducement	(165,322)	69,840
Change in non-cash operating working capital:		
Accounts receivable	66,016	203,338
Prepaid expenses	(75,741)	(25,123)
Deferred contributions	1,355,139	192,930
Accounts payable and accrued liabilities	(425,068)	(69,484)
Employee future benefits	(18,529)	54,662
	299,656	(1,415,259)
Capital activities:		
Purchase of capital assets	(75,060)	(171,877)
Investing activities:		
Proceeds from sale of investments, net	1,970,701	1,647,847
Increase in cash and cash equivalents	2,195,297	60,711
Cash and cash equivalents, beginning of year	3,858,895	3,798,184
Cash and cash equivalents, end of year	$ 6,054,192	$ 3,858,895

See accompanying notes to financial statements.

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

(OPERATING AS ONTARIO ARTS COUNCIL)

Notes to Financial Statements

Year ended March 31, 2018

The Province of Ontario Council for the Arts (operating as Ontario Arts Council) (the "OAC") was established in 1963 by the Government of Ontario to promote the development and enjoyment of the arts across the province. The OAC plays a leadership role in fostering excellence in the arts and making the arts accessible to all Ontarians. The OAC is a registered charity and is exempt from tax under the Income Tax Act (Canada).

1. Significant accounting policies:

(a) Basis of presentation:

The financial statements have been prepared by management in accordance with accounting standards for government not-for-profit organizations, included in the Canadian public sector accounting standards for government not-for-profit organizations.

The OAC follows the restricted fund method of accounting for contributions.

The OAC has elected not to consolidate controlled entities (note 7).

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

(b) Fund accounting:

Resources are classified for accounting and reporting purposes into funds that are held in accordance with their specified purposes.

The operating fund reports the publicly funded activities of the OAC funded mainly through a general grant from the Province of Ontario. Funding from the Province for restricted programs is accounted for as deferred contributions and recognized when the related expenses are incurred.

The restricted and endowment funds are internally restricted by the OAC or by the terms specified by the donors in their trust agreements.

Grant approved to be paid in the future upon specific requirements being met are not included in the statement of operations and changes in fund balances (note 10(b)).

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

(OPERATING AS ONTARIO ARTS COUNCIL)

Notes to Financial Statements (continued)

Year ended March 31, 2018

1. Significant accounting policies (continued):

(c) Cash and cash equivalents:

The OAC considers deposits in banks, guaranteed investment certificates and other instruments that are cashable or with original maturities of three months or less as cash and cash equivalents.

(d) Investment income:

Investment income comprised income on pooled investments and bank balances.

Investment income related to the operating fund is recognized based on the actual number of units held in the pooled investment and recognized as income of the operating fund.

Investment income on the pooled investments related to the restricted and endowment funds is recognized as income of the restricted and endowment funds.

(e) Employee benefits:

(i) The OAC follows Public Sector Accounting Standards for accounting for employee future benefits, which include post-employment benefits payable upon termination. Under these standards, the cost of the post-employment benefits paid upon termination is charged to operations annually as earned.

(ii) The OAC accrues for sick leave liabilities and other benefits for amounts that accrue but have not vested.

(f) Lease inducements:

Lease inducements include a leasehold improvement allowance and free rents received by the OAC. The total amount of the lease inducements is amortized on a straight-line basis over the lease term.

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

(OPERATING AS ONTARIO ARTS COUNCIL)

Notes to Financial Statements (continued)

Year ended March 31, 2018

1. **Significant accounting policies (continued):**

(g) Capital assets:

Capital assets are recorded at cost (purchase price). All capital assets are amortized on a straight-line basis over the assets' estimated useful lives as follows:

Audiovisual equipment	5 years
Computer hardware and software	3 years
Furniture and fixtures	5 years
Office equipment	5 years
Office renovations	5 years
Leasehold improvements	Lease term

When a capital asset no longer contributes to OAC's ability to provide services, its carrying value is written down to its residual value.

(h) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

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 changes in fund balances.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

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 changes in fund balances and any unrealized gain or loss is adjusted through the statement of remeasurement gains and losses.

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

(OPERATING AS ONTARIO ARTS COUNCIL)

Notes to Financial Statements (continued)

Year ended March 31, 2018

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1. Significant accounting policies (continued):

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations and changes in fund balances.

The standards require 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 fair value of measurements for all of the investments held by OAC are categorized as Level 1 and Level 2.

Derivative financial instruments and portfolio investments in equity instruments that are quoted in an active market and included on the statement of financial position are measured at fair value upon inception.

(i) Foreign currency:

Foreign currency transactions are recorded at the exchange rate at the time of the transaction.

Assets and liabilities denominated in foreign currencies are recorded at fair value using the exchange rate at the financial statement date. Unrealized foreign exchange gains and losses are recognized in the statement of remeasurement gains and losses. In the period of settlement, the realized foreign exchange gains and losses are recognized in the statement of operations and changes in fund balances and the unrealized balances are reversed from the statement of remeasurement gains and losses.

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

(OPERATING AS ONTARIO ARTS COUNCIL)

Notes to Financial Statements (continued)

Year ended March 31, 2018

1. Significant accounting policies (continued):

(j) 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 income and expenditures during the year. Significant estimates include carrying value of capital assets and provisions for certain employee future benefits liabilities. Actual results could differ from those estimates.

2. Employee future benefits:

(a) Pension benefits:

The OAC's full-time employees participate in the Public Service Pension Fund ("PSPF"), which is a defined benefit pension plan for employees of the Province of Ontario and many provincial agencies. The Province of Ontario, which is the sole sponsor of the PSPF, determines the OAC's annual payments to the PSPF. Since the OAC is not a sponsor of the PSPF, gains and losses arising from statutory actuarial funding valuations are not assets or obligations of the OAC, as the sponsor is responsible for ensuring that the PSPF is financially viable. The annual payments to the PSPF of $349,746 (2017 - $329,679) are included in salaries and benefits in Schedule 1.

(b) Non-pension benefits:

The cost of post-retirement non-pension employee benefits is paid by the Treasury Board Secretariat and is not included in the statement of operations and changes in fund balances.

The amount of severance payments, unused vacation pay, and other earned benefits accrued at year-end was $373,393 (2017 - $391,922), of which $228,356 (2017 - $282,924) has been classified as a current liability.

The OAC has set aside funds to meet these liabilities and other obligations and invested these funds in the same pooled investments as the restricted and endowment funds. As at March 31, 2018, this investment has a market value of $907,122 (2017 - $874,430) and is shown under the operating fund as investments.

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS
(OPERATING AS ONTARIO ARTS COUNCIL)

Notes to Financial Statements (continued)

Year ended March 31, 2018

3. Capital assets:

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Audiovisual equipment	$ 153,083	$ 81,640	$ 71,443	$ 98,961
Computer hardware and software	1,014,820	672,919	341,901	590,839
Furniture and fixtures	345,574	184,570	161,004	209,965
Office equipment	90,635	54,326	36,309	48,535
Office renovations	54,555	12,480	42,075	31,608
Leasehold improvements	1,476,093	332,121	1,143,972	1,291,581
	$ 3,134,760	$ 1,338,056	$ 1,796,704	$ 2,271,489

During fiscal year 2018, the OAC recognized an impairment charge of nil (2017 - $256,789).

4. Fund balances restricted for endowment purposes:

	2018	2017
The Oskar Morawetz Memorial Fund	$ 26,000	$ 26,000
The Canadian Music Centre John Adaskin Memorial Fund	17,998	17,998
Dr. Heinz Unger Scholarship Fund	17,235	17,235
The Leslie Bell Scholarship Fund	9,078	9,078
	$ 70,311	$ 70,311

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

(OPERATING AS ONTARIO ARTS COUNCIL)

Notes to Financial Statements (continued)

Year ended March 31, 2018

5. Internally restricted fund balances:

	Fund balances, beginning of year	Transfer from (to) Operating Fund	Interfund transfers	Investment income	Awards and expenses paid	Fund balances, end of year
Venture fund	$ 4,694,633	$ (195,169)	$ (1,075,000)	$ 215,056	$ (251,052)	$ 3,388,468
New ventures fund	–	–	1,075,000	–	–	1,075,000
Board-designated reserve fund	869,375	40,265	–	–	–	909,640
Board-designated capital fund	–	1,000,000	–	–	–	1,000,000
Granting programs fund	842,850	(43,562)	–	–	–	799,288
	$ 6,406,858	$ 801,534	$ –	$ 215,056	$ (251,052)	$ 7,172,396

6. Related party transactions:

(a) Included in Schedule 2, awards and expenses paid, are administration fees charged by the OAC for providing day-to-day administrative support and services to the restricted and endowment funds held by the OAC. As permitted in the respective agreements, the OAC has levied an administration fee, either on a fixed or percentage basis, on the funds held or on the annual investment income earned by the funds held by the OAC.

	2018	2017
Fund administration fee	$ 74,088	$ 68,702

(b) During the year, the OAC allocated a portion of its monthly office rental fees and a portion of its general and administrative costs to the Ontario Arts Foundation (the "Foundation"). The Foundation is controlled by the OAC's Board of Directors through election of the Foundation's Board of Directors. General and administrative costs allocated amounted to $25,276 (2017 - $25,276) and total rent allocated amounted to $10,800 (2017 - $10,800). During the year, an award administration cost was allocated to the Foundation with the amount of $15,055 (2017 - nil).

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

(OPERATING AS ONTARIO ARTS COUNCIL)

Notes to Financial Statements (continued)

Year ended March 31, 2018

7. Ontario Arts Foundation:

The Foundation was incorporated under the Corporations Act (Ontario) on October 15, 1991 and is a registered charity under the Income Tax Act (Canada). The Foundation was established:

(a) to receive and maintain a fund or funds to apply all or part of the principal and income therefrom to charitable organizations, which are also registered charities under the Income Tax Act (Canada);

(b) to provide scholarships for study or research in the arts in Ontario or elsewhere; and

(c) to make awards to persons for outstanding accomplishments in the arts in Ontario or elsewhere.

As defined by the Chartered Professional Accountants of Canada's Accounting Standards Board accounting recommendations for not-for-profit organizations, the OAC controls the Foundation in that the OAC's Board of Directors controls the election of the Foundation's Board of Directors.

The Foundation's financial statements have not been consolidated in the OAC's financial statements. There are no restrictions on the resources of the Foundation, nor are there significant differences from the accounting policies used by the OAC.

The majority of the fund balances, $47,255,029 of the total of $80,063,923, represents the balances of the individual arts endowment funds held by the Foundation under the Arts Endowment Fund program of the Government of Ontario for a number of arts organizations. Under this program, money contributed and matched is held in perpetuity. The Board of Directors of the Foundation determines the amount of income that may be paid annually.

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

(OPERATING AS ONTARIO ARTS COUNCIL)

Notes to Financial Statements (continued)

Year ended March 31, 2018

7. Ontario Arts Foundation (continued):

Audited financial statements of the Foundation are available upon request. Financial summaries of the Foundation, reported in accordance with Public Sector Accounting Standards, are as follows:

(a) Financial position:

	2018	2017
Assets		
Cash and investments	$ 80,096,014	$ 77,763,156
Liabilities and Fund Balances		
Accounts payable and accrued liabilities	$ 32,091	$ 20,000
Fund balances	80,063,923	77,743,156
	$ 80,096,014	$ 77,763,156

(b) Changes in fund balances:

	2018	2017
Fund balances, beginning of year	$ 77,743,156	$ 71,900,858
Contributions received	3,754,510	904,463
Investment gain	2,608,938	7,110,807
Fund administration fee	400,397	382,639
Awards and expenses	(5,074,151)	(5,069,512)
Net remeasurement gains	631,073	2,513,901
Fund balances, end of year	$ 80,063,923	$ 77,743,156

(c) Cash flows:

	2018	2017
Cash flows used in operating activities	$ (1,751,796)	$ (3,782,577)
Cash flows from investing activities	1,775,606	3,443,493
	$ 23,810	$ (339,084)

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

(OPERATING AS ONTARIO ARTS COUNCIL)

Notes to Financial Statements (continued)

Year ended March 31, 2018

8. Investments and investment income:

Net investment income comprises the following:

	2018	2017
Income distributions	$ 976,888	$ 1,502,467
Realized gains	603,028	344,830
Bank interest	381,564	267,557
	$ 1,961,480	$ 2,114,854

The asset mix of the investments is as follows:

	2018	2017
Foreign equities, predominantly U.S.	40%	37%
Fixed income securities	23%	24%
Canadian equities	19%	21%
Alternative investments	16%	16%
Cash and cash equivalents	2%	2%

The OAC currently holds $6,518,252 (cost - $4,934,991) (2017 - $6,955,977 (cost - $5,195,476)) in fixed income securities that are exposed to interest rate price risk. The interest rates range from 0.5% to 8.29% (2017 - nil to 10.95%) for the year ended March 31, 2018.

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS
(OPERATING AS ONTARIO ARTS COUNCIL)

Notes to Financial Statements (continued)

Year ended March 31, 2018

9. Public sector salary disclosures:

Section 3(5) of the Public Sector Salary Disclosure Act (1996) requires disclosure of Ontario public sector employees who were paid an annual salary in excess of $100,000 in the calendar year 2017. For the OAC, this disclosure is shown below:

Name	Title	Salary	Taxable benefits
Feizal Bacchus	Manager of Operations	$ 117,588	$ 159
Patricia Bradley	Theatre, Major Organizations and Compass Officer	100,253	153
Peter Caldwell	Director and CEO	219,402	327
Kirsten Gunter	Director of Communications	121,663	177
Bushra Junaid	Outreach and Development Manager And Access and Career Development Officer	102,108	156
David Parsons	Classical Music Officer	100,825	153
Nina Small	Director of Human Resources	118,269	178
Kathryn Townshend	Director of Research, Policy and Evaluation	118,891	179
Carolyn Vesely	Director of Granting	137,974	207
Myles Warren	Dance and Awards Officer	107,886	153
Jerry Zhang	Director of Finance and Administration	134,919	202

10. Commitments:

(a) Lease commitments:

The OAC leases office premises and office equipment under operating leases. The future annual lease payments, including utilities and operating costs, are summarized as follows:

2019	$ 751,751
2020	733,594
2021	737,875
2022	750,715
2023	750,715
2024 and thereafter	2,064,466
	$ 5,789,116

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

(OPERATING AS ONTARIO ARTS COUNCIL)

Notes to Financial Statements (continued)

Year ended March 31, 2018

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10. Commitments (continued):

(b) Grant commitments:

The OAC has approved grants of $799,288 (2017 - $655,045), which will be paid in future years once the conditions of the grants have been met. These amounts are not reflected in the statement of operations and changes in fund balances. These amounts are included in the internally restricted fund balance, as described in note 5.

In addition, under the terms and conditions of the Indigenous Culture Fund, the OAC has approved grants of $1,538,161 (2017 - nil), which will be paid in the future years once the conditions of the grants have been met.

11. Economic dependence:

The OAC is dependent on the Province of Ontario for the provision of funds to provide awards and grants and to cover the cost of operations.

12. Financial instruments:

(a) Interest rate and foreign currency risks:

The OAC is exposed to interest rate and foreign currency risks arising from the possibility that changes in interest rates and foreign exchange rates will affect the value of fixed income and foreign currency-denominated investments. The OAC currently does not use any hedging strategies to mitigate the exposure.

(b) Market risk:

Market risk arises as a result of trading equities and fixed income securities. Fluctuations in the market expose the OAC to a risk of loss. The OAC uses two professional investment managers to advise on investment risks, asset selection and mix to achieve an appropriate balance between risks and returns. The Finance and Audit Committee of the Board of Directors of the OAC monitors investments decisions and results and meets regularly with the managers.

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS
(OPERATING AS ONTARIO ARTS COUNCIL)

Notes to Financial Statements (continued)

Year ended March 31, 2018

12. Financial instruments (continued):

(c) Liquidity risk:

Liquidity risk is the risk that the OAC will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The OAC manages its liquidity risk by monitoring its operating requirements. The OAC prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice.

There has been no change to the above risk exposures from 2017.

13. Deferred contributions:

	2018	2017
Balance, beginning of year	$ 342,930	$ 150,000
Add amount received during the year	5,800,000	1,000,000
Less amount recognized during the year	(4,444,861)	(807,070)
Balance, end of year	$ 1,698,069	$ 342,930

14. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

(OPERATING AS ONTARIO ARTS COUNCIL)

Schedule 1 - Administration Expenses and Services

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Administration expenses:		
Salaries and benefits (notes 2(b) and 9)	$ 6,077,926	$ 5,502,533
Consulting and legal fees	181,141	216,818
Office rent and hydro (note 6(b))	535,220	544,373
Communications	201,868	270,659
Information services	413,358	764,199
Travel	157,392	143,944
Miscellaneous	94,464	83,637
Meetings	127,861	84,788
Telephone, postage and delivery	59,108	69,677
Amortization and impairment of capital assets	549,845	721,347
Maintenance and equipment rental	82,952	77,455
Personnel hiring and training	44,031	39,334
Office supplies, printing and stationery	43,201	52,204
	8,568,367	8,570,968
Services:		
Other programs	1,092,668	940,613
Jurors and advisors	654,887	679,242
Canada/Ontario French language projects	326,928	450,734
	2,074,483	2,070,589
	$ 10,642,850	$ 10,641,557

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS
(OPERATING AS ONTARIO ARTS COUNCIL)

Schedule 2 - Externally Restricted and Endowment Funds

Year ended March 31, 2018, with comparative information for 2017

2018	Balance of Endowment Fund (note 4)	Fund balances, beginning of year	Contributions received	Transfer from operating fund	Investment income	Awards and expenses paid	Fund balances, end of year*
The Chalmers Family Fund	$ –	$ 22,547,776	$ –	$ –	$ 1,032,891	$ (1,502,542)	$ 22,078,125
The Oskar Morawetz Memorial Fund	26,000	279,798	–	–	14,008	(3,374)	290,432
Dr. Heinz Unger Scholarship Fund	17,235	92,762	–	–	5,039	(9,196)	88,605
The Leslie Bell Scholarship Fund	9,078	161,850	–	7,000	7,830	(1,866)	174,814
The Vida Peene Fund	–	142,416	10,424	–	6,524	(6,551)	152,813
The John Hirsch Memorial Fund	–	67,740	–	–	3,103	(6,036)	64,807
The Canadian Music Centre John Adaskin Memorial Fund	17,998	27,108	–	–	2,066	(3,503)	25,671
Colleen Peterson Songwriting Fund	–	17,233	–	–	789	(1,391)	16,631
The Ruth Schwartz Fund	–	7,179	–	–	329	(79)	7,429
	$ 70,311	$ 23,343,862	$ 10,424	$ 7,000	$ 1,072,579	$ (1,534,538)	$ 22,899,327

2017	Balance of Endowment Fund (note 4)	Fund balances, beginning of year	Contributions received	Transfer from operating fund	Investment income	Awards and expenses paid	Fund balances, end of year*
The Chalmers Family Fund	$ –	$ 21,230,492	$ –	$ –	$ 2,865,014	$ (1,547,730)	$ 22,547,776
The Oskar Morawetz Memorial Fund	26,000	264,454	–	–	39,196	(23,852)	279,798
Dr. Heinz Unger Scholarship Fund	17,235	80,829	–	–	13,234	(1,301)	92,762
The Leslie Bell Scholarship Fund	9,078	145,966	–	7,000	20,923	(12,039)	161,850
The Vida Peene Fund	–	127,461	15,444	–	17,201	(17,690)	142,416
The John Hirsch Memorial Fund	–	60,391	–	–	8,149	(800)	67,740
The Canadian Music Centre John Adaskin Memorial Fund	17,998	22,215	–	–	5,427	(534)	27,108
Colleen Peterson Songwriting Fund	–	16,733	–	–	2,258	(1,758)	17,233
The Ruth Schwartz Fund	–	6,605	–	–	892	(318)	7,179
	$ 70,311	$ 21,955,146	$ 15,444	$ 7,000	$ 2,972,294	$ (1,606,022)	$ 23,343,862

*Fund balances end of year include unrealized gain (losses) of $6,710,640 (2017 - $6,956,521) as presented in the statement of financial position.

SCIENCE NORTH SCIENCE NORD

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(705) 522-3701 (705) 522-8551 fax / téléc. sciencenorth.ca

Management's Responsibility for Financial Information

The accompanying financial statements of Science North are the responsibility of management and have been prepared in accordance with Canadian public sector accounting standards.

Management maintains a system of internal controls designed to provide reasonable assurance that financial information is accurate and that assets are protected.

The Board of Directors ensures that management fulfils its responsibilities for financial reporting and internal control. The Business Affairs & Audit Committee and the Board of Directors meet regularly to oversee the financial activities of Science North, and at least annually to review the audited financial statements and the external auditors' report thereon.

The financial statements have been examined by KPMG LLP, 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. The Auditors' Report outlines the scope of the auditors' examination and opinion.

Guy Labine
Chief Executive Officer

Jennifer Booth
Director of Finance

KPMG

KPMG LLP
Claridge Executive Centre
144 Pine Street
Sudbury Ontario P3C 1X3
Canada
Telephone (705) 675-8500
Fax (705) 675-7586

INDEPENDENT AUDITORS' REPORT

To the Honourable Minister of Tourism, Culture and Sport of the Province of Ontario and the Board of Trustees of Science North

We have audited the accompanying financial statements of Science North, which comprise the statement of financial position as at March 31, 2018, the statements of operations and changes in fund balances 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.

KPMG

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Science North as at March 31, 2018, 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada
June 26, 2018

SCIENCE NORTH

Statement of Financial Position

March 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash	$ 1,648,481	$ 1,897,559
Short-term investments	4,677,517	4,550,528
Accounts receivable	3,002,700	1,463,746
Prepayments and inventory	670,537	1,152,792
	9,999,235	9,064,625
Restricted investments	6,911,122	6,695,117
Capital assets (note 2)	38,994,714	39,113,277
	$ 55,905,071	$ 54,873,019
Liabilities and Fund Balances		
Current liabilities:		
Accounts payable and accrued liabilities	$ 4,050,739	$ 3,210,210
Deferred revenue	2,017,275	2,072,400
Current portion of loans payable (note 3)	7,527	7,797
	6,075,541	5,290,407
Loans payable (note 3)	1,395,143	1,411,138
	7,470,684	6,701,545
Fund balances:		
General	1,373,566	1,048,300
Capital asset	37,945,903	38,064,466
Restricted and endowment (note 4)	9,114,918	9,058,708
	48,434,387	48,171,474
Commitments (note 10)		
	$ 55,905,071	$ 54,873,019

See accompanying notes to financial statements.

On behalf of the Board:

Chair, Board of Trustees

Chief Executive Officer

SCIENCE NORTH

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2018, with comparative information for 2017

		General		Capital Asset		Restricted and Endowment		Total	
		2018	2017	2018	2017	2018	2017	2018	2017
Revenue:									
Province of Ontario grants:									
Operating	$	6,828,900	6,828,900	-	-	-	-	6,828,900	6,828,900
Specific		1,434,839	2,028,907	3,214,500	2,256,036	-	-	4,649,339	4,284,943
Government of Canada grants		712,853	156,318	230,490	1,214,462	-	-	943,343	1,370,780
Other Government grants		13,500	20,242		109,947	-	-	13,500	130,189
Admissions (schedule)		2,430,773	2,314,809	-	-	-	-	2,430,773	2,314,809
Workshops and events		1,343,425	1,136,221	-	-	-	-	1,343,425	1,136,221
Memberships		640,640	633,714	-	-	-	-	640,640	633,714
Business operations (schedule)		4,571,543	3,741,275	-	-	-	-	4,571,543	3,741,275
Fundraising and donations		487,320	429,288	50,825	79,037	4,109	7,853	542,254	516,178
Interest earned		221,313	107,460	-	-	225,583	263,889	446,896	371,349
Other		202,721	70,287	655,145	519,494	-	-	857,866	589,781
		18,887,827	17,467,421	4,150,960	4,178,976	229,692	271,742	23,268,479	21,918,139
Expenses:									
Science program (schedule)		7,126,042	6,790,501	-	-	-	-	7,126,042	6,790,501
Business operations (schedule)		4,758,489	3,939,948	-	-	-	-	4,758,489	3,939,948
Maintenance and building		2,044,383	1,994,411	-	-	-	-	2,044,383	1,994,411
Administrative operations		3,084,258	2,723,426	-	-	-	-	3,084,258	2,723,426
Marketing and development		1,488,674	1,887,878	-	-	-	-	1,488,674	1,887,878
Program technical support		446,699	365,505	-	-	-	-	446,699	365,505
Amortization of capital assets		-	-	4,057,021	4,320,236	-	-	4,057,021	4,320,236
		18,948,545	17,701,669	4,057,021	4,320,236	-	-	23,005,566	22,021,905
Excess (deficiency) of revenue over expenses		(60,718)	(234,248)	93,939	(141,260)	229,692	271,742	262,913	(103,766)
Fund balances, beginning of year		1,048,300	832,044	38,064,466	38,315,309	9,058,708	9,127,887	48,171,474	48,275,240
Transfers for capital		377,132	45,917	(212,502)	(109,583)	(164,630)	63,666	-	-
Interfund transfers (note 5)		8,852	404,587	-	-	(8,852)	(404,587)	-	-
Fund balances, end of year	$	1,373,566	1,048,300	37,945,903	38,064,466	9,114,918	9,058,708	48,434,387	48,171,474

See accompanying notes to financial statements.

SCIENCE NORTH

Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	$ 262,913	$ (103,766)
Adjustments for:		
Amortization of capital assets	4,057,021	4,320,236
	4,319,934	4,216,470
Changes in non-cash working capital (note 8)	(271,295)	(391,768)
	4,048,639	3,824,702
Financing activities:		
Principal repayment of loans payable	(16,265)	(11,372)
Capital activities:		
Purchase of capital assets	(3,938,458)	(4,069,395)
Investing activities:		
Decrease (increase) in restricted investments	(216,005)	174,040
Increase in short-term investments	(126,989)	(492,707)
	(342,994)	(318,667)
Net decrease in cash	(249,078)	(574,732)
Cash, beginning of year	1,897,559	2,472,291
Cash, end of year	$ 1,648,481	$ 1,897,559

See accompanying notes to financial statements.

SCIENCE NORTH

Notes to Financial Statements

Year ended March 31, 2018

Science North (the "Organization") is an Ontario Organization established as a Science Centre Organization under the Science North Act of the Province of Ontario. The Organization is a registered charity and is exempt from income taxes under the Income Tax Act.

1. Significant accounting policies:

(a) Basis of presentation:

These financial statements reflect the assets, liabilities, revenues and expenses of the unrestricted, capital and restricted and endowed funds of Science North.

The financial statements have been 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 included as there are no matters to report therein.

(b) Revenue recognition:

The Organization follows the restricted fund method of accounting. Under this method, the following principles have been applied:

- Contributions are recorded as revenue in the respective funds based on their nature, source and the restrictions stipulated by the donor.
- Contributions including pledges and donations are recognized as revenue when received or receivable if the amounts can be reasonably estimated and collection is reasonably assured.
- Revenue on contracts is recognized using the percentage-of-completion method. The percentage is determined by relating the actual cost of work performed to date to the current estimated total cost for each contract. Unearned advances are deferred. Projected losses, if any, are recognized immediately for accounting purposes.
- Revenue from film distribution and license / lease arrangements is recognized only when persuasive evidence of a sale or arrangement with a customer exists, the film is complete and the contractual delivery arrangements have been satisfied, the arrangement fee is fixed or determinable, collection of the arrangement fee is reasonably assured and other conditions as specified in the respective agreements have been met.
- Cash received in advance of meeting the revenue recognition criteria described above is recorded as deferred revenue.

(c) Investments:

The short-term and restricted investments consist of bonds and coupons and are recorded at amortized cost.

SCIENCE NORTH

Notes to Financial Statements (continued)

Year ended March 31, 2018

1. **Significant accounting policies (continued):**

   (d) Capital assets:

   With the exception of the Bell Grove land, which is recorded at nominal value, capital assets are stated at cost or fair market value if donated.

   Amortization on buildings is provided on the declining-balance basis at an annual rate of 5%.

   Amortization on exhibits and equipment is provided on the straight-line basis at annual rates ranging from 5% to 20%.

   Amortization on large format films, when available for use, is provided in proportion that current revenue bears to management's estimate of revenue expected from the film.

   (e) Financial instruments:

   All financial instruments are initially recorded on the statement of financial position at fair value.

   All investments held in equity investments that trade in an active market are recorded at market.

   All other investments are held at amortized cost. All investments held in equity investments that trade in an active market are recorded at fair values. Freestanding derivative instruments that are not equity instruments that are quoted in an active market are subsequently measured at fair value.

   Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

   Financial instruments are classified into fair value hierarchy Levels 1, 2 or 3 for the purposes of describing the basis of the inputs used to determine the fair market value of those amounts recorded a fair value, as described below:

   Level 1 — Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities

   Level 2 — Fair value measurements are those derived market-based inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly

   Level 3 — Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data

SCIENCE NORTH

Notes to Financial Statements (continued)

Year ended March 31, 2018

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1. Significant accounting policies (continued):

(f) Employee future benefits:

The Organization has defined contribution plans providing pension benefits. The cost of the defined contribution plans is recognized based on the contributions required to be made during each year.

(g) 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 amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the periods specified. Items subject to such estimates and assumptions include the carrying value of capital assets and loans payable and valuation allowances for accounts receivable and inventory. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

2. Capital assets:

2018	Cost	Accumulated Amortization	Net Book Value
Land and buildings:			
Bell Grove	$ 54,275,056	34,598,059	19,676,997
Dynamic Earth	14,272,812	6,350,220	7,922,592
Exhibits and equipment:			
Bell Grove	18,499,727	15,799,394	2,700,333
Dynamic Earth	8,650,356	5,838,207	2,812,149
Travelling exhibits	7,946,652	4,750,628	3,196,024
Large format film	8,096,345	5,409,726	2,686,619
	$ 111,740,948	72,746,234	38,994,714

SCIENCE NORTH

Notes to Financial Statements (continued)

Year ended March 31, 2018

2. Capital assets (continued):

2017	Cost	Accumulated Amortization	Net Book Value
Land and buildings:			
Bell Grove	$ 53,088,828	33,562,427	19,526,401
Dynamic Earth	13,995,345	5,995,347	7,999,998
Exhibits and equipment:			
Bell Grove	17,885,545	14,591,951	3,293,594
Dynamic Earth	8,431,040	5,359,009	3,072,031
Travelling exhibits	6,320,018	4,085,853	2,234,165
Large format film	8,096,345	5,109,257	2,987,088
	$ 107,817,121	68,703,844	39,113,277

3. Loans payable:

	Principal Outstanding 2018	2017	Payment Terms
Province of Ontario:			
IMAX Theatre	$ 75,837	75,837	50% of average annual IMAX Theatre profits, if any, for previous two fiscal years.
Wings Over the North	1,000,000	1,000,000	One third of remaining distribution profits received by Science North once a third party contributor has recouped its investment against such profits.
Government of Canada:			
Large Format Films Distribution	326,833	343,098	This loan is repayable at 4% of gross revenues from film distribution and its derivatives.
Total	1,402,670	1,418,935	
Less current portion of loans payable	7,527	7,797	
	$1,395,143	1,411,138	

The Federal loans payable reflect management's current estimates of its obligation given the plans and results to date. The balances have not been discounted given the indeterminable repayment schedule.

SCIENCE NORTH

Notes to Financial Statements (continued)

Year ended March 31, 2018

4. Restricted and endowment funds:

The restricted and endowment funds are comprised of the following:

	2018	2017
Externally restricted:		
Capital renewal fund	$ 3,073,708	2,974,138
Program and exhibit funds	682,460	686,189
Endowment fund	37,003	34,874
	3,793,171	3,695,201
Internally restricted:		
Funds:		
Operating reserve fund	2,666,830	2,579,048
Waterfront development	340,490	309,542
Human resources	110,631	111,326
Funded reserves	6,911,122	6,695,117
Other	126,012	62,524
Program and exhibit funds	152,610	152,365
Replacement of capital assets	1,322,878	1,585,233
Human resources	602,296	563,469
	2,203,796	2,363,591
	$ 9,114,918	9,058,708

5. Interfund transfers:

The interfund transfers are comprised of:

(a) net assets of $618,259 (2017 - $942,184) which were internally allocated between the General Fund and the Restricted Fund, to cover certain general fund purchases;

(b) net assets of $163,290 (2017 - $148,272) which were internally allocated between the General Fund and the Restricted Fund for capital acquisitions (future capital acquisitions); and

(c) net assets of $446,117 (2017 - $389,325) which were internally allocated between the General Fund and the Restricted Fund to cover future operational expenditures.

SCIENCE NORTH
Notes to Financial Statements (continued)

Year ended March 31, 2018

6. Financial instruments:

(a) Credit risk and market risk:

The Organization has no significant exposure to credit or market risks.

(b) Liquidity risk:

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

(c) Interest rate risk:

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates.

The Organization is exposed to this risk through its interest bearing investments.

The Organization's bond portfolio has interest rates ranging from 2.15% to 5.42% with maturities ranging from June 21, 2019 to June 3, 2039.

7. Employee future benefits:

The contributions to the defined contribution pension plans were $539,151 (2017 - $507,029).

8. Change in non-cash operating working capital:

	2018	2017
Cash provided by (used in):		
Increase in accounts receivable	$ (1,538,954)	(97,201)
Decrease (increase) in prepayments and inventory	482,255	(129,806)
Increase (decrease) in accounts payable and accrued liabilities	840,529	(197,862)
Increase (decrease) in deferred revenue	(55,125)	33,101
	$ (271,295)	(391,768)

9. Insurance claim:

A flood at the Organization resulted in temporary termination of operations as well as water damage to the infrastructure. The insurance proceeds have not yet been settled. The capital gain or loss and the replacement will be accounted for in the period of settlement.

10. Commitments:

The Organization plans to create new visitor experiences at Science North, Dynamic Earth, partner communities across Northern Ontario as well as significant programming expansion in Northwestern Ontario. The budget for the projects is $26.8 million, to be partially funded with a $16 million package from the Ontario Government. Additional funding is being sought privately and through all levels of government at this time.

SCIENCE NORTH

Schedule of General Fund Revenues and Expenditures

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Admissions:		
Science Centre	$ 1,296,146	1,220,948
Dynamic Earth	569,368	538,451
IMAX Theatre	366,916	402,663
Planetarium	100,744	109,825
Escape room	97,599	42,922
	$ 2,430,773	2,314,809
Business operations:		
Food and Retail	$ 1,648,988	1,558,055
Exhibit and theatre production sales	2,766,201	2,053,522
Film production services	52,368	43,738
Parking	103,986	85,960
	$ 4,571,543	3,741,275
Science program:		
Science Centre operations	$ 2,966,688	2,802,547
Education and Northern programs	3,420,870	2,898,727
Dynamic Earth operations	738,484	1,089,227
	$ 7,126,042	6,790,501
Business operations:		
IMAX Theatre	$ 475,330	469,100
Planetarium	21,633	88,590
Escape Room	95,666	16,779
Food and Retail	1,243,981	1,130,668
Cost of exhibit sales	2,378,514	1,677,660
Cost of film services	15,546	44,779
Box office and sales	527,819	512,372
	$ 4,758,489	3,939,948

ROYAL ONTARIO MUSEUM

ANCIENT CULTURES
BIODIVERSITY
CANADA
CONTEMPORARY CULTURE
EARTH & SPACE
FOSSILS & EVOLUTION
TEXTILES & FASHIONS
WORLD ART & CULTURE

ROYAL ONTARIO MUSEUM

Management's Responsibility for Financial Reporting

The accompanying financial statements of the Royal Ontario Museum for the year ending March 31, 2018 are the responsibility of management and have been prepared in accordance with accounting principles generally accepted in Canada. The significant accounting policies followed by the Royal Ontario Museum are described in the Summary of Significant Accounting Policies contained in Note 1 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 June 30, 2018.

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 Trustees. 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 Auditor's Report, which follows, outlines the scope of their examination and their opinion.

On behalf of the Royal Ontario Museum management,

Dave Tymchuk
VP of Finance

Nick Bobrow
Deputy Director of Operations & CFO

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INDEPENDENT AUDITORS' REPORT

To the Trustees of The Royal Ontario Museum

We have audited the accompanying financial statements of The Royal Ontario Museum, which comprise the statement of financial position as at March 31, 2018, the statements of operations, changes in net deficit 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 Royal Ontario Museum as at March 31, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

June 25, 2018
Vaughan, Canada

THE ROYAL ONTARIO MUSEUM

(Incorporated by Special Act of the Ontario Legislature as a corporation without share capital)

Statement of Financial Position
(In thousands of dollars)

March 31, 2018, with comparative information for 2017

	2018	2017 (Recast - note 11)
Assets		
Current assets:		
Cash	$ 404	$ –
Investments (note 2)	24	177
Other accounts receivable	1,396	2,041
Deferred exhibition costs and other assets	1,291	1,470
Due from The Royal Ontario Museum Foundation (note 3)	–	1,325
	3,115	5,013
Pension asset (note 4)	15,443	13,503
Capital assets (note 5)	212,112	211,832
	$ 230,670	$ 230,348
Liabilities and Net Deficit		
Current liabilities:		
Bank indebtedness (note 6(a))	$ –	$ 678
Accounts payable and accrued liabilities	9,204	6,851
Deferred revenue	4,332	3,697
Deferred contributions (note 7)	3,272	3,491
Due to The Royal Ontario Museum Foundation (note 3)	253	–
	17,061	14,717
Long-term debt (note 6(b))	23,734	26,000
Deferred capital contributions (note 8)	197,099	196,158
Accrued non-pension liability (note 4)	10,028	9,531
	247,922	246,406
Net deficit:		
Operating Fund	(12,827)	(11,958)
Restricted Fund	1,732	1,856
Capital Fund	(6,157)	(5,956)
	(17,252)	(16,058)
Commitments (note 10)		
	$ 230,670	$ 230,348

See accompanying notes to financial statements.

On behalf of the Board:

_______________ Trustee _______________ Trustee

THE ROYAL ONTARIO MUSEUM

Statement of Operations
(In thousands of dollars)

Year ended March 31, 2018, with comparative information for 2017

	Operating Fund	Restricted Fund	Capital Fund	2018 Total	2017 Total (Recast - note 11)
Revenue:					
Grants:					
Province of Ontario	$ 26,834	$ 7	$ –	$ 26,841	$ 27,868
The Royal Ontario Museum Foundation (note 3)	4,979	2,380	–	7,359	7,176
Others	74	150	–	224	418
Amortization of deferred capital contributions	–	–	10,825	10,825	11,106
	31,887	2,537	10,825	45,249	46,568
Self-generated revenue:					
Admission fees	14,747	–	–	14,747	12,916
Event and concession	9,483	75	–	9,558	8,411
Membership fees	3,693	–	–	3,693	3,016
Programs and education	2,614	5	–	2,619	2,313
Other	484	1,008	–	1,492	1,627
Donations	117	2,293	–	2,410	1,129
	31,138	3,381	–	34,519	29,412
	63,025	5,918	10,825	79,768	75,980
Expenses:					
Salaries and benefits	34,861	594	–	35,455	33,939
Amortization of capital assets	575	–	11,026	11,601	12,106
General administration	4,749	732	–	5,481	4,004
Supplies and cost of goods sold	4,596	364	–	4,960	4,643
Marketing and promotions	4,277	–	–	4,277	3,689
Objects and specimens	–	3,204	–	3,204	3,276
Utilities	3,181	–	–	3,181	3,711
Repairs, maintenance and exhibition development	2,831	187	–	3,018	2,914
Telephone, equipment and information technology	2,372	394	–	2,766	2,218
Rental and leases	1,852	–	–	1,852	1,860
Freight and transportation	1,652	1	–	1,653	1,228
Miscellaneous	491	240	–	731	711
Interest and other bank charges (note 6(b))	714	3	–	717	789
Research and training	229	323	–	552	609
Write-down of HST receivable	1,514	–	–	1,514	–
	63,894	6,042	11,026	80,962	75,697
Excess (deficiency) of revenue over expenses	$ (869)	$ (124)	$ (201)	$ (1,194)	$ 283

See accompanying notes to financial statements.

THE ROYAL ONTARIO MUSEUM

Statement of Changes in Net Deficit
(In thousands of dollars)

Year ended March 31, 2018, with comparative information for 2017

	Operating Fund	Restricted Fund	Capital Fund	2018 Total	2017 Total (Recast - note 11)
Balance, beginning of year	$ (11,958)	$ 1,856	$ (5,956)	$ (16,058)	$ (16,341)
Excess (deficiency) of revenue over expenses	(869)	(124)	(201)	(1,194)	283
Balance, end of year	$ (12,827)	$ 1,732	$ (6,157)	$ (17,252)	$ (16,058)

See accompanying notes to financial statements.

THE ROYAL ONTARIO MUSEUM

Statement of Cash Flows
(In thousands of dollars)

Year ended March 31, 2018, with comparative information for 2017

	2018	2017 (Recast - note 11)
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	$ (1,194)	$ 283
Items not involving cash:		
Amortization of capital assets	11,601	12,106
Amortization of deferred capital contributions	(10,825)	(11,106)
Change in pension asset	(1,940)	(2,293)
Change in accrued non-pension liability	497	431
Change in non-cash operating working capital:		
Other accounts receivable	645	26
Deferred exhibition costs and other assets	179	(33)
Due from/to The Royal Ontario Museum Foundation	1,578	(1,140)
Accounts payable and accrued liabilities	2,353	(431)
Deferred contributions	(219)	136
Deferred revenue	635	517
	3,310	(1,504)
Capital activities:		
Contributions received for capital asset purchases	11,766	10,823
Purchase of capital assets	(11,881)	(4,187)
	(115)	6,636
Financing activities:		
Repayments of long-term debt	(2,266)	(4,145)
Repayment of bank indebtedness	(678)	(980)
	(2,944)	(5,125)
Investing activities:		
Change in investments	153	(7)
Increase in cash, being cash, end of year	$ 404	$ –

See accompanying notes to financial statements.

THE ROYAL ONTARIO MUSEUM

Notes to Financial Statements
(In thousands of dollars)

Year ended March 31, 2018

The Royal Ontario Museum (the "Museum") is an operating enterprise agency of the Province of Ontario incorporated without share capital by Special Act of the Ontario Legislature. The Museum is Canada's largest museum and one of the few of its kind to explore and exhibit both the art and archaeology of human cultures and the history of the natural world. The Museum's mission is to inspire wonder and build understanding of human cultures and the natural world.

The Museum is registered as a charitable organization under the Income Tax Act (Canada) (the "Act") and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, the Museum must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

The Museum's multi-year business plan and ongoing forecasts and projections to the Ministry of Tourism, Culture and Sport show that the Museum should be able to operate within the level of its current facility. The Board of Trustees and management will continue to monitor progress to ensure business risks are effectively managed.

1. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian public sector accounting standards, including the 4200 standards for government not-for-profit organizations ("Standards").

(a) Fund accounting:

For financial reporting purposes, the accounts have been classified into the following funds:

(i) Operating Fund:

The Operating Fund accounts for the Museum's general programs, fundraising and administrative activities. The Operating Fund reports resources available for immediate purposes, including furniture and equipment and related amortization.

(ii) Restricted Fund:

The Restricted Fund consists of those funds where resources are to be used for an identified purpose as specified by the donors and funders.

THE ROYAL ONTARIO MUSEUM

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2018

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1. Significant accounting policies (continued):

(iii) Capital Fund:

The Capital Fund reports the revenue and expenses related to the Museum's building, building improvements, galleries and the Renaissance ROM Project ("ROM Project").

(b) Revenue recognition:

The Museum follows the deferral method of accounting for contributions, which include grants and self-generated revenue. Contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Donations are recorded on a cash basis since pledges are not legally enforceable claims.

Externally restricted contributions are deferred and recognized as revenue in the year in which the related expenses are recognized. Externally restricted contributions for the purchase of land are credited directly to net assets. Externally restricted contributions for the purchase of other capital assets are deferred and amortized over the life of the related capital asset.

Membership fees are deferred and recognized as revenue over the term covered by the fees.

Admission fees, museum programs and ancillary services revenue are recorded as revenue when the services have been provided or the goods delivered.

(c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost. Management records all investments at fair value as they are managed and evaluated on a fair value basis. Long-term debt is recorded at cost.

Unrealized changes in fair value are recognized, when material, in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations. A statement of remeasurement gains and losses has not been included in these financial statements as the adjustments are not material.

THE ROYAL ONTARIO MUSEUM

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2018

1. Significant accounting policies (continued):

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

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.

The Standards require 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.

Derivative financial instruments are contracts that provide the opportunity to exchange cash flows that are determined by applying certain rates, indices or changes to notional contract amounts. From time to time, the Museum uses interest rate swaps to manage exposure to fluctuations in interest rates and forward foreign currency contracts to manage exposure to fluctuations in exchange rates. These instruments are used for hedging an on-statement of financial position liability or a future contractual obligation.

Derivative financial instruments are carried at fair value. As at March 31, 2018, there are no derivative instruments held by the Museum.

(d) Deferred exhibition costs:

Costs of exhibitions are deferred until the exhibitions are opened to the public and then are expensed over the year of the exhibitions to which they relate.

THE ROYAL ONTARIO MUSEUM

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2018

1. Significant accounting policies (continued):

(e) Employee future benefits:

The Museum provides retirement and other future benefits for substantially all retirees and employees. These future benefits include registered and supplemental defined benefit pensions, which are based on a formula that takes into account earnings and length of service, supplemental defined contribution pension benefits, which are based on earnings in excess of those covered under the registered plan, and post-employment and post-retirement health and dental benefits. The supplemental pension plans and the other future benefits are unfunded with benefits paid directly by the Museum.

The Museum's registered defined benefit pension plan was merged with The Colleges of Applied Arts and Technology Pension Plan (the "CAAT Plan") effective January 1, 2016 (the "Merger"). The Merger was approved in late 2016 and assets transferred December 19, 2016. The CAAT Plan is a jointly sponsored pension plan which is financed by contributions from participating members and participating employers, and by investment earnings. Information on the funding policy and total financial status of the CAAT Plan can be found in the CAAT Plan's Annual Report. Obligations for current and former Museum employees represent 1.2% of total CAAT Plan obligations.

The Museum is accounting for its participation in the CAAT Plan as a defined benefit pension plan.

The Museum accrues its obligations under the defined benefit plans as the employees render the services necessary to earn the pension, compensated absences and other retirement benefits. The actuarial determination of the accrued benefit obligations for pensions and other retirement benefits uses the projected benefit 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 most recent actuarial valuation of the CAAT Plan was as at January 1, 2018. The most recent actuarial valuation of the supplementary pension arrangements was as at March 31, 2018. The most recent actuarial valuation of the non-pension plans for accounting purposes was as at March 31, 2018. Actuarial valuations are performed at least every three years.

THE ROYAL ONTARIO MUSEUM

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2018

1. Significant accounting policies (continued):

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. 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. Actuarial gains (losses) in a year are amortized over the average remaining service period of active employees beginning in the following year. The estimated average remaining service period as at April 1, 2017 of the active employees covered by the pension plan is 9 years for the registered plan and 1 year for the supplemental plan. The estimated average remaining service period at April 1, 2017 of the active employees covered by the non-pension plan is 12 years.

Past service costs arising from plan amendments are recognized immediately in the period the plan amendments occur.

(f) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Capital assets are amortized on a straight-line basis over the estimated useful lives of the assets as follows:

Building	40 years
Galleries	20 years
Building improvements	5 - 10 years
Furniture and equipment	3 - 10 years
Ancillary services	10 years

Ancillary services include retail, store, and food operations.

Construction in progress comprises direct construction and other costs, including capitalized interest. Interest costs are capitalized during the construction period. No amortization is recorded until construction is substantially complete and the assets are ready for use.

THE ROYAL ONTARIO MUSEUM

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2018

1. Significant accounting policies (continued):

(g) Foreign currency translation:

Foreign currency translations are recorded at the exchange rate at the time of the transaction.

Assets and liabilities denominated in foreign currencies are recorded at fair value using the exchange rate at the financial statement date. Unrealized foreign exchange gains and losses are recognized in the statement of remeasurement gains and losses when material.

In the year of settlement, the realized foreign exchange gains and losses are recognized in the statement of operations and the unrealized balances are reversed from the statement of measurement gains and losses.

(h) Objects and specimens:

The value of objects and specimens has been excluded from the statement of financial position. Gifted objects and specimens are recorded as revenue at values based on appraisals by independent appraisers. The acquisition of both gifted and purchased objects and specimens is expensed.

(i) Contributed materials and services:

Contributed materials and services are recorded only if the fair value can be reasonably estimated at the date of contribution and when the materials and services are used in the normal course of the Museum's operations. Contributed materials and services in the amount of $2,262 (2017 - $980) have been recorded as revenue and expenses.

(j) 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. Significant items subject to such estimates and assumptions include the useful lives of capital assets, and assets and obligations related to employee future benefits. Actual amounts could differ from those estimates.

THE ROYAL ONTARIO MUSEUM

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2018

2. Investments:

		Fair value	
	Level	2018	2017
Bond funds	2	$ –	$ 153
Preferred securities	1	24	24
		$ 24	$ 177

3. The Royal Ontario Museum Foundation:

The Royal Ontario Museum Foundation (the "Foundation") was incorporated on July 1, 1992 to coordinate all private-sector fundraising activities undertaken on behalf of the Museum and its affiliates. The Foundation is a registered charity under the Act. The objective of the Foundation is to raise funds available for enhancing exhibitions and public programs, research, acquisitions and capital projects.

The accounts of the Foundation are presented separately and are not consolidated in these financial statements. A summary of the financial information for the Foundation for the years ended March 31, 2018 and 2017 is as follows:

	2018	2017
General funds	$ (10)	$ 1,233
Restricted funds available currently	16,626	15,756
Endowment funds	50,477	44,760
	$ 67,093	$ 61,749

THE ROYAL ONTARIO MUSEUM

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2018

3. The Royal Ontario Museum Foundation (continued):

During the year ended March 31, 2018, the Foundation granted $11,073 (2017 - $12,800) to the Museum as follows:

	2018	2017
Operating	$ 4,945	$ 3,452
Restricted	2,380	3,685
Capital (deferred capital contributions)	3,748	5,663
	$ 11,073	$ 12,800

Operating grants include certain restricted funds reported in deferred contributions.

Amounts due from/to the Foundation are non-interest bearing and have no fixed terms of repayment.

4. Employee benefits:

Information about the Museum's pension and non-pension plans is as follows:

	Pension		Non-pension	
	2018	2017	2018	2017
Accrued benefit obligation	$ 111,327	$ 107,400	$ 7,318	$ 8,621
Market value of plan assets	130,350	116,692	–	–
Funded status - plan surplus (deficit)	19,023	9,292	(7,318)	(8,621)
Unamortized net actuarial loss (gain)	(3,580)	4,211	(2,710)	(910)
Financial position asset (liability)	$ 15,443	$ 13,503	$ (10,028)	$ (9,531)

Included in the pension asset on the statement of financial position is a liability of $1,612 (2017 - $1,451) in connection with supplementary pension arrangements.

THE ROYAL ONTARIO MUSEUM

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2018

4. Employee benefits (continued):

The benefits expense arising during the year for the Museum's pension and non-pension plans is as follows:

	Pension		Non-pension	
	2018	2017	2018	2017
Current period benefit cost	$ 1,219	$ 1,136	$ 471	$ 399
Interest cost on accrued benefit obligation	6,046	5,648	291	272
Expected return on market-related value of plan assets	(6,577)	(6,106)	–	–
Amortization of actuarial losses (gains)	694	670	(96)	(83)
Benefits expense	$ 1,382	$ 1,348	$ 666	$ 588

The market-related value of plan assets used to determine the following year pension expense is $124,475 (2017 - $117,035) and reflects smoothing of investment gains and losses relative to assumed returns over a 3-year period.

The significant actuarial assumptions adopted to determine the expense for the Museum's benefit plans are as follows:

	Pension		Non-pension	
	2018	2017	2018	2017
Discount rate	5.56%	5.56%	3.50%	3.40%
Expected long-term rate of return on plan assets	5.60%	5.60%	–	–
Rate of compensation increase	3.00%	2.00%	–	–
Rate of long-term inflation	2.00%	2.00%	–	–

THE ROYAL ONTARIO MUSEUM

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2018

4. Employee benefits (continued):

The significant actuarial assumptions adopted in measuring the accrued benefit assets and liabilities of the Museum's benefit plans are as follows:

	Pension		Non-pension	
	2018	2017	2018	2017
Discount rate	5.56%	5.56%	3.10%	3.50%
Rate of compensation increase	3.00%	3.00%	–	–
Rate of long-term inflation	2.00%	2.00%	–	–

For measurement purposes of the non-pension plans as at March 31, 2018, an initial weighted average increase in the cost of health care and dental benefits of 5.32% in 2018 was assumed decreasing to a 4.50% annual rate of increase after 2028.

Other information about the Museum's pension and non-pension plans is as follows:

	Pension		Non-pension	
	2018	2017	2018	2017
Employee contributions	$ 2,550	$ 2,100	$ –	$ –
Employer contributions	3,322	3,248	168	157
Benefits paid	5,383	4,430	168	157
Loss (gain) during the period on accrued benefit obligation	(504)	5,131	(1,896)	(166)
Actual return on market value of assets	13,169	10,214	–	–

The measurement date for the benefit plans was March 31, 2018.

THE ROYAL ONTARIO MUSEUM

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2018

5. Capital assets:

			2018	2017
	Cost	Accumulated amortization	Net book value	Net book value
Land	$ 931	$ –	$ 931	$ 931
Building	46,113	39,352	6,761	7,917
Galleries	45,044	27,926	17,118	17,971
Building improvements	47,784	24,833	22,951	14,454
ROM Project:				
Building	194,309	52,609	141,700	146,558
Galleries	40,628	22,994	17,634	19,707
Ancillary services	5,723	5,723	–	94
Furniture and equipment	10,471	5,454	5,017	4,200
	$ 391,003	$ 178,891	$ 212,112	$ 211,832

Included in capital assets are assets under construction as follows:

	2018	2017
Galleries	$ 2,463	$ 2,037
Building improvements	15,571	5,575
Furniture and equipment	2,803	1,581
	$ 20,837	$ 9,193

6. Credit facilities:

(a) The Museum has a credit agreement with the Museum's banker, as follows:

(i) $5,000 demand revolving operating credit facility with interest payable at prime less 10-basis-points (2018 - 3.35%; 2017 - 2.70%). As at March 31, 2018, the outstanding balance in connection with this facility was nil (2017 - $678).

(ii) $2,000 letter of credit facility. As at March 31, 2018 and 2017, the Museum had no letters of credit outstanding.

THE ROYAL ONTARIO MUSEUM

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2018

6. Credit facilities (continued):

(b) On June 29, 2011, the Museum and the Ontario Financing Authority ("OFA") executed an amended agreement that includes a revised payment schedule through March 31, 2027. Under the terms of the agreement, the loan consists of fixed rate and floating rate portions. During the year, the Museum paid off the remainder of the fixed rate portion of the loan.

The floating rate portion of $23,734 bears interest at the Province of Ontario's one-year cost of funds plus 150-basis-points, reset annually. The floating rate for 2017 - 2018 was set at 2.27% and the floating rate for 2018 - 2019 has been set as 3.24%. Under the terms of the facility, there is no minimum payment requirement providing the facility is fully paid by March 31, 2027.

The fair value of the floating rate portion is comparable to the carrying value as the rate fluctuates with current market rates.

The credit agreement includes covenants which must be met by the Museum and, if not met, the OFA has the right to demand repayment of the outstanding balance.

As collateral for the credit facilities, the Foundation has provided an undertaking to transfer all of its unrestricted donations to the Museum under certain circumstances. In addition, the Museum has assigned all payments from the Foundation restricted for the financing of the ROM Project.

Included in interest and other bank charges on the statement of operations is $593 (2017 - $674) of interest in long-term debt.

7. Deferred contributions:

Deferred contributions represent grants which carry restrictions, and are deferred until spent on the intended purpose.

	2018	2017
Balance, beginning of year	$ 3,491	$ 3,295
Recognized into revenue	(2,818)	(3,953)
Additions	2,599	4,149
Balance, end of year	$ 3,272	$ 3,491

THE ROYAL ONTARIO MUSEUM

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2018

8. Deferred capital contributions:

Deferred capital contributions represent the unamortized amount and unspent amount of grants and donations received for the purchase of capital assets and gallery development. The amortization of deferred capital contributions is recorded as revenue in the statement of operations. The changes in the deferred capital contributions balance are as follows:

	2018	2017 (Recast - note 11)
Balance, beginning of year	$ 196,158	$ 196,441
Amortization of deferred capital contributions	(10,825)	(11,106)
Contributions received for capital asset purchases (note 3)	11,766	10,823
Balance, end of year	$ 197,099	$ 196,158

9. Financial risks:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations, resulting in a financial loss. The Museum is exposed to credit risk with respect to other accounts receivable. However, it does not expect counterparties to fail to meet their obligations given their high credit rating. There have been no significant changes to the credit risk exposure from 2017.

(b) Liquidity risk:

Liquidity risk is the risk that the Museum will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Museum manages its liquidity risk by monitoring its operating requirements. The Museum prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. The contractual maturities of long-term debt are disclosed in note 6. There have been no significant changes to the liquidity risk exposure from 2017.

THE ROYAL ONTARIO MUSEUM

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2018

9. Financial risks (continued):

(c) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates, will affect the Museum's income or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment. There have been no significant changes to the market's risk exposures from 2017.

(i) Currency risk:

The Museum is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates with respect to contractual obligations payable in foreign currencies.

(ii) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates. Financial assets and financial liabilities with variable interest rates expose the Museum to cash flow interest rate risk. The Museum is exposed to this risk through its floating rate interest-bearing long-term debt. The Museum mitigates interest rate risk by entering into derivative financial instruments from time to time, as well as by holding primarily debt issued by the financial institutions.

10. Commitments:

The Museum's future commitments under long-term leases for equipment are as follows:

2019	$ 216
2020	194
2021	163
2022	154
2023	81

THE ROYAL ONTARIO MUSEUM

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2018

11. Recast:

During the year, the Museum identified an immaterial prior period error, with respect to an over-statement of accumulated amortization of deferred capital contributions. Accordingly, the Museum has chosen to recast the prior period comparative figures to reflect this adjustment resulting in an increase of $5,538 to the capital fund balance as at April 1, 2016, a decrease of $417 to amortization of deferred capital contributions for the year ended March 31, 2017, and an increase in deferred capital contributions as at March 31, 2017 for $5,956.

12. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.

TORONTO ORGANIZING COMMITTEE FOR THE 2015 PAN AMERICAN AND PARAPAN AMERICAN GAMES (TORONTO 2015)

Toronto Organizing Committee for the 2015 Pan American and Parapan American Games (Toronto 2015) financial statements for the year ended March 31, 2018 were not available at the time of printing. When available, they will be posted to the website: www.ontario.ca.

WATERFRONToronto

Management's Responsibility for the Financial Statements

June 28, 2018

The integrity and objectivity of the accompanying financial statements of the Toronto Waterfront Revitalization Corporation ("the Corporation") is the responsibility of management. These financial statements have been prepared in accordance with Canadian public sector accounting standards established by the Chartered Professional Accountants of Canada (CPA Canada). Significant accounting policies of the Corporation are described in Note 2 to the financial statements.

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.

Management meets with the external auditors, the Finance, Audit and Risk Management Committee 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 BDO Canada LLP, the independent external auditors appointed by the Board of Directors. The accompanying Independent Auditor's Report outlines Management's responsibilities, the auditor's responsibilities, the scope of its examination and its opinion on the Corporation's financial statements.

President and CEO

Chief Financial Officer

Tel: 905 270-7700
Fax: 905 270-7915
Toll-free: 866 248 6660
www.bdo.ca

BDO Canada LLP
1 City Centre Drive, Suite 1700
Mississauga ON L5B 1M2 Canada

Independent Auditor's Report

To the Board of Directors of
Toronto Waterfront Revitalization Corporation

We have audited the accompanying financial statements of Toronto Waterfront Revitalization Corporation, which comprise the statement of financial position as at March 31, 2018, and the statements of financial activities, remeasurement gains and losses, 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

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 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 Toronto Waterfront Revitalization Corporation as at March 31, 2018, and 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.

BDO CANADA LLP

Chartered Professional Accountants, Licensed Public Accountants
Mississauga, Ontario
June 28, 2018

Toronto Waterfront Revitalization Corporation
Statement of financial position
as at March 31, 2018

	March 31, 2018	March 31, 2017
	$	$
Assets		
Current assets		
Cash (Note 9)	**42,189,860**	16,966,265
Short-term investments	**17,131,766**	15,052,356
Receivables (Note 3)	**2,181,400**	18,072,577
Deposits and prepaid expenses and other assets (Note 4)	**7,442,441**	4,785,015
	68,945,467	54,876,213
Restricted cash and investments (Note 5)	**12,496,396**	11,484,278
Assets under development (Note 6)	**346,825,441**	300,135,354
Capital assets (Note 7)	**88,725,244**	87,699,936
Other assets (Note 8)	**34,181**	26,625
	517,026,729	454,222,406
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued liabilities (Note 10)	**21,848,815**	6,700,489
Deferred contributions (Note 11)	**57,429,281**	45,446,291
Other liabilities and settlements (Note 12)	**1,084,505**	466,631
	80,362,601	52,613,411
Other liabilities and settlements (Note 12)	**4,688,183**	5,491,844
	85,050,784	58,105,255
Net assets (Note 13)	**431,975,945**	396,117,151
	517,026,729	454,222,406

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

Approved on behalf of the Board:

_____________________ Director

_____________________ Director

Toronto Waterfront Revitalization Corporation

Statement of financial activities
as at March 31, 2018

	March 31, 2018	March 31, 2017
	$	$
Revenue		
City of Toronto	**49,006,608**	5,804,106
Other restricted contributions	**3,209,591**	4,027,662
Province of Ontario	**-**	4,000,000
	52,216,199	13,831,768
Less: Government contributions for assets under development	**(35,733,103)**	(11,471,822)
Increase/(decrease) in deferred contributions for continuing operations related to future periods	**(11,982,990)**	12,896,550
	4,500,106	15,256,496
Expenses (Note 14)		
Strategic Initiatives	**4,110,060**	4,882,400
Complete Communities	**2,725,101**	7,934,825
Eastern Waterfront Transit	**1,195,769**	827,720
Public Places	**467,743**	699,530
	8,498,673	14,344,475
(Deficiency)/Excess of revenues over expenses before other items	**(3,998,567)**	912,021
Net other operating income (Note 17)	**2,595,916**	2,148,935
Other income from sale of land (Note 18)	**1,520,328**	3,326,343
Excess of revenues over expenses	**117,677**	6,387,299

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

Toronto Waterfront Revitalization Corporation

Statement of remeasurement gains and losses
year ended March 31, 2018

	March 31, 2018	March 31, 2017
	$	$
Accumulated remeasurement gains, beginning of the year	**127,371**	1,635
Unrealized gains (losses) attributable to		
foreign currency transactions	**190,043**	-
short term investments	**(182,029)**	125,736
Net remeasurement gains for the year	**8,014**	125,736
Accumulated remeasurement gains, end of the year	**135,385**	127,371

Statement of changes in net assets
year ended March 31, 2018

	March 31, 2018	March 31, 2017
	$	$
Net assets, beginning of year	**396,117,151**	404,781,843
Add: Excess of revenue over expenses	**117,677**	6,387,299
Add: Net remeasurement gains	**8,014**	125,736
Less: transfer of assets to Government	**-**	(26,649,549)
Add: Government contributions for assets under development	**35,733,103**	11,471,822
Net assets, end of the year	**431,975,945**	396,117,151

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

Toronto Waterfront Revitalization Corporation

Statement of cash flows
year ended March 31, 2018

	March 31, 2018	March 31, 2017
	$	$
Cash flows from operating activities		
Cash received from:		
Unrestricted contributions for operating activities	**17,797,717**	12,063,680
Government and other restricted contributions for operating activities	**7,311,432**	13,339,336
Sales tax rebates	**2,137,055**	2,844,370
Net rental income received for operating activities	**1,754,451**	2,276,602
Investment income received for operating activities	**294,074**	116,685
	29,294,729	30,640,673
Cash paid for:		
Planning and implementation expenses	**(18,061,049)**	(11,843,197)
Project support expenses	**(8,703,568)**	(8,105,228)
Transfer payments	**(540,730)**	(788,500)
	(27,305,347)	(20,736,925)
Net cash received from operating activities	**1,989,382**	9,903,748
Cash flows from capital activities		
Cash received from government contributions for assets under development	**46,717,433**	16,962,658
Cash used to acquire assets under development	**(20,481,855)**	(15,210,574)
Cash used to acquire capital assets	**(602,433)**	(321,717)
Net cash received for capital activities	**25,633,145**	1,430,367
Cash flows from investing activities		
Cash used to purchase additional security investments	**(2,389,564)**	(1,621,362)
Invested in restricted cash	**(9,368)**	86,430
Cash received from short term investments redemption	**-**	1,000,000
Net cash paid from investment activities	**(2,398,932)**	(534,932)
Increase in cash	**25,223,595**	10,799,183
Cash, beginning of the year	**16,966,265**	6,167,082
Cash, end of the year	**42,189,860**	16,966,265

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

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

March 31, 2018

1. Description of Corporation

The Toronto Waterfront Revitalization Corporation (the "Corporation" or "TWRC") was initially incorporated on November 1, 2001 under the Ontario Business Corporations Act with the Province of Ontario being its sole shareholder.

Pursuant to the Toronto Waterfront Revitalization Corporation Act, 2002 (the "Act"), the Corporation was continued as a corporation without share capital on May 15, 2003. The Corporation is deemed not to be a Crown Agency within the meaning of the Crown Agency Act.

Under the Act, the Corporation's objects are to:

(a) implement a plan that enhances the economic, social and cultural value of the land in the designated waterfront area and create an accessible and active waterfront for living, working and recreation and to do so in a fiscally and environmentally responsible manner;

(b) ensure that ongoing development in the designated waterfront area can continue in a financially self-sustaining manner;

(c) promote and encourage involvement of the private sector in the development of the designated waterfront area;

(d) encourage public input into the development of the designated waterfront area; and

(e) engage in such other activities as may be prescribed by regulation.

2. Significant accounting policies

(a) Basis of presentation

These financial statements have been prepared in accordance Canadian public sector accounting standards for not-for-profit organizations including the 4200 series of standards contained in the Chartered Professional Accountants (CPA) handbook.

(b) Revenue recognition

The Corporation follows the deferral method of accounting for restricted contributions. Under this method, restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Restricted contributions for which the related restrictions remain unfulfilled are accumulated as deferred contributions.

Contributions used for the purchase of amortized capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets. Contributions for the purchase of non-amortized capital assets such as land as well as assets under development which will be transferred to government(s) upon completion are recognized as a direct contribution to net assets.

Under the Contribution Agreements, contributions from the Governments can only be applied towards payments of eligible costs in respect of project activities, as defined in the Contribution Agreements. Unrestricted contributions such as other operating items are recognized as revenue in the current period.

In addition to contributions, the Corporation has several other revenue streams, which it accounts for as follows:

(i) **Property Operations:** Property revenues primarily consist of rental revenues from leasing activities and parking operations. Revenues from parking operations are recognized at the point of service on a cash basis. Property rental income is recognized as it is earned over the course of a tenants lease. Waterfront Toronto has retained substantially all of the risks and benefits of ownership of the properties which it rents out and therefore accounts for leases with its tenants as operating leases. Rental revenue includes recoveries of operating expenses, including property, capital and similar taxes. Operating expense recoveries are recognized in the period that they are chargeable to tenants.

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

March 31, 2018

2. Significant accounting policies (con't)

(ii) Land Sales: The gain or loss from the sale of real property owned by TWRC is recognized when title passes to the purchaser (control is transferred) upon closing at which time all or substantially all of the funds are receivable, or have been received, and the conditions of the sale have been completed.

(iii) Delivery Agreements: The Corporation has entered into certain agreements to deliver construction management and development services. Under these agreements, TWRC bills eligible costs to clients as they are incurred. Revenue from delivery agreements is recognized at the time of billing, when the costs become measurable and collection is reasonably assured.

(c) Financial instruments

Financial instruments are recorded at cost when acquired, except for contributions that are recorded at fair value. In subsequent periods, investments traded in an active market are reported at fair value, with any unrealized gains and losses reported in the statement of remeasurement gains and losses. All other financial instruments are recorded at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisiton, sale or issue of financial instruments are expensed for those items remeasured at fair value at each balance sheet date and charged to the financial instrument for those measured at amortized cost.

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

(i) Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;

(ii) Level 2: Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability ,either directly (i.e. as prices) or indirectly (i.e derived from prices); and

(iii) Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Short-term investments consist of guaranteed investment certificates (GICs) and cashable bonds, which mature in December 2019. GICs are classified as Level 1 in the fair value hierarchy whereby their fair value is based on quoted prices in active markets for identical assets.Cashable bonds are classified as level 2 in the fair value hierarchy whereby their fair value is based on inputs other than quoted prices included in level 1 that are observable for the asset either directly or indirectly.There have been no transfers from Level 1, Level 2 or Level 3.

(d) Transfer payments and grants

The Corporation has entered into agreements with third parties who are responsible for managing various projects on Toronto's Waterfront. Expenditures related to these projects are recorded in the statement of financial activities as transfer payments and grants. Under the terms of the agreements, the Corporation does not assume ownership or ongoing operational responsibility during development or upon project completion.

(e) Allocation of general support expenses

The Corporation incurs a number of general support expenses that are common to the administration of the organization and each of its projects. General support expenses are incurred to support the functional areas of construction/implementation, planning, design and approvals, and project management. The expenses are allocated using a burden rate based on general support expenses as a proportion of direct labour costs.

(f) Taxes

The Corporation is exempt from income taxes pursuant to paragraph 149(1) (d.3) of the Income Tax Act (Canada) and is eligible to claim a rebate of approximately 86.5% for HST paid on property and services acquired pursuant to section 123(1)(b) of the Excise Tax Act. TWRC is registered with the Canada Revenue Agency as a qualified donee and is eligible to issue official donation receipts and receive gifts from registered charities.

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

March 31, 2018

2. Significant accounting policies (con't)

(g) Assets under development

Assets under development represent those investments in assets which the Corporation has been directed to develop under an executed agreement and the Corporation has actual or beneficial ownership over during the development stage. Land under development under this category represents all costs associated with getting a parcel of land site ready for development, including costs associated with contracting with a developer, rezoning, and soil management and treatment.

Upon substantial completion these assets are either transferred to a respective government who assumes ownership and ongoing operational responsibility, transferred to capital assets for those assets the Corporation continues to have actual or beneficial ownership over, or sold to a third party. The assets transferred to a respective government are considered a related party transaction and the difference between cost and proceeds is recorded directly to net assets. Any gain or loss on assets sold to a third party is recorded through the statement of financial activities.

Assets under development are recognized at cost, are not amortized and include both direct project costs as well as overhead costs directly attributable to the asset under development.

(h) Capital assets

Capital assets are recorded at cost less accumulated amortization. With the exception of land which is not amortized. Capital assets less residual value are amortized on a straight-line basis over their estimated useful lives as follows:

Parking facility	10 years
Computer hardware and software	3 years
Leasehold improvements	5 years
Furniture and fixtures	5 years
Office equipment	5 years

The cost incurred to enhance the service potential of a capital asset, including land, is a betterment and capitalized to the asset. Repairs and maintenance costs are charged to expense. When a capital asset no longer contributes to the Corporation's ability to provide services or the value of future economic benefits associated with the capital asset is less than its net book value, the carrying value of the capital asset is reduced to reflect the decline in the asset's value.

(i) 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 period. Actual results could differ from those estimates. The items subject to the most significant estimates are the amortization and impairment of capital assets, accrued liabilities, deferred revenue and accrued benefit liability.

(j) Trusts under administration

Trusts administered by TWRC are not consolidated in the financial statements as they are not controlled by the Corporation.

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

March 31, 2018

3. Receivables

	March 31, 2018	March 31, 2017
	$	$
HST receivable	**1,182,501**	162,480
Rent and other receivables	**998,899**	1,787,386
Sale of parking facility (Note 18)	-	11,687,382
Developer receivables	-	4,000,000
City of Toronto	-	435,329
	2,181,400	18,072,577

4. Deposits and prepaid expenses

	March 31, 2018	March 31, 2017
	$	$
Construction deposits	**4,464,939**	4,464,939
Prepaid expenses	**2,959,506**	287,610
Current portion of prepaid expenses and rent receivables (Note 8)	**17,996**	32,467
	7,442,441	4,785,015

The Corporation has provided the City of Toronto (the "City") and Toronto Hydro with certain construction deposits to guarantee satisfactory performance, completion of work and related obligations required for the construction of municipal and hydro infrastructure by the Corporation. The construction deposits will be released to Waterfront Toronto at the expiration of certain performance and guarantee periods. The construction deposits paid to the City of $2,181,199 (2017 - $2,181,199) are non-interest bearing; and the construction deposits outstanding from Toronto Hydro of $2,283,740 (2017 - $2,283,740) will be returned to TWRC including interest at the Prime Business Rate set by the Bank of Canada less two percent.

5. Restricted cash and investments

The Corporation has received deposits that are subject to restrictions that prevent its use for operating purposes, as outlined below:

	March 31, 2018	March 31, 2017
	$	$
East Bayfront public art	**3,174,803**	3,130,500
Deposit - Broadband services	**2,803,370**	2,803,370
Deposit - Bayside project agreement	**2,155,938**	2,125,852
West Don Lands security fund	**1,574,638**	1,574,638
East Bayfront child care facility	**1,468,641**	1,448,147
Holdbacks payable (including HST)	**1,101,631**	110,129
Escrow Account - River city development	**217,375**	291,642
	12,496,396	11,484,278

West Don Lands Security funds of $1,574,638 represent financial security for municipal infrastructure necessary for West Don Lands Phase 1 development to be released to Waterfront Toronto in fiscal year 2018/19.

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

March 31, 2018

6. Assets under development

The following table details assets under development by category:

	March 31, 2018	March 31, 2017
	$	$
Roads, public realm, utilities	**255,207,795**	244,640,810
Land under development	**73,929,074**	39,838,237
Parkland	**17,688,572**	15,656,307
	346,825,441	300,135,354

The following table details assets under development by precinct:

	Complete Communities	The Port Lands	Public Places	Quayside	Total
	$	$	$	$	$
Opening balance, April 1, 2017	288,445,905	1,464,729	8,952,201	1,272,519	300,135,354
Capital additions	9,891,719	27,637,370	1,155,877	882,711	39,567,676
Direct project management - Note 14	1,102,710	829,300	247,336	783,194	2,962,540
General and support expenses - Note 14	1,498,725	1,299,854	326,722	1,034,570	4,159,871
Balance, March 31, 2018	**300,939,059**	**31,231,253**	**10,682,136**	**3,972,994**	**346,825,441**

There were no transfers of completed assets during the year ended March 31, 2018.

7. Capital assets

	March 31, 2018 Cost	March 31, 2018 Accumulated Amortization	March 31, 2017 Cost	March 31, 2017 Accumulated Amortization
	$	$	$	$
Land	87,305,565	-	87,305,565	-
Computer hardware and software	4,178,438	3,033,392	3,224,739	2,874,875
Leasehold improvements	963,034	698,138	720,569	681,895
Furniture and fixtures	669,843	660,215	665,537	660,040
Office equipment	269,054	268,945	269,054	268,718
	93,385,934	4,660,690	92,185,464	4,485,528
Cost less accumulated amortization		**88,725,244**		**87,699,936**

Land is recorded at cost in accordance with the significant accounting policy. Certain land, known as Quayside, has approximately 2,700,000 square feet zoned for development.

The Corporation owns land containing environmental contamination. The costs associated with the Corporation's environmental remediation, which depends on the ultimate use of the lands, will be recognized in the period when an obligation arises.

The Corporation owns buildings on a number of its properties. As none of the buildings are intended for use other than on a temporary rental basis and all will ultimately be demolished, they have been recorded at a carrying value of $Nil (2017 - $Nil).

8. Other assets

	March 31, 2018	March 31, 2017
	$	$
Developer receivable	-	26,625
Prepaid expenses and rent receivables	**52,177**	32,467
	52,177	59,092
Less: current portion (Note 4)	**(17,996)**	(32,467)
	34,181	26,625

Toronto Waterfront Revitalization Corporation
Notes to the financial statements
March 31, 2018

9. Credit facility

In 2015, the Corporation secured a revolving credit facility which provides for a maximum borrowing amount of $40 million. The facility bears interest at the Canadian Prime less 0.25%. The interest rate was 3.20% at March 31, 2018 (2017 - 2.45%). The facility is secured by a first lien interest over several of the Corporation's real properties in the City of Toronto and a General Security Agreement creating a first priority interest over property of the Corporation not obtained through a contribution agreement, including accounts receivable. At March 31, 2018, the available borrowing limit is $37 million as a result of a Letter of Credit issued by Waterfront Toronto during the year to the Department of Fisheries and Oceans for the Cherry Street Stormwater and Lakefilling project.

Under the current financing agreement, the Corporation is subject to a financial covenant. The revolving credit facility stipulates that the Corporation must ensure that the most recent appraised value of the properties which secure the facility at all times provide a minimum of 150% coverage for the outstanding amount of credit. As at March 31, 2018, the Corporation is in compliance with this covenant and expects to be in compliance for the next 12 months.

10. Accounts payable and accrued liabilities

	March 31, 2018	March 31, 2017
	$	$
Accrued liabilities	**17,946,776**	5,555,936
Accounts payable	**2,905,404**	1,047,093
Holdbacks payable	**996,635**	97,460
	21,848,815	6,700,489

11. Deferred contributions

Deferred contributions represent project specific contributions from Governments which have not been applied to eligible costs at March 31, 2018, as well as contributions received for the acquisition of capital assets which have yet to be amortized.

	March 31, 2018	March 31, 2017
	$	$
Expenditures of future periods		
Balance, beginning of year	**45,051,919**	50,925,223
Additional contributions	**16,658,257**	2,235,715
Less: amounts recognized as revenue	**(4,324,944)**	(8,109,019)
Balance, end of year	**57,385,232**	45,051,919
Capital contributions		
Balance, beginning of year	**394,372**	7,417,618
Add: contributions for acquisition of capital assets and assets under development	**35,557,942**	11,596,053
Less: direct contribution to net assets	**(35,733,103)**	(11,471,822)
Less: amount amortized to revenue	**(175,162)**	(7,147,477)
Balance, end of year	**44,049**	394,372
	57,429,281	45,446,291

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

March 31, 2018

12. Other liabilities and settlements

Other liabilities and settlements largely represent security and developer deposits.

	March 31, 2018	March 31, 2017
	$	$
Deposit - broadband services	**2,525,038**	2,989,064
Deposit - Bayside project agreement	**2,163,145**	2,131,658
Deposit - rent and other	**1,084,505**	466,631
Accrued benefit liability	**-**	371,122
Total other liabilities	**5,772,688**	5,958,475
Less: current portion	**(1,084,505)**	(466,631)
	4,688,183	5,491,844

13. Net assets

a) Net assets recorded on the Statement of Financial Position are comprised of the following:

	March 31, 2018	March 31, 2017
	$	$
Invested in capital assets (net of deferred capital contributions)	**87,305,565**	87,305,565
Invested in assets under development	**346,825,441**	300,135,354
Unrestricted (deficit)/surplus (Note 13b)	**(2,290,446)**	8,548,861
Accumulated re-measurement gains	**135,385**	127,371
	431,975,945	396,117,151

b) Unrestricted surplus/(deficit)

	March 31, 2018	March 31, 2017
	$	$
Unrestricted surplus/(deficit), opening balance	**8,548,861**	(1,390,549)
Excess of revenue over expenses	**117,677**	6,387,299
Contributed capital for parking facility	**-**	9,750,638
Transfer to assets under development	**(10,956,984)**	(6,198,527)
Unrestricted (deficit)/surplus, closing balance	**(2,290,446)**	8,548,861

Toronto Waterfront Revitalization Corporation

Notes to the financial statements
March 31, 2018

14. Expenses by Precinct and Function

	Strategic Initiatives	Complete Communities	Eastern Waterfront Transit	Public Places	Quayside	The Port Lands	Total March 31, 2018
	$	$	$	$	$	$	$
Direct project costs:							
Transfer payments and grants	-		-	58,318	-	-	58,318
Project planning and implementation costs	104,537	1,511,521	728,963	315,929	(30)	(154,758)	2,506,161
Project management - salaries, fees and benefits	1,725,775	1,643,695	201,123	287,615	783,194	984,021	5,625,423
Less project management - salaries, fees and benefits related to assets under development (Note 6)	-	(1,102,710)	-	(247,336)	(783,194)	(829,300)	(2,962,540)
	1,830,312	2,052,506	930,086	414,526	(30)	(37)	5,227,362
General expenses:							
Salaries, fees and benefits	1,421,395	1,353,792	165,650	236,888	645,060	810,467	4,633,252
General and office administration	476,551	453,886	55,538	79,421	216,269	271,725	1,553,390
Communications, marketing and government relations	196,576	187,227	22,909	32,761	89,212	112,086	640,771
Information technology	185,226	176,415	21,586	30,869	84,059	105,614	603,769
	2,279,748	2,171,320	265,683	379,939	1,034,600	1,299,892	7,431,182
Less general & support costs allocated to assets under development (Note 6)		(1,498,725)		(326,722)	(1,034,570)	(1,299,855)	(4,159,871)
	4,110,060	**2,725,101**	**1,195,769**	**467,743**	**-**	**-**	**8,498,673**

General expenses for the year ending March 31, 2018 have been allocated to precincts using an overhead burden rate of 1.32 (2017 - 1.66) for every $1 of direct labour (project management - salaries and benefits). Total salaries, fees and benefits for the Corporation were $10,258,675 for the year ending March 31, 2018 (2017 - $10,411,361) comprising direct project management salaries, fees and benefits of $5,625,423 (2017 - $4,730,644) and general salaries, fees and benefits of $4,633,252 (2017 - $5,680,718).

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14. Expenses by Precinct and Function (Cont.)

	Strategic Initiatives	Complete Communities	Eastern Waterfront Transit	Public Places	Quayside	The Port Lands	Total March 31, 2017
	$	$	$	$	$	$	$
Direct project costs:							
Transfer payments and grants	-		-	552,426	-	-	552,426
Project planning and implementation costs	268,059	3,665,110	409,881	(6,449)	(6,758)	(500,772)	3,829,071
Amortization	-	1,245,675	-		-		1,245,675
Project management - salaries, fees and benefits	1,731,787	2,296,457	159,265	138,129	217,064	187,942	4,730,644
Less Project management - salaries, fees and benefits related to assets under development (Note 6)	-	(1,185,506)	(6,523)	(100,416)	(217,064)		(1,509,509)
	1,999,846	6,021,736	562,623	583,690	(6,758)	(312,830)	8,848,307
General expenses:							
Salaries, fees and benefits	2,079,589	2,757,663	191,251	165,870	260,657	225,688	5,680,718
General and office administration	383,878	509,047	35,304	30,619	48,116	41,661	1,048,625
Communications, marketing and government relations	216,470	287,052	19,908	17,266	27,134	23,492	591,322
Information Technology	202,617	268,683	18,634	16,161	25,396	21,989	553,480
	2,882,554	3,822,445	265,097	229,916	361,303	312,830	7,874,145
Less general & support costs allocated to assets under development (Note 6)	-	(1,909,356)		(114,076)	(354,545)		(2,377,977)
	4,882,400	**7,934,825**	**827,720**	**699,530**	**-**	**-**	**14,344,475**

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

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15. Commitments

The Corporation has corporate lease commitments of $4,894,563 until March 31, 2023.

16. Risk disclosures

(i) Credit risk:
Credit risk arises from cash, short term investments, restricted cash and investments held with banks and credit exposure to governments and other debtors, including accounts receivable. The maximum exposure to credit risk is equal to the carrying value (net of allowances) of the financial assets. The objective of managing counterparty credit risk is to prevent losses on financial assets. The Corporation assesses the credit quality of funding partners and debtors, taking into account their financial position, past experience and other factors.

(ii) Liquidity risk:
Liquidity risk is the risk the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's objective in managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its commitments when due, without incurring unacceptable losses or risking damage to the Corporation's reputation. The Corporation manages exposure to liquidity risk by closely monitoring supplier and other liabilities; by focusing on debtor collection; and by requesting government funding in advance.

(iii) Market risk:
Market risk is the risk that changes in market prices, such as interest rates, will affect the fair value of recognized assets and liabilities or future cash flows of the Corporation's operations. The Corporation is exposed to changes in interest rates, which may impact interest revenue on short term investments. At March 31, 2018 had prevailing interest rates raised or lowered by 1% with all other variables held constant excess revenues over expenses would have increased or decreased by $151,665 (2017 - $84,098).

(iv) Currency risk: The Corporation has cash denominated in U.S. dollars and is exposed to currency risk. Included in the statement of financial position is $4,638,905 of cash which has been translated from its U.S. denominated amount.

17. Net other operating income

	March 31, 2018	March 31, 2017
	$	$
Rental, parking and other income	**4,382,644**	4,450,962
Less: operating expenses	**(2,850,393)**	(3,125,628)
	1,532,251	1,325,334
Interest	**841,504**	506,835
Other Income	**222,161**	316,766
Net other operating income	**2,595,916**	2,148,935

18. Other income from sale of land

During the year ended March 31, 2018, the Corporation received $1,520,328 as a closing payment associated with the sale of a parcel of land in East Bayfront owned by the City of Toronto.

	March 31, 2018	March 31, 2017
	$	$
Sale of parking facility		
proceeds from sale	-	11,687,382
Less: Net book value	-	(15,679,992)
Less: Costs associated with the sale	-	(381,047)
Loss on sale of parking facility	-	(4,373,657)
Sale of East Bayfront land	**1,520,328**	7,700,000
Net gain on sale of land and parking facility	**1,520,328**	3,326,343

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Notes to the financial statements

March 31, 2018

19. Trust under administration

In February of 2016, the Corporation became the administrator of the Project Under Gardiner fund (The Bentway). Based on the Memorandum of Understanding dated December 22, 2015, the total cost of the Project Under Gardiner is expected to total $25,000,000, of which $23,500,000 will flow to the Corporation from the City of Toronto to be used towards the execution of the project. The current estimated cost of the project is $26,563,159 due to additional scope pursuant to the delivery agreement between the Corporation and the City of Toronto for the Events Dock and Garisson project and the Bentway Conservancy project agreement. Up until March 31, 2018 the Corporation has received $25,078,515.

During the year ended March 31, 2018, the total cost to the Corporation for management of the Project Under Gardiner was $237,196 in direct payroll charges, of which $180,000 was charged to the fund (see project management fees below), the balance of $57,196 being in-kind contributions.

The trust is entitled to any interest earned on the balance of funds. A summary of the trust's financial position, as at March 31, 2018, is as follows:

Financial Position as at March 31, 2018

	March 31, 2018	March 31, 2017
	$	$
Cash and accounts receivable	**6,138,175**	17,405,555
Assets under development	**21,414,727**	3,371,952
Total assets	**27,552,902**	20,777,507
Accounts payable and accrued liabilities	**(2,325,348)**	(250,816)
Net assets	**25,227,554**	20,526,691

Revenues and expenditures as of March 31, 2018

	March 31, 2018	March 31, 2017
Revenues	**$**	$
Philanthropic revenue	**3,801,887**	17,500,000
Restricted revenue	**776,628**	-
Total revenues	**4,578,515**	17,500,000
Cumulative revenues (from inception of trust)	**25,078,515**	20,500,000

	March 31, 2018	March 31, 2017
Direct Project Costs	**$**	$
Planning and implementation	**1,324,033**	2,452,678
Implementation and construction	**16,538,742**	-
Public consultation and marketing	**-**	119,678
Project management fees	**180,000**	180,000
Total expenditures	**18,042,775**	2,752,356
Cumulative expenditure (from inception of trust)	**21,414,727**	3,371,952

20. Qualified Donee Status

During the year, TWRC was registered with the Canada Revenue Agency as a qualified donee and is now eligible to issue official donation receipts and receive gifts from registered charities. The status is effective June 24, 2016 and as at March 31, 2018, the Corporation had not received any donation or gifts.

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

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21. Contingent Liabilities

(a) Under the terms and conditions of the Contribution Agreements, the Corporation provides an indemnity to the City, Province of Ontario and Government of Canada and their respective officers, employees and agents, from and against all claims, losses, damages, costs, expenses, actions and other proceedings related to any injury to or death of a person or damage to or loss of property, infringement of rights or any other loss or damages whatsoever arising directly or indirectly from any willful or negligent act, omission or delay on the part of the Corporation, the Corporation's directors, officers, employees, contractors, agents or Third Party Contractors, in carrying out a project or as a result of the project, except to the extent that the injury, loss or damage has been caused by the City, Province of Ontario and/or Government of Canada or their respective officers, employees or agents.

The Corporation requires all Eligible Recipients to indemnify the Corporation from and against liability on the same basis outlined above.

The Corporation requires most third party contractors to indemnify each level of government and the Corporation, its officers, employees and agents against all claims, liabilities and demands with respect to any injury to persons (including death), damage to, loss or destruction of property or infringement of rights caused by or arising directly from:

(i) the breach of any term or condition of the contract by the third party contractor or its officers, employees or agents; or

(ii any omission or any willful or negligent act of the third party contractor or its officers, employees or agents in relation to the applicable project.

(b) Ø Under the Delivery Agreement with each Eligible Recipient respectively, the Corporation provides an indemnity to the Eligible Recipient and its respective officers, employees and agents, from and against any claims with respect to direct loss arising from:

(i) any breach by the Corporation of the Delivery Agreement or documents or certificates given pursuant to the

(ii any negligent or willful acts or omissions of the Corporation, its officers, directors, employees or agents, in relation to the project.

Management attempts to limit the Corporation's exposure under these indemnifications through the purchase of directors and officers insurance, the allocation of risk to Eligible Recipients and contractors (outlined above) and through enforcing the Corporation's and Eligible Recipients' policies and procedures, as well as intense oversight where appropriate.

(c) Ø The Corporation has entered into a number of Development Agreements with third party builders with respect to lands located in the West Don Lands and East Bayfront. Under these agreements, the Corporation has provided the builders certain milestone representations based on specific Corporation development obligations. The representations primarily relate to schedule delays. The maximum potential future liability related to these representations is $7.5 million under one development agreement with one builder and although under the other development agreements the amounts are not determinable, they are limited to the amount up to the respective builder's carrying costs and/or out of pocket expenses incurred on the development. No amount for these representations has been accrued in these financial statements. Management attempts to limit the Corporation's potential exposure under these guarantees through appropriate schedule, cost and scope management practices.

(d) Ø The Corporation has a municipal access agreement with the City of Toronto for the ongoing maintenance and potential removal of district energy pipes in West Don Lands. Management estimates the maximum potential liability to be $1,600,000. These costs are currently unfunded.

22. Comparatives

Certain comparative amounts have been reclassified to conform with the current year's method of presentation.