



Treasury Board Secretariat

PUBLIC ACCOUNTS

OF ONTARIO

**Financial Statements
of Government
Organizations**

**VOLUME 2A
2016–2017**



TABLE OF CONTENTS

Volume 2A

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

FINANCIAL STATEMENTS

Section 1 – Government Organizations

AgriCorp.....	March 31, 2017.....	1-1
Agricultural Research Institute of Ontario	March 31, 2017.....	1-19
Algonquin Forestry Authority.....	March 31, 2017.....	1-35
Cancer Care Ontario.....	March 31, 2017.....	1-49
The Centennial Centre of Science and Technology (Ontario Science Centre)	March 31, 2017.....	1-69
Education Quality and Accountability Office	March 31, 2017.....	1-85
eHealth Ontario.....	March 31, 2017.....	1-97
Forest Renewal Trust.....	March 31, 2017.....	1-111
General Real Estate Portfolio.....	March 31, 2017.....	1-131
Independent Electricity System Operator.....	December 31, 2016	1-149
Legal Aid Ontario	March 31, 2017.....	1-173
Local Health Integration Network – Central	March 31, 2017.....	1-197
Local Health Integration Network – Central East	March 31, 2017.....	1-213
Local Health Integration Network – Central West	March 31, 2017.....	1-229
Local Health Integration Network – Champlain.....	March 31, 2017.....	1-245
Local Health Integration Network – Erie St. Clair.....	March 31, 2017.....	1-263
Local Health Integration Network – Hamilton Niagara Haldimand Brant.....	March 31, 2017.....	1-277
Local Health Integration Network – Mississauga Halton	March 31, 2017.....	1-293
Local Health Integration Network – North East.....	March 31, 2017.....	1-311
Local Health Integration Network – North Simcoe Muskoka	March 31, 2017.....	1-327
Local Health Integration Network – North West	March 31, 2017.....	1-343
Local Health Integration Network – South East	March 31, 2017.....	1-359
Local Health Integration Network – South West.....	March 31, 2017.....	1-375
Local Health Integration Network – Toronto Central	March 31, 2017.....	1-391
Local Health Integration Network – Waterloo Wellington	March 31, 2017.....	1-411
Metrolinx	March 31, 2017.....	1-427
Metropolitan Toronto Convention Centre Corporation	March 31, 2017.....	1-451

Government Organizations continued in Volume 2B

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

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

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

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

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

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

Ministry of the Environment and Climate Change
Ontario Clean Water Agency

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

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

Ministry of Health and Long-Term Care

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

Ministry of Labour

- Workplace Safety and Insurance Board

Ministry of Municipal Affairs and Housing

- Ontario Mortgage and Housing Corporation

Ministry of Natural Resources and Forestry

- Algonquin Forestry Authority
- Forest Renewal Trust

Ministry of Northern Development and Mines

- Northern Ontario Heritage Fund Corporation
- Ontario Northland Transportation Commission

Ministry of Tourism, Culture and Sport

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

Ministry of Transportation

- Metrolinx

Treasury Board Secretariat

- Ontario Pension Board

A GUIDE TO THE PUBLIC ACCOUNTS

1. SCOPE OF THE PUBLIC ACCOUNTS

The 2016-2017 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, 2016 to March 31, 2017. They are presented in the same detail as the approved, audited financial statements and as nearly as possible in the same form. The statements have been presented in the order shown in the Table of Contents. In addition, a listing is provided which groups the crown corporations, boards and commissions by ministerial responsibility.

GOVERNMENT ORGANIZATIONS



Management's responsibility for financial reporting

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

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

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

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

These financial statements have been audited by the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian Public Sector Accounting Standards. The Auditor's Report, which appears on the following page, outlines the scope of the Auditor General's examination and opinion.

Doug LaRose
Chief Executive Officer

Erich Beifuss
Chief Financial Officer

June 22, 2017



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

Independent Auditor's Report

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

I have audited the accompanying financial statements of Agricorp, which comprise the statement of financial position as at March 31, 2017, and the statements of operations and fund balances, remeasurement gains and losses and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Agricorp as at March 31, 2017 and the results of its operations, remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Susan Klein, CPA, CA, LPA
Assistant Auditor General

Toronto, Ontario
June 22, 2017

20 Dundas Street West
Suite 1530
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-327-9862
tty 416-327-6123

20, rue Dundas ouest
suite 1530
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-327-9862
ats 416-327-6123
www.auditor.on.ca

Agricorp**Statement of financial position**

As at March 31, 2017 with comparative information for 2016

(In thousands of dollars)	General Fund	Production Insurance Fund	2017	2016
Current assets				
Cash	\$ 5,232	\$ 37,530	\$ 42,762	\$ 23,492
Short term investments (note 5)	476	735,503	735,979	617,433
Accounts receivable (note 4)	2,634	5,452	8,086	8,487
Funds under administration (note 3)	111,193	-	111,193	91,865
Prepaid expenses	650	-	650	670
Total current assets	120,185	778,485	898,670	741,947
Long term investments (note 5)	-	108,856	108,856	247,723
Accrued pension asset (note 11)	8,276	-	8,276	8,014
Capital assets (note 6)	638	-	638	812
Assets	\$ 129,099	\$ 887,341	\$ 1,016,440	\$ 998,496
Current liabilities				
Accounts payable and accrued liabilities	\$ 5,466	\$ 216	\$ 5,682	\$ 14,143
Unearned premiums and revenue (note 9)	3,778	16,889	20,667	27,411
Provision for claims	-	1,200	1,200	4,170
Funds under administration (note 3)	111,193	-	111,193	91,865
Total current liabilities	120,437	18,305	138,742	137,589
Fund balances				
Unrestricted funds	8,662	-	8,662	8,549
Restricted funds	-	866,228	866,228	845,606
Total fund balances	8,662	866,228	874,890	854,155
Accumulated remeasurement gains	-	2,808	2,808	6,752
Liabilities, fund balances and accumulated remeasurement gains	\$ 129,099	\$ 887,341	\$ 1,016,440	\$ 998,496

Commitments and contingencies (note 12)

See accompanying notes to financial statements

Approved on behalf of the Board


Murray Porteous
Board Chair

Harry Stoddart
Finance and Audit Committee Chair

Agricorp**Statement of operations and fund balances**

Year ended March 31, 2017 with comparative information for 2016

(In thousands of dollars)	General Fund	Production Insurance Fund	2017	2016
Revenue				
Funding – provincial government (note 8)	\$ 19,713	\$ 32,342	52,055	\$ 50,465
Funding – federal government (note 8)	19,516	48,508	68,024	65,143
Premiums from producers	-	54,210	54,210	50,631
Consulting and other services	852	-	852	844
Investment income	52	16,918	16,970	18,284
Total revenue	40,133	151,978	192,111	185,367
Expenses				
Claims	-	127,709	127,709	97,804
Reinsurance (note 10)	-	3,641	3,641	3,699
Administration (note 15)	40,020	-	40,020	39,706
Bad debts	-	6	6	44
Total expenses	40,020	131,356	171,376	141,253
Excess of revenue over expenses	113	20,622	20,735	44,114
Fund balances, beginning of year	8,549	845,606	854,155	810,041
Fund balances, end of year	\$ 8,662	\$ 866,228	\$ 874,890	\$ 854,155

Related party transactions (note 13)

See accompanying notes to financial statements

Agricorp**Statement of remeasurement gains and losses**

Year ended March 31, 2017 with comparative information for 2016

(In thousands of dollars)	2017		2016	
Accumulated remeasurement gains, beginning of year	\$	6,752	\$	13,351
Unrealized (losses) on investments		(3,010)		(5,653)
Realized (gains) reclassified to the statement of operations and fund balances		(934)		(946)
Net change for the year		(3,944)		(6,599)
Accumulated remeasurement gains, end of year	\$	2,808	\$	6,752

See accompanying notes to financial statements

Agricorp**Statement of cash flows**

Year ended March 31, 2017 with comparative information for 2016

(In thousands of dollars)	General Fund	Production Insurance Fund	2017	2016
Cash provided by operating activities				
Excess of revenue over expenses	\$ 113	\$ 20,622	\$ 20,735.00	\$ 44,114
Items not requiring an outlay of cash				
Realized (gains) on investments	-	(934)	\$ (934)	(946)
Amortization of capital assets	572	-	572	885
Total	685	19,688	20,373	44,053
Changes in non-cash working capital				
Accounts receivable	987	(586)	401	3,528
Prepaid expenses	20	-	20	36
Accrued pension asset	(262)	-	(262)	(1,035)
Accounts payable and accrued liabilities	(461)	(8,000)	(8,461)	8,161
Unearned premiums and revenue	(215)	(6,529)	(6,744)	7,740
Provision for claims	-	(2,970)	(2,970)	(71)
Total	69	(18,085)	(18,016)	18,359
Investing activity				
Net proceeds (purchase) of investments	1,993	15,318	17,311	(40,574)
Capital activity				
Purchase of capital assets	(398)	-	(398)	(559)
Increase in cash	2,349	16,921	19,270	21,279
Cash, beginning of year	2,883	20,609	23,492	2,213
Cash, end of year	\$ 5,232	\$ 37,530	\$ 42,762	\$ 23,492

See accompanying notes to financial statements

Agricorp

Notes to the financial statements

Year ended March 31, 2017 with comparative information for 2016

1. Nature of operations

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

Government – Production Insurance

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

Government – Other Business Risk Management

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

Other

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

As an Ontario Crown agency, Agricorp is exempt from income taxes.

2. Significant accounting policies

a) Basis of accounting

The financial statements of Agricorp have been prepared by management in accordance with Canadian Public Sector Accounting Standards (PSAS) for governments as recommended by the Public Sector Accounting Board of Chartered Professional Accountants of Canada (CPA Canada). Agricorp has also elected to apply the section 4200 standards for Government Not-For-Profit Organizations.

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

Agricorp uses fund accounting whereby the activities in each program are accounted for in separate funds. The General Fund is used to account for all administrative revenues and expenses, as well as for all unsegregated activities. The Production Insurance Fund is used to account for activities specific to the Production Insurance program (see note 1).

Agricorp

Notes to the financial statements

Year ended March 31, 2017 with comparative information for 2016

b) Capital assets

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

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

c) Employee future benefits

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

i) Pension plan

Agricorp sponsors a contributory defined benefit registered pension plan for all full-time and eligible part-time employees as well as a supplemental defined benefit pension plan for eligible employees. Unless otherwise noted, information on Agricorp's post-employment benefit programs is presented on a consolidated basis.

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

ii) Accumulated sick leave

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

d) Revenue recognition

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

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

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

Agricorp

Notes to the financial statements

Year ended March 31, 2017 with comparative information for 2016

e) Financial instruments

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

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

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

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

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

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

Level 2 – 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.

f) Use of estimates

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

g) Provision for claims

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

3. Funds under administration

Agricorp processes and disburses payments to producers enrolled in business risk management and non-business risk management agricultural programs. These programs are generally administered on behalf of

Agricorp

Notes to the financial statements

Year ended March 31, 2017 with comparative information for 2016

OMAFRA for producers in Ontario, and cover joint Canada-Ontario, Canada-only and Ontario-only programs. Individual program delivery agreements are in place for each program.

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

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

a) AgriStability

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

AgriStability is cost shared by the federal and provincial governments at a basis of 60% and 40% respectively.

b) Risk Management Program (RMP)

RMP helps producers offset losses caused by low commodity prices and fluctuating production costs. RMP is fully funded by the provincial government and is an advance against Ontario's share of AgriStability program costs and reduces its share of AgriStability payments. Effective January of 2015, AgriStability participation is no longer an eligibility requirement of RMP. RMP includes the following plans:

RMP: Grains and Oilseeds (RMP-GO)

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

RMP for livestock (RMP-LS)

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

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

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

c) General Top-Up Program (GTUP)

GTUP was established under the Canada-Ontario Implementation Agreement and expired on March 31, 2008. Under the terms of the agreement, producers that participated in AgriStability and received a payment

Agricorp

Notes to the financial statements

Year ended March 31, 2017 with comparative information for 2016

under that program were eligible for a top-up payment based on a fixed percentage of their 2003 and 2004 AgriStability government benefits.

d) Marketing and Vineyard Improvement Program (MVIP)

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

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

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

f) Other programs

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

Farm Business Registration (FBR)

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

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

(In thousands of dollars)	Opening Balance	Funding, federal government	Funding, provincial government	Other	Payments	Closing balance
	2017					2017
AgriStability	\$ 73,018	\$ 45,940	\$ 23,085	\$ 9,649	\$ (58,803)	\$ 92,889
RMP-GO	256	-	36,335	(9)	(36,438)	144
RMP-LS	6,432	-	40,059	(1,383)	(40,195)	4,913
RMP-SDRM	8,879	-	21,070	223	(20,753)	9,419
GTUP	2,507	-	-	26	-	2,533
MVIP	306	-	1,868	465	(1,856)	783
VQA-WSP	-	-	7,000	-	(7,000)	-
Other programs	467	-	4	45	(4)	512
Total	\$ 91,865	\$ 45,940	\$ 129,421	\$ 9,016	\$ (165,049)	\$ 111,193

Agricorp

Notes to the financial statements

Year ended March 31, 2017 with comparative information for 2016

(In thousands of dollars)	Opening Balance 2016	Funding, federal government	Funding, provincial government	Other	Payments	Closing balance 2016
AgriStability	\$ 65,946	\$ 24,714	\$ 10,017	\$ 9,521	\$ (37,180)	\$ 73,018
RMP-GO	203	-	56,978	16	(56,941)	256
RMP-LS	2,302	-	40,833	2,041	(38,744)	6,432
RMP-SDRM	6,731	-	21,238	3,622	(22,712)	8,879
GTUP	2,482	-	16	50	(41)	2,507
MVIP	-	-	2,000	(465)	(1,229)	306
VQA-WSP	-	-	7,000	-	(7,000)	-
Other programs	945	-	1,924	10	(2,412)	467
Total	\$ 78,609	\$ 24,714	\$ 140,006	\$ 14,795	\$ (166,259)	\$ 91,865

The Other transactions column in the tables above include items such as producer fees and premiums, and changes in program receivables and payables.

4. Accounts receivable

Accounts receivable are comprised primarily of amounts due from the federal and provincial governments and from producers.

(In thousands of dollars)	2017	2016
Funding – federal government	\$ 5,403	\$ 4,886
Funding – provincial government	1,408	1,751
Other	1,411	1,980
	8,222	8,617
Less allowance for doubtful accounts	(136)	(130)
Total	\$ 8,086	\$ 8,487

5. Investments

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

Agricorp

Notes to the financial statements

Year ended March 31, 2017 with comparative information for 2016

a) Portfolio profile

(In thousands of dollars)	2017	2016
Short-term		
Province of Ontario	\$ 21,905	\$ 48,373
Other provincial governments	31,932	31,331
Provincial utilities	11,634	7,131
Financial institutions – deposits held	195,775	252,277
Financial institutions – guaranteed investment certificates / bonds	474,733	278,321
	735,979	617,433
Long-term		
Province of Ontario	11,507	33,044
Other provincial governments	39,358	73,580
Provincial utilities	22,514	34,400
Financial institutions	35,477	106,699
	108,856	247,723
Total	\$ 844,835	\$ 865,156

b) Maturity profile of the investment portfolio

(In thousands of dollars)	2017	2016
< 1 Year	\$ 735,979	\$ 617,433
1 – 3 Years	108,856	247,723
Total	\$ 844,835	\$ 865,156

c) Fair value hierarchy

(In thousands of dollars)	Level	2017	2016
Cash and equivalents	1	\$ 195,775	\$ 252,277
Guaranteed investment certificates	2	505,168	373,508
Bonds	1	143,892	239,371
Total		\$ 844,835	\$ 865,156

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

6. Capital assets

(In thousands of dollars)	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Furniture and fixtures	\$ 1,218	\$ 1,215	\$ 3	\$ 6
Computer hardware	4,235	3,669	566	532
Leasehold improvements	1,955	1,945	10	19
Computer software	13,136	13,077	59	255
Total	\$ 20,544	\$ 19,906	\$ 638	\$ 812

Agricorp

Notes to the financial statements

Year ended March 31, 2017 with comparative information for 2016

7. Financial instruments risk management

a) Market risk

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

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

b) Interest rate risk

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

Fluctuations in interest rates have a direct impact on the market valuation of Agricorp's fixed income securities portfolio. The average return on investments is 2.20% (2016 - 2.45%). Fluctuations in interest rates could have a significant impact on the fair value of the fixed income securities profile. Although investments are generally held to maturity, realized gains or losses could result if actual Production Insurance claim levels differ significantly from expected claims, and liquidation of long-term investments is required to meet obligations. There have been no significant changes from the previous year in the exposure to risk or to policies, procedures and methods used to measure the risk.

Agricorp's bond portfolio has interest rates ranging from 2.28% to 5.50% (2016 – 2.28% to 5.50%) with maturities ranging from June 2017 to December 2018 (2016 – June 2016 to December 2018). As at March 31, 2017, a 1% fluctuation in interest rates, with all other variables held constant, would increase/decrease the value of bonds by an estimated \$1.6 million (2016 - \$3.7 million).

c) Credit risk

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

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

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

Agricorp

Notes to the financial statements

Year ended March 31, 2017 with comparative information for 2016

8. Funding – provincial and federal

a) Production Insurance Fund

Premiums from producers represent 40% of the total funding of the Production Insurance program. The federal and provincial governments fund the remaining premiums at a basis of 60% and 40% respectively.

b) General Fund

Agricorp provides administration services on a cost recovery basis to process and disburse payments to producers enrolled in business risk management agricultural programs. The federal and provincial governments have agreed to share the costs of administering Production Insurance, AgriStability and GTUP at the ratio of 60% and 40% respectively. The costs to administer RMP-GO, RMP-LS, RMP-SDRM, MVIP and VQA-WSP are funded by the provincial government.

9. Unearned premiums and revenue

Unearned premiums represent Production Insurance premiums of \$16.9 million (2016 - \$23.4 million) received by Agricorp in the current fiscal year, and are recognized as revenue in the year in which the related crops are harvested. Unearned revenue includes operating funding related primarily to the unamortized value of capital assets of \$0.7 million (2016 - \$0.8 million) and other unearned amounts of \$3.1 million (2016 - \$3.2 million).

10. Reinsurance agreement

Agricorp has an ongoing program of reinsurance with a number of insurance carriers. This program provides for the reinsuring companies to assume Production Insurance losses based on negotiated thresholds. Agricorp purchased reinsurance to mitigate a fixed percentage of losses for 2016 Production Insurance claims in excess of \$495 million to a maximum of \$587 million (2015 crop year – in excess of \$475 million to a maximum of \$564 million). As actual claims for the 2016 crop year were less than the minimum threshold, no reinsurance payments were received by Agricorp.

Agricorp signed an agreement in December of 2016 whereby it purchased reinsurance through a number of carriers for the 2017 production year. The amount purchased under this agreement is to mitigate a fixed percentage of losses between 19% and 21% of insured liability, subject to a maximum of \$3.75 billion (2016 – \$3.77 billion).

11. Pension

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

Agricorp

Notes to the financial statements

Year ended March 31, 2017 with comparative information for 2016

(In thousands of dollars)	2017		2016	
Accrued benefit obligation				
Balance, beginning of year	\$	45,337	\$	40,457
Current service cost		2,557		2,342
Interest cost		2,798		2,657
Employee contributions		1,438		1,447
Benefits paid		(1,545)		(3,026)
Actuarial loss		146		1,460
Plan amendment		97		-
Balance, end of year	\$	50,828	\$	45,337
Plan assets				
Fair value, beginning of year	\$	52,622	\$	52,000
Actual return on plan assets		6,211		(170)
Employer contributions		2,513		2,371
Employee contributions		1,438		1,447
Benefits paid		(1,545)		(3,026)
Fair value, end of year	\$	61,239	\$	52,622
Funded status				
Plan surplus	\$	10,411	\$	7,285
Unamortized actuarial (gain) loss		(2,135)		729
Accrued pension asset	\$	8,276	\$	8,014

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

	2017	2016
	%	%
Discount rate to determine accrued benefit obligation	6.00	6.00
Discount rate to determine benefit cost	6.00	6.00
Expected long-term rate of return on plan assets	6.00	6.00
Rate of compensation increase	3.25	3.25

The net benefit plan expense is as follows:

(In thousands of dollars)	2017		2016	
Current service cost	\$	2,557	\$	2,342
Interest cost		2,798		2,657
Expected return on plan assets		(3,233)		(3,405)
Amortization of unrecognized loss		44		(269)
Plan amendment		97		-
Net benefit plan expense	\$	2,263	\$	1,325

Agricorp

Notes to the financial statements

Year ended March 31, 2017 with comparative information for 2016

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

Security type	2017 %	2016 %
Canadian equities	30.5	29.0
U.S. equities	18.6	18.5
International equities	11.6	11.5
Bonds	28.8	29.1
Real estate	8.9	10.0
Cash and cash equivalents	1.6	1.9
Total plan	100.0	100.0

An external investment advisor manages the investments held by the pension plan. Administration expenses on the statement of operations and fund balances include pension expense of \$2.3 million (2016 - \$1.3 million).

The most recent pension plan actuarial valuation is as of January 1, 2017. At that time, the plan had a going concern actuarial surplus of \$7.0 million and had a solvency and wind-up deficit of \$9.2 million. These estimates are determined under the provisions of Section 76 of the *Regulations to the Pension Benefits Act, 1990 (Ontario)*. The next actuarial valuation is required to be completed as of January 1, 2020.

12. Commitments and contingencies

a) Commitments

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

(In thousands of dollars)	Head Office Location (note 13)	Others	Total
2018	\$ 1,127	\$ 2,528	\$ 3,655
2019	1,153	1,760	2,913
2020	1,170	710	1,880
2021	1,189	454	1,643
2022	1,207	348	1,555
Thereafter	5,025	1,469	6,494
Total	\$ 10,871	\$ 7,269	\$ 18,140

b) Contingencies

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

13. Related party transactions

Agricorp has entered into several agreements to acquire services from OMAFRA. The cost for administrative, legal and internal auditing services amounted to \$0.2 million (2016 - \$0.2 million). In addition, Agricorp rents its head office location from the Ontario Infrastructure and Lands Corporation for a total cost for the year of

Agricorp

Notes to the financial statements

Year ended March 31, 2017 with comparative information for 2016

\$1.1 million (2016 - \$0.8 million). Agricorp earned revenue of \$52.1 million (2016 - \$50.5 million) from OMAFRA as their share of Production Insurance premium and operating funding.

14. Board remuneration and salary disclosure

Total remuneration to members of the Board of Directors was \$43 thousand (2016 - \$35 thousand). *The Public Sector Salary Disclosure Act, 1996* requires Agricorp to disclose employees paid an annual salary in excess of \$100 thousand. The complete disclosure for Agricorp is included in the "Public Sector Salary Disclosure 2017: Crown Agencies" listing on the Government of Ontario website: <https://www.ontario.ca/page/public-sector-salary-disclosure-2017-all-sectors-and-seconded-employees>.

For the 2016 calendar year, the actual amounts paid to the five employees with the highest annual salaries are:

Name	Position	Salary	Taxable benefits
Beifuss, Erich	Chief Financial Officer	\$ 163,643	\$ 606
Fazil, Abbas	Director, Architecture Services	146,629	569
Jackiw, Randy	Chief Executive Officer ¹	184,631	10,880
LaRose, Doug	Chief Executive Officer	189,244	688
Sayer, Greg	Senior Director, Legal Services	155,739	602

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

¹ Effective August 2015, Randy Jackiw, CEO, accepted a secondment with OMAFRA, which includes an arrangement for the re-imbursement of agreed salary costs. The secondment ended on February 17, 2017 when Randy Jackiw accepted a permanent position with OMAFRA.

15. Administration

(In thousands of dollars)	2017	2016
Salaries and benefits	\$ 31,459	\$ 31,307
Equipment and maintenance	2,471	2,420
Consulting and professional	1,972	1,490
Facilities	1,387	1,245
Amortization	572	885
Telephone and postage	787	865
Office	590	684
Vehicle and travel	582	565
Other	200	245
Total	\$ 40,020	\$ 39,706

16. Comparative figures

Certain 2016 figures have been reclassified to conform to the current year's presentation.

The Agricultural Research Institute of Ontario

Management's Responsibility for Financial Reporting

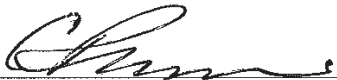
The accompanying financial statements of the Agricultural Research Institute of Ontario (ARIO) have been prepared in accordance with Canadian generally accepted accounting principles. Management is responsible for the accuracy, integrity, and objectivity of the information contained in the financial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

The preparation of financial statements necessarily involves the use of estimates based on management's best judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. These financial statements have been prepared within reasonable limits of materiality with information available up to and including June 19, 2017.

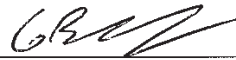
In discharging its responsibility for the integrity of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and proper records are maintained.

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

On behalf of management:



Christine Primeau
Director of Research



Gary Burlakoff, CPA CMA
Comptroller



INDEPENDENT AUDITOR'S REPORT

To the members of: Agricultural Research Institute of Ontario

We have audited the accompanying financial statements of Agricultural Research Institute of Ontario, which comprise the statement of financial position as at March 31, 2017 and the statements of revenues and expenditures and changes in fund balances, remeasurement gains (losses) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Agricultural Research Institute of Ontario as at March 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads 'RLB LLP'.

Guelph, Ontario
June 19, 2017

Chartered Professional Accountants
Licensed Public Accountants

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO
 STATEMENT OF FINANCIAL POSITION
 AS AT MARCH 31, 2017

	2017 (schedule 1)	2016
ASSETS		
CURRENT		
Cash	\$ 3,740,844	\$ 0
Investments	37,124,309	32,421,349
Accounts receivable	269,672	251,583
Prepaid land deposits	0	250,000
Cash and investments restricted for land purchases	0	13,018,125
	41,134,825	45,941,057
TANGIBLE CAPITAL ASSETS UNDER CONSTRUCTION	3,389,048	0
TANGIBLE CAPITAL ASSETS (note 5)	<u>84,698,918</u>	<u>79,874,364</u>
	<u>\$129,222,791</u>	<u>\$125,815,421</u>
LIABILITIES		
CURRENT		
Accounts payable and accruals	\$ 1,471,415	\$ 1,622,680
Holdbacks payable	427,842	602,853
Unclaimed expenditures	2,769,930	3,447,638
Deferred revenue	339,471	380,736
	5,008,658	6,053,907
DEFERRED CAPITAL FUNDED CONTRIBUTIONS (note 6)	72,286,239	62,676,471
DEFERRED CAPITAL CONTRIBUTIONS (note 7)	<u>22,022,133</u>	<u>28,226,201</u>
	<u>99,317,030</u>	<u>96,956,579</u>
NET ASSETS		
FUND BALANCES	16,683,246	14,852,366
ACCUMULATED REMEASUREMENT GAINS (LOSSES)	15,232	(30,807)
CONTRIBUTED ASSETS (notes 4 and 5)	<u>13,207,283</u>	<u>14,037,283</u>
	<u>29,905,761</u>	<u>28,858,842</u>
	<u>\$129,222,791</u>	<u>\$125,815,421</u>

See notes to the financial statements

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO

STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED MARCH 31, 2017

	2017 (schedule 2)	2016
REVENUES		
Research		
Grants - provincial (note 9)	\$ 1,850,000	\$ 1,850,000
Grants - federal	0	2,000,000
Grants - other	378,000	378,000
Intellectual property (note 8)	<u>1,521,773</u>	<u>1,451,748</u>
	<u>3,749,773</u>	<u>5,679,748</u>
Property		
Grants - provincial - minor capital (note 9)	4,260,952	5,100,000
Recognized capital contributions - OMAFRA (note 10)	0	7,000,000
Rental income - provincial	836,868	837,463
Rental income - private industry	1,306,250	754,223
Grants - provincial - prior year operating funding (note 11)	0	2,150,000
Deferred capital impairment (notes 4, 6 and 7)	6,000,403	0
Grants - provincial - payments in lieu of taxes (note 9)	750,000	750,000
Payments in lieu of taxes	206,852	212,326
Amortization of deferred capital contributions	<u>3,046,549</u>	<u>2,961,695</u>
	<u>16,407,874</u>	<u>19,765,707</u>
Other		
Investment income	<u>408,541</u>	<u>441,171</u>
	<u>20,566,188</u>	<u>25,886,626</u>
EXPENDITURES		
Research		
Research project/program	2,522,338	2,584,521
Intellectual property (note 8)	<u>956,074</u>	<u>940,361</u>
	<u>3,478,412</u>	<u>3,524,882</u>
Property		
Payments in lieu of taxes	965,206	972,355
Minor capital (note 11)	4,684,373	8,216,828
Transfer payments - University of Guelph (note 10)	0	7,000,000
Operations and maintenance	942,529	805,878
Loss on disposal of tangible capital asset	327,253	12,985
Impairment of tangible capital assets (note 5)	6,000,403	0
Amortization of tangible capital assets	<u>3,046,549</u>	<u>2,961,695</u>
	<u>15,966,313</u>	<u>19,969,741</u>
	<u>19,444,725</u>	<u>23,494,623</u>
EXCESS OF REVENUES OVER EXPENDITURES for the year	1,121,463	2,392,003
NET AMOUNT TRANSFERRED FROM (TO)		
UNCLAIMED EXPENDITURES	<u>709,417</u>	<u>(127,407)</u>
	1,830,880	2,264,596
FUND BALANCES, beginning of year	28,858,842	26,625,053
NET REMEASUREMENT GAINS (LOSSES) for the year	46,039	(30,807)
IMPAIRMENT OF CONTRIBUTED LAND (note 5)	<u>(830,000)</u>	<u>0</u>
FUND BALANCES, end of year	<u>\$ 29,905,761</u>	<u>\$ 28,858,842</u>

See notes to the financial statements

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO
 STATEMENT OF REMEASUREMENT GAINS (LOSSES)
 FOR THE YEAR ENDED MARCH 31, 2017

	2017	2016
ACCUMULATED REMEASUREMENT (LOSSES)		
GAINS, beginning of year	\$ (30,807)	\$ 0
Unrealized gains (losses) attributable to temporary investments	117,784	(31,086)
Amounts reclassified to the statement of operations:		
Realized (gains) losses on temporary investments	(71,745)	279
Net remeasurement gains (losses) for the year	46,039	(30,807)
ACCUMULATED REMEASUREMENT GAINS (LOSSES), end of year	\$ 15,232	\$ (30,807)

See notes to the financial statements

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2017

	2017	2016
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Excess of revenues over expenditures for the year	\$ 1,121,463	\$ 2,392,003
Items not requiring an outlay of cash		
Amortization of tangible capital assets	3,046,549	2,961,695
Impairment of tangible capital assets	6,000,403	0
Impairment of contributed land	(830,000)	0
Completed project surplus transferred to unclaimed expenditures	31,709	5,988
Deferred capital contributions	(6,204,068)	(1,955,442)
Tangible capital assets under construction	0	(1,350,000)
Loss on disposal of tangible capital assets	327,253	12,985
Net remeasurement gains (losses)	<u>46,039</u>	<u>(30,807)</u>
	3,539,348	2,036,422
Changes in non-cash working capital		
Accounts receivable	(18,090)	(76,893)
Investments	(4,702,960)	(2,845,777)
Accounts payable and accruals	(151,265)	6,976
Deferred capital funded contributions	9,609,768	3,353,747
Prepaid land deposits	250,000	(250,000)
Holdbacks payable	(175,011)	(38,626)
Deferred revenue	<u>(41,265)</u>	<u>97,645</u>
	<u>8,310,525</u>	<u>2,283,494</u>
CASH PROVIDED BY (USED IN) CAPITAL ACTIVITIES		
Additions to tangible capital assets	(14,198,758)	0
Tangible capital assets under construction	<u>(3,389,048)</u>	<u>0</u>
	<u>(17,587,806)</u>	<u>0</u>
NET (DECREASE) INCREASE IN CASH for the year	(9,277,281)	2,283,494
CASH, beginning of year	<u>13,018,125</u>	<u>10,734,631</u>
CASH, end of year	<u>\$ 3,740,844</u>	<u>\$ 13,018,125</u>
CASH CONSISTS OF:		
Cash	\$ 3,740,844	\$ 0
Cash restricted for land purchases	<u>0</u>	<u>13,018,125</u>
	<u>\$ 3,740,844</u>	<u>\$ 13,018,125</u>

See notes to the financial statements

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED MARCH 31, 2017**

1. NATURE OF BUSINESS

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) BASIS OF ACCOUNTING

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

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(b) FINANCIAL INSTRUMENTS**Measurement of financial instruments

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

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

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

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

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

Impairment

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

Transaction costs

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

(c) UNCLAIMED EXPENDITURES

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

(d) TANGIBLE CAPITAL ASSETS

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

Buildings and components	- 25 to 40 years straight line
--------------------------	--------------------------------

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) IMPAIRMENT OF LONG LIVED ASSETS

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

(f) DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions are recognized in the same period as the related impairment and amortized at the same rate as the buildings to which they relate.

(g) RESTRICTIONS ON THE EXPENDITURE OF FUNDS

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

(h) USE OF ESTIMATES

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

3. FINANCIAL INSTRUMENTS

(a) FAIR VALUE

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

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

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

ARIO's financial instruments are all classified as Level 1 as at March 31, 2017 and 2016.

There were no transfers in or out of Level 1 for the years ended March 31, 2017 and 2016.

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017

3. FINANCIAL INSTRUMENTS (continued)

(b) ASSOCIATED RISKS

(i) Market price risk

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

A 1% increase (decrease) in the value of the investments would increase (decrease) the asset value and the change in unrealized gains in investments by \$371,243 (2016 - \$324,213). The price of the investments is affected by changes in market values, foreign exchange rates and interest rates impacting the underlying financial instruments held within the individual investments managed by the Investment Manager.

(ii) Interest rate risk

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

(iii) Liquidity risk

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

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

(iv) Foreign currency risk

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

(v) Credit risk

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

4. CONTRIBUTED ASSETS

Contributed assets of \$13,207,283 (2016 - \$14,037,283) are recorded in the Infrastructure Fund and represent the cost of the land transferred to ARIO from the Government of Ontario. During the year, the fair value of the land in Alfred was adjusted by an impairment of \$830,000.

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017

5. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2017	Net 2016
Land:				
Simcoe railway line	\$ 9,793	\$ 0	\$ 9,793	\$ 9,793
Regional campuses	2,262,104	0	2,262,104	3,092,104
Research stations	<u>24,642,184</u>	<u>0</u>	<u>24,642,184</u>	<u>10,967,029</u>
	<u>26,914,081</u>	<u>0</u>	<u>26,914,081</u>	<u>14,068,926</u>
Buildings:				
Regional campuses	31,754,526	10,891,913	20,862,613	26,124,202
Research stations	<u>46,009,412</u>	<u>9,087,188</u>	<u>36,922,224</u>	<u>39,681,236</u>
	<u>77,763,938</u>	<u>19,979,101</u>	<u>57,784,837</u>	<u>65,805,438</u>
	<u>\$104,678,019</u>	<u>\$ 19,979,101</u>	<u>\$ 84,698,918</u>	<u>\$ 79,874,364</u>

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

During the year an impairment of land and buildings was recognized resulting in a loss on tangible capital asset write down of \$830,000 on land and \$5,170,403 on buildings for a total of \$6,000,403.

6. DEFERRED CAPITAL FUNDED CONTRIBUTIONS

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

	2017	2016
Balance, beginning of the year	\$ 62,676,471	\$ 59,322,724
Less amortization for the year	(1,121,328)	(1,006,253)
Less deferred capital impairment	(891,556)	0
Less funds recognized	0	(9,150,000)
Add contributions received for capital purposes	<u>11,622,652</u>	<u>13,510,000</u>
Balance, end of the year	<u>\$ 72,286,239</u>	<u>\$ 62,676,471</u>

The funding sources are as follows:

	2017	2016
Federal	\$ 1,207,500	\$ 1,242,500
Provincial	62,764,098	53,657,716
Industry	<u>8,314,641</u>	<u>7,776,255</u>
	<u>\$ 72,286,239</u>	<u>\$ 62,676,471</u>

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017

7. DEFERRED CAPITAL CONTRIBUTIONS

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

	2017	2016
Balance, beginning of the year	\$ 28,226,201	\$ 30,181,643
Less deferred capital impairment	(4,278,847)	0
Add prior year amortization adjustments	2,480	0
Less amortization for the year	<u>(1,927,701)</u>	<u>(1,955,442)</u>
Balance, end of the year	<u>\$ 22,022,133</u>	<u>\$ 28,226,201</u>

8. ARIO RESEARCH FUND

	Seed Royalty	Technology Royalty	Unpledged Equity	Total 2017	Total 2016
Revenue					
Intellectual property	\$ 1,207,176	\$ 314,597	\$ 0	\$ 1,521,773	\$ 1,451,748
Investment income	<u>82,800</u>	<u>95,302</u>	<u>0</u>	<u>178,102</u>	<u>118,331</u>
	1,289,976	409,899	0	1,699,875	1,570,079
Expenses	<u>932,209</u>	<u>23,865</u>	<u>0</u>	<u>956,074</u>	<u>940,361</u>
Net surplus for the year	357,767	386,034	0	743,801	629,718
Fund balance, beginning of year	2,012,615	2,330,070	0	4,342,685	3,722,452
Remeasurement gains (losses)	<u>17,893</u>	<u>20,715</u>	<u>0</u>	<u>38,608</u>	<u>(9,485)</u>
Fund balance, end of year	<u>\$ 2,388,275</u>	<u>\$ 2,736,819</u>	<u>\$ 0</u>	<u>\$ 5,125,094</u>	<u>\$ 4,342,685</u>

9. GRANTS RECEIVED FROM THE PROVINCIAL GOVERNMENT

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

	2017	2016
New Directions Research Program	\$ 1,350,000	\$ 1,350,000
Food Safety Research Program	<u>500,000</u>	<u>500,000</u>
	1,850,000	1,850,000
Minor capital	4,260,952	5,100,000
Elora Livestock Environmental and Energy Complex	10,510,000	10,010,000
Payments in lieu of taxes	<u>750,000</u>	<u>750,000</u>
	<u>\$ 17,370,952</u>	<u>\$ 17,710,000</u>

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017

9. GRANTS RECEIVED FROM THE PROVINCIAL GOVERNMENT (continued)

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

	2017	2016
Minor capital:		
Funding received	\$ 4,650,000	\$ 5,100,000
Capitalized - Deferred Capital Funding Contribution	<u>(389,048)</u>	<u>0</u>
Net revenue	<u>\$ 4,260,952</u>	<u>\$ 5,100,000</u>
Elora Livestock Environmental and Energy Complex:		
Funding received	\$ 10,510,000	\$ 10,010,000
Capitalized - Deferred Capital Funding Contribution	<u>(10,510,000)</u>	<u>(10,010,000)</u>
Net revenue	<u>\$ 0</u>	<u>\$ 0</u>

10. TRANSFER PAYMENTS TO THE UNIVERSITY OF GUELPH

During the prior year, ARIO entered into a funding agreement with the University of Guelph. Under the agreement, ARIO would provide maximum funds of \$12,000,000 to be combined with up to \$3,000,000 in industry contributions to fund the construction of a new Turfgrass Research facility on the University of Guelph's Arboretum land. The ARIO funds for this agreement come from deferred capital funded contributions which were previously received by ARIO from the Ontario Ministry of Agriculture, Food and Rural Affairs and successor ministries. At March 31, 2016, two of the funding milestones had been met and ARIO had provided the University with \$7,000,000 in funding. Should the project not go forward, that funding would be required to be repaid to ARIO.

11. PRIOR YEAR OPERATING FUNDING

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

Schedule 1

Agricultural Research Institute of Ontario
Research Trust Funds
Schedule of Financial Position
As at March 31, 2017

	ARIO	Infrastructure	Directions	New Food Safety	Eliminations	2017 (page 4)
	\$	\$	\$	\$	\$	\$
ASSETS						
CURRENT						
Cash	3,740,844					3,740,844
Investments	37,124,309					37,124,309
Due from ARIO		27,221,392	6,651,661	1,135,339	(35,008,392)	0
Accounts receivable	213,833	51,945	3,333	561		269,672
	41,078,986	27,273,337	6,654,994	1,135,900	(35,008,392)	41,134,825
TANGIBLE CAPITAL ASSETS UNDER CONSTRUCTION		3,389,048				3,389,048
		84,698,918				84,698,918
TANGIBLE CAPITAL ASSETS (note 5)						
	\$ 41,078,986	\$ 115,361,303	\$ 6,654,994	\$ 1,135,900	\$ (35,008,392)	\$ 129,222,791
LIABILITIES						
CURRENT						
Due to other research trust funds	35,008,392				(35,008,392)	0
Accounts payable and accruals	945,500		443,529	82,386		1,471,415
Holdbacks payable			277,993	149,849		427,842
Unclaimed expenditures			2,095,079	674,851		2,769,930
Deferred revenue		59,471	280,000			339,471
	35,953,892	59,471	3,096,601	907,086	(35,008,392)	5,008,658
DEFERRED CAPITAL FUNDED CONTRIBUTIONS (note 6)		72,286,239				72,286,239
DEFERRED CAPITAL CONTRIBUTIONS (note 7)		22,022,133				22,022,133
	35,953,892	94,367,843	3,096,601	907,086	(35,008,392)	99,317,030
FUND BALANCES		5,095,972	7,797,408	3,560,731	229,135	16,683,246
ACCUMULATED REMEASUREMENT GAINS (LOSSES)	29,122	(11,231)	(2,338)	(321)		15,232
CONTRIBUTED ASSETS (notes 4 and 5)		13,207,283				13,207,283
	5,125,094	20,993,460	3,558,393	228,814	0	29,905,761
	\$ 41,078,986	\$ 115,361,303	\$ 6,654,994	\$ 1,135,900	\$ (35,008,392)	\$ 129,222,791

See notes to the financial statements

Agricultural Research Institute of Ontario
Research Trust Funds

Schedule of Revenues and Expenditures and Changes in Fund Balances
For the year ended March 31, 2017

	ARIO (note 8)	Infrastructure	New Directions	Food Safety	2017 (page 5)
	\$	\$	\$	\$	\$
REVENUE					
Research					
Grants - provincial (note 9)			1,350,000	500,000	1,850,000
Grants - other			378,000		378,000
Intellectual property (note 8)	1,521,773				1,521,773
	<u>1,521,773</u>	<u>0</u>	<u>1,728,000</u>	<u>500,000</u>	<u>3,749,773</u>
Property					
Grants - provincial - minor capital (note 9)		4,260,952			4,260,952
Rental income - provincial		836,868			836,868
Rental income - private industry		1,306,250			1,306,250
Deferred capital impairment (notes 4, 6 & 7)		6,000,403			6,000,403
Grants - provincial - payments in lieu of taxes (note 9)		750,000			750,000
Payments in lieu of taxes		206,852			206,852
Amortization of deferred capital contributions		3,046,549			3,046,549
	<u>0</u>	<u>16,407,874</u>	<u>0</u>	<u>0</u>	<u>16,407,874</u>
Other					
Investment income	178,102	149,356	69,886	11,197	408,541
	<u>1,699,875</u>	<u>16,557,230</u>	<u>1,797,886</u>	<u>511,197</u>	<u>20,566,188</u>
EXPENDITURES					
Research					
Research project/program	956,074		1,984,757	537,581	2,522,338
Intellectual property (note 8)	<u>956,074</u>	<u>0</u>	<u>1,984,757</u>	<u>537,581</u>	<u>3,478,412</u>
Property					
Payments in lieu of taxes		965,206			965,206
Minor capital (note 11)		4,684,373			4,684,373
Operations and maintenance		942,529			942,529
Loss on disposal of tangible capital asset		327,253			327,253
Impairment of tangible capital assets (note 5)		6,000,403			6,000,403
Amortization of tangible capital assets		3,046,549			3,046,549
	<u>0</u>	<u>15,966,313</u>	<u>0</u>	<u>0</u>	<u>15,966,313</u>
	<u>956,074</u>	<u>15,966,313</u>	<u>1,984,757</u>	<u>537,581</u>	<u>19,444,725</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENDITURES for the year	743,801	590,917	(186,871)	(26,384)	1,121,463
NET AMOUNT TRANSFERRED (TO) FROM UNCLAIMED EXPENDITURES					
	743,801	590,917	731,309	(21,892)	709,417
			544,438	(48,276)	1,830,880
FUND BALANCES, beginning of year	4,342,685	21,228,052	3,011,438	276,667	28,858,842
NET REMEASUREMENT GAINS for the year	38,608	4,491	2,517	423	46,039
IMPAIRMENT OF CONTRIBUTED LAND (note 5)		(830,000)			(830,000)
FUND BALANCES, end of year	<u>\$ 5,125,094</u>	<u>\$ 20,993,460</u>	<u>\$ 3,558,393</u>	<u>\$ 228,814</u>	<u>\$ 29,905,761</u>

See notes to the financial statements

Algonquin Forestry Authority
Year ended March 31, 2017

Management's Responsibility for Financial Information

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

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

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

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



Tim Doyle, CPA, CA
Treasurer

Jeff W. Leavey
General Manager



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

Independent Auditor's Report

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

I have audited the accompanying financial statements of the Algonquin Forestry Authority, which comprise the statement of financial position as at March 31, 2017, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Algonquin Forestry Authority as at March 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Susan Klein, CPA, CA, LPA
Assistant Auditor General

Toronto, Ontario
June 15, 2017

20 Dundas Street West
Suite 1530

Toronto, Ontario

M5G 2C2

416-327-2381

fax 416-327-9862

tty 416-327-6123

20, rue Dundas ouest
suite 1530

Toronto (Ontario)
M5G 2C2

416-327-2381

télécopieur 416-327-9862

ats 416-327-6123

www.auditor.on.ca

Algonquin Forestry Authority **Statement of Financial Position**

As at March 31

2017

2016

Assets**Current assets**

Cash	\$ 3,305,316	\$ 1,606,560
Accounts receivable (Note 3)	7,130,035	8,657,659
Inventories held for sale	543,036	328,608
Prepaid expenses	1,962	7,401
	<u>10,980,349</u>	<u>10,600,228</u>

Capital assets (Note 4)

	<u>534,874</u>	<u>275,257</u>
	<u>\$ 11,515,223</u>	<u>\$ 10,875,485</u>

Liabilities**Current liabilities**

Accounts payables and accrued liabilities	\$ 1,475,788	\$ 1,283,815
Contractors' performance holdbacks	60,124	80,007
Due to Consolidated Revenue Fund (Note 13)	225,969	292,876
Deferred contributions (Note 5)	33,240	25,849
	<u>1,795,121</u>	<u>1,682,547</u>

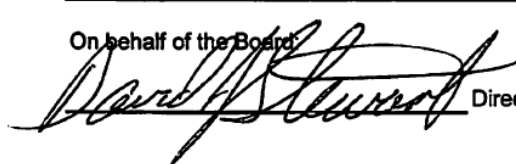
Obligation for employee future benefits (Note 6)

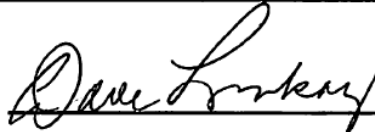
	<u>349,947</u>	<u>436,834</u>
	<u>2,145,068</u>	<u>2,119,381</u>

Net assets

Restricted - Forest Renewal Fund (Notes 7 and 9)	3,050,709	2,935,404
Invested in capital assets (Note 8)	534,874	275,257
Unrestricted - General Fund	5,784,572	5,545,443
	<u>9,370,155</u>	<u>8,756,104</u>
	<u>\$ 11,515,223</u>	<u>\$ 10,875,485</u>

On behalf of the Board


 Director


 Director

See accompanying notes to the financial statements.

Algonquin Forestry Authority **Statement of Operations**

Year Ended March 31

2017

2016

	General Fund	Forest Renewal Fund	Total	Total
Revenue				
Product sales	\$ 22,362,486	\$ -	\$ 22,362,486	\$ 21,203,665
Forest renewal activity	-	1,729,884	1,729,884	1,802,007
Standing timber sales	224,106	-	224,106	212,645
Other (Note 10)	2,581,825	216,675	2,798,500	2,541,080
	<u>25,168,417</u>	<u>1,946,559</u>	<u>27,114,976</u>	<u>25,759,397</u>
Expenses				
Direct program costs	19,520,537	1,506,366	21,026,903	19,376,839
Crown timber stumpage charges (Note 13)	2,986,500	-	2,986,500	2,941,724
Public access road maintenance	292,609	-	292,609	274,151
Operations planning	272,003	-	272,003	275,180
Wood measurement	40,763	-	40,763	33,515
	<u>23,112,412</u>	<u>1,506,366</u>	<u>24,618,778</u>	<u>22,901,409</u>
Operating income	<u>2,056,005</u>	<u>440,193</u>	<u>2,496,198</u>	<u>2,857,988</u>
Administrative and other				
Salaries and benefits	1,138,952	228,811	1,367,763	1,438,221
Amortization of capital assets	112,125	64,328	176,453	142,914
Office supplies and other	112,261	182	112,443	107,786
Office rent	43,243	13,860	57,103	56,339
Directors' allowance	53,306	-	53,306	34,270
Staff travel and training	40,357	8,554	48,911	34,988
Insurance	22,604	9,153	31,757	31,220
Public relations	29,213	-	29,213	37,392
Consulting, legal and miscellaneous	3,198	-	3,198	11,551
Interest and bank charges	2,000	-	2,000	1,628
	<u>1,557,259</u>	<u>324,888</u>	<u>1,882,147</u>	<u>1,896,309</u>
Excess of revenue over expenses	<u>\$ 498,746</u>	<u>\$ 115,305</u>	<u>\$ 614,051</u>	<u>\$ 961,679</u>

See accompanying notes to the financial statements.

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

Year Ended March 31

	Invested in Capital Assets	Restricted - Forest Renewal Fund	Unrestricted - General Fund	Total
2017				
Balance, beginning of year	\$ 275,257	\$ 2,935,404	\$ 5,545,443	\$ 8,756,104
(Deficiency) excess of revenue over expenses (Note 8)	(176,453)	115,305	675,199	614,051
Invested in capital assets (Note 8)	436,070	-	(436,070)	-
Balance, end of year	<u>\$ 534,874</u>	<u>\$ 3,050,709</u>	<u>\$ 5,784,572</u>	<u>\$ 9,370,155</u>
2016				
Balance, beginning of year	\$ 271,742	2,667,622	\$ 4,855,061	\$ 7,794,425
(Deficiency) excess of revenue over expenses (Note 8)	(125,634)	267,782	819,531	961,679
Invested in capital assets (Note 8)	129,149	-	(129,149)	-
Balance, end of year	<u>\$ 275,257</u>	<u>\$ 2,935,404</u>	<u>\$ 5,545,443</u>	<u>\$ 8,756,104</u>

See accompanying notes to the financial statements.

Algonquin Forestry Authority Statement of Cash Flows

Year Ended March 31

2017

2016

Cash flows from operating activities:

Excess of revenue over expenses	\$ 614,051	\$ 961,679
Adjustments for non-cash items:		
Amortization of capital assets	176,453	142,914
Amortization of deferred capital contributions	-	(17,280)
Gain on sale of capital assets	(15,195)	(22,811)
Obligation for employee future benefits	-	17,326
	<u>775,309</u>	<u>1,081,828</u>

Change in non-cash operating working capital:

Accounts receivable	1,527,624	290,055
Inventories held for sale	(214,428)	(158,162)
Prepaid expenses	5,439	(5,439)
Accounts payable and accrued liabilities	191,973	(12,582)
Contractors' performance holdbacks	(19,883)	13,706
Due to Consolidated Revenue Fund	(66,907)	88,790
Deferred contributions	7,391	25,849
Obligation for employee future benefits	(86,887)	-
	<u>2,119,631</u>	<u>1,324,045</u>

Cash flows from capital activities

Acquisition of capital assets	(436,070)	(129,149)
Proceeds from sale of capital assets	15,195	22,811
	<u>(420,875)</u>	<u>(106,338)</u>

Net increase in cash 1,698,756 1,217,707

Cash

Beginning of year	<u>1,606,560</u>	<u>388,853</u>
End of year	<u>\$ 3,305,316</u>	<u>\$ 1,606,560</u>

See accompanying notes to the financial statements.

Algonquin Forestry Authority Notes to the Financial Statements

March 31, 2017

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

1. Significant accounting policies

Basis of accounting

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

Fund accounting

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

Revenue recognition

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

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

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

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

Other income is recognized when earned.

Inventories held for sale

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

Algonquin Forestry Authority

Notes to the Financial Statements

March 31, 2017

1. Significant accounting policies (continued)

Capital assets

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

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

The cost of bridges and access roads is amortized over the estimated number of operating seasons for which the bridges and roads are to be used, with a maximum amortization period of 10 years. Forest renewal assets (comprised of furniture and fixtures, technical and data processing equipment, automotive equipment and trailers) are amortized on the same basis and at the same rates as the assets mentioned above.

Financial instruments

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

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

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

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

The Authority does not use derivative financial instruments.

Employee future benefits

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

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

Algonquin Forestry Authority Notes to the Financial Statements

March 31, 2017

1. Significant accounting policies (continued)

Measurement uncertainty

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

2. Related party transactions

The Authority, under the provisions of the Algonquin Forestry Authority Act, is subject to the direction and control of the Ministry of Natural Resources and Forestry ("the Ministry"). During the normal course of operations, the Authority entered into the following related party transactions with the Ministry during the year:

- i) Received funding for the reimbursement of road construction and maintenance costs (see Notes 5 and 10)
- ii) Received funding for the reimbursement of public access road maintenance costs (see Notes 5 and 10)
- iii) Paid crown timber stumpage charges (see Note 13)

All related party transactions have been recorded at their exchange amount, which is the amount of consideration established and agreed to by the related parties.

3. Accounts receivable

	2017	2016
Trade receivables	\$ 6,666,575	\$ 8,267,725
Billable stumpage and other	501,374	427,848
	7,167,949	8,695,573
Less allowance for doubtful accounts	(37,914)	(37,914)
	\$ 7,130,035	\$ 8,657,659

Algonquin Forestry Authority Notes to the Financial Statements

March 31, 2017

4. Capital assets

	2017		
	Cost	Accumulated amortization	Net book value
Bridges and access roads	\$ 5,346,799	\$ 5,346,799	\$ -
Portable steel structures	958,076	676,496	281,580
Forest renewal assets	512,662	384,558	128,104
Automotive equipment	459,190	349,752	109,438
Technical equipment	176,007	172,623	3,384
Data processing equipment	74,720	70,181	4,539
Furniture and fixtures	50,608	50,608	-
Leasehold improvements	44,804	44,804	-
Trailers	12,550	4,721	7,829
	<u>\$ 7,635,416</u>	<u>\$ 7,100,542</u>	<u>\$ 534,874</u>
	2016		
	Cost	Accumulated amortization	Net book value
Bridges and access roads	\$ 5,346,799	\$ 5,346,799	\$ -
Portable steel structures	681,279	629,597	51,682
Forest renewal assets	433,026	320,532	112,494
Automotive equipment	430,954	339,815	91,139
Technical equipment	176,007	170,920	5,087
Data processing equipment	74,720	68,668	6,052
Furniture and fixtures	50,608	50,608	-
Leasehold improvements	44,804	44,804	-
Trailers	23,432	14,629	8,803
	<u>\$ 7,261,629</u>	<u>\$ 6,986,372</u>	<u>\$ 275,257</u>

5. Deferred contributions

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

	Road construction and maintenance	Public access road maintenance	2017 Total	2016 Total
Balance, beginning of year	\$ -	\$ 25,849	\$ 25,849	\$ -
Add: contributions received in the year	1,869,561	300,000	2,169,561	1,884,209
Less: amount spent in the year	(1,869,561)	(292,609)	(2,162,170)	(1,858,360)
Balance, end of year	<u>\$ -</u>	<u>\$ 33,240</u>	<u>\$ 33,240</u>	<u>\$ 25,849</u>

Algonquin Forestry Authority Notes to the Financial Statements

March 31, 2017

6. Employee future benefits

(a) Multi-employer pension plan

The Authority's full-time employees participate in the Public Service Pension Fund ("PSPF") which is a defined benefit pension plan for certain employees of the Province of Ontario and many provincial agencies. The Province of Ontario, which is the sole sponsor of the PSPF, determines the Authority's annual payments to PSPF. As the sponsor is responsible for ensuring that the pension fund is financially viable, any surpluses or unfunded liabilities arising from the statutory actuarial funding valuations are not assets or obligations of the Authority. The Authority's annual payments of \$117,019 (2016 - \$106,694) are included in salaries and benefits in the Statement of Operations.

(b) Termination benefits

The Authority provides termination benefits to qualifying employees. All full-time employees hired before April 1, 2014 qualify for a severance payment equal to one week of salary for each year of continuous service with the Authority provided before January 1, 2016, to a maximum of one-half of the employees' annual salary. The total obligation for vested severance payments amounts to \$349,947 (2016 - \$436,834) at year end.

(c) Non-pension post-retirement benefits

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

7. Forest Renewal Fund

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

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

Algonquin Forestry Authority Notes to the Financial Statements

March 31, 2017

8. Invested in capital assets	2017	2016
(a) Investment in capital assets	\$ 534,874	\$ 275,257
(b) Change in net assets invested in capital assets is calculated as follows:		
Deficiency of revenues over expenses:		
Amortization of deferred contributions related to capital assets	\$ -	\$ 17,280
Amortization of capital assets	(176,453)	(142,914)
	\$ (176,453)	\$ (125,634)
(c) Net change in investment in capital assets:		
Purchase of capital assets	\$ 436,070	\$ 129,149

9. Interfund transfer

The Board of Directors has approved, by resolution, that any loss incurred in the Forest Renewal Fund resulting from forest renewal activity expenses exceeding revenues, net of related capital asset amortization, during the year which cannot be funded by the Forest Renewal Fund without causing the Forest Renewal Fund balance to fall below \$2,500,000 shall be funded by the General Fund. No amount has been transferred during the year (2016 - \$Nil).

10. Other revenue	2017	2016
Ministry reimbursement - road construction and maintenance	\$ 1,869,561	\$ 1,584,209
Ministry reimbursement - public access road maintenance	292,609	274,151
Interest	269,315	320,271
Gain on sale of capital assets	15,195	22,811
Other	351,820	339,638
	\$ 2,798,500	\$ 2,541,080

Included in General Fund other revenue is revenue of \$1.87 million (2016 - \$1.58 million) received by the Authority pursuant to an agreement with the Ministry. The purpose of the agreement is to provide the Authority with reimbursement of road construction and maintenance costs on eligible primary and secondary forest access roads where access to those roads is not limited to the forest industry. A portion of the Ministry funding was passed on to the Authority's customers through a rebate allocated on the basis of sales volumes. In fiscal year 2017, \$492,002 (2016 - \$455,050) was passed on to the Authority's customers and is netted in product sales in the Statement of Operations.

11. Remuneration of appointments

Total remuneration of the Board members of the Authority was approximately \$24,600 during the fiscal year (2016 - \$12,100).

Algonquin Forestry Authority

Notes to the Financial Statements

March 31, 2017

12. Financial instruments risk management

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Authority's credit risk arises from its financial assets including cash and receivables. The Authority's receivables are due from various customers and from government agencies and are collectible. All cash deposits are held with financial institutions. As such, the Authority is not exposed to significant credit risk.

Liquidity risk

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

13. Crown timber stumpage charges

Crown timber stumpage charges are incurred during the normal course of operations and are paid to the Ministry. Any amounts owing by the Authority at year end are recorded as Due to Consolidated Revenue Fund on the Statement of Financial Position. Year end balances are normally settled in full in the first quarter of the following year.



Cancer Care Ontario

June 29, 2017

Management's Responsibility for Financial Information

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

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

For the fiscal year ended March 31, 2017, Cancer Care Ontario's Board of Directors, through the Audit Finance Committee, was responsible for ensuring that management fulfilled its responsibilities for financial reporting and internal controls. The Committee meets regularly with management, the internal auditor and the Auditor General to satisfy itself that each group had properly discharged its respective responsibility, and to review the financial statements before recommending approval by the Board of Directors. The Auditor General had direct and full access to the Audit Finance Committee, with and without the presence of management, to discuss their audit and their findings as to the integrity of Cancer Care Ontario's financial reporting and the effectiveness of the system of internal controls.

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

On behalf of Cancer Care Ontario Management,

A handwritten signature in blue ink, reading 'Michael Sherar'.

Michael Sherar, PhD
President and CEO

A handwritten signature in blue ink, reading 'Elham Roushani'.

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



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

Independent Auditor's Report

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

I have audited the accompanying financial statements of Cancer Care Ontario, which comprise the statement of financial position as at March 31, 2017 and the statements of operations, changes in fund balances, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Cancer Care Ontario as at March 31, 2017 and the results of its operations, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

20 Dundas Street West
Suite 1530
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-327-9862
tty 416-327-6123

20, rue Dundas ouest
suite 1530
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-327-9862
ats 416-327-6123

www.auditor.on.ca

Toronto, Ontario
June 29, 2017


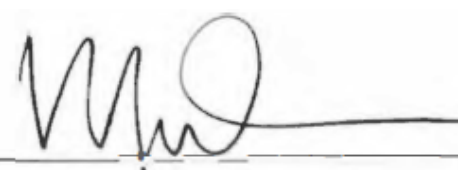
Bonnie Lysyk, MBA, CPA, CA, LPA
Auditor General

Cancer Care Ontario
Statement of Financial Position
As at March 31, 2017

(in thousands of dollars)

	2017 \$	2016 \$
Assets		
Current assets		
Cash (note 3)	64,745	55,500
Investments (note 4)	76,226	66,141
Receivables and prepaid expenses (note 5)	5,069	49,094
	<u>146,040</u>	<u>170,735</u>
Capital assets (note 6)	6,867	6,047
	<u>152,907</u>	<u>176,782</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	98,161	119,196
Non-current liabilities		
Deferred contributions related to capital assets (note 8)	5,989	4,277
Post-employment benefits other than pension plan (note 9(b))	2,428	2,511
	<u>8,417</u>	<u>6,788</u>
Fund Balances		
Endowment (note 19)	88	1,088
Internally restricted	86	99
Externally restricted	1,577	1,867
General - unrestricted (note 20)	43,700	45,974
Invested in capital assets (note 10)	878	1,770
	<u>46,329</u>	<u>50,798</u>
	<u>152,907</u>	<u>176,782</u>
Commitments (note 15)		
Contingencies (note 16)		
Guarantees (note 17)		

Approved by the Board of Directors

 Director
  Director

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

Cancer Care Ontario

Statement of Operations

For the year ended March 31, 2017

(in thousands of dollars)

	Restricted		General		Total	
	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$
Revenue						
Ministry of Health and Long-Term Care	-	-	2,023,038	1,923,965	2,023,038	1,923,965
Amortization of deferred contributions related to capital assets (note 8)	-	-	1,268	2,092	1,268	2,092
Other revenue (note 12)	1,396	2,968	5,297	4,298	6,693	7,266
Investment income (note 11)	1	12	2,201	2,441	2,202	2,453
	<u>1,397</u>	<u>2,980</u>	<u>2,031,804</u>	<u>1,932,796</u>	<u>2,033,201</u>	<u>1,935,776</u>
Expenses						
Cancer and prevention related services	9	10	754,123	634,123	754,132	634,133
Chronic kidney disease services	-	-	634,118	621,421	634,118	621,421
Provincial drug reimbursement program	-	-	319,262	349,879	319,262	349,879
Screening services	-	-	159,986	158,324	159,986	158,324
Salaries and benefits (note 9)	1,953	2,322	105,845	100,703	107,798	103,025
Capital contributions to cancer related services	-	-	34,730	35,699	34,730	35,699
Other operating expenses (note 13)	237	233	20,365	22,415	20,602	22,648
Purchased services	496	673	2,882	4,974	3,378	5,647
Amortization of capital assets	-	-	2,279	3,667	2,279	3,667
Clinical translational research	-	-	1,385	2,149	1,385	2,149
	<u>2,695</u>	<u>3,238</u>	<u>2,034,975</u>	<u>1,933,354</u>	<u>2,037,670</u>	<u>1,936,592</u>
(Deficiency) of revenue over expenses	<u>(1,298)</u>	<u>(258)</u>	<u>(3,171)</u>	<u>(558)</u>	<u>(4,469)</u>	<u>(816)</u>

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

Cancer Care Ontario

Statement of Changes in Fund Balances

For the year ended March 31, 2017

(in thousands of dollars)

	2017				
	Restricted			General unrestricted	Invested in capital assets
	Endowment	Internally	Externally	unrestricted	assets
	\$	\$	\$	\$	\$
Fund balances -					
March 31, 2016	1,088	99	1,867	45,974	1,770
(Deficiency) of revenue over expenses	(1,000)	(8)	(290)	(3,171)	-
Net change in invested in capital assets (note 10)	-	-	-	892	(892)
Interfund transfers (note 14)	-	(5)	-	5	-
Fund balances -					
March 31, 2017	88	86	1,577	43,700	878

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

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

Cancer Care Ontario

Statement of Cash Flows

For the year ended March 31, 2017

(in thousands of dollars)

	2017 \$	2016 \$
Cash provided by (used in)		
Operating activities		
(Deficiency) of revenue over expenses	(4,469)	(816)
Amortization of capital assets	2,279	3,667
Amortization of deferred contributions related to capital assets	(1,268)	(2,092)
Post-employment benefits expense other than pension plan	141	244
Post-employment benefits paid other than pension plan	(224)	(171)
Change in non-cash operating working capital		
Receivables and prepaid expenses	44,025	(38,162)
Accounts payable and accrued liabilities	(21,035)	(7,617)
	<u>19,449</u>	<u>(44,947)</u>
Capital activities		
Purchase of capital assets	<u>(3,099)</u>	<u>(2,889)</u>
Investing activities		
Proceeds from maturity of investments	-	94,777
Purchase of investments	<u>(10,085)</u>	<u>(65,530)</u>
	<u>(10,085)</u>	<u>29,247</u>
Financing activities		
Amounts received related to capital assets	<u>2,980</u>	<u>320</u>
Increase (decrease) in cash during the year	<u>9,245</u>	<u>(18,269)</u>
Cash - Beginning of year	<u>55,500</u>	<u>73,769</u>
Cash - End of year	<u>64,745</u>	<u>55,500</u>

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

Cancer Care Ontario

Notes to Financial Statements

March 31, 2017

(in thousands of dollars)

1 Nature of operations

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

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

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

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

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

2 Significant accounting policies

Basis of presentation

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

Fund accounting

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

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

Cancer Care Ontario

Notes to Financial Statements

March 31, 2017

(in thousands of dollars)

2 Significant accounting policies - continued

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

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

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

Contributions

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

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

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

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

Cash and cash equivalents

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

Financial instruments

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

Cancer Care Ontario

Notes to Financial Statements

March 31, 2017

(in thousands of dollars)

2 Significant accounting policies - continued**Capital assets**

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

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

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

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

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

Expenses

Expenses are recorded on an accrual basis.

Pension benefits and post-employment benefits other than pension plan**i) Pension costs**

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

ii) Post-employment benefits other than pension plan

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

Cancer Care Ontario

Notes to Financial Statements

March 31, 2017

(in thousands of dollars)

2 Significant accounting policies - continued**Use of estimates**

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

3 Cash - restricted

Cash includes \$330 (2016 - \$420), which is restricted, as it relates to a pension plan that has been dissolved and is being held in escrow in the event that former members put forth a claim. These funds are subject to externally imposed restrictions and are not available for general use.

4 Investments

	2017 \$	2016 \$
Guaranteed investment certificates, as follows:		
Redeemable on demand:		
Interest at 1.75%, maturing September 5, 2017	44,861	44,861
Interest at 1.75%, maturing October 2, 2017	10,830	10,830
Interest at 1.75%, maturing November 3, 2017	10,450	10,450
Non-Redeemable on demand:		
Interest at 1.60%, maturing March 19, 2018	10,085	-
	76,226	66,141

5 Receivables and prepaid expenses

	2017 \$	2016 \$
Accounts receivable	2,606	16,644
Due from MOHLTC	350	30,765
Prepaid expenses	2,113	1,685
	5,069	49,094

Cancer Care Ontario

Notes to Financial Statements

March 31, 2017

(in thousands of dollars)

6 Capital assets

	2017		
	Cost	Accumulated	Net book
	\$	amortization	value
	\$	\$	\$
Therapeutic and other technical equipment	2,996	2,955	41
Office furniture and equipment	7,417	6,798	619
Leasehold improvements	5,058	4,972	86
Land and building	1	-	1
Software	34,633	28,513	6,120
	50,105	43,238	6,867
	2016		
	Cost	Accumulated	Net book
	\$	amortization	value
	\$	\$	\$
Therapeutic and other technical equipment	4,242	4,100	142
Office furniture and equipment	7,426	6,319	1,107
Leasehold improvements	5,056	4,583	473
Land and building	1	-	1
Software	34,411	30,087	4,324
	51,136	45,089	6,047

The cost of capital assets includes software under development of \$3,464 (2016 - \$3,319). Amortization of these amounts will commence when the asset is available for use. During the year, there were disposals of fully depreciated capital assets of \$4,130 (2016 - \$Nil). The values represent the original cost.

7 Accounts payable and accrued liabilities

	2017	2016
	\$	\$
Trade payables	38,738	58,927
Accrued liabilities	48,783	49,207
Payable to MOHLTC	10,206	10,284
Payable to other funders	104	358
Pension escrow (note 3)	330	420
	98,161	119,196

Cancer Care Ontario

Notes to Financial Statements

March 31, 2017

(in thousands of dollars)

8 Deferred contributions related to capital assets

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

	2017 \$	2016 \$
Balance - beginning of year	4,277	6,049
Amounts received related to capital assets	2,980	320
Amounts recognized as revenue	(1,268)	(2,092)
	<hr/>	<hr/>
Balance - end of year	5,989	4,277

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

	2017 \$	2016 \$
Unamortized capital contributions used to purchase capital assets	5,989	4,277
Unspent contributions	-	-
	<hr/>	<hr/>
	5,989	4,277

9 Pension benefits and post-employment benefits

a) Pension plan

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

Contributions to HOOPP made during the year by the Organization on behalf of its employees amounted to \$8,724 (2016 - \$7,817) and are included in the pension expenses, which reflect all amounts owing for the year, in the statement of operations.

Cancer Care Ontario

Notes to Financial Statements

March 31, 2017

(in thousands of dollars)

9 Pension benefits and post-employment benefits - continued**b) Post-employment benefits plan other than pension plan**

Prior to January 1, 2006, the Organization offered non-pension, post-employment health and dental benefits to its active and retired employees. Effective January 1, 2006, the Organization offers non-pension, post-employment benefits only to its retired employees, who retired prior to January 1, 2006. Benefits paid during the year under this unfunded plan were \$224 (2016 - \$171). The actuarial valuation for the post-employment benefits other than pension plan is dated March 31, 2016 and has been extrapolated to March 31, 2017.

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

	2017 \$	2016 \$
Accrued benefit obligation	2,795	2,935
Unamortized actuarial losses	(367)	(424)
	<hr/> 2,428	<hr/> 2,511
Post-employment benefits other than pension plan	<hr/> 2,428	<hr/> 2,511

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

	2017 \$	2016 \$
Post-employment benefits other than pension plan - opening balance	2,511	2,438
Expense related to post-retirement benefits	141	244
Funding contributions	(224)	(171)
Post-employment benefits other than pension plan - ending balance	<hr/> 2,428	<hr/> 2,511
	<hr/> 2017 \$	<hr/> 2016 \$
Interest cost	84	117
Amortization of experience losses	57	127
Total expense related to post-retirement benefits	<hr/> 141	<hr/> 244

Cancer Care Ontario

Notes to Financial Statements

March 31, 2017

(in thousands of dollars)

9 Pension benefits and post-employment benefits - continued

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

	2017	2016
Discount rate	3.00%	3.00%
Extended health care trend rate	6.00% in 2017 to 4.5% in 2023 and after	6.25% in 2016 to 4.5% in 2023 and after
Dental cost trend rates	3%	3%
Employee average remaining lifetime (years)	9.5	9.22

10 Invested in capital assets

	2017 \$	2016 \$
Capital assets	6,867	6,047
Amounts financed by deferred capital contributions (note 8)	(5,989)	(4,277)
	<u>878</u>	<u>1,770</u>

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

	2017 \$	2016 \$
Purchase of capital assets	3,099	2,889
Capital funding	(2,980)	(2,572)
Amortization of deferred contributions related to capital assets	1,268	2,092
Amortization of capital assets	(2,279)	(3,667)
	<u>(892)</u>	<u>(1,258)</u>

11 Investment income

Investment income earned on the Endowment Fund resources in the amount of \$1 (2016 - \$12) is included in the Restricted Fund.

Cancer Care Ontario

Notes to Financial Statements

March 31, 2017

(in thousands of dollars)

12 Other revenue

	2017 \$	2016 \$
General Fund		
Public Health Ontario	2,353	2,313
Canadian Partnership Against Cancer	1,231	898
Other income	1,713	1,087
	<u>5,297</u>	<u>4,298</u>
Restricted Fund		
Grants	<u>1,396</u>	<u>2,968</u>

13 Other operating expenses

	2017 \$	2016 \$
Restricted Fund	<u>237</u>	<u>233</u>
General Fund		
Equipment	7,492	6,849
General office	1,385	1,513
Occupancy costs	5,213	5,176
Education and publications	2,209	3,600
Consulting services	1,968	2,712
Travel	1,610	1,481
Professional fees	176	278
Other expenses	312	806
	<u>20,365</u>	<u>22,415</u>

14 Interfund transfers

	2017 \$	2016 \$
Transfer to the General Fund from the Internally Restricted Fund	5	175
Transfer to the General Fund from the Externally Restricted Fund	<u>-</u>	<u>2</u>
	<u>5</u>	<u>177</u>

Cancer Care Ontario

Notes to Financial Statements

March 31, 2017

(in thousands of dollars)

15 Commitments

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

	\$
2018	9,199
2019	9,083
2020	8,528
2021	7,082
2022	5,937
	<hr/>
	39,829
	<hr/>

16 Contingencies

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

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

17 Guarantees

a) Director/officer indemnification

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

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

Cancer Care Ontario

Notes to Financial Statements

March 31, 2017

(in thousands of dollars)

17 Guarantees - continued**b) Other indemnification agreements**

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

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

18 Financial instruments

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

Credit risk

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

Cancer Care Ontario

Notes to Financial Statements

March 31, 2017

(in thousands of dollars)

18 Financial instruments - continued

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

	0 to 30 days \$	31 to 60 days \$	61 to 90 days \$	91 + days \$	Total \$
Accounts receivable	2,018	548	32	8	2,606
Due from MOHLTC	-	-	350	-	350
Amount receivable	2,018	548	382	8	2,956

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

Interest rate risk

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

Liquidity risk

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

	0 to 30 days \$	31 to 60 days \$	61 to 90 days \$	91 + days \$	Total \$
Trade payables	38,738	-	-	-	38,738
Accrued liabilities	48,780	3	-	-	48,783
Payable to MOHLTC	10,206	-	-	-	10,206
Payable to other funders	104	-	-	-	104
Pension escrow	-	-	-	330	330
Amount payable	97,828	3	-	330	98,161

Cancer Care Ontario

Notes to Financial Statements

March 31, 2017

(in thousands of dollars)

19 Fund Balances – Endowment

Contributions held by CCO in the amount of \$1,000 plus interest of \$181 earned since 1996, were transferred, at the request of the donor, to Western University through mutual agreement between CCO, London Heath Sciences Centre and Western University.

20 Subsequent Event – General Unrestricted Fund Balance

Subsequent to March 31, 2017, CCO received direction from the MOHLTC that it would need to pay \$15 million from its General – Unrestricted Fund Balance to the MOHLTC during fiscal 2017-18 and a reduction of \$5 million to its annual MOHLTC base funding.

21 Comparative figures

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



The Centennial Centre of Science and Technology

ONTARIO
SCIENCE
CENTRECENTRE DES
SCIENCES
DE L'ONTARIO

June 13, 2017

Management's Responsibility for Financial Information

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

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

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

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


Maurice Bitran, Ph.D.
Chief Executive Officer
Terri Lang
Chief Operating Officer770 Don Mills Road, Toronto
Ontario, Canada M3C 1T3TEL. 416 696 1000
FAX 416 696 3124
www.OntarioScienceCentre.ca

An agency of the Government of Ontario

770, Chemin Don Mills, Toronto
(Ontario) Canada M3C 1T3TÉL. 416 696 1000
FAX 416 696 3124
www.CentredesSciencesOntario.ca

Un organisme du gouvernement de l'Ontario



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

Independent Auditor's Report

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

I have audited the accompanying financial statements of The Centennial Centre of Science and Technology, which comprise the statement of financial position as at March 31, 2017, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of The Centennial Centre of Science and Technology as at March 31, 2017 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 13, 2017

Susan Klein, CPA, CA, LPA
Assistant Auditor General

20 Dundas Street West
Suite 1530
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-327-9862
tty 416-327-6123

20, rue Dundas ouest
suite 1530
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-327-9862
ats 416-327-6123
www.auditor.on.ca

The Centennial Centre of Science and Technology

Statement of Financial Position

As at March 31, 2017

	2017 (\$ 000)	2016 (\$ 000)
ASSETS		
Current		
Cash	11,793	11,186
Cash - Internally Restricted Capital Reserve Fund (Note 3 (J))	3,000	-
Accounts receivable (Note 4)	532	1,353
Prepaid expenses	813	970
Inventory of general stores	100	106
	<u>16,238</u>	<u>13,615</u>
Capital Assets (Note 5)	<u>10,150</u>	<u>11,955</u>
	<u>26,388</u>	<u>25,570</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities	2,276	2,287
Deferred revenue	3,523	4,032
Due to Ontario Infrastructure and Lands Corporation	1,888	869
Due to the Province of Ontario	1,214	924
Loan payable to Ontario Financing Authority	-	500
	<u>8,901</u>	<u>8,612</u>
Long-Term Liabilities		
Accrued employee benefit obligation (Note 10(c))	3,056	3,237
Deferred Capital Contributions (Note 6)	8,761	8,895
	<u>11,817</u>	<u>12,132</u>
	<u>20,718</u>	<u>20,744</u>
Net Assets		
Invested in capital assets (Note 7)	1,389	3,060
Accumulated surplus	1,281	1,766
Internally restricted capital reserve fund (Note 3(J))	3,000	-
	<u>5,670</u>	<u>4,826</u>
	<u>26,388</u>	<u>25,570</u>

Commitments and Contingencies (Note 12)

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

Approved on behalf of the Centre:



Trustee



Trustee

The Centennial Centre of Science and Technology

Statement of Operations

For the Year Ended March 31, 2017

	2017 (\$ 000)	2016 (\$ 000)
Revenue		
Province of Ontario		
Operating grant	15,476	15,476
Occupancy grant (Note 12a)	3,888	3,888
Other grants	299	202
General Admission and Parking Fees	5,110	5,201
Revenue from Ancillary Operations (Schedule 1)	11,295	12,114
Corporate Donations – Agents of Change Project (Note 13)	94	115
	<u>36,162</u>	<u>36,996</u>
Expenses		
General Operations		
Exhibits and Programs	2,706	2,714
Marketing and Advertising	2,144	1,804
Visitor Services	3,235	3,116
Facility Operations	5,142	5,219
Program Management	3,518	3,641
Administration	3,604	3,937
Occupancy Costs (Note 12(a))	5,347	5,256
Expenses from Ancillary Operations (Schedule 1)	8,364	8,323
Agents of Change project (Note 13)	94	115
	<u>34,154</u>	<u>34,125</u>
Income before amortization and undernoted items	<u>2,008</u>	<u>2,871</u>
Less:		
Amortization of Deferred Capital Contributions (Note 6)	1,840	5,829
Amortization Expense	(3,039)	(7,206)
	<u>(1,199)</u>	<u>(1,377)</u>
Income before undernoted items	809	1,494
Add:		
Undernoted items – Curtailment of accrued employee benefit obligation (Note 10 (c))	35	888
Net income for the year	<u>844</u>	<u>2,382</u>

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

The Centennial Centre of Science and Technology

Statement of Changes in Net Assets For the Year Ended March 31, 2017

	2017 (\$ 000)				2016 (\$ 000)
	Internally Restricted Capital Reserve Fund (Note 3 (J))	Invested in Capital Assets	Accumulated Surplus from Operations	Total	Total
Balance, beginning of year	-	3,060	1,766	4,826	2,444
Investment in capital assets		(472)	472	-	-
Transfer to Internally restricted capital reserve fund	3,000	-	(3,000)	-	-
Net income (loss) for the year	-	(1,199)	2,043	844	2,382
Balance, end of year	3,000	1,389	1,281	5,670	4,826

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

The Centennial Centre of Science and Technology

Statement of Cash Flows

For the Year Ended March 31, 2017

	2017 (\$ 000)	2016 (\$ 000)
Cash Flows from Operating Activities		
Net income for the year	844	2,382
Adjustments for items not requiring an outlay of cash		
• Amortization of capital assets	3,039	7,206
• Amortization of deferred capital contribution	(1,840)	(5,829)
• Amortization of long term portion of deferred concessionaire revenue	-	(36)
• Curtailment of accrued employee benefit obligation	(35)	(888)
	<u>2,008</u>	<u>2,835</u>
Net change in non-cash working capital	1,627	607
Net cash provided by operating activities	<u>3,635</u>	<u>3,442</u>
Cash Flows used in Capital Activities		
Capital Assets acquisitions	<u>(1,234)</u>	<u>(730)</u>
Cash Flows from Financing Activities		
Loan repayment – Ontario Financing Authority	(500)	(500)
Deferred capital contributions	1,706	1,653
Net cash generated from financing activities	<u>1,206</u>	<u>1,153</u>
Net change in cash for the year	3,607	3,865
Cash, beginning of year	11,186	7,321
Cash, end of year	<u>14,793</u>	<u>11,186</u>
 Cash Consists of:		
Cash	11,793	11,186
Cash - Internally Restricted Capital Reserve Fund	3,000	-
	<u>14,793</u>	<u>11,186</u>

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

The Centennial Centre of Science and Technology

Schedule of Revenue and Expenses from Ancillary Operations

For the Year Ended March 31, 2017

Schedule 1

	2017 (\$ 000)			2016 (\$ 000)		
	Revenue	Expenses	Net	Revenue	Expenses	Net
OMNIMAX® Theatre	1,278	1,395	(117)	1,203	1,291	(88)
International Sales and Rentals	2,227	1,872	355	2,605	2,197	408
Educational Programs & Admission	1,281	1,928	(647)	1,153	1,606	(453)
Recreation & Family Learning Experiences	1,201	854	347	1,127	783	344
Memberships	2,247	539	1,708	2,252	504	1,748
Concessions	163	120	43	428	101	327
Interest	161	-	161	133	-	133
Adult & Corporate Learning Experiences	484	269	215	716	443	273
Sponsorship/Donations	2,485	1,180	1,305	2,657	1,152	1,505
Program Support and Other Revenue	67	18	49	42	32	10
Bank & Service Fees	-	189	(189)	-	214	(214)
	11,594	8,364	3,230	12,316	8,323	3,993
Less: Provincial Programs	(299)	-	(299)	(202)	-	(202)
Totals	11,295	8,364	2,931	12,114	8,323	3,791

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

The Centennial Centre of Science and Technology

Notes to Financial Statements

March 31, 2017

1. Nature of the Business

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

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

Under the *Centennial Centre of Science and Technology Act*, the Centre is exempted from federal and provincial income taxes.

2. Basis of Presentation

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

3. Significant Accounting Policies

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

(A) REVENUE RECOGNITION

The Centre follows the deferral method of accounting for revenue.

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

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

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

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

(B) ALLOCATION OF EXPENSES

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

The Centennial Centre of Science and Technology

Notes to Financial Statements

March 31, 2017

3. Significant Accounting Policies (Continued)

(C) DEFERRED CAPITAL CONTRIBUTIONS

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

(D) DEFERRED REVENUE

Deferred revenue is comprised mainly of deferred sponsorships, the unexpired portion of annual membership fees and deposits for future exhibit rentals.

(E) CAPITAL ASSETS

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

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

The land on which the Centre is located is leased from the City of Toronto for \$1 per annum on a 99-year lease, which commenced July 1, 1965. The Province owns the buildings, which house the Centre. For details of occupancy costs see note 12a.

(F) INVENTORY

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

(G) FINANCIAL INSTRUMENTS

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

The Centennial Centre of Science and Technology

Notes to Financial Statements

March 31, 2017

3. Significant Accounting Policies (Continued)

(H) USE OF ESTIMATES

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

(I) EMPLOYEE BENEFITS

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

(J) INTERNALLY RESTRICTED CAPITAL RESERVE FUND

During the year, the Board approved the creation of an internally restricted capital reserve fund including a transfer of \$3,000,000 from accumulated surplus. The capital reserve fund was established to provide funding for the planned entrance and OMNIMAX renovation.

4. Risks Related to Financial Instruments

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

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

Below the accounts receivable aging is summarized:

	Current	+60 Days	+90 Days	(\$ 000) Total
General Accounts Receivable	197	-	-	197
Admissions	70	-	-	70
Facility Rental	11	-	-	11
International Sales	232	-	22	254
Totals	510	-	22	532

Currency risk – The Centre realizes approximately 4.35% (2016: 3.93%) of its total revenue in foreign currency. Consequently, some assets and revenues are exposed to foreign exchange fluctuations. Cash, accounts receivable and deferred revenue in US dollars are converted into Canadian dollars at year-end.

The Centennial Centre of Science and Technology

Notes to Financial Statements

March 31, 2017

4. Risks Related to Financial Instruments (cont'd)

Liquidity risk – The Centre's exposure to liquidity risk is minimal as the Centre has a sufficient cash balance to settle all current financial liabilities. As of March 31, 2017, the Centre had liquid current assets of \$12,425,000 (2016: \$12,645,000) to settle current financial liabilities of \$5,378,000 (2016: \$4,580,000).

5. Capital Assets

Capital assets consist of the following:

	2017 (\$ 000)			2016 (\$ 000)
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Leasehold Improvements	34,995	31,649	3,346	4,408
Exhibits	28,528	23,472	5,056	5,658
OMNIMAX® Theatre Leasehold Improvements	15,331	15,331	-	45
Exhibits – Rentals	1,899	1,313	586	532
Furniture, Fixtures and Equipment	2,010	1,398	612	437
Computers	2,637	2,087	550	875
Total	85,400	75,250	10,150	11,955

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

	2017 (\$ 000)	2016 (\$ 000)
Leasehold Improvements	22	2
Exhibits - Rentals	-	311
Furniture, Fixtures and Equipment	3	5
Computers	168	341
Total	193	659

The Centennial Centre of Science and Technology

Notes to Financial Statements

March 31, 2017

6. Deferred Capital Contributions

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

	2017 (\$ 000)	2016 (\$ 000)
Balance, beginning of year	8,895	13,071
Net additions/transfers during year	1,706	1,653
Amortization of deferred capital contributions	(1,840)	(5,829)
	<u>8,761</u>	<u>8,895</u>

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

	2017 (\$ 000)	2016 (\$ 000)
Agents of Change Project	440	124
Health and Safety Initiatives	7,105	7,241
Exhibits	1,216	1,347
Exhibits – Rentals	-	183
	<u>8,761</u>	<u>8,895</u>

7. Invested in Capital Assets

Invested in capital assets represents the following:

	2017 (\$ 000)	2016 (\$ 000)
Capital assets, net	10,150	11,955
Less amount financed by deferred capital contributions	(8,761)	(8,895)
	<u>1,389</u>	<u>3,060</u>

8. Property Maintenance and Repairs

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

9. Economic Dependence

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

The Centennial Centre of Science and Technology

Notes to Financial Statements

March 31, 2017

10. Employee Benefits

(A) PENSION BENEFITS

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

The Centre's annual payment of \$1,300,042 for the current year (2016: \$1,289,994), is included in salaries and employee benefit costs allocated to various expense categories in the Statement of Operations. See also note 11.

(B) POST-EMPLOYMENT NON-PENSION BENEFITS

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

(C) ACCRUED EMPLOYEE BENEFIT OBLIGATION

The accrued employee benefit obligation includes accrued severance entitlements. The total costs for the year amount to \$208,000 (2016 - \$95,000) and are included in salaries and benefits, disclosed in note 11. During the year, the accrued employee benefits obligation was reduced by \$35,000 (2016 - \$983,000) due to a curtailment resulting from changes under the Public Service Act of Ontario.

The accrued employee benefit obligation was calculated using the projected benefit method based on the following assumptions, which are consistent with the Province of Ontario's March 31, 2016 actuarial valuation: discount factor of 0.76 (2016: 0.73); and estimated average years to retirement of 10.00 years (2016: 10.04 years). Due to curtailment of the plan during the year, no assumption for wage and salary escalation was used (2016: 1.86%). These assumptions are management's best estimate of future inflation rates, employee salary levels and other underlying assumptions.

11. Breakdown of Expenses

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

	2017 (\$ 000)	2016 (\$ 000)
Salaries and Benefits	19,815	20,287
Other Direct Operating Expenses	14,339	13,838
	<u>34,154</u>	<u>34,125</u>

The Centennial Centre of Science and Technology

Notes to Financial Statements

March 31, 2017

12. Commitments and Contingencies

(A) OCCUPANCY COST

The Province, through Ontario Infrastructure and Lands Corporation, charges the Centre an accommodation fee for occupying its facilities. The fee covers rent, taxes, maintenance and certain operating costs. The lease is being renewed on a year-to-year basis until a new agreement is reached between the Centre and the Province. The minimum lease payment for the coming year is \$4,872,000. The Centre received a grant of \$3,888,000 from the Ministry of Tourism, Culture and Sport in the current year towards occupancy costs.

(B) EXHIBITS AND SERVICES

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

	(\$ 000)
2017/18	3,652
2018/19	1,815
2019/20	1,210
	<u>6,677</u>

13. Pledges for Agents of Change Project and Other Programs

In 2001 the Centre embarked on a capital project called Agents of Change, which focuses on innovation and has renewed about one quarter of the Centre's public space, including the creation of seven new Experience Areas. Up to March 31, 2017, the Centre has received approximately \$46,460,000 of contributions, \$16,500,000 of which was received from the Government of Ontario and the remainder from private sector companies or individuals.

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

Amounts pledged and agreed to but not yet received from the private sector have not been recognized as revenue, deferred revenue or deferred capital contributions as of March 31, 2017 and are as follows:

	Agents of Change	Other Programs
	(\$ 000)	(\$ 000)
2017/18	490	800
2018/19	485	475
2019/20	-	250
	<u>975</u>	<u>1,525</u>

The Centennial Centre of Science and Technology

Notes to Financial Statements

March 31, 2017

14. Comparative Figures

Certain comparative figures have been reclassified to conform to the presentation used in the current year.

**Education Quality and
Accountability Office**

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

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

The accompanying financial statements of the Education Quality and Accountability Office (EQAO) for the year ended March 31, 2017, are the responsibility of management and have been prepared in accordance with Canadian public sector accounting standards. The significant accounting policies followed by EQAO are described in the summary of Significant Accounting Policies contained in Note 1 of the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been prepared within reasonable limits of materiality and in light of information available up to June 8, 2017.

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

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

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

On behalf of management,

A handwritten signature in black ink, appearing to be 'R. Jones'.

Richard Jones
Interim Chief Executive Officer

A handwritten signature in black ink, appearing to be 'T. Saini'.

Tony Saini
Director, Corporate and Public Affairs

Toronto, Canada
June 8, 2017



KPMG LLP
Vaughan Metropolitan Centre
100 New Park Place, Suite 1400
Vaughan ON L4K 0J3
Canada
Tel 905-265-5900
Fax 905-265-6390

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Education Quality and Accountability Office, which comprise the statement of financial position as at March 31, 2017, the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Education Quality and Accountability Office as at March 31, 2017, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

June 8, 2017
Vaughan, Canada

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Statement of Financial Position

March 31, 2017, with comparative information for 2016

	2017	2016
Financial Assets		
Cash	\$ 1,057,123	\$ 2,533,389
Cash - board restricted fund (note 2(b))	6,602,318	6,062,272
Accounts receivable (note 3)	645,151	658,445
	8,304,592	9,254,106
Financial Liabilities		
Accounts payable and accrued liabilities	2,160,863	2,420,695
Net financial assets	6,143,729	6,833,411
Non-Financial Assets		
Prepaid expenses (note 4)	1,010,291	1,299,480
Tangible capital assets (note 5)	671,878	2,688,445
	1,682,169	3,987,925
Accumulated surplus (note 2)	\$ 7,825,898	\$ 10,821,336

See accompanying notes to financial statements.

On behalf of the Board:


 _____ Chair


 _____ Interim Chief Executive Officer

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Statement of Operations and Accumulated Surplus

Year ended March 31, 2017, with comparative information for 2016

	2017 Budget (note 10)	2017 Actual	2016 Actual
Revenue:			
Ministry of Education:			
Base allocation payments	\$ 36,019,531	\$ 31,443,684	\$ 31,797,210
Other	—	593,090	537,532
	36,019,531	32,036,774	32,334,742
Expenses:			
Service and rental	20,645,129	18,638,971	17,125,105
Salaries and wages	12,372,009	11,998,134	12,098,864
Transportation and communication	2,158,841	1,830,026	1,961,348
Supplies and equipment	843,552	2,565,081	905,081
	36,019,531	35,032,212	32,090,398
Annual surplus (deficit)	—	(2,995,438)	244,344
Accumulated surplus, beginning of year	10,821,336	10,821,336	10,576,992
Accumulated surplus, end of year	\$ 10,821,336	\$ 7,825,898	\$ 10,821,336
Accumulated surplus comprises:			
Externally restricted		\$ 1,223,580	\$ 4,759,064
Internally restricted (note 2(b))		6,602,318	6,062,272
		\$ 7,825,898	\$ 10,821,336

See accompanying notes to financial statements.

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Statement of Changes in Net Financial Assets

Year ended March 31, 2017, with comparative information for 2016

	2017 Budget (note 10)	2017 Actual	2016 Actual
Annual surplus (deficit)	\$ —	\$ (2,995,438)	\$ 244,344
Acquisition of tangible capital assets	—	(192,668)	(31,971)
Amortization and impairment of tangible capital assets (note 5)	573,920	2,209,235	638,816
	573,920	2,016,567	606,845
Acquisition of prepaid expenses	—	(1,010,291)	(1,299,480)
Use of prepaid expenses	—	1,299,480	1,004,486
	—	289,189	(294,994)
Increase (decrease) in net financial assets	573,920	(689,682)	556,195
Net financial assets, beginning of year	6,833,411	6,833,411	6,277,216
Net financial assets, end of year	\$ 7,407,331	\$ 6,143,729	\$ 6,833,411

See accompanying notes to financial statements.

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Statement of Cash Flows

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ (2,995,438)	\$ 244,344
Items not involving cash:		
Amortization and impairment of tangible capital assets (note 5)	2,209,235	638,816
	(786,203)	883,160
Change in non-cash operating working capital:		
Accounts receivable	13,294	639,372
Accounts payable and accrued liabilities	(259,832)	818,230
Prepaid expenses	289,189	(294,994)
	(743,552)	2,045,768
Capital activities:		
Acquisition of tangible capital assets	(192,668)	(31,971)
Investing activities:		
Change to board restricted fund	(540,046)	(490,476)
Increase (decrease) in cash	(1,476,266)	1,523,321
Cash, beginning of year	2,533,389	1,010,068
Cash, end of year	\$ 1,057,123	\$ 2,533,389

See accompanying notes to financial statements.

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Notes to Financial Statements

Year ended March 31, 2017

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

1. Significant accounting policies:

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

(a) Revenue recognition:

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

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

(b) Tangible capital assets:

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

Computer equipment	3 to 10 years
Furniture and fixtures	5 years

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

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Notes to Financial Statements (continued)

Year ended March 31, 2017

1. Significant accounting policies (continued):

The Agency considers the carrying value of tangible capital assets when events or changes in circumstances indicate that the carrying value of an asset may not be recoverable or when a tangible capital asset no longer contributes to the Agency's ability to provide goods and services. If the Agency expects an asset to generate cash flows less than the asset's carrying value, at the lowest level of identifiable cash flows, the Agency recognizes a loss for the difference between the asset's carrying value and its fair value.

(c) Measurement uncertainty:

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

2. Accumulated surplus:

(a) Externally restricted accumulated surplus:

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

(b) Internally restricted accumulated surplus:

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

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Notes to Financial Statements (continued)

Year ended March 31, 2017

2. Accumulated surplus (continued):

	2017	2016
Balance, beginning of year	\$ 6,062,272	\$ 5,571,796
Appropriation of other income	507,323	444,819
Interest income earned on funds	84,106	90,752
Cost associated with fee-based administration (note 8)	(51,383)	(45,095)
Balance, end of year	\$ 6,602,318	\$ 6,062,272

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

3. Accounts receivable:

Included in accounts receivable is a transfer payment in the amount of \$297,446 (2016 - \$211,988) due from the Ministry of Education.

4. Prepaid expenses:

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

	2017	2016
Prepaid expenses	\$ 351,841	\$ 481,200
Prepaid secondees	658,450	818,280
	\$ 1,010,291	\$ 1,299,480

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Notes to Financial Statements (continued)

Year ended March 31, 2017

5. Tangible capital assets:

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment	\$ 3,258,540	\$ 2,674,486	\$ 584,054	\$ 2,614,808
Furniture and fixtures	387,489	299,665	87,824	73,637
	\$ 3,646,029	\$ 2,974,151	\$ 671,878	\$ 2,688,445

Amortization of tangible capital assets recorded in the current year amounts to \$577,066 (2016 - \$638,816). As a result of a permanent change in the service potential of a tangible capital asset, the Agency recorded an impairment adjustment of \$1,632,169 (2016 - nil).

6. Lease commitments:

The Agency leases premises under certain operating lease arrangements with expiry dates up to December 31, 2020. Under the terms of the leases, the Agency is required to pay an annual base rent, which is predetermined based on square footage rates plus operating and maintenance charges. Future minimum annual scheduled payments are as follows:

2018	\$ 1,147,435
2019	359,280
2020	329,340
	\$ 1,836,055

7. Financial instruments:

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

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

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Notes to Financial Statements (continued)

Year ended March 31, 2017

8. Allocation of expenses:

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

9. Liquidity risk:

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

There have been no significant changes to the liquidity risk exposure from 2016.

10. Budget:

The budget information has been derived from the budget approved by the Board on August 25, 2016.



P.O. Box 148
777 Bay Street, Suite 701
Toronto ON M5G 2C8

Tel: (416) 586 - 6500
Fax: (416) 586 - 4363
Email: info@ehealthontario.on.ca
Website: www.ehealthontario.on.ca

C. P. 148
777, rue Bay, bureau 701
Toronto ON M5G 2C8

Tél: (416) 586 - 6500
Télé: (416) 586 - 4363
Courriel: info@ehealthontario.on.ca
Site Web: www.ehealthontario.on.ca

June 22, 2017

The accompanying financial statements of eHealth Ontario are the responsibility of management and have been prepared in accordance with Canadian public sector accounting standards. The preparation of financial statements necessarily involves the use of estimates and assumptions based on management's judgement that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the statement of financial position date and the reported amounts of revenue and expenses during the reporting period. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 22, 2017.

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

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

The financial statements for the year ended March 31, 2017 have been audited by Ernst & Young LLP ("EY"). EY's responsibility is to express an opinion on whether the financial statements present fairly, in all material respects, the financial position of eHealth Ontario as at March 31, 2017 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 22, 2017 outlines the scope of EY's examination and opinion on the financial statements.

On behalf of management,

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

Cynthia Morton
Chief Executive Officer

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

Allan Gunn
Chief Administrative Officer / Chief Financial Officer

Independent auditors' report

To the Board of Directors of
eHealth Ontario

We have audited the accompanying financial statements of **eHealth Ontario**, which comprise the statement of financial position as at March 31, 2017, 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 **eHealth Ontario** as at March 31, 2017 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

Toronto, Canada
June 22, 2017

Chartered Professional Accountants
Licensed Public Accountants



eHealth Ontario

Statement of financial position

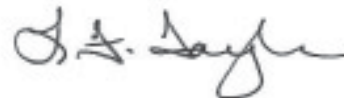
[in thousands of dollars]

As at March 31

	2017 \$	2016 \$
Assets		
Current		
Cash	8,026	3,957
Prepaid expenses	12,710	9,921
Due from Ministry of Health and Long-Term Care <i>[note 3[b]]</i>	18,358	54,657
HST and other receivables <i>[note 6]</i>	4,558	2,260
Total current assets	43,652	70,795
Capital assets, net <i>[note 4]</i>	90,508	80,980
Prepaid expenses	1,463	2,666
	135,623	154,441
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities <i>[notes 6 and 7[e]]</i>	45,115	73,461
Total current liabilities	45,115	73,461
Deferred capital contributions <i>[note 5]</i>	90,508	80,980
Total liabilities	135,623	154,441
Commitments and contingencies <i>[note 7]</i>		
Net assets <i>[note 1]</i>	—	—
	135,623	154,441

See accompanying notes

On behalf of the Board:


Cynthia Morton
Chief Executive Officer

Lorelle Taylor
Chair of the Board of Directors

eHealth Ontario

Statement of operations and changes in net assets

[in thousands of dollars]

Year ended March 31

	2017 \$	2016 \$
Revenue		
Government grants <i>[note 3(a)]</i>	264,733	295,853
Amortization of deferred capital contributions <i>[note 5]</i>	25,312	21,711
	290,045	317,564
Expenses <i>[notes 6 and 8]</i>		
Technology and operations	160,228	158,757
Enterprise planning and reporting	76,321	92,782
Architecture, standards and planning	9,332	9,302
Corporate offices	18,852	19,205
	264,733	280,046
Amortization of capital assets <i>[note 4]</i>	25,312	21,711
	290,045	301,757
Excess of revenue over expenses for the year <i>[note 1]</i>	—	15,807
Net deficiency, beginning of year	—	(15,807)
Net assets, end of year	—	—

See accompanying notes

eHealth Ontario

Statement of cash flows

[in thousands of dollars]

Year ended March 31

	2017 \$	2016 \$
Operating activities		
Excess of revenue over expenses for the year	—	15,807
Add (deduct) items not involving cash		
Amortization of deferred capital contributions	(25,312)	(21,711)
Amortization of capital assets	25,312	21,711
	—	15,807
Changes in non-cash working capital balances related to operations		
Prepaid expenses	(1,586)	(4,102)
Due from Ministry of Health and Long-Term Care	36,299	(26,647)
HST and other receivables	(2,298)	2,296
Accounts payable and accrued liabilities <i>[note 10]</i>	(30,465)	(2,225)
Cash provided by (used in) operating activities	1,950	(14,871)
Capital activities		
Purchase of capital assets <i>[note 10]</i>	(32,721)	(32,699)
Cash used in capital activities	(32,721)	(32,699)
Financing activities		
Contributions used to fund capital asset purchases	34,840	32,658
Cash provided by financing activities	34,840	32,658
Net increase (decrease) in cash during the year	4,069	(14,912)
Cash, beginning of year	3,957	18,869
Cash, end of year	8,026	3,957

See accompanying notes

eHealth Ontario**Notes to financial statements***[in thousands of dollars]*

March 31, 2017

1. Nature of operations

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

The objectives of eHealth Ontario are as follows:

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

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

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

2. Summary of significant accounting policies

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

Revenue recognition

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

eHealth Ontario**Notes to financial statements***[in thousands of dollars]*

March 31, 2017

Allocation of expenses

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

Capital assets

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

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

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

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

Employee future benefits

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

Financial assets and liabilities

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

Financial assets and liabilities measured at amortized cost include cash, due from the Ministry, HST and other receivables and accounts payable and accrued liabilities.

eHealth Ontario

Notes to financial statements

[in thousands of dollars]

March 31, 2017

3. Government of Ontario

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

	2017 \$	2016 \$
Funding for eHealth Ontario operating/capital expenditures	228,090	221,076
Funding for transfer payments to eHealth Ontario partners	63,760	79,580
Total funding	291,850	300,656
Amounts used to fund capital assets and recorded as deferred capital contributions <i>[note 5]</i>	(34,840)	(32,658)
Interest earned during the year repayable to the Ministry	161	146
Funding not received recorded as due from Ministry <i>[note 3[b]]</i>	7,562	27,709
Amount recognized as revenue	264,733	295,853

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

	2017 \$	2016 \$
Due from Ministry for administered programs <i>[note 6[f]]</i>	12,445	11,368
Funding receivable – current year <i>[note 3[a]]</i>	7,562	27,709
Funding receivable (repayable) – prior years	(1,649)	15,580
	18,358	54,657

eHealth Ontario

Notes to financial statements

[in thousands of dollars]

March 31, 2017

4. Capital assets

	2017		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Computer hardware	103,693	66,750	36,943
Computer software	135,495	83,977	51,518
Furniture and office equipment	7,037	6,343	694
Leasehold improvements	6,023	5,166	857
Work-in-process	496	—	496
	252,744	162,236	90,508

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

In the current year, certain assets no longer in use with a total cost of \$264 [2016 – \$1,109], accumulated amortization of \$261 [2016 – \$1,081] and a net book value of \$3 [2016 – \$28] were written off and included in amortization of capital assets.

Impairment charges of \$711 [2016 – nil] related to the write down of computer software in connection with a project that was redefined were also recognized during the year and included in amortization of capital assets.

5. Deferred capital contributions

	2017	2016
	\$	\$
Balance, beginning of year	80,980	70,033
Contributions used to fund capital asset purchases <i>[note 3[a]]</i>	34,840	32,658
Amortization	(25,312)	(21,711)
Balance, end of year	90,508	80,980

eHealth Ontario

Notes to financial statements

[in thousands of dollars]

March 31, 2017

6. Related party transactions

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

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

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

Expenses for the year include transfer payments to related parties as follows:

	2017 \$	2016 \$
Enterprise planning and reporting expenses:		
Hospitals	51,452	55,924
Other health sector agencies and organizations	—	494
	51,452	56,418
Technology and operations expenses:		
Hospitals	70	—
Other health sector agencies and organizations	—	29
	51,522	56,447

At March 31, 2017, accounts payable and accrued liabilities include nil [2016 – \$18,496] payable to related parties and HST and other receivables includes \$1,113 [2016 – nil] repayable to eHealth Ontario from a related party under these agreements.

- [b] eHealth Ontario has entered into a service provider agreement with an Ontario hospital for the provision of support services in connection with one of its applications. Technology and operations expenses includes \$1,389 [2016 – \$6,829] in connection with this agreement. At March 31, 2017, accounts payable and accrued liabilities includes \$488 [2016 – \$2,549] payable to the hospital.
- [c] During the year, Hydro One charged eHealth Ontario \$30,174 [2016 – \$30,160] for network services. This amount is included in technology and operations expenses. At March 31, 2017, accounts payable and accrued liabilities includes \$1,911 [2016 – \$5,665] payable to Hydro One.
- [d] Technology and operations expenses includes \$2,614 [2016 – \$3,241] and corporate offices expenses includes \$12 [2016 – \$11] for the rental of office space and other facility related expenses from the Ministry of Government Services. Corporate offices expenses also includes \$5,342 [2016 – \$4,964] for the rental of office space and other facility related expenses from Infrastructure Ontario. At March 31, 2017, accounts payable and accrued liabilities include \$1,314 [2016 – \$2,071] and \$2,947 [2016 – \$1,680] payable to the Ministry of Government Services and Infrastructure Ontario, respectively.

eHealth Ontario

Notes to financial statements

[in thousands of dollars]

March 31, 2017

- [e] Technology and operations expenses includes \$412 [2016 – \$372] and corporate offices expenses includes \$177 [2016 – \$204] for the provision of administrative and other support services from the Ministry of Government Services, Treasury Board Secretariat, the Ontario Ministry of Labour, the Ministry of Finance and the Ministry of the Attorney General. At March 31, 2017, accounts payable and accrued liabilities include \$448 [2016 – \$391] in respect of these services.
- [f] During the year, eHealth Ontario spent \$12,566 [2016 – \$11,368] on programs that it administers on behalf of the Ministry. Amounts spent on these programs are recoverable from the Ministry *[note 3[b]]*. Amounts are recorded net of recoveries and included in technology and operations expenses.
- [g] Under an arrangement with an Ontario college, eHealth Ontario spent \$294 [2016 – \$171] to develop prototypes and proof of concepts for the organization's electronic health record infrastructure. These costs are included in architecture, standards and planning expenses. At March 31, 2017, accounts payable and accrued liabilities include \$184 [2016 – \$51].

7. Commitments and contingencies

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

	\$
2018	48,084
2019	33,527
2020	26,945
2021	21,750
2022	20,195
	<u>150,501</u>

Commitments above include \$106,209 payable to Hydro One under a network services contract and \$8,583 payable to the Ministry of Government Services for facility related costs.

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

	\$
2018	5,123
2019	5,139
2020	5,139
2021	5,139
2022	2,986
2023 and thereafter	5,471
	<u>28,997</u>

eHealth Ontario**Notes to financial statements***[in thousands of dollars]*

March 31, 2017

- [c] eHealth Ontario has entered into transfer payment agreements with eHealth Ontario partners that require future payments once defined eligibility requirements have been met. Work has begun under many of these arrangements and progress against the eligibility requirements is monitored regularly. Total future payments in connection with these contracts are approximately \$75.5 million, of which \$63.9 million will be paid to related parties as described in note 6[a]. These payments are payable over the period ending December 31, 2019. Approximately \$42.0 million of total future payments is expected to be paid in fiscal 2018.
- [d] eHealth Ontario participates in the Healthcare Insurance Reciprocal of Canada ["HIROC"]. HIROC is a pooling of the public liability insurance risks of its members who are all Canadian not-for-profit health care organizations. All members of the HIROC pool pay annual premiums that are actuarially determined. All members are subject to assessment for losses, if any, experienced by the pool for the years in which they are members. No assessments have been made for the year ended March 31, 2017.
- [e] In the normal course of operations, eHealth Ontario is subject to various claims and potential claims. Management has recorded its best estimate of the potential liability related to these claims where potential liability is likely and able to be estimated. In other cases, the ultimate outcome of the claims cannot be determined at this time.

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

8. Employee future benefits

eHealth Ontario has a defined contribution pension plan for its employees. eHealth Ontario's contributions to this plan during the year amounted to \$3,836 [2016 – \$3,796].

9. Board remuneration

Total remuneration paid to members of the Board of Directors during the year was \$62 [2016 – \$54]. Salary paid to members of the Board of Directors who are employees of the Government of Ontario is disclosed on the "Public Sector Salary Disclosure" listing on the Government of Ontario website.

10. Supplemental cash flow information

The change in accounts payable and accrued liabilities related to the purchase of capital assets for the year ended March 31, 2017 of \$2,119 [2016 – \$41] has been excluded from the statement of cash flows.

11. Financial instruments**Credit risk**

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

eHealth Ontario manages and controls credit risk with respect to accounts receivable by only dealing with recognized, creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis. As at March 31, 2017, there were no significant amounts that are past due or impaired.

eHealth Ontario**Notes to financial statements***[in thousands of dollars]*

March 31, 2017

Liquidity risk

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

Accounts payable mature within six months.

12. Comparative financial statements

Certain comparative figures have been reclassified from statements previously presented to conform to the presentation of the 2017 financial statements.

FOREST RENEWAL TRUST



**RBC Investor &
Treasury Services**

June 19, 2017

Management's Responsibility for Financial Reporting

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

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

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

A handwritten signature in black ink, appearing to read 'Peter Henry'.

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

A handwritten signature in black ink, appearing to read 'Michael Keel'.

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

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



KPMG LLP
Bay Adelaide Centre
333 Bay Street, Suite 4600
Toronto ON M5H 2S5
Canada
Tel 416-777-8500
Fax 416-777-8818

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Forest Renewal Trust, which comprise the statement of financial position as at March 31, 2017, the statements of operations, remeasurement gains and losses and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Forest Renewal Trust as at March 31, 2017, and its results of operations, its remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

June 19, 2017
Toronto, Canada

FOREST RENEWAL TRUST

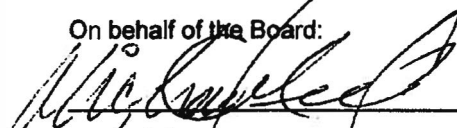
Statement of Financial Position

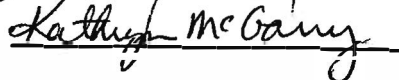
March 31, 2017, with comparative information for 2016

	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,722,958	\$ 961,127
Accrued investment income	604,605	814,619
Harmonized sales tax recoveries receivable	367,148	478,339
	<u>3,694,711</u>	<u>2,254,085</u>
Investments at fair value (notes 4 and 5)	124,051,433	122,664,427
	<u>\$ 127,746,144</u>	<u>\$ 124,918,512</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 144,422	\$ 177,473
Holdback on Forest Renewal disbursements	301,151	280,024
Due to Forestry Futures Trust (note 8)	590,504	278,457
	<u>1,036,077</u>	<u>735,954</u>
Net assets:		
Trust settlement	1	1
Net assets available for project disbursements	130,356,891	126,017,801
Accumulated remeasurement losses	(3,646,825)	(1,835,244)
	<u>126,710,067</u>	<u>124,182,558</u>
	<u>\$ 127,746,144</u>	<u>\$ 124,918,512</u>

See accompanying notes to financial statements.

On behalf of the Board:





Trustee

Michael Keel
 Manager, Client Service
 RBC Investor Services Trust

Ontario Minister of Natural Resources and Forestry

FOREST RENEWAL TRUST

Statement of Operations

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Investment income:		
Interest income (note 7)	\$ 3,097,252	\$ 3,420,682
Net realized gain on investments	737,930	1,094,214
	<u>3,835,182</u>	<u>4,514,896</u>
Expenses:		
Professional fees	423,672	204,590
Trustee and investment management fees (note 8)	277,121	313,480
Audit fee	78,544	80,496
Ontario Ministry of Natural Resources and Forestry agency fees	70,313	70,313
	<u>849,650</u>	<u>668,879</u>
Investment income over expenses	2,985,532	3,846,017
Forest Renewal capital funding transactions:		
Forest Renewal charges	53,668,281	47,168,503
Forest Renewal disbursements	(52,314,723)	(55,130,147)
Net Forest Renewal capital funding surplus (deficit)	<u>1,353,558</u>	<u>(7,961,644)</u>
Surplus (deficit) for the year	4,339,090	(4,115,627)
Net assets available for project disbursements, beginning of year	126,017,801	130,133,428
Net assets available for project disbursements, end of year	<u>\$ 130,356,891</u>	<u>\$ 126,017,801</u>

See accompanying notes to financial statements.

FOREST RENEWAL TRUST

Statement of Remeasurement Gains and Losses

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Accumulated remeasurement (losses) gains, beginning of year	\$ (1,835,244)	\$ 1,019,309
Change in unrealized losses attributable to investments	(1,073,651)	(1,760,339)
Amounts reclassified to the statement of operations:		
Net realized gain on investments	(737,930)	(1,094,214)
Net remeasurement losses	(1,811,581)	(2,854,553)
Accumulated remeasurement losses, end of year	\$ (3,646,825)	\$ (1,835,244)

See accompanying notes to financial statements.

FOREST RENEWAL TRUST

Statement of Cash Flows

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Investment income over expenses	\$ 2,985,532	\$ 3,846,017
Item not involving cash:		
Net realized gain on investments	(737,930)	(1,094,214)
Change in non-cash operating working capital:		
Decrease in accrued investment income	210,014	144,706
Decrease (increase) in harmonized sales tax recoveries receivable	111,191	(148,953)
Decrease in accounts payable and accrued liabilities	(33,051)	(126,333)
Increase in holdback on Forest Renewal disbursements	21,127	61,077
Increase in due to Forestry Futures Trust	312,047	104,830
	2,868,930	2,787,130
Capital activities:		
Capital receipts - forest renewal charges	53,668,281	47,168,503
Capital disbursements - project disbursements	(52,314,723)	(55,130,147)
	1,353,558	(7,961,644)
Investing activities:		
Purchase of investments	(133,090,482)	(119,333,910)
Net proceeds of investments sold	130,629,825	124,672,809
	(2,460,657)	5,338,899
Increase in cash and cash equivalents	1,761,831	164,385
Cash and cash equivalents, beginning of year	961,127	796,742
Cash and cash equivalents, end of year	\$ 2,722,958	\$ 961,127

See accompanying notes to financial statements.

FOREST RENEWAL TRUST

Notes to Financial Statements

Year ended March 31, 2017

1. Reporting entity:

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

Forest managers, including licensees, are required to pay forest renewal charges and are invoiced for such charges by the Crown on a monthly basis according to the volume of wood harvested and by tree species group. Forest renewal charges are required to be paid to the Trustee who, in turn, credits the payment to the specific forest management unit account in the Trust (note 9).

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

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

FOREST RENEWAL TRUST

Notes to Financial Statements (continued)

Year ended March 31, 2017

2. Basis of presentation:

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

(a) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Trust's functional currency. All financial information is presented in Canadian dollars and has been rounded to the nearest dollar.

(b) Use of estimates and judgments:

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

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

(c) Liquidity format:

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

FOREST RENEWAL TRUST

Notes to Financial Statements (continued)

Year ended March 31, 2017

3. Significant accounting policies:

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

(a) Interest:

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

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

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

(c) Fees and other expenses:

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

(d) Capital transactions:

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

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

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

According to the Excise Tax Act interpretation, reimbursements paid to Forest License Holders from the Trust are consideration for a taxable supply of silviculture services for GST/HST purposes. As such, claims invoiced by forest managers, including licensees, are subject to GST/HST, and the Trust, through the Ministry, then files a recovery of an eligible rebate. Accordingly, GST/HST is paid by the Trust and is accounted for with a net offset for GST/HST recoveries.

FOREST RENEWAL TRUST

Notes to Financial Statements (continued)

Year ended March 31, 2017

3. Significant accounting policies (continued):

(f) Financial assets and liabilities:

(i) Financial assets:

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

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

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

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

(a) Investments at fair value:

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

FOREST RENEWAL TRUST

Notes to Financial Statements (continued)

Year ended March 31, 2017

3. Significant accounting policies (continued):

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

(b) Loans and receivables:

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

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

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

(ii) Financial liabilities:

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

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

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

FOREST RENEWAL TRUST

Notes to Financial Statements (continued)

Year ended March 31, 2017

4. Financial assets and liabilities:

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

	2017	2016
Assets		
Designated at fair value upon initial recognition:		
Investment in:		
Canada treasury bills	\$ 1,522,994	\$ 1,148,477
Provincial treasury bills	8,308,181	8,359,754
Corporate discount notes under one year	7,637,713	8,346,662
Canada bonds	32,394,377	28,986,395
Provincial bonds	22,706,444	24,252,859
Corporate bonds and notes over one year	47,617,548	47,741,009
Pooled money market funds	3,864,176	3,829,271
	124,051,433	122,664,427
Cash and cash equivalents	2,722,958	961,127
Accrued investment income	604,605	814,619
HST recoveries receivable	367,148	478,339
	3,694,711	2,254,085
Total assets	\$ 127,746,144	\$ 124,918,512
Liabilities		
Other liabilities:		
Accounts payable and accrued liabilities	\$ 144,422	\$ 177,473
Holdback on Forest Renewal disbursements	301,151	280,024
Due to Forestry Futures Trust	590,504	278,457
Total liabilities, excluding net assets available for project disbursements	\$ 1,036,077	\$ 735,954

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

FOREST RENEWAL TRUST

Notes to Financial Statements (continued)

Year ended March 31, 2017

5. Fair value estimation:

Investments recorded at fair value on the Trust's statement of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels, defined by Financial Instruments ("PS3450") and directly related to the amount of subjectivity associated with inputs to fair valuation of these assets, are as follows:

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

The valuation of the Trust's invested assets under the PS3450 hierarchy as at March 31 is as follows:

2017	Level 1	Level 2	Total
Canada treasury bills and other discount notes	\$ —	\$ 17,468,888	\$ 17,468,888
Bonds	—	102,718,369	102,718,369
Pooled money market funds	3,864,176	—	3,864,176
	\$ 3,864,176	\$ 120,187,257	\$ 124,051,433

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

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

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

FOREST RENEWAL TRUST

Notes to Financial Statements (continued)

Year ended March 31, 2017

6. Financial instruments and associated risks:

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

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

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

(a) Credit risk:

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered with the Trust. Credit risk is generally higher when a non-exchange traded financial instrument is involved because the counterparty for the non-exchange traded financial instruments is not backed by an exchange clearing house. The Trust's fixed income investments are primarily in Canadian-issued instruments and are diversified among federal, provincial, corporate and other issuers. All transactions in listed securities are settled or paid for upon delivery using approved brokers. There were no significant concentrations of credit risk in the portfolio in either 2017 or 2016. The maximum credit risk exposure as at March 31, 2017 is \$125,023,186 (2016 - \$123,957,385), which includes investments, accrued investment income and other accounts receivable.

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

Credit rating	2017	2016
AAA	37%	39%
AA	28%	17%
A	34%	44%
BBB	1%	—
	100%	100%

FOREST RENEWAL TRUST

Notes to Financial Statements (continued)

Year ended March 31, 2017

6. Financial instruments and associated risks (continued):

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

Credit rating	2017	2016
R-1 (high)	39%	44%
R-1 (mid)	61%	37%
R-1 (low)	—	19%
	100%	100%

(b) Market risk:

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

The Trust's investment in fixed income securities is sensitive to interest rate movements. In general, as interest rates rise, the price of a fixed rate bond will fall, and vice versa. The magnitude of the decline will generally be greater for long-term debt securities than short-term debt securities. An immediate hypothetical 100-basis-point or 1% increase in interest rates, with all other variables held constant, would decrease net assets by approximately \$4,869,439 as at March 31, 2017 (2016 - \$4,799,591).

The Trust also invests in pooled funds, which are tracked against the benchmark index, Dex 91-day Treasury Bill Index. An immediate hypothetical decrease of 10% in the above index will impact the Trust's investments by an approximate loss of \$386,418 at March 31, 2017 (2016 - \$382,927).

FOREST RENEWAL TRUST

Notes to Financial Statements (continued)

Year ended March 31, 2017

6. Financial instruments and associated risks (continued):

(c) Liquidity risk:

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

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

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

2017	Less than 1 year	1 - 3 years	3 - 10 years	Greater than 10 years	Total
Canada treasury bills and other discount notes	\$ 17,468,888	\$ —	\$ —	\$ —	\$ 17,468,888
Bonds	—	8,852,975	90,701,300	3,164,094	102,718,369
Pooled money market funds	3,864,176	—	—	—	3,864,176
	\$ 21,333,064	\$ 8,852,975	\$ 90,701,300	\$ 3,164,094	\$ 124,051,433

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

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

The above investments have varying effective yields of 0.4% to 8.2% (2016 - 0.4% to 7.9%). Interest earned is accrued on a daily basis.

FOREST RENEWAL TRUST

Notes to Financial Statements (continued)

Year ended March 31, 2017

6. Financial instruments and associated risks (continued):

(d) Fair values of financial instruments:

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

7. Interest income:

	2017	2016
Interest income from financial assets at fair value	\$ 2,968,214	\$ 3,307,940
Interest income from cash and cash equivalents	129,038	112,742
	<u>\$ 3,097,252</u>	<u>\$ 3,420,682</u>

8. Related party information:

Trustee fees are assessed on the combined average book value of the Trust and Forestry Futures Trust with the resultant charge apportioned to each trust on the basis of its average book value. On the first \$50 million in average book value, the Trustee fee is 0.05%; on the next \$50 million in average book value, the Trustee fee is 0.04%; and on the average book value in excess of \$100 million, the Trustee fee is 0.02%. The fee schedule also includes a \$1,200 charge per management unit ("Management Unit") account in the Trust. Total fees paid to the Trustee were \$158,517 (2016 - \$159,895). Additional fees include fund administration and reporting for the Management Unit accounts and master trust, transaction charges and other charges.

Management fees represent a fixed fee incurred by the Trust for account receivable management activities performed by the Ministry. Total management fees paid to the Ministry were \$70,313 (2016 - \$70,313).

As at March 31, 2017, \$590,504 (2016 - \$278,457) was payable to Forestry Futures Trust.

FOREST RENEWAL TRUST

Notes to Financial Statements (continued)

Year ended March 31, 2017

9. Capital management:

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

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

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

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

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

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

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



June 23, 2017

Independent Auditor's Report

**To the Minister of
Ministry of Infrastructure General Real Estate Portfolio (GREP)**

We have audited the accompanying financial statements of Ministry of Infrastructure General Real Estate Portfolio (GREP), which comprise the statement of financial position as at March 31, 2017 and the statements of operations, accumulated surplus, changes in net financial assets and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

*PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215*

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

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ministry of Infrastructure General Real Estate Portfolio (GREP) as at March 31, 2017 and the results of its operations, the 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, Licenced Public Accountants

**MINISTRY OF INFRASTRUCTURE
GENERAL REAL ESTATE PORTFOLIO
STATEMENT OF FINANCIAL POSITION
As at March 31, 2017 and March 31, 2016
(in thousands of dollars)**

	March 31, 2017	March 31, 2016
Financial assets		
Cash and cash equivalents (Note 3)	\$ 234,205	\$ 227,811
Trade and other receivables (Note 4)	93,786	104,792
AFP receivables	967,646	979,046
Receivables under capital leases (Note 5)	364,978	373,187
Due from related parties (Note 6)	12,066	30,279
Projects receivables (Note 7)	30,050	28,678
Assets held for sale (Note 8)	2,144	9,523
	1,704,875	1,753,316
Liabilities		
Accounts payable and other liabilities	156,329	155,264
Liability for contaminated sites (Note 9)	132,235	136,287
AFP liabilities	967,646	979,046
Customers' deposits	800	6,470
Capital lease obligations (Note 5)	364,978	373,187
Due to related parties (Note 6)	78	4,672
	1,622,066	1,654,926
Net financial assets	82,809	98,390
Non-financial assets		
Tangible capital assets (Note 10)	5,508,642	5,716,251
Prepays, deposits and other assets	3,988	4,146
	5,512,630	5,720,397
Accumulated surplus	\$ 5,595,439	\$ 5,818,787
Contingent liabilities (Note 13)		
Commitments (Note 14)		

The accompanying notes are an integral part of these financial statements

**MINISTRY OF INFRASTRUCTURE
GENERAL REAL ESTATE PORTFOLIO
STATEMENT OF OPERATIONS**
For the years ended March 31, 2017 and March 31, 2016
(in thousands of dollars)

	For the year ended		
	March 31, 2017	March 31, 2017	March 31, 2016
	Budget	Actual	Actual (Restated note 2,15)
Revenue			
Rent (Notes 6, 11)	\$ 839,321	\$ 851,015	\$ 849,912
Ministry project cost recoveries (Notes 6, 12)	194,102	171,937	139,018
Portfolio rationalization cost recoveries (Note 6)	20,796	18,471	14,613
Interest income	1,873	1,824	1,579
	1,056,092	1,043,247	1,005,122
Operating expenses			
Facilities (Notes 6, 11)	746,876	730,520	740,811
Ministry project recoverable costs (Notes 6, 12)	194,102	171,777	137,024
Portfolio rationalization costs (Note 6)	20,796	18,310	14,551
General and administration	1,291	918	779
Interest	93,551	93,551	94,792
	1,056,616	1,015,076	987,957
Adjustment to liability for contaminated sites (Note 9)	-	(527)	3,525
Gain on sale of tangible capital assets (Note 10)	45,700	1,281	1,709
Gain on sale of assets held for sale (Note 8)	27,655	9,351	9,632
Easements revenue (Note 10)	12,000	17,101	16,495
	85,355	27,733	27,836
Operating surplus before amortization of tangible capital assets and government transfers	84,831	55,377	48,526
Amortization of tangible capital assets	(213,653)	(215,367)	(220,450)
Write-down of tangible capital assets	(6,799)	(8,093)	(12,441)
Deficit before undernoted items	(135,621)	(168,083)	(184,365)
Government Transfers			
Funding for capital repair program	68,313	68,313	84,186
AFP and asset additions transferred in from ministries	99,309	95,265	632,896
Funds received for Downsview project cost sharing	-	-	7,079
Other capital transfers	1,268	1,343	2,236
Funding for remediation of contaminated sites	15,146	4,579	1,175
	184,036	169,500	727,572
Pan Am accommodation buildings transfer to PPAGS	(158,569)	(156,363)	(419,331)
Assets transfers to ministries	(10,570)	(12,275)	(48,853)
Realty sales revenue remitted to the Province	(106,855)	(31,960)	(43,177)
Private sector rent and interest remitted to the Province	(20,604)	(24,167)	(20,337)
	(296,598)	(224,765)	(531,698)
(Deficit)/Surplus	\$ (248,183)	\$ (223,348)	\$ 11,509

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

MINISTRY OF INFRASTRUCTURE
GENERAL REAL ESTATE PORTFOLIO
STATEMENT OF ACCUMULATED SURPLUS
For the years ended March 31, 2017 and March 31, 2016
 (in thousands of dollars)

	March 31, 2017 Actual	March 31, 2016 Actual (Restated note 2,15)
Accumulated surplus, beginning of the year	\$ 5,818,787	\$ 5,807,278
(Deficit)/Surplus	(223,348)	11,509
Accumulated surplus, end of the year	\$ 5,595,439	\$ 5,818,787

MINISTRY OF INFRASTRUCTURE
GENERAL REAL ESTATE PORTFOLIO
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
For the years ended March 31, 2017 and March 31, 2016
(in thousands of dollars)

	March 31, 2017 Actual	March 31, 2016 Actual (Restated note 2,15)
(Deficit)/Surplus for the year	\$ (223,348)	\$ 11,509
Acquisition of tangible capital assets	(181,337)	(719,005)
Transfer of tangible capital assets (from)/to held for sale	(3,274)	9,104
Amortization of tangible capital assets	215,367	220,450
Gain on sale of tangible capital assets	(1,281)	(1,709)
Proceeds on sale of tangible capital assets	1,403	12,237
Transfer of tangible capital assets to ministries	168,638	468,222
Write-down of tangible capital assets	8,093	12,441
	(15,739)	13,249
Decrease/(increase) in prepaids, deposits and other assets	158	(175)
(Decrease)/increase in net financial assets	(15,581)	13,074
Net financial assets, beginning of the year	98,390	85,316
Net financial assets, end of the year	\$ 82,809	\$ 98,390

The accompanying notes are an integral part of these financial statements

**MINISTRY OF INFRASTRUCTURE
GENERAL REAL ESTATE PORTFOLIO
STATEMENT OF CASH FLOWS
For the years ended March 31, 2017 and March 31, 2016
(in thousands of dollars)**

	March 31, 2017	March 31, 2016 (Restated note 2,15)
Operating activities		
(Deficit)/Surplus for the year	\$ (223,348)	\$ 11,509
Changes in non-cash items		
Amortization of tangible capital assets	215,367	220,450
Gain on sale of tangible capital assets	(1,281)	(1,709)
Gain on sale of assets held for sale	(9,351)	(9,632)
Write-down of tangible capital assets	8,093	12,441
Adjustment to contaminated sites liability	527	(3,525)
Transfer of capital assets from ministries	(95,265)	(632,896)
Transfer of capital assets to ministries	168,638	468,184
Changes in non-cash working capital balances		
Decrease/(increase) in trade and other receivables	11,006	(6,000)
Decrease/(increase) in due from related parties	18,213	(4,208)
Decrease in AFP receivables	11,400	10,570
(Increase)/decrease in projects receivables	(1,372)	5,905
Increase in accounts payable and other liabilities	1,065	14,461
Remediation of contaminated sites	(4,579)	(1,175)
(Decrease) in AFP liabilities	(11,400)	(15,282)
(Decrease) in customers' deposits	(5,670)	(8,831)
(Decrease)/increase in due to related parties	(4,594)	4,672
Decrease/(increase) in prepaids, deposits and other assets	158	(175)
	<u>77,607</u>	<u>64,759</u>
Capital activities		
Proceeds from sale of tangible capital assets	1,403	12,237
Acquisition of tangible capital assets	(86,072)	(86,071)
	<u>(84,669)</u>	<u>(73,834)</u>
Investing activities		
Proceeds from disposition of assets held for sale	<u>13,456</u>	<u>11,514</u>
Net change in cash and cash equivalents	6,394	2,439
Cash and cash equivalents, beginning of the year	227,811	225,372
Cash and cash equivalents, end of the year	\$ 234,205	\$ 227,811

The accompanying notes are an integral part of these financial statements

**MINISTRY OF INFRASTRUCTURE
GENERAL REAL ESTATE PORTFOLIO
NOTES TO FINANCIAL STATEMENTS
March 31, 2017 and 2016
(in thousands of dollars)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of organization

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

GREP generates revenue through providing real estate accommodation and project management services to ministries, crown agencies and other government organizations for their program needs through MOI owned and third party leased real estate assets. GREP revenue also include some incidental income from private sector tenants.

Basis of accounting

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

Cash equivalents

Cash equivalents were comprised of treasury bills with maturity dates of less than 180 days. These were held to meet short-term cash commitments. Risk due to changes in market value were insignificant. There were no treasury bills held as at March 31, 2017.

Tangible capital assets

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

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

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

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

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

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

Buildings, AFP Buildings and AFP assets under capital leases	20 to 40 years
Improvements made to third party leased premises	Lower of useful life of the asset or term of lease
Yardworks, including airport runways, parking lots and a dam	12 to 40 years

**MINISTRY OF INFRASTRUCTURE
GENERAL REAL ESTATE PORFOLIO
NOTES TO FINANCIAL STATEMENTS
March 31, 2017 and 2016
(in thousands of dollars)**

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

Interest capitalization

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

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

The interest rate to be used in calculating the interest cost incurred during construction in any given year is the Weighted Average Cost of Capital (WACC) of the Province. The Ontario Financing Authority (OFA) provides the appropriate WACC. For fiscal year 2016-17, the WACC was 3.53% (2015-16 – 4.06%).

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

AFP receivables and liabilities

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

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

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

Assets held for sale

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

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

AFP assets under capital lease

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

**MINISTRY OF INFRASTRUCTURE
GENERAL REAL ESTATE PORFOLIO
NOTES TO FINANCIAL STATEMENTS
March 31, 2017 and 2016
(in thousands of dollars)**

Liability for contaminated sites

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

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

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

Revenue recognition

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

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

Ministry project cost recoveries include reimbursement of costs from ministries for realty projects requested by ministries. Revenue is recognized as services are provided. Ministry project cost recoveries also include recoveries from MOI for specific GREP program costs and are recognized as the associated expenses are incurred.

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

Gain on sale of tangible capital assets and gain on sale of assets held for sale reflects the proceeds received net of the cost of the associated assets sold in the period.

Easements revenue represents income earned from granting a third party the right to use a GREP property for a specific purpose for specified long term or in perpetuity.

Effective April 1, 2016, GREP adopted the new Public Sector Accounting Standards *PS 3420 – Inter-entity transactions* (PS 3420) and *PS 3430 Restructuring transactions* (PS 3430). As a result of adopting PS 3420 and PS 3430, funds received from MOI's capital allocations as well as the value of assets, asset improvements and betterments funded by other ministries or government organizations which are capitalized to GREP's tangible capital assets are recorded in the statement of operations. Similarly, the transfer of tangible capital assets to ministries or other government organizations as well as the payment of funds collected by GREP from the private sector, to the Consolidated Revenue Fund in accordance with the requirements of the Financial Administration Act, are recorded in the statement of operations.

Operating expenses

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

Facilities operating expenses include expenses incurred for the operation and maintenance of owned properties, including property taxes, facility management fees paid to Infrastructure Ontario, non-

**MINISTRY OF INFRASTRUCTURE
GENERAL REAL ESTATE PORFOLIO
NOTES TO FINANCIAL STATEMENTS
March 31, 2017 and 2016
(in thousands of dollars)**

recoverable repairs and maintenance expenses as well as recoverable rental expenses paid to third party landlords.

Ministry project recoverable costs include costs incurred for real estate projects requested by ministries. All costs are recoverable from the respective ministry and are recognized based on value of work completed. Ministry project recoverable costs also include specific program costs which are fully recovered from MOI.

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

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

These amounts are recorded in the statement of operations.

Use of estimates

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

2. CHANGE IN ACCOUNTING POLICIES

During the year, GREP adopted public sector accounting standards 3420 Inter-entity transactions (PS 3420) and 3430 Restructuring transactions (PS 3430). As a result of adopting PS 3420 and PS 3430, GREP has changed its accounting for transfers between itself and ministries and other government organizations, as well as transfers to the Province of Ontario.

Effective April 1, 2015, government transfers are accounted for in the statement of operations in the year they are received or become receivable. Previously, government transfers were recorded directly as increases and decreases to accumulated surplus.

The change has been accounted for on a retroactive basis with prior period restatement. As a result, the surplus for the year ended March 31, 2016 was increased by \$195,874. There was no impact to accumulated surplus at March 31, 2016.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of cash in operating accounts. Balances as at March 31, 2016 included short-term treasury bills of \$100,852 issued by the OFA with a weighted average effective interest rate of 0.61%. No short term investments were held as at March 31, 2017.

4. TRADE AND OTHER RECEIVABLES

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

**MINISTRY OF INFRASTRUCTURE
GENERAL REAL ESTATE PORFOLIO
NOTES TO FINANCIAL STATEMENTS
March 31, 2017 and 2016
(in thousands of dollars)**

their values to the amount expected to be recovered. The balance consists of the following:

	March 31, 2017	March 31, 2016
CFA receivables	\$ 17,519	\$ 61,384
AFP MSP receivables	15,307	5,026
Project services receivables	25,234	19,825
Private sector and other receivables	3,597	2,404
Allowance for doubtful accounts	(931)	(1,245)
HST receivables	12,380	11,370
Tenant inducements receivables	20,680	6,028
	\$ 93,786	\$ 104,792

5. RECEIVABLES UNDER CAPITAL LEASES AND CAPITAL LEASE OBLIGATIONS

	March 31, 2017	March 31, 2016
Due March 2040, repayable in blended monthly installments of \$1,026, interest at 5.19%, secured by the tangible capital assets under the AFP project.	\$ 164,876	\$ 168,516
Due November 2039, repayable in blended monthly installments of \$1,244, interest at 5.11%, secured by the tangible capital assets under the AFP project.	200,102	204,671
	\$ 364,978	\$ 373,187

Future minimum lease payments under capital leases are as follows:

	Amount
2017-18	\$ 27,233
2018-19	27,233
2019-20	27,233
2020-21	27,233
2021-22	27,233
Thereafter	484,794
Total minimum lease payments	620,959
Less: Imputed interest	(255,981)
	\$ 364,978

6. RELATED PARTY TRANSACTIONS

The two related parties of GREP are MOI and Infrastructure Ontario. Infrastructure Ontario, an agency of MOI, manages the real estate portfolio for a management fee.

MOI funds GREP for the shortfall between its operating and capital needs and, the income generated by operations. Operating funding is provided for strategic advisory fees, project management fees, operating and maintenance funding for vacant, third party leased and corporate space, payment in lieu of taxes for non-leasable lands etc.

Capital funding includes funding for various real estate programs such as the Capital Repair Program and Realty Portfolio Planning.

**MINISTRY OF INFRASTRUCTURE
GENERAL REAL ESTATE PORTFOLIO
NOTES TO FINANCIAL STATEMENTS
March 31, 2017 and 2016
(in thousands of dollars)**

For the year ended March 31, 2017, GREP received the following amounts from MOI as operating and capital allocations, which were recorded as revenue and government transfers.

	March 31, 2017	March 31, 2016
Operating funding from MOI	\$ 45,641	\$ 45,440
Capital funding from MOI	94,380	103,612
	\$ 140,021	\$ 149,052

Due from related parties consists of \$12,066 (March 31, 2016 - \$30,279) due from MOI related to CFA, project services, operating and capital funding allocations, net of private sector rent and property sales revenue payable to MOI. The amounts are due on demand, unsecured and non-interest bearing.

Due to related parties consists of \$78 (March 31, 2016 - \$4,672) payable to Infrastructure Ontario for certain expenses paid on behalf of GREP associated with the management of the real estate portfolio.

Infrastructure Ontario manages the real estate portfolio and provides project administration and management services for a management fee. Infrastructure Ontario fees for the year included a facility management fee at 15% of the operating and maintenance budget for the owned portfolio, an operations management fee for AFP assets in service, and a project administration and management fee all of which were recorded as facility operating expenses. In addition, Infrastructure Ontario charges GREP a strategic asset management fee calculated based on the net book value of the assets under management and recorded as portfolio rationalization costs.

	March 31, 2017	March 31, 2016
Facility management fees	\$ 32,166	\$ 31,979
AFP operations management fees	713	788
Project administration and management fees	7,808	8,348
Strategic asset management fees	10,936	10,396
	\$ 51,623	\$ 51,511

7. PROJECTS RECEIVABLES

Projects receivables totaling \$30,050 (March 31, 2016 - \$28,678) consists of accrued project costs incurred up to March 31, 2017, but yet not invoiced. All amounts were invoiced to the ministries subsequent to the year end.

8. ASSETS HELD FOR SALE

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

**MINISTRY OF INFRASTRUCTURE
GENERAL REAL ESTATE PORFOLIO
NOTES TO FINANCIAL STATEMENTS
March 31, 2017 and 2016
(in thousands of dollars)**

	March 31, 2017	March 31, 2016
Land	\$ 1,946	\$ 5,156
Yardworks	49	131
Buildings	5,804	14,501
	7,799	19,788
Accumulated depreciation	(5,655)	(10,265)
Net book value	\$ 2,144	\$ 9,523

Eleven properties (March 31, 2016 - eight properties) with a carrying value of \$4,105 (March 31, 2016 - \$1,882) were sold for net proceeds of \$13,456 (March 31, 2016 - \$11,514) generating a net gain on sale of \$9,351 (March 31, 2016 - \$9,632).

9. LIABILITY FOR CONTAMINATED SITES

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

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

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

GREP manages a database of sites with known existing or potential contamination, developed using historical information it has collected on its properties through past development and investigation. GREP continues to update the database on an ongoing basis with new information and developments. Based on the current available information, there were 79 sites (March 31, 2016 - 80 sites) identified with known existing or potential contamination, of which 38 sites (March 31, 2016 - 39 sites) have met the liability recognition criteria.

Of the 38 contaminated sites that met the liability recognition criteria, five are not owned by MOI. The ministry became responsible for remediation of these sites by operational law due to forfeiture to the Crown. MOI has directed GREP to undertake the responsibility for remediation of these sites.

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

Assumptions used in estimating the liability for remediation include land use scenarios, ecological impact and human health risk. The liability is based on minimum estimated costs for remediation of contamination to bring the site to the minimum acceptable environmental standards for its use just prior to contamination, in addition

**MINISTRY OF INFRASTRUCTURE
GENERAL REAL ESTATE PORFOLIO
NOTES TO FINANCIAL STATEMENTS
March 31, 2017 and 2016
(in thousands of dollars)**

to ongoing monitoring and management of the site. During the year ended March 31, 2017, GREP incurred \$4,579 (March 31, 2016 - \$1,175) of remediation costs and, accordingly, reduced the associated liability for the specific contaminated sites. New information received during the ongoing review of sites resulted in a net increase of \$656 to the liability related to two sites. In addition, one site with a recorded liability of \$129 was disposed of during the year. Both of these resulted in an adjustment to the associated liability. Management's best estimate of the amount required to settle or otherwise extinguish the liability for the 38 sites (March 31, 2016 - 39 sites) on an undiscounted basis is \$132,235 (March 31, 2016 - \$136,287).

10. TANGIBLE CAPITAL ASSETS

	Land	Yard- works	Buildings	CIP	AFP Buildings	AFP Assets under Capital Lease	Total
Cost							
Balance as at April 1, 2016	819,499	50,684	4,027,891	403,266	2,040,494	502,297	7,844,131
Additions	3,713	8,818	134,934	175,208	1,606	85	324,364
Transfer out from CIP	-	-	-	(143,027)	-	-	(143,027)
Disposals	(46)	-	(208)	-	-	-	(254)
Transfers to ministries	(40,309)	-	(26,552)	(117,759)	-	-	(184,620)
Retirements and write-downs	(560)	-	(23,012)	-	-	-	(23,572)
Transfer to/from held for sale	(895)	82	8,697	-	-	-	7,884
Balance as at March 31, 2017	781,402	59,584	4,121,750	317,688	2,042,100	502,382	7,824,906
Accumulated Amortization							
Balance as at April 1, 2016	-	12,575	1,874,778	-	156,777	83,750	2,127,880
Additions	-	3,270	147,936	-	51,566	12,595	215,367
Disposals	-	-	(132)	-	-	-	(132)
Transfers to other ministries	-	-	(15,982)	-	-	-	(15,982)
Retirements and write-downs	-	-	(15,479)	-	-	-	(15,479)
Transfer to/from held for sale	-	20	4,590	-	-	-	4,610
Balance as at March 31, 2017	-	15,865	1,995,711	-	208,343	96,345	2,316,264
Net book value at March 31, 2017	781,402	43,719	2,126,039	317,688	1,833,757	406,037	5,508,642

**MINISTRY OF INFRASTRUCTURE
GENERAL REAL ESTATE PORFOLIO
NOTES TO FINANCIAL STATEMENTS
March 31, 2017 and 2016
(in thousands of dollars)**

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

Twelve properties (March 31, 2016 - six properties) with a carrying value of \$122 (March 31, 2016 - \$10,528) were disposed for net proceeds of \$1,403 (March 31, 2016 - \$12,237) generating a net gain on sale of \$1,281 (March 31, 2016 - \$1,709). Easement transactions for the year generated \$17,101 (March 31, 2016 - \$16,495).

11. RENT AND FACILITY OPERATING EXPENSES

Rent includes base rent, recoveries of operating and maintenance expenses, property taxes, parking revenues for government and private sector tenants in addition to monthly service payments for AFP properties from government tenants. Operating grants from MOI and cost recoveries from ministries for service level changes from the lease agreements are also included in rent.

Facility operating expenses are operating and maintenance expenses consisting of utilities, property taxes, facility management fees, rent paid to third party landlords and monthly service payments for AFP facilities. Operating expenses also include major maintenance and reinvestment in the base building and components that are not recoverable from the tenant ministries.

Rent	March 31, 2017	March 31, 2016
Base rent and recoverable operating expenses - government	\$ 636,575	\$ 636,075
AFP properties - government tenants	163,258	163,944
Private sector revenues	21,495	19,888
MOI grants for operating expenses	21,879	21,657
MOI grants for project fees	7,808	8,348
	\$ 851,015	\$ 849,912

**MINISTRY OF INFRASTRUCTURE
GENERAL REAL ESTATE PORFOLIO
NOTES TO FINANCIAL STATEMENTS
March 31, 2017 and 2016
(in thousands of dollars)**

Facility operating expenses			
Operating and maintenance expenses	\$	137,198	\$ 141,635
Utilities		80,103	73,976
Property taxes		33,013	55,364
Facility management fees to Infrastructure Ontario		32,166	31,979
Rent paid to third party landlords		281,394	278,734
Operating cost - AFP facilities		69,707	69,152
Non recoverable projects cost		89,131	81,623
Project administration fees to Infrastructure Ontario		7,808	8,348
	\$	730,520	740,811

12. MINISTRY PROJECT COST RECOVERIES & MINISTRY PROJECT RECOVERABLE COSTS

Ministry recoverable projects include capital and non-capital projects, related to GREP assets initiated by ministries for their program requirements, the costs of which are fully recovered from the ministry requesting the work and do not impact the operating results of GREP. Ministry project cost recoveries also include recoveries from MOI for specific GREP program costs.

13. CONTINGENT LIABILITIES

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

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

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

14. COMMITMENTS

GREP has entered into contractual obligations and does so on a continuing basis for building leases, construction contracts and construction and operation management of AFP assets. The building leases are lease contracts with third party landlords to provide accommodation to the ministries and government organizations. Commitments for construction contracts are determined based on management's estimate of costs to be incurred over the construction period. Contractual obligations for AFP assets include interest due on debt, operations and maintenance costs and lifecycle costs. Contractual obligations as at March 31, 2017 are as follows:

**MINISTRY OF INFRASTRUCTURE
GENERAL REAL ESTATE PORFOLIO
NOTES TO FINANCIAL STATEMENTS
March 31, 2017 and 2016**
(in thousands of dollars)

		Building Leases	Construction Contracts	AFP Commitments
2017-18	\$	272,325	310,445	133,813
2018-19		263,652	177,495	133,943
2019-20		235,601	46,626	136,017
2020-21		197,624	22,053	135,058
2021-22		143,315	39,648	133,948
Thereafter		578,104	-	2,583,283
	\$	1,690,621	596,267	3,256,062

15. PRIOR YEAR BALANCES

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



Management Report

Management's Responsibility for Financial Reporting

The accompanying financial statements of the Independent Electricity System Operator are the responsibility of management and have been prepared in accordance with Canadian public sector accounting standards. The significant accounting policies followed by the Independent Electricity System Operator are described in the Summary of Significant Accounting Policies contained in Note 2 in the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been prepared within reasonable limits of materiality and in light of information available up to March 22, 2017.

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

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

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

On behalf of management,

Bruce Campbell
President and Chief Executive Officer
Toronto, Canada
March 22, 2017

Kimberly Marshall
Vice President, Corporate Services
and Chief Financial Officer
Toronto, Canada
March 22, 2017

Independent Auditors' Report

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

We have audited the accompanying financial statements of IESO, which comprise the statement of financial position as at December 31, 2016, the statements of operations and accumulated deficit, remeasurement gains and losses, change in net debt and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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



Chartered Professional Accountants, Licensed Public Accountants

March 22, 2017
Waterloo, Canada

Statement of Financial Position

As at (in thousands of Canadian dollars)

December 31, 2016

December 31, 2015

		(restated Note 3)
	\$	\$
FINANCIAL ASSETS		
Cash and cash equivalents	33,005	14,715
Accounts receivable	31,103	33,199
Regulated assets (Note 3)	65,064	88,202
Long-term investments (Note 4)	40,355	37,318
Market accounts – assets (Note 3)	1,636,201	1,443,121
TOTAL FINANCIAL ASSETS	1,805,728	1,616,555
LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	38,963	48,868
Accrued interest on debt	315	315
Rebates due to market participants (Note 6)	12,551	9,595
Debt (Note 7)	90,000	90,000
Accrued pension liability (Note 8)	34,620	36,062
Accrued liability for employee future benefits other than pension (Note 8)	90,251	84,501
Market accounts – liabilities (Note 3)	1,636,201	1,443,121
TOTAL LIABILITIES	1,902,901	1,712,462
NET DEBT	(97,173)	(95,907)
NON-FINANCIAL ASSETS		
Net tangible capital assets (Note 9)	105,047	103,716
Prepaid expenses	6,614	6,197
TOTAL NON-FINANCIAL ASSETS	111,661	109,913
ACCUMULATED SURPLUS		
Accumulated surplus from operations (Note 6)	6,582	6,348
Accumulated remeasurement gains	7,906	7,658
ACCUMULATED SURPLUS	14,488	14,006

On behalf of the Board:



Tim O'Neill
Chair
Toronto, Canada



Carole Workman
Director
Toronto, Canada

Statement of Operations and Accumulated Surplus

For the year ended December 31 (in thousands of Canadian dollars)	2016	2016	2015
	Budget	Actual	Actual (restated Note 3)
	\$	\$	\$
IESO CORE OPERATIONS			
System fees	177,219	185,531	186,187
Other revenue (Note 10)	1,000	2,531	5,377
Interest and investment income	-	2,157	1,430
Core operation revenues	178,219	190,219	192,994
Compensation and benefits	(106,361)	(105,570)	(104,994)
Professional and consulting	(20,118)	(16,844)	(21,461)
Operating and administration	(33,502)	(34,336)	(35,005)
Core operating expenses	(159,981)	(156,750)	(161,460)
Amortization	(17,500)	(19,577)	(17,933)
Interest	(738)	(1,341)	(1,610)
Core expenses	(178,219)	(177,668)	(181,003)
Core operations annual surplus before rebates	-	12,551	11,991
Rebates due to market participants	-	(12,551)	(9,595)
Core operations annual surplus	-	-	2,396
MARKET SANCTIONS AND PAYMENT ADJUSTMENTS			
Market sanctions and payment adjustments	4,341	3,889	6,021
Compensation and benefits	(2,981)	(2,180)	(3,094)
Professional and consulting	(1,515)	(770)	(1,351)
Operating and administration	(150)	(705)	(114)
Customer education and market enforcement expenses	(4,646)	(3,655)	(4,559)
Market sanctions and payment adjustments annual surplus/(deficit)	(305)	234	1,462
SMART METERING ENTITY			
Smart metering charge	32,244	27,426	26,185
Compensation and benefits	(3,567)	(2,661)	(2,607)
Professional and consulting	(18,763)	(14,659)	(14,902)
Operating and administration	(2,364)	(5,705)	(4,200)
Smart metering operating expenses	(24,694)	(23,025)	(21,709)
Amortization	(4,491)	(3,861)	(3,524)
Interest	(3,059)	(540)	(952)
Smart metering expenses	(32,244)	(27,426)	(26,185)
Smart metering entity annual surplus	-	-	-
ANNUAL SURPLUS/(DEFICIT)	(305)	234	3,858
ACCUMULATED SURPLUS FROM OPERATIONS, BEGINNING OF PERIOD	6,348	6,348	2,490
ACCUMULATED SURPLUS FROM OPERATIONS, END OF PERIOD	6,043	6,582	6,348

Statement of Remeasurement Gains and Losses

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

	2016	2015
	Actual	Actual
	\$	(restated Note 3) \$
ACCUMULATED REMEASUREMENT GAINS, BEGINNING OF PERIOD	7,658	6,362
UNREALIZED GAINS ATTRIBUTABLE TO:		
Foreign exchange – other	477	515
Portfolio investments (Note 4)	286	1,372
AMOUNTS RECLASSIFIED TO THE STATEMENT OF OPERATIONS:		
Foreign exchange – other	(515)	(591)
NET REMEASUREMENT GAINS FOR THE PERIOD	248	1,296
ACCUMULATED REMEASUREMENT GAINS, END OF PERIOD	7,906	7,658

Statement of Change in Net Debt

For the year ended December 31 (in thousands of Canadian dollars)	2016	2016	2015
	Budget	Actual	Actual (restated Note 3)
	\$	\$	\$
ANNUAL SURPLUS/(DEFICIT)	(305)	234	3,858
CHANGE IN NON-FINANCIAL ASSETS			
Acquisition of tangible capital assets	(30,706)	(24,769)	(25,624)
Amortization of tangible capital assets	21,991	23,438	21,457
Change in prepaid expenses	-	(417)	(27)
TOTAL CHANGE IN NON-FINANCIAL ASSETS	(8,715)	(1,748)	(4,194)
NET REMEASUREMENT GAINS FOR THE PERIOD	-	248	1,296
CHANGE IN NET DEBT	(9,020)	(1,266)	960
NET DEBT, BEGINNING OF PERIOD	(95,907)	(95,907)	(96,867)
NET DEBT, END OF PERIOD	(104,927)	(97,173)	(95,907)

Statement of Cash Flows

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

	2016	2015
	\$	(restated Note 3) \$
OPERATING TRANSACTIONS		
Change in accumulated surplus:		
Annual surplus	234	3,858
	234	3,858
Changes in non-cash items:		
Amortization	23,438	21,457
Pension expense	11,610	11,970
Other employee future benefits expense	8,127	6,901
	43,175	40,328
Changes in non-cash balances related to operations:		
Change in accounts payable and accrued liabilities	(7,495)	(775)
Change in accounts receivable	2,096	(10,145)
Change in rebates due to market participants	2,956	9,595
Change in regulated assets	23,138	23,942
Change in prepaid expenses	(417)	(27)
	20,278	22,590
Other:		
Contribution to pension fund	(13,052)	(12,851)
Payment of employee future benefits	(2,377)	(2,314)
	(15,429)	(15,165)
Cash provided by operating transactions	48,258	51,611
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	(24,769)	(25,624)
Change in accounts payable and accrued liabilities	(2,410)	(1,569)
Cash applied to capital transactions	(27,179)	(27,193)
INVESTING TRANSACTIONS		
Purchase of long-term investments	(2,751)	(1,967)
Cash applied to investing transactions	(2,751)	(1,967)
FINANCING TRANSACTIONS		
Debt repayment	-	(39,000)
Cash applied to financing transactions	-	(39,000)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	18,328	(16,549)
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	14,715	31,340
Unrealized foreign exchange losses for the period	(38)	(76)
CASH AND CASH EQUIVALENTS - END OF PERIOD	33,005	14,715

Notes to Financial Statements

1. NATURE OF OPERATIONS

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of financial statement preparation

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

b) Revenue recognition

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

For 2015, the system fee for the then newly amalgamated IESO was comprised of the combined rate calculations of the respective pre-amalgamation entities. Specifically, the former IESO rate base was calculated on electricity withdrawn from the IESO-controlled grid (including scheduled exports and embedded generation), whereas the former OPA rate base only considered Ontario electricity consumers. The OEB approved the continued use of this combined rate calculation for 2016 in an interim order issued on December 22, 2015.

These financial statements do not include the revenue and expenses of the financial transactions of market participants within the IESO-administered markets (IAM).

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

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

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

c) Financial instruments

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

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

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

d) Regulated assets and liabilities

As a rate-regulated entity, the IESO, in appropriate circumstances establishes regulated assets or liabilities and thereby defers the impact on the statement of operations of certain expenses or revenues because they are probable to be collected or refunded to market participants through future billings. The IESO has applied guidance from United States Generally Accepted Accounting Principles (US GAAP) Topic 980, *Regulated Operations*, in this policy.

e) Market accounts – assets and liabilities

The IESO records the market accounts assets, liabilities and amounts due to and from market participants held on behalf of the IESO-administered markets in its statements of financial position. The IESO-administered markets is a balancing system, and as such, the net position of market accounts will settle to a \$nil balance in accordance with market rules.

f) Tangible capital assets

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

g) Assets under construction

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

h) Amortization

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

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

Class	Estimated Average Service Life 2016	Estimated Average Service Life 2015
Facilities	37	37
Market systems and applications	4 to 12	4 to 12
Infrastructure and other assets	4 to 10	4 to 7
Meter data management/repository	10	10

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

The estimated service lives of tangible capital assets are subject to periodic review. The effects of changes in the estimated lives are amortized on a prospective basis. The most recent review was completed in fiscal 2016.

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

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

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

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

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

The expected average remaining service life of employees covered by the pension plans is 15 years (2015 – 15 years) and OPEB plan is 16.2 years (2015 – 14.7 years).

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

j) Foreign currency exchange

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

k) Use of estimates

The preparation of the financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the financial statements. The IESO's accounts that involve a greater degree of uncertainty include the carrying values of tangible capital assets, accrued pension liability and accrual for employee future benefits other than pensions. Actual results could differ from those estimates.

3. NEW ACCOUNTING POLICIES

As of January 1, 2016, the IESO changed its accounting policy regarding the recognition of assets and liabilities subject to rate regulation. The change was made to better reflect the economic substance of certain types of expenses that may not be directly recovered through the normal revenue requirement model. This change has been applied retroactively and has increased amounts previously unrecorded for regulatory assets and decreased amounts previously reported for accumulated deficit.

The IESO recognizes two regulated assets: 1) unrecovered smart metering expenses and 2) unrecovered PSAB transition items.

The smart metering expenses result from the IESO's role as the Smart Metering Entity. As such, the IESO funds its SME operating costs and capital investment in the meter data management/repository (MDM/R) through fees from users of smart meters in Ontario. The OEB approves the Smart Metering Entity charge and the charge is intended to cover the costs of developing and operating the MDM/R.

The unrecovered PSAB transition items result from the IESO's adoption of Canadian public sector accounting standards effective January 1, 2011. The adoption of PSAB was accounted for by retroactive application with restatement of prior periods subject to the requirements in Section PS 2125, *First-time Adoption by Government Organizations*. The corresponding change to pension and other post-employment benefits resulted in previously unrecognized actuarial losses and past service costs of \$80,617 thousand at the date of transition.

Regulated assets consist of the following:

As of December 31 (in thousands of Canadian dollars)	2016	2015
	\$	\$
Unrecovered smart metering expenses	21,623	40,849
Unrecovered PSAB transition items	43,441	47,353
Closing balance	65,064	88,202

In addition, as of January 1, 2016, the IESO changed its accounting policy regarding the recognition of market accounts assets and liabilities on the statement of financial position. The change was made to better reflect the assets and liabilities and amounts due to and from market participants held by the IESO on behalf of the IAM at year end. This change has been applied retroactively and has increased amounts previously unrecorded for market accounts assets and liabilities. There is no impact to the accumulated deficit or revenues and expenses as the IESO is not party to these transactions as per the market rules.

Components of the market accounts are as follows:

As of December 31 (in thousands of Canadian dollars)	2016	2015
	\$	\$
Cash, restricted for market activities	244,755	271,574
Amounts due from market participants	1,391,260	1,171,389
Interest receivable	186	158
Revolving line of credit	(150,501)	(12,739)
HST receivable	25,531	20,247
Amounts due to market participants	(1,392,643)	(1,380,086)
Other liabilities	(118,588)	(70,543)
Closing balance	-	-

Comparative figures

A detailed reconciliation of the IESO's restated statement of financial position as at December 31, 2015, as follows:

As of (in thousands of Canadian dollars)	December 31, 2015	December 31, 2015	December 31, 2015
	(as reported) \$	adjustments \$	(as restated) \$
FINANCIAL ASSETS			
Cash and cash equivalents	14,715	-	14,715
Accounts receivable	33,199	-	33,199
Long-term investments	37,318	-	37,318
Regulated assets	-	88,202	88,202
Market accounts – assets	-	1,443,121	1,443,121
TOTAL FINANCIAL ASSETS	85,232	1,531,323	1,616,555
LIABILITIES			
Accounts payable and accrued liabilities	48,868	-	48,868
Accrued interest on debt	315	-	315
Rebates due to market participants	9,595	-	9,595
Debt	90,000	-	90,000
Accrued pension liability	36,062	-	36,062
Accrued liability for employee future benefits other than pension	84,501	-	84,501
Market accounts – liabilities	-	1,443,121	1,443,121
TOTAL LIABILITIES	269,341	1,443,121	1,712,462
NET DEBT	(184,109)	88,202	(95,907)
NON-FINANCIAL ASSETS			
Net tangible capital assets	103,716	-	103,716
Prepaid expenses	6,197	-	6,197
TOTAL NON-FINANCIAL ASSETS	109,913	-	109,913
ACCUMULATED SURPLUS/(DEFICIT)			
Accumulated surplus/(deficit) from operations	(81,854)	88,202	6,348
Accumulated remeasurement gains	7,658	-	7,658
ACCUMULATED SURPLUS/(DEFICIT)	(74,196)	88,202	14,006

A detailed reconciliation of the IESO's restated statement of operations for the year ended December 31, 2015, is as follows:

For the year ended (in thousands of Canadian dollars)	December 31, 2015	December 31, 2015	December 31, 2015
	(as reported)	adjustments	(as restated)
	\$	\$	\$
IESO CORE OPERATIONS			
System fees	190,099	(3,912)	186,187
Other revenue	5,377	-	5,377
Interest and investment income	1,430	-	1,430
Core operations revenues	196,906	(3,912)	192,994
Compensation and benefits	(104,994)	-	(104,994)
Professional and consulting	(21,461)	-	(21,461)
Operating and administration	(35,005)	-	(35,005)
Core operating expenses	(161,460)	-	(161,460)
Amortization	(17,933)	-	(17,933)
Interest	(1,610)	-	(1,610)
Core expenses	(181,003)	-	(181,003)
Core operations annual surplus before rebates	15,903	(3,912)	11,991
Rebates due to market participants	(9,595)	-	(9,595)
Core operations annual surplus	6,308	(3,912)	2,396
MARKET SANCTIONS AND PAYMENT ADJUSTMENTS			
Market sanctions and payment adjustment	6,021	-	6,021
Compensation and benefits	(3,094)	-	(3,094)
Professional and consulting	(1,351)	-	(1,351)
Operating and administrative	(114)	-	(114)
Customer education and market enforcement expenses	(4,559)	-	(4,559)
Market sanctions and payment adjustments annual surplus	1,462	-	1,462
SMART METERING ENTITY			
Smart metering charge	46,215	(20,030)	26,185
Compensation and benefits	(2,607)	-	(2,607)
Professional and consulting	(14,902)	-	(14,902)
Operating and administration	(4,200)	-	(4,200)
Smart metering operating expenses	(21,709)	-	(21,709)
Amortization	(3,524)	-	(3,524)
Interest	(952)	-	(952)
Smart metering expenses	(26,185)	-	(26,185)
Smart metering entity annual surplus	20,030	(20,030)	-
ANNUAL SURPLUS	27,800	(23,942)	3,858
ACCUMULATED SURPLUS/(DEFICIT) FROM OPERATIONS, BEGINNING OF PERIOD	(109,654)	112,144	2,490
ACCUMULATED SURPLUS/(DEFICIT) FROM OPERATIONS, END OF PERIOD	(81,854)	88,202	6,348

4. LONG-TERM INVESTMENTS

Long-term investments in a balanced portfolio of pooled funds are valued by the pooled funds manager based on published price quotations and amount to \$39,972 thousand (2015 - \$37,019 thousand). As at December 31, the market value allocation of these long-term investments was 62.3% equity securities and 37.7% debt securities (2015 - 56.0% and 44.0% respectively).

Balanced portfolio of pooled funds

As at December 31 (in thousands of Canadian dollars)	2016	2015
	\$	\$
Opening balance	37,019	33,758
Net purchase of investments	2,667	1,889
Change in fair value	286	1,372
Closing balance	39,972	37,019

In addition to the balanced portfolio of pooled funds, the IESO has a long-term deposit with Canada Revenue Agency in the amount of \$383 thousand (2015 - \$299 thousand) pertaining to the Retirement Compensation Arrangements Trust (Note 7).

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at December 31 (in thousands of Canadian dollars)	2016	2015
	\$	\$
Relating to operations	35,630	43,125
Relating to tangible capital assets	3,333	5,743
Closing balance	38,963	48,868

6. REBATES DUE TO MARKET PARTICIPANTS AND ACCUMULATED SURPLUS

In 2016, the IESO recognized \$12,551 thousand in rebates due to market participants of system fees (2015 - \$9,595). As at December 31, 2016, rebates due to market participants were \$22,146 thousand, with the 2015 portion of \$9,595 thousand rebated in January 2017.

The IESO's approved regulatory deferral account balance has been historically maintained at a maximum of \$10.0 million. The 2016 approved regulatory deferral account balance at \$10.0 million was approved by the OEB on December 1, 2016.

Prior to 2014, unrealized gains and losses from portfolio investments and foreign exchange were included in the balance of the regulatory deferral account (life-to-date total \$4,144 thousand). As of January 1, 2014, only realized gains and losses are included in this balance.

As at December 31, the components of the accumulated surplus were as follows:

Accumulated Surplus

As at December 31 (in thousands of Canadian dollars)	2016	2015
	\$	\$
Regulatory deferral account (a)	10,000	10,000
Accumulated market sanctions and payment adjustments (b)	726	492
Remeasurement gains	3,762	3,514
Accumulated surplus – end of year	14,488	14,006

a) Regulatory Deferral Account

As at December 31 (in thousands of Canadian dollars)	2016	2015
	\$	\$
Accumulated surplus – beginning of year	10,000	7,604
Revenues (before rebates due to market participants)	190,219	192,994
Rebates due to market participants	(12,551)	(9,595)
Core operation expenses	(177,668)	(181,003)
Accumulated surplus – end of year	10,000	10,000

b) Accumulated Market Sanctions and Payment Adjustments

As at December 31 (in thousands of Canadian dollars)	2016	2015
	\$	\$
Accumulated surplus/(deficit) – beginning of year	492	(970)
Market sanctions and payment adjustments	3,889	6,021
Customer education and market enforcement expenses	(3,655)	(4,559)
Accumulated surplus – end of year	726	492

7. DEBT

Note payable to Ontario Electricity Financial Corporation (OEFC)

In April 2014, the IESO entered into a three-year note payable with the OEFC. The note payable is unsecured, bears interest at a fixed rate of 2.046% per annum and is repayable in full on April 30, 2017. Interest accrues daily and is payable in arrears semi-annually in April and October of each year. As at December 31, 2016, the note payable to the OEFC was \$90.0 million (December 31, 2015 – \$90.0 million).

For the year ended December 31, 2016, the interest expense on the note payable was \$1,841 thousand (2015 – \$1,841 thousand).

Credit facility

The IESO has an unsecured credit facility agreement with the OEFC, which will make available to the IESO an amount up to \$95.0 million. Advances are payable at a variable interest rate equal to the Province of Ontario's cost of borrowing for a 30-day term plus 0.50% per annum, with draws, repayments and interest payments due monthly. The credit facility expires April 30, 2017. As at December 31, 2016, no amount was drawn on the credit facility (December 31, 2015 – \$nil).

For the year ended December 31, 2016, the interest expense on the credit facility was \$nil (2015 – \$279 thousand).

Retirement Compensation Arrangements Trust

In July 2013, the IESO established a Retirement Compensation Arrangements (RCA) Trust to provide security for the IESO's obligations under the terms of the supplemental employee retirement plan for its employees. As at December 31, 2016, the IESO has provided the RCA trustee with a bank letter of credit of \$30,466 thousand (2015 – \$28,408 thousand) the trustee can draw on if the IESO is in default under the terms of this plan.

8. POST-EMPLOYMENT BENEFIT PLANS

The IESO provides pension and other employee post-employment benefits, comprising group life insurance, long-term disability and group medical and dental plans, for the benefit of current and retired employees.

Pension plans

The IESO provides a contributory defined benefit, indexed, registered pension plan. In addition to the funded, registered pension plan, the IESO provides certain non-registered defined benefit pensions through an unfunded, indexed, non-registered plan.

Other employee future benefits

The group life insurance, long-term disability and group medical and dental benefits are provided through unfunded, non-registered defined benefit plans.

Summary of accrued benefit obligations and plan assets

(in thousands of Canadian dollars)	2016 Pension Benefits	2015 Pension Benefits	2016 Other Benefits	2015 Other Benefits
	\$	\$	\$	\$
Accrued benefit obligation	507,724	482,994	91,014	83,455
Fair value of plan assets	523,756	475,714	-	-
Funded status as of measurement date	16,032	(7,280)	(91,014)	(83,455)
Employer contribution/other benefits payments after measurement date	2,416	427	588	582
Unrecognized actuarial (gain)/loss	(53,068)	(29,209)	175	(1,628)
Accrued liability recognized in the statement of financial position	(34,620)	(36,062)	(90,251)	(84,501)

Registered pension plan assets

As at the measurement date of September 30, the proportion of the fair value of registered pension plan assets held in each asset class was as follows:

	2016	2015
Canadian equity securities	20.2%	19.9%
Foreign equity securities	39.9%	41.8%
Canadian debt securities	39.8%	39.0%
Cash equivalents	0.4%	0.6%
Forward foreign exchange contracts	(0.3%)	(1.3%)
	100.0%	100.0%

Principal assumptions used to calculate benefit obligations at the end of the year are determined at that time and are as follows:

	2016 Pension Benefits	2015 Pension Benefits	2016 Other Benefits	2015 Other Benefits
Discount rate at the end of the period	5.75%	6.00%	5.75%	6.00%
Rate of compensation increase	3.50%	3.75%	3.50%	3.75%
Rate of indexing	2.00%	2.25%	2.00%	2.25%

The assumed prescription drug inflation was 8.00% for 2016, grading down to an ultimate rate 4.50% per year in 2030. Dental costs are assumed to increase by 4.00% per year.

Benefit costs and plan contributions for pension and other plans are summarized as follows:

(in thousands of Canadian dollars)	2016 Pension Benefits	2015 Pension Benefits	2016 Other Benefits	2015 Other Benefits
	\$	\$	\$	\$
Current service cost (employer)	11,117	10,547	3,107	2,857
Interest cost	29,292	28,143	5,120	4,797
Expected return on plan assets	(27,626)	(26,053)	-	-
Amortization of net actuarial loss	(1,173)	(667)	(100)	(753)
Benefit cost	11,610	11,970	8,127	6,901

(in thousands of Canadian dollars)	2016 Pension Benefits	2015 Pension Benefits	2016 Other Benefits	2015 Other Benefits
	\$	\$	\$	\$
Employer contribution/other benefit payments	13,052	12,851	2,377	2,314
Plan participants' contributions	5,811	5,162	-	-
Benefits paid	23,317	21,155	2,377	2,314

The most recent actuarial valuation of the registered pension plan for funding purposes was at January 1, 2014, and the next required valuation is to be effective January 1, 2017.

Principal assumptions used to calculate benefit costs for the year are determined at the beginning of the period and are as follows:

	2016 Pension Benefits	2015 Pension Benefits	2016 Other Benefits	2015 Other Benefits
Discount rate at the beginning of the period	6.00%	6.15%	6.00%	6.15%
Rate of compensation increase	3.75%	3.75%	3.75%	3.75%
Rate of indexing	2.25%	2.25%	2.25%	2.25%

9. TANGIBLE CAPITAL ASSETS

Net tangible capital assets consist of the following:

Tangible Capital Assets

(in thousands of Canadian dollars)	As at December 31, 2015	Additions	Disposals	As at December 31, 2016
	\$	\$	\$	\$
Facilities	52,281	3,692	-	55,973
Market systems and applications	278,458	28,535	-	306,993
Infrastructure and other assets	60,180	3,175	-	63,355
Meter data management/repository	35,900	1,011	-	36,911
Total cost	426,819	36,413	-	463,232

Accumulated Amortization

(in thousands of Canadian dollars)	As at December 31, 2015	Amortization Expense	Disposals	As at December 31, 2016
	\$	\$	\$	\$
Facilities	(22,604)	(1,697)	-	(24,301)
Market systems and applications	(251,210)	(12,336)	-	(263,546)
Infrastructure and other assets	(47,228)	(5,544)	-	(52,772)
Meter data management/repository	(25,329)	(3,861)	-	(29,190)
Total accumulated amortization	(346,371)	(23,438)	-	(369,809)

Net Book Value

(in thousands of Canadian dollars)	As at December 31, 2015	As at December 31, 2016
	\$	\$
Facilities	29,677	31,672
Market systems and applications	27,248	43,447
Infrastructure and other assets	12,952	10,583
Meter data management/repository	10,571	7,721
Total net book value	80,448	93,423
Assets under construction	23,268	11,624
Net tangible capital assets	103,716	105,047

In 2016, there were no adjustments to management's estimates of remaining asset service lives (2015 - decrease of \$653 thousand).

Interest capitalized to assets under construction during 2016 was \$260 thousand (2015 - \$263 thousand).

10. OTHER REVENUE

In its administration of the IESO-administered markets, the IESO directs the investment of market funds in highly rated, short-term investments throughout the settlement cycle. The IESO is entitled to receive the investment interest and investment gains, net of investment losses earned on funds passing through the real-time market settlement accounts. The IESO is not entitled to the principal on real-time market investments.

The IESO recognized investment income earned in the market settlement accounts of \$2,508 thousand in 2016 (2015 - \$3,212 thousand).

11. RELATED PARTY TRANSACTIONS

The Province of Ontario is a related party as it is the controlling entity of the IESO. The OEFC, OEB, Hydro One and Ontario Power Generation Inc. (OPG) are related parties of the IESO, through the common control of the Province of Ontario. Transactions between these parties and the IESO were as follows:

The IESO holds a note payable and an unsecured credit facility agreement with the OEFC (Note 7). Interest payments made by the IESO in 2016 for the note payable were \$1,841 thousand (2015 - \$1,841 thousand) and for the credit facility were \$nil (2015 - \$328 thousand). As of December 31, 2016, the IESO had an accrued interest payable balance with the OEFC of \$315 thousand (2015 - \$315 thousand).

Under the *Ontario Energy Board Act, 1998*, the IESO incurs registration and license fees. The total of the transactions with the OEB was \$1,747 thousand in 2016 (2015 - \$1,671 thousand).

The IESO performed connection and bulk electric system exception assessments for Hydro One in 2016. In 2016, the IESO invoiced Hydro One \$610 thousand (2015 - \$310 thousand).

The IESO procures short circuit studies and protection impact assessments as part of connection assessments, approvals and meter services on IESO-owned interconnected revenue meters from Hydro One. Additionally, the IESO paid Hydro One for the removal of the microwave tower at the Clarkson location. In 2016, the IESO incurred costs of \$188 thousand (2015 - \$525 thousand) for these services. As of December 31, 2016, the IESO had a net payable balance with Hydro One of \$4 thousand (2015 - \$149 thousand).

The IESO performed connection assessment and approvals for OPG, administered telecommunication services to market participants to connect to the real-time market systems and provides market-related training courses. In 2016, OPG was invoiced \$124 thousand (2015 - \$137 thousand). As of December 31, 2016, the IESO had a net receivable balance with OPG of \$5 thousand (2015 - \$4 thousand).

12. FINANCIAL RISK MANAGEMENT

The IESO is exposed to financial risks in the normal course of its business operations, including market risks resulting from volatilities in equity, debt and foreign currency exchange markets, as well as credit risk and liquidity risk. The nature of the financial risks and the IESO's strategy for managing these risks have not changed significantly from the prior year.

a) Market Risk

Market risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate to cause changes in market prices. The IESO is primarily exposed to three types of market risk: currency risk, interest rate risk and equity risk. The IESO monitors its exposure to market risk fluctuations and may use financial instruments to manage these risks as it considers appropriate. The IESO does not use derivative instruments for trading or speculative purposes.

i) Currency Risk

The IESO conducts certain transactions in U.S. dollars, primarily related to vendors' payments, and maintains a U.S. dollar-denominated bank account. From time to time, the IESO may utilize forward purchase contracts to purchase U.S. dollars for delivery at a specified date in the future at a fixed exchange rate. In addition, the IESO utilizes U.S. dollar spot rate purchases in order to satisfy any current accounts. As at December 31, 2016, the IESO did not have any outstanding forward purchase contracts.

ii) Interest Rate Risk

The IESO is exposed to movements or changes in interest rates primarily through its short-term variable rate credit facility, cash equivalents' securities and long-term investments. Long-term investments include investments in a pooled Canadian bond fund. The potential impact to the securities' value had the prevailing interest rates changed by 25 basis points, assuming a parallel shift in the yield curve with all other variables held constant, is estimated at \$0.6 million as at December 31, 2016 (2015 - \$0.6 million).

iii) Equity Risk

The IESO is exposed to changes in equity prices through its long-term investments. Long-term investments include investments in pooled equity funds. A 30% change in the valuation of equities as at December 31, 2016, would have resulted in a change for the year of approximately \$7.5 million (2015 - \$6.8 million). The fair values of all financial instruments measured at fair value are derived from quoted prices (unadjusted) in active markets for identical assets.

b) Credit Risk

Credit risk refers to the risk that one party to a financial instrument may cause a financial loss for the other party by failing to meet its obligations under the terms of the financial instrument. The IESO is exposed directly to credit risk related to cash equivalents' securities and accounts receivable, and indirectly through its exposure to the long-term investments in a Canadian bond pooled fund. The IESO manages credit risk associated with cash equivalents' securities through an approved management policy that limits investments to primarily investment-grade investments with counterparty-specific limits. The accounts receivable balance as at December 31, 2016, included no material items past due and substantially all of the balance was collected within 30 days from December 31, 2016. The long-term Canadian bond pooled fund is comprised of primarily investment-grade securities.

c) Liquidity Risk

Liquidity risk refers to the risk that the IESO will encounter financial difficulty in meeting obligations associated with its financial liabilities when due. The IESO manages liquidity risk by forecasting cash flows to identify cash flows and financing requirements. Cash flows from operations, short-term investments, long-term investments and maintaining appropriate credit facilities help to reduce liquidity risk. The IESO's long-term investments are normally able to be redeemed within three business days; however, the investment manager of the pooled funds has the authority to require a redemption in-kind rather than cash and has the ability to suspend redemptions if deemed necessary.

13. COMMITMENTS**Operating commitments**

The obligations of the IESO with respect to non-cancellable operating leases over the next four years are as follows:

As at December 31 (thousands of Canadian dollars)

	\$
2017	5,489
2018	5,004
2019	3,919
2020	3,195

14. CONTINGENCIES

The IESO is subject to various claims, legal actions and investigations that arise in the normal course of business. While the final outcome of such matters cannot be predicted with certainty, management believes that the resolution of such claims, actions and investigations will not have a material impact on the IESO's financial position or results of operations.

15. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in 2016.



Management's Statement of Responsibility

The Management of Legal Aid Ontario is responsible for the preparation, presentation and integrity of the accompanying financial statements, Management's Discussion and Analysis and all other information contained in this Annual Report. This responsibility includes the selection and consistent application of appropriate accounting principles and methods in addition to making the judgements and best estimates necessary to prepare the financial statements in accordance with Canadian public sector accounting standards with appropriate consideration to materiality. The significant accounting policies followed by Legal Aid Ontario are described in the financial statements.

Management has developed and maintains a system of internal control, business practices and financial reporting to provide reasonable assurance that assets are safeguarded and that relevant and reliable financial information is produced on a timely basis. Internal auditors, who are employees of Legal Aid Ontario, review and evaluate internal controls on management's behalf.

The Board of Directors of Legal Aid Ontario ensures that management fulfils its responsibilities for financial information and internal control through an Audit and Finance Committee. This Committee meets regularly with management and the auditor to discuss internal controls, audit findings and the resulting opinion on the adequacy of internal controls, and the quality of financial reporting issues. The auditors have access to the Audit and Finance Committee, without management present, to discuss the results of their work.

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



David Field
President and
Chief Executive Officer

June 14, 2017



Michelle Seguin
Chief Administrative Officer
and Vice President

June 14, 2017



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

Independent Auditor's Report

To Legal Aid Ontario
and to the Attorney General of Ontario

I have audited the accompanying financial statements of Legal Aid Ontario, which comprise the balance sheet as at March 31, 2017 and the statements of operations, changes in net assets (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, these financial statements present fairly, in all material respects, the financial position of Legal Aid Ontario as at March 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

20 Dundas Street West
Suite 1530
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-327-9862
tty 416-327-6123

20, rue Dundas ouest
suite 1530
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-327-9862
ats 416-327-6123

www.auditor.on.ca

Toronto, Ontario
June 14, 2017

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

Legal Aid Ontario

Balance Sheet

	March 31, 2017 (\$000's)	March 31, 2016 (\$000's)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 15)	\$ 4,702	\$ 5,363
Investments (Note 5)	5,028	30,627
Prepaid expenses and other assets	2,489	2,630
Client accounts receivable (Note 4(a))	14,298	15,709
Other receivables (Note 4(b))	15,989	11,112
	<u>\$ 42,506</u>	<u>\$ 65,441</u>
Long-term client accounts receivable (Note 4(a))	20,124	20,995
Capital net assets (Note 6)	4,486	6,982
	<u>\$ 67,116</u>	<u>\$ 93,418</u>
TOTAL ASSETS		
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities (Note 7)	\$ 91,274	\$ 85,232
Deferred contributions (Note 8)	-	5,477
Accrued pension liability (Note 12)	1,647	1,613
	<u>\$ 92,921</u>	<u>\$ 92,322</u>
Contingency reserve (Note 13)	-	1,400
Net Assets (Deficit)		
Net accumulated deficit	\$ (30,291)	\$ (11,367)
Internally restricted fund and net assets (Note 9)	4,486	11,063
	<u>(25,805)</u>	<u>(304)</u>
	<u>\$ 67,116</u>	<u>\$ 93,418</u>
TOTAL LIABILITIES AND NET ASSETS		

On behalf of the Board



 Chair

Legal Aid Ontario

Statement of Operations

For the year ended March 31

	2017 (\$000's)	2016 (\$000's)
REVENUE		
Total government funding (Notes 1(a), and (2))	\$ 414,373	\$ 395,266
The Law Foundation of Ontario	29,345	25,211
Client contributions	11,157	9,995
Client and other recoveries	941	811
Investment income (Note 5)	182	390
Miscellaneous income	<u>-</u>	<u>969</u>
TOTAL REVENUE	\$ 455,998	\$ 432,642
EXPENSES (Notes 3 and 15)		
Client Programs		
Certificate Program		
Criminal - Big cases	\$ 29,501	\$ 30,162
Criminal - others	<u>95,907</u>	<u>81,931</u>
Sub-total	125,408	112,093
Family	76,280	60,654
Immigration and refugee	22,838	17,108
Other civil	<u>7,262</u>	<u>6,174</u>
Sub-total	231,788	196,029
Settlement conferences	232	163
Family law offices	6,955	6,821
Integrated law offices	4,120	3,698
Criminal law offices	3,051	2,927
Refugee law office	4,349	4,268
Articling students	1,976	2,471
Nishnawbe-Aski Legal Services Corporation	<u>1,885</u>	<u>1,858</u>
Certificates	<u>254,356</u>	<u>218,235</u>
Duty Counsel Program		
Duty counsel fees and disbursements	53,909	53,432
Expanded duty counsel	<u>2,337</u>	<u>2,146</u>
Sub-total	<u>56,246</u>	<u>55,578</u>
Clinic Program and Special Services		
Clinic law services (Note 10)	80,331	85,462
Student legal aid services societies	5,675	5,337
Clinic information management project	<u>1,108</u>	<u>1,474</u>
Sub-total	<u>87,114</u>	<u>92,273</u>
Service Innovation Projects		
Other	<u>2,205</u>	<u>1,766</u>
Sub-total	<u>2,205</u>	<u>1,766</u>

Legal Aid Ontario

Statement of Operations

For the year ended March 31

	2017 (\$000's)	2016 (\$000's)
EXPENSES (continued)		
Program Support		
Regional operations	3,061	2,740
District/Area office services	15,237	14,943
Client and legal service centre	<u>10,494</u>	<u>10,632</u>
Sub-total	<u>28,792</u>	<u>28,315</u>
TOTAL CLIENT PROGRAMS	<u>428,713</u>	<u>396,167</u>
Service Provider Support		
Research facilities	3,857	4,015
Lawyers' services and payments	<u>2,833</u>	<u>2,317</u>
Sub-total	<u>6,690</u>	<u>6,332</u>
Administrative and Other Costs		
Provincial office	38,859	36,411
Amortization	3,249	3,263
Bad debts	<u>3,988</u>	<u>4,263</u>
Sub-total	<u>46,096</u>	<u>43,937</u>
TOTAL EXPENSES	<u>\$ 481,499</u>	<u>\$ 446,436</u>
Excess of expenses over revenues for the year	<u>\$ (25,501)</u>	<u>\$ (13,794)</u>

Legal Aid Ontario

Statement of Changes in Net Assets (Deficit)

For the year ended March 31

	Internally restricted Net Assets (Note 9)	Accumulated (deficit)	2017 Total	2016 Total
(\$000's)				
Net assets (deficit), beginning of year	\$ 11,063	\$ (11,367)	\$ (304)	\$ 13,490
Net change in capital assets	(2,496)	2,496	-	-
Excess of expenses over revenues for the year	-	(25,501)	(25,501)	(13,794)
Transfer from internally restricted	(4,081)	4,081	-	-
Net assets (deficit), end of year	\$ 4,486	\$ (30,291)	\$ (25,805)	\$ (304)

Legal Aid Ontario

Statement of Cash Flows

For the year ended March 31

2017
(\$000's)

2016
(\$000's)

Cash provided by (used in)**OPERATING ACTIVITIES**

Excess of expenses over revenues for the year \$ (25,501) \$ (13,794)

Adjustments to reconcile deficit of expenses over
revenues to net cash provided by operating activities:

Amortization of capital assets	3,249	3,263
Accrued Pension	34	376

Changes in non-cash balances:

Accrued interest on investments	99	303
Prepaid expenses and other assets	141	(649)
Client accounts receivable	1,411	(111)
Other receivables	(4,877)	3,372
Long-term client accounts receivable	871	1,867
Accounts payable and accrued liabilities	6,042	(3,060)
Deferred contributions	(5,477)	(1,123)
Deferred grants	-	(934)
Contingency Reserve	(1,400)	(5,000)

	\$ (25,408)	\$ (15,490)
--	-------------	-------------

INVESTING ACTIVITIES

Redemption of Investment	\$ 35,500	\$ 7,899
Purchase of Investment	(10,000)	-

	25,500	7,899
--	--------	-------

CAPITAL ACTIVITIES

Purchase of capital assets	\$ (753)	\$ (2,673)
----------------------------	----------	------------

**Net decrease in cash and cash equivalents during
the year**

	(661)	(10,264)
--	-------	----------

Cash and cash equivalents, beginning of year

	5,363	15,627
--	-------	--------

Cash and cash equivalents, end of year

	\$ 4,702	\$ 5,363
--	----------	----------

Legal Aid Ontario

Notes to Financial Statements

March 31, 2017

NATURE OF OPERATIONS

On December 18, 1998, the Ontario Legislative Assembly enacted the *Legal Aid Services Act, 1998* whereby Legal Aid Ontario ("LAO" or the "Corporation") was incorporated without share capital under the laws of Ontario. The Corporation began operations on April 1, 1999 and is tax exempt under the *Income Tax Act* (Canada).

The *Legal Aid Services Act, 1998* establishes the following mandate for the Corporation:

- To promote access to justice throughout Ontario for low-income individuals by providing high quality legal aid services
- To encourage and facilitate flexibility and innovation in the provision of legal aid services
- To recognize the diverse legal needs of low-income individuals and disadvantaged communities
- To operate within a framework of accountability for the expenditure of public funds

The affairs of the Corporation are governed and managed by a Board of Directors appointed by the Lieutenant Governor in Council. While the Corporation operates independently from the Province of Ontario and the Law Society of Upper Canada, it is accountable for the expenditure of public funds and for the provision of legal aid services in a manner that both meets the needs of low-income individuals and is cost-effective and efficient.

BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with the Public Sector Handbook ["PS"] of the Chartered Professional Accountants of Canada supplemented by the standards for government not-for-profit organizations included in PS 4200 to PS 4270, which constitutes generally accepted accounting principles for government not-for-profit organizations in Canada and includes the significant accounting policies summarized below.

FINANCIAL INSTRUMENTS

Financial instruments are classified in one of the following categories (i) fair value or (ii) cost or amortized cost. The entity determines the classification of its financial instruments at initial recognition.

Investments reported at fair value consist of equity instruments that are quoted in an active market as well as investments in pooled funds and any investments in fixed income securities that the Corporation designates upon purchase to be measured at fair value. Transaction costs are recognized in the statement of operations in the period during which they are incurred. Investments reported at fair value are remeasured at their fair value at the end of each reporting period. Any revaluation gains and losses are recognized in the statement of remeasurement gains and losses and are cumulatively reclassified to the statement of operations upon disposal or settlement.

Investments in fixed income securities not designated to be measured at fair value are initially recorded at fair value plus transaction costs and are subsequently measured at amortized cost using the straight-line method, less any provision for impairment.

All investment transactions are recorded on a trade date basis.

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

Legal Aid Ontario**Notes to Financial Statements****March 31, 2017**

REVENUE RECOGNITION

The Corporation follows the deferral method of accounting for contributions.

Externally restricted contributions are deferred when initially recorded and recognized as revenue in the year in which the related expenses are recognized. Unrestricted contributions are recognized as revenue when initially recorded in the accounts if the amount to be received can be reasonably estimated and collection is reasonably assured. Due to uncertainty surrounding the amounts to be billed, client contributions are recognized as revenue when the Corporation accrues a lawyer's invoice on behalf of a client. Judgments awards, costs and settlements on behalf of legal aid clients are recognized as revenue when awarded.

Investment income, which consists of interest, is recorded in the statement of operations as earned.

EXPENSE RECOGNITION

Expenses are recognized on an accrual basis. Certificate program costs include amounts billed to the Corporation by lawyers and an estimate of amounts for work performed by lawyers but not yet billed to the Corporation.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, balances with financial institutions and highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value with original maturities of typically less than a year.

CAPITAL ASSETS

Capital assets are recorded at cost less accumulated amortization. Amortization is provided on the straight-line basis over the estimated useful life of the asset as follows:

Furniture and office equipment	- 5 years
Computer hardware	- 3 years
Enterprise-wide software	- 3-7 years
Leasehold improvements	- over the term of lease

Legal Aid Ontario**Notes to Financial Statements****March 31, 2017**

EMPLOYEE BENEFIT PLANS

The Corporation accrues its obligations under a defined benefit employee plan and the related costs. The cost of post-employment benefits earned by employees is actuarially determined using the projected unit credit actuarial cost method prorated on service and management's best estimate assumptions. Actuarial gains (losses) are amortized on a straight-line basis over the estimated average remaining service period of the active employees. Past service costs are expensed when incurred. Liabilities are measured using a discount rate determined by reference to the Corporation's cost of borrowing. Contributions to the defined contribution pension plan are recorded on an accrual basis.

USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available. Significant estimates in the financial statements include the allowance for client accounts receivable, accruals related to legal work performed but not yet billed and accrued employee benefits.

Legal Aid Ontario

Notes to Financial Statements

March 31, 2017

1. Government Funding

Section 71 of the *Legal Aid Services Act, 1998* requires the Corporation and the Attorney General of Ontario (the Attorney General) to enter into a Memorandum of Understanding ("MOU") every five years. The purpose of the MOU is to clarify the operational, administrative, financial, and other relationships between the Ministry of the Attorney General ("MAG") and the Corporation. The most recent MOU was signed on November 12, 2014.

- (a) The Corporation is economically dependent on the Province of Ontario - Ministry of the Attorney General, and contributions recognized are as follows:

	2017 (\$000's)	2016 (\$000's)
General contributions	\$ 365,563	\$ 363,766
Financial Eligibility (Note 2)	48,810	31,500
Total contributions	\$ 414,373	\$ 395,266

- (b) Included in contributions from the Province of Ontario for the year ended March 31, 2017 is an amount of \$60.4 million (2016 - \$50.9 million) representing an allocation of funds from a lump sum transfer by the Federal Government to the Province in connection with criminal law, the *Youth Criminal Justice Act*, Immigration and Refugee expenditures for unique pressures through a cost-sharing arrangement.
- (c) Subsection 66(3) of the *Legal Aid Services Act, 1998* allows the Corporation to allocate any surplus or deficit in a fiscal year to either or both of the two subsequent fiscal years with the approval of the Attorney General, unless, under Subsection 69(2), it is ordered by the Minister of Finance to pay its surplus into the Consolidated Revenue Fund.

2. Financial Eligibility

In the 2014, 2015 and 2016 provincial budgets, the Government of Ontario committed to provide Ontarians with greater access to justice by increasing the Financial Eligibility threshold by 6% per year. The first increase took place on November 1, 2014; since then, there have been increases on April 1, 2015 and April 1, 2016. Further increases are scheduled each year to 2020. LAO received \$48.8 million (note 1(a)) from the Province of Ontario in 2016/17 (2016 - \$31.5 million) and the Province has committed to increase funding to \$67.0 million in 2017/18, \$86.3 million in 2018/19, \$106.4 million in 2019/20 and \$120.1 million in 2020/21.

LAO's objective is to increase access to justice and ensure that the Financial Eligibility funding is fully utilized by increasing the number of clients served through the certificate program and the new clinic and staff programs. On average it takes three years for the full cost on a certificate to be realized. For the past 2 years, expenses incurred exceeded contributions received; these differences in revenue and expenses will offset each other over the life of the program.

For the year, LAO incurred expenses of \$61.8 million (2016 - \$37.1 million) and received contributions of \$48.8 million (2016 - \$31.5 million). The cumulative receipts for the program were \$86.7 million; LAO has incurred expenses of \$105.3 million.

Legal Aid Ontario

Notes to Financial Statements

March 31, 2017

3. Expenses by Object

The table below provides expenses by major line of expenditure:

	2017 (\$000's)	2016 (\$000's)
Certificates	229,943	194,033
Duty Counsel per diem	22,193	23,483
Clinic funding	87,629	91,333
Other Transfer Payments	1,885	1,858
Salaries and benefits	110,124	107,384
Leases	4,842	4,713
Bad debts, depreciation and other expenses	24,883	23,632
	\$ 481,499	\$ 446,436

The expenses by object note provides details for salaries, benefits and administrative expenses. The Statement of Operations however, reflects salaries and benefits and other expenses as they are allocated to the various programs and administrative areas.

Legal Aid Ontario

Notes to Financial Statements

March 31, 2017

4. Accounts Receivable

(a) Client accounts receivable

The Corporation has a client contribution program for legal aid applicants who do not meet the Corporation's financial eligibility requirements for a non-contributory certificate. These applicants receive the assistance they need by entering into a contribution agreement, which they undertake to repay the Corporation over time for the services provided to them. Contribution agreements may include monthly payments and/or liens on property.

March 31, 2017 (\$000's)	Total	1-30 Days	31-60 Days	61-90 Days	Over 90 Days
Client accounts receivable	\$ 65,049	\$ 32	\$ 198	\$ 88	\$ 64,731
Less: impairment allowance	(30,627)	(12)	(106)	(28)	(30,481)
	<u>\$ 34,422</u>	<u>\$ 20</u>	<u>\$ 92</u>	<u>\$ 60</u>	<u>\$ 34,250</u>
March 31, 2016 (\$000's)	Total	1-30 Days	31-60 Days	61-90 Days	Over 90 Days
Client accounts receivable	\$ 66,425	\$ 185	\$ 200	\$ 234	\$ 65,806
Less: impairment allowance	(29,721)	(98)	(98)	(100)	(29,425)
	<u>\$ 36,704</u>	<u>\$ 87</u>	<u>\$ 102</u>	<u>\$ 134</u>	<u>\$ 36,381</u>
				2017 (\$000's)	2016 (\$000's)
Represented by					
Current (non-lien) client accounts receivable				14,298	15,709
Long-term (lien) client accounts receivable				20,124	20,995
				<u>\$ 34,422</u>	<u>\$ 36,704</u>

Legal Aid Ontario

Notes to Financial Statements

March 31, 2017**4. Accounts Receivable (continued)**

(b) Other receivables

Other receivables are comprised of amounts due from the Law Foundation of Ontario, Canada Revenue Agency for Harmonized Sales Taxes (HST) rebate, and both the Federal Department of Justice ("DOJ") and MAG for protocol cases.

March 31, 2017 (\$000's)	Total	1-30 Days	31-60 Days	61-90 Days	Over 90 Days
MAG protocol cases	\$ 1,681	\$ 1,681	\$ -	\$ -	\$ -
DOJ protocol cases	565	375	-	-	190
HST receivable	8,606	3,262	2,596	2,748	-
The Law Foundation of Ontario	4,570	4,570	-	-	-
Other receivables	567	567	-	-	-
Total other receivables	\$ 15,989	\$ 10,455	\$ 2,596	\$ 2,748	\$ 190

March 31, 2016 (\$000's)	Total	1-30 Days	31-60 Days	61-90 Days	Over 90 Days
MAG protocol cases	\$ 2,399	\$ 476	\$ 502	\$ 550	\$ 871
DOJ protocol cases	374	66	56	127	125
HST receivable	5,811	2,959	2,621	-	231
The Law Foundation of Ontario	1,794	1,794	-	-	-
Other receivables	734	373	-	-	361
Total other receivables	\$ 11,112	\$ 5,668	\$ 3,179	\$ 677	\$ 1,588

Legal Aid Ontario

Notes to Financial Statements

March 31, 2017

5. Investments

	2017 (\$000's)	2016 (\$000's)
Guaranteed investment certificates	\$ 5,000	\$ 30,500
Accrued interest	28	127
	<u>\$ 5,028</u>	<u>\$ 30,627</u>

The Corporation has developed an investment policy in accordance with the statutory requirements outlined in Sections 7(1), 7(2), 7(3) and 7(4) of Ontario Regulation 107/99 made under the *Legal Aid Services Act, 1998*. The Corporation's short-term and long-term investment policy is to invest in highly liquid investments in Canadian federal government securities, Canadian provincial government securities or other guaranteed investment certificates issued or guaranteed by Canadian financial institutions with a rating of A or above. The investments held by the Corporation as at March 31, 2017 are in compliance with the statutory requirements. Short-term investments held of \$5.0 million (2016 - \$30.5 million) are invested at 0.09%.

The Corporation earned investment income of \$0.2 million in 2017 (2016 - \$0.4 million).

Legal Aid Ontario

Notes to Financial Statements

March 31, 2017

6. Capital Assets

	2017 (\$000's)		2016 (\$000's)	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and office equipment	\$ 131	\$ 87	\$ 209	\$ 139
Computer hardware	4,741	3,007	5,859	2,956
Leasehold improvements	6,903	4,660	6,640	3,781
Enterprise-wide software	17,910	17,445	17,847	16,697
	<u>\$ 29,685</u>	<u>\$ 25,199</u>	<u>\$ 30,555</u>	<u>\$ 23,573</u>
Net book value		<u>\$ 4,486</u>		<u>\$ 6,982</u>

7. Accounts Payable and Accrued Liabilities

	2017 (\$000's)	2016 (\$000's)
Legal accounts		
- accruals for billings received but not paid	\$ 20,775	\$ 19,500
- estimate of work performed but not yet billed	60,783	52,853
Rent inducements	336	558
Trade and other payables	6,781	9,971
Vacation pay	2,599	2,350
	<u>\$ 91,274</u>	<u>\$ 85,232</u>

Legal Aid Ontario

Notes to Financial Statements

March 31, 2017**8. Deferred Contributions**

The Province of Ontario provided LAO with \$30.0 million funding over a three-year period, starting in 2013/14. This was to enhance family law services. LAO has now received the total amount under the program. The amount deferred was fully utilized this year.

The following chart shows comparative balances

	2017 (\$000's)	2016 (\$000's)
Balance, beginning of year	\$ 5,477	6,600
Provincial funding received	-	10,000
Amounts recognized (Note 1(a))	(5,477)	(11,123)
Balance, end of year	\$ -	\$ 5,477

Legal Aid Ontario

Notes to Financial Statements

March 31, 2017

9. Internally Restricted Net Assets

- (a) Annually, the Board of Directors determines the amount, if any, to be transferred between accumulated surplus (deficit) and internally restricted net assets. These internally restricted amounts are not available for other purposes without approval of the Board of Directors.

Internally restricted net assets consist of the following:

	2017 (\$000's)	2016 (\$000's)
Invested in capital assets (Note 9(b))	\$ 4,486	\$ 6,982
Internally restricted for the specialty clinic co-location project (Note 9(c)(i))	-	1,163
Internally restricted for the cost of the tariff increases (Note 9(c)(ii))	-	2,918
	\$ 4,486	\$ 11,063

- (b) Invested in capital assets represents the amount of net assets that are not available for other purposes because they have been used to fund the purchase of capital assets. Changes in net assets invested in capital assets during the year consist of the following:

	2017 (\$000's)	2016 (\$000's)
Balance, beginning of year	\$ 6,982	\$ 7,572
Purchase of capital assets	753	2,673
Amortization	(3,249)	(3,263)
Balance, end of year	\$ 4,486	\$ 6,982

- (c) (i) The Board of Directors set aside \$3 million in a restricted reserve in 2014/15 to be used to pay for leasehold improvements related to the co-location of specialty clinics. During this year \$1.2 million was spent (2016 \$1.8 million) utilizing the full reserve.

(ii) In 2010, MAG, LAO and the Criminal Law Association entered into a MOU that included seven tariff increases of 5% over six years. As a result of government restraints, LAO is funding approximately \$14 million from internal savings. In 2014/15, the Board of Directors set aside \$2.9 million as a restricted reserve to offset this component of the cost of the tariff increases, this amount was used in 2016/17.

Legal Aid Ontario

Notes to Financial Statements

March 31, 2017

10. Clinic Law Services

The Corporation provides funding to community clinics, enabling them to provide poverty law services to the community they serve on a basis other than fee for service. The community clinics are organizations structured as corporations without share capital and are governed and managed by a board of directors. Community clinics are independent from, but accountable to, the Corporation under Sections 33 to 39 of the *Legal Aid Services Act, 1998*. Each community clinic is independently audited and is required to provide audited financial statements to the Corporation for the funding period.

The total funding to community clinics consists of direct funding transfers and the cost of centrally provided support services.

	2017 (\$000's)	2016 (\$000's)
Payments to and on behalf of clinics	\$ 80,331	\$ 85,462

11. Commitments and Contingencies

- (a) The Corporation issues certificates to individuals seeking legal aid assistance. Each certificate issued authorizes legal services to be performed within the tariff guidelines. As at March 31, 2017, management estimates certificates in the amount of \$58.3 million (2016 - \$51.9 million) of authorized legal services could still be incurred on certificates issued on or before March 31, 2017 over and above the billings received to date and management's estimate of work performed but not yet billed.
- (b) The Corporation leases a vehicle, equipment, and various office premises at locations, throughout the Province. The rent and estimated operating costs are based on existing lease agreements and charges for additional rent. Estimated lease expenses for the next five years and thereafter are as follows:

	Base Rent (\$000's)	Operating Costs (\$000's)	Vehicle & Equipment (\$000's)	Total (\$000's)
2018	\$ 2,198	\$ 2,649	\$ 61	\$ 4,908
2019	1,325	1,444	38	2,807
2020	563	341	27	931
2021	217	97	21	335
2022	139	97	3	239
Thereafter	321	150	-	471
	\$ 4,763	\$ 4,778	\$ 150	\$ 9,691

Legal Aid Ontario

Notes to Financial Statements

March 31, 2017

11. Commitments and Contingencies (continued)

- (c) The Corporation is the defendant in a number of lawsuits arising in the ordinary course of business. The outcome and ultimate disposition of these actions are not known; however, based on the claims made, management estimates an amount of \$0.3 million and have made the necessary provision. Some of the above lawsuits are covered by insurance after the application of a deductible of up to \$50 thousand, depending on when the event of the claim occurred and the nature of the claim.

12. Pensions

The Corporation has two pension plans providing retirement benefits for its employees. There are two components to the regular plan: a defined contribution and a defined benefit component. In addition, there is also a non-registered supplementary (executive) plan.

Defined Contribution Component

The defined contribution component of the plan covers 982 (2016 - 961) employees. LAO contribution rate increased to nine percent effective January 1, 2016. The Corporation's pension expense for the year relating to this component of the plan was \$7.6 million (2016 - \$6.1 million). LAO has a transition plan to get all employee contributions to nine percent of the employees' pensionable earnings by January 1, 2018. Currently, the existing employee contribution rate varies between six and nine percent depending on the contribution of the employees to the component of the plan.

Defined Benefit Component

The defined benefit component of the plan covers a total of 16 employees; there are 3 active participants (2016 - 3) and 13 retirees (2016 - 13). Actuarial gains (losses) are amortized on a straight-line basis over the estimated average remaining service period of the active employees, which is three years as at March 31, 2017 (2016 - three). Under this benefit plan, benefits at retirement are related to years of service and remuneration during the years of employment. The plan is subject to actuarial valuations for funding purposes at intervals of not more than three years. The last valuation was completed in January 1, 2014, the next actuarial valuation of the Plan for funding purposes will be prepared as at January 1, 2017 and this report will be available in 2017. The Corporation makes pension contributions to this component of the plan in amounts recommended by the actuary.

The Corporation measures its accrued benefit obligation for accounting purposes as at March 31 of each year.

	2017 (\$000's)	2016 (\$000's)
Accrued benefit obligation	\$ 3,576	\$ 3,640
Fund assets at market value	4,319	4,076
Funded status - plan surplus	743	436
Unamortized net actuarial loss (gain)	(137)	225
Accrued pension asset	\$ 606	\$ 661

Legal Aid Ontario

Notes to Financial Statements

March 31, 2017

12. Pensions (continued)

The expense related to the Corporation's defined benefit component of the plan consists of the following:

	2017 (\$000's)	2016 (\$000's)
Current period benefit cost	\$ 26	\$ 24
Amortization of actuarial (gains) losses	75	(20)
Interest revenue	(22)	(35)
	<u>\$ 79</u>	<u>\$ (31)</u>

The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligation and benefit expense are as follows:

	2017	2016
Accrued benefit obligation		
Discount rate	5.25%	5.25%
Rate of compensation increase	3.00%	3.00%

	2017	2016
Benefit expense		
Discount rate	5.25%	5.25%
Expected long-term rate of return on plan assets	5.25%	5.25%
Rate of compensation increase	3.00%	3.00%

Other information about the defined benefit plan is as follows:

	2017 (\$000's)	2016 (\$000's)
Employer contributions	\$ 25	\$ 24
Employee contributions	10	9
Benefits paid	187	200

Legal Aid Ontario

Notes to Financial Statements

March 31, 2017

12. Pensions (continued)

Supplementary Executive Benefit Plan

The Board of the Corporation has also approved the establishment of a supplementary executive benefit plan for a designated executive member. Under the plan, benefits at retirement are related to years of service and remuneration during the years of employment. The plan is unfunded and the benefits will be paid by the Corporation as they become due. The accounting valuation for the unfunded retirement plan has been performed as at March 31, 2017.

The significant actuarial assumptions adopted in measuring the accrued benefit obligation and expense for the year are as follows:

	2017	2016
	<hr/>	<hr/>
Discount rate	4.00%	4.00%
Inflation	1.50%	1.50%
	<hr/>	<hr/>

The Corporation's pension expense for the year was \$0.1 million (2016 - \$0.4 million). The accrued benefit obligation and the accrued benefit liability as at March 31, 2017 was \$2.25 million (2016 - \$2.27 million). During the year, the Corporation made \$0.10 million (2016 - nil) payments to the plan as benefits to the retiree beginning on April 1, 2016.

	2017 (\$000's)	2016 (\$000's)
	<hr/>	<hr/>
Accrued Pension Asset (Liability)		
Defined Benefit Plan	\$ 606	\$ 661
Supplementary Executive Benefit Plan	(2,253)	(2,274)
	<hr/>	<hr/>
	\$ (1,647)	\$ (1,613)
	<hr/>	<hr/>

Legal Aid Ontario

Notes to Financial Statements

March 31, 2017

13. Contingency Reserve

Section 66(4) of the *Legal Aid Services Act, 1998*, requires the Corporation to maintain a contingency reserve fund as prescribed by Section 6 of Ontario Regulation 107/99. This fund was established on April 1, 1999 with a balance of \$20 million, which was funded by the Corporation. The Regulation also requires the Corporation to obtain advance approval from the Attorney General for any withdrawal beyond \$5 million of this capital amount and for the Corporation to provide the reason why the withdrawal is needed, a schedule for repayment, and a statement of the Corporation's plans for preventing a similar need from arising in the future. During the year, the remaining reserve balance was recognized into revenue.

	2017 (\$000's)	2016 (\$000's)
Balance, beginning of year	\$ 1,400	\$ 6,400
Amounts recognized as revenue	(1,400)	(5,000)
Balance, end of year	\$ -	\$ 1,400

14. Financial Instruments

The Corporation is exposed to various financial risks through transactions in financial instruments.

Credit risk

The Corporation is exposed to credit risk in connection with its accounts and other receivables and its fixed income investments because of the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation. Accounts receivable is recorded net of any allowances for impairment (note 4).

Liquidity risk

The Corporation is exposed to the risk that it will encounter difficulty in meeting obligations associated with its financial liabilities. The Corporation derives a significant portion of its operating revenue from the Ontario government and other funders with no firm commitment of funding in future years. To manage liquidity risk, the Corporation keeps sufficient resources readily available to meet its obligations.

Accounts payable mature within 21 days on certificates. The maturities of other financial liabilities are provided in notes to the financial statements related to these liabilities.

Interest rate risk

The Corporation is exposed to interest rate risk with respect to its investments held at variable interest rates.

At year end LAO had \$5.0 million (2016 - \$30.5 million) invested in Guarantee Investment Certificates (GIC), at the rate of prime (2.7%) minus 1.8% with a maturity date of March 2018.

Legal Aid Ontario**Notes to Financial Statements****March 31, 2017**

15. Comparative Figures

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

60 Renfrew Drive, Suite 300
Markham, ON L3R 0E1
Tel: 905 948-1872 • Fax: 905 948-8011
Toll Free: 1 866 392-5446
www.centrlhlin.on.ca

Management's Responsibility for the Financial Statements

May 30, 2017

The management of the Central Local Health Integration Network is responsible for the preparation and for the integrity and objectivity of the accompanying financial statements and the notes thereto. Management believes that the financial statements present fairly the Central Local Health Integration Network's financial position as at March 31, 2017 and the statements of financial operations, changes in net debt, and cash flows for the year then ended.

The financial statements have been prepared in compliance with legislation and in accordance with Generally Accepted Accounting Principles (GAAP) and Public Sector Accounting Board (PSAB) requirements.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has developed and maintains a system of internal control designed to provide reasonable assurance that Central Local Health Integration Network's assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of financial statements.

The Board of Directors carries out its responsibility for review of the financial statements through its Audit Committee. This committee meets with management and with external auditors to discuss the results of audit examinations and financial reporting matters. The external auditors have full access to the Audit Committee with and without the presence of the management. The Board of Directors of the Central Local Health Integration Network has approved the financial statements.

The financial statements for the year ended March 31, 2017 have been audited and reported on by Deloitte and Touche LLP, independent external auditors appointed by the Board of Directors.



Karin Dschankilic
Senior Director, Performance, Contracts
and Chief Financial Officer



Kim Baker
Chief Executive Officer



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

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Independent Auditor's Report

To the Members of the Board of Directors of the
Central Local Health Integration Network

We have audited the accompanying financial statements of the Central Local Health Integration Network (the "LHIN"), which comprise the statement of financial position as at March 31, 2017, and the statements of operations, change in net debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the LHIN as at March 31, 2017, and the results of its operations, change in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in cursive script that reads "Deloitte LLP".


Chartered Professional Accountants
Licensed Public Accountants
May 30, 2017

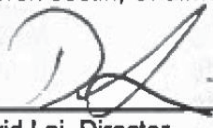
Central Local Health Integration Network

Statement of financial position
as at March 31, 2017

	2017	2016
	\$	\$
Financial assets		
Cash	343,604	380,753
Due from Ministry of Health and Long-Term Care ("MOHLTC")	2,624,828	8,526,855
Accounts receivable	43,704	81,147
	3,012,136	8,988,755
Liabilities		
Accounts payable and accrued liabilities	396,174	470,241
Due to Health Service Providers ("HSPs")	2,624,828	8,526,855
Due to Ministry of Health and Long-Term Care ("MOHLTC") (Note 3)	56,107	36,158
Due to the LHIN Shared Services Office (Note 4)	-	5,856
Deferred capital contributions (Note 5)	109,388	81,579
	3,186,497	9,120,689
Net debt	(174,361)	(131,934)
Commitments (Note 6)		
Non-financial assets		
Prepaid expenses	64,973	50,355
Tangible capital assets (Note 7)	109,388	81,579
	174,361	131,934
Accumulated surplus	-	-

Approved by the Board


Warren Jestin, Chairman of the Board of Directors


David Lai, Director

Central Local Health Integration Network

Statement of operations
year ended March 31, 2017

	Budget (Note 8)	2017 Actual	2016 Actual
	\$	\$	\$
Revenue			
MOHLTC funding			
HSP transfer payments (Note 9)	2,024,497,300	2,113,639,000	2,043,334,690
LHIN Operations and Initiatives			
General and administrative	4,189,100	4,091,994	4,252,574
Emergency Room/Alternative Level of Care ("ER - ALC") Funding	100,000	100,000	100,000
Primary Care Lead	-	68,655	72,000
Aboriginal Initiative	10,000	10,000	10,000
Emergency Department Lead	-	72,000	72,000
French Language Health Services	106,000	106,000	106,000
Critical Care Lead	-	72,000	72,000
Enabling Technologies for Integration			
Project Management Office	-	423,000	406,000
Diabetes Strategy (Note 10)	891,700	857,559	891,710
Patients First (Note 10)	-	180,000	-
Amortization of deferred capital contributions (Note 5)	-	37,513	55,829
Total LHIN Operations and Initiatives	5,296,800	6,018,721	6,038,113
	2,029,794,100	2,119,657,721	2,049,372,803
Expenses			
Transfer payments to HSPs (Note 9)	2,024,497,300	2,113,639,000	2,043,334,690
Operations			
General and administrative (Note 11)	4,189,100	4,091,994	4,252,574
ER - ALC funding (Note 10)	100,000	100,000	100,000
Primary Care Lead (Note 10)	-	68,655	72,000
Aboriginal Initiative (Note 10)	10,000	10,000	10,000
Emergency Department Lead (Note 10)	-	72,000	72,000
French Language Health Services (Note 10)	106,000	106,000	106,000
Critical Care Lead (Note 10)	-	72,000	72,000
Enabling Technologies for Integration			
Project Management Office (Note 10)	-	423,000	406,000
Diabetes Strategy (Note 10)	891,700	857,559	891,710
Patients First (Note 10)	-	180,000	-
Amortization of tangible capital assets (Note 5)	-	37,513	55,829
	2,029,794,100	2,119,657,721	2,049,372,803
Annual surplus	-	-	-
Accumulated surplus, beginning of year	-	-	-
Accumulated surplus, end of year	-	-	-

Central Local Health Integration Network

Statement of change in net debt
year ended March 31, 2017

	2017 Actual	2016 Actual
	\$	\$
Annual surplus	-	-
Acquisition of tangible capital assets	65,322	20,938
Amortization of tangible capital assets	(37,513)	(55,829)
Change in other non-financial assets	14,618	(8,539)
Increase (decrease) in net debt	42,427	(43,430)
Net debt, beginning of year	131,934	175,364
Net debt, end of year	174,361	131,934

Central Local Health Integration Network

Statement of cash flows year ended March 31, 2017

	2017	2016
	\$	\$
Operating transactions		
Annual surplus	-	-
Less items not affecting cash		
Amortization of capital assets	(37,513)	(55,829)
Amortization of deferred capital contributions (Note 5)	37,513	55,829
	-	-
Changes in non-cash operating items		
Due from MOHLTC	5,902,027	2,846,798
Accounts receivable	37,443	12,916
Accounts payable and accrued liabilities	(74,066)	98,009
Due to Central West LHIN	-	(16,882)
Due to the MOHLTC	19,948	9,610
Due to HSPs	(5,902,027)	(2,846,798)
Due to the LHIN Shared Services Office	(5,856)	3,688
Prepaid expenses	(14,618)	8,539
	(37,149)	115,880
Capital transaction		
Acquisition of tangible capital assets	(65,322)	(20,938)
Financing transaction		
Deferred capital contributions received (Note 5)	65,322	20,938
Net (decrease) increase in cash	(37,149)	115,880
Cash, beginning of year	380,753	264,873
Cash, end of year	343,604	380,753

Central Local Health Integration Network

Notes to the financial statements

March 31, 2017

1. Description of business

The Central Local Health Integration Network was incorporated by Letters Patent on June 2, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the Local Health System Integration Act, 2006 (the "Act") as the Central Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The mandate of the LHIN is to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers most of North York, York Region and South Simcoe. The LHIN enters into service accountability agreements with health service providers.

The LHIN has also entered into an accountability agreement with the Ministry of Health and Long Term Care ("MOHLTC"), which provides the framework for LHIN accountabilities and activities.

Commencing April 1, 2007, all funding payments to LHIN managed Health Service Providers have flowed through the LHIN's financial statements. Throughout the years, funding payments authorized by the LHIN to Health Service Providers, are recorded in the LHIN's Financial Statements as revenue from the MOHLTC and as transfer payment expenses to Health Service Providers.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian public sector accounting standards. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues and expenses in the fiscal year that the events giving rise to the revenues or expenses occur, and the revenues and expenses are earned or incurred and measurable. Through the accrual basis of accounting expenses include non-cash items, such as the amortization of tangible capital assets.

Ministry of Health and Long-Term Care Funding

The LHIN is funded by the Province of Ontario in accordance with the Ministry-LHIN Accountability Agreement ("MLAA"), which describes budgetary arrangements established by the MOHLTC. The Financial Statements reflect funding arrangements approved by the MOHLTC. The LHIN cannot authorize payments in excess of the budgetary allocation set by the MOHLTC. Due to the nature of the Accountability Agreement, the LHIN is economically dependent on the MOHLTC.

Transfer payment amounts to Health Service Providers are based on the terms of the Health Service Provider Accountability Agreements with the LHIN, including any amendments made throughout the year. During the year, the LHIN authorizes the transfer of cash to the Health Service Providers. The cash associated with the transfer payment flows directly from the MOHLTC and does not flow through the LHIN bank account.

LHIN Financial Statements do not include transfer payment funds not included in the Ministry-LHIN Accountability Agreement.

Central Local Health Integration Network

Notes to the financial statements

March 31, 2017

2. Significant accounting policies (continued)

Government transfers

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the transfer is authorized and all eligibility criteria have been met.

Transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work.

Deferred capital contributions

Amounts received that are used to fund capital asset purchases are recorded as deferred capital contributions and are recognized as revenue over the useful life of the asset. The amount recorded as revenue in the Statement of Operations is consistent with the amortization expense of the related capital asset.

Tangible capital assets

Expenses greater than \$3,000 with a useful life longer than one year will be capitalized as assets and amortized. The value of the asset is determined on an individual basis, for example each software license, not on the total invoice value. Tangible capital assets are recorded at cost. Cost includes the purchase price of the asset and other acquisition costs such as design, construction, and duties. Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a tangible capital asset are capitalized.

Tangible capital assets are stated at cost less accumulated amortization. Tangible capital assets are amortized over their estimated useful lives as follows:

Computer equipment and development	3 years straight-line method
Leasehold improvements	Life of lease straight-line method
Office furniture and fixtures	5 years straight-line method

Use of estimates

The preparation of financial statements in conformity with Canadian Public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimate and assumptions include valuation of accrued liabilities and useful lives of the tangible capital assets. Actual results could differ from those estimates.

Segment disclosures

A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the Statement of Operations and within the related notes for both the prior and current year sufficiently disclose information of all appropriate segments and, therefore, no additional disclosure is required.

Central Local Health Integration Network

Notes to the financial statements

March 31, 2017

3. Funding repayable to the MOHLTC

In accordance with the MLAA, the LHIN is required to be in a balanced position at year end. Revenue has only been recognized to the extent that eligible expenses have been incurred. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

Funding repayable to the MOHLTC is as follows:

	2017						2016
	Funding received	Transferred to deferred capital contribution	Revenue recognized	Repayable for the FY	Repaid in the FY	Net Balance Repayable	Repayable
	\$	\$	\$	\$	\$	\$	\$
Balance, beginning of year	-	-	-	-	-	36,158	26,548
Transfer payments to HSPs	2,113,639,000	-	2,113,639,000	-	-	-	-
Operations	4,156,682	65,322	4,091,994	-	634	(634)	610
Initiatives	1,486,796	-	1,466,214	46,496	25,914	20,583	9,000
Deferred capital contributions	-	-	37,513	-	-	-	-
Enabling Technologies (Note 4)	423,000	-	423,000	-	-	-	-
	2,119,705,478	65,322	2,119,657,721	46,496	26,548	56,107	36,158

4. Related party transactions

LHIN Shared Services Offices, LHIN Collaborative, Health Shared Services Ontario

The LHIN Shared Services Office (the "LSSO") was a division of the Toronto Central LHIN and was subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO, on behalf of the LHINs was responsible for providing services to all LHINs. The full costs of providing these services was billed to all the LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHIN as at February 28, 2017 were recorded as a receivable (payable) from (to) the LSSO. This was done pursuant to the shared service agreement the LSSO has with all the LHINs.

The LHIN Collaborative (the "LHINC") was formed in fiscal 2010 to strengthen relationships between and among health service providers, associations and the LHINs, and to support system alignment. The purpose of LHINC was to support the LHINs in fostering engagement of the health service provider community in support of collaborative and successful integration of the health care system; their role as system manager; where appropriate, the consistent implementation of provincial strategy and initiatives; and the identification and dissemination of best practices. LHINC was a LHIN-led organization and accountable to the LHINs. LHINC was funded by the LHINs with support from the MOHLTC.

During the year, the LHIN made payments to LSSO and LHINC of \$383,073 (2016 - \$429,164).

Effective February 28, 2017 pursuant to a transfer agreement between Toronto Central LHIN and Health Service Shared Services Ontario (HSSO) responsibility for the shared services previously provided by the LSSO and the LHINC was transferred to HSSO. HSSO is a provincial agency established January 1, 2017 with objects to provide shared services to LHIN's in areas that include human resources management, logistics, finance and administration and procurement. HSSO as a provincial agency is subject to legislation, policies and directives of the Government of Ontario and the Memorandum of Understanding between HSSO and the Minister of Health and Long Term Care.

Central Local Health Integration Network

Notes to the financial statements

March 31, 2017

4. Related party transactions (continued)

Enabling Technologies for Integration Project Management Office

Effective February 1, 2012, the LHIN entered into an agreement with Central, Central West, Central East, Toronto Central, Mississauga Halton and North Simcoe Muskoka (the "Cluster") in order to enable the effective and efficient delivery of e-health programs and initiatives within the geographic area of the Cluster. Under the agreement, decisions related to the financial and operating activities of the Enabling Technologies for Integration Project Management Office are shared. No LHIN is in a position to exercise unilateral control.

The LHIN's financial statement reflects its share of the MOHLTC funding for Enabling Technologies for Integration Project Management Offices for its Cluster and related expenses. During the year, the LHIN received funding from Central West LHIN of \$423,000 (2016 - \$406,000).

5. Deferred capital contributions

	2017	2016
	\$	\$
Balance, beginning of year	81,579	116,470
Capital contributions received during the year	65,322	20,938
Amortization for the year	(37,513)	(55,829)
	109,388	81,579

6. Commitments

The LHIN has commitments under various operating leases as follows:

	Office space	Equipment	Total
	\$	\$	\$
2018	398,201	988	399,189
2019	412,878	-	412,878
2020	34,493	-	34,493

The LHIN enters into accountability agreements with Health Service Providers which include planned funding targets. The actual funding provided by the LHIN is contingent on the MOHLTC providing the funding.

7. Tangible capital assets

	2017		2016
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Office furniture and fixtures	536,345	435,603	100,742
Computer equipment	23,126	22,610	516
Leasehold improvements	77,710	69,580	8,130
	637,181	527,793	109,388

Central Local Health Integration Network

Notes to the financial statements

March 31, 2017

8. Budget figures

Budget amounts have been reported in the Statement of Operations to comply with PSAB reporting requirements and reflect the initial budget at April 1, 2016. The budgets were approved by the Government of Ontario.

	2017	2016
	\$	\$
LHIN total budget	2,029,794,100	1,933,591,400
Less Health Service Provider budget (a)	(2,024,497,300)	(1,928,276,400)
LHIN operating budget (b)	5,296,800	5,315,000

a) Health Service Provider budget

	\$
Initial HSP budget	2,024,497,300
Adjustments due to announcements made during the year	91,714,646
	2,116,211,946

The total budget by sector is as follows:

Hospitals	1,260,963,136
Long Term Care Homes	348,667,356
Community Care Access Centres	318,492,455
Community Support Services	92,142,149
Community Health Centres	12,947,162
Community Mental Health and Addictions	82,791,022
Initiatives	208,666
Total budget	2,116,211,946

b) LHIN operating budget

	\$
Initial budget as reported on the statement of operations	5,296,800
Additional funding received in-year	833,739
Funding for capital asset purchased transferred to deferred capital contributions	(65,322)
Closing budget	6,065,217

Central Local Health Integration Network

Notes to the financial statements

March 31, 2017

9. Transfer payments to Health Service Providers

The LHIN authorized transfer payments of \$2,113,639,000 (2016 - \$\$2,043,334,690) to the following sectors:

	2017	2016
	\$	\$
Hospitals	1,259,701,164	1,218,995,581
Long Term Care Homes	347,927,561	342,124,263
Community Care Access Centres	318,610,800	297,796,041
Community Support Services	92,076,075	86,646,598
Community Mental Health and Addictions	82,431,488	85,446,137
Community Health Centres	12,891,912	12,326,070
	2,113,639,000	2,043,334,690

10. Initiatives

The LHIN received funds for various initiatives listed in the Statement of Operations. The following table classifies the expenses by object:

	2017	2016
	\$	\$
Salaries and benefits	1,502,923	1,224,287
Professional services	221,540	256,924
Shared services	26,719	102,572
Occupancy	91,379	94,615
Public relations and community engagement	15,300	12,143
Supplies	9,905	22,560
Mail, courier and telecommunications	6,072	11,300
Other	15,376	5,309
	1,889,214	1,729,710

Diabetes strategy expenses included in the above table are as follows:

	2017	2016
	\$	\$
Salaries and benefits	783,783	697,928
Others	73,776	193,782
	857,559	891,710

Central Local Health Integration Network

Notes to the financial statements

March 31, 2017

11. General and administrative expenses

The Statement of Operations presents the expenses by function. The following table classifies the general and administrative expenses by object:

	2017	2016
	\$	\$
Salaries and benefits	3,083,917	3,330,211
Shared services	356,354	326,592
Occupancy	240,307	240,414
Supplies	171,476	109,591
Board expenses (see below)	98,624	82,216
Community engagement	24,173	38,912
Professional services	16,875	25,123
Mail, courier and telecommunications	20,085	13,892
Other	80,182	85,623
	4,091,994	4,252,574

Board expenses included in general operating expenses above include per diem costs and other Board expenses as follows:

	2017	2016
	\$	\$
Board Chair per diem expense	18,725	15,925
Other Board members per diem expense	38,775	30,725
Governance costs and travel	41,124	35,566
	98,624	82,216

12. Pension agreements

The LHIN makes contributions to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 35 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2017 was \$418,654 (2016 - \$374,241) for current service costs and is included as an expense in the 2017 Statement of Financial Operations. The last actuarial valuation was completed for the plan as of December 31, 2016. At that time, the plan was fully funded.

13. Guarantees

The LHIN is subject to the provisions of the Financial Administration Act. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the Financial Administration Act and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the Local Health System Integration Act, 2006 and in accordance with s. 28 of the *Financial Administration Act*.

Central Local Health Integration Network

Notes to the financial statements

March 31, 2017

14. Subsequent event

On April 3, 2017 the Minister of Health and Long-Term Care made an order under the provisions of the Local Health System Integration Act, 2006, as amended by the Patients First Act, 2016 to require the transfer of all assets, liabilities, rights and obligations of the Central Community Care Access Centre the (CCAC), to the Central LHIN, including the transfer of all employees of the Central CCAC.

Effective June 7, 2017 the LHIN will assume the responsibility to provide health and related social services and supplies and equipment for the care of persons in home, community and other settings and to provide goods and services to assist caregivers in the provision of care for such persons, to manage the placement of persons into long-term care homes, supportive housing programs, chronic care and rehabilitation beds in hospitals, and other programs and places where community services are provided under the Home Care and Community Services Act, 1994 and to provide information to the public about, and make referrals to, health and social services.

Central East LHIN | RLISS du Centre-Est

Harwood Plaza
314 Harwood Avenue South,
Suite 204A
Ajax, ON L1S 2J1
Tel: 905 427-5497
Fax: 905 427-9659
Toll Free: 1 866 804-5446
www.centraleasthin.on.ca

Harwood Plaza
314, avenue Harwood Sud
Bureau 204A
Ajax, ON L1S 2J1
Téléphone : 905 427-5497
Sans frais : 1 866 804-5446
Télécopieur : 905 427-9659
www.centraleasthin.on.ca

Responsibility for the Financial Statements

March 31, 2017

The integrity and objectivity of the accompanying financial statements of the Central East Local Health Integration Network ("the LHIN") is the responsibility of management. These financial statements have been prepared by management in compliance with legislation and in accordance with Canadian Generally Accepted Accounting Principles and, where appropriate, include amounts based on management's best estimates and judgments.

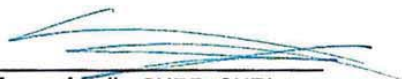
Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for the preparation of the financial statements. These systems are monitored and evaluated by management, the Audit Committee and Board of Directors.

Management meets with the external auditors and the Board of Directors to review the financial statements and discuss any significant financial reporting or internal control matters prior to approval of the financial statements.

The financial statements have been audited by Deloitte LLP, independent external auditors appointed by the Board of Directors.



Deborah Hammons
Chief Executive Officer



Marco Aguila CHRP, CHRL
Director, Corporate Services/Controller



Ontario

Local Health Integration
Network
Réseau local d'intégration
des services de santé



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

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Independent Auditor's Report

To the Members of the Board of Directors of the
Central East Local Health Integration Network

We have audited the accompanying financial statements of the Central East Local Health Integration Network (the "LHIN"), which comprise the statement of financial position as at March 31, 2017, and the statements of operations, change in net debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the LHIN as at March 31, 2017, and the results of its operations, change in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants
Licensed Public Accountants
May 24, 2017

Central East Local Health Integration Network

Statement of financial position
as at March 31, 2017

	2017	2016
	\$	\$
Financial assets		
Cash	354,998	521,950
Due from Ministry of Health and Long-Term Care ("MOHLTC") (Note 9)	2,458,900	1,606,348
Accounts receivable	65,951	26,831
	2,879,849	2,155,129
Liabilities		
Accounts payable and accrued liabilities	307,298	438,217
Due to LSSO (Note 4)	-	7,801
Due to HSSO (Note 4)	3,338	-
Due to Health Service Providers ("HSP") (Note 9)	2,458,900	1,606,348
Due to MOHLTC (Note 3b)	84,268	137,108
Due to Central West LHIN (Notes 3c, 4)	51,584	-
Deferred capital contributions (Note 5)	83,787	112,366
	2,989,175	2,301,840
Net debt	(109,326)	(146,711)
Commitments (Note 6)		
Non-financial assets		
Prepaid expenses	25,539	34,345
Tangible capital assets (Note 7)	83,787	112,366
	109,326	146,711
Accumulated surplus	-	-

Approved by the Board



Louis O'Brien, Board Chair



Amorell Saunders N'Daw, Vice Chair

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

Central East Local Health Integration Network

Statement of financial operations
year ended March 31, 2017

	Budget (Note 8)	2017 Actual	2016 Actual
	\$	\$	\$
Revenue			
Ministry of Health and Long-Term Care ("MOHLTC") funding			
Health Service Provider ("HSP") transfer payments (Note 9)	2,233,203,950	2,288,396,677	2,228,309,856
Operations of LHIN	4,534,130	4,487,883	4,491,739
Project Initiatives			
Emergency Department ("ED") Lead	75,000	75,000	75,000
Emergency Room/Alternative Level of Care	100,000	100,000	100,000
Patients First Transition Planning and Implementation	-	180,000	-
Aboriginal Planning	20,000	20,000	20,000
Enabling Technologies	383,000	383,000	406,892
Critical Care	75,000	75,000	75,000
French Language Services	106,000	106,000	106,000
Diabetes & Vascular Health	824,475	824,475	842,070
Primary Care	75,000	75,000	75,000
Amortization of deferred capital contributions (Note 5)	-	74,826	81,943
	2,239,396,555	2,294,797,861	2,234,583,500
Funding repayable to the MOHLTC (Note 3a)	-	(80,459)	(55,393)
	2,239,396,555	2,294,717,402	2,234,528,107
Expenses			
Transfer payments to HSPs (Note 9)	2,233,203,950	2,288,396,677	2,228,309,856
General and administrative (Note 11)	4,534,130	4,552,834	4,564,544
Project Initiatives (Note 10)			
ED Lead	75,000	72,000	72,000
ER/ALC	100,000	100,000	74,745
Patients First Transition Planning and Implementation	-	180,000	-
Aboriginal Planning	20,000	20,000	20,000
Enabling Technologies	383,000	331,416	406,892
Critical Care	75,000	72,000	72,000
French Language Services	106,000	96,000	106,000
Diabetes & Vascular Health	824,475	824,475	842,070
Primary Care	75,000	72,000	60,000
	2,239,396,555	2,294,717,402	2,234,528,107
Annual surplus and accumulated surplus, end of year	-	-	-

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

Central East Local Health Integration Network

Statement of change in net debt
year ended March 31, 2017

	Budget	2017 Actual	2016 Actual
	\$	\$	\$
Annual surplus	-	-	-
Acquisition of tangible capital assets	-	(46,247)	(24,796)
Amortization of tangible capital assets	-	74,826	81,943
Change in other non-financial assets	-	8,806	5,292
Decrease in net debt	-	37,385	62,439
Net debt, beginning of year	-	(146,711)	(209,150)
Net debt, end of year	-	(109,326)	(146,711)

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

Central East Local Health Integration Network

Statement of cash flows year ended March 31, 2017

	2017	2016
	\$	\$
Operating transactions		
Annual surplus	-	-
Less items not affecting cash		
Amortization of tangible capital assets	74,826	81,943
Amortization of deferred capital contributions (Note 5)	(74,826)	(81,943)
	-	-
Changes in non-cash operating items		
Due from MOHLTC	(852,552)	3,505,382
Accounts receivable	(39,120)	28,097
Accounts payable and accrued liabilities	(130,919)	2,844
Due to LSSO	(7,801)	2,685
Due to HSSO	3,338	-
Due to HSPs	852,552	(3,505,382)
Due to the MOHLTC	(52,840)	55,393
Due to Central West LHIN	51,584	(25,892)
Prepaid expenses	8,806	5,292
	(166,952)	68,419
Capital transaction		
Acquisition of tangible capital assets	(46,247)	(24,796)
Financing transaction		
Capital contributions received (Note 5)	46,247	24,796
Net (decrease) increase in cash	(166,952)	68,419
Cash, beginning of year	521,950	453,531
Cash, end of year	354,998	521,950

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

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2017

1. Description of business

The Local Health Integration Network was incorporated by Letters Patent on June 2, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the *Local Health System Integration Act, 2006* (the "Act") as the Central East Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The Central East LHIN ("CE LHIN") is a mix of urban and rural geography and is the sixth-largest LHIN in land area in Ontario (16,673 km²). In densely populated urban cities, suburban towns, rural farm communities, cottage country villages and remote settlements, the Central East LHIN stretches from Victoria Park to Algonquin Park. The neighbourhoods in our planning zones boast a rich diversity of community values, ethnicity, language and socio-demographic characteristics. The LHIN has also entered into an accountability agreement with the Ministry of Health and Long Term Care ("MOHLTC"), which provides the framework for LHIN accountabilities and activities.

The LHIN is funded by the Province of Ontario in accordance with the Ministry LHIN Accountability Agreement ("MLAA"), which describes budget arrangements established by the MOHLTC. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC. The LHIN assumed responsibility to authorize transfer payments to HSPs, effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account.

The LHIN's financial statements do not include any MOHLTC managed programs.

The Central East LHIN is also funded by eHealth Ontario in accordance with the eHealth Ontario - LHIN Transfer Payment Agreement ("TPA"), which describes budget arrangements established by eHealth Ontario. These financial statements reflect agreed funding arrangements approved by eHealth Ontario. The Central East LHIN cannot authorize an amount in excess of the budget allocation set by eHealth Ontario.

Commencing April 1, 2007, all funding payments to LHIN managed health service providers in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized Health Service Providers ("HSP") are expensed in the LHIN's financial statements.

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2017

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian public sector accounting standards. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable, expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of tangible capital assets.

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and the reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at period end.

Funding payments to Health Service Providers in the LHIN geographic area flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized Health Service Providers ("HSPs") are expensed in the LHIN's financial statements for the year ended March 31, 2017.

Deferred capital contributions

Any amounts received that are used to fund expenses that are recorded as tangible capital assets, are recorded as deferred capital contributions and are recognized as revenue over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the Statement of Operations, is in accordance with the amortization policy applied to the related tangible capital asset recorded.

Tangible capital assets

Tangible capital assets are recorded at historic cost. Historic cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of tangible capital assets. The cost of tangible capital assets contributed is recorded at the estimated fair value on the date of contribution. Fair value of contributed tangible capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the tangible capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a capital asset are capitalized. Computer software is recognized as an expense when incurred.

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives as follows:

Computer equipment	3 years straight-line method
Leasehold improvements	Life of lease straight-line method
Office furniture and fixtures	5 years straight-line method

For assets acquired or brought into use during the year, amortization is provided for a full year.

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2017

2. Significant accounting policies (continued)

Segment disclosures

A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the Statement of Operations and within the related notes for both the prior and current year sufficiently discloses information of all appropriate segments and, therefore, no additional disclosure is required.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimate and assumptions include valuation of accrued liabilities and useful lives of the tangible capital assets. Actual results could differ from those estimates.

3. Funding repayable to the MOHLTC

In accordance with the TPA, the Central East LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC or to eHealth Ontario, respectively.

- a) The amount repayable to the MOHLTC related to current year activities is made up of the following components:

			2017	2016
	Funding received	Eligible expenses	Excess funding	Excess funding
	\$	\$	\$	\$
Transfer payments to HSPs	2,288,396,677	2,288,396,677	-	-
LHIN operations	4,562,709	4,552,834	9,875	26,733
ER/ALC	100,000	100,000	-	25,255
ED/Lead	75,000	72,000	3,000	3,000
Critical Care	75,000	72,000	3,000	3,000
Patients First Transition Planning and Implementation	180,000	180,000	-	-
Aboriginal Planning	20,000	20,000	-	-
French Language Services	106,000	96,000	10,000	-
Diabetes and Vascular Health	824,475	824,475	-	(17,595)
Primary Care Lead	75,000	72,000	3,000	15,000
Repayable directly to MOHLTC	2,294,414,861	2,294,385,986	28,875	55,393
Enabling technologies repayable to MOHLTC through Central West LHIN	383,000	331,416	51,584	-
	2,294,797,861	2,294,717,402	80,459	55,393

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2017

3. Funding repayable to the MOHLTC (continued)

b) The amount due to the MOHLTC at March 31 is made up as follows:

	2017	2016
	\$	\$
Due to MOHLTC, beginning of year	137,108	81,715
Recovery by MOHLTC during the year	(81,715)	-
Funding repayable to the MOHLTC related to current year activities (Note 3a)	28,875	55,393
Due to MOHLTC, end of year	84,268	137,108

c) The LHIN's financial statement reflects its share of the MOHLTC funding for Enabling Technologies for Integration Project Management Offices for its Cluster and related expenses.

The following provides condensed financial information:

	2017	2016
	\$	\$
Revenue	383,000	406,892
Expenses	331,416	406,892
Accumulated surplus due to the Central West LHIN	51,584	-

4. Related party transactions

LHIN Shared Service Office, LHINC Collaborative and Health Shared Services Ontario

The LHIN Shared Services Office (the "LSSO") was a division of the Toronto Central LHIN and was subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO, on behalf of the LHINs was responsible for providing services to all LHINs. The full costs of providing these services was billed to all the LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHIN as at February 28, 2017 were recorded as a receivable (payable) from (to) the LSSO. This was done pursuant to the shared service agreement the LSSO has with all the LHINs.

The LHIN Collaborative (the "LHINC") was formed in fiscal 2010 to strengthen relationships between and among health service providers, associations and the LHINs, and to support system alignment. The purpose of LHINC was to support the LHINs in fostering engagement of the health service provider community in support of collaborative and successful integration of the health care system; their role as system manager; where appropriate, the consistent implementation of provincial strategy and initiatives; and the identification and dissemination of best practices. LHINC was a LHIN-led organization and accountable to the LHINs. LHINC was funded by the LHINs with support from the MOHLTC.

Effective February 28, 2017 pursuant to a transfer agreement between Toronto Central LHIN and Health Service Shared Services Ontario (HSSO) responsibility for the shared services previously provided by the LSSO and the LHINC was transferred to HSSO. HSSO is a provincial agency established January 1, 2017 by O. Reg. 456/16 made under LHSIA with objects to provide shared services to LHINs in areas that include human resources management, logistics, finance and administration and procurement. HSSO as a provincial agency is subject to legislation, policies and directives of the Government of Ontario and the Memorandum of Understanding between HSSO and the Minister of Health and Long Term Care.

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2017

4. Related party transactions (continued)

Enabling Technologies for Integrated Project Management Office

Effective February 1, 2012, the LHIN entered into an agreement with Central, Central West, Toronto Central, Mississauga Halton and North Simcoe Muskoka LHINs (the "Cluster") in order to enable the effective and efficient delivery of e-health programs and initiatives within the geographic area of the Cluster. Under the agreement, decisions related to the financial and operating activities of the Enabling Technologies for Integration Project Management Office are shared. No LHIN is in a position to exercise unilateral control.

The LHIN's financial statement reflects its share of the MOHLTC funding for Enabling Technologies for Integration Project Management Office for its Cluster and related expenses. During the year, the LHIN received funding from the Central West LHIN of \$383,000 (2016 - \$406,892).

5. Deferred capital contributions

	2017	2016
	\$	\$
Balance, beginning of year	112,366	169,513
Capital contributions received	46,247	24,796
Amortization	(74,826)	(81,943)
Balance, end of year	83,787	112,366

6. Commitments

The LHIN has commitments under various operating leases related to building and equipment. Lease renewals are likely. Minimum lease payments due to October 31, 2020 are as follows:

	\$
2018	257,948
2019	260,254
2020	263,481
2021	153,698
	935,381

The LHIN also has funding commitments to HSPs associated with accountability agreements. The Transfer Payment Planning Targets to HSPs based on the current accountability agreements are as follows:

	\$
2018	2,268,310,703
2019	2,267,805,995

The actual amounts which will ultimately be paid are contingent upon actual LHIN funding received from the MOHLTC.

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2017

7. Tangible capital assets

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office furniture and fixtures	757,176	(729,650)	27,526	74,691
Computer equipment	413,989	(370,884)	43,105	28,904
Leasehold improvements	668,028	(654,872)	13,156	8,771
	<u>1,839,193</u>	<u>(1,755,406)</u>	<u>83,787</u>	<u>112,366</u>

8. Budget figures

The budgets were approved by the Government of Ontario. The budget figures reported in the Statement of Operations reflect the initial budget at April 1, 2016. The figures have been reported for the purposes of these statements to comply with PSAB reporting requirements. During the year the government approved budget adjustments. The following reflects the adjustments for the LHIN during the year:

The total HSP funding budget of \$2,288,396,677 is made up of the following:

	\$
Initial HSP funding budget	2,233,203,950
Additional funding due to announcements made during the year	<u>55,192,727</u>
Total HSP funding budget	<u>2,288,396,677</u>

The total revised operating budget of \$6,372,605 is made up of the following:

	\$
Initial budget as represented on the statement of financial activities	6,192,605
Additional funding received for one time initiatives	
Patients First Transition Planning and Implementation	<u>180,000</u>
Total budget	<u>6,372,605</u>

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2017

9. Transfer payments to HSPs

The LHIN has authorization to allocate the funding of \$2,288,396,677 (2016 - \$2,228,309,856) to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors in 2017 as follows:

	2017	2016
	\$	\$
Operation of hospitals	1,232,517,651	1,214,275,231
Grants to compensate for municipal taxation - public hospitals	280,275	280,275
Long term care homes	453,784,761	444,462,828
Community care access centres	311,112,562	290,035,602
Community support services	55,845,293	51,361,299
Assisted living services in supportive housing	15,968,925	15,446,254
Community health centres	30,520,928	29,799,929
Community mental health addictions program	66,738,936	63,353,629
Specialty psychiatric hospitals	120,003,326	117,692,037
Acquired brain injury	1,597,695	1,576,447
Grants to compensate for municipal taxation - psychiatric hospitals	26,325	26,325
	2,288,396,677	2,228,309,856

The LHIN also received \$323,438 (2016 - \$323,438) in base funding to support the Centralized Diabetes Intake Service, as part of the Regional Coordination of Diabetes Services function and allocated the full amount to the Central East Community Care Access Centre (CECCAC).

The LHIN receives money from the MOHLTC and in turn allocates it to the HSPs. As at March 31, 2017, an amount of \$2,458,900 (2016 - \$1,606,348) was receivable from the MOHLTC and payable to HSPs. These amounts have been reflected as revenue and expenses in the statement of operations and are included in the table above.

10. Project Initiatives

The LHIN received funds for various project initiatives listed in the Statement of Operations. The following table classifies the initiatives expenses incurred by object:

a) Initiatives expenses

	2017	2016
	\$	\$
Consulting services	288,000	276,000
Salaries and benefits	1,306,519	1,037,608
Public relations and community engagement	-	1,500
Meetings	3,528	1,213
Supplies and other	-	-
Mail, courier and telecommunications	-	-
Other	169,844	337,386
	1,767,891	1,653,707

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2017

10. Project Initiatives (continued)

b) Diabetes & Vascular Health

The LHIN received funding of \$824,475 (2016 - \$824,475 base funding). Expenses incurred of \$824,070 which are included in the table above are made up as follows:

	Budget 2017	Actual 2017	Actual 2016
	\$	\$	\$
Salaries and benefits	704,000	705,684	702,909
Others	120,475	118,791	139,161
	824,475	824,475	842,070

11. General and administrative expenses

The Statement of operations presents the expenses by function, the following classifies these same expenses by object:

	2017	2016
	\$	\$
Salaries and benefits	3,417,881	3,372,126
Occupancy	301,426	266,604
Amortization	74,828	81,943
Shared services	411,366	426,342
Community engagement	11,792	11,490
Consulting services	43,031	53,730
Supplies	74,506	69,523
Board member expenses	116,976	94,175
Mail, courier and telecommunications	2,065	1,514
Other	98,963	187,097
	4,552,834	4,564,544

Included in board member expenses are Board per diems and expenses as follows:

	Budget 2017	Actual 2017	Actual 2016
		\$	\$
Board chair per diem expense	50,000	35,050	28,000
Other board members per diem expenses	74,000	50,675	44,650
Governance costs and travel	35,000	31,251	21,525
Total expenses	159,000	116,976	94,175

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2017

12. Pension agreements

The LHIN makes contributions to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 42 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2017 was \$354,366_ (2016 - \$319,691) for current service costs and is included as an expense in the Statement of Operations. The last actuarial valuation of the plan was completed for the plan as of December 31, 2016. At that time, the plan was fully funded.

13. Guarantees

The LHIN is subject to the provisions of the Financial Administration Act. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the Financial Administration Act and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the Local Health System Integration Act, 2006 and in accordance with s. 28 of the Financial Administration Act.

14. Subsequent event

On April 3, 2017 the Minister of Health and Long-Term Care made an order under the provisions of the Local Health System Integration Act, 2006, as amended by the Patients First Act, 2016 to require the transfer of all assets, liabilities, rights and obligations of the Central East Community Care Access Centre the (CCAC), to the LHIN, including the transfer of all employees of the CCAC.

Effective June 21, 2017 the LHIN will assume the responsibility to provide health and related social services and supplies and equipment for the care of persons in home, community and other settings and to provide goods and services to assist caregivers in the provision of care for such persons, to manage the placement of persons into long-term care homes, supportive housing programs, chronic care and rehabilitation beds in hospitals, and other programs and places where community services are provided under the Home Care and Community Services Act, 1994 and to provide information to the public about, and make referrals to, health and social services.

Central West LHIN | RLISS du Centre-Ouest



8 Nelson Street West, Suite 300
Brampton, ON L6X 4J2
Tel: 905 455-1281
Fax: 905 455-0427
Toll Free: 1 866 370-5446
www.centralwestlhin.on.ca



8, rue Nelson Ouest, bureau 300
Brampton, ON L6X 4J2
Téléphone : 905 455-1281
Sans frais : 1 866 370-5446
Télécopieur : 905 455-0427
www.rlisscentre-ouest.on.ca

May 24, 2017

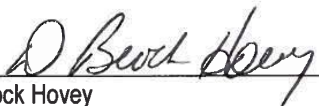
Central West Local Health Integration Network (Central West LHIN)**Management Responsibility for Financial Information**

Management and the Board of Directors are responsible for the financial statements and all other information presented in the Annual Report. The financial statements for the year ending March 31, 2017 have been prepared by Management in accordance with Public Sector Accounting Standards (PSAS) and, where appropriate, include amounts based on Management's best estimates and judgment. Management is responsible for the integrity and objectivity of these financial statements. The financial information presented elsewhere in the 2016-17 Annual Report is consistent with that in the financial statements in all material respects.

The Central West Local Health Integration Network is dedicated to the highest standards of integrity in its business. To safeguard the Central West LHIN's assets and assure the reliability of financial information, the Central West LHIN follows sound management practices and procedures, and maintains appropriate information systems and internal financial controls.

The Board of Directors ensures that Management fulfills its responsibilities for financial information and internal controls. The financial statements have been reviewed by the Central West LHIN Board Finance and Audit Committee and approved by the Board of Directors.

Deloitte, the independent auditors appointed by the Board of Directors, have been engaged to conduct an examination of the financial statements in accordance with Public Sector Accounting Standards and have expressed their opinion on these statements. During the course of their audit, Deloitte reviewed the LHINs system of internal controls to the extent necessary to render their opinion on the financial statements. The Auditor's Report outlines the scope of the Auditor's examination and opinion.


Brock Hovey
Senior Director, Health System Performance


Scott McLeod
Chief Executive Officer



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

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Independent Auditor's Report

To the Members of the Board of Directors of the
Central West Local Health Integration Network

We have audited the accompanying financial statements of Central West Local Health Integration Network, which comprise the statement of financial position as at March 31, 2017, and the statements of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Central West Local Health Integration network as at March 31, 2017 and the results of its operations, changes in its net debt, and its cash flows for the years then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.


Chartered Professional Accountants
Licensed Public Accountants
May 24, 2017

Central West Local Health Integration Network

Statement of financial position as at March 31, 2017

	2017	2016
	\$	\$
Financial assets		
Cash	1,617,589	1,251,774
Accounts receivable		
Ministry of Health and Long-Term Care ("MOHLTC") - Health Service Providers ("HSP")	3,937,890	439,533
Due from other LHINs - Enabling Technologies for Integration (Note 3b)	63,414	8,666
Due from LHIN Shared Services Office (Note 4)	-	31,237
Other	102,730	105,905
	5,721,623	1,837,115
Liabilities		
Accounts payable and accrued liabilities	746,523	770,676
Due to MOHLTC (Note 3c)	974,005	624,171
Due to HSP	3,937,890	439,533
Due to the Health Shared Services Ontario (Note 4)	3,632	-
Due to other LHIN	147,557	11,339
Deferred capital contributions (Note 5)	16,538	17,012
	5,826,145	1,862,731
Net debt	(104,522)	(25,616)
Commitments (Note 6)		
Non-financial assets		
Prepaid expenses	87,984	8,604
Tangible capital assets (Note 7)	16,538	17,012
	104,522	25,616
Accumulated surplus	-	-

Approved by the Board



(Maria Britto) Director



(Adrian Bitto) Director

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

Central West Local Health Integration Network

Statement of operations
year ended March 31, 2017

	Budget (Note 8)	2017 Actual	2016 Actual
	\$	\$	\$
Revenue			
MOHLTC funding			
Health Service Provider ("HSP") transfer payments (Note 9)	879,449,275	926,396,097	883,716,367
Operations of LHIN	4,181,828	4,128,349	4,141,827
Project Initiatives			
Enabling Technologies for Integration			
Project Management Office	-	3,060,000	3,060,000
French Language Services	106,000	106,000	106,000
ER/ALC Performance Lead	100,000	100,000	100,000
Emergency Department Lead	-	75,000	75,000
Aboriginal Health	7,500	7,500	7,500
Primary Care Lead	-	75,000	75,000
Critical Care Lead	-	75,000	75,000
Diabetes Regional Coordination	839,175	839,175	839,175
Patients First Transition Planning and Implementation	-	180,000	-
Patients First Pan-LHIN Support for Planning and Implementation	-	178,680	-
Amortization of deferred capital contributions (Note 5)	-	22,149	21,336
	884,683,778	935,242,950	892,217,205
eHealth-Enabling Technologies for Integration allocated to LHIN's (Note 3b)	-	(1,915,863)	(1,877,630)
Funding repayable to the MOHLTC (Note 3a)	-	(564,664)	(409,341)
	884,683,778	932,762,423	889,930,234
Expenses			
Transfer payments to HSPs (Note 9)	879,449,275	926,396,097	883,716,367
General and administrative (Note 11)	4,181,828	4,149,761	4,128,891
Project Initiative (Note 10)			
Enabling Technologies for Integration			
Project Management Office	-	914,033	912,074
French Language Services	106,000	106,000	106,000
ER/ALC Performance Lead	100,000	100,000	100,000
Emergency Department Lead	-	72,000	72,000
Aboriginal Health	7,500	7,003	5,278
Primary Care Lead	-	72,000	69,769
Critical Care Lead	-	72,000	72,000
Diabetes Regional Coordination	839,175	693,098	747,855
Patients First Transition Planning and Implementation	-	125,318	-
Patients First Pan-LHIN Support for Planning and Implementation	-	55,113	-
	884,683,778	932,762,423	889,930,234
Annual surplus	-	-	-
Accumulated surplus, beginning of year	-	-	-
Accumulated surplus, end of year	-	-	-

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

Central West Local Health Integration Network

Statement of changes in net debt
year ended March 31, 2017

	2017	2016
	\$	\$
Annual surplus	-	-
Acquisition of tangible capital assets	(21,675)	-
Amortization of tangible capital assets	22,149	21,336
Change in other non-financial assets	(79,380)	5,553
(Increase) decrease in net debt	(78,906)	26,889
Net debt, beginning of year	(25,616)	(52,505)
Net debt, end of year	(104,522)	(25,616)

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

Central West Local Health Integration Network

Statement of cash flows
year ended March 31, 2017

	2017	2016
	\$	\$
Operating transactions		
Annual surplus	-	-
Less items not affecting cash		
Amortization of capital assets	22,149	21,335
Amortization of deferred capital contributions (Note 5)	(22,149)	(21,335)
Changes in non-cash operating items		
Accounts receivable - MOHLTC	(3,498,357)	6,341,726
Due to the MOHLTC	349,832	409,341
Due to HSP's	3,498,357	(6,341,726)
Due from other LHINs	(23,511)	80,852
Due from LHIN Shared Services Office	-	(31,237)
Accounts receivable - other	3,176	(27,549)
Prepaid expenses	(79,379)	5,553
Accounts payable and accrued liabilities	(24,153)	98,756
Due to Other LHIN	136,218	11,339
Due to Health Shared Services Ontario	3,632	-
Due to the LHIN Shared Services Office	-	(1,426)
	365,815	545,629
Capital transaction		
Acquisition of capital assets	(21,675)	-
Financing transaction		
Deferred capital contributions (Note 5)	21,675	-
Net increase in cash	365,815	545,629
Cash, beginning of year	1,251,774	706,145
Cash, end of year	1,617,589	1,251,774

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

Central West Local Health Integration Network

Notes to the financial statements

March 31, 2017

1. Description of business

The Central West Local Health Integration Network was incorporated by Letters Patent on June 9, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the Local Health System Integration Act, 2006 (the "Act") as the Central West Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers Dufferin County, the northern portion of Peel Region, part of York Region, and a small part of the City of Toronto. The LHIN enters into service accountability agreements with service providers.

The LHIN is funded by the Province of Ontario in accordance with the Ministry LHIN Accountability Agreement ("MLAA"), which describes budget arrangements established by the Ministry of Health and Long-Term Care ("MOHLTC") and provides the framework for the LHIN accountabilities and activities. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to Health Services Providers ("HSP"), effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account. Commencing April 1, 2007, all funding payments to LHIN managed HSPs in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized HSPs are expensed in the LHIN's financial statements for the year ended March 31, 2017.

The LHIN statements do not include any MOHLTC managed programs.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian public sector accounting standards. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, and they are measurable. Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of tangible capital assets.

Central West Local Health Integration Network

Notes to the financial statements

March 31, 2017

2. Significant accounting policies (continued)

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at period end.

Funding payments to HSPs in the LHIN geographic area flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized HSPs are expensed in the LHIN's financial statements for the year ended March 31, 2017.

Deferred capital contributions

Any amounts received that are used to fund expenses that are recorded as tangible capital assets, are recorded as deferred capital contributions and are recognized as revenue over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the statement of operations, is in accordance with the amortization policy applied to the related tangible capital asset recorded.

Tangible capital assets

Tangible capital assets are recorded at historic cost. Historic cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of tangible capital assets. The cost of tangible capital assets contributed is recorded at the estimated fair value on the date of contribution. Fair value of contributed tangible capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the tangible capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a tangible capital asset are capitalized. Computer software is recognized as an expense when incurred.

Tangible capital assets are stated at cost less accumulated amortization. Tangible capital assets are amortized over their estimated useful lives as follows:

Office furniture and fixtures	5 years straight-line method
Computer equipment	3 years straight-line method
Leasehold improvements	Life of lease straight-line method

For assets acquired or brought into use during the year, amortization is provided for a full year.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimate and assumptions include valuation of accrued liabilities and useful lives of the tangible capital assets. Actual results could differ from those estimates.

Central West Local Health Integration Network

Notes to the financial statements

March 31, 2017

2. Significant accounting policies (continued)

Segment disclosures

A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the statement of operations and within the related notes for both the prior and current year sufficiently discloses information of all appropriate segments and, therefore, no additional disclosure is required.

3. Funding repayable to the MOHLTC and eHealth Ontario

In accordance with the MLAA and TPA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

- a) The amount repayable to the MOHLTC related to current year activities is made up of the following components:

			2017	2016
	Funding received	Eligible expenses	Excess funding	Excess funding
	\$	\$	\$	\$
Transfer Payments to HSP's	926,396,097	926,396,097	-	-
LHIN Operations	4,128,349	4,127,612	737	34,272
eHealth - Enabling Technologies for Integration (Note 10)	3,060,000	2,829,896	230,104	270,296
French Language Services (Note 10)	106,000	106,000	-	-
ER/ALC Performance Lead (Note 10)	100,000	100,000	-	-
Emergency Department Lead (Note 10)	75,000	72,000	3,000	3,000
Aboriginal Health (Note 10)	7,500	7,003	497	2,222
Primary Care Lead (Note 10)	75,000	72,000	3,000	5,231
Critical Care Lead (Note 10)	75,000	72,000	3,000	3,000
Diabetes Regional Co-ordination (Note 10)	839,175	693,098	146,077	91,320
Patients First Transition Planning and Implementation (Note 10)	180,000	125,318	54,682	-
Patients First Pan-LHIN Support for Planning and Implementation (Note 10)	178,680	55,113	123,567	-
	935,220,801	934,656,137	564,664	409,341

- b) Enabling Technologies for Integration Project Management Office

Effective April 1, 2013, the LHIN entered into an agreement with Central, Central West, Central East, Toronto Central, Mississauga Halton and North Simcoe Muskoka (the "Cluster") in order to enable the effective and efficient delivery of e-health programs and initiatives within the geographic area of the Cluster. Under the agreement, decisions related to the financial and operating activities of the Enabling Technologies for Integration Project Management Office are shared. No LHIN is in a position to exercise unilateral control.

The Central West LHIN is designated the Lead LHIN within this agreement and as such holds the accountability over the distribution of the funds and manages the shared Project Management Office. In the event that the Cluster experiences a surplus the Lead LHIN is responsible for returning those funds to the MOHLTC. The total Cluster funding received for the year ended March 31, 2017 was \$3,060,000 (2016 - \$3,060,000).

Funding of \$1,979,277 (2016 - \$1,886,296) was allocated to other LHIN's within the cluster who incurred eligible expenses of \$1,915,863 (2016 - \$1,877,630). A summary of eHealth Enabling Technologies for Integration Funding and expenses for the cluster are as follows.

Central West Local Health Integration Network

Notes to the financial statements

March 31, 2017

3. Funding repayable to the MOHLTC and eHealth Ontario (continued)

b) Enabling Technologies for Integration Project Management Office (continued)

The surplus from other LHINs is as follows:

			2017	2016
	Funding allocated	Eligible expenses	Excess funding	Excess funding
	\$	\$	\$	\$
Central West LHIN	1,080,723	914,033	166,690	261,630
Allocation to Other LHIN's				
Central LHIN	423,000	423,000	-	-
Central East LHIN	383,000	331,416	51,584	-
Toronto Central LHIN	423,000	423,000	-	-
Mississauga Halton LHIN	327,277	327,277	-	-
North Simcoe Muskoka LHIN	423,000	411,170	11,830	8,666
Total Other LHINs	1,979,277	1,915,863	63,414	8,666
Total All LHINs	3,060,000	2,829,896	230,104	270,296

c) The amount due to the MOHLTC at March 31 is made up as follows:

	2017	2016
	\$	\$
Due to MOHLTC, beginning of year	624,171	214,830
Funding repaid to MOHLTC prior year	(214,830)	-
Funding repayable to the MOHLTC related to current year activities (Note 3a and 3b)	564,664	409,341
Due to MOHLTC, end of year	974,005	624,171

4. Related party transactions

LHIN Shared Service Office, LHINC Collaborative and Health Shared Services Ontario

The LHIN Shared Services Office (the "LSSO") was a division of the Toronto Central LHIN and was subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO, on behalf of the LHINs was responsible for providing services to all LHINs. The full costs of providing these services was billed to all the LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHIN as at February 28, 2017 were recorded as a receivable (payable) from (to) the LSSO. This was done pursuant to the shared service agreement the LSSO has with all the LHINs.

The LHIN Collaborative (the "LHINC") was formed in fiscal 2010 to strengthen relationships between and among health service providers, associations and the LHINs, and to support system alignment. The purpose of LHINC was to support the LHINs in fostering engagement of the health service provider community in support of collaborative and successful integration of the health care system; their role as system manager; where appropriate, the consistent implementation of provincial strategy and initiatives; and the identification and dissemination of best practices. LHINC was a LHIN-led organization and accountable to the LHINs. LHINC was funded by the LHINs with support from the MOHLTC.

Central West Local Health Integration Network

Notes to the financial statements

March 31, 2017

4. Related party transactions (continued)

LHIN Shared Service Office, LHINC Collaborative and Health Shared Services Ontario (continued)

Effective February 28, 2017 pursuant to a transfer agreement between Toronto Central LHIN and Health Service Shared Services Ontario (HSSO) responsibility for the shared services previously provided by the LSSO and the LHINC was transferred to HSSO. HSSO is a provincial agency established January 1, 2017 by O. Reg. 456/16 made under LHSIA with objects to provide shared services to LHINs in areas that include human resources management, logistics, finance and administration and procurement. HSSO as a provincial agency is subject to legislation, policies and directives of the Government of Ontario and the Memorandum of Understanding between HSSO and the Minister of Health and Long Term Care.

Patients First Pan-LHIN Support for Planning and Implementation

On June 13, 2016 an amendment to the Ministry-LHIN Accountability Agreement between Toronto Central LHIN and the Ministry resulted in an allocation of \$1,080,000 of additional funding to be distributed by the Toronto Central LHIN to various LHINs to be applied to salary and benefit costs related to the support of transition and implementation of the expanded LHIN mandate. Central West LHIN received \$178,680 of this funding of which \$55,113 was spent on eligible expenses in the year. The unspent amount of \$123,567 is recorded as due to MOHLTC.

5. Deferred capital contributions

	2017	2016
	\$	\$
Balance, beginning of year	17,012	38,348
Capital contributions received during the year	21,675	-
Amortization for the year	(22,149)	(21,336)
Balance, end of year	16,538	17,012

6. Commitments

The LHIN has commitments under various operating leases related to building and equipment ending in 2019. Lease renewals are likely. Minimum lease payments due over remaining term of existing leases are as follows:

	\$
2018	247,610
2019	244,204

The LHIN also has funding commitments to some HSPs associated with accountability agreements for fiscal 2016. Minimum funding for HSPs related to the next two years, based on the fiscal 2016 accountability agreements, and are as follows:

	\$
2017	748,463,576
2018	748,463,576

The actual amounts which will ultimately be paid are contingent upon actual LHIN funding received from the MOHLTC.

Central West Local Health Integration Network

Notes to the financial statements

March 31, 2017

7. Tangible capital assets

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office furniture and fixtures	299,889	287,361	12,528	-
Computer equipment	117,228	113,218	4,010	17,012
Leasehold improvements	712,468	712,468	-	-
	1,129,585	1,113,047	16,538	17,012

8. Budget figures

The budgets were approved by the Government of Ontario. The budget figures reported in the statement of operations reflect the final budget at April 30, 2015. The figures have been reported for the purposes of these statements to comply with PSAB reporting standards. During the year, the government approved budget adjustments. The following reflects the adjustments for the LHIN during the year:

The total HSP funding budget of \$926,526,341 is made up of the following:

	\$
Initial HSP funding budget	879,449,275
Additional funding due to announcements made during the year	47,077,066
Total HSP funding budget	926,526,341

The total operating budget, excluding HSP funding, is made up of the following:

	\$
Initial budget	
LHIN Operations	4,181,828
Aboriginal Funding	7,500
French Language Services	106,000
Diabetes Regional Co-ordination	839,175
ER/ALC Performance Lead	100,000
Adjustment due to announcements made during the year	
ED LHIN Lead	75,000
Critical Care Lead	75,000
eHealth - Enabling Technologies for Integration	3,060,000
Base Funding Reduction	(31,804)
Patients First - Senior Director	180,000
Patients First - PAN-LHIN Renewal	178,680
Primary Care Lead	75,000
Total budget	8,846,379

Central West Local Health Integration Network

Notes to the financial statements

March 31, 2017

9. Transfer payments to HSPs

The LHIN approved transfer payments to the various sectors in 2017 as follows:

	2017	2016
	\$	\$
Operation of Hospitals	563,812,751	533,150,756
Grants to compensate for Municipal Taxation - Public Hospitals	96,975	96,975
Long-Term Care Homes	160,057,019	158,625,567
Community Care Access Centres	123,234,690	115,820,159
Community Support Services	15,701,088	15,348,273
Assisted Living Services in Supportive Housing	10,999,045	10,608,350
Community Health Centres	12,639,799	12,182,882
Community Mental Health Addictions Program	39,854,730	37,883,405
	926,396,097	883,716,367

10. Project Initiatives

The Central West LHIN received funds for various project initiatives listed in the Statement of Operations. The following table classifies the project initiative expenses by object:

	2017	2016
	\$	\$
Salaries and benefits	1,581,789	1,322,555
Professional services	287,380	463,746
Shared services	102,060	110,756
Occupancy	55,806	46,232
Public relations and community engagement	30,927	7,154
Supplies	39,906	47,460
Other	118,697	87,073
	2,216,565	2,084,976

Diabetes strategy operational expenses included in the project fund expenses above are as follows:

	Actual 2017	Actual 2016
	\$	\$
Salaries and benefits	469,808	572,255
Others	223,290	175,600
	693,098	747,855

Central West Local Health Integration Network

Notes to the financial statements

March 31, 2017

10. Project Initiatives (continued)

Enabling Technologies for Integration Project Management Office expenses included above include both project management office and Central West LHIN expenses as follows:

Project Management Office expenses are as follows:

	Actual 2017	Actual 2016
	\$	\$
Salaries and benefits	521,110	479,542
Others	63,700	75,848
	584,810	555,390

Central West LHIN e-Health Enabling Technologies project expenses are as follows:

	Actual 2017	Actual 2016
	\$	\$
Salaries and benefits	254,397	153,768
Others	74,826	202,916
	329,223	356,684
Total E-health Enabling Technologies expenses for the Central West LHIN	914,033	912,074

11. General and administrative expenses

The statement of operations presents expenses by function. The following classifies these same expenses by object:

	2017	2016
	\$	\$
Salaries and benefits	3,025,862	2,997,096
Occupancy	202,724	170,816
Amortization	22,149	21,335
Shared services	259,858	283,166
LHIN Collaborative	23,865	35,242
Consulting services	22,812	152,875
Professional Fees	21,555	21,592
Supplies	108,328	107,681
Board Chair remuneration	41,328	33,925
Board member remuneration	48,222	54,089
Board expenses	29,166	36,661
Mail, courier and telecommunications	74,869	43,681
Other	269,023	170,732
	4,149,761	4,128,891

Central West Local Health Integration Network

Notes to the financial statements

March 31, 2017

12. Pension agreements

The LHIN makes contributions to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 33 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2017 was \$372,398 (2016 - \$356,706) for current service costs and is included as an expense in the statement of operations. The last actuarial valuation was completed for the plan as at December 31, 2016. At that time, the plan was fully funded.

13. Guarantees

The LHIN is subject to the provisions of the Financial Administration Act. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the Financial Administration Act and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the Local Health System Integration Act, 2006 and in accordance with s. 28 of the *Financial Administration Act*.

14. Subsequent event

On April 3, 2017 the Minister of Health and Long-Term Care made an order under the provisions of the Local Health System Integration Act, 2006, as amended by the Patients First Act, 2016 to require the transfer of all assets, liabilities, rights and obligations of the Central West Community Care Access Centre the (CCAC), to the LHIN, including the transfer of all employees of the CCAC.

Effective May 31, 2017 the LHIN will assume the responsibility to provide health and related social services and supplies and equipment for the care of persons in home, community and other settings and to provide goods and services to assist caregivers in the provision of care for such persons, to manage the placement of persons into long-term care homes, supportive housing programs, chronic care and rehabilitation beds in hospitals, and other programs and places where community services are provided under the Home Care and Community Services Act, 1994 and to provide information to the public about, and make referrals to, health and social services.

Champlain Local Health Integration Network

Report of Management

The management of the Champlain Local Health Integration Network (LHIN) is responsible for the preparation and presentation of the accompanying financial statements in conformity with Canadian public sector accounting standards. In preparing these financial statements, management selects appropriate accounting policies and uses its judgment and best estimates to ensure that the financial statements are presented fairly, in all material respects.

The LHIN maintains a system of internal accounting controls designed to provide reasonable assurance, at a reasonable cost, that assets are safeguarded and that transactions are executed and recorded in accordance with the LHIN's policies for doing business. This system is supported by written policies and procedures for key business activities; the hiring of qualified, competent staff; and by a continuous planning and monitoring program.

Deloitte LLP, the independent auditors appointed by the Board of Directors, have been engaged to conduct an audit of the financial statements in accordance with generally accepted auditing standards, and have expressed their opinions on these statements. During the course of their audit, Deloitte LLP reviewed the LHIN's system of internal controls to the extent necessary to render their opinion on the financial statements.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control, and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Finance and Audit Committee. The Committee meets at least four times annually to review audited and unaudited financial information. Deloitte LLP has full and free access to the Finance and Audit Committee.

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



Chantale LeClerc
Chief Executive Officer



Eric Partington
*Senior Director
Health System Performance*

May 23, 2017



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

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Independent Auditor's Report

To the Members of the Board of Directors of the Champlain Local Health Integration Network

We have audited the accompanying financial statements of the Champlain Local Health Integration Network (the "LHIN"), which comprise the statement of financial position as at March 31, 2017, and the statements of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of LHIN as at March 31, 2017, and the results of its operations, change in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants
Licensed Public Accountants
May 24, 2017

Champlain Local Health Integration Network

Statement of financial position
as at March 31, 2017

	2017	2016
	\$	\$
Financial assets		
Cash	745,088	562,817
Accounts receivable		
MOHLTC Transfer Payments for Health Service Providers	12,791,240	9,770,942
Due from LHIN (Note 4)	-	30,735
Other	42,741	67,455
	13,579,069	10,431,949
Liabilities		
Accounts payable and accrued liabilities	607,843	515,929
Due to LHIN (Note 4)	-	9,446
Due to Health Service Providers	12,791,240	9,770,942
Due to MOHLTC (Note 3b)	186,517	145,204
Due to the LHIN Shared Services Office (Note 4)	-	4,547
Due to Health Shared Services Ontario (Note 4)	5,215	-
Deferred capital contributions (Note 5)	25,576	94,034
	13,616,391	10,540,102
Net debt	(37,322)	(108,153)
Commitments (Note 15)		
Non-financial assets		
Prepaid expenses	11,746	14,119
Tangible capital assets (Note 6)	25,576	94,034
	37,322	108,153
Accumulated surplus	-	-

Approved by the Board



Jean-Pierre Boisclair, Board Chair



Marie Biron, Audit Committee Chair

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

Champlain Local Health Integration Network

Statement of operations year ended March 31, 2017

	2017		2016
	Budget (Note 7)	Actual	Actual
	\$	\$	\$
Revenue			
MOHLTC funding			
HSP transfer payments (Note 8)	2,586,660,300	2,632,357,165	2,557,158,981
LHIN Operations	5,004,290	4,972,484	5,004,290
Enabling Technologies (Note 10)	2,040,000	2,040,000	2,040,000
Regional Coordination of Diabetes Services	824,475	824,475	824,475
Project Initiatives			
Emergency Department Physician Lead	-	75,000	75,000
Indigenous Engagement	35,000	35,000	35,000
Emergency Room/Alternate Level of Care	100,000	100,000	100,000
French Language Services	106,000	106,000	106,000
FLHPE - Réseau des services de sante en francais de l'Est de l'Ontario	993,837	993,837	993,837
Primary Care LHIN Lead	-	75,000	75,000
Critical Care LHIN Lead	-	75,000	75,000
Patients First Transition Planning and Implementation	-	180,000	-
Amortization of deferred capital contributions (Note 5)	-	68,458	73,699
	2,595,763,902	2,641,902,419	2,566,561,282
Enabling Technologies funding allocated to other LHIN's	(1,530,000)	(1,530,000)	(1,530,000)
Funding repayable to the MOHLTC (Note 3b)	-	(138,384)	(48,133)
	2,594,233,902	2,640,234,035	2,564,983,149
Expenses			
Transfer payments to HSPs (Note 8)	2,586,660,300	2,632,357,165	2,557,158,981
LHIN Operations (Note 9)	5,004,290	4,925,236	5,000,623
Enabling Technologies (Note 10)	510,000	510,000	486,206
Regional Coordination of Diabetes Services (Note 11)	824,475	739,113	822,237
Project Initiatives			
Emergency Department Physician Lead	-	75,000	72,618
Indigenous Engagement (Note 12)	35,000	33,829	22,306
Emergency Room/Alternate Level of Care (Note 12)	100,000	100,000	100,000
French Language Services	106,000	106,000	106,000
FLHPE - Réseau des services de sante en francais de l'Est de l'Ontario (Note 12)	993,837	993,837	993,837
Primary Care LHIN Lead (Note 12)	-	72,000	72,182
Critical Care LHIN Lead (Note 12)	-	73,397	74,460
Patients First Transition Planning and Implementation	-	180,000	-
Amortization	-	68,458	73,699
	2,594,233,902	2,640,234,035	2,564,983,149
Annual and accumulated surplus, end of year	-	-	-

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

Champlain Local Health Integration Network

Statement of change in net debt
year ended March 31, 2017

	2017 Actual	2016 Actual
	\$	\$
Annual surplus	-	-
Acquisition of tangible capital assets	-	-
Amortization of tangible capital assets	68,458	73,699
Decrease in prepaid expenses, net	2,373	41,790
Decrease in net debt	70,831	115,489
Net debt, beginning of year	(108,153)	(223,642)
Net debt, end of year	(37,322)	(108,153)

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

Champlain Local Health Integration Network

Statement of cash flows
year ended March 31, 2017

	2017	2016
	\$	\$
Operating transactions		
Annual surplus	-	-
Non-cash items		
Amortization of tangible capital assets	68,458	73,699
Amortization of deferred capital contributions (Note 5)	(68,458)	(73,699)
Changes in non-cash working capital		
Accounts receivable - MOHLTC HSP	(3,020,298)	7,255,381
Accounts receivable - Due from LHIN	30,735	(25,660)
Accounts receivable - Other	24,714	4,536
Accounts payable and accrued liabilities	91,914	(72,035)
Due to LHIN	(9,446)	9,446
Due to HSP	3,020,298	(7,255,381)
Due to MOHLTC	41,313	48,133
Due to LHIN Shared Services Office	(4,547)	(5,974)
Due to Health Shared Services Ontario	5,215	-
Prepaid expenses	2,373	41,790
	182,271	236
Capital transaction		
Acquisition of tangible capital assets	-	-
Financing transaction		
Capital contributions received (Note 5)	-	-
Net change in cash	182,271	236
Cash, beginning of year	562,817	562,581
Cash, end of year	745,088	562,817

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

Champlain Local Health Integration Network

Notes to the financial statements

March 31, 2017

1. Description of business

The Champlain Local Health Integration Network was incorporated by Letters Patent on June 2, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the *Local Health System Integration Act*, 2006 (the "Act") as the Champlain Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished.

The LHIN is, and exercises its powers only as, an agent of the Crown. As an agent of the Crown, the LHIN is not subject to income taxation. Limits on the LHIN's ability to undertake certain activities are set out in both the Act and the Memorandum of Understanding between the LHIN and the Ministry of Health and Long-Term Care (the "MOHLTC").

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers Renfrew County, the City of Ottawa, Prescott & Russell, Stormont, Dundas & Glengarry, North Grenville and four parts of North Lanark. Most people live in the Ottawa area. Cornwall, Clarence-Rockland and Pembroke/Petawawa are also large communities. For more details, visit our website: www.champlainlhin.on.ca.

The LHIN has also entered into an Accountability Agreement with the MOHLTC, which provides the framework for LHIN accountabilities and activities.

The LHIN is funded by the Province of Ontario in accordance with the Ministry-LHIN Accountability Agreement ("MLAA"), which describes budget arrangements established by the MOHLTC. These financial statements reflect agreed funding arrangements approved by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to Health Service Providers ("HSP"), effective April 1, 2007.

The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. The LHIN cannot authorize in excess of the budget allocation set by the MOHLTC. Throughout the fiscal year, the LHIN authorizes MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account. Commencing April 1, 2007 all funding payments to LHIN-managed HSPs in the LHIN geographic area have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized HSPs are expensed in the LHIN's financial statements.

The LHIN statements do not include any Ministry managed programs.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian public sector accounting standards. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of tangible capital assets.

Champlain Local Health Integration Network

Notes to the financial statements

March 31, 2017

2. Significant accounting policies (continued)

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at year end.

Deferred capital contributions

Any amounts received that are used to fund expenses that are recorded as tangible capital assets, are also recorded as deferred capital contributions and are recognized as revenue over the estimated useful life of the asset reflective of the provision of its services. This amortization revenue is in accordance with the amortization policy applied to the related tangible capital asset.

Tangible capital assets

Tangible capital assets are recorded at cost. Cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of tangible capital assets. The cost of contributed tangible capital assets is recorded at the estimated fair value on the date of contribution. Fair value of contributed tangible capital assets is estimated using the cost of the asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the contributed capital asset would be recognized at nominal value.

Betterments or improvements that significantly increase or prolong the service life or capacity of a capital asset are capitalized. Software purchases, maintenance and repair costs are recognized as an expense when incurred.

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

Computer equipment	3 years
Computer software	3 years
Office furniture and fixtures	5 years
Leasehold improvements	Life of lease

For assets acquired or brought into use, during the year, amortization is provided for a full year.

Segment disclosures

A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the Statement of operations and within the related notes for both the prior and current year sufficiently discloses information of all appropriate segments and, therefore, no additional disclosure is required.

Use of estimates

The preparation of financial statements in conformity with public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include valuation of accrued liabilities and useful lives of the tangible capital assets. Actual results could differ from those estimates.

Champlain Local Health Integration Network

Notes to the financial statements

March 31, 2017

3. Funding repayable to the MOHLTC

In accordance with the MLAA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

- a) The amount repayable to the MOHLTC is related to the current year activities in the following programs:

	Funding received	Eligible expenses	Excess funding
	\$	\$	\$
Transfer payments to HSPs	2,632,357,165	2,632,357,165	-
LHIN Operations	4,972,484	4,925,236	47,248
Amortization	68,458	68,458	-
Enabling Technologies	2,040,000	2,040,000	-
Regional Coordination of Diabetes Services	824,475	739,113	85,362
Emergency Department Physician Lead	75,000	75,000	-
Indigenous Engagement	35,000	33,829	1,171
Emergency Room/Alternate Level of Care	100,000	100,000	-
French Language Services	106,000	106,000	-
FLHPE - Réseau des services de santé en français de l'Est de l'Ontario	993,837	993,837	-
Patients First Transition Planning and Implementation	180,000	180,000	-
Primary Care LHIN Lead	75,000	72,000	3,000
Critical Care LHIN Lead	75,000	73,397	1,603
	2,641,902,419	2,641,764,035	138,384

- b) The amount due to the MOHLTC at March 31 consists of:

	2017	2016
	\$	\$
Due to MOHLTC, beginning of year	145,204	97,071
Amount recovered during the year	(97,071)	-
Funding repayable to the MOHLTC related to current year activities	138,384	48,133
Funding repayable to the MOHLTC on behalf of the LHIN Enabling Technologies Cluster (other LHINs)	-	-
Due to MOHLTC, end of year	186,517	145,204

Champlain Local Health Integration Network

Notes to the financial statements

March 31, 2017

4. Related party transactions

LHIN Shared Service Office, LHIN Collaborative and Health Shared Services Ontario

The LHIN Shared Services Office (the "LSSO") was a division of the Toronto Central LHIN and was subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO, on behalf of the LHINs was responsible for providing services to all LHINs until February 28, 2017. The full costs of providing these services was billed to all the LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHIN as at February 28, 2017 were recorded as a receivable (payable) from (to) the LSSO. This was done pursuant to the shared service agreement the LSSO has with all the LHINs. In addition, the LSSO periodically incurred additional expenses on behalf of the LHINs and charged the appropriate LHINs to recover these costs. The amount contributed by the LHIN to LSSO for fiscal 2017 was \$335,573 (2016 - \$381,664). These costs were shared by the LHIN Operations, Enabling Technologies and Regional Coordination of Diabetes Services Programs in fiscal 2017.

The LHIN Collaborative ("LHINC") was formed in fiscal 2010 to support the LHINs in fostering engagement of the health service provider community in support of collaborative and successful integration of the health care system; their role as system manager; where appropriate, the consistent implementation of provincial strategy and initiatives; and the identification and dissemination of best practices. LHINC was a LHIN-led organization and accountable to the LHINs. LHINC was funded by the LHINs with support from the MOHLTC until February 28, 2017. The amount contributed by the LHIN to LHINC for fiscal 2017 was \$47,500 (2016 - \$47,500). These costs were shared by the LHIN Operations, Enabling Technologies and Regional Coordination of Diabetes Services Programs in fiscal 2017.

Effective March 1, 2017 pursuant to a transfer agreement between Toronto Central LHIN and Health Shared Services Ontario (HSSO) responsibility for the shared services previously provided by the LSSO and the LHINC was transferred to HSSO. HSSO is a provincial agency established January 1, 2017 by O. Reg. 456/16 made under LHSIA with objects to provide shared services to LHINs in areas that include human resources management, logistics, finance and administration and procurement. HSSO as a provincial agency is subject to legislation, policies and directives of the Government of Ontario and the Memorandum of Understanding between HSSO and the Minister of Health and Long Term Care. The amount contributed by the LHIN to HSSO for fiscal 2017 was \$5,215 (2016 - \$0). Additional funding of \$31,806 for fiscal 2017 (2016 - \$0) was removed from the LHIN budget and redirected to HSSO. These costs were shared by the LHIN Operations, Enabling Technologies and Regional Coordination of Diabetes Services Programs in fiscal 2017.

Beginning in 2013-14, the Champlain LHIN has operated a regional Translation Program on behalf of the LHINs. The full costs of providing these services are billed to the LHINs. Any portion of the Translation Program operating costs overpaid (or not paid) by the LHINs at year end are recorded as a receivable (payable) to (from) the Champlain LHIN. This is done pursuant to the Shared Service Agreement with all the LHINs.

5. Deferred capital contributions

	2017	2016
	\$	\$
Balance, beginning of year	94,034	167,733
Capital contributions from MOHLTC	-	-
Amortization for the year	(68,458)	(73,699)
Balance, end of year	25,576	94,034

Champlain Local Health Integration Network

Notes to the financial statements

March 31, 2017

6. Tangible capital assets

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Computer equipment	128,202	128,202	-	-
Computer software	58,832	58,832	-	8,357
Office equipment	259,183	244,201	14,982	36,376
Furniture and fixtures	426,055	420,430	5,625	12,640
Leasehold improvements	1,351,908	1,346,939	4,969	36,661
	2,224,180	2,198,604	25,576	94,034

7. Budget

The budget figures reported on the Statement of operations comply with PSAB reporting requirements and reflect the initial budget approved by the Government of Ontario as included in the signed MLAA.

During the year the Government approves budget adjustments. The total funding budget is made up of the following:

			2017	2016
	Initial	Announcements	Total	Total
	\$	\$	\$	\$
HSP Transfer Payments	2,586,660,300	45,696,865	2,632,357,165	2,557,158,981
LHIN Operations	5,004,290	(31,806)	4,972,484	5,004,290
Enabling Technologies programs	510,000	-	510,000	510,000
Regional Coordination of Diabetes Services	824,475	-	824,475	824,475
Other programs	1,234,837	405,000	1,639,837	1,459,837
	2,594,233,902	46,070,059	2,640,303,961	2,564,957,583

Champlain Local Health Integration Network

Notes to the financial statements

March 31, 2017

8. Transfer payments to HSPs

The LHIN has authorization to allocate funding to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors in fiscal 2017 and 2016 as follows:

	2017	2016
	\$	\$
Operations of Hospitals	1,675,913,304	1,638,542,984
Grants to compensate for Municipal Taxation		
Public Hospitals	355,650	355,650
Long-Term Care Homes	354,206,854	348,124,798
Community Care Access Centres	257,788,280	236,484,027
Community Support Services	47,954,385	45,677,863
Acquired Brain Injury	2,599,537	2,584,076
Assisted Living Services in Supportive Housing	24,163,783	23,266,386
Community Health Centres	65,762,807	62,432,199
Community Mental Health Program	72,873,302	71,194,900
Addictions Program	24,932,329	25,169,111
Specialty Psychiatric Hospitals	104,477,162	102,418,141
Grants to compensate for Municipal Taxation		
Psychiatric Hospitals	27,975	28,425
	2,631,055,368	2,556,278,560
Long-Term Care Homes prior year settlements	1,301,797	880,421
	2,632,357,165	2,557,158,981

9. LHIN Operations

The MOHLTC provides funds to the LHIN to cover personnel costs, project and program costs, as well as lease and office related costs. The funds are also used to subsidize the LHIN Shared Services Office, Health Shared Services Ontario and LHIN Collaborative (see Note 4). The expenses incurred are as follows:

	2017	2016
	\$	\$
Program based		
Salary and benefits	3,780,594	3,760,955
Consulting and LHIN-based projects	25,667	36,019
Other program costs	221,686	240,366
	4,027,947	4,037,340
Occupancy	427,166	420,094
LHIN Shared services	233,100	328,612
Health Shared Services Ontario	25,109	-
LHIN Collaborative	37,500	40,897
Governance per diems	114,725	106,400
Office equipment and supplies	47,244	55,424
Other	12,445	11,856
	4,925,236	5,000,623
Amortization	52,264	53,133
	4,977,500	5,053,756

Champlain Local Health Integration Network

Notes to the financial statements

March 31, 2017

9. LHIN Operations (continued)

Governance costs

Included in the above LHIN Operations results are costs to support the activities of the Board of Directors such as administrative support, travel, community engagement meetings, and other general costs. The expenses incurred are as follows:

	2017	2016
	\$	\$
Chair per diems	66,150	59,500
Other Board member per diems	48,575	46,900
Other	21,280	18,744
	136,005	125,144

10. Enabling Technologies for Integration Project Management Office and related programs

Enabling Technologies

In fiscal 2016, the LHIN entered into an agreement with the South East, North East and North West LHINs (the "Cluster") in order to enable the effective and efficient delivery of e-health programs and initiatives within the geographic area of the Cluster. Funding was provided to enable the cluster LHIN Project Management Offices to advance eHealth, information management and information technology initiatives as outlined in the ETI PMO Toolkit Business Case approved by the MOHLTC.

The Champlain LHIN is designated the Lead LHIN with this agreement and as such holds the accountability over the distribution of the funds and manages the shared Project Management Office. In the event that the Cluster experiences a surplus the Lead LHIN is responsible for returning those funds to the MOHLTC. The total Cluster funding received for the year ended March 31, 2017 was \$2,040,000 (2016 - \$2,040,000).

Funding of \$1,530,000 (2016 - \$1,530,000) was allocated to other LHIN's within the cluster who incurred eligible expenses of \$1,530,000 (2016 - \$1,530,000). A summary of Enabling Technologies funding and expenses are as follows:

			2017	2016
	Funding allocated	Eligible expenses	Excess funding	Excess funding
	\$	\$	\$	\$
Champlain LHIN	510,000	510,000	-	23,794
South East LHIN	510,000	510,000	-	-
North East LHIN	510,000	510,000	-	-
North West LHIN	510,000	510,000	-	-
	2,040,000	2,040,000	-	23,794

Expenses incurred by the LHIN are:

	2017	2016
	\$	\$
Salaries and benefits	465,896	465,595
Other program costs	44,104	20,611
	510,000	486,206
Amortization	1,102	1,313
	511,102	487,519

Champlain Local Health Integration Network

Notes to the financial statements

March 31, 2017

11. Regional Coordination of Diabetes Services

In 2009 the MOHLTC established a Diabetes Regional Coordination Centre in each LHIN to support the goals of the Ontario Diabetes Strategy. These goals include: the identification of regional and local service needs, the engagement of primary care and other diabetes service providers across the region to facilitate the adoption of standards and best practices, and the coordination of regional services for adults with pre-diabetes and diabetes to support a more integrated system. In February 2013, the operational mandate, functions and funding for the delivery of this program were transferred to the LHIN. Expenses incurred are as follows:

	2017	2016
	\$	\$
Salaries and benefits	488,784	608,438
Other program costs	250,329	213,799
	739,113	822,237
Amortization	15,092	19,253
	754,205	841,490

12. Operations of LHIN - Project Initiatives

Emergency Department Physician Lead

Since fiscal 2008 the MOHLTC has worked closely with the LHINs, Ontario hospitals and healthcare professionals to implement a comprehensive Emergency Department Strategy. To support the improvements required by this strategy, the MOHLTC and the LHIN jointly retained an Emergency Department Physician Lead. The funds received have been used to compensate the Physician Lead and to cover related business expenses.

Indigenous Engagement

The MOHLTC provided funding for Indigenous community engagement. The LHIN allocated the funds to support the Indigenous Health Circle Forum and community engagement activities to improve Indigenous health across the region.

Emergency Room/Alternate Level of Care Performance Lead (ER/ALC)

Improving Emergency Department wait times and reducing hospital ALC days are key provincial priorities. The LHIN received funds to hire a staff resource to implement the ER/ALC Overarching Plan and the ER Pay for Results Action Plan, and to advance the implementation of a standard performance management approach.

French Language Health Services (FLHS) Program

The objectives of the FLHS Program are to improve equitable access to quality health services for Francophones of the Champlain region as well as to support the LHIN in meeting its legal obligations (under the French Language Services Act (FLSA) and the Local Health System Integration Act (LHSIA)) and to implement provincial priorities with respect to French Language Services at the regional and local levels.

Champlain Local Health Integration Network

Notes to the financial statements

March 31, 2017

12. Operations of LHIN - Project Funds (continued)

FLHPE - Réseau des services de santé en français de l'Est de l'Ontario

Following the adoption of the LHSIA in 2006, the MOHLTC prescribed the Réseau des services de santé en français de l'Est de l'Ontario as the French Language Health Planning Entity (FLHPE) for the Champlain and South East LHINs. In March 2011, the Champlain and South-East LHINs and the Réseau entered a five-year funding and accountability agreement. This Agreement defines the respective roles and responsibilities of all 3 parties relating to the provision of advice by the Entity on the engagement of the Francophone community in the planning for and integration of health services that reflect the health needs and priorities of the Francophone communities. On December 5, 2015, the Minister of Health and Long-Term Care reselected the Réseau des services de santé en français de l'Est de l'Ontario to continue as the French language planning entity for the geographic areas of Champlain Local Health Integration Network and South East Local Health Integration Network. The Champlain and South-East LHINs and the Réseau entered another five-year funding and accountability agreement.

Primary Care LHIN Lead

The LHIN received funding for a Primary Care Physician Lead who has a mandate to facilitate linkages between the primary care sector and the LHIN and lead specific initiatives with primary care in an effort to improve health system outcomes within the Champlain region. These initiatives will help to advance health system integration and contribute to improvements in LHIN performance measures.

Critical Care LHIN Lead

The Critical Care project, which began in 2011-12, includes a review of the needs of our rural, community, and tertiary-level critical care programs in our region. This includes participation as Lead with the Critical Care Secretariat and incorporating an understanding of operational processes with other programs such as Emergency Medical Services (paramedics) and Critical Care. Priorities to-date have included planning for Ventilator Assisted Pneumonia (VAP) and Central Line Infection Prevention (CLI) Toolkit updates, Surge Capacity Protocol updates, the Extramural Critical Care Response Team, Life or Limb policy including repatriation, Ventilator Stock Pile, scorecards and quality measures.

Patients First Transition Planning and Implementation

In anticipation of the implementation of the Patient's First Act in 2017-18, the LHIN received one time funding for 2016-17. This funding was used for staffing costs associated with the work required to prepare the LHIN for the transition.

The LHIN received funds for various project initiatives listed in the Statement of Operations. The following table classifies the initiatives expenses by object:

	2017	2016
	\$	\$
Salaries and benefits	392,827	201,913
Professional services	1,209,837	1,210,318
Mail, courier and telecommunications	1,580	1,208
Other	29,819	27,964
	1,634,063	1,441,403

Champlain Local Health Integration Network

Notes to the financial statements

March 31, 2017

13. Pension agreements

The LHIN makes contributions to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of 50 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed by the LHIN to HOOPP for fiscal 2017 was \$395,820 (2016 - \$418,135) for current service costs and is included as an expense in the Statement of operations. The last actuarial valuation was completed for the plan as of December 31, 2016. At that time, the plan was fully funded.

14. Guarantees

The LHIN is subject to the provisions of the Financial Administration Act. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the Financial Administration Act and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the *Local Health System Integration Act, 2006* and in accordance with s. 28 of the *Financial Administration Act*.

15. Commitments

The LHIN has commitments under various operating leases expiring at various dates to 2021 related to office space and to 2018 related to equipment. Minimum lease payments due are as follows:

	\$
2018	495,045
2019	494,266
2020	494,266
2021	247,133

The LHIN also has funding commitments to HSPs associated with accountability agreements. Minimum commitment to HSPs, based on the current accountability agreements, is as follows:

	\$
2017	2,700,116,822
2018	356,004,188

The actual amounts that will ultimately be paid to HSP's are contingent on receipt of anticipated levels of funding from the MOHLTC. At this time, the Champlain LHIN has agreements with long term care providers that have been renewed until March 31, 2019. The agreements with hospitals and community sector providers expire on March 31, 2018 respectively. Renewal of accountability agreements for all providers is anticipated.

16. Subsequent event

On April 7, 2017 the Minister of Health and Long-Term Care made an order under the provisions of the *Local Health System Integration Act, 2006*, as amended by the *Patients First Act, 2016* to require the transfer of all assets, liabilities, rights and obligations of the Champlain Community Care Access Centre (CCAC), to the LHIN, including the transfer of all employees of the CCAC.

Effective May 24, 2017 the LHIN will assume the responsibility to provide health and related social services and supplies and equipment for the care of persons in home, community and other settings and to provide goods and services to assist caregivers in the provision of care for such persons, to manage the placement of persons into long-term care homes, supportive housing programs, chronic care and rehabilitation beds in hospitals, and other programs and places where community services are provided under the *Home Care and Community Services Act, 1994* and to provide information to the public about, and make referrals to, health and social services.

Erie St. Clair Local Health Integration Network

Statement of Management Responsibility

The accompanying financial statements of the Erie St. Clair LHIN have been prepared by management in accordance with Canadian public sector accounting principles, and the integrity and objectivity of these statements are management's responsibilities.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable information is produced.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises this responsibility through the Audit Committee of the Board. The Audit Committee meets with management and the external auditors no fewer than two times a year.

The external auditors, Deloitte LLP, conduct an independent examination, in accordance with Canadian generally accepted auditing standards, and express their opinion on the financial statements. Their examination includes a review and evaluation of Hospital's system of internal control and appropriate tests and procedures to provide reasonable assurance that the financial statements are presented fairly in accordance with Canadian public sector accounting standards. The external auditors have full and free access to the Performance and Audit Committee of the Board and meet with it on a regular basis.

On behalf of Erie St. Clair LHIN



Ralph Ganter
Chief Executive Officer



Brady Birkin
Manager, Corporate Services & Controller

May 23, 2017



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

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Independent Auditor's Report

To the Members of the Board of Directors of the
Erie St. Clair Local Health Integration Network

We have audited the accompanying financial statements of Erie St. Clair Local Health Integration Network, which comprise the statement of financial position as at March 31, 2017, and the statements of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Erie St. Clair Local Health Integration Network as at March 31, 2017 and the results of its operations, changes in its net debt, and its cash flows for the years then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants
Licensed Public Accountants
May 23, 2017


Erie St. Clair Local Health Integration Network


Statement of financial position

as at March 31, 2017

	2017	2016
	\$	\$
Financial assets		
Cash	915,602	566,842
Due from Ministry of Health and Long-Term Care ("MOHLTC") (Note 7)	4,253,500	1,700,855
Accounts receivable	62,391	48,935
	5,231,493	2,316,632
Liabilities		
Accounts payable and accrued liabilities	969,671	548,326
Due to MOHLTC (Note 10b)	45,627	93,318
Due to Health Service Providers ("HSPs") (Note 7)	4,253,500	1,700,855
Due to the LHIN Shared Services Office (Note 3)	-	5,474
Deferred capital contributions (Note 4)	142,369	287,662
	5,411,167	2,635,635
Net debt	(179,674)	(319,003)
Commitments (Note 13)		
Non-financial assets		
Prepaid expenses	37,305	31,341
Tangible capital assets (Note 5)	142,369	287,662
Accumulated surplus	-	-

Approved by the Board


 _____ Director


 _____ Director

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

Erie St. Clair Local Health Integration Network

Statement of operations
year ended March 31, 2017

	Budget (Note 6)	2017 Actual	2016 Actual
	\$	\$	\$
Revenue			
MOHLTC funding			
HSP transfer payments (Note 7)	1,152,325,441	1,170,767,983	1,141,071,593
Project Initiatives			
Operations of LHIN	4,348,039	4,312,467	4,160,760
Emergency Department Lead	75,000	75,000	75,000
Critical Care Lead	75,000	75,000	75,000
Primary Care Lead	75,000	75,000	75,000
French Language Health Planning			
Entities Fund	425,533	425,533	425,533
Enabling Technologies for Integration			
Project Management Office	510,000	510,000	510,000
Diabetes Regional Coordination	870,561	870,561	870,561
Patients First Transition Planning and			
Implementation	-	180,000	-
Amortization of deferred			
capital contributions (Note 4)	-	149,193	197,063
	1,158,704,574	1,177,440,737	1,147,460,510
Funding repayable to the MOHLTC (Note 10)	-	(8,287)	(37,340)
	1,158,704,574	1,177,432,450	1,147,423,170
Expenses			
Transfer payments to HSPs (Note 7)	1,152,325,441	1,170,767,983	1,141,071,593
General and administrative (Note 8)	4,348,039	4,454,770	4,357,227
Project Initiatives (Note 9)			
Emergency Department Lead	75,000	75,000	73,716
Critical Care Lead	75,000	73,603	75,000
Primary Care Lead	75,000	75,000	75,000
French Language Health Planning			
Entities Fund	425,533	425,533	390,073
Diabetes Regional Coordination	870,561	870,561	870,561
Enabling Technologies for Integration			
Project Management Office (Note 3)	510,000	510,000	510,000
Patients First Transition Planning and			
Implementation	-	180,000	-
	1,158,704,574	1,177,432,450	1,147,423,170
Annual surplus and accumulated			
surplus, end of year	-	-	-

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

Erie St. Clair Local Health Integration Network

Statement of change in net debt

year ended March 31, 2017

	Budget (Note 6)	2017 Actual	2016 Actual
	\$	\$	\$
Annual surplus	-	-	-
Prepaid expenses incurred	-	(37,305)	(31,341)
Prepaid expenses used	-	31,341	28,299
Acquisition of tangible capital assets	-	(3,900)	(98,776)
Amortization of tangible capital assets	-	149,193	197,063
Increase in net debt	-	139,329	95,245
Net debt, beginning of year	-	(319,003)	(414,248)
Net debt, end of year	-	(179,674)	(319,003)

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

Erie St. Clair Local Health Integration Network

Statement of cash flows

year ended March 31, 2017

	2017	2016
	\$	\$
Operating transactions		
Annual surplus	-	-
Less items not affecting cash		
Amortization of tangible capital assets	149,193	197,063
Amortization of deferred capital contributions (Note 4)	(149,193)	(197,063)
Changes in non-cash operating items		
Due from MOHLTC	(2,552,645)	3,869,645
Accounts receivable	(13,456)	19,274
Accounts payable and accrued liabilities	421,345	(182,333)
Due to MOHLTC	(47,691)	37,340
Due to HSPs	2,552,645	(3,869,645)
Due to LHIN Shared Services Office	(5,474)	1,772
Prepaid expenses	(5,964)	(3,042)
	348,760	(126,989)
Capital transaction		
Acquisition of tangible capital assets	3,900	98,776
Financing transaction		
Deferred capital contributions received (Note 4)	(3,900)	(98,776)
Net increase (decrease) in cash	348,760	(126,989)
Cash, beginning of year	566,842	693,831
Cash, end of year	915,602	566,842

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

Erie St. Clair Local Health Integration Network

Notes to the financial statements

March 31, 2017

1. Description of business

The Erie St. Clair Local Health Integration Network was incorporated by Letters Patent on June 2, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the Local Health System Integration Act, 2006 (the "Act") as the Erie St. Clair Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The LHIN has also entered into an Accountability Agreement with the Ministry of Health and Long Term Care ("MOHLTC"), which provides the framework for LHIN accountabilities and activities.

Commencing April 1, 2007, all funding payments to LHIN managed health service providers in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized Health Service Providers ("HSPs") are expensed in the LHIN's financial statements for the year ended March 31, 2017.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers the Municipalities of Essex, Lambton and Chatham-Kent. The LHIN enters into service accountability agreements with service providers.

The LHIN is funded by the Province of Ontario in accordance with the Ministry-LHIN Accountability Agreement ("MLAA"), which describes budget arrangements established by the MOHLTC. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to HSPs, effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account.

The LHIN financial statements do not include any MOHLTC managed programs.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian generally accepted accounting principles for governments as established by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada ("CPA"). Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable. Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of tangible capital assets.

Erie St. Clair Local Health Integration Network

Notes to the financial statements

March 31, 2017

2. Significant accounting policies (continued)

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Government transfer payments

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. Unspent amounts are recorded as payable to the MOHLTC at period end. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed.

Deferred capital contributions

Any amounts received that are used to fund expenses that are recorded as tangible capital assets, are recorded as deferred capital contributions and are recognized as revenue over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the statement of operations, is in accordance with the amortization policy applied to the related capital asset recorded.

Segment disclosures

A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the statement of operations and within the related notes for both the prior and current year sufficiently discloses information of all appropriate segments and, therefore, no additional disclosure is required.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include valuation of accrued liabilities and useful lives of the tangible capital assets. Actual results could differ from those estimates.

Tangible capital assets

Tangible capital assets are recorded at cost. Cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of capital assets. The cost of capital assets contributed is recorded at the estimated fair value on the date of contribution. Fair value of contributed tangible capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the tangible capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a tangible capital asset are capitalized. Computer software is recognized as an expense when incurred.

Tangible capital assets are stated at cost less accumulated amortization. Tangible capital assets are amortized over their estimated useful lives as follows:

Erie St. Clair Local Health Integration Network

Notes to the financial statements

March 31, 2017

2. Significant accounting policies (continued)

Tangible capital assets

Office equipment	5 years straight-line method
Computer equipment	3 years straight-line method
Leasehold improvements	5 years straight-line method

For assets acquired or brought into use during the year, amortization is provided for a full year.

3. Related party transactions

LHIN Shared Service Office, LHINC Collaborative and Health Shared Services Ontario

The LHIN Shared Services Office (the "LSSO") was a division of the Toronto Central LHIN and was subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO, on behalf of the LHINs was responsible for providing services to all LHINs. The full costs of providing these services was billed to all the LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHIN as at February 28, 2017 were recorded as a receivable (payable) from (to) the LSSO. This was done pursuant to the shared service agreement the LSSO has with all the LHINs.

The LHIN Collaborative (the "LHINC") was formed in fiscal 2010 to strengthen relationships between and among health service providers, associations and the LHINs, and to support system alignment. The purpose of LHINC was to support the LHINs in fostering engagement of the health service provider community in support of collaborative and successful integration of the health care system; their role as system manager; where appropriate, the consistent implementation of provincial strategy and initiatives; and the identification and dissemination of best practices. LHINC was a LHIN-led organization and accountable to the LHINs. LHINC was funded by the LHINs with support from the MOHLTC.

Effective February 28, 2017 pursuant to a transfer agreement between Toronto Central LHIN and Health Service Shared Services Ontario (HSSO) responsibility for the shared services previously provided by the LSSO and the LHINC was transferred to HSSO. HSSO is a provincial agency established January 1, 2017 by O. Reg. 456/16 made under LHSIA with objects to provide shared services to LHINs in areas that include human resources management, logistics, finance and administration and procurement. HSSO as a provincial agency is subject to legislation, policies and directives of the Government of Ontario and the Memorandum of Understanding between HSSO and the Minister of Health and Long Term Care.

Enabling Technologies for Integration Project Management Office

Effective February 1, 2012, an agreement was formed with Erie St. Clair, South West, Waterloo Wellington and Hamilton Niagara Haldimand Brant LHINs (the "Cluster") in order to enable the effective and efficient delivery of e-health programs and initiatives within the geographic area of the Cluster. Under the agreement, decisions related to the financial and operating activities of the Enabling Technologies for Integration Project Management Office are shared. No LHIN is in a position to exercise unilateral control.

The LHIN's financial statement reflects its share of the MOHLTC funding for Enabling Technologies for Integration Project Management Offices for its Cluster and related expenses. During the year, the LHIN received funding from South West LHIN of \$510,000 (2016 - \$510,000). The LHIN had a contract and retained services of the Transform Shared Service Organization ("Transform"). All funds were expended.

Erie St. Clair Local Health Integration Network

Notes to the financial statements

March 31, 2017

4. Deferred capital contributions

	2017	2016
	\$	\$
Balance, beginning of year	287,662	385,949
Capital contributions received during the year	3,900	98,776
Amortization for the year	(149,193)	(197,063)
Balance, end of year	142,369	287,662

5. Tangible capital assets

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office equipment	858,911	783,129	75,782	149,199
Leasehold improvements	955,933	889,346	66,587	138,463
	1,814,844	1,672,475	142,369	287,662

6. Budget figures

The budget was approved by the Government of Ontario. The budget figures reported in the statement of operations reflect the initial budget at April 1, 2016. The figures have been reported for the purposes of these statements to comply with PSAB reporting requirements. During the year the government approved budget adjustments. The following reflects the adjustments for the LHIN during the year:

The final HSP funding budget of \$1,170,767,983 is derived as follows:

	\$
Initial budget	1,152,325,441
Adjustment due to announcements made during the year	18,442,542
	1,170,767,983

The final LHIN budget, excluding the HSP funding, of \$6,523,561 is derived as follows:

	\$
Initial budget	6,379,133
Change in funding from the MOHLTC during the year	180,134
Amount treated as capital contributions made during the year	(3,900)
In-Year recoveries by the MOHLTC during the year	(31,806)
	6,523,561

Erie St. Clair Local Health Integration Network

Notes to the financial statements

March 31, 2017

7. Transfer payments to HSPs

The LHIN has authorization to allocate funding of \$1,170,767,983 (2016 - \$1,141,071,593) to various HSPs in its geographic area. The LHIN approved transfer payments to various sectors in 2017 as follows:

	2017	2016
	\$	\$
Operation of hospitals	676,437,991	660,071,256
Grants to compensate for municipal taxation - public hospitals	172,500	172,500
Long-term care homes	220,720,033	220,699,564
Community care access centres	148,779,255	140,525,653
Community support services	22,826,637	22,103,369
Assisted living services in supportive housing	12,322,437	11,685,084
Community health centres	35,250,458	32,171,091
Community mental health addictions programs	12,213,804	12,065,046
Community mental health programs	42,044,868	41,578,030
	1,170,767,983	1,141,071,593

The LHIN receives money from the MOHLTC and in turn allocates it to the HSPs. As at March 31, 2017, an amount of \$4,253,500 (2016 - \$1,700,855) was receivable from the MOHLTC and payable to HSPs. These amounts have been reflected as revenue and expenses in the statement of operations and are included in the table above.

8. General and administrative expenses

The statement of operations presents the expenses by function. The following classifies general and administrative expenses by object:

	2017	2016
	\$	\$
Salaries and benefits	3,250,923	2,930,366
Occupancy	333,878	358,425
Amortization	149,194	197,063
Shared services	268,769	313,194
Public relations	17,265	53,680
Consulting services	44,866	54,584
Supplies	17,391	28,001
Board Chair per diems	41,650	43,925
Board member per diems	40,100	46,550
Board member expenses	59,218	49,260
Obstetrics expert panel	-	4,785
Mail, courier and telecommunications	37,206	37,004
LHIN collaborative	38,000	38,000
Other	156,310	202,390
	4,454,770	4,357,227

Erie St. Clair Local Health Integration Network

Notes to the financial statements

March 31, 2017

9. Project Initiatives

The LHIN received funds for various project initiatives reported in the statement of operations. Details of expenses incurred in relation to the Diabetes Regional Coordination Centres are as follows:

	Budget	2017	2016
	\$	\$	\$
Salaries and benefits	681,330	701,487	666,710
Operating expenses	189,231	169,074	203,851
General and administrative expenses	870,561	870,561	870,561

Expenses incurred in respect of all other initiatives were for professional services.

10. Funding repayable to the MOHLTC

In accordance with the MLAA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

In accordance with the TPA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to MOHLTC.

- a) The amount repayable to the MOHLTC related to current year activities is made up of the following components:

			2017	2016
	Funding received	Eligible expenses	Excess funding	Excess funding
	\$	\$	\$	\$
Transfer payments to HSPs	1,170,767,983	1,170,767,983	-	-
LHIN operations	4,312,467	4,305,577	6,890	596
Project Initiatives				
French Language Health				
Planning Entities Fund	425,533	425,533	-	35,460
Critical Care Lead Fund	75,000	73,603	1,397	-
Primary Care Lead Fund	75,000	75,000	-	-
Emergency Department Lead	75,000	75,000	-	1,284
Diabetes Regional Coordination	870,561	870,561	-	-
Enabling Technologies	510,000	510,000	-	-
LHIN Transition Planning	180,000	180,000	-	-
	1,177,291,544	1,177,283,257	8,287	37,340

- b) The continuity of the amount due to the MOHLTC at March 31 is as follows:

	2017	2016
	\$	\$
Due to MOHLTC, beginning of year	93,318	55,978
Funding repayable to the MOHLTC		
related to current year activities (Note 10a)	8,287	37,340
Amounts repaid to MOHLTC during the year	(55,978)	-
Due to MOHLTC, end of year	45,627	93,318

Erie St. Clair Local Health Integration Network

Notes to the financial statements

March 31, 2017

11. Pension agreements

The LHIN makes contributions to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 33 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2017 was \$314,335 (2016 - \$283,144) for current service costs and is included as an expense in the statement of operations. The last actuarial valuation was completed for the plan as at December 2016. Currently, the plan is fully funded.

12. Guarantees

The LHIN is subject to the provisions of the *Financial Administration Act*. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favor of third parties, except in accordance with the *Financial Administration Act* and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the *Local Health System Integration Act, 2006* and in accordance with s. 28 of the *Financial Administration Act*.

13. Commitments

The LHIN has funding commitments to health service providers associated with accountability agreements. The LHIN had the following funding commitments as of March 31, 2017.

	\$
2018	808,599,254

The LHIN also has commitments under various operating leases related to building and equipment, which will be renewed in accordance with standard lease terms. Minimum lease payments due in each of the next five years are as follows:

	\$
2018	345,898
2019	336,098
2020	327,974
2021	326,401
2022	326,401
	<u>1,662,772</u>

14. Subsequent events

On April 3, 2017 the Minister of Health and Long-Term Care made an order under the provisions of the *Local Health System Integration Act, 2006*, as amended by the *Patients First Act, 2016* to require the transfer of all assets, liabilities, rights and obligations of the Erie St. Clair Community Care Access Centre (CCAC), to the LHIN, including the transfer of all employees of the CCAC.

Effective June 21, 2017 the LHIN will assume the responsibility to provide health and related social services and supplies and equipment for the care of persons in home, community and other settings and to provide goods and services to assist caregivers in the provision of care for such persons, to manage the placement of persons into long-term care homes, supportive housing programs, chronic care and rehabilitation beds in hospitals, and other programs and places where community services are provided under the *Home Care and Community Services Act, 1994* and to provide information to the public about, and make referrals to, health and social services.

Hamilton Niagara Haldimand Brant **LHIN** | **RLISS** de Hamilton Niagara Haldimand Brant

264 Main Street East
Grimsby, ON L3M 1P8
Tel: 905 945-4930
Toll Free: 1 866 363-5446
Fax: 905 945-1992
www.hnhblhin.on.ca

264, rue Main Est
Grimsby, ON L3M 1P8
Téléphone : 905 945-4930
Sans frais : 1 866 363-5446
Télécopieur : 905 945-1992
www.hnhblhin.on.ca

Management's Responsibility for the Financial Statements

March 31, 2017

The integrity and objectivity of the accompanying financial statements of the Hamilton Niagara Haldimand Brant Local Health Integration Network (HNHBLHIN) is the responsibility of management. These financial statements have been prepared in compliance with legislation and in accordance with Generally Accepted Account Principles (GAAP) and under Public Sector Accounting Board (PSAB).

Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for the preparation of the financial statements. These systems are monitored and evaluated by management, the Audit Committee and Board of Directors.

The external auditors meet with Management and the Audit Committee to review the financial statements and discuss any significant financial reporting or internal control matters prior to approval of the financial statements by the Board of Directors.

The financial statements have been audited by Deloitte & Touche LP, independent external auditors appointed by the Board of Directors.



Donna Cripps
Chief Executive Officer



Derek Bodden
Director, Finance



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

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Independent Auditor's Report

To the Members of the Board of Directors of the
Hamilton Niagara Haldimand Brant
Local Health Integration Network

We have audited the accompanying financial statements of Hamilton Niagara Haldimand Brant Local Health Integration Network, which comprise the statements of financial position as at March 31, 2017, and the statements of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Hamilton Niagara Haldimand Brant Local Health Integration Network, as at March 31, 2017 and the results of its operations, change in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants
Licensed Public Accountants
May 31, 2017

Hamilton Niagara Haldimand Brant Local Health Integration Network

Statement of financial position
as at March 31, 2017

	2017	2016
	\$	\$
Financial assets		
Cash	960,321	1,062,371
HST receivable	56,985	21,831
Accounts receivable - other	21,534	85,256
Due from Ministry of Health and Long-Term Care ("MOHLTC") transfer payments to Health Service Providers ("HSPs") (Note 9)	26,181,852	31,249,618
	27,220,692	32,419,076
Liabilities		
Accounts payable and accrued liabilities	337,073	262,301
Due to the MOHLTC (Note 3b)	709,094	913,720
Due to Health Service Providers ("HSPs") (Note 9)	26,181,852	31,249,618
Due to the LHIN Shared Services Office (Note 4)	-	2,601
Deferred capital contributions (Note 5)	73,636	21,659
	27,301,655	32,449,899
Commitments (Note 6)		
Net debt	(80,963)	(30,823)
Non-financial assets		
Prepaid expenses	7,327	9,164
Tangible capital assets (Note 7)	73,636	21,659
Accumulated surplus	-	-

Approved by the Board

 Director

 Director

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

Hamilton Niagara Haldimand Brant Local Health Integration Network

Statement of operations
year ended March 31, 2017

		2017	2016
	Budget (Note 8)	Actual	Actual
	\$	\$	\$
Revenue			
MOHLTC funding			
HSPs transfer payments (Note 9)	2,932,446,000	3,019,516,021	2,941,067,069
Operations of LHIN	4,884,366	4,793,538	4,599,809
Project Initiatives			
Enabling Technologies for Integration			
Project Management Office ("ETI PMO") (Note 4)	510,000	510,000	510,000
ER/ALC Performance Lead	-	100,000	100,000
French Language Services	-	106,000	106,000
French Language Planning Entity	-	411,693	411,693
Emergency Dept LHIN LEAD	-	75,000	75,000
Critical Care LHIN LEAD	-	75,000	75,000
Aboriginal Planning	37,500	37,500	37,500
Primary Care LHIN Lead	-	75,000	75,000
Diabetes Education	-	824,475	824,475
Patients First Transition Planning and Implementation	-	180,000	-
Amortization of deferred capital contributions (Note 5)	-	38,850	38,662
	2,937,877,866	3,026,743,077	2,947,920,208
Funding repayable to the MOHLTC (Note 3a)	-	(521,005)	(188,089)
	2,937,877,866	3,026,222,072	2,947,732,119
Expenses			
Transfer payments to HSPs (Note 9)	2,932,446,000	3,019,516,021	2,941,067,069
General and administrative (Note 11)	4,884,366	4,313,067	4,452,413
Project Initiatives (Note 10)			
ETI PMO	510,000	510,000	510,000
ER/ALC Performance Lead	-	100,000	100,000
French Language Services	-	106,000	106,000
French Language Planning Entity	-	411,693	411,693
Emergency Dept LHIN LEAD	-	73,316	72,969
Critical Care LHIN LEAD	-	75,000	75,000
Aboriginal Planning	37,500	37,500	37,500
Primary Care LHIN Lead	-	75,000	75,000
Diabetes Education	-	824,475	824,475
Patients First Transition Planning and Implementation	-	180,000	-
	2,937,877,866	3,026,222,072	2,947,732,119
Annual surplus and closing accumulated surplus, end of year	-	-	-

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

Hamilton Niagara Haldimand Brant Local Health Integration Network

Statement of change in net debt
year ended March 31, 2017

		2017	2016
	Budget (Note 8)	Actual	Actual
	\$	\$	\$
Annual surplus	-	-	-
Change in prepaid expenses	-	1,837	36,045
Acquisition of tangible capital assets	-	(90,827)	(16,363)
Amortization of tangible capital assets	-	38,850	38,662
Increase in net debt	-	(50,140)	58,344
Net debt, beginning of year	-	(30,823)	(89,167)
Net debt, end of year	-	(80,963)	(30,823)

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

Hamilton Niagara Haldimand Brant Local Health Integration Network

Statement of cash flows
year ended March 31, 2017

	2017	2016
	\$	\$
Operating transactions		
Annual surplus	-	-
Add items not affecting cash		
Amortization of capital assets	38,850	38,662
Less items not affecting cash		
Amortization of deferred capital contributions	(38,850)	(38,662)
Changes in non-cash operating items		
Accounts receivable - other	63,722	(85,076)
HST receivable	(35,154)	3,535
Due from MOHLTC to HSPs	5,067,766	(8,795,774)
Accounts payable and accrued liabilities	74,772	48,345
Due to the MOHLTC	(204,626)	188,089
HSPs from MOHLTC	(5,067,766)	8,795,774
LHIN Shared Services Office	(2,601)	2,520
Prepaid expenses	1,837	36,045
	(102,050)	193,458
Capital investment		
Acquisition of tangible capital assets	(90,827)	(16,363)
Financing transaction		
Capital contributions received	90,827	16,363
Net change in cash	(102,050)	193,458
Cash, beginning of year	1,062,371	868,913
Cash, end of year	960,321	1,062,371

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

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements

March 31, 2017

1. Description of business

The Hamilton Niagara Haldimand Brant Local Health Integration Network was incorporated by Letters Patent on June 2, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the *Local Health System Integration Act, 2006* (the "Act") as the Hamilton Niagara Haldimand Brant Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers the Counties of Hamilton, Niagara, Haldimand, Brant, most of the County of Norfolk and the City of Burlington. The LHIN enters into service accountability agreements with service providers.

The LHIN is funded by the Province of Ontario in accordance with the Ministry - LHIN Accountability Agreement ("MLAA"), which describes budget arrangements established by the Ministry of Health and Long-Term Care ("MOHLTC"). These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to Health Service Providers ("HSPs"), effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account. Commencing April 1, 2007, all funding payments to LHIN managed HSPs in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized HSPs are expensed in the LHIN's financial statements for the year ended March 31, 2017.

The LHIN has also entered into an Accountability Agreement with the MOHLTC, which provides the framework for LHIN accountabilities and activities.

The LHIN statements do not include any MOHLTC managed programs.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian Public Sector accounting standards. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of tangible capital assets.

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements

March 31, 2017

2. Significant accounting policies (continued)

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at period end.

Deferred capital contributions

Any amounts received that are used to fund expenses that are recorded as tangible capital assets, are recorded as deferred capital contributions and are recognized over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the Statement of operations, is in accordance with the amortization policy applied to the related tangible capital asset recorded.

Tangible capital assets

Tangible capital assets are recorded at historical cost. Historical cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of tangible capital assets. The cost of tangible capital assets contributed is recorded at the estimated fair value on the date of contribution. Fair value of contributed tangible capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the tangible capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a tangible capital asset are capitalized. Computer software is recognized as an expense when incurred.

Tangible capital assets are stated at cost less accumulated amortization. Tangible capital assets are amortized over their estimated useful lives as follows:

Computer equipment	3 years straight-line method
Leasehold improvements	Life of lease straight-line method
Office equipment, furniture and fixtures	5 years straight-line method

For assets acquired or brought into use during the year, amortization is provided for a full year. Infrastructure/web development costs are included with computer equipment for accounting and reporting purposes.

Segment disclosures

The LHIN was required to adopt Section PS 2700 - Segment Disclosures, for the fiscal year beginning April 1, 2007. A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the statement of operations and within the related notes for both the prior and current year sufficiently discloses information of all appropriate segments and therefore no additional disclosure is required.

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements

March 31, 2017

2. Significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimate and assumptions include valuation of accrued liabilities and useful lives of the tangible capital assets. Actual results could differ from those estimates.

3. Funding repayable to the MOHLTC

In accordance with the MLAA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

- a) The amount repayable to the MOHLTC related to current year activities is made up of the following components:

			2017	2016
	Funding received	Eligible expenses	Excess funding	Excess funding
	\$	\$	\$	\$
Transfer payments to HSPs	3,019,516,021	3,019,516,021	-	-
LHIN operations	4,832,388	4,313,067	519,321	186,058
ETI PMO	510,000	510,000	-	-
French Language Planning Entity	411,693	411,693	-	-
French Language Services	106,000	106,000	-	-
ER/ALC Performance Lead	100,000	100,000	-	-
Emergency Dept. LHIN LEAD	75,000	73,316	1,684	2,031
Critical Care LHIN LEAD	75,000	75,000	-	-
Primary Care Lead	75,000	75,000	-	-
Aboriginal Planning	37,500	37,500	-	-
Diabetes Education	824,475	824,475	-	-
Patients First Transition Planning and Implementation	180,000	180,000	-	-
	3,026,743,077	3,026,222,072	521,005	188,089

- b) The amount due to the MOHLTC at March 31, 2017 is made up as follows:

	2017	2016
	\$	\$
Due to MOHLTC, beginning of year	913,720	725,631
Funding repayable related to current year activities to the MOHLTC (Note 3a)	521,005	188,089
Amount recovered by the MOHLTC during the year	(725,631)	-
Due to MOHLTC, end of year	709,094	913,720

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements

March 31, 2017

4. Related party transactions

LHIN Shared Service Office, LHIN Collaborative and Health Shared Services Ontario

The LHIN Shared Services Office (the "LSSO") was a division of the Toronto Central LHIN and was subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO, on behalf of the LHINs was responsible for providing services to all LHINs. The full costs of providing these services was billed to all the LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHIN as at February 28, 2017 were recorded as a receivable (payable) from (to) the LSSO. This was done pursuant to the shared service agreement the LSSO has with all the LHINs.

The LHIN Collaborative (the "LHINC") was formed in fiscal 2010 to strengthen relationships between and among health service providers, associations and the LHINs, and to support system alignment. The purpose of LHINC was to support the LHINs in fostering engagement of the health service provider community in support of collaborative and successful integration of the health care system; their role as system manager; where appropriate, the consistent implementation of provincial strategy and initiatives; and the identification and dissemination of best practices. LHINC was a LHIN-led organization and accountable to the LHINs. LHINC was funded by the LHINs with support from the MOHLTC.

Effective February 28, 2017 pursuant to a transfer agreement between Toronto Central LHIN and Health Service Shared Services Ontario (HSSO) responsibility for the shared services previously provided by the LSSO and the LHINC was transferred to HSSO. HSSO is a provincial agency established January 1, 2017 by O. Reg. 456/16 made under LHSIA with objects to provide shared services to LHINs in areas that include human resources management, logistics, finance and administration and procurement. HSSO as a provincial agency is subject to legislation, policies and directives of the Government of Ontario and the Memorandum of Understanding between HSSO and the Minister of Health and Long Term Care.

Enabling Technologies for Integration Project Management Office

Effective January 31, 2014, the LHIN entered into an agreement with South West, Erie St. Clair and Waterloo Wellington LHIN's (the "Cluster") in order to enable the effective and efficient delivery of e-health programs and initiatives within the geographic area of the Cluster. Under the agreement, decisions related to the financial and operating activities of the Enabling Technologies for Integration Project Management Office are shared. No LHIN is in a position to exercise unilateral control.

The LHIN's financial statement reflects its share of the MOHLTC funding for Enabling Technologies for Integration Project Management Offices for its Cluster and related expenses. During the year, the LHIN received funding from the South West LHIN of \$510,000.

5. Deferred capital contributions

	2017	2016
	\$	\$
Balance, beginning of year	21,659	43,958
Capital contributions received during the year	90,827	16,363
Amortization for the year	(38,850)	(38,662)
Balance, end of year	73,636	21,659

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements

March 31, 2017

6. Commitments

The LHIN has commitments under various operating leases related to building and equipment. Lease renewals are likely. Minimum lease payments due under existing leases are as follows:

	\$
2018	172,786
2019	71,786

The LHIN also has funding commitments to HSPs associated with accountability agreements. The actual amounts which will ultimately be paid are contingent upon LHIN funding received from MOHLTC.

7. Tangible capital assets

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office, equipment, furniture and fixtures	494,740	482,884	11,856	16,516
Computer equipment	339,734	277,954	61,780	5,143
	834,474	760,838	73,636	21,659

8. Budget figures

The budgets were approved by the Government of Ontario. The budget figures reported on the Statement of operations reflect the initial budget at April 1, 2016. The figures have been reported for the purposes of these statements to comply with PSAB reporting requirements. During the year the government approved budget adjustments. The following reflects the adjustments for the LHIN during the year:

The final HSP funding budget of \$3,019,516,021 is derived as follows:

	\$
Initial budget	2,932,446,000
Adjustment due to announcements made during the year	87,070,021
Final budget	3,019,516,021

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements

March 31, 2017

8. Budget figures (continued)

The final LHIN general and administrative budget of \$7,279,434 is derived as follows:

	\$
Initial budget	
LHIN operations	4,884,366
ETI PMO	510,000
Aboriginal Planning	37,500
Additional funding received during the year for:	
French Language Planning Entity	411,693
French Language Services Coordinator	106,000
ERIALC Performance Lead	100,000
Emergency Dept. LHIN LEAD	75,000
Critical Care LHIN LEAD	75,000
Primary Care Lead	75,000
Diabetes Education	824,875
Patients First	180,000
Final budget	7,279,434

9. Transfer payments to HSPs

The LHIN has authorization to allocate funding of \$3,019,516,021 (2016 - \$2,941,067,069) to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors in 2017 as follows:

	2017	2016
	\$	\$
Operations of hospitals	1,979,076,717	1,933,929,144
Grants to compensate for municipal taxation - public hospitals	462,750	462,000
Long-term care homes	497,028,368	487,760,279
Community care access centres	328,666,580	311,792,567
Community support services	56,659,208	52,497,726
Acquired brain injury	7,655,039	7,549,178
Assisted living services in supportive housing	35,983,893	35,752,550
Community health centres	29,545,184	29,277,055
Community mental health addictions program	84,438,282	82,046,570
	3,019,516,021	2,941,067,069

The LHIN receives money from the MOHLTC which it in turn allocates to the HSPs. As of March 31, 2017 an amount of \$26,181,852 (2016 - \$31,249,618) was payable to the HSPs. This amount has been reflected as revenue and expenses within the LHIN's operations and is included above.

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements

March 31, 2017

10. Project initiatives

The LHIN received funds for various project initiatives listed in the Statement of Operations. The following table classifies the initiatives expenses by object:

	2017	2016
	\$	\$
Salaries and benefits	1,045,859	902,803
Professional services	1,246,750	1,206,825
Shared services	34,000	36,000
Occupancy	33,000	37,000
Supplies	10,173	10,790
Mail, courier and telecommunications	15,888	10,438
Other	7,315	8,781
	2,392,984	2,212,637

Diabetes strategy operational expenses included in the project initiative expenses above are as follows:

	Actual 2017	Actual 2016
	\$	\$
Salaries and benefits	753,060	717,701
Others	71,415	106,774
	824,475	824,475

11. Expenses by object

The Statement of operations presents the expenses by function. The following classifies general and administrative expenses by object:

	2017	2016
	\$	\$
Salaries and benefits	3,323,135	3,421,040
Board Chair per diems	33,250	26,425
Directors' per diems	45,400	32,559
Board expenses	19,595	9,654
Travel	16,428	19,164
Consulting services	68,482	127,301
Community forums and communication	55,586	43,340
Supplies, equipment, maintenance, other	64,225	56,942
Occupancy costs	299,044	284,162
Amortization	38,850	38,662
Shared services	349,073	393,164
	4,313,067	4,452,413

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements

March 31, 2017

12. Pension agreements

The LHIN makes contributions to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of 40 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2017 was \$348,047 (2016 - \$330,651) for current service costs and is included as an expense in the Statement of operations. The last actuarial valuation was completed for the plan as at December 31, 2016. At that time, the plan was fully funded.

13. Guarantees

The LHIN is subject to the provisions of the *Financial Administration Act*. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the *Financial Administration Act* and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the *Local Health System Integration Act*, 2006 and in accordance with s. 28 of the *Financial Administration Act*.

14. Subsequent event

On April 3, 2017 the Minister of Health and Long-Term Care made an order under the provisions of the Local Health System Integration Act, 2006, as amended by the Patients First Act, 2016 to require the transfer of all assets, liabilities, rights and obligations of the Hamilton Niagara Haldimand Brant Community Care Access Centre the (CCAC), to the LHIN, including the transfer of all employees of the CCAC.

Effective May 10, 2017 the LHIN assumed the responsibility to provide health and related social services and supplies and equipment for the care of persons in home, community and other settings and to provide goods and services to assist caregivers in the provision of care for such persons, to manage the placement of persons into long-term care homes, supportive housing programs, chronic care and rehabilitation beds in hospitals, and other programs and places where community services are provided under the Home Care and Community Services Act, 1994 and to provide information to the public about, and make referrals to, health and social services.

The actual financial impact of the transition is not currently known, however it is expected that assets assumed will equal liabilities assumed. Additionally there are no significant commitments being assumed as a result of the transition.

Mississauga Halton **LHIN** | **RLISS** de Mississauga Halton

700 Dorval Drive, Suite 500
Oakville, ON L6K 3V3
Tel: 905 337-7131 • Fax: 905 337-8330
Toll Free: 1 866 371-5446
www.mississaugahaltonlhin.on.ca

700 Dorval Drive, bureau 500
Oakville, ON L6K 3V3
Téléphone : 905 337-7131
Sans frais : 1 866 371-5446
Télécopieur : 905 337-8330
www.mississaugahaltonlhin.on.ca

Management's Responsibility for the Financial Statements

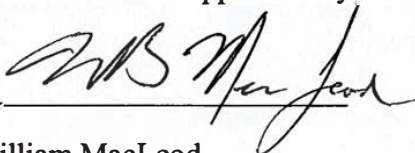
March 31, 2017

The integrity and objectivity of the accompanying financial statements of the Mississauga Halton Local Health Integration Network (MH LHIN) is the responsibility of management. These financial statements have been prepared in compliance with legislation and in accordance with Generally Accepted Accounting Principles (GAAP) and under Public Sector Accounting Board (PSAB).

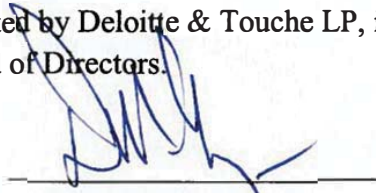
Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for the preparation of the financial statements. These systems are monitored and evaluated by Management, the Audit Committee and Board of Directors.

Management meets with the external auditors and the Board of Directors to review the financial statements and discuss any significant financial reporting or internal control matters prior to approval of the financial statements.

The financial statements have been audited by Deloitte & Touche LP, independent external auditors appointed by the Board of Directors.



William MacLeod
Chief Executive Officer



Dale McGregor
Senior Director, Finance & Chief Financial Officer



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

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Independent Auditor's Report

To the Members of the Board of Directors of the
Mississauga Halton Local Health Integration Network

We have audited the accompanying financial statements of Mississauga Halton Local Health Integration Network, which comprise the statement of financial position as at March 31, 2017, and the statements of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Mississauga Halton Local Health Integration Network as at March 31, 2017 and the results of its operations, change in its net debt, and its cash flows for the years then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

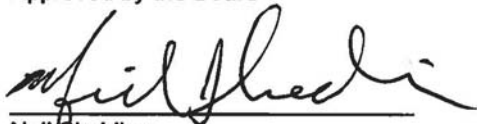
Chartered Professional Accountants
Licensed Public Accountants
June 1, 2017

Mississauga Halton Local Health Integration Network

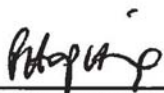
Statement of financial position
as at March 31, 2017

	2017	2016
	\$	\$
Financial assets		
Cash	605,714	637,682
Accounts receivable		
Ministry of Health and Long-Term Care ("MOHLTC") transfer payments to Health Service Providers ("HSPs") (Note 3)	534,600	6,866,104
Due from other LHINs	124,948	10,448
Other	49,536	30,575
	1,314,798	7,544,809
Liabilities		
Accounts payable and accrued liabilities	740,719	525,540
Accounts payable HSPs transfer payments (Note 3)	534,600	6,866,104
Due to MOHLTC (Note 4b)	121,430	181,681
Due to the LHIN Shared Services Office (Note 5)	-	5,168
Deferred capital contributions (Notes 6)	26,190	57,465
	1,422,939	7,635,958
Net debt	(108,141)	(91,149)
Commitments (Note 7)		
Non-financial assets		
Prepaid expenses	81,951	33,684
Tangible capital assets (Note 8)	26,190	57,465
	108,141	91,149
Accumulated surplus	-	-

Approved by the Board



Neil Skelding
Chair



Patrick Hop Hing, CPA, CA
Audit and Finance Committee Chair

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

Mississauga Halton Local Health Integration Network

Statement of operations
year ended March 31, 2017

	Budget (Note 9)	2017 Actual	2016 Actual
	\$	\$	\$
Revenue			
MOHLTC Funding			
HSP transfer payments (Note 3)	1,446,532,825	1,530,939,575	1,458,106,534
LHIN Operation	4,115,693	4,076,904	4,115,693
Project Initiatives			
Regional Coordination Diabetes Service (RCDS)	1,262,853	1,262,853	1,262,853
French Language Health Services	106,000	106,000	106,000
Aboriginal Engagement	5,000	5,000	5,000
ER/ALC Performance Lead	100,000	100,000	100,000
Critical Care Lead	-	75,000	75,000
Emergency Department (ED) Lead	-	75,000	75,000
Primary Care Lead	-	75,000	75,000
LHIN Enabling Technologies for Integration Project Management Office (ETI PMO)	-	327,277	239,935
Patients First Transition Planning and Implementation	-	180,000	-
Patients First Pan-LHIN Support for Planning and Implementation	-	105,471	-
Amortization of deferred capital contributions (Note 6)	-	38,258	38,531
	1,452,122,371	1,537,366,338	1,464,199,546
Funding repayable to the MOHLTC (Note 4a)	-	(106,574)	(14,856)
	1,452,122,371	1,537,259,764	1,464,184,690
Expenses			
Transfer payments to HSPs (Note 3)	1,446,532,825	1,530,939,575	1,458,106,534
General and administrative expense LHIN operation (Note 10)	4,115,693	4,106,385	4,153,911
Project Initiatives (Note 11)			
Regional Coordination Diabetes Service (RCDS)	1,262,853	1,195,763	1,262,853
French Language Health Services	106,000	92,335	100,651
Aboriginal Engagement	5,000	4,037	4,375
ER/ALC Performance Lead	100,000	99,966	99,701
Critical Care Lead	-	72,000	72,000
Emergency Department (ED) Lead	-	72,064	72,083
Primary Care Lead	-	66,923	72,647
ETI PMO	-	327,277	239,935
Patients First Transition Planning and Implementation	-	177,968	-
Patients First Pan-LHIN Support for Planning and Implementation	-	105,471	-
	1,452,122,371	1,537,259,764	1,464,184,690
Annual surplus and accumulated surplus, end of year	-	-	-

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

Mississauga Halton Local Health Integration Network

Statement of change in net debt
year ended March 31, 2017

	Budget (Note 9)	2017 Actual	2016 Actual
	\$	\$	\$
Annual surplus	-	-	-
Change in prepaid expenses	-	(48,267)	19,771
Acquisition of tangible capital assets	-	(6,983)	-
Amortization of tangible capital assets	-	38,258	38,531
Increase in net debt	-	(16,992)	58,302
Net debt, beginning of year	-	(91,149)	(149,451)
Net debt, end of year	-	(108,141)	(91,149)

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

Mississauga Halton Local Health Integration Network

Statement of cash flows
year ended March 31, 2017

	2017	2016
	\$	\$
Operating transactions		
Annual surplus	-	-
Add item not affecting cash		
Amortization of tangible capital assets	38,258	38,531
Less item not affecting cash		
Amortization of deferred capital contributions	(38,258)	(38,531)
Changes in non-cash operating items		
Accounts receivable -Other	(18,961)	34,415
Due from other LHINs	(114,500)	(10,448)
Accounts receivable MOHLTC transfer payments to HSPs	6,331,504	(574,204)
Accounts payable and accrued liabilities	215,179	103,123
Accounts payable HSPs transfer payments	(6,331,504)	574,204
Due to MOHLTC	(60,251)	14,856
Due to LHIN Shared Services Office	(5,168)	(958)
Due to other LHIN	-	(47,635)
Prepaid expenses	(48,267)	19,771
	(31,968)	113,124
Capital transaction		
Acquisition of tangible capital assets	(6,983)	-
Financing transaction		
Capital contributions received (Note 6)	6,983	-
Net increase (decrease) in cash	(31,968)	113,124
Cash, beginning of year	637,682	524,558
Cash, end of year	605,714	637,682

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

Mississauga Halton Local Health Integration Network

Notes to the financial statements

March 31, 2017

1. Description of business

The Mississauga Halton Local Health Integration Network was incorporated by Letters Patent on June 9, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the *Local Health System Integration Act*, 2006 (the "Act") as the Mississauga Halton Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers a south-west portion of the City of Toronto, the south part of Peel Region and all of Halton Region except for Burlington. The LHIN enters into service accountability agreements with service providers.

The LHIN is funded by the Province of Ontario in accordance with the Ministry - LHIN Accountability Agreement ("MLAA"), which describes budget arrangements established by the Ministry of Health and Long-Term Care ("MOHLTC") and provides the framework for the LHIN accountabilities and activities. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to Health Service Providers ("HSPs"), effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSPs. The cash associated with the transfer payment does not flow through the LHIN bank account. Commencing April 1, 2007, all funding payments to LHIN managed HSPs in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized HSPs are expensed in the LHIN's financial statements for the year ended March 31, 2017.

The LHIN has also entered into an Accountability Agreement with the MOHLTC, which provides the framework for LHIN accountabilities and activities.

The LHIN statements do not include any MOHLTC managed programs.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian public sector accounting standards. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of tangible capital assets.

Mississauga Halton Local Health Integration Network

Notes to the financial statements

March 31, 2017

2. Significant accounting policies (continued)

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and the reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. As directed by the ministry, there are circumstances when funding received by the HSP is used to pay expenses for which the related services have not yet been performed. These amounts are recorded by the HSP as payable to the MOHLTC/LHIN at period end.

Deferred capital contributions

Any amounts received that are used to fund expenditures that are recorded as tangible capital assets in the operation of the LHIN, are recorded as deferred capital contributions and are recognized as revenue over the useful life of the asset reflective of the provision of its services. The amount recorded under revenue in the statement of operations, is in accordance with the amortization policy applied to the related tangible capital asset recorded.

Tangible capital assets

Tangible capital assets are recorded at historic cost. Historic cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of tangible capital assets. The cost of tangible capital assets contributed is recorded at the estimated fair value on the date of contribution. Fair value of contributed tangible capital assets is estimated using the cost of the asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the tangible capital asset would be recognized at its nominal value.

Maintenance and repair costs are recognized as expenses when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a tangible capital asset are capitalized. Computer software is recognized as an expense when incurred.

Tangible capital assets are stated at cost less accumulated amortization. Tangible capital assets are amortized over their estimated useful lives as follows:

Computer equipment	3 years straight-line method
Web development	3 years straight-line method
Leasehold improvements	Life of lease straight-line method
Office equipment, furniture and fixtures	5 years straight-line method

For assets acquired or brought into use during the year, amortization is provided for a full year.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include valuation of accrued liabilities and useful lives of the tangible capital assets. Actual results could differ from those estimates.

Mississauga Halton Local Health Integration Network

Notes to the financial statements

March 31, 2017

3. Transfer payments to HSPs

In fiscal 2017, the LHIN had authorization to allocate funding of \$1,530,939,575 to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors in fiscal 2017 as follows:

	2017	2016
	\$	\$
Operation of hospitals	1,013,175,181	958,676,890
Long term care homes	202,724,637	199,446,779
Community care access centres	176,279,459	165,232,001
Community support services	47,743,303	47,045,682
Assisted living services in supportive housing	39,962,439	38,647,831
Community mental health	34,777,191	33,375,109
Addictions program	7,735,785	7,242,873
Acquired brain injury	6,102,724	5,988,872
Community health centres	2,438,856	2,450,497
	1,530,939,575	1,458,106,534

The LHIN receives money from the MOHLTC which it in turn allocates to the HSPs. As at March 31, 2017, an amount of \$534,600 (2016 - \$6,866,104) was receivable from the MOHLTC and \$534,600 (2016 - \$6,866,104) was payable to the HSPs. These amounts have been reflected as revenue and expenses with the LHIN's operations and are included above.

Mississauga Halton Local Health Integration Network

Notes to the financial statements

March 31, 2017

4. Funding repayable to the MOHLTC

In accordance with the MLAA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

- a) The amount repayable to the MOHLTC related to current year activities is made up of the following components:

	2017		2016	
	Funding received	Eligible expenses	Excess funding	Excess funding
	\$	\$	\$	\$
Transfer payments to HSPs	1,530,939,575	1,530,939,575	-	-
LHIN operations	4,115,162	4,106,385	8,777	313
LHIN special funded initiatives				
Regional Coordination Diabetes Services (RCDS)	1,262,853	1,195,763	67,090	-
French Language Health Services	106,000	92,335	13,665	5,349
Aboriginal Engagement	5,000	4,037	963	625
ER/ALC Performance Lead	100,000	99,966	34	299
Critical Care Lead	75,000	72,000	3,000	3,000
ED Lead	75,000	72,064	2,936	2,917
Primary Care Lead	75,000	66,923	8,077	2,353
ETI PMO	327,277	327,277	-	-
Patients First Transition Planning and Implementation	180,000	177,968	2,032	-
Patients First Pan-LHIN Support for Planning and Implementation	105,471	105,471	-	-
	2,311,601	2,213,804	97,797	14,543
	1,537,366,338	1,537,259,764	106,574	14,856

- b) The amount due to the MOHLTC at March 31 is made up as follows:

	2017	2016
	\$	\$
Due to MOHLTC, beginning of year	181,681	166,825
Amount recovered by the MOHLTC during the year	(166,825)	-
Funding repayable to the MOHLTC related to current year activities (Note 4a)	106,574	14,856
Due to MOHLTC, end of year	121,430	181,681

Mississauga Halton Local Health Integration Network

Notes to the financial statements

March 31, 2017

5. Related Party Transactions

LHIN Shared Service Office, LHINC Collaborative and Health Shared Services Ontario

The LHIN Shared Services Office (the "LSSO") was a division of the Toronto Central LHIN and was subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO, on behalf of the LHINs was responsible for providing services to all LHINs. The full costs of providing these services was billed to all the LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHIN as at February 28, 2017 were recorded as a receivable (payable) from (to) the LSSO. This was done pursuant to the shared service agreement the LSSO has with all the LHINs.

The LHIN Collaborative (the "LHINC") was formed in fiscal 2010 to strengthen relationships between and among health service providers, associations and the LHINs, and to support system alignment. The purpose of LHINC was to support the LHINs in fostering engagement of the health service provider community in support of collaborative and successful integration of the health care system; their role as system manager; where appropriate, the consistent implementation of provincial strategy and initiatives; and the identification and dissemination of best practices. LHINC was a LHIN-led organization and accountable to the LHINs. LHINC was funded by the LHINs with support from the MOHLTC.

Effective February 28, 2017 pursuant to a transfer agreement between Toronto Central LHIN and Health Shared Services Ontario (HSSO) responsibility for the shared services previously provided by the LSSO and the LHINC was transferred to HSSO. HSSO is a provincial agency established January 1, 2017 by O. Reg. 456/16 made under LHSIA with objects to provide shared services to LHINs in areas that include human resources management, logistics, finance and administration and procurement. HSSO as a provincial agency is subject to legislation, policies and directives of the Government of Ontario and the Memorandum of Understanding between HSSO and the Minister of Health and Long Term Care.

Enabling Technologies for Integration Project Management Office

Effective February 1, 2012, the Central, Central West, Central East, Toronto Central, Mississauga Halton and North Simcoe Muskoka (the "Cluster") LHINs entered into an agreement in order to enable the effective and efficient delivery of e-health programs and initiatives within the geographical area of the Cluster. Under this agreement, decisions related to the financial and operating activities of the Enabling Technologies for Integration Project Management Office are shared. No LHIN is in a position to exercise unilateral control.

The LHIN's financial statement reflects its share of the MOHLTC funding for Enabling Technologies for Integration Project Offices for its Cluster and related expenses. During the year, the LHIN received one-time funding from Central West LHIN of \$327,277 (2016 - \$239,935).

Patients First Pan-LHIN Support for Planning and Implementation

On June 13, 2016 an amendment to the Ministry-LHIN Accountability Agreement between Toronto Central LHIN and the Ministry resulted in an allocation of \$1,080,000 of additional funding to be distributed by the Toronto Central LHIN to various LHINs to be applied to salary and benefit costs related to the support of transition and implementation of the expanded LHIN mandate. Mississauga Halton LHIN received \$105,471 of this funding which was spent on eligible expenses in the year.

6. Deferred capital contributions

	2017	2016
	\$	\$
Balance, beginning of year	57,465	95,996
Capital contributions received during the year	6,983	-
Amortization for the year	(38,258)	(38,531)
Balance, end of year	26,190	57,465

Mississauga Halton Local Health Integration Network

Notes to the financial statements

March 31, 2017

7. Commitments

The LHIN has commitments under various operating leases related to building and equipment. The LHIN's existing building lease was renegotiated and extended to December 31, 2020. Minimum lease payments due in each of the next four years are as follows:

	\$
2018	341,969
2019	334,937
2020	331,198
2021	247,823
	<u>1,255,927</u>

The LHIN also has funding commitments to all HSPs associated with accountability agreements which allocate planning targets for future fiscal years. The actual amounts which will ultimately be paid are contingent upon actual LHIN funding received from the MOHLTC.

8. Tangible capital assets

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office equipment, furniture and fixtures	331,642	306,888	24,754	54,593
Leasehold improvements	887,344	885,908	1,436	2,872
Computer equipment	41,683	41,683	-	-
	<u>1,260,669</u>	<u>1,234,479</u>	<u>26,190</u>	<u>57,465</u>

9. Budget figures

Health Service Providers

The initial funding budget figures reported in the statement of operations reflect the opening base as at April 1, 2016. The figures have been reported for the purposes of these statements to comply with PSAB reporting requirements. During the year the government approved budget adjustments. The following reflects the adjustments for the LHIN during the year.

The final HSP funding budget of \$1,530,939,575 as at March 31, 2017 is made up of the following:

	\$
Initial HSP funding budget as at April 1, 2016	1,446,532,825
Adjustments due to announcements made during the year	84,406,750
Final HSP funding budget	<u>1,530,939,575</u>

Mississauga Halton Local Health Integration Network

Notes to the financial statements

March 31, 2017

9. Budget figures (continued)

LHIN operations

The final operating budget from MOHLTC of \$6,395,488 as at March 31, 2017 is made up of the following:

	\$
Initial budget as at April 1, 2016	
LHIN Operation	4,115,693
RCDS	1,262,853
French Language Services	106,000
Aboriginal Engagement	5,000
ER/ALC Performance Lead	100,000
Additional funding received during the year for:	
Critical Care Lead	75,000
ED Lead	75,000
Primary Care Lead	75,000
ETI PMO	327,277
Patients First Transition Planning and Implementation	180,000
Patients First Pan-LHIN Support for Planning and Implementation	105,471
Reduction to Health Shared Services Office (HSSO)	(31,806)
Final budget	6,395,488

Mississauga Halton Local Health Integration Network

Notes to the financial statements

March 31, 2017

10. General and administration expenses

The statement of operations presents the expenses by function. The following classifies general and administrative expenses by object:

	2017	2016
	\$	\$
Salaries and benefits	3,046,948	3,023,776
Shared services	320,685	372,259
LHIN Collaborative	47,500	47,500
Staff travel	28,404	21,429
Communication	35,146	33,384
Accommodation	161,616	223,024
Advertising	1,900	5,792
Professional fees and medical professional services	30,128	16,800
Consulting fees	8,764	41,822
Equipment rentals	12,068	10,547
Insurance	7,900	7,900
Other meeting expenses	31,584	24,816
Board Chair's per diem expenses	38,850	49,875
Other Board members' per diem expenses	72,800	57,175
Other governance costs and travel	24,570	23,989
Printing and translation	44,806	35,528
Staff development	8,776	18,983
IT equipment	61,492	51,458
Office supplies and purchased equipment	67,127	28,694
Amortization	38,258	38,531
Other services	17,063	20,629
	4,106,385	4,153,911

Mississauga Halton Local Health Integration Network

Notes to the financial statements

March 31, 2017

11. Project Initiatives

The LHIN received funds for various project initiatives listed in the statement of operations. The following classifies LHIN project initiatives, by object:

	2017	2016
	\$	\$
Salaries and benefits	1,615,892	1,393,419
Shared services	14,888	9,405
Staff travel	3,744	3,512
Communication	1,675	1,250
Accommodation	66,374	73,797
Advertising	2,146	-
Professional fees/Medical Professional Services	348,569	380,969
Consulting fees	13,274	-
Equipment rentals	267	1,602
Printing and translation	14,185	15,964
Other meeting expenses	7,058	4,407
Staff development	-	4,096
IT equipment	119,513	33,627
Office supplies and purchased equipment	6,017	1,951
Other services	202	246
	2,213,804	1,924,245

Diabetes strategy operational expenses included in the above project initiatives are as follows:

	Actual 2017	Actual 2016
	\$	\$
Salaries and benefits	996,877	1,038,814
Others	198,886	224,039
	1,195,763	1,262,853

12. Pension agreements

The LHIN makes contributions to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 37 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2017 was \$376,251 (2016 - \$380,196) for current service costs and is included as an expense in the statement of operations. The last actuarial valuation was completed for the plan as at December 31, 2016. At that time, the plan was fully funded.

Mississauga Halton Local Health Integration Network

Notes to the financial statements

March 31, 2017

13. Guarantees

The LHIN is subject to the provisions of the *Financial Administration Act*. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the *Financial Administration Act* and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the *Local Health System Integration Act*, 2006 and in accordance with s. 28 of the *Financial Administration Act*.

14. Subsequent event

On April 3, 2017 the Minister of Health and Long-Term Care made an order under the provisions of the *Local Health System Integration Act*, 2006, as amended by the *Patients First Act*, 2016 to require the transfer of all assets, liabilities, rights and obligations of the Mississauga Halton Community Care Access Centre the (CCAC), to the LHIN, including the transfer of all employees of the CCAC.

Effective May 31, 2017 the LHIN assumed the responsibility to provide health and related social services and supplies and equipment for the care of persons in home, community and other settings and to provide goods and services to assist caregivers in the provision of care for such persons, to manage the placement of persons into long-term care homes, supportive housing programs, chronic care and rehabilitation beds in hospitals, and other programs and places where community services are provided under the *Home Care and Community Services Act*, 1994 and to provide information to the public about, and make referrals to, health and social services.

The actual financial impact of the transition is not currently known, however it is expected that assets assumed will equal liabilities assumed. Additionally there are no significant commitments being assumed as a result of the transition.

North East LHIN | RLISS du Nord-Est

555 Oak Street East, 3rd Floor
North Bay, ON P1B 8E3
Tel: 705 840-2872 • Fax: 705 840-0142
Toll Free: 1 866 906-5446
www.nelhin.on.ca

555, rue Oak Est, 3e étage
North Bay, ON P1B 8E3
Téléphone : 705 840-2872
Sans frais : 1 866 906-5446
Télécopieur : 705 840-0142
www.nelhin.on.ca

Management's Responsibility for the Financial Statements

March 31, 2017

The integrity and objectivity of the accompanying financial statements of the North East Local Health Integration Network (NE LHIN) is the responsibility of management. These financial statements have been prepared in compliance with legislation and in accordance with Generally Accepted Account Principles (GAAP) and under Public Sector Accounting Board (PSAB).

Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for the preparation of the financial statements. These systems are monitored and evaluated by management, the Audit Committee and Board of Directors.

Management meets with the external auditors and the Board of Directors to review the financial statements and discuss any significant financial reporting or internal control matters prior to approval of the financial statements.

The financial statements have been audited by Deloitte & Touche LP, independent external auditors appointed by the Board of Directors.



Louise Paquette
Chief Executive Officer



Kate Fyfe
Vice President System Performance and
Accountability



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

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Independent Auditor's Report

To the Members of the Board of Directors of the
North East Local Health Integration Network

We have audited the accompanying financial statements of the North East Local Health Integration Network (the "LHIN"), which comprise the statement of financial position as at March 31, 2017, and the statements of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of LHIN as at March 31, 2017, and the results of its operations, change in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.


Chartered Professional Accountants
Licensed Public Accountants
May 30, 2017

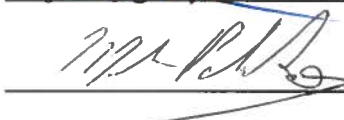
North East Local Health Integration Network

Statement of financial position as at March 31, 2017

	2017	2016
	\$	\$
Financial assets		
Cash	565,035	418,629
Accounts receivable	27,533	24,166
HST receivable	67,536	26,496
Due from MOHLTC-Health Service Providers ("HSP") (Note 7)	15,757,699	24,187,382
	16,417,803	24,656,673
Liabilities		
Accounts payable and accrued liabilities	700,017	483,268
Due to the LHIN Shared Services Office (Note 3)	-	37
Due to Health Service Providers ("HSP") (Note 7)	15,757,699	24,187,382
Deferred capital contributions (Note 4)	155,347	209,231
	16,613,063	24,879,918
Net debt	(195,260)	(223,245)
Commitments (Note 13)		
Non-financial assets		
Prepaid expenses	39,913	14,014
Tangible capital assets (Note 5)	155,347	209,231
	195,260	223,245
Accumulated surplus	-	-

Approved by the Board


 _____ Director


 _____ Director

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

North East Local Health Integration Network

Statement of operations
year ended March 31, 2017

	Budget (Note 6)	2017 Actual	2016 Actual
	\$	\$	\$
Revenue			
MOHLTC funding			
HSP transfer payments (Note 7)	1,440,484,300	1,503,092,882	1,475,183,814
Operations of LHIN	4,737,866	4,743,741	5,070,965
Project Initiatives			
Enabling technologies	510,000	510,000	510,000
French Language Health Service	296,800	296,800	296,800
Réseau du mieux-être francophone du Nord de l'Ontario	796,159	796,159	796,159
Emergency Department Lead	75,000	75,000	75,000
Critical Care Lead	75,000	75,000	75,000
Aboriginal Engagement	100,000	100,000	100,000
Emergency Room/Alternate Level of Care	100,000	100,000	100,000
Primary Care Lead	75,000	75,000	75,000
Diabetes Regional Coordinating Centre	1,065,809	1,065,809	1,065,809
Patients First Transition Planning and Implementation	-	180,000	-
Patients First Pan-LHIN Support for Planning and Implementation	-	111,720	-
Amortization of deferred capital contributions (Note 4)	67,708	74,619	102,869
	1,448,383,642	1,511,296,730	1,483,451,416
Expenses			
Transfer payments to HSPs (Note 7)	1,440,484,300	1,503,092,882	1,475,183,814
General and administrative (Note 8)	4,737,866	4,743,741	5,070,965
Project Initiatives Note 9)			
Enabling technologies	510,000	510,000	510,000
French Language Health Service	296,800	296,800	296,800
Réseau du mieux-être francophone du Nord de l'Ontario	796,159	796,159	796,159
Emergency Department Lead	75,000	75,000	75,000
Critical Care Lead	75,000	75,000	75,000
Aboriginal Engagement	100,000	100,000	100,000
Emergency Room/Alternate Level of Care	100,000	100,000	100,000
Primary Care Lead	75,000	75,000	75,000
Diabetes Regional Coordinating Centre	1,065,809	1,065,809	1,065,809
Patients First Transition Planning and Implementation	-	180,000	-
Patients First Pan-LHIN Support for Planning and Implementation	-	111,720	-
Amortization of tangible capital assets	67,708	74,619	102,869
	1,448,383,642	1,511,296,730	1,483,451,416
Annual surplus and accumulated surplus, end of year	-	-	-

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

North East Local Health Integration Network

Statement of change in net debt
year ended March 31, 2017

	Budget	2017	2016
	\$	\$	\$
Annual surplus	-	-	-
Acquisition of tangible capital assets	-	(20,735)	(125,693)
Amortization of tangible capital assets	67,708	74,619	102,869
(Increase) decrease in prepaid expenses, net	-	(25,899)	24,561
Decrease in net debt	67,708	27,985	1,737
Net debt, beginning of year	(223,245)	(223,245)	(224,982)
Net debt, end of year	(155,537)	(195,260)	(223,245)

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

North East Local Health Integration Network

Statement of cash flows year ended March 31, 2017

	2017	2016
	\$	\$
Operating transactions		
Annual surplus	-	-
Items not affecting cash		
Amortization of tangible capital assets	74,619	102,869
Amortization of deferred capital contributions (Note 4)	(74,619)	(102,869)
Changes in non-cash working capital		
Accounts receivable	(3,367)	(7,008)
HST Receivable	(41,040)	8,641
Due from MOHLTC-Health Service Providers	8,429,683	(20,702,143)
Accounts payable and accrued liabilities	259,816	37,745
Due to the LHIN Shared Service Office	(37)	(7,401)
Due to Health Service Providers	(8,429,683)	20,702,143
Prepaid expenses	(25,899)	24,561
	189,473	56,538
Capital transaction		
Acquisition of tangible capital assets net of change in accounts payable related to capital asset acquisitions	(63,802)	(82,626)
Financing transaction		
Increase in deferred capital contributions (Note 4)	20,735	125,693
Net increase in cash	146,406	99,605
Cash, beginning of year	418,629	319,024
Cash, end of year	565,035	418,629

(See additional information presented in Note 5.)

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

North East Local Health Integration Network

Notes to the financial statements

March 31, 2017

1. Description of business

The North East Local Health Integration Network was incorporated by Letters Patent on June 2, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the Local Health System Integration Act, 2006 (the "Act") as the North East Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers the area of Northeastern Ontario. The LHIN enters into service accountability agreements with service providers.

The LHIN is funded by the Province of Ontario in accordance with Ministry-LHIN Accountability Agreement ("MLAA"), which describes budget arrangements established by the Ministry of Health and Long-Term Care ("MOHLTC") and provides the framework for the LHIN accountabilities and activities. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to HSPs, effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account. Commencing April 1, 2007, all funding payments to LHIN managed Health Service Providers ("HSP") in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized HSPs are expensed in the LHIN's financial statements for the year ended March 31, 2017.

The LHIN statements do not include any MOHLTC managed programs.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian public sector accounting standards. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of tangible assets.

North East Local Health Integration Network

Notes to the financial statements

March 31, 2017

2. Significant accounting policies (continued)

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at period end.

Deferred capital contributions

Any amounts received that are used to fund expenses that are recorded as tangible capital assets, are recorded as deferred capital contributions and are recognized as revenue over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the statement of operations, is in accordance with the amortization policy applied to the related tangible capital asset recorded.

Tangible capital assets

Tangible capital assets are recorded at cost. Cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of tangible capital assets. The cost of tangible capital assets contributed is recorded at the estimated fair value on the date of contribution. Fair value of contributed tangible capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the tangible capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a tangible capital asset are capitalized.

Tangible capital assets are stated at cost less accumulated amortization. Tangible capital assets are amortized over their estimated useful lives as follows:

Furniture and fixtures	5 years straight-line method
Computer equipment	3 years straight-line method
Leasehold improvements	Life of lease straight-line method

For assets acquired and brought into use during the year, amortization is provided for a full year.

Segment disclosures

A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the statement of operations and within the related notes for both the prior and current year sufficiently discloses information of all appropriate segments and therefore no additional disclosure is required.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include valuation of accrued liabilities and useful lives of the tangible capital assets. Actual results could differ from those estimates.

North East Local Health Integration Network

Notes to the financial statements

March 31, 2017

3. Related party transactions

LHIN Shared Service Office, LHIN Collaborative and Health Shared Services Ontario

The LHIN Shared Services Office (the "LSSO") was a division of the Toronto Central LHIN and was subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO, on behalf of the LHINs was responsible for providing services to all LHINs. The full costs of providing these services was billed to all the LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHIN as at February 28, 2017 were recorded as a receivable (payable) from (to) the LSSO. This was done pursuant to the shared service agreement the LSSO has with all the LHINs.

The LHIN Collaborative (the "LHINC") was formed in fiscal 2010 to strengthen relationships between and among health service providers, associations and the LHINs, and to support system alignment. The purpose of LHINC was to support the LHINs in fostering engagement of the health service provider community in support of collaborative and successful integration of the health care system; their role as system manager; where appropriate, the consistent implementation of provincial strategy and initiatives; and the identification and dissemination of best practices. LHINC was a LHIN-led organization and accountable to the LHINs. LHINC was funded by the LHINs with support from the MOHLTC.

Effective February 28, 2017 pursuant to a transfer agreement between Toronto Central LHIN and Health Service Shared Services Ontario (HSSO) responsibility for the shared services previously provided by the LSSO and the LHINC was transferred to HSSO. HSSO is a provincial agency established January 1, 2017 by O. Reg. 456/16 made under LHSIA with objects to provide shared services to LHINs in areas that include human resources management, logistics, finance and administration and procurement. HSSO as a provincial agency is subject to legislation, policies and directives of the Government of Ontario and the Memorandum of Understanding between HSSO and the Minister of Health and Long Term Care.

Patients First Pan-LHIN Support for Planning and Implementation

On June 13, 2016 an amendment to the Ministry-LHIN Accountability Agreement between Toronto Central LHIN and the Ministry resulted in an allocation of \$1,080,000 of additional funding to be distributed by the Toronto Central LHIN to various LHINs to be applied to salary and benefit costs created to the support of transition and implementation of the expanded LHIN mandate. North East LHIN received \$111,720 of this funding which was spent on eligible expenses in the year.

Enabling Technologies for Integrated Project management Office

In fiscal 2014, the LHIN entered into an agreement with the Champlain, South East and North West LHINs (the "Cluster") in order to enable the effective and efficient delivery of e-health programs and initiatives within the geographic area of the Cluster. Funding was provided to enable the cluster LHINs Project Management Offices to advance eHealth, information management and information technology initiatives as outlined in the ETI PMO Toolkit Business Case approved by the MOHLTC.

The LHIN's financial statements reflects its share of the MOHLTC funding for ETI PMO for its Cluster and related expenses. During the year the LHIN received of \$510,000 (2016 - \$510,000).

4. Deferred capital contributions

	2017	2016
	\$	\$
Balance, beginning of year	209,231	186,407
Capital contributions received	20,735	125,693
Amortization	(74,619)	(102,869)
Balance, end of year	155,347	209,231

North East Local Health Integration Network

Notes to the financial statements

March 31, 2017

5. Tangible capital assets

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Furniture and fixtures	215,060	202,710	12,350	51,734
Computer equipment	287,963	249,154	38,809	28,413
Leasehold improvements	1,235,980	1,131,792	104,188	129,084
	1,739,003	1,583,656	155,347	209,231

Non-cash transactions

During the year, tangible capital assets were acquired at an aggregate cost of \$20,735 (2016 - \$125,693) of which \$ Nil (2016 - \$43,067) were paid after year-end and \$20,735 (2016 - \$82,626) were paid during the year.

6. Budget figures

The budgets were approved by the Government of Ontario. The budget figures reported on the statement of operations reflect the initial budget at April 1, 2016. The figures have been reported for the purposes of these statements to comply with PSAB reporting principles. During the year the government approved budget adjustments. The following reflects the adjustments for the LHIN during the year:

The total HSP funding budget of \$1,503,092,882 is made up of the following:

	\$
Initial HSP Funding budget	1,440,484,300
Adjustment due to announcements made during the year	62,608,582
	1,503,092,882

The total operating budget of \$8,129,229 is made up of the following:

Initial budget	7,831,634
Additional funding received during the year	318,330
Amount treated as Capital Contribution	(20,735)
Total budget	8,129,229

North East Local Health Integration Network

Notes to the financial statements

March 31, 2017

7. Transfer payments to HSPs

The LHIN has authorization to allocate the funding of \$1,503,092,882 to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors as follows:

	2017	2016
	\$	\$
Operation of Hospitals	957,015,404	950,979,622
Grants to compensate for Municipal Taxation -		
Public Hospitals	211,725	211,725
Long-term Care Homes	227,563,522	223,277,091
Community Care Access Centres	145,532,336	135,563,964
Community Support Services	39,525,889	37,623,196
Acquired Brain Injury	3,770,183	3,028,649
Assisted Living Services in Supportive Housing	23,439,912	22,892,242
Community Health Centres	19,144,535	18,384,080
Community Mental Health	63,725,937	60,754,003
Substance Abuse and Gambling Problem	23,163,439	22,469,242
	1,503,092,882	1,475,183,814

The LHIN receives funding from the MOHLTC and in turn allocates it to the HSPs. As at March 31, 2017, an amount of \$15,757,699 (2016 - \$24,187,382) was receivable from the MOHLTC and was payable to the HSPs. These amounts have been reflected as revenue and expenses in the statement of operations and are included in the table above.

North East Local Health Integration Network

Notes to the financial statements

March 31, 2017

8. General and administrative expenses

The statement of operations presents the expenses by function; the following classifies these same expenses by object:

	2017	2016
	\$	\$
Salaries and wages	3,011,276	3,256,005
HOOPP	263,635	295,501
Other benefits	302,378	403,421
Staff travel	151,262	135,273
Governance Travel	25,191	24,693
Communications	118,127	135,160
Accommodation	208,160	216,846
Advertising	5,053	6,051
Consulting fees	52,959	45,795
Equipment rentals	9,475	9,792
Board Chair per diems	12,810	17,500
Other Governance per diems	36,745	20,637
Insurance	6,719	6,287
LHIN Shares Services Office	251,579	260,956
LHIN Collaborative	47,500	47,500
Other meeting expenses	33,117	35,643
Other governance expenses	6,890	7,095
Printing and translation	80,857	80,739
Staff development	53,212	18,123
IT equipment	43,943	15,267
Office supplies and equipment	15,904	30,055
Other	6,949	2,626
	4,743,741	5,070,965

9. Program initiatives

The LHIN received funds for various project initiatives listed in the Statement of Operations. The following table classifies the initiatives expenses by object:

	2017	2016
	\$	\$
Salaries and benefits	2,105,628	1,814,477
Professional services	224,014	223,871
Shared services	115,800	120,708
Occupancy	74,040	77,568
Public relations and community engagement	20,111	29,367
Supplies	11,394	9,541
Mail, courier and telecommunications	8,415	10,937
Réseau du mieux-être francophone du Nord de l'Ontario	796,159	796,159
Other operating expenses	29,927	11,140
	3,385,488	3,093,768

North East Local Health Integration Network

Notes to the financial statements

March 31, 2017

9. Program initiatives (continued)

Diabetes strategy operational expenses included in the project initiative expenses above are as follows:

	Budget 2017	Actual 2017	Actual 2016
	\$	\$	\$
Salaries and benefits	877,620	877,613	877,620
Other operating expenses	188,189	188,196	188,189
	1,065,809	1,065,809	1,065,809

10. Funding repayable to the MOHLTC

In accordance with the MLAA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

a) The amount repayable to the MOHLTC is made up of the following components:

			2017	2016
	Funding received	Eligible expenses	Excess funding	Excess funding
	\$	\$	\$	\$
Transfer payments to HSPs	1,503,092,882	1,503,092,882	-	-
LHIN operations	4,743,741	4,743,741	-	-
Amortization of capital assets	74,619	74,619	-	-
Enabling technologies	510,000	510,000	-	-
French Language Health Services	296,800	296,800	-	-
Reseau du mieux-etre franophone du Nord l'Ontario	796,159	796,159	-	-
Emergency Department Lead	75,000	75,000	-	-
Critical Care Lead	75,000	75,000	-	-
Aboriginal Engagement	100,000	100,000	-	-
Emergency Room/Alternate Level of Care	100,000	100,000	-	-
Primary Care Lead	75,000	75,000	-	-
Diabetes Regional Coordination Centre	1,065,809	1,065,809	-	-
Patients First Transition Planning and Implementation	180,000	180,000	-	-
Patients First Pan-LHIN Support for Planning and Implementation	111,720	111,720	-	-
	1,511,296,730	1,511,296,730	-	-

11. Pension agreements

The LHIN makes contributions to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 56 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2017 was \$417,246 (2016 - \$432,307) for current service costs and is included as an expense in the statement of operations. The last actuarial valuation was completed for the plan as at December 31, 2016. At that time the plan was fully funded.

North East Local Health Integration Network

Notes to the financial statements

March 31, 2017

12. Guarantees

The LHIN is subject to the provisions of the *Financial Administration Act*. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in the favor of third parties, except in accordance with the *Financial Administration Act* and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the *Local Health System Integration Act, 2006* and in accordance with s. 28 of the *Financial Administration Act*.

13. Commitments

The LHIN has commitments under various operating leases related to building and equipment. Minimum lease payments due under the building and equipment lease are as follows:

	\$
2018	242,201
2019	179,792
2020	179,792
2021	95,948
2022	68,000
Thereafter	68,000
	833,733

The LHIN also has funding commitments to HSPs associated with accountability agreements. As of March 31, 2017 the LHIN had signed Accountability Agreements with all Hospitals, Long-Term Care Home and Community Agencies. The actual amounts which will ultimately be paid are contingent upon actual LHIN funding received from MOHLTC.

14. Subsequent events

On April 3, 2017 the Minister of Health and Long-Term Care made an order under the provisions of the *Local Health System Integration Act, 2006*, as amended by the *Patients First Act, 2016* to require the transfer of all assets, liabilities, rights and obligations of the North East Community Care Access Centre the (CCAC), to the LHIN, including the transfer of all employees of the CCAC.

Effective May 31, 2017 the LHIN will assume the responsibility to provide health and related social services and supplies and equipment for the care of persons in home, community and other settings and to provide goods and services to assist caregivers in the provision of care for such persons, to manage the placement of persons into long-term care homes, supportive housing programs, chronic care and rehabilitation beds in hospitals, and other programs and places where community services are provided under the *Home Care and Community Services Act, 1994* and to provide information to the public about, and make referrals to, health and social services.

North Simcoe Muskoka LHIN

210 Memorial Avenue, Suite 128
Orillia, ON L3V 7V1
Tel: 705 326-7750 • Fax: 705 326-1392
Toll Free: 1 866 903-5446
www.nsmhln.on.ca

Management's Responsibility for the Financial Statements
March 31, 2017.

The integrity and objectivity of the accompanying financial statements of the North Simcoe Muskoka Local Health Integration Network is the responsibility of management. These financial statements have been prepared in compliance with legislation and in accordance with Generally Accepted Accounting Principles (GAAP) and Public Sector Accounting Board (PSAB) standards.

Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for the preparation of the financial statements. These systems are monitored and evaluated by management, the Finance & Audit Committee and Board of Directors.

Management meets with the external auditors and the Board of Directors to review the financial statements and discuss any significant financial reporting or internal control matters prior to approval of the financial statements.

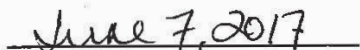
The financial statements have been audited by Deloitte LLP, independent external auditors appointed by the Board of Directors.



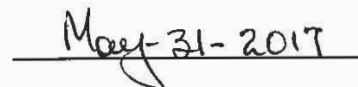
Jill Tettmann
CEO



Archibald Outar
Controller



Date



Date



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

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Independent Auditor's Report

To the Members of the Board of Directors of the
North Simcoe Muskoka Local Health Integration Network

We have audited the accompanying financial statements of the North Simcoe Muskoka Local Health Integration Network (the "LHIN"), which comprise the statement of financial position as at March 31, 2017, and the statements of operations, change in net debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of North Simcoe Muskoka LHIN as at March 31, 2017, and the results of its operations, change in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

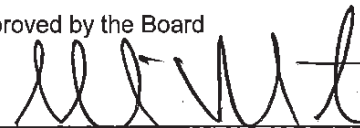
Chartered Professional Accountants
Licensed Public Accountants
May 29, 2017

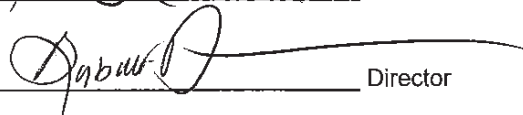
North Simcoe Muskoka Local Health Integration Network

Statement of financial position
as at March 31, 2017

	2017	2016
	\$	\$
Financial assets		
Cash	583,210	574,738
Due from Ministry of Health and Long-Term Care ("MOHLTC") (Note 9)	151,000	422,741
HST receivable and other	69,165	58,970
	803,375	1,056,449
Liabilities		
Accounts payable and accrued liabilities	587,602	536,780
Due to MOHLTC Ontario (Note 3b)	119,762	169,959
Due to Health Service Providers ("HSP's") (Note 9)	151,000	422,741
Due to Central West LHIN (note 4)	11,830	8,666
Deferred capital contributions (Note 5)	125,705	239,827
	995,899	1,377,973
Net debt	(192,524)	(321,524)
Commitments (Note 6)		
Non-financial assets		
Prepaid expenses	66,819	81,697
Tangible capital assets (Note 7)	125,705	239,827
	192,524	321,524
Accumulated surplus	-	-

Approved by the Board

 Director

 Director

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

North Simcoe Muskoka Local Health Integration Network

Statement of operations
year ended March 31, 2017

	Budget (Note 8)	2017 Actual	2016 Actual
	\$	\$	\$
Revenue			
MOHLTC Ontario funding			
HSP transfer payments (Note 9)	872,661,140	892,323,214	872,661,140
Operations of LHIN	4,151,655	4,109,900	4,011,655
Project Initiatives			
Aboriginal Planning	30,000	30,000	30,000
Critical Care Lead	75,000	75,000	75,000
Enabling Technologies for			
Integration Project Management Office	-	411,170	384,803
Emergency Department LHIN Lead	75,000	75,000	75,000
Entite de planification des services de sante en francaise #4 Centre Sud-Ouest	654,064	654,064	654,060
Emergency Room/Alternative Level of Care			
Performance Lead	100,000	100,000	100,000
French Language Health Services	106,000	106,000	106,000
Primary Care LHIN Lead	75,000	75,000	75,000
Patients First Transition Planning and Implementation	-	180,000	-
Diabetes Regional Coordination	837,731	837,731	837,731
Amortization of deferred capital contributions (Note 5)	-	124,071	143,268
	878,765,590	899,101,150	879,153,657
Funding repayable to the MOHLTC Ontario (Note 3a)	-	(26,192)	(93,570)
	878,765,590	899,074,958	879,060,087
Expenses			
Transfer payments to HSPs (Note 9)	872,661,140	892,323,214	872,661,140
General operating expenses (Note 10)	4,151,655	4,210,088	4,104,502
Project Initiatives (Note 11)			
Aboriginal Planning	30,000	30,000	30,000
Critical Care Lead	75,000	75,000	75,000
Enabling Technologies for			
Integration Project Management Office	-	411,170	384,803
Emergency Department LHIN Lead	75,000	75,000	75,000
Entite de planification des services de sante en francaise #4 Centre Sud-Ouest	654,064	654,064	654,060
Emergency Room/Alternative Level of Care			
Performance Lead	100,000	100,000	100,000
French Language Health Services	106,000	103,691	102,204
Primary Care LHIN Lead	75,000	75,000	75,000
Patients First Transition Planning and Implementation	-	180,000	-
Diabetes Regional Coordination	837,731	837,731	798,378
	878,765,590	899,074,958	879,060,087
Annual surplus	-	-	-
Accumulated surplus, beginning of year	-	-	-
Accumulated surplus, end of year	-	-	-

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

North Simcoe Muskoka Local Health Integration Network

Statement of change in net debt
year ended March 31, 2017

	Budget (Note 8)	2017 Actual	2016 Actual
	\$	\$	\$
Annual surplus	-	-	-
Acquisition of tangible capital assets	-	(9,949)	-
Amortization of tangible capital assets	-	124,071	143,268
Change in other non-financial assets	-	14,878	17,919
Increase in net debt	-	129,000	161,187
Net debt, beginning of year	-	(321,524)	(482,711)
Net debt, end of year	-	(192,524)	(321,524)

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

North Simcoe Muskoka Local Health Integration Network

Statement of cash flows
year ended March 31, 2017

	2017	2016
	\$	\$
Operating transactions		
Annual surplus	-	-
Less items not affecting cash		
Amortization of tangible capital assets	124,071	143,268
Amortization of deferred capital contributions (Note 5)	(124,071)	(143,268)
	-	-
Changes in non-cash operating items		
Prepaid expenses	14,878	17,919
Due from MOHLTC ("HSP's")	271,741	6,586,333
HST receivable	(10,195)	35,116
Accounts payable and accrued liabilities	50,822	(46,415)
Due to the MOHLTC Ontario	(50,197)	93,570
Due to HSPs	(271,741)	(6,586,333)
Due to Central West LHIN	3,164	8,666
Deferred revenue	-	(6,210)
	8,472	102,646
Capital investment		
Acquisition of tangible capital assets	(9,949)	-
Financing transactions		
Capital contributions received (Note 5)	9,949	-
Net increase in cash	8,472	102,646
Cash, beginning of year	574,738	472,092
Cash, end of year	583,210	574,738

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

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2017

1. Description of business

The North Simcoe Muskoka Local Health Integration Network was incorporated by Letters Patent on June 2, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the Local Health System Integration Act, 2006 (the "Act") as the North Simcoe Muskoka Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers the municipalities of Muskoka, most of Simcoe County and part of Grey County. The LHIN enters into service accountability agreements with service providers.

The LHIN is funded by the Province of Ontario in accordance with Ministry-LHIN Accountability Agreement ("MLAA"), which describes budget arrangements established by the Ministry of Health and Long-Term Care ("MOHLTC") and provides the framework for the LHIN accountabilities and activities. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to Health Service Providers ("HSP"), effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account. Commencing April 1, 2007, all funding payments to LHIN managed HSP in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized HSPs are expensed in the LHIN's financial statements for the year ended March 31, 2017.

The LHIN statements do not include any MOHLTC managed programs.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian public sector accounting standards. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, and they are measurable. Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of tangible capital assets.

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2017

2. Significant accounting policies (continued)

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and the reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at period end.

Deferred capital contributions

Any amounts received that are used to fund tangible capital asset purchases, are recorded as deferred capital contributions and are recognized over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the Statement of operations, is in accordance with the amortization policy applied to the related tangible capital asset recorded.

Tangible capital assets

Tangible capital assets are recorded at historic cost. Historic cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of tangible capital assets. The cost of tangible capital assets contributed is recorded at the estimated fair value on the date of contribution. Fair value of contributed tangible capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the tangible capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a tangible capital asset are capitalized. Computer software is recognized as an expense when incurred.

Tangible capital assets are stated at cost less accumulated amortization. Tangible capital assets are amortized over their estimated useful lives as follows:

Leasehold improvements	Life of lease straight-line method
Office furniture and equipment	5 years straight-line method

For assets acquired or bought into use during the year, amortization is provided for a full year.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Segmented disclosures

Management has determined that existing disclosures in the Statement of operations and within the related notes for both the prior and current year sufficiently disclose information of all appropriate segments and, therefore, no additional disclosure is required.

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2017

3. Funding repayable to the MOHLTC

In accordance with the MLAA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

- a) The amount repayable to the MOHLTC related to current year activities is made up of the following components:

			2017	2016
	Funding received	Eligible expenses	Excess funding	Excess funding
	\$	\$	\$	\$
General LHIN operations	4,109,900	4,086,017	23,883	50,421
LHIN special funded initiatives				
Aboriginal Planning	30,000	30,000	-	-
Diabetes Regional Centre	837,731	837,731	-	39,353
Critical Care Lead	75,000	75,000	-	-
Enabling Technologies	411,170	411,170	-	-
Emergency Department LHIN Lead	75,000	75,000	-	-
Entité de planification des services de santé en français #4 Centre Sud-Ouest	654,064	654,064	-	-
Emergency Room/Alternative Level of Care				
Performance Lead	100,000	100,000	-	-
French Language Health Services	106,000	103,691	2,309	3,796
Patients First Transition				
Planning and Implementation	180,000	180,000	-	-
Primary Care LHIN Lead	75,000	75,000	-	-
Total LHIN special funded initiatives	2,543,965	2,541,656	2,309	43,149
	6,653,865	6,627,673	26,192	93,570

- b) The amount due to the MOHLTC at March 31 is made up as follows:

	2017	2016
	\$	\$
Due to MOHLTC, beginning of year	169,959	76,389
Funding repaid to MOHLTC during the current year	(76,389)	-
Funding repayable to the MOHLTC related to current year activities (Note 3a)	26,192	93,570
Due to MOHLTC, end of year	119,762	169,959

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2017

4. Related party transactions

LHIN Shared Service Office, LHINC Collaborative and Health Shared Services Ontario

The LHIN Shared Services Office (the "LSSO") was a division of the Toronto Central LHIN and was subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO, on behalf of the LHINs was responsible for providing services to all LHINs. The full costs of providing these services was billed to all the LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHIN as at February 28, 2017 were recorded as a receivable (payable) from (to) the LSSO. This was done pursuant to the shared service agreement the LSSO has with all the LHINs.

The LHIN Collaborative (the "LHINC") was formed in fiscal 2010 to strengthen relationships between and among health service providers, associations and the LHINs, and to support system alignment. The purpose of LHINC was to support the LHINs in fostering engagement of the health service provider community in support of collaborative and successful integration of the health care system; their role as system manager; where appropriate, the consistent implementation of provincial strategy and initiatives; and the identification and dissemination of best practices. LHINC was a LHIN-led organization and accountable to the LHINs. LHINC was funded by the LHINs with support from the MOHLTC.

Effective February 28, 2017 pursuant to a transfer agreement between Toronto Central LHIN and Health Shared Services Ontario (HSSO) responsibility for the shared services previously provided by the LSSO and the LHINC was transferred to HSSO. HSSO is a provincial agency established January 1, 2017 by O. Reg. 456/16 made under LHSIA with objects to provide shared services to LHINs in areas that include human resources management, logistics, finance and administration and procurement. HSSO as a provincial agency is subject to legislation, policies and directives of the Government of Ontario and the Memorandum of Understanding between HSSO and the Minister of Health and Long Term Care.

Enabling Technologies for Integration Project Management Office

Effective February 1, 2012, the LHIN entered into an agreement with Central, Central West, Central East, Toronto Central, and Mississauga Halton LHINs (the "Cluster") in order to enable the effective and efficient delivery of e-health programs and initiatives within the geographic area of the Cluster. Under the agreement, decisions related to the financial and operating activities of the Enabling Technologies for Integration Project Management Office are shared. No LHIN is in a position to exercise unilateral control.

The LHIN's financial statement reflects its share of the MOHLTC funding for Enabling Technologies for Integration Project Management Offices for its Cluster and related expenses. During the year, the LHIN received funding from Central West LHIN of \$423,000 (2016 - \$406,000). The LHIN incurred eligible expenditures related to this funding totalling \$411,170 (2016 - \$384,803). During the year, the LHIN returned \$Nil (2016 - \$12,531) to the Central West LHIN. The remaining unspent amount of \$11,830 (2016 - \$8,666) is reported as due to Central West LHIN on the statement of financial position.

5. Deferred capital contributions

	2017	2016
	\$	\$
Balance, beginning of year	239,827	383,095
Capital contributions received during the year	9,949	-
Amortization for the year	(124,071)	(143,268)
Balance end of year	125,705	239,827

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2017

6. Commitments

The LHIN has commitments under various operating leases expiring at dates up to 2020 related to building and equipment. Lease renewals are likely. Minimum lease payments due over the remaining terms of these leases are as follows:

	\$
2018	268,547
2019	268,547
2020	111,712

The LHIN also has funding commitments to all HSPs associated with accountability agreements which allocate planning targets for future fiscal years. The actual amounts which will ultimately be paid are contingent upon actual LHIN funding received from the MOHLTC.

7. Tangible capital assets

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office furniture and equipment	893,575	803,646	89,929	168,275
Leasehold improvements	1,180,907	1,145,131	35,776	71,552
	2,074,482	1,948,777	125,705	239,827

8. Budget figures

The budgets were approved by the Government of Ontario. The budget figures reported on the Statement of operations reflect the initial budget at April 1, 2016. The figures have been reported for the purposes of these statements to comply with PSAB reporting requirements. During the year the government approved budget adjustments. The following reflects the adjustments for the LHIN during the year:

The total HSP funding budget of \$892,323,214 is made up of the following:

	\$
Initial budget	872,661,140
Adjustment due to announcements made during the year	19,662,074
	892,323,214

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2017

8. Budget figures (continued)

The total revised operating budget of \$6,707,450 is made up of the following:

	\$
Initial operating budget as reported on the statement of operations	6,104,450
Adjust for funding changes made during the year:	
Enabling Technologies	423,000
Patients First Transition Planning and Implementation	180,000
<u>Revised operating budget</u>	<u>6,707,450</u>

9. Transfer payments to HSPs

The LHIN has authorization to allocate funding of \$892,323,214 (2016 - \$872,661,140) to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors in fiscal 2017 as follows:

	2017	2016
	\$	\$
Operations of hospitals	445,797,205	436,879,064
Grants to compensate for municipal taxation - public hospitals	77,625	77,625
Long term care homes	146,841,685	144,103,019
Community care access centres	105,707,993	101,664,352
Community support services	15,537,085	15,213,671
Assisted living services in supportive housing	8,991,978	8,437,968
Community health centres	11,828,900	11,627,492
Community mental health	27,844,391	27,446,349
Addictions program	5,309,334	5,265,334
Specialty psychiatric hospitals	123,177,528	120,750,514
Grants to compensate for municipal taxation - psychiatric hospitals	23,400	23,400
Acquired brain injury	1,186,090	1,172,352
	<u>892,323,214</u>	<u>872,661,140</u>

The LHIN receives money from the MOHLTC and in turn allocates it to the HSPs. As at March 31, 2017, an amount of \$151,000 (2016 - \$ 422,741) was receivable from the MOHLTC and payable to HSPs. These amounts have been reflected as revenue and expenses in the Statement of operations and are included in the table above.

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2017

10. General operating expenses

The Statement of operations presents General operating expenses by function, the following classifies general operating expenses, by object.

	2017	2016
	\$	\$
Salaries and benefits	2,800,851	2,764,678
Occupancy	224,952	198,089
Amortization	124,071	143,268
Shared services	281,486	318,990
Advertising and public relations	196,788	50,978
Consulting services	171,389	186,102
Other services	105,627	103,203
Supplies, equipment and licences	71,311	78,384
Board Chair Per Diems	60,200	57,525
Other Board Per Diems	58,975	45,350
Board expenses	38,931	32,677
Travel	33,780	33,254
Mail, courier and telecommunications	41,727	92,004
	4,210,088	4,104,502

11. Project Initiatives

The Statement of operations presents total expenses for individual project initiative, the following classifies initiative expenses by object:

	2017	2016
	\$	\$
Salaries and benefits	1,423,129	1,150,772
Occupancy	145,820	106,921
Shared services	101,587	110,174
Advertising and public relations	42,706	10,002
Consulting services	10,602	10,750
Other services	46,150	38,603
Supplies, equipment and licences	8,438	9,445
Medical Professional Services	78,271	174,596
Travel	16,895	18,051
Mail, courier and telecommunications	13,994	11,069
Special project expenditures	654,064	654,060
	2,541,656	2,294,445

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2017

11. Project Initiatives (continued)

Expenses incurred in respect of Diabetes Regional Coordination and included above are as follows:

	2017	2016
	\$	\$
Salaries and benefits	611,867	560,535
Operating expenses	225,864	237,843
	837,731	798,378

12. Pension agreements

The LHIN makes contributions to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 35 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2017 was \$354,986 (2016 - \$315,009) for current service costs and is included as an expense in the Statement of Operations. The last actuarial valuation was completed for the plan as of December 31, 2016. At that time, the plan was fully funded.

13. Guarantees

The LHIN is subject to the provisions of the *Financial Administration Act*. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favor of third parties, except in accordance with the *Financial Administration Act* and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the Local Health System Integration Act, 2006 and in accordance with s. 28 of the *Financial Administration Act*.

14. Subsequent event

On April 3, 2017 the Minister of Health and Long-Term Care made an order under the provisions of the Local Health System Integration Act, 2006, as amended by the Patients First Act, 2016 to require the transfer of all assets, liabilities, rights and obligations of the North Simcoe Muskoka Community Care Access Centre the ("CCAC"), to the LHIN, including the transfer of all employees of the CCAC.

Effective May 3, 2017 the LHIN assumed the responsibility to provide health and related social services and supplies and equipment for the care of persons in home, community and other settings and to provide goods and services to assist caregivers in the provision of care for such persons, to manage the placement of persons into long-term care homes, supportive housing programs, chronic care and rehabilitation beds in hospitals, and other programs and places where community services are provided under the Home Care and Community Services Act, 1994 and to provide information to the public about, and make referrals to, health and social services.

The actual financial impact of the transition is not currently known, however it is expected that assets assumed will equal liabilities assumed. Additionally there are no significant commitments being assumed as a result of the transition.

North West LHIN | RLISS du Nord-Ouest

975 Alloy Drive, Suite 201
Thunder Bay, ON P7B 5Z8
Tel: 807 684-9425 • Fax: 807 684-9533
Toll Free: 1 866 907-5446
www.northwestlhin.on.ca

975, promenade Alloy, bureau 2
Thunder Bay, ON P7B 5Z8
Téléphone : 807 684-9425
Sans frais : 1 866 907-5446
Télécopieur : 807 684-9533
www.northwestlhin.on.ca

Management's Responsibility for the Financial Statements

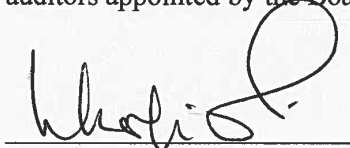
March 31, 2017

The integrity and objectivity of the accompanying financial statements of the North West Local Health Integration Network (LHIN) is the responsibility of management. These financial statements have been prepared in compliance with legislation and in accordance with Generally Accepted Account Principles (GAAP) and under Public Sector Accounting Board (PSAB).

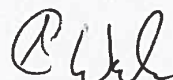
Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for the preparation of the financial statements. These systems are monitored and evaluated by management, the Audit Committee and Board of Directors.

Management meets with the external auditors and the Board of Directors to review the financial statements and discuss any significant financial reporting or internal control matters prior to approval of the financial statements.

The financial statements have been audited by Deloitte LLP, independent external auditors appointed by the Board of Directors.



Laura Kokocinski
CEO



Chris Weislo
Controller



Ontario

Local Health Integration
Network
Réseau local d'intégration
des services de santé



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

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Independent Auditor's Report

To the Members of the Board of Directors of the
North West Local Health Integration Network

We have audited the accompanying financial statements of North West Local Health Integration Network, which comprise the statement of financial position as at March 31, 2017, and the statement of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of North West Local Health Integration Network as at March 31, 2017 and the results of its operations, change in its net debt, and its cash flows for the years then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.


Chartered Professional Accountants
Licensed Public Accountants
May 30, 2017

North West Local Health Integration Network

Statement of financial position as at March 31, 2017

	2017	2016
	\$	\$
Financial assets		
Cash	444,497	409,994
Due from Ministry of Health and Long Term Care ("MOHLTC")		
Health Service Provider ("HSP") transfer payments (Note 9)	4,869,393	9,261,071
Accounts receivable	84,767	101,786
	<u>5,398,657</u>	<u>9,772,851</u>
Liabilities		
Accounts payable and accrued liabilities	428,318	369,031
Due to HSPs (Note 9)	4,869,393	9,261,071
Due to MOHLTC (Note 3)	95,247	137,920
Due to the LHIN Shared Services Office (Note 4)	-	15,919
Due to HSSO (Note 4)	12,309	-
Deferred capital contributions (Note 5)	80,215	117,344
	<u>5,485,482</u>	<u>9,901,285</u>
Net debt	<u>(86,825)</u>	<u>(128,434)</u>
Commitments (Note 6)		
Non-financial assets		
Tangible capital assets (Note 7)	80,215	117,344
Prepaid expenses	6,610	11,090
	<u>86,825</u>	<u>128,434</u>
Accumulated surplus	<u>-</u>	<u>-</u>

Approved by the Board



Director



Director

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

North West Local Health Integration Network

Statement of operations year ended March 31, 2017

	Budget (Note 8)	2017 Actual	2016 Actual
	\$	\$	\$
Revenue			
MOHLTC funding			
HSPs transfer payments (Note 9)	651,036,692	674,545,363	665,422,964
Operations of LHIN	4,779,592	4,717,506	4,771,417
Project Initiatives			
Aboriginal Community Engagement	160,000	160,000	160,000
Emergency Department ("ED") LHIN Lead	-	75,000	75,000
Critical Care ("CC") LHIN Lead	-	75,000	75,000
Emergency Room/Alternative Level of Care ("ER/ALC") Performance Lead	100,000	100,000	100,000
Primary Care ("PC") LHIN Lead	-	75,000	75,000
French Language Health Services	106,000	106,000	106,000
Diabetes Regional Coordination Centre	1,042,299	1,042,299	1,042,299
Enabling Technologies for Integration			
Project Management Office	510,000	510,000	510,000
Patients First Transition Planning and Implementation	-	180,000	-
Amortization of deferred capital contributions	-	63,451	61,612
	657,734,583	681,649,619	672,399,292
Funding repayable to the MOHLTC (Note 3)	-	(84,116)	(11,130)
	657,734,583	681,565,503	672,388,162
Expenses			
Transfer payments to HSPs (Note 9)	651,036,692	674,545,363	665,422,964
General and administrative (Note 10)	4,779,592	4,775,694	4,832,446
Project Initiatives (Note 11)			
Aboriginal Community Engagement	160,000	160,000	160,000
Enabling Technologies for Integration			
Project Management Office (Note 4)	510,000	510,000	510,000
ED LHIN Lead	-	75,000	75,000
CC LHIN Lead	-	72,000	72,000
Emergency Room/Alternative Level of Care ("ER/ALC") Performance Lead	100,000	100,000	100,000
Primary Care ("PC") LHIN Lead	-	72,731	67,453
French Language Health Services	106,000	106,000	106,000
Diabetes Regional Coordination Centre	1,042,299	968,715	1,042,299
Patients First Transition Planning and Implementation	-	180,000	-
	657,734,583	681,565,503	672,388,162
Annual surplus and accumulated surplus, end of year	-	-	-

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

North West Local Health Integration Network

Statement of change in net debt year ended March 31, 2017

	2017	2016
	\$	\$
Annual surplus	-	-
Acquisition of tangible capital assets	(26,322)	(8,175)
Amortization of tangible capital assets	63,451	61,612
Decrease in Prepaid expenses	4,480	17,154
Decrease in net debt	41,609	70,591
Net debt, beginning of year	(128,434)	(199,025)
Net debt, end of year	(86,825)	(128,434)

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

North West Local Health Integration Network

Statement of cash flows year ended March 31, 2017

	2017	2016
	\$	\$
Operating transactions		
Annual surplus	-	-
Less items not affecting cash		
Amortization of tangible capital assets	63,451	61,612
Amortization of deferred capital contributions (Note 5)	(63,451)	(61,612)
Changes in non-cash operating items		
Prepaid expenses	4,480	17,154
Due from MOHLTC - HSPs transfer payments	4,391,678	(6,855,313)
Accounts receivable	17,019	5,488
Accounts payable and accrued liabilities	59,287	(141,832)
Due to HSPs	(4,391,678)	6,855,313
Due to MOHLTC	(42,673)	11,130
Due to LHIN Shared Services Office	(15,919)	3,144
Due to HSSO	12,309	-
	34,503	(104,916)
Capital transaction		
Acquisition of tangible capital assets	(26,322)	(8,175)
Financing transaction		
Increase in deferred capital contributions (Note 5)	26,322	8,175
Net increase (decrease) in cash	34,503	(104,916)
Cash, beginning of year	409,994	514,910
Cash, end of year	444,497	409,994

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

North West Local Health Integration Network

Notes to the financial statements

March 31, 2017

1. Description of business

The North West Local Health Integration Network was incorporated by Letters Patent on June 16, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the Local Health System Integration Act, 2006 (the "Act") as the North West Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers the Districts of Thunder Bay, Rainy River and most of Kenora. The LHIN enters into service accountability agreements with service providers.

The LHIN is funded by the Province of Ontario in accordance with Ministry-LHIN Accountability Agreement ("MLAA"), which describes budget arrangements established by the Ministry of Health and Long-Term Care ("MOHLTC") and provides the framework for the LHIN accountabilities and activities. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to the Health Service Providers ("HSPs"), effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSPs. The cash associated with the transfer payment does not flow through the LHIN bank account. Commencing April 1, 2007, all funding payments to LHIN managed HSPs in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized HSPs are expensed in the LHIN's financial statements for the year ended March 31, 2017.

The LHIN statements do not include any MOHLTC managed programs.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian public sector accounting standards. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable. Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of tangible capital assets.

North West Local Health Integration Network

Notes to the financial statements

March 31, 2017

2. Significant accounting policies (continued)

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at period end.

Deferred capital contributions

Any amounts received that are used to fund expenses that are recorded as tangible capital assets, are recorded as deferred capital contributions and are recognized as revenue over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the Statement of operations, is in accordance with the amortization policy applied to the related tangible capital asset recorded.

Tangible capital assets

Tangible capital assets are recorded at historic cost. Historic cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of tangible capital assets. The cost of tangible capital assets contributed is recorded at the estimated fair value on the date of contribution. Fair value of contributed tangible capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the tangible capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a tangible capital asset are capitalized. Computer software is recognized as an expense when incurred.

Tangible capital assets are stated at cost less accumulated amortization. Tangible capital assets are amortized over their estimated useful lives as follows:

Office furniture and fixtures	5 years straight-line method
Computer equipment	3 years straight-line method
Leasehold improvements	Life of lease straight-line method
Web development	3 years straight-line method

For assets acquired or brought into use during the year, amortization is provided for a full year.

Segmented information

A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the statement of operations and within the related notes for both the prior and current year sufficiently disclose information for all appropriate segments and therefore no additional disclosure is required.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include valuation of accrued liabilities and useful lives of the tangible capital assets. Actual results could differ from those estimates.

North West Local Health Integration Network

Notes to the financial statements

March 31, 2017

3. Funding repayable to the MOHLTC

In accordance with the MLAA, the LHIN is required to be in a balanced position at year-end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

The amount repayable to the MOHLTC related to the current year activities is made up of the following components:

			2017	2016
	Funding	Eligible expenses	Funding excess	Funding excess
	\$	\$	\$	\$
LHIN operations	4,717,506	4,712,243	5,263	583
Aboriginal Community Engagement	160,000	160,000	-	-
Enabling Technologies for Integration				
Project Management Office	510,000	510,000	-	-
ED LHIN Lead	75,000	75,000	-	-
Critical Care ("CC") LHIN Lead	75,000	72,000	3,000	3,000
ER/ALC Performance Lead	100,000	100,000	-	-
PC LHIN Lead	75,000	72,731	2,269	7,547
French Language Health Services	106,000	106,000	-	-
Diabetes Education	1,042,299	968,715	73,584	-
Patients First Transition				
Planning and Implementation	180,000	180,000	-	-
	7,040,805	6,776,689	84,116	11,130

The continuity of the amount due to the MOHLTC at March 31 is as follows:

	2017	2016
	\$	\$
Due to MOHLTC, beginning of year	137,920	126,790
Funding repaid to MOHLTC	(126,789)	-
Funding repayable to the MOHLTC related to current year activities	84,116	11,130
Due to MOHLTC, end of year	95,247	137,920

4. Related party transactions

LHIN Shared Service Office, LHINC Collaborative and Health Shared Services Ontario

The LHIN Shared Services Office (the "LSSO") was a division of the Toronto Central LHIN and was subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO, on behalf of the LHINs was responsible for providing services to all LHINs. The full costs of providing these services was billed to all the LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHIN as at February 28, 2017 were recorded as a receivable (payable) from (to) the LSSO. This was done pursuant to the shared service agreement the LSSO has with all the LHINs.

North West Local Health Integration Network

Notes to the financial statements

March 31, 2017

4. Related party transactions (continued)

LHIN Shared Service Office, LHINC Collaborative and Health Shared Services Ontario (continued)

The LHIN Collaborative (the "LHINC") was formed in fiscal 2010 to strengthen relationships between and among health service providers, associations and the LHINs, and to support system alignment. The purpose of LHINC was to support the LHINs in fostering engagement of the health service provider community in support of collaborative and successful integration of the health care system; their role as system manager; where appropriate, the consistent implementation of provincial strategy and initiatives; and the identification and dissemination of best practices. LHINC was a LHIN-led organization and accountable to the LHINs. LHINC was funded by the LHINs with support from the MOHLTC.

Effective February 28, 2017 pursuant to a transfer agreement between Toronto Central LHIN and Health Service Shared Services Ontario (HSSO) responsibility for the shared services previously provided by the LSSO and the LHINC was transferred to HSSO. HSSO is a provincial agency established January 1, 2017 by O. Reg. 456/16 made under LHSIA with objects to provide shared services to LHINs in areas that include human resources management, logistics, finance and administration and procurement. HSSO as a provincial agency is subject to legislation, policies and directives of the Government of Ontario and the Memorandum of Understanding between HSSO and the Minister of Health and Long Term Care.

Enabling Technologies for Integration Project Management Office

Effective February 1, 2012, the LHIN entered into an agreement with South East LHIN, North East LHIN and Champlain LHIN (the "Cluster") in order to enable the effective and efficient delivery of e-health programs and initiatives within the geographic area of the Cluster. Under the agreement, decisions related to the financial and operating activities of the Enabling Technologies for Integration Project Management Office are shared. No LHIN is in a position to exercise unilateral control.

The LHIN's financial statement reflects its share of the MOHLTC funding for Enabling Technologies for Integration Project Management Offices for its Cluster and related expenses. During the year, the LHIN received funding from Champlain LHIN of \$510,000 (2016 - \$510,000).

5. Deferred capital contributions

	2017	2016
	\$	\$
Balance, beginning of year	117,344	170,781
Capital contributions received during the year	26,322	8,175
Amortization for the year	(63,451)	(61,612)
Balance, end of year	80,215	117,344

6. Commitments

The LHIN has commitments under various operating leases related to building and equipment extending to 2022. Lease renewals are likely. Minimum lease payments due in each of the next five years are as follows:

	\$
2018	363,094
2019	362,368
2020	358,738
2021	97,678
2022	6,362
	1,188,240

North West Local Health Integration Network

Notes to the financial statements

March 31, 2017

6. Commitments (continued)

The LHIN also has funding commitments to HSPs associated with accountability agreements. The LHIN had the following funding commitments as of March 31, 2017:

	\$
2018	648,095,070
2019	214,569,034
	<u>862,664,104</u>

The actual amounts which will ultimately be paid are contingent upon actual LHIN funding received from the MOHLTC.

7. Tangible capital assets

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office furniture and equipment	412,070	388,366	23,704	23,275
Computer equipment	94,557	89,332	5,225	15,081
Leasehold improvements	838,499	787,213	51,286	78,988
	<u>1,345,126</u>	<u>1,264,911</u>	<u>80,215</u>	<u>117,344</u>

8. Budget figures

The budget was approved by the Government of Ontario. The budget figures reported in the statement of operations reflect the initial budget. The figures have been reported for the purposes of these statements to comply with PSAB reporting principles. During the year, the government approved budget adjustments. The following reflects the adjustments for the LHIN during the year:

The final HSP funding budget of \$674,545,363 is derived as follows:

	\$
Initial HSP funding budget	651,036,692
Adjustment due to announcements made during the year	23,508,671
Final HSP funding budget	<u>674,545,363</u>

The final LHIN budget, excluding the HSP funding, of \$7,102,891 is derived as follows:

	\$
Initial budget	6,697,891
Additional funding received during the year	
Transition Planning	180,000
Critical Care Lead	75,000
ED LHIN Lead	75,000
Primary Care Lead	75,000
Final budget	<u>7,102,891</u>

North West Local Health Integration Network

Notes to the financial statements

March 31, 2017

9. Transfer payments to HSPs

The LHIN has authorization to allocate funding of \$674,545,363 to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors as follows:

	2017	2016
	\$	\$
Operation of hospitals	450,138,937	446,290,899
Grants to compensate for municipal taxation - public hospitals	105,375	105,375
Long term care homes	77,181,486	75,276,603
Community care access centres	57,079,225	55,897,643
Community support services	15,806,326	15,822,655
Acquired brain injury	1,038,082	1,038,082
Assisted living services in supportive housing	13,488,520	13,567,753
Community health centres	10,147,480	9,783,414
Community mental health program	33,463,391	31,747,914
Addictions program	16,096,541	15,892,626
	674,545,363	665,422,964

The LHIN receives funding from the MOHLTC and in turn allocates it to the HSPs. As at March 31, 2017, an amount of \$4,869,393 (2016 - \$9,261,071) was receivable from the MOHLTC, and \$4,869,393 (2016 - \$9,261,071) was payable to HSPs. These amounts have been reflected as revenue and expenses in the statement of operations and are included in the table above.

10. General and administrative expenses

The statement of operations presents expenses by function. The following classifies general and administrative expenses by object:

	2017	2016
	\$	\$
Salaries and benefits	3,399,846	3,436,289
Occupancy	271,599	258,249
Amortization	63,451	61,612
Equipment and maintenance	47,323	46,178
Shared services	326,421	371,680
Public relations and community forums	35,256	37,782
Professional fees	15,100	15,100
Travel	116,760	147,937
Staff development and recruitment	118,154	68,789
Consulting services	21,039	36,673
LHIN collaborative	43,542	47,500
Supplies, printing and office	99,623	88,957
Other board member per diems	52,931	58,064
Board chair per diems	31,325	19,775
Other governance and travel costs	85,584	92,731
Mail, courier and telecommunications	47,740	45,131
	4,775,694	4,832,447

North West Local Health Integration Network

Notes to the financial statements

March 31, 2017

11. Project Initiatives

The statement of operations presents project initiative expenses for each individual initiative, the following classifies project initiative expenses by object:

	2017	2016
	\$	\$
Salaries and benefits	1,698,474	1,497,402
Professional services	291,731	335,084
Travel	44,509	71,494
Accommodations	85,538	83,585
Computer	31,117	58,955
Meeting/Public Relations	15,901	13,644
Staff development and recruitment	18,873	14,641
Translation services	15,561	14,468
Supplies - printing and office	22,580	22,363
Mail, courier and telecommunications	11,010	11,132
Shared Services	9,152	9,984
	2,244,446	2,132,752

Diabetes strategy operational expenses included in the project initiative expenses above are as follows:

	Budget 2017	Actual 2017	Actual 2016
	\$	\$	\$
Salaries and benefits	855,000	848,474	874,865
Other expenses	187,299	120,241	167,434
	1,042,299	968,715	1,042,299

12. Pension agreements

The LHIN makes contributions to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 44 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2017 was \$399,085 (2016 - \$379,786) for current service costs and is included as an expense in the Statement of operations. The last actuarial valuation was completed for the plan in December 31, 2016. At that time, the plan was fully funded.

13. Guarantees

The LHIN is subject to the provisions of the *Financial Administration Act*. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the *Financial Administration Act* and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the Local Health System Integration Act, 2006 and in accordance with s. 28 of the *Financial Administration Act*.

North West Local Health Integration Network

Notes to the financial statements

March 31, 2017

14. Subsequent events

On April 7, 2017 the Minister of Health and Long-Term Care made an order under the provisions of the Local Health System Integration Act, 2006, as amended by the Patients First Act, 2016 to require the transfer of all assets, liabilities, rights and obligations of the North West Community Care Access Centre (CCAC), to the North West LHIN, including the transfer of all employees of the North West CCAC.

Effective June 21, 2017 the North West LHIN will assume the responsibility to provide health and related social services and supplies and equipment for the care of persons in home, community and other settings and to provide goods and services to assist caregivers in the provision of care for such persons, to manage the placement of persons into long-term care homes, supportive housing programs, chronic care and rehabilitation beds in hospitals, and other programs and places where community services are provided under the Home Care and Community Services Act, 1994 and to provide information to the public about, and make referrals to, health and social services.

South East **LHIN** | **RLISS** du Sud-Est

71 Adam Street
Belleville, ON K8N 5K3
Tel: 613 967-0196
Fax: 613 967-1341
Toll Free: 1 866 831-5446
www.southeastlhin.on.ca

71 Adam Street
Belleville, ON K8N 5K3
Téléphone: 613 967-0196
Télécopieur: 613 967-1341
Sans frais: 1 866 831-5446
www.southeastlhin.on.ca

March 31, 2017

Management's Responsibility for the Financial Statements

The integrity and objectivity of the accompanying financial statements of the South East Local Health Integration Network (SELHIN) is the responsibility of management. These financial statements have been prepared in compliance with the legislation and in accordance with Generally Accepted Account Principles (GAAP) and under Public Sector Accounting Board (PSAB).

Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for the preparation of the financial statements. These systems are monitored and evaluated by management, the Audit Committee and Board of Directors.

Management meets with the external auditors and the Board of Directors to review the financial statements and discuss any significant financial reporting or internal control matters prior to approval of the financial statements.

The financial statements have been audited by Deloitte, independent external auditors appointed by the Board of Directors.


Paul Huras
Chief Executive Officer
South East Local Health Integration Network


Sara Brown
Acting Lead, Corporate Services / Controller
South East Local Health Integration Network



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

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Independent Auditor's Report

To the Members of the Board of Directors of the
South East Local Health Integration Network

We have audited the accompanying financial statements of the South East Local Health Integration Network (the "LHIN"), which comprise the statement of financial position as at March 31, 2017, and the statements of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of LHIN as at March 31, 2017, and the results of its operations, change in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants
Licensed Public Accountants
May 29, 2017

South East Local Health Integration Network

Statement of financial position as at March 31, 2017

	2017	2016
	\$	\$
Financial assets		
Cash	1,085,414	768,724
Accounts receivable (Note 3)	32,605	41,503
	1,118,019	810,227
Liabilities		
Accounts payable and accrued liabilities (Note 4)	874,082	555,248
Due to Ministry of Health and Long-Term Care (Note 5b)	137,594	115,146
Due to the LHIN Shared Services Office (Note 7)	-	23,035
Deferred capital contributions (Note 8)	152,410	207,222
Obligations under capital lease (Note 16)	143,632	176,022
	1,307,718	1,076,673
Net debt	(189,699)	(266,446)
Commitments (Note 15)		
Non-financial assets		
Prepaid expenses	37,289	59,224
Tangible capital assets (Note 9)	152,410	207,222
	189,699	266,446
Accumulated surplus	-	-

Approved by the Board



Donna Segal - Board Chair



Chris Salt - Finance and Audit Committee Chair

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

South East Local Health Integration Network

Statement of operations
year ended March 31, 2017

	Budget (Note 10)	2017 Actual	2016 Actual
	\$	\$	\$
Revenue			
MOHLTC funding			
HSP transfer payments (Note 10, 11)	1,086,962,194	1,139,922,236	1,108,268,201
Operations of LHIN (Note 5, 10)	4,543,169	4,511,363	4,490,774
Project Initiatives			
Enabling Technologies	510,000	510,000	510,000
Emergency Department	-	75,000	75,000
Aboriginal Initiative	15,000	15,000	15,000
ER/ALC Initiative	100,000	100,000	100,000
French Language Services Initiative	106,000	106,000	106,000
Critical Care Initiative	-	75,000	75,000
Primary Care Initiative	-	75,000	75,000
Chronic Disease Management (Note 6)	929,289	929,289	929,289
Patients First Transition Planning and Implementation	-	180,000	-
Patients First Pan-LHIN Support for Planning and Implementation	-	181,972	-
Amortization of deferred capital contributions (Note 8)	-	54,812	62,052
	1,093,165,652	1,146,735,672	1,114,706,316
Funding repayable to the MOHLTC (Note 5a)	-	(93,053)	(44,541)
	1,093,165,652	1,146,642,619	1,114,661,775
Expenses			
Transfer payments to HSPs (Note 11)	1,086,962,194	1,139,922,236	1,108,268,201
General and administrative (Note 12)	4,543,169	4,558,868	4,552,376
Project Initiatives (Note 6)			
Enabling Technologies	510,000	510,000	510,000
Emergency Department	-	36,000	42,499
Aboriginal Initiative	15,000	6,191	14,859
ER/ALC Initiative	100,000	100,000	100,000
French Language Services Initiative	106,000	106,000	106,000
Critical Care Initiative	-	43,059	72,000
Primary Care Initiative	-	73,801	75,000
Chronic Disease Management	929,289	924,492	920,840
Patients First Transition Planning and Implementation	-	180,000	-
Patients First Pan-LHIN Support for Planning and Implementation	-	181,972	-
	1,093,165,652	1,146,642,619	1,114,661,775
Annual surplus and accumulated surplus, end of year	-	-	-

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

South East Local Health Integration Network

Statement of change in net debt
year ended March 31, 2017

	2017	2016
	\$	\$
Annual surplus	-	-
Acquisition of tangible capital assets	-	(32,395)
Amortization of tangible capital assets	54,812	62,052
Decrease (increase) in prepaid expenses, net	21,935	(12,238)
Decrease in net debt	76,747	17,419
Net debt, beginning of year	(266,446)	(283,865)
Net debt, end of year	(189,699)	(266,446)

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

South East Local Health Integration Network

Statement of cash flows
year ended March 31, 2017

	2017	2016
	\$	\$
Operating transactions		
Annual surplus	-	-
Less items not affecting cash		
Amortization of tangible capital assets	54,812	62,052
Amortization of deferred capital contributions (Note 8)	(54,812)	(62,052)
Changes in non-cash operating items		
Accounts receivable	8,898	13,452
Prepaid expenses	21,935	(12,238)
Accounts payable and accrued liabilities	318,834	(106,984)
Due to MOHLTC	22,448	44,541
Due to the LHIN Shared Services Office	(23,035)	11,926
	349,080	(49,303)
Capital transaction		
Acquisition of tangible capital assets	-	(32,395)
Financing transactions		
Increase in deferred capital contributions (Note 8)	-	32,395
Repayment of obligations under capital lease	(32,390)	(30,814)
	(32,390)	1,581
Net change in cash	316,690	(80,117)
Cash, beginning of year	768,724	848,841
Cash, end of year	1,085,414	768,724

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

South East Local Health Integration Network

Notes to the financial statements

March 31, 2017

1. Description of business

The South East Local Health Integration Network was incorporated by Letters Patent on June 9, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the Local Health System Integration Act, 2006 (the "Act") as the South East Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The LHIN has also entered into an Accountability Agreement with the Ministry of Health and Long-Term Care ("MOHLTC"), which provides the framework for LHIN accountabilities and activities.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas based on where residents primarily received their care (98% of all South East LHIN residents obtain care from local health service providers). The LHIN allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion.

The LHIN is home to over 500,000 people and has a geographic area which spans 19,473 square kilometers; the South East LHIN is the fourth largest geographic local health integration network. The LHIN serves approximately 3.8% of Ontarians who live, in almost equal proportion, along a ribbon of more urban areas following Highway 401, or in small rural communities located across the remainder of the area. The LHIN encompasses the areas of Hastings, Prince Edward, Lennox and Addington, Frontenac, Leeds and Grenville Counties, the cities of Kingston, Belleville and Brockville, the towns of Smith Falls and Prescott, and part of Lanark and Northumberland Counties. The LHIN enters into service accountability agreements with service providers.

The LHIN is funded by the Province of Ontario in accordance with the Ministry-LHIN Accountability Agreement ("Accountability Agreement"), which describes budget arrangements established by the MOHLTC. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to HSPs, effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account. Commencing April 1, 2007, all funding payments to LHIN managed health service providers in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized Health Service Providers ("HSP") are expensed in the LHIN's financial statements for the year ended March 31, 2017.

The LHIN statements do not include any Ministry managed programs.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian public sector accounting standards. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of tangible capital assets.

South East Local Health Integration Network

Notes to the financial statements

March 31, 2017

2. Significant accounting policies (continued)

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at year end.

Deferred capital contributions

Any amounts received that are used to fund expenses that are recorded as tangible capital assets, are recorded as deferred capital contributions and are recognized as revenue over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the Statement of Operations, is in accordance with the amortization policy applied to the related tangible capital asset recorded.

Tangible capital assets

Tangible capital assets are recorded at cost. Cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of tangible capital assets. The cost of tangible capital assets contributed is recorded at the estimated fair value on the date of contribution. Fair value of contributed tangible capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the tangible capital asset would be recognized at nominal value.

Operations betterments or improvements that significantly increase or prolong the service life or capacity of a tangible capital asset are capitalized. Maintenance and repair costs are recognized as an expense when incurred. Computer software is recognized as an expense when incurred.

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

Office equipment	5 years
Computer equipment	3 years
Infrastructure/Web developments	3 years
Leasehold improvements	Life of lease

Segment disclosures

A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the Statement of Operations and within the related notes for both the prior and current year sufficiently disclosed information of all appropriate segments and, therefore, no additional disclosure is required.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include valuation of accrued liabilities and useful lives of the tangible capital assets. Actual results could differ from those estimates.

South East Local Health Integration Network

Notes to the financial statements

March 31, 2017

3. Accounts receivable

At March 31, 2017 the LHIN has accounts receivable of \$32,605 (2016 - \$41,503) which represents HST receivable \$30,580 for the last quarter of the fiscal year, and CPP overpayment \$2,025.

4. Accounts payable and accrued liabilities

At March 31, 2017 the LHIN has accounts payable and accrued liabilities of \$874,082 (2016 - \$555,248). This amount represents accounts payable trade of \$188,722 (2016 - \$268,639), and accrued liabilities \$685,360 (2016 - \$286,609).

5. Funding repayable to the MOHLTC

In accordance with the Accountability Agreement, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

In accordance with the accounting policy related to deferred capital contributions (Note 2) the LHIN has recognized as revenue ("funding received"), the amortization of deferred capital contributions of \$54,812 (2016 - \$62,052), and has deferred 2017 funding used for the acquisition of capital assets of \$Nil (2016 - \$32,395). This has resulted in an increase to the overall LHIN Operations revenue as shown in Note 5(a) below:

	2017	2016
	\$	\$
LHIN Operations base funding	4,511,363	4,523,169
Less: Amounts deferred related to acquisition of capital assets	-	(32,395)
LHIN Operations Revenue (Statement of operations)	4,511,363	4,490,774
Add: Deferred revenue from capital contributions	54,812	62,052
LHIN Operations Funding (Note 5a)	4,566,175	4,552,826

(a) The amount repayable to the MOHLTC is made up of the following components:

			2017	2016
	Funding received	Related expenses	Excess funding	Excess funding
	\$	\$	\$	\$
Transfer payments to HSPs	1,139,922,236	1,139,922,236	-	-
LHIN operations	4,566,175	4,558,868	7,307	450
Emergency department initiative	75,000	36,000	39,000	32,501
Aboriginal initiative	15,000	6,191	8,809	141
ER/ALC Initiative	100,000	100,000	-	-
French Language Services Initiative	106,000	106,000	-	-
Critical Care Initiative	75,000	43,059	31,941	3,000
Primary Care Initiative	75,000	73,801	1,199	-
Chronic Disease Management	929,289	924,492	4,797	8,449
Patients First Transition Planning and Implementation	180,000	180,000	-	-
Patients First Pan-LHIN Support for Planning and Implementation	181,972	181,972	-	-
Repayable directly to MOHLTC	1,146,225,672	1,146,132,619	93,053	44,541
Enabling technologies, repayable to MOHLTC through Champlain LHIN	510,000	510,000	-	-
	1,146,735,672	1,146,642,619	93,053	44,541

South East Local Health Integration Network

Notes to the financial statements

March 31, 2017

5. Funding repayable to the MOHLTC (continued)

(b) The amount due to the MOHLTC at March 31 is made up as follows:

	2017	2016
	\$	\$
Opening balance	115,146	70,605
Funding repaid during the year	(70,605)	-
One-time funding repayable to MOHLTC	85,746	44,091
LHIN Operations funding repayable to MOHLTC	7,307	450
Closing balance	137,594	115,146

6. Operations of LHIN - Ancillary Funded Project Initiatives

The LHIN received funds for various initiatives listed in the Statement of Operations. The following table classifies the initiatives expenses by object:

	2017	2016
	\$	\$
Salaries and benefits	1,737,239	1,391,142
Professional services	150,000	180,972
Shared services	84,541	82,368
Accommodations	66,016	63,765
Public relations	20,840	36,256
Supplies	25,727	17,650
Mail, courier and telecommunications	11,124	7,434
Other	66,028	61,611
	2,161,515	1,841,198

Chronic Disease Management (CDM)

The CDM operational expenses are included above and are as follows:

	Budget 2017	Actual 2017	Actual 2016
	\$	\$	\$
Funding	929,289	929,289	929,289
Salaries and benefits	775,381	790,684	768,232
Others	153,908	133,808	152,608
	929,289	924,492	920,840

South East Local Health Integration Network

Notes to the financial statements

March 31, 2017

7. Related party transactions

LHIN Shared Service Office, LHINC Collaborative and Health Shared Services Ontario

The LHIN Shared Services Office (the "LSSO") was a division of the Toronto Central LHIN and was subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO, on behalf of the LHINs was responsible for providing services to all LHINs. The full costs of providing these services was billed to all the LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHIN as at February 28, 2017 were recorded as a receivable (payable) from (to) the LSSO. This was done pursuant to the shared service agreement the LSSO has with all the LHINs.

The LHIN Collaborative (the "LHINC") was formed in fiscal 2010 to strengthen relationships between and among health service providers, associations and the LHINs, and to support system alignment. The purpose of LHINC was to support the LHINs in fostering engagement of the health service provider community in support of collaborative and successful integration of the health care system; their role as system manager; where appropriate, the consistent implementation of provincial strategy and initiatives; and the identification and dissemination of best practices. LHINC was a LHIN-led organization and accountable to the LHINs. LHINC was funded by the LHINs with support from the MOHLTC.

Effective February 28, 2017 pursuant to a transfer agreement between Toronto Central LHIN and Health Service Shared Services Ontario (HSSO) responsibility for the shared services previously provided by the LSSO and the LHINC was transferred to HSSO. HSSO is a provincial agency established January 1, 2017 by O. Reg. 456/16 made under LHSIA with objects to provide shared services to LHINs in areas that include human resources management, logistics, finance and administration and procurement. HSSO as a provincial agency is subject to legislation, policies and directives of the Government of Ontario and the Memorandum of Understanding between HSSO and the Minister of Health and Long Term Care.

Patients First Pan-LHIN Support for Planning and Implementation

On June 13, 2016 an amendment to the Ministry-LHIN Accountability Agreement between Toronto Central LHIN and the Ministry resulted in an allocation of \$1,080,000 of additional funding to be distributed by the Toronto Central LHIN to various LHINs to be applied to salary and benefit costs created to the support of transition and implementation of the expanded LHIN mandate. South East LHIN received \$181,972 of this funding which was spent on eligible expenses in the year.

Enabling Technologies for Integration Project Management Office

In fiscal 2014, the LHIN entered into an agreement with the Champlain, North East and North West LHINs (the "Cluster") in order to enable the effective and efficient delivery of e-health programs and initiatives within the geographic area of the Cluster. Under the agreement, decisions related to the financial and operating activities of the Enabling Technologies for Integration Project Management Office are shared. No LHIN is in a position to exercise unilateral control.

The LHIN's financial statement reflects its share of the MOHLTC funding for Enabling Technologies for Integration Project Management Office for its Cluster and related expenses. During the year, the LHIN received funding from the Champlain LHIN of \$510,000 (2016 - \$510,000).

8. Deferred capital contributions

	2017	2016
	\$	\$
Balance, beginning of year	207,222	236,879
Capital contributions received during the year	-	32,395
Amortization for the year	(54,812)	(62,052)
Balance, end of year	152,410	207,222

South East Local Health Integration Network

Notes to the financial statements

March 31, 2017

9. Tangible capital assets

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office equipment	425,379	416,405	8,974	12,448
Computer equipment	177,243	174,423	2,820	12,023
Leasehold improvements	407,537	266,921	140,616	182,751
	1,010,159	857,749	152,410	207,222

10. Budget figures

The budget was approved by the Government of Ontario. The budget figures reported in the Statement of Operations reflect the initial budget at April 1, 2016. The figures have been reported for the purposes of these statements to comply with PSAB reporting requirement. During the year the government approves budget adjustments. The following reflects the adjustments for the LHIN during the year:

The total HSP funding budget of \$1,136,922,236 is made up of the following:

	\$
Initial HSP funding budget	1,086,962,194
Adjustment due to announcements made during the year	52,960,042
Total HSP funding budget	1,139,922,236

The total operating budget of \$4,511,363 is made up of the following:

	\$
Initial LHIN Operations Budget	4,543,169
Adjustment (Reduction)	(31,806)
Total LHIN Operations funding budget	4,511,363

11. Transfer payments to HSPs

The LHIN has authorization to allocate the funding of \$1,139,922,236 to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors as follows:

	2017	2016
	\$	\$
Operation of Hospitals	673,586,976	656,045,023
Grants to compensate for Municipal Taxation - Public Hospitals	190,725	190,725
Long-Term Care Homes	189,581,149	185,883,240
Community Care Access Centres	127,792,583	122,643,463
Community Support Services	39,616,533	36,976,678
Assisted Living Services in Supportive Housing	2,262,722	2,241,305
Community Health Centres	30,609,214	29,472,727
Community Mental Health Addictions Program	76,282,334	74,815,040
	1,139,922,236	1,108,268,201

South East Local Health Integration Network

Notes to the financial statements

March 31, 2017

12. General and administrative expenses

- (a) The Statement of Operations presents expenses by function. The following classifies general and administrative expenses by object, as follows:

	2017	2016
	\$	\$
Program based		
Salaries	3,529,787	3,410,658
Consulting and LHIN-based projects	43,881	17,618
	3,573,668	3,428,276
Shared services	262,907	309,098
Collaborative	35,625	37,698
Other (Note 12b)	161,571	193,002
Accommodations	192,147	201,101
Office equipment and supplies	90,482	106,262
Board per diem	80,050	75,600
Public relations	47,261	84,599
Mail, courier and telecommunications	60,345	54,688
	4,504,056	4,490,324
Amortization	54,812	62,052
	4,558,868	4,552,376

- (b) The breakdown of "Other" general and administrative expenses listed in the table above are:

	2017	2016
	\$	\$
Training and development	40,203	66,970
Travel	109,068	118,399
Recruitment	7,312	2,234
Insurance	4,988	5,399
	161,571	193,002

- (c) The total expenses related to governance is as follows, and are included in the expenses listed in Note 12(a) above:

	2017	2016
	\$	\$
Board chair per diems	29,375	23,625
All other per diems	50,675	51,975
Total per diems	80,050	75,600
Other administrative costs	36,481	28,000
Total governance expenditures	116,531	103,600
Overhead - salaries, benefits, accommodations and shared services	110,536	142,735
Total governance related costs	227,067	246,335

- (d) The total occupancy and shared service costs are reduced from actual expenses in Note 12(a) above, due to partial cost sharing with ancillary funded projects for project staff that utilize office space and or shared services during the year.

South East Local Health Integration Network

Notes to the financial statements

March 31, 2017

13. Pension agreements

The LHIN makes contributions to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2017 was \$286,327 (2016 - \$303,353) for current service costs and is included as an expense in the Statement of Financial Activities. The last actuarial valuation was completed for the plan as of December 31, 2016. At that time, the plan was fully funded.

14. Guarantees

The LHIN is subject to the provisions of the Financial Administration Act. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the Financial Administration Act and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the *Local Health System Integration Act, 2006* and in accordance with s. 28 of the *Financial Administration Act*.

15. Commitments

The LHIN has commitments under various operating leases expiring in 2021 related to building and equipment. Minimum lease payments due under the building lease as follows:

	\$
2018	224,064
2019	224,064
2020	224,064
2021	205,392
	877,584

The LHIN also has funding commitments to HSPs associated with accountability agreements. As of March 31, 2017, the LHIN had signed Accountability Agreements with all Hospitals and Community Agencies for the next one to three years dependent upon the specific sector. The actual amounts which will ultimately be paid are contingent upon actual LHIN funding received from MOHLTC.

16. Obligations under capital lease

The LHIN has a lease under the provision of capital lease of leasehold improvements. The cost of this lease is included in equipment and the related liabilities are included in long-term debt to reflect the effective acquisition and financing of these items. The lease on the building expires in February, 2021.

The present value of future minimum rentals is as follows:

	\$
2018	40,456
2019	40,456
2020	40,456
2021	37,084
Future minimum lease payments	158,452
Less: amount representing interest	(14,820)
Present value of future minimum rentals	143,632

South East Local Health Integration Network

Notes to the financial statements

March 31, 2017

16. Obligations under capital lease (continued)

Remaining principal payments required on this long-term debt for the next four years are as follows:

	\$
2018	34,048
2019	35,789
2020	37,621
2021	36,174
	143,632

17. Subsequent events

On April 3, 2017 the Minister of Health and Long-Term Care made an order under the provisions of the Local Health System Integration Act, 2006, as amended by the Patients First Act, 2016 to require the transfer of all assets, liabilities, rights and obligations of the South East Community Care Access Centre the (CCAC), to the LHIN, including the transfer of all employees of the CCAC.

Effective May 17, 2017 the LHIN assumed the responsibility to provide health and related social services and supplies and equipment for the care of persons in home, community and other settings and to provide goods and services to assist caregivers in the provision of care for such persons, to manage the placement of persons into long-term care homes, supportive housing programs, chronic care and rehabilitation beds in hospitals, and other programs and places where community services are provided under the Home Care and Community Services Act, 1994 and to provide information to the public about, and make referrals to, health and social services.

The actual financial impact of the transition is not currently known, however it is expected that assets assumed will equal liabilities assumed. Additionally there are no significant commitments being assumed as a result of the transition.

South West **LHIN** | **RLISS** du Sud-Ouest

201 Queens Avenue, Suite 700,
London, ON N6A 1J1

Tel. : 519-473-2222
: 1-800-811-5146
Fax : 519-472-4045

southwestthin.on.ca

London (Head Office) Stratford
London (Downtown) St. Thomas
Owen Sound Woodstock
Seaford

May 23, 2017

Management Responsibility Report

The management of the South West Local Health Integration Network (LHIN) is responsible for preparing the accompanying financial statements in conformity with generally accepted accounting principles. In preparing these financial statements, management selects appropriate accounting policies and uses its judgement and best estimates to report events and transactions as they occur. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Financial data included throughout this Annual Report is prepared on a basis consistent with that of the financial statements.

The LHIN maintains a system of internal accounting controls designed to provide reasonable assurance, at a reasonable cost, that assets are safeguarded and that transactions are executed and recorded in accordance with the LHIN's policies for doing business.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control, and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee. The Committee meets approximately four times annually to review audited and unaudited financial information. Deloitte LLP has full and free access to the Audit Committee.

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



Michael Barrett
Chief Executive Officer



Lorri Lowe
Controller/Manager of Corporate Services



Ontario

Local Health Integration
Network

Réseau local d'intégration
des services de santé



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

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Independent Auditor's Report

To the Members of the Board of Directors of the
South West Local Health Integration Network

We have audited the accompanying financial statements of South West Local Health Integration Network, which comprise the statement of financial position as at March 31, 2017, and the statements of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of South West Local Health Integration network as at March 31, 2017 and the results of its operations, changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants
Licensed Public Accountants
May 16, 2017

South West Local Health Integration Network

Statement of financial position as at March 31, 2017

	2017	2016
	\$	\$
Financial assets		
Cash	648,278	435,353
Due from Ministry of Health and Long-Term Care ("MOHLTC")		
Health Service Provider ("HSP") transfer payments (Note 9)	7,656,700	13,455,322
Harmonized sales tax receivable	32,175	36,227
Accounts Receivable - other	7,606	-
	8,344,759	13,926,902
Liabilities		
Accounts payable and accrued liabilities	600,480	424,798
Due to Health Service Providers ("HSPs") (Note 9)	7,656,700	13,455,322
Due to MOHLTC (Note 3b)	96,317	61,122
Due to the LHIN Shared Services Office (Note 4)	-	8,708
Deferred capital contributions (Note 5)	44,290	43,594
	8,397,787	13,993,544
Net debt	(53,028)	(66,642)
Commitments (Note 6)		
Non-financial assets		
Prepaid expenses	8,738	23,048
Tangible capital assets (Note 7)	44,290	43,594
	53,028	66,642
Accumulated surplus	-	-

Approved by the Board

 Director

 Director

South West Local Health Integration Network

Statement of operations year ended March 31, 2017

	Budget (Note 8)	2017 Actual	2016 Actual
	\$	\$	\$
Revenue			
MOHLTC funding			
HSP transfer payments (Note 9)	2,249,599,783	2,309,811,966	2,258,840,834
Operations of LHIN	4,887,225	4,841,600	5,018,025
Project Initiatives			
Aboriginal Planning	35,000	35,000	35,000
French Language Services	106,000	106,000	106,000
Critical Care	75,000	75,000	75,000
Emergency Department ("ED") Lead	75,000	75,000	75,000
Emergency Room/Alternative Level of Care ("ER/ALC") Performance Lead	100,000	100,000	100,000
Primary Care Lead	75,000	75,000	75,000
Enabling Technologies ETI PMO	2,040,000	2,040,000	2,040,000
Diabetes Regional Coordinating Centre	1,168,523	1,168,523	1,168,523
Patients First Transition Planning and Implementation	-	180,000	-
Patients First Pan-LHIN Support for Planning and Implementation	-	107,619	-
Amortization of deferred capital contributions (Note 5)	21,618	21,618	32,826
	2,258,183,149	2,318,637,326	2,267,566,208
Enabling Technologies ETI PMO allocated to other LHIN's	(1,530,000)	(1,530,000)	(1,530,000)
Funding repayable to the MOHLTC (Note 3a)	-	(90,830)	(5,486)
	2,256,653,149	2,317,016,496	2,266,030,722
Expenses			
Transfer payments to HSPs (Note 9)	2,249,599,783	2,309,811,966	2,258,840,834
General and administrative (Note 11)	4,908,843	4,862,778	5,050,623
Project Initiatives (Note 10)			
Aboriginal Planning	35,000	26,598	34,930
French Language Services	106,000	105,042	105,774
Critical Care	75,000	73,111	72,886
ED Lead	75,000	37,070	74,972
ER/ALC Performance Lead	100,000	100,000	99,746
Primary Care Lead	75,000	64,944	73,127
Enabling Technologies	510,000	502,524	509,487
Patients First Transition Planning and Implementation	-	167,828	-
Patients First Pan-LHIN Support for Planning and Implementation	-	107,619	-
Diabetes Regional Coordinating Ctr	1,168,523	1,157,016	1,168,343
	2,256,653,149	2,317,016,496	2,266,030,722
Annual surplus and accumulated surplus, end of year	-	-	-

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

South West Local Health Integration Network

Statement of change in net debt
year ended March 31, 2017

	2017 Actual	2016 Actual
	\$	\$
Annual surplus	-	-
Change in prepaid expenses, net	14,310	(5,890)
Acquisition of tangible capital assets	(22,314)	(7,695)
Amortization of tangible capital assets	21,618	32,826
Decrease in net debt	13,614	19,241
Net debt, beginning of year	(66,642)	(85,883)
Net debt, end of year	(53,028)	(66,642)

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

South West Local Health Integration Network

Statement of cash flows year ended March 31, 2017

	2017	2016
	\$	\$
Operating transactions		
Annual surplus	-	-
Less items not affecting cash		
Amortization of capital assets	21,618	32,826
Amortization of deferred capital contributions (Note 5)	(21,618)	(32,826)
Changes in non-cash operating items		
Due from MOHLTC HSP transfer payments	5,798,622	345,265
Accounts receivable	(7,606)	55,905
Harmonized Sales Tax receivable	4,052	45,761
Accounts payable and accrued liabilities	175,682	(28,542)
Due to HSPs	(5,798,622)	(345,265)
Due to MOHLTC	35,195	5,486
Due to LHIN Shared Services Office	(8,708)	(50,171)
Prepaid expenses	14,310	(5,890)
	212,925	22,549
Capital transaction		
Acquisition of tangible capital assets	(22,314)	(7,695)
Financing transaction		
Deferred capital contributions received (Note 5)	22,314	7,695
Net increase in cash	212,925	22,549
Cash, beginning of year	435,353	412,804
Cash, end of year	648,278	435,353

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

South West Local Health Integration Network

Notes to the financial statements

March 31, 2017

1. Description of business

The South West Local Health Integration Network was incorporated by Letters Patent on July 9, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the *Local Health System Integration Act, 2006* (the "Act") as the South West Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers approximately 22,000 square kilometers from Tobermory in the north to Long Point in the south. The LHIN enters into service accountability agreements with service providers.

The LHIN is funded by the Province of Ontario in accordance with the Ministry-LHIN Accountability Agreement ("MLAA"), which describes budget arrangements established by the MOHLTC. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to HSPs, effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account.

The LHIN statements do not include any Ministry managed programs.

The LHIN is also funded by eHealth Ontario in accordance with the eHealth Ontario - LHIN Transfer Payment Agreement ("TPA"), which describes budget arrangements established by eHealth Ontario. These financial statements reflect agreed funding arrangements approved by eHealth Ontario. The LHIN cannot authorize an amount in excess of the budget allocation set by eHealth Ontario.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian public sector accounting standards. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of tangible capital assets.

South West Local Health Integration Network

Notes to the financial statements

March 31, 2017

2. Significant accounting policies (continued)

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. Unspent amounts are recorded as payable to the MOHLTC at period end. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed.

Deferred capital contributions

Any amounts received that are used to fund expenses that are recorded as tangible capital assets, are recorded as deferred capital revenue and are recognized as revenue over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the statement of operations, is in accordance with the amortization policy applied to the related tangible capital asset recorded.

Tangible capital assets

Tangible capital assets are recorded at historic cost. Historic cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of tangible capital assets. The cost of tangible capital assets contributed is recorded at the estimated fair value on date of contribution. Fair value of contributed tangible capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the tangible capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a tangible capital asset are capitalized. Computer software is recognized as an expense when incurred.

Tangible capital assets are stated at cost less accumulated amortization. Tangible capital assets are amortized over their estimated useful lives as follows:

Computer equipment	3 years straight-line method
Leasehold improvements	Life of lease straight-line method
Office equipment, furniture and fixtures	5 years straight-line method
Web development	3 years straight-line method

For assets acquired or brought into use, during the year, amortization is provided for a full year.

Segment disclosures

A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the statement of operations and within the related notes for both the prior and current year sufficiently discloses information of all appropriate segments and, therefore, no additional disclosure is required.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimate and assumptions include valuation of accrued liabilities and useful lives of the tangible capital assets. Actual results could differ from those estimates.

South West Local Health Integration Network

Notes to the financial statements

March 31, 2017

3. Funding repayable to the MOHLTC

In accordance with the MLAA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

In accordance with the TPA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to eHealth Ontario.

- a) The amount repayable to the MOHLTC related to current year activities is made up of the following components:

			2017	2016
	Funding	Eligible expenses	Funding excess	Funding excess
	\$	\$	\$	\$
Transfer payments to HSPs	2,309,811,966	2,309,811,966	-	-
LHIN operations	4,841,600	4,841,160	440	228
Aboriginal Planning	35,000	26,598	8,402	70
French Language Services	106,000	105,042	958	226
Enabling Technologies	2,040,000	2,032,524	7,476	513
Critical Care Lead	75,000	73,111	1,889	2,114
ED Lead	75,000	37,070	37,930	28
Primary Care Lead	75,000	64,944	10,056	1,873
ER/ALC Lead	100,000	100,000	-	254
Patients First Pan-LHIN Support for Planning and Implementation	107,619	107,619	-	-
Patients First Transition Planning and Implementation	180,000	167,828	12,172	-
Diabetes Regional Coord. Centres	1,168,523	1,157,016	11,507	180
	2,318,615,708	2,318,524,878	90,830	5,486

- b) The amount due to the MOHLTC at March 31 is made up as follows:

	2017	2016
	\$	\$
Due to MOHLTC, beginning of year	61,122	55,636
Funding repaid to MOHLTC	(55,636)	-
Funding repayable to the MOHLTC related to current year activities (Note 3a)	83,354	4,973
Funding repayable to the MOHLTC related to current year ETI PMO Cluster activities	7,476	513
Due to MOHLTC, end of year	96,316	61,122

- c) Enabling Technologies for Integration (ETI PMO)

Effective January 31, 2014, the LHIN entered into an agreement with Erie St. Clair, Hamilton Niagara Haldimand Brant and Waterloo Wellington (the "Cluster") in order to enable the effective and efficient delivery of e-health programs and initiatives within the geographic area of the Cluster. Under the agreement, decisions related to the financial and operating activities of the Enabling Technologies for Integration Project Management Office are shared. No LHIN is in a position to exercise unilateral control.

South West Local Health Integration Network

Notes to the financial statements

March 31, 2017

3. Funding repayable to the MOHLTC and eHealth Ontario (continued)

c) Enabling Technologies for Integration (ETI PMO) (continued)

The South West LHIN is designated the Lead LHIN with this agreement and as such holds the accountability over the distribution of the funds and manages the shared Project Management Office. In the event that the Cluster experiences a surplus the Lead LHIN is responsible for returning those funds to the MOHLTC. The total Cluster funding received for the year ended March 31, 2017 was \$2,040,000 (2016 - \$2,040,000).

Funding of \$ 1,530,000 (2016 - \$1,530,000) was allocated to other LHIN's within the cluster who incurred eligible expenses of \$1,530,000 (2016 - \$1,530,000). The LHIN has setup a payable to the MOHLTC for \$7,476.

The following provides condensed financial information for the ETI PMO funding and expenses for the cluster:

			2017	2016
	Funding allocated	Eligible expenses	Excess funding	Excess funding
	\$	\$	\$	\$
Erie St. Clair LHIN	510,000	510,000	-	-
Hamilton Niagara Haldimand Brant LHIN	510,000	510,000	-	-
Waterloo Wellington LHIN	510,000	510,000	-	-
South West LHIN	510,000	502,524	7,476	513
	2,040,000	2,032,524	7,476	513

4. Related party transactions

LHIN Shared Service Office, LHINC Collaborative and Health Shared Services Ontario

The LHIN Shared Services Office (the "LSSO") was a division of the Toronto Central LHIN and was subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO, on behalf of the LHINs was responsible for providing services to all LHINs. The full costs of providing these services was billed to all the LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHIN as at February 28, 2017 were recorded as a receivable (payable) from (to) the LSSO. This was done pursuant to the shared service agreement the LSSO has with all the LHINs.

The LHIN Collaborative (the "LHINC") was formed in fiscal 2010 to strengthen relationships between and among health service providers, associations and the LHINs, and to support system alignment. The purpose of LHINC was to support the LHINs in fostering engagement of the health service provider community in support of collaborative and successful integration of the health care system; their role as system manager; where appropriate, the consistent implementation of provincial strategy and initiatives; and the identification and dissemination of best practices. LHINC was a LHIN-led organization and accountable to the LHINs. LHINC was funded by the LHINs with support from the MOHLTC.

Effective February 28, 2017 pursuant to a transfer agreement between Toronto Central LHIN and Health Service Shared Services Ontario (HSSO) responsibility for the shared services previously provided by the LSSO and the LHINC was transferred to HSSO. HSSO is a provincial agency established January 1, 2017 by O. Reg. 456/16 made under LHSIA with objects to provide shared services to LHINs in areas that include human resources management, logistics, finance and administration and procurement. HSSO as a provincial agency is subject to legislation, policies and directives of the Government of Ontario and the Memorandum of Understanding between HSSO and the Minister of Health and Long Term Care.

South West Local Health Integration Network

Notes to the financial statements

March 31, 2017

4. Related party transactions (continued)

Patients First Pan-LHIN Support for Planning and Implementation

On June 13, 2016 an amendment to the Ministry-LHIN Accountability Agreement between Toronto Central LHIN and the Ministry resulted in an allocation of \$1,080,000 of additional funding to be distributed by the Toronto Central LHIN to various LHINs to be applied to salary and benefit costs related to the support of transition and implementation of the expanded LHIN mandate. South West LHIN received \$107,619 of this funding which was spent on eligible expenses in the year.

5. Deferred capital contributions

	2017	2016
	\$	\$
Balance, beginning of year	43,594	68,725
Capital contributions received during the year (Note 8)	22,314	7,695
Amortization for the year	(21,618)	(32,826)
Balance, end of year	44,290	43,594

6. Commitments

The LHIN has commitments under various operating leases extending to 2021 related to building and equipment which have standard renewal terms. Minimum lease payments due in each of the next five years are as follows:

	\$
2018	346,723
2019	327,306
2020	327,114
2021	135,732
2022	77

The LHIN also has funding commitments to HSPs associated with accountability agreements. Minimum commitments to HSPs, based on the current accountability agreements, are as follows:

	\$
2018	2,286,516,565

The actual amounts which will ultimately be paid are contingent upon actual LHIN funding received from the MOHLTC.

South West Local Health Integration Network

Notes to the financial statements

March 31, 2017

7. Tangible capital assets

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Computer equipment	242,202	232,370	9,832	25,708
Office equipment, furniture and fixtures	258,017	223,559	34,458	17,886
	500,219	455,929	44,290	43,594

8. Budget figures

The budget was approved by the Government of Ontario. The budget figures reported in the statement of operations reflect the initial budget at April 1, 2016. The figures have been reported for the purposes of these statements to comply with PSAB reporting requirements. During the year the government approved budget adjustments. The following reflects the adjustments for the LHIN during the year:

The final HSP funding budget of \$ 2,309,811,966 is derived as follows:

	\$
Initial budget	2,249,599,783
Adjustment due to announcements made during the year	60,212,183
Final HSP funding budget	2,309,811,966

The final LHIN budget, excluding HSP funding, of \$8,825,360 is derived as follows:

	\$
Initial budget	8,583,366
Additional funding received during the year	264,308
Amount treated as capital contributions during the year	(22,314)
Final LHIN operating budget	8,825,360

South West Local Health Integration Network

Notes to the financial statements

March 31, 2017

9. Transfer payments to HSPs

The LHIN has authorization to allocate funding of \$2,309,811,966 to various HSPs in its geographic area. The LHIN approved transfer payments to various sectors in 2017 as follows:

	2017	2016
	\$	\$
Operation of hospitals	1,574,467,090	1,542,996,544
Grants to compensate for municipal taxation - public hospitals	426,600	426,600
Long term care homes	339,024,414	333,918,931
Community care access centres	228,637,822	219,536,498
Community support services	47,829,870	45,453,213
Assisted living services in supportive housing	25,200,322	23,913,885
Community health centres	21,705,859	21,557,702
Community mental health addictions program	72,519,989	71,037,461
	2,309,811,966	2,258,840,834

The LHIN receives funding from the MOHLTC and in turn allocates it to the HSPs. As at March 31, 2017, an amount of \$ 7,656,700 (2016 - \$13,455,322) was receivable from MOHLTC, and was payable to HSPs. These amounts have been reflected as revenue and expenses in the Statement of operations and are included in the table above.

10. Project Initiatives

The LHIN received funds for various initiatives listed in the Statement of Operations. The following table classifies the initiatives expenses by object:

	2017	2016
	\$	\$
Salaries and benefits	1,772,305	1,540,912
Professional services	348,778	332,541
Shared services	10,067	10,142
Occupancy	77,033	63,433
Public relations and community engagement	-	-
Supplies	3,797	3,846
Mail, courier and telecommunications	10,534	13,032
Other	119,238	175,359
	2,341,752	2,139,265

South West Local Health Integration Network

Notes to the financial statements

March 31, 2017

10. Project Initiatives (continued)

Diabetes Regional Coordination Centres

The MOHLTC provided the LHIN with \$1,168,523 (2016 - \$1,168,523) related to Diabetes Regional Coordination Centres initiatives. The LHIN incurred operating expenses of \$1,157,016 (2016 - \$1,168,343). The LHIN has setup a payable to the MOHLTC for the remaining balance of \$11,507. Expenses incurred include the following:

	2017	2016
	\$	\$
Salaries	1,047,781	1,030,567
Operating expenses	109,235	137,776
Total	1,157,016	1,168,343

11. General and administrative expenses

The statement of operations presents the expenses by function; the following classifies general and administrative expenses by object:

	2017	2016
	\$	\$
Salaries and benefits	3,524,261	3,609,224
Occupancy	261,899	265,928
Amortization	21,618	32,826
Shared services	325,506	371,522
LHIN Collaborative	52,714	46,857
Public relations	66,080	68,182
Consulting and project expenses	29,529	44,766
Supplies	15,170	20,987
Board chair per diem	61,089	46,536
Board member per diem	72,767	74,271
Board member expenses	76,323	47,062
Mail, courier and telecommunications	42,595	43,255
Other	313,227	379,207
	4,862,778	5,050,623

12. Pension agreements

The LHIN makes contributions to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 44 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2017 was \$415,822 (2016 - \$387,615) for current service costs and is included as an expense in the statement of operations. The last annual funding valuation was completed for the plan as at December 31, 2015. As at that time, the plan was fully funded.

South West Local Health Integration Network

Notes to the financial statements

March 31, 2017

13. Guarantees

The LHIN is subject to the provisions of the Financial Administration Act. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favor of third parties, except in accordance with the Financial Administration Act and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the Local Health System Integration Act, 2006 and in accordance with s.28 of the Financial Administration Act.

14. Subsequent event

On April 5, 2017 the Minister of Health and Long-Term Care made an order under the provisions of the Local Health System Integration Act, 2006, as amended by the Patients First Act, 2016 to require the transfer of all assets, liabilities, rights and obligations of the South West Community Care Access Centre the (CCAC), to the LHIN, including the transfer of all employees of the CCAC.

Effective May 24, 2017 the LHIN will assume the responsibility to provide health and related social services and supplies and equipment for the care of persons in home, community and other settings and to provide goods and services to assist caregivers in the provision of care for such persons, to manage the placement of persons into long-term care homes, supportive housing programs, chronic care and rehabilitation beds in hospitals, and other programs and places where community services are provided under the Home Care and Community Services Act, 1994 and to provide information to the public about, and make referrals to, health and social services.

Toronto Central LHIN

425 Bloor Street East, Suite 201
Toronto, ON M4W 3R4
Tel: 416 921-7453 • Fax: 416 921-0117
Toll Free: 1 866 383-5446
www.torontocentralhlin.on.ca

May 24, 2017

Management's Responsibility for the Financial Statements

Toronto Central Local Health Integration Network (the "LHIN"), a crown agency, is dedicated to the highest standards of integrity in its business. To safeguard the LHIN's assets and assure the reliability of financial information, the LHIN follows sound management practices and procedures, and maintains appropriate information systems and internal financial controls.

The integrity and objectivity of the accompanying financial statements of the LHIN is the responsibility of management. These financial statements have been prepared in compliance with legislation and in accordance with Generally Accepted Accounting Principles (GAAP) and under Public Sector Accounting Board (PSAB).

Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for the preparation of the financial statements. These systems are monitored and evaluated by management, the Audit Committee and Board of Directors.


Management meets with the external auditors and the Board of Directors to review the financial statements and discuss any significant financial reporting or internal control matters prior to approval of the financial statements.

The financial statements have been audited by Deloitte & Touche LP, independent external auditors appointed by the Board of Directors.



Susan Fitzpatrick

Chief Executive Officer



Raj Krishnapillai

Senior Director, Finance, Corporate &
Shared Services (Chief Financial Officer)



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

Tel: 416-601-6150
Fax: 416-601-6610
www.deloitte.ca

Independent Auditor's Report

To the Members of the Board of Directors of the
Toronto Central Local Health Integration Network

We have audited the accompanying financial statements of the Toronto Central Local Health Integration Network (the "LHIN"), which comprise the statement of financial position as at March 31, 2017, and the statements of operations, change in net debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the LHIN as at March 31, 2017, and the results of its operations, change in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants
Licensed Public Accountants
May 31, 2017

Toronto Central Local Health Integration Network

Statement of financial position as at March 31, 2017

	2017	2016
	\$	\$
Financial assets		
Cash	1,096,486	1,416,307
Due from Local Health Integration Networks ("LHINs")	-	79,564
Due from Health Shared Services Ontario (Note 3)	25,129	-
Due from Ministry of Health and Long-Term Care ("MOHLTC") regarding HSP transfer payments	21,813,625	18,030,794
Harmonized Sales Tax receivable	197,765	301,196
	23,133,005	19,827,861
Liabilities		
Accounts payable and accrued liabilities	1,306,471	1,896,288
Due to HSPs	21,813,625	18,030,794
Due to MOHLTC (Note 4b)	28,217	4,707
Deferred capital contributions (Note 5)	200,031	1,514,992
	23,348,344	21,446,781
Net debt	(215,339)	(1,618,920)
Commitments (Note 15)		
Non-financial assets		
Prepaid expenses	15,308	103,928
Tangible capital assets (Note 6)	200,031	1,514,992
	215,339	1,618,920
Accumulated surplus	-	-

Approved by the Board

Director
 Director

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

Toronto Central Local Health Integration Network

Statement of operations year ended March 31, 2017

	Budget (Note 7)	2017 Actual	2016 Actual
	\$	\$	\$
Revenue			
Ministry of Health and Long-Term Care ("MOHLTC") funding	5,535,121	5,535,121	5,535,121
Ministry of Health and Long-Term Care ("MOHLTC") funding to LHINC	670,000	1,694,166	792,000
Health Service Provider ("HSP") transfer payments (Note 8)	4,762,138,875	4,896,026,687	4,799,105,830
Project Initiatives (Note 9)			
Enabling Technologies (Note 3)	510,000	423,000	440,000
Emergency Department ("ED") Lead	75,000	75,000	75,000
Aboriginal Health Transition Planning	20,000	20,000	20,000
Emergency Room and Alternate Level of Care ("ER/ALC")	100,000	100,000	100,000
Critical Care ("CC") Lead	75,000	75,000	75,000
Resources Matching Referrals Leads	288,993	-	125,000
French Language Health Services ("FLHS")	106,000	106,000	106,000
French Planning Entities	568,713	568,713	568,713
Primary Care Lead	75,000	75,000	75,000
Diabetes Regional Coordination Centre	1,106,715	1,106,715	1,106,715
Pan and Parapan Am Games	-	-	207,249
Emergency Management Communication Tool ("EMCT")	200,000	200,000	500,000
Patients First Transition Planning and Implementation (Note 9)	-	180,000	-
Amortization of deferred capital contributions (Note 5)	1,280,484	1,083,269	1,280,484
Amounts recovered/recoverable from the LHINs to LHINC	665,000	562,088	617,500
Amounts recovered/recoverable from the LHINs to LSSO	5,343,296	4,183,161	4,379,679
	4,778,758,197	4,912,013,920	4,815,109,291
Funding repayable to the MOHLTC related to operations (Note 4a)	-	(26,317)	(1,900)
	4,778,758,197	4,911,987,603	4,815,107,391
Expenses			
Transfer payments to HSPs (Note 8)	4,762,138,875	4,896,026,687	4,799,105,830
General and administrative (Note 10)	5,851,392	5,761,683	5,849,492
LHIN Shared Services Office (Note 11)	6,239,895	5,038,680	5,276,278
LHIN Collaborative (Note 12)	1,402,614	2,231,125	1,477,114
Project Initiatives (Note 9)			
Enabling Technologies	510,000	423,000	440,000
Emergency Department ("ED") Lead	75,000	75,000	75,000
Aboriginal Health Transition Planning	20,000	20,000	20,000
Emergency Room and Alternate Level of Care ("ER/ALC")	100,000	100,000	100,000
Critical Care ("CC") Lead	75,000	75,000	75,000
Resources Matching Referrals Leads	288,993	-	125,000
French Language Health Services ("FLHS")	106,000	106,000	106,000
French Planning Entities	568,713	568,713	568,713
Primary Care Lead	75,000	75,000	75,000
Diabetes Regional Coordination Centre	1,106,715	1,106,715	1,106,715
Pan and Parapan Am Games	-	-	207,249
Emergency Management Communication Tool ("EMCT")	200,000	200,000	500,000
Patients First Transition Planning and Implementation	-	180,000	-
	4,778,758,197	4,911,987,603	4,815,107,391
Annual surplus and accumulated surplus, end of year	-	-	-

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

Toronto Central Local Health Integration Network

Statement of change in net debt year ended March 31, 2017

	2017	2016
	\$	\$
Annual surplus	-	-
Acquisition of tangible capital assets	(179,288)	(581,953)
Transfer of tangible capital assets to HSSO (Note 17)	410,980	-
Amortization of tangible capital assets	1,083,269	1,280,484
Acquisition of prepaid expenses	(137,407)	(103,928)
Transfer of prepaid expenses to HSSO (Note 17)	122,099	-
Use of prepaid expenses	103,928	71,869
Decrease in net debt	1,403,581	666,472
Net debt, beginning of year	(1,618,920)	(2,285,392)
Net debt, end of year	(215,339)	(1,618,920)

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

Toronto Central Local Health Integration Network

Statement of cash flows year ended March 31, 2017

	2017	2016
	\$	\$
Operating transactions		
Annual surplus	-	-
Less: items not affecting cash		
Amortization of tangible capital assets	1,083,269	1,280,484
Amortization of deferred capital contributions (Note 5)	(1,083,269)	(1,280,484)
Transfer of deferred capital contributions (Notes 5, 17)	(410,980)	-
Transfer of tangible capital assets to HSSO (Note 17)	410,980	-
	-	-
Changes in non-cash operating items		
Due from LHINs	79,564	52,543
Due from HSSO	(25,129)	-
Harmonized Sales Tax receivable	103,431	151,986
Due from MOHLTC regarding HSP transfer payments	(3,782,831)	16,248,218
Accounts payable and accrued liabilities	(589,817)	230,103
Due to HSPs	3,782,831	(16,248,218)
Due to MOHLTC	23,510	1,900
Prepaid expenses	88,620	(32,059)
	(319,821)	404,473
Capital transaction		
Acquisition of tangible capital assets	(179,288)	(581,953)
Financing transaction		
Increase in deferred capital contributions (Note 5)	179,288	581,953
Net change in cash	(319,821)	404,473
Cash, beginning of year	1,416,307	1,011,834
Cash, end of year	1,096,486	1,416,307

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

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2017

1. Description of business

The Toronto Central Local Health Integration Network was incorporated by Letters Patent on June 2, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the Local Health System Integration Act, 2006 (the "Act") as the Toronto Central Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The LHIN has also entered into an Accountability Agreement with the Ministry of Health and Long Term Care ("MOHLTC"), which provides the framework for LHIN accountabilities and activities.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers the City of Toronto. The LHIN enters into service accountability agreements with service providers.

The LHIN is funded by the Province of Ontario in accordance with the Ministry-LHIN Accountability Agreement ("MLAA"). These financial statements reflect the terms of the MLAA related to this funding.

The LHIN assumed responsibility to authorize transfer payments to HSPs, effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account. Commencing April 1, 2007, all funding payments to LHIN managed HSPs in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized HSPs are expensed in the LHIN's financial statements for the year ended March 31, 2017.

The LHIN financial statements do not include any MOHLTC managed programs.

The LHIN is also funded for the Diabetes Regional Coordination Centre ("RCC") program in accordance with the Ministry-LHIN Performance Agreement. The operational mandate, functions and funding for delivery of the RCC Program were transferred to the LHIN in the 2012/13 fiscal year. The LHIN Shared Services Office (the "LSSO") was a division of the Toronto Central LHIN and was responsible for providing services to all LHINs. The LHIN Collaborative (the "LHINC") was formed in fiscal 2010 as a division of TC LHIN to strengthen relationships between and among health service providers, associations and the LHINs, and to support system alignment.

On January 31, 2017, a Transfer Order was issued by the Minister of Health and Long-Term Care transferring all assets, liabilities, rights, obligations, records and employees of the Ontario Association of Community Care Access Centres to Health Shared Services Ontario (HSSO) which was the beginning of a broader reorganization and consolidation of services and functions in Ontario's home and community care sector.

Consistent with this direction, Toronto Central Local Health Integration Network (TC LHIN) entered a Transfer Agreement with Health Shared Services Ontario dated March 1, 2017 which effectively transferred from TC LHIN to HSSO all assets, liabilities, rights, obligations, records and employees of TC LHIN related to the services and functions of the LSSO and LHINC divisions of TC LHIN. As such these financial statements include LSSO and LHINC transactions for the period from April 1, 2016 to February 28, 2017. See Note 17 for additional details

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2017

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian public sector accounting standards. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of tangible capital assets.

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at period end.

Deferred capital contributions

Any amounts received that are used to fund expenditures that are recorded as tangible capital assets, are initially recorded as deferred capital contributions and are recognized as revenue over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the Statement of operations, is in accordance with the amortization policy applied to the related capital asset recorded.

Tangible capital assets

Tangible capital assets are recorded at historic cost. Historic cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of tangible capital assets. The cost of tangible capital assets contributed is recorded at the estimated fair value on date of contribution. Fair value of contributed tangible capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the tangible capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a tangible capital asset are capitalized. Computer software is recognized as an expense when incurred.

Tangible capital assets are stated at cost less accumulated amortization. Tangible capital assets are amortized over their estimated useful lives as follows:

Office furniture and fixtures	5 years straight-line method
Computer equipment	3 years straight-line method
Leasehold improvements	Life of lease straight-line method

For assets acquired or brought into use during the year, amortization is calculated for a full year.

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2017

2. Significant accounting policies (continued)

Segmented financial reporting

The financial statements of the LHIN include the accounts of the LHIN Shared Services Office (the "LSSO") and LHIN Collaborative (the "LHINC") up to February 28, 2017 which are its divisions. Separate schedules of LSSO and LHINC financial position and financial activities are presented in the attached schedules to the financial statements.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimate and assumptions include valuation of accrued liabilities and useful lives of the tangible capital assets. Actual results could differ from those estimates.

3. Related party transactions

LHIN Shared Services Office, LHIN Collaborative and Health Shared Services Ontario

The LHIN Shared Services Office (the "LSSO") was a division of the Toronto Central LHIN and was subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO, on behalf of the LHINs was responsible for providing services to all LHINs. The full costs of providing these services was billed to all the LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHIN as at February 28, 2017 were recorded as a receivable (payable) from (to) the LSSO. This was done pursuant to the shared service agreement the LSSO has with all the LHINs.

The LHIN Collaborative (the "LHINC") was formed in fiscal 2010 to strengthen relationships between and among health service providers, associations and the LHINs, and to support system alignment. The purpose of LHINC was to support the LHINs in fostering engagement of the health service provider community in support of collaborative and successful integration of the health care system; their role as system manager; where appropriate, the consistent implementation of provincial strategy and initiatives; and the identification and dissemination of best practices. LHINC was a LHIN-led organization and accountable to the LHINs. LHINC was funded by the LHINs with support from the MOHLTC.

Effective February 28, 2017 pursuant to a transfer agreement between Toronto Central LHIN and Health Service Shared Services Ontario (HSSO), responsibility for the shared services previously provided by the LSSO and the LHINC was transferred to HSSO. HSSO is a provincial agency established January 1, 2017 by O. Reg. 456/16 made under LHSIA with objects to provide shared services to LHINs in areas that include human resources management, logistics, finance and administration and procurement. HSSO as a provincial agency is subject to legislation, policies and directives of the Government of Ontario and the Memorandum of Understanding between HSSO and the Minister of Health and Long Term Care.

Enabling Technologies for Integrated Project Management Office

Effective April 1, 2013, the LHIN entered into an agreement with the Central, Central West, Central East, Mississauga Halton and North Simcoe Muskoka LHINs (the "Cluster") in order to enable the effective and efficient delivery of e-health programs and initiatives within the geographic area of the Cluster. Under the agreement, decisions related to the financial and operating activities of the Enabling Technologies for Integration Project Management Office are shared. No LHIN is in a position to exercise unilateral control.

The LHIN's financial statement reflects its share of the MOHLTC funding for Enabling Technologies for Integration Project Management Offices for its Cluster and related expenses. During the year, the LHIN received MOHLTC funding through the Central West LHIN of \$423,000 (2016 - \$440,000).

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2017

3. Related party transactions (continued)

Patients First Transition Planning and Implementation

On June 13, 2016 an amendment to the MLAA resulted in an allocation of \$1,080,000 of additional Pan-LHIN support funding to LHINC to be applied to salary and benefit costs related to the support of transition and implementation of the expanded LHIN mandate. LHINC directly incurred eligible expenses of \$214,538, the LHIN directly incurred \$180,000 of eligible expenses and the remaining \$685,462 was distributed to the following LHINs:

	Total \$
North East LHIN	111,720
South West LHIN	107,619
Central West LHIN	178,680
Mississauga Halton LHIN	105,471
South East LHIN	181,972
	685,462

4. Funding repayable to the MOHLTC

In accordance with the MLAA and the Transfer Payment Agreement ("TPA"), the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

- a) The amount repayable to the MOHLTC related to the current activities is made up of the following components:

			2017	2016
	Funding received	Eligible expenses	Excess funding	Excess funding
	\$	\$	\$	\$
Transfer payments to HSPs	4,896,026,687	4,896,026,687	-	-
LHIN operations	5,762,871	5,761,683	1,188	1,900
LHINC	1,694,166	1,669,037	25,129	-
E-Health	423,000	423,000	-	-
ED Lead	75,000	75,000	-	-
Aboriginal Health Transition				
Planning	20,000	20,000	-	-
ER/ALC	100,000	100,000	-	-
Critical Care Lead	75,000	75,000	-	-
FLHS	106,000	106,000	-	-
French Planning Entities	568,713	568,713	-	-
Primary Care lead	75,000	75,000	-	-
Diabetes RCC	1,106,715	1,106,715	-	-
EMCT	200,000	200,000	-	-
Patients First Transition	180,000	180,000	-	-
Planning and Implementation				
	4,906,413,152	4,906,386,835	26,317	1,900

During the year, the LHIN was provided net funding of \$568,713 (Note 9) (2016 - \$568,713) from the MOHLTC for the French Planning Entities which was flowed directly to "Entité de planification pour les services de santé en français de Toronto Centre".

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2017

4. Funding repayable to the MOHLTC (continued)

b) The amount due to the MOHLTC related to current activities at March 31 is made up as follows:

	2017	2016
	\$	\$
Due to MOHLTC, beginning of year	(4,707)	(2,807)
MOHLTC payment	2,807	-
Funding repayable to the MOHLTC related to current year activities (Note 4a)	(26,317)	(1,900)
Due to MOHLTC, end of year	(28,217)	(4,707)

5. Deferred capital contributions

	2017	2016
	\$	\$
Balance, beginning of year	1,514,992	2,213,523
Capital contributions received during the year	179,288	581,953
Transfer of deferred capital contributions to HSSO	(410,980)	-
Amortization for the year	(1,083,269)	(1,280,484)
Balance, end of year	200,031	1,514,992

6. Tangible capital assets

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office furniture and fixtures	463,179	419,453	43,726	109,511
Computer equipment	1,129,103	972,798	156,305	1,405,481
Leasehold improvements	1,621,434	1,621,434	-	-
	3,213,716	3,013,685	200,031	1,514,992

7. Budget figures

The budget figures reported in the Statement of operations reflect the initial budget at April 1, 2016. The figures have been reported for the purposes of these statements to comply with PSAB reporting requirements. Budget amount for amortization is included for comparison purposes.

The following reflects the adjustments for the LHIN during the year:

	\$
Initial HSP Funding budget	4,762,138,875
Adjustment due to announcements made during the year	133,887,812
Total HSP Funding	4,896,026,687

TC LHIN operating budget, excluding HSP Funding is \$8,660,542.

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2017

8. Transfer payments to HSPs

The LHIN has authorization to allocate funding of \$4,896,026,687 (2016 - \$4,799,105,830) to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors in the fiscal year as follows:

	2017	2016
	\$	\$
Operation of hospitals	3,652,554,420	3,580,546,410
Long-term care homes	281,028,865	274,101,551
Community care access centre	250,537,181	250,907,414
Community support services	106,223,768	104,091,661
Assisted living services in supportive housing	60,388,749	57,894,669
Community health centres	97,270,624	93,491,259
Community mental health addictions program	143,110,762	138,782,566
Addictions program	37,951,625	38,299,857
Specialty psychiatric hospital	266,960,693	260,990,443
	4,896,026,687	4,799,105,830

9. Operations of LHIN - Project Initiatives

The LHIN received funds for various initiatives listed in the Statement of operations. The following table classifies the initiatives expenses by object:

	2017	2016
	\$	\$
Salaries and benefits	1,843,471	2,287,025
Professional services	161,909	158,180
Funding transferred (Note 4)	568,713	568,713
Other	355,335	384,759
	2,929,428	3,398,677

Diabetes Regional Coordination Centre operational expenses included in the above project fund expenses are as follows:

	2017	2016
	\$	\$
Salaries and benefits	859,913	930,944
Other	246,802	175,771
	1,106,715	1,106,715

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2017

10. General and administrative expenses

The Statement of operations presents the expenses by function; the following classifies general and administrative expenses:

	2017	2016
	\$	\$
Salaries and benefits	4,234,918	4,239,667
Occupancy	293,586	387,313
Amortization	227,750	316,271
Shared services	335,478	235,978
LHINC	47,500	47,500
Consulting services	199,595	206,106
Translation services	28,341	48,371
Professional services	15,560	15,560
Supplies	25,844	45,398
Computer expenses	54,693	27,397
Governance	65,632	56,884
Mail, courier and telecommunications	40,481	33,099
Other	192,305	189,948
	5,761,683	5,849,492

The following lists the Board Chair and Directors per diem costs as well as their travel and development expenses, which are included in governance expenses in the general and administrative expenses above.

		2017	2016
	Budget	Actual	Actual
	\$	\$	\$
Board Chair per diem cost	21,000	11,200	17,675
Directors per diem cost	56,500	50,025	38,375
Board travel and development expenses	22,500	4,407	834
	100,000	65,632	56,884

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2017

11. LHIN Shared Services Office

The following presents the financial activities, by object, of the LHIN Shared Services Office for the year:

	12 months full year	11 months ended February 28, 2017	12 months ended March 31, 2016
	Budget	Actual	Actual
	\$	\$	\$
Revenue			
Amounts recovered/recoverable from the LHINs	5,343,296	4,518,734	4,761,343
Amortization of deferred capital contributions	896,599	855,519	896,599
	6,239,895	5,374,253	5,657,942
Expenses*			
Salaries	1,660,116	1,550,642	1,501,996
Benefits	343,576	302,026	287,247
Supplies	29,314	20,237	28,266
Telecommunications	11,508	11,646	10,479
Recruitment and staff development	15,623	17,326	36,884
Consulting fees	7,000	-	21,275
Professional services	23,500	21,500	20,580
Meeting expenses	4,000	259	1,114
Amortization	896,599	855,519	896,599
Occupancy	181,225	158,486	145,620
Other	35,715	26,736	31,432
Outsourcing services and computer expense	3,031,719	2,409,876	2,676,450
Total common LHIN services expenses	6,239,895	5,374,253	5,657,942
Less: inter-entity transactions eliminated on combination**	-	(335,573)	(381,664)
	6,239,895	5,038,680	5,276,278

* Included in total expenses above are \$747,960 (2016 - \$755,297) related to legal department expenses, of which \$670,121 (2016 - \$658,794) are salaries and benefits expenses.

** Included in total expenses above are \$335,573 (2016 - \$381,664) related to inter-entity transactions and are eliminated upon combination.

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2017

12. LHIN Collaborative

The following presents the financial activities, by object, of the LHIN Collaborative for the year:

	12 months full year	11 months ended February 28, 2017	12 months ended March 31, 2016
	Budget	Actual	Actual
	\$	\$	\$
Revenue			
Amounts recovered/recoverable from the LHINs	665,000	609,588	665,000
MOHLTC funding	670,000	1,694,166	792,000
Amortization of deferred capital contributions	67,614	-	67,614
	1,402,614	2,303,754	1,524,614
Funding repayable to the MOHLTC related to operations	-	(25,129)	-
	1,402,614	2,278,625	1,524,614
Expenses*			
Salaries	932,452	831,722	1,038,056
Benefits	189,633	371,123	201,543
Patients First Pan-LHIN Support for Planning and Implementation (Note 3)	-	865,462	-
Supplies	17,456	6,950	11,157
Telecommunications	10,283	7,510	7,638
Recruitment and staff developments	17,874	10,481	10,370
Computer expense	7,596	12,072	8,356
Consulting fees	32,885	27,857	27,871
Meeting expenses	13,826	2,945	5,271
Amortization	67,614	-	67,614
Occupancy	95,044	67,333	94,406
Other	17,951	75,170	7,932
Shared services	-	-	44,400
	1,402,614	2,278,625	1,524,614
Less: inter-entity transactions eliminated on combination	-	(47,500)	(47,500)
	1,402,614	2,231,125	1,477,114

* Included in total expenses above are \$47,500 (2016 - \$47,500) in inter-entity transactions that are eliminated upon combination.

MOHLTC funding of \$27,500 (2016 - \$30,000) was attributed to the Provincial End-of-Life Network. No MOHLTC funding was attributed to the Personal Support Service Initiative (2016 - \$122,000). MOHLTC funding of \$1,080,000 (2016 - \$Nil) was attributed to the Patients First Pan-LHIN Support for Planning and Implementation, \$214,538 was directly incurred by LHINC and is reported in Salaries and Benefits above. The remaining \$865,462 was allocated to various LHINs as detailed in Note 3.

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2017

13. Pension agreements

The LHIN makes contributions to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 87 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2017 was \$567,348 (2016 - \$598,304) for current service costs and is included as an expense in the Statement of operations. The last actuarial valuation was completed for the plan as of December 31, 2015. At that time, the plan was fully funded.

14. Guarantees

The LHIN is subject to the provisions of the Financial Administration Act. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the Financial Administration Act and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the Local Health System Integration Act, 2006 and in accordance with s. 28 of the Financial Administration Act.

15. Commitments

The LHIN has commitments under various operating leases related to building and equipment. Lease renewals are likely. Minimum lease payments due over the next years are as follows:

	\$
2018	726,478
2019	755,250
2020	763,749
2021	386,059
	2,631,536

Included in total commitments above is \$951,908 related to office space for the former LSSO and LHINC for which the MOHLTC will ensure payment on due date.

The LHIN also has funding commitments to some HSPs associated with accountability agreements for fiscal 2016 and 2017. The actual amounts, which will ultimately be paid, are contingent upon actual LHIN funding received from the MOHLTC.

16. Subsequent event

On April 6, 2017 the Minister of Health and Long-Term Care made an order under the provisions of the Local Health System Integration Act, 2006, as amended by the Patients First Act, 2016 to require the transfer of all assets, liabilities, rights and obligations of the Toronto Central Community Care Access Centre the (CCAC), to the LHIN, including the transfer of all employees of the CCAC.

Effective June 7, 2017 the LHIN will assume the responsibility to provide health and related social services and supplies and equipment for the care of persons in home, community and other settings and to provide goods and services to assist caregivers in the provision of care for such persons, to manage the placement of persons into long-term care homes, supportive housing programs, chronic care and rehabilitation beds in hospitals, and other programs and places where community services are provided under the Home Care and Community Services Act, 1994 and to provide information to the public about, and make referrals to, health and social services.

Toronto Central Local Health Integration Network

Notes to the financial statements

March 31, 2017

17. Transfer of LSSO, LHINC

Further to note 1, on March 1, 2017, assets, liabilities, rights and obligations of LSSO and LHINC were transferred to the HSSO. The transfer was at \$Nil consideration, and the transaction was recorded using the carrying value of the assets and liabilities transferred. Details of amounts transferred are as follows:

	LHIN Shared Services Office	LHIN Collaborative	Total
	\$	\$	\$
Financial assets			
Cash	204,753	81,012	285,765
Due from TC LHIN	(24,171)	45,866	21,695
	180,582	126,878	307,460
Liabilities			
Accounts payable and accrued liabilities	294,904	109,526	404,430
Due to MOHLTC	-	25,129	25,129
Deferred capital contributions	410,980	-	410,980
	705,884	134,655	840,539
Net debt	(525,302)	(7,777)	(533,079)
Non-financial assets			
Prepaid expenses	114,322	7,777	122,099
Tangible capital assets (Note 7)	410,980	-	410,980
	525,302	7,777	533,079
Accumulated surplus	-	-	-

Toronto Central Local Health Integration Network

Combined statement of financial position and operations by division - Schedule 1
as at March 31, 2017

	2017		2016		2017		2016		2017		2016		2016	
	Toronto Central		Shared Services Office		Collaborative		Total		2017		2016		2016	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Financial assets														
Cash	1,096,486	782,212	-	543,202	-	90,893	1,096,486	1,416,307						
Due from LSSO/LHINC/TC LHIN*	-	15,160	-	-	-	-	-	15,160						
Due from Local Health Integration Networks ("LHINs")	-	9,446	-	70,118	-	-	-	79,564						
Due from Health Shared Services Ontario	25,129	-	-	-	-	-	25,129	-						
Due from MOHLTC regarding HSP transfer payments	21,813,625	18,030,794	-	-	-	-	21,813,625	18,030,794						
Harmonized Sales Tax receivable	197,765	128,547	-	172,071	-	578	197,765	301,196						
	23,133,005	18,966,159	-	785,391	-	91,471	23,133,005	19,843,021						
Liabilities														
Accounts payable and accrued liabilities	1,306,471	945,388	-	863,577	-	87,323	1,306,471	1,896,288						
Due to LSSO/LHINC/TC LHIN*	-	-	-	10,109	-	5,051	-	15,160						
Due to HSPs	21,813,625	18,030,794	-	-	-	-	21,813,625	18,030,794						
Deferred capital contributions	200,031	427,781	-	1,087,211	-	-	200,031	1,514,992						
Due to Ministry of Health and Long-Term Care ("MOHLTC")	28,217	4,707	-	-	-	-	28,217	4,707						
	23,348,344	19,408,670	-	1,960,897	-	92,374	23,348,344	21,461,941						
Net debt	215,339	442,511	-	1,175,506	-	903	215,339	1,618,920						
Non-financial assets														
Prepaid expenses	15,308	14,730	-	88,295	-	903	15,308	103,928						
Tangible capital assets	200,031	427,781	-	1,087,211	-	-	200,031	1,514,992						
	215,339	442,511	-	1,175,506	-	903	215,339	1,618,920						
Accumulated surplus	-	-	-	-	-	-	-	-						

* Amounts due from/to the LHIN Shared Services Office, due from/to the LHINC and due from/to TC LHIN are eliminated upon combination. As at March 31, 2017, TC LHIN did not have any divisions following the transfer agreement with HSSO dated March 1, 2017.

Toronto Central Local Health Integration Network

Combined statement of financial position and operations by division - Schedule I (continued)
year ended March 31, 2017

	2017		2016		2017		2016		2017		2016		2017		2016	
	Toronto Central Operations		Toronto Central Operations		Shared Services Office		Shared Services Office		Collaborative		Collaborative		Total		Total	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Revenue																
Amounts recovered/recoverable from the LHNs																
MOHLTC funding	5,535,121	5,535,121		5,535,121												
HSP transfer payments (Note 8)	4,762,138,875	4,896,026,687		4,799,105,830												
Enabling Technologies funding (Note 3)	510,000	423,000		440,000												
Emergency Department ("ED") Leads (Note 9)	75,000	75,000		75,000												
Aboriginal Health Transition Planning (Note 9)	20,000	20,000		20,000												
Emergency Room and Alternate Level of Care (ER/ALC) (Note 9)	100,000	100,000		100,000												
Critical Care ("CC") Lead (Note 9)	75,000	75,000		75,000												
Resources Matching Referrals (Note 9)	288,993			125,000												
French Language Health Services (Note 9)	106,000	106,000		106,000												
French Planning Entities (Note 9)	568,713	568,713		568,713												
Primary Care Lead (Note 9)	75,000	75,000		75,000												
Diabetes Regional Coordination Centre (Note 9)	1,106,715	1,106,715		1,106,715												
Pan and Parapan Am Games (Note 9)	200,000	200,000		207,249												
Emergency Mgmt Comm Tool (Note 9)		180,000		500,000												
Patients First Transition Planning and Implementation (Note 3)																
Amortization of deferred capital contributions (Note 5)	316,271	227,750		316,271												
	4,771,115,688	4,904,717,986		4,808,353,999												
Funding surplus repayable to the MOHLTC related to operations (Note 4(a))		(1,188)		(1,900)												
	4,771,115,688	4,904,717,798		4,808,353,999												
Expenses																
General and administrative (Note 10)	5,851,392	5,761,683		5,849,492												
Common LHIN Services* (Note 11)																
LHIN Collaborative** (Note 12)																
Transfer payments to HSPs (Note 8)																
Enabling Technologies (Note 3)	4,762,138,875	4,896,026,687		4,799,105,830												
Emergency Department ("ED") Leads (Note 9)	510,000	423,000		440,000												
Aboriginal Health Transition Planning (Note 9)	75,000	75,000		75,000												
Emergency Room and Alternate Level of Care (ER/ALC) (Note 9)	20,000	20,000		20,000												
Critical Care ("CC") Lead (Note 9)	100,000	100,000		100,000												
Resources Matching Referrals (Note 9)	75,000	75,000		75,000												
French Language Health Services (Note 9)	288,993			125,000												
French Planning Entities (Note 9)	106,000	106,000		106,000												
French Planning Entities (Note 9)	568,713	568,713		568,713												
Primary Care Lead (Note 9)	75,000	75,000		75,000												
Diabetes Regional Coordination Centre (Note 9)	1,106,715	1,106,715		1,106,715												
Pan and Parapan Am Games (Note 9)	200,000	200,000		207,249												
Emergency Mgmt Comm Tool (Note 9)		180,000		500,000												
Patients First Transition Planning and Implementation (Note 9)																
	4,771,115,688	4,904,717,798		4,808,353,999												
Annual surplus and accumulated surplus, end of year																

* These amounts will be adjusted by \$335,573 for Toronto Central LHIN transactions. These numbers reflect LSSO operations on behalf of all 14 LHINS (Note 11).

** These amounts will be adjusted by \$47,500 for Toronto Central LHIN transactions. These numbers reflect LHNC operations on behalf of all 14 LHINS (Note 12).

*** 2017 LSSO and LHNC statement of financial operations report eleven months of activities with period ended February 28, 2017.

Waterloo Wellington Local Health Integration Network

Management Responsibility Report

The management of Waterloo Wellington Local Health Integration Network (LHIN) is responsible for preparing the accompanying financial statements in conformity with generally accepted accounting principles. In preparing these financial statements, management selects appropriate accounting policies and uses its judgment and best estimates to report events and transactions as they occur. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Financial data included throughout this Annual Report is prepared on a basis consistent with that of the financial statements.

The LHIN maintains a system of internal accounting controls designed to provide reasonable assurance, at a reasonable cost, that assets are safeguarded and that transactions are recorded in accordance with the LHIN's policies for doing business.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control, and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit committee. The Committee meets approximately four times annually to review audited and unaudited financial information. Deloitte & Touche LLP has full and free access to the Audit Committee.

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



Bruce Lauckner
Chief Executive Officer



Zeynep Danis
Vice President Finance and Corporate Services



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

Tel: 416-601-6150 Fax:
416-601-6151
www.deloitte.ca

Independent Auditor's Report

To the Members of the Board of Directors of the
Waterloo Wellington Local Health Integration Network

We have audited the accompanying financial statements of Waterloo Wellington Local Health Integration Network, which comprise the statement of financial position as at March 31, 2017, and the statements of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Waterloo Wellington Local Health Integration Network as at March 31, 2017 and the results of its operations, change in its net debt, and its cash flows for the years then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants
Licensed Public Accountants
May 24, 2017

Waterloo Wellington Local Health Integration Network

Statement of financial position
as at March 31, 2017

	2017	2016
	\$	\$
Financial assets		
Cash	713,807	539,555
Due from Ministry of Health and Long-Term Care (Note 9)	2,449,272	11,436,200
Other receivables	84,865	32,924
	3,247,944	12,008,679
Liabilities		
Accounts payable and accrued liabilities	700,940	391,921
Due to Ministry of Health and Long-Term Care (Note 3b)	154,472	194,990
Due to Health Service Providers (Note 9)	2,449,272	11,436,200
Due to the Local Health Integration Networks Shared Services Office (Note 4)	-	16,535
Deferred capital contributions (Note 5)	149,390	199,505
	3,454,074	12,239,151
Net debt	(206,130)	(230,472)
Commitments (Note 6)		
Non-financial assets		
Prepaid expenses	56,740	30,967
Tangible capital assets (Note 7)	149,390	199,505
	206,130	230,472
Accumulated surplus	-	-

Approved by the Board



Board Chair



Finance and Audit Committee Chair

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

Waterloo Wellington Local Health Integration Network

Statement of operations
year ended March 31, 2017

	Budget (Note 8)	2017 Actual	2016 Actual
	\$	\$	\$
Revenue			
Ministry of Health and Long-Term Care funding			
Health Service Providers transfer payments (Note 9)	1,024,202,400	1,082,899,573	1,054,673,430
Local Health Integration Network operations - general and administrative	4,198,719	4,166,913	4,238,720
Project Initiatives			
Diabetes Regional Coordination	1,036,138	1,036,138	1,036,138
Enabling Technologies ETI PMO	510,000	510,000	510,000
Emergency Department Lead	75,000	75,000	75,000
Emergency Department/Alternative Levels of Care Lead	100,000	100,000	100,000
Aboriginal Planning	5,000	5,000	5,000
French Language Services	106,000	106,000	106,000
Critical Care Lead	75,000	75,000	75,000
Primary Care Lead	75,000	75,000	75,000
Patient First Transition Planning and Implementation	-	180,000	-
Amortization of deferred capital contributions (Note 5)	-	50,115	50,115
	1,030,383,257	1,089,278,739	1,060,944,403
Funding repayable to Ministry of Health and Long-Term Care (Note 3b)	-	(151,932)	(2,540)
	1,030,383,257	1,089,126,807	1,060,941,863
Expenses			
Transfer payments to Health Service Providers (Note 9)	1,024,202,400	1,082,899,573	1,054,673,430
Local Health Integration Network operations - general and administrative (Note 11)	4,198,719	4,065,096	4,286,295
Project Initiatives (Note 10)			
Diabetes Regional Coordination	1,036,138	1,036,138	1,036,138
Enabling Technologies ETI PMO	510,000	510,000	510,000
Emergency Department Lead	75,000	75,000	75,000
Emergency Department/Alternative Levels	100,000	100,000	100,000
Aboriginal Planning	5,000	5,000	5,000
French Language Services	106,000	106,000	106,000
Critical Care Lead	75,000	75,000	75,000
Primary Care Lead	75,000	75,000	75,000
Patient First Transition Planning and Implementation	-	180,000	-
	1,030,383,257	1,089,126,807	1,060,941,863
Annual surplus and accumulated surplus, end of year	-	-	-

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

Waterloo Wellington Local Health Integration Network

Statement of change in net debt
year ended March 31, 2017

	Budget (Note 8)	2017	2016
	\$	\$	\$
Annual surplus	-	-	-
Change in prepaid expenses, net	-	(25,773)	35,461
Amortization of tangible capital assets	50,116	50,115	50,115
Decrease in net debt	50,116	24,342	85,576
Net debt, beginning of year	(230,472)	(230,472)	(316,048)
Net debt, end of year	(180,356)	(206,130)	(230,472)

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

Waterloo Wellington Local Health Integration Network

Statement of cash flows
year ended March 31, 2017

	2017	2016
	\$	\$
Operating activities		
Annual surplus	-	-
Less: items not affecting cash		
Amortization of tangible capital assets	50,115	50,115
Amortization of deferred capital contributions (Note 5)	(50,115)	(50,115)
	-	-
Changes in non-cash operating items		
Due from Ministry of Health and Long-Term Care	8,986,928	(5,890,054)
Other receivables	(51,941)	273,451
Accounts payable and accrued liabilities	309,019	(150,151)
Due to Ministry of Health and Long-Term Care	(40,518)	(53,365)
Due to Health Service Providers	(8,986,928)	5,890,054
Due to Local Health Integration Networks		
Shared Services Office	(16,535)	3,458
Champlain LHIN	-	8,769
Prepaid expenses	(25,773)	35,461
	174,252	117,623
Acquisition of tangible capital assets	-	-
Financing activity		
Capital contributions received (Note 5)	-	-
Net increase in cash	174,252	117,623
Cash, beginning of year	539,555	421,932
Cash, end of year	713,807	539,555

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

Waterloo Wellington Local Health Integration Network

Notes to the financial statements

March 31, 2017

1. Description of business

The Waterloo Wellington Local Health Integration Network was incorporated by Letters Patent on June 2, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the *Local Health System Integration Act, 2006* (the "Act") as the Waterloo Wellington Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers all of the County of Wellington, the Region of Waterloo, and the City of Guelph. The LHIN also contains part of Grey County, which is split with the South West and the North Simcoe Muskoka LHINs. The LHIN enters into service accountability agreements with health service providers.

The LHIN is funded by the Province of Ontario in accordance with the Ministry LHIN Accountability Agreement ("MLAA"), which describes budget arrangements established by the Ministry of Health and Long-Term Care ("MOHLTC") and provides the framework for the LHIN accountabilities and activities. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to Health Service Providers ("HSPs"), effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSPs' Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account.

Commencing April 1, 2007, all funding payments to LHIN managed HSPs in a LHIN geographic area, have flowed through each LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized HSPs are expensed in each LHIN's financial statements for the year ended March 31, 2017.

The LHIN statements do not include any Ministry managed programs.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian public sector accounting standards. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable. Through the accrual basis of accounting, expenses include non-cash items such as the amortization of tangible capital assets.

Waterloo Wellington Local Health Integration Network

Notes to the financial statements

March 31, 2017

2. Significant accounting policies (continued)

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at period end.

Deferred capital contributions

Any amounts received that are used to fund capital assets, are recorded as deferred capital contributions and are recognized as revenue over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the statement of operations, is in accordance with the amortization policy applied to the related tangible capital asset recorded.

Tangible capital assets

Tangible capital assets are recorded at historic cost. Historic cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of capital assets. The cost of tangible capital assets contributed is recorded at the estimated fair value on date of contribution. Fair value of contributed tangible capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the tangible capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a tangible capital asset are capitalized. Computer software is recognized as an expense when incurred.

Tangible capital assets are stated at cost less accumulated amortization. Tangible capital assets are amortized over their estimated useful lives as follows:

Computer equipment, furniture and fixtures	3 years straight-line method
Leasehold improvements	Life of lease straight-line method
Office equipment	5 years straight-line method

For assets acquired or brought into use during the year, amortization is provided for a full year.

Segment disclosures

A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the statement of operations and within the related notes for both the prior and current year sufficiently disclose information of all appropriate segments and, therefore, no additional disclosure is required.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include valuation of accrued liabilities and useful lives of the tangible capital assets. Actual results could differ from those estimates.

Waterloo Wellington Local Health Integration Network

Notes to the financial statements

March 31, 2017

3. Funding repayable to the MOHLTC

In accordance with the MLAA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

- a) The amount repayable to the MOHLTC related to current year activities is made up of the following components:

	Funding received	Eligible expenses	Funding excess	Funding excess
	\$	\$	\$	\$
Transfer payments to HSPs	1,082,899,573	1,082,899,573	-	-
LHIN operations	4,166,913	4,014,981	151,932	2,540
Diabetes Regional Coordination Centre	1,036,138	1,036,138	-	-
Enabling Technologies	510,000	510,000	-	-
Critical Care Lead	75,000	75,000	-	-
Emergency Department Lead	75,000	75,000	-	-
Emergency Department/Alternative Levels of Care Lead	100,000	100,000	-	-
Aboriginal Planning	5,000	5,000	-	-
French Language Services	106,000	106,000	-	-
Primary Care Lead	75,000	75,000	-	-
Patient First Transition Planning and Implementation	180,000	180,000	-	-
	1,089,228,624	1,088,896,692	151,932	2,540

- b) The amount due to the MOHLTC at March 31 is made up as follows:

	2017	2016
	\$	\$
Due to MOHLTC, beginning of year	194,990	248,355
Paid to MOHLTC during year	(192,450)	-
Paid to South West LHIN for eHealth Surplus (Prior Year)	-	(55,905)
Funding repayable to the MOHLTC related to current year activities (Note 3a)	151,932	2,540
Due to MOHLTC, end of year	154,472	194,990

4. Related party transactions

LHIN Shared Service Office, LHINC Collaborative and Health Shared Services Ontario

The LHIN Shared Services Office (the "LSSO") was a division of the Toronto Central LHIN and was subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO, on behalf of the LHINs was responsible for providing services to all LHINs. The full costs of providing these services was billed to all the LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHIN as at February 28, 2017 were recorded as a receivable (payable) from (to) the LSSO. This was done pursuant to the shared service agreement the LSSO has with all the LHINs.

Waterloo Wellington Local Health Integration Network

Notes to the financial statements

March 31, 2017

4. Related party transactions (continued)

The LHIN Collaborative (the "LHINC") was formed in fiscal 2010 to strengthen relationships between and among health service providers, associations and the LHINs, and to support system alignment. The purpose of LHINC was to support the LHINs in fostering engagement of the health service provider community in support of collaborative and successful integration of the health care system; their role as system manager; where appropriate, the consistent implementation of provincial strategy and initiatives; and the identification and dissemination of best practices. LHINC was a LHIN-led organization and accountable to the LHINs. LHINC was funded by the LHINs with support from the MOHLTC.

Effective February 28, 2017 pursuant to a transfer agreement between Toronto Central LHIN and Health Service Shared Services Ontario (HSSO) responsibility for the shared services previously provided by the LSSO and the LHINC was transferred to HSSO. HSSO is a provincial agency established January 1, 2017 by O. Reg. 456/16 made under LHSIA with objects to provide shared services to LHINs in areas that include human resources management, logistics, finance and administration and procurement. HSSO as a provincial agency is subject to legislation, policies and directives of the Government of Ontario and the Memorandum of Understanding between HSSO and the Minister of Health and Long Term Care.

Enabling Technologies for Integrated Project Management Office

Effective January 31, 2014, the LHIN entered into an agreement with Erie St. Clair, Hamilton Niagara Haldimand Brant and South West (the "Cluster") in order to enable the effective and efficient delivery of e-health programs and initiatives within the geographic area of the Cluster. Under the agreement, decisions related to the financial and operating activities of the Enabling Technologies for Integration Project Management Office are shared. No LHIN is in a position to exercise unilateral control.

The MOHLTC provided the South West LHIN with \$2,040,000 (2016 - \$2,040,000) related to Enabling Technologies initiatives. The South West LHIN flowed \$510,000 (2016 - \$510,000) of the funding to the Waterloo Wellington LHIN.

5. Deferred capital contributions

	2017	2016
	\$	\$
Balance, beginning of year	199,505	249,620
Amortization for the year	(50,115)	(50,115)
	149,390	199,505

6. Commitments

The LHIN has commitments under various operating leases and maintenance contracts related to building, software and equipment. Lease renewals are likely. Minimum lease payments due in each of the next five years are as follows:

	\$
2018	356,438
2019	356,438
2020	356,438
2021	356,438
2022	356,438
	2,093,570

Waterloo Wellington Local Health Integration Network

Notes to the financial statements

March 31, 2017

6. Commitments (continued)

The LHIN also has funding commitments to HSPs associated with accountability agreements. The actual amounts which will ultimately be paid are contingent upon actual LHIN funding received from the MOHLTC.

7. Tangible capital assets

	2017		2016
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Office equipment, furniture and fixtures	362,261	356,751	5,510
Computer equipment	85,467	85,467	-
Leasehold improvements	358,651	214,771	143,880
	806,379	656,989	149,390
			199,505

8. Budget figures

The budget figures reported in the statement of operations reflect the initial budget at April 1, 2016 as approved by the LHIN Board. The figures have been reported for the purposes of these statements to comply with PSAB reporting requirements. During the year the government approved budget adjustments. The following reflects the adjustments for the LHIN during the year:

The final HSP funding budget of \$1,082,899,573 is derived as follows:

	\$
Initial budget	1,024,202,400
Additional funding received during the year	58,697,173
Final budget	1,082,899,573

The final LHIN general and administrative and specific initiatives budget of \$6,329,051 is derived as follows:

	\$
Initial budget	6,180,857
In year recovery by MOHLTC	(31,806)
Additional funding received during the year	180,000
Final budget	6,329,051

Waterloo Wellington Local Health Integration Network

Notes to the financial statements

March 31, 2017

9. Transfer payments to HSPs

During the year, the LHIN was authorized to allocate funding of \$1,082,899,573 (2016 - \$1,054,673,430) to the various HSPs in its geographic area. Actual transfer payments to the various sectors in fiscal 2017 as follows:

	2017	2016
	\$	\$
Operations of hospitals	598,060,559	582,067,918
Grants to compensate for municipal taxation - public hospitals	159,225	159,225
Long-term care homes	195,888,555	188,499,088
Community care access centre	146,637,176	143,693,475
Community support services	28,349,482	28,302,607
Assisted living services in supportive housing	6,471,004	6,471,004
Community health centres	22,693,581	21,353,059
Community mental health programs	42,581,089	42,203,639
Specialty psychiatric hospitals	30,642,050	30,642,050
Addictions programs	11,416,852	11,281,365
	1,082,899,573	1,054,673,430

The LHIN receives funding from the MOHLTC and in turn allocates it to the HSPs. As at March 31, 2017, an amount of \$2,449,272 (2016 - \$11,436,200) was receivable from the MOHLTC and payable to HSPs. These amounts have been reflected as revenue and expenses in the statement of operations and are included in the table above.

10. Project Initiatives

Separate funding amounts were received by the LHIN from MOHLTC for specific project initiatives. These revenues and the associated expenses are classified by initiative in the Statement of operations. The following table classifies the initiative expenses by object:

	2017	2016
	\$	\$
Salaries, benefits, and consulting services	1,945,027	1,703,878
Occupancy	94,207	90,503
Shared services	109,506	126,049
Public relations	4,119	19,793
Mail, courier, and telecommunications	6,432	11,465
Other	2,847	30,450
	2,162,138	1,982,138

Waterloo Wellington Local Health Integration Network

Notes to the financial statements

March 31, 2017

10. Project Initiatives (continued)

Diabetes strategy operational expenses included in the project initiative expenses above are as follows:

	2017	2016
	\$	\$
Salaries and benefits	855,773	855,773
Other expenses	180,365	180,365
	1,036,138	1,036,138

11. LHIN operations - general and administrative expenses

The statement of operations presents expenses by function. The following classifies general and administrative expenses by object:

	2017	2016
	\$	\$
Salaries and benefits	2,790,046	3,150,000
Occupancy	223,832	201,790
Amortization	50,115	50,115
Shared Services	241,067	255,615
LHIN Collaborative	47,500	47,500
Public relations	62,008	47,660
Consulting services	188,392	129,368
Supplies	34,036	34,366
Board Chair per diems	75,950	68,950
All other board members' per diems	45,000	34,033
Other governance costs	36,423	63,072
Mail, courier and telecommunications	53,097	33,057
Other	217,630	170,769
	4,065,096	4,286,295

12. Pension agreements

The LHIN makes contributions to the Hospitals of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 35 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2017 was \$347,875 (2016 - \$352,614) for current service costs and is included as an expense in the statement of operations. The last actuarial valuation was completed for the plan on December 31, 2016. At that time, the plan was fully funded.

13. Guarantees

The LHIN is subject to the provision of the *Financial Administration Act*. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the *Financial Administration Act* and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the *Local Health System Integration Act, 2006* and in accordance with s. 28 of the *Financial Administration Act*.

Waterloo Wellington Local Health Integration Network

Notes to the financial statements

March 31, 2017

14. Subsequent event

On May 17, 2017 the Minister of Health and Long-Term Care made an order under the provisions of the Local Health System Integration Act, 2006, as amended by the Patients First Act, 2016 to require the transfer of all assets, liabilities, rights and obligations of the Waterloo Wellington Community Care Access Centre the (CCAC), to the LHIN, including the transfer of all employees of the CCAC.

Effective May 17, 2017 the LHIN assumed the responsibility to provide health and related social services and supplies and equipment for the care of persons in home, community and other settings and to provide goods and services to assist caregivers in the provision of care for such persons, to manage the placement of persons into long-term care homes, supportive housing programs, chronic care and rehabilitation beds in hospitals, and other programs and places where community services are provided under the Home Care and Community Services Act, 1994 and to provide information to the public about, and make referrals to, health and social services.

The actual financial impact of the transition is not currently known, however it is expected that assets assumed will equal liabilities assumed. Additionally there are no significant commitments being assumed as a result of the transition.

Metrolinx

June 29, 2017

Management's Responsibility for Financial Information

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

Management has developed and maintains financial and management controls, information systems and management practices to provide reasonable assurance of the reliability of financial information. Internal audits are conducted to assess management systems and practices, and reports are issued to the Audit Committee of the Board.

The Metrolinx Board of Directors, through the Audit Committee, assures that management fulfills its responsibilities for financial information and internal control. This Committee reviews the financial statements and the external auditors' report.

The financial statements have been examined by PricewaterhouseCoopers LLP, Metrolinx's appointed external auditor. The external auditor's responsibility is to express an opinion based on their audits. The audits are conducted in accordance with Canadian generally accepted auditing standards. The Auditor's Report outlines the scope of the Auditor's examination and opinion.

For the fiscal year ended March 31, 2017, Metrolinx's Board of Directors, through the Audit Committee, was responsible for assuring that management fulfilled its responsibilities for financial reporting and internal control. The Committee meets regularly with management, the internal auditor and PricewaterhouseCoopers LLP to satisfy itself that each group has discharged its respective responsibility. The Committee reviews the financial statements before recommending approval by the Board of Directors. PricewaterhouseCoopers LLP had direct and full access to the Audit Committee, with and without the presence of management, to discuss their audit and their findings as to the integrity of Metrolinx's financial reporting and the effectiveness of the system of internal controls.



John Jensen
President and Chief Executive Officer



Robert Siddall, FCPA, CA
Chief Financial Officer

20 Bay Street, Suite 600
Toronto, Ontario M5J 2W3

20, rue Bay, Bureau 600
Toronto (Ontario) M5J 2W3

metrolinx.com



An agency of the Government of Ontario / Une agence du gouvernement de l'Ontario



June 29, 2017

Independent Auditor's Report

**To the Board of Directors of
Metrolinx**

We have audited the accompanying financial statements of Metrolinx, which comprise the statement of financial position as at March 31, 2017 and the statements of operations, changes in net assets, and cash flow for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

*PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215*

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

**Opinion**

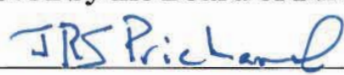

In our opinion, the financial statements present fairly, in all material respects, the financial position of Metrolinx as at March 31, 2017 and the results of its operations, its remeasurement gains and losses and its cash flow for the year then ended in accordance with Canadian public sector accounting standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Metrolinx**Statement of Financial Position****As at March 31, 2017**

(in thousands of dollars)

	2017 \$	2016 \$
Assets		
Current assets		
Cash and cash equivalents (note 5)	469,851	459,347
Restricted cash (note 6)	-	14,004
Accounts receivable (note 8)	72,354	78,168
Contributions due from Province of Ontario	368,985	-
Contributions due from Government of Canada	35,297	57,386
Spare parts and supplies	11,851	11,916
Prepaid expenses	14,305	16,319
	972,643	637,140
Accounts receivable - long-term (note 8)	74,787	74,787
Contributions due from Province of Ontario - long-term (note 11)	1,164,757	944,550
Capital assets (note 7)	16,108,846	13,910,393
Deposits on land (note 9)	145,079	111,153
Advances on capital projects (note 9)	221,216	183,073
Long-term lease (note 10)	27,226	27,553
	18,714,554	15,888,649
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	964,641	595,519
Presto Farecard E-Purse (note 5)	44,965	34,645
Advance from Province of Ontario (note 6)	-	14,004
Due to Province of Ontario	-	29,932
	1,009,606	674,100
Long-term payable (note 11)	1,164,757	944,550
Deferred capital contributions (note 12)	13,885,963	11,854,540
Pension plan top-up benefits payable (note 14)	63,530	61,433
Other employee future benefits payable (note 15)	129,519	117,457
	16,253,375	13,652,080
Net Assets		
Invested in capital assets (note 16)	2,589,178	2,350,079
Invested in long-term lease	27,226	27,553
Internally restricted (note 17)	26,332	26,332
Deficiency of net assets	(181,557)	(167,395)
	2,461,179	2,236,569
	18,714,554	15,888,649
Economic dependence (note 2)		
Commitments (note 18)		
Contingencies (note 19)		
Approved by the Board of Directors		
 Director	 Director	

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

Metrolinx

Statement of Operations

For the year ended March 31, 2017

(in thousands of dollars)

	2017 \$	2016 \$
Revenue		
Operating revenue	567,592	521,311
Contribution from the Province of Ontario	262,834	233,829
Investment income	4,449	3,487
Amortization of deferred capital contributions (note 12)	520,871	453,057
	1,355,746	1,211,684
Expenses		
Supplies and services	88,746	81,468
Equipment maintenance	99,944	90,847
Facilities and track	129,897	107,519
Labour and benefits	282,963	273,342
Rail and bus operations	248,185	222,918
Amortization of capital assets	521,815	456,685
Amortization of long term lease	327	327
Loss on disposal of capital assets	376	72
	1,372,253	1,233,178
Excess of expenses over revenue	(16,507)	(21,494)

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

Metrolinx

Statement of Changes in Net Assets

For the year ended March 31, 2017

(in thousands of dollars)

	2017				2016
	Invested in capital assets \$ (note 16)	Invested in long- term lease \$	Internally restricted net assets \$ (note 17)	Deficiency \$	Total \$
Balance - Beginning of year	2,350,079	27,553	26,332	(167,395)	2,236,569
Excess of expenses over revenues	-	-	-	(16,507)	(16,507)
Amortization - net of amortization to revenue	(1,800)	(327)	-	2,127	-
Assets contributed by the Province of Ontario (note 20(b))	10	-	-	-	10
Land acquisitions - net of deposits	107,911	-	-	-	107,911
Disposal of land	(218)	-	-	218	-
Deposits on land	133,196	-	-	-	133,196
Balance - End of year	2,589,178	27,226	26,332	(181,557)	2,461,179

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

Metrolinx

Statement of Cash Flows

For the year ended March 31, 2017

(in thousands of dollars)

	2017 \$	2016 \$
Cash provided by (used in)		
Operating activities		
Excess of expenses over revenues	(16,507)	(21,494)
Amortization of capital assets and long-term lease	522,142	457,012
Loss (gain) on disposal of capital assets	376	72
Amortization of deferred capital contributions	(520,871)	(453,057)
Employee future benefits - net of payments	14,159	16,737
	(701)	(730)
Change in non-cash working capital		
Accounts receivable	5,814	1,201
Spare parts and supplies	65	(3,581)
Prepaid expenses	2,014	2,273
Accounts payables and accrued liabilities	(226,360)	(887,981)
PRESTO Farecard E-Purse	10,320	5,621
	(208,848)	(883,197)
Capital activities		
Purchase of capital assets	(1,637,308)	(729,729)
Proceeds from sale of capital assets	700	730
Deposits on land (note 16)	(133,196)	(99,271)
Advances on capital projects (note 16)	(221,216)	(183,073)
	(1,991,020)	(1,011,343)
Financing activities		
Grants received for purchase of land	241,107	169,878
Capital contributions	1,955,261	1,846,902
	2,196,368	2,016,780
Net change in cash, cash equivalents and restricted cash	(3,500)	122,240
Cash, cash equivalents and restricted cash - Beginning of year	473,351	351,111
Cash, cash equivalents and restricted cash - End of year	469,851	473,351
Supplemental cash flow information		
Non-cash capital activities		
Change in accounts payable and accrued liabilities relating to capital assets	595,482	867,196
Change in advance from Province of Ontario (note 6)	(14,004)	(32,663)
Change in long-term capital payable/contribution due from Province	220,207	896,182
Assets contributed by the Province of Ontario (note 20(b))	10	13,575
Non-cash financing activities		
Capital contributions receivable/payable	(376,827)	140,242

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

Metrolinx

Notes to Financial Statements

March 31, 2017

(in thousands of dollars)

1 Nature of operations

Metrolinx is a Crown agency, reporting to the Minister of Transportation of Ontario (MTO). It is a non-share capital corporation and is exempt from income taxes under Section 149(1) (d) of the Income Tax Act (Canada).

Metrolinx was created by sections of the Greater Toronto Transportation Authority Act, 2006 which were proclaimed on August 24, 2006. On May 14, 2009, Bill 163 was proclaimed amending the Greater Toronto Transportation Authority Act, 2006 and changing the title of the Act to the Metrolinx Act, 2006. Metrolinx's mandate is to lead the coordination, planning, financing and development of an integrated multi-modal transportation network for the Greater Toronto and Hamilton Area (GTHA). Taking a regional approach, Metrolinx brings together the Province of Ontario (the Province), municipalities and local transportation authorities to produce long-term economically and environmentally sustainable transportation solutions.

GO Transit is a business unit of Metrolinx that operates an inter-regional public transit system consisting of integrated rail and bus corridors. The network of rail and bus services primarily serves communities across the Greater Toronto and Hamilton Area including the cities of Toronto and Hamilton. GO Transit also serves the regions of Halton, Peel, York, Durham, Simcoe County, Dufferin County, Wellington County and the cities of Barrie, Guelph, Kitchener and Niagara Falls and the Town of Bradford-West Gwillimbury.

The Union Pearson (UP) Express provides high-quality dedicated express rail service connecting Canada's busiest transportation hubs, Union Station in downtown Toronto and Toronto Pearson International Airport. The UP Express began operations on June 6, 2015.

PRESTO is a business unit that operates the PRESTO fare system, an electronic fare cardfare that allows riders to transfer seamlessly across multiple transit systems. PRESTO farecard is now available across the TTC network, including on subway stations, streetcars and buses.

2 Economic dependence

Metrolinx currently generates revenues primarily from the provision of transportation services provided by GO Transit, UP Express and PRESTO card services.

In addition, Metrolinx receives government grants:

- from all three levels of government to support its investment in capital infrastructure to be used in the delivery of current and future transportation services; and
- yearly operating subsidy from the Province of Ontario to further support the delivery of transportation services.

The ability of Metrolinx to continue to offer and grow its services and meet its obligations are dependent upon the ongoing grants it receives as outlined above.

Metrolinx

Notes to Financial Statements

March 31, 2017

(in thousands of dollars)

3 Summary of significant accounting policies

Financial statement presentation

These financial statements have been prepared by management in accordance with Public Sector Accounting Standards (PSAS) for government, including not for profit organizations, as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada).

Financial instruments

Financial instruments are financial assets or liabilities of Metrolinx which, in general, provide Metrolinx the right to receive cash or another financial asset from another party or require Metrolinx to pay another party cash or other financial assets.

All financial instruments reported on the statement of financial position of Metrolinx are measured at:

Cash and cash equivalents	amortized cost
Restricted cash	amortized cost
Accounts receivable	amortized cost
Contributions due from Province of Ontario	amortized cost
Contributions due from Government of Canada	amortized cost
Contributions due from Province of Ontario - long-term	amortized cost
Accounts payable and accrued liabilities	amortized cost
PRESTO Fare Card E-Purse	amortized cost
Advance from Province of Ontario	amortized cost
Due to Province of Ontario	amortized cost
Long-term payable	amortized cost

Transaction costs on assets measured at fair value are expensed as incurred.

The fair value of Metrolinx's cash and cash equivalents, accounts receivable, contributions due from Province of Ontario, contributions due from Government of Canada, accounts payable and accrued liabilities, due to Province of Ontario and PRESTO Fare Card E-Purse approximate their carrying values due to the short-term nature of these financial instruments. The fair value of other financial instruments approximate their carrying values unless otherwise noted, based on market rates available to Metrolinx for financial instruments with similar risks, terms and maturities.

Fair value represents the amount that would be exchanged in an arm's length transaction between willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists. Metrolinx's fair values are management's estimates and are generally determined using market conditions at a specific point in time. The determinations are subjective in nature, involving uncertainties and the exercise of significant judgment.

Metrolinx enters into contracts for diesel fuel to manage exposure to diesel fuel price risks. These derivative instruments are recorded on the statement of financial position as an asset or liability and are measured at fair value. The unrealized gains or losses in the derivative instruments' fair value are recognized in the statement of remeasurement gains and losses.

Metrolinx

Notes to Financial Statements

March 31, 2017

(in thousands of dollars)

Metrolinx does not hold or issue derivative financial instruments for trading or speculative purposes, and controls are in place to detect and prevent these activities. Metrolinx does not hold any derivative contracts as at March 31, 2017.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks net of bank overdrafts and highly liquid short-term investments with maturities of three months or less at the time of purchase.

Spare parts and supplies

Spare parts and supplies are carried at the lower of cost and net realizable value. Cost is determined using the weighted-average method.

Capital assets

Capital assets are recorded at cost. The cost of a capital asset includes all costs directly related to the acquisition, construction, development or betterment of the capital asset. Salaries, wages and associated employee benefits for staff directly involved in the acquisition, development or construction of a capital asset are included in the cost of the capital asset.

Metrolinx has adopted a whole property approach in capitalizing and amortizing its buildings, rail equipment and bus equipment. Under this approach, all components attached to the building structure (lighting, elevators, air conditioning, etc.) are amortized over a composite service life of the property as a whole.

If the development or construction of a capital asset is terminated or deferred indefinitely before completion, the costs capitalized to date are expensed, unless there is an alternative use for the capital asset or unless recovery of those costs from a third party can be reasonably estimated and collection is likely based on related agreements.

Capital assets derived through an Alternate Financing Procurement (AFP) contract for design, build, finance and maintenance will contain a portion of the capital design and construction costs that will be paid upon substantial completion of the construction of the capital asset and the remainder over the useful life. A matching contribution receivable from the Province of Ontario is recorded. Annual service payments and lifecycle payments will be paid annually over the term of the contract.

Metrolinx

Notes to Financial Statements

March 31, 2017

(in thousands of dollars)

Amortization

Metrolinx provides for the amortization of the various classes of assets over their estimated useful lives on a straight-line basis as follows:

Buildings (including shelters and ticket booths)	5 - 20 years
Leasehold improvements	lease life
Locomotives and other railway rolling stock	20 - 25 years
Improvements to railway right-of-way plant	20 years
Track work and installation	20 years
Buses (including double decker buses)	10 years
Parking lots	20 years
Computer equipment and software	5 - 10 years
Grade separations	50 years
Other (including furniture and equipment)	3 - 12 years

Work-in-progress is comprised of direct construction and development costs. No amortization is recorded until the assets are in service.

Long-term lease

Long-term lease represents the pre-payment of the lease regarding Union Station. The amount is being amortized straight-line over 100 years, being the term of the lease plus one renewal period.

Employee future benefits

Metrolinx provides pension plan benefits through the multi-employer Ontario Municipal Employees Retirement System (OMERS) Pension Fund. The expense for the period equals the required contribution for the period.

Metrolinx provides a top-up pension plan benefit calculated by using the accrued benefit method which reflects the projected benefits for services rendered to date. Adjustments arising from employee benefit plan amendments, experience gains and losses and changes in assumptions are amortized to earnings over the average remaining service period of the active employees. Any past service costs are expensed when incurred.

Metrolinx also provides other employee future benefits calculated by using the accrued benefit method which reflects the projected benefits for services rendered to date. Adjustments arising from employee benefit plan amendments, experience gains and losses and changes in assumptions are amortized to earnings over the average remaining service period of active employees. Any past service costs are expensed when incurred.

Commuter services revenue

Revenue is recognized when the transportation service is provided.

Metrolinx

Notes to Financial Statements

March 31, 2017

(in thousands of dollars)

Contributions

Metrolinx follows the deferral method of accounting for contributions. Unrestricted contributions, including operating grants, are recognized as revenue in the period to which they relate.

Deferred capital contributions relate to funds received for the acquisition of capital assets. These deferred capital contributions are recognized as revenue over the same period as the amortization of the related capital asset.

Internally restricted net assets

Internally restricted net assets are internally restricted to provide a funding source for planned future obligations and to provide flexibility against uncertainties which may arise. All reserves are approved by the Board of Directors and are disclosed on the statement of financial position as net assets.

Liability for contaminated sites

Metrolinx assesses all land holdings to determine if contaminations, as defined under the standard and regulatory requirements, are present on lands not being used in providing transit and other related services. While contaminations may be present, the resultant liability also depends on the existing and future disturbances to the land. A complete inventory of all land holdings was developed and assessed for under the standard. There were no liabilities to report in the fiscal year.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The items subject to the most significant estimates are amortization of capital assets, certain accrued liabilities, pension plan top-up benefits payable and other employee future benefits payable.

Future accounting pronouncements

PSAB has released the following new handbook sections which will be applicable to Metrolinx to the extent that there are no specific standards in Section PS 4200 to PS 4270, Government Not-for-Profit Organizations.

PS 2200, Related Party Disclosures, PS 3420, Inter-entity Transactions, PS 3210, Assets, PS 3320, Contingent Assets, and PS 3380, Contractual Rights, are all effective for fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted. PS 3430, Restructuring, is effective for fiscal years beginning on or after April 1, 2018. Earlier adoption is permitted.

Management is currently assessing the impact of these new standards.

Metrolinx

Notes to Financial Statements

March 31, 2017

(in thousands of dollars)

4 Financial instruments and risk management

Metrolinx's financial assets and liabilities have exposure to the following risks:

Credit risk

Metrolinx is subject to credit risk through its receivables. It is management's opinion that the risk is minimal as most of the receivables are from federal, provincial and municipal governments and organizations controlled by them.

Interest rate risk

Metrolinx does not have significant exposure to interest rate risk related to its long-term liabilities as they are primarily with related parties and are non-interest bearing.

Other price risk

Metrolinx is exposed to changes in crude oil prices as a result of diesel fuel consumption. The potential fluctuations in crude oil prices could have a significant impact on the cost of providing transportation services. This risk is reduced, from time to time, through the use of diesel fuel forward purchase contracts to lock in firmly committed future operating costs for own use consumption.

5 PRESTO Farecard E-Purse balances

The balance of funds held on PRESTO Farecard E-Purse in the amount of \$44,964 (2016 - \$34,645) has been included in cash and cash equivalents. The E-Purse balance is held on behalf of the Farecard owner and therefore a liability is recorded on the statement of financial position.

6 Funds being held for Province of Ontario

During the fiscal year ended March 31, 2007, the former Greater Toronto Transit Authority (GO Transit) received \$46,667 from the Province for their contribution towards the TTC participation in the GTA Farecard project. During the year ended March 31, 2016, TTC began to meet the requirements to receive this funding. As at March 31, 2017, the remaining balance of contribution, \$14,004 (2016 - \$32,662) has been utilized.

Metrolinx

Notes to Financial Statements

March 31, 2017

(in thousands of dollars)

7 Capital assets

	2017		2016	
	Cost	Accumulated	Net	Net
	\$	amortization	\$	\$
		\$		
Land	2,189,960	-	2,189,960	2,105,810
Buildings	1,373,067	439,393	933,674	832,464
Leasehold improvements	98,243	35,287	62,956	59,603
Locomotives and other railway rolling stock	2,179,094	717,042	1,462,052	1,285,293
Improvements to railway right-of-way plant	1,332,326	659,954	672,372	610,020
Grade separations, track work and installations	3,195,587	552,136	2,643,451	2,528,100
Work-in-progress	6,121,592	-	6,121,592	4,954,488
Buses	398,801	200,962	197,839	172,030
Parking lots	758,585	248,549	510,036	475,185
Computer equipment and software	1,199,807	434,263	765,544	589,647
Other	691,294	141,924	549,370	297,753
	19,538,356	3,429,510	16,108,846	13,910,393

Work-in-progress includes the following:

	2017	2016
	\$	\$
Rail corridor expansion	436,892	472,780
Union Station	341,615	334,347
Rail fleet	518,406	445,821
PRESTO system	63,737	126,091
Light Rapid Transit and Bus Rapid Transit	3,466,400	2,608,742
Various	1,294,542	966,707
	6,121,592	4,954,488

Work-in-progress relates to projects which are expected to come into service in one to six years.

Metrolinx

Notes to Financial Statements

March 31, 2017

(in thousands of dollars)

8 Accounts receivable

Accounts receivable are composed of the following:

	2017 \$	2016 \$
Recoverable HST	49,728	43,634
Recoverable PRESTO costs	-	4,147
Other receivables	22,626	30,387
	72,354	78,168
Sunk project costs recoverable from City of Toronto - long-term	74,787	74,787
	147,141	152,955

Included in accounts receivable is \$74,787 (2016 - \$74,787) related to the design of the Light Rapid Transit (LRT) Scarborough corridor in the City of Toronto incurred by Metrolinx as at March 31, 2016 and does not include costs related to any contract amendments or cancellations with 3rd party vendors. On October 8, 2013, City of Toronto Council voted to replace the planned LRT currently under construction under the Master Agreement with a Scarborough Subway. The City of Toronto has agreed to reimburse Metrolinx for expenditures incurred for the Scarborough LRT, including any potential costs associated with the LRT vehicle supply contract. Accordingly, the costs incurred to date have been reclassified from work-in-progress to non-interest bearing accounts receivable.

9 Advances on capital projects

Metrolinx has entered into Memorandum of Agreements (MOAs) with York Region Rapid Transit Corporation (YRRTC), The Regional Municipality of York (York Region), City of Toronto and the TTC. The MOAs outline the projects, expected costs, and responsibilities of the parties involved. The MOAs also outline the definition of eligible costs and ownership rights of the projects specified in the agreements. A Master Agreement with YRRTC and York Region was signed April 14, 2011 and covers both past and future eligible costs of constructing the bus rapidway. The MOA with the City of Toronto and the TTC was extended until the earlier of September 30, 2012 and the date on which Metrolinx, TTC and the City finalize definitive legal agreements. A Master Agreement with TTC and the City of Toronto was signed November 28, 2012 and covers the cost of constructing the Eglinton LRT, Scarborough RT, Finch West LRT and Sheppard East LRT. The Master Agreement also covers project governance and costs related to the East Rail Maintenance Facility Alternate Financing procurement.

Pursuant to these agreements, advances were paid to York Region and to the TTC to provide working capital for deposits on land totalling \$144,029 (2016 - \$109,646) and other project costs totalling \$221,216 (2016 - \$183,073) to fund projects being developed by York Region and TTC on behalf of Metrolinx. The deposits on land referred to above relate to obtaining, in the future, perpetual easements required for the operation of the York Region bus rapidway. The advances on capital projects are to be held in a separate account and any interest accrued will be applied against the project.

Metrolinx

Notes to Financial Statements

March 31, 2017

(in thousands of dollars)

As at March 31, 2017, Metrolinx has expended approximately \$4,440,449 (2016 - \$3,321,244) in relation to these projects, including the following amounts that have been advanced for costs expected to be incurred to June 30, 2017 and deposits related to future perpetual easements.

	2017 \$	2016 \$
York Region	354,263	281,731
TTC	10,982	10,988
	<hr/> 365,245	<hr/> 292,719
Other land deposits	1,050	1,507
	<hr/> 366,295	<hr/> 294,226

10 Long-term lease

			2017	2016
	Cost	Accumulated amortization	Net	Net
	\$	\$	\$	\$
Leasehold - Union Station	32,704	5,478	27,226	27,553

11 Long-term payable and contributions due from Province of Ontario - long term

Metrolinx and Infrastructure Ontario entered into an Alternate Financing Procurement (AFP) contract with Crosslinx Transit Solutions for the design, build, finance and maintenance of its Eglinton Crosstown Light Rail Transit Line during the year ended March 31, 2016. The AFP contract with Crosslinx Transit Solutions is for 30 years at a total amount of \$9,103,676. Metrolinx and Infrastructure Ontario had entered into another AFP contract with Plenary Infrastructure for the design, build, finance and maintenance of its East Rail Maintenance Facility during the year ended March 31, 2015. The AFP contract with Plenary Infrastructure is for 30 years at a total amount of \$921,794.

Costs incurred on these contracts as at March 31 are as follows and are included in work-in-progress:

	2017			2016
	ECLRTL \$	ERMF \$	Net \$	Net \$
Costs incurred	1,402,666	420,826	1,823,492	944,550
Amount paid or payable within one year	(406,239)	(252,496)	(658,735)	-
Long-term payable	996,427	168,330	1,164,757	944,550

Metrolinx

Notes to Financial Statements

March 31, 2017

(in thousands of dollars)

A matching contribution receivable from the Province for costs incurred to date is included in deferred capital contributions.

12 Deferred capital contributions

The changes in the deferred capital contributions for the year are as follows:

	2017 \$	2016 \$
Balance - Beginning of year	11,854,540	9,734,686
Contributions received or receivable in the period for capital acquisitions		
Province of Ontario	2,518,187	2,528,462
Municipalities	7,662	9,886
Government of Canada	26,445	34,563
Amortization of deferred capital contributions	(520,871)	(453,057)
Balance - End of year	<u>13,885,963</u>	<u>11,854,540</u>

Metrolinx realized a shortfall in municipal funding related to its capital program. The Province has provided funding to bridge the shortfall in the current year in the amount of \$81,549 (2016 - \$141,097) and the cumulative amount is \$1,196,033 (2016 - \$1,114,484). The Province will work with its municipal partners to address the funding shortfalls.

13 Pension contributions

Metrolinx provides pension benefits for substantially all of its permanent employees through participation in the OMERS Pension Fund. The amount expensed in pension contributions for the year ended March 31, 2017 is \$28,425 (2016 - \$25,857).

14 Pension plan top-up benefits liability

With repatriation of the former GO Transit to the Province in 2002, bargaining and non-bargaining employees requested the Province to rectify the difference in pension benefits to be received by employees of GO Transit. When GO Transit was transferred from the Province to the Greater Toronto Services Board in 1999, the Provincial Plans were frozen and a new plan commenced under OMERS. It had been resolved that GO Transit was responsible for the pension obligation. GO Transit completed an actuarial valuation as of April 1, 2013. The updated actuarial valuation is being carried out as of April 1, 2016 and was not available at the time these financial statements were prepared. The financial statement items resulting from the valuation have been determined in accordance with Section 3250 of the PSA Handbook. The pension expense recognized during the year is \$4,098 (2016 - \$6,891).

Metrolinx

Notes to Financial Statements

March 31, 2017

(in thousands of dollars)

The cost of pension plan top-up benefits is actuarially determined using the projected benefit method pro-rated on service. The discount rate used to determine the accrued benefit obligation was determined based on the Ontario provincial bond yields. The actuarial gains and losses are amortized over the average remaining service period of active employees.

Information about Metrolinx's pension plan top-up is as follows:

	2017 \$	2016 \$
Accrued benefit obligation	68,873	67,247
Fair value of plan assets	(2,562)	(2,126)
	<hr/>	<hr/>
Funded status - plan deficit	66,311	65,121
Unamortized net actuarial loss	(2,781)	(3,688)
	<hr/>	<hr/>
Accrued benefit liability	63,530	61,433
	<hr/>	<hr/>

Details of the accrued benefit obligation are as follows:

	2017 \$	2016 \$
Accrued benefit obligation - Beginning of year	67,247	74,608
Current service cost	1,104	1,870
Interest cost on accrued benefit obligation	2,095	2,192
Benefit payments	(1,572)	(1,776)
Actuarial (gain) loss on accrued benefit obligation	-	(9,647)
	<hr/>	<hr/>
Accrued benefit obligation - End of year	68,874	67,247
	<hr/>	<hr/>

Details of the pension expense are as follows:

	2017 \$	2016 \$
Current service cost	1,104	1,870
Interest cost on accrued benefit obligation	2,095	2,192
Actual return on plan assets	(8)	(4)
Expected return versus actual return on plan assets	8	4
Amortization of actuarial loss	899	2,829
	<hr/>	<hr/>
	4,098	6,891
	<hr/>	<hr/>

Metrolinx

Notes to Financial Statements

March 31, 2017

(in thousands of dollars)

Plan assets by asset category are as follows:

	2017 %	2016 %
Cash invested	10	2
Cash on deposit with Canada Revenue Agency	90	98
	<u>100</u>	<u>100</u>

Other information about Metrolinx's benefit plan is as follows:

	2017 \$	2016 \$
Employer contributions	2,000	2,200
Benefits	1,572	1,776

The significant actuarial assumptions adopted in measuring Metrolinx's pension plan top-up benefit obligations are as follows:

	2017	2016
Discount rate	3.1%	3.1%
Rate of compensation increase	2.75%	2.75%
Inflation per annum	2%	2%
Expected average remaining service life	5 years	6 years

15 Other employee future benefits liability

Metrolinx provides post-retirement life and health benefits, Workplace Safety & Insurance Board (WSIB) liabilities and retiree severance benefits. The plan is unfunded and requires nominal contributions from employees. Substantially all full-time active employees are eligible for life and health benefits. A limited number of employees are eligible for severance benefits.

The measurement date of the plan assets and accrued benefit obligation is March 31 of each year. The most recent actuarial valuation of the other employee future benefits was as at March 31, 2017. The valuation was performed in accordance with the standards of the Canadian Institute of Actuaries. The financial statement items resulting from the valuation have been determined in accordance with Section PS3250 of the PSA Handbook. The post-retirement non-pension benefits recognized during the period were \$14,438 (2016 - \$14,663).

The cost of post-retirement non-pension benefits is actuarially determined using the projected benefit method pro-rated on service, retirement ages of employees and expected health-care costs. The discount rate used to determine the accrued benefit obligation was determined based on the Ontario provincial bond yields. The actuarial gains and losses are amortized over the average remaining service period of active employees. Past service costs are expensed when incurred.

Metrolinx

Notes to Financial Statements

March 31, 2017

(in thousands of dollars)

Information about Metrolinx's post-retirement non-pension benefits is as follows:

	2017	2016
	\$	\$
Accrued benefit obligation	131,205	151,855
Fair value of plan assets	-	-
	<hr/>	<hr/>
Funded status - plan deficit	131,205	151,855
Unamortized net actuarial loss	(1,686)	(34,398)
	<hr/>	<hr/>
Accrued benefit liability	129,519	117,457
	<hr/>	<hr/>

Details of the accrued benefit obligation are as follows:

	2017	2016
	\$	\$
Accrued benefit obligation - Beginning of year	151,855	149,894
Current service cost	6,572	6,729
Interest cost on accrued benefit obligation	4,833	4,446
Benefit payments	(2,376)	(2,617)
Actuarial gain on accrued benefit obligation	(29,679)	(6,597)
	<hr/>	<hr/>
Accrued benefit obligation - End of year	131,205	151,855
	<hr/>	<hr/>

Details on the post-retirement non-pension benefits expense are as follows:

	2017	2016
	\$	\$
Current service cost	6,572	6,729
Interest cost on accrued benefit obligation	4,833	4,446
Amortization of actuarial loss	3,033	3,488
	<hr/>	<hr/>
	14,438	14,663
	<hr/>	<hr/>

Metrolinx

Notes to Financial Statements

March 31, 2017

(in thousands of dollars)

The significant actuarial assumptions adopted in measuring Metrolinx's post-retirement non-pension benefit obligations are as follows:

	2017	2016
Discount rate for post-retirement non-pension benefit	3.2%	3.1%
Discount rate for WSIB liabilities	2.6%	2.6%
Discount rate for retiree severance benefits	2.2%	2.4%
Expected average remaining service life for post-retirement non-pension benefit	15 years	15 years
Expected average remaining service life for WSIB liabilities	10 years	10 years
Expected average remaining service life for retiree severance benefits	5 years	5 years
Rate of compensation increase	2.75%	3%
Inflation per annum	2%	2%
Initial Weighted Average Health Care Trend Rate	5.1%	5.4%
Ultimate Weighted Average Health Care Trend Rate	4%	4.3%
Dental care benefits increase	2.75%	4%

16 Net assets invested in capital assets

	2017 \$	2016 \$
Capital assets	16,108,846	13,910,393
Deposits on land	145,079	111,153
Advances on capital projects	221,216	183,073
Less: Deferred capital contributions used to purchase capital assets	(13,885,963)	(11,854,540)
	<u>2,589,178</u>	<u>2,350,079</u>

17 Internally restricted net assets

The internally restricted net assets are as follows:

	2017 \$	2016 \$
MCOR	21,051	21,051
Employment obligation	889	889
Self-insured retention	2,013	2,013
Stabilization	2,379	2,379
	<u>26,332</u>	<u>26,332</u>

The Municipal Capital and Operating Restructuring (MCOR) reserve was established to assist in funding large capital expenditures.

The Employment Obligation reserve was established to assist in funding general employment related obligations of Metrolinx.

Metrolinx

Notes to Financial Statements

March 31, 2017

(in thousands of dollars)

The Self Insured Retention reserve was established to assist in funding any claims against the self-insured retention layer of Metrolinx's insurance program.

The Stabilization reserve was established to assist in funding fluctuations in operating and capital budgets of Metrolinx from year to year.

18 Commitments

The minimum operating lease payments in each of the next five years and thereafter are as follows:

	\$
2018	35,358
2019	35,980
2020	34,025
2021	33,778
2022	33,552
Subsequent	<u>237,646</u>
	<u>410,339</u>

Metrolinx has also committed approximately \$11,000,000 for various capital asset additions/projects.

A significant amount of the services provided by Metrolinx are operated and maintained by outside parties. These services are governed by the agreements with the Canadian National Railway Company (CN), Canadian Pacific Railway Company (CP), Bombardier Inc., PNR Rail Works Inc. (PNR), Toronto Terminals Railway Ltd. (TTR) and by a number of minor service agreements. Metrolinx has entered into the following major agreements for approximately \$265,000 per year:

- Master Operating Agreement with CN terminating on May 31, 2017;
- Commuter Agreement with CP terminating on December 31, 2019;
- Equipment Maintenance contract with Bombardier terminating on May 31, 2023;
- Rail Crew contract with Bombardier terminating on May 31, 2023;
- Routine Track and Signal Maintenance contract with PNR terminating on June 30, 2019; and
- Rail Corridor Management Service Agreement with TTR terminating on June 30, 2019.

The remaining annual service payments relating to the AFP contract with Crosslinx Transit Solutions (note 11) aggregate to \$8,752,512. The annual service payments relating to the AFP contract with Plenary Infrastructure (note 11) will aggregate to \$921,794 after substantial completion of the project expected during the fiscal year ending March 31, 2018.

As at March 31, 2017, Metrolinx had outstanding letters of credit totalling \$28 (2016 - \$28).

Metrolinx

Notes to Financial Statements

March 31, 2017

(in thousands of dollars)

19 Contingencies

Various lawsuits have been filed against Metrolinx for incidents which arose in the ordinary course of business. Management has reviewed these claims and made provisions as appropriate. Where the outcome of a claim is not yet determinable, any settlement will be recorded when it is determined that a claim is likely to be settled and the amount is determinable.

20 Related party transactions and balances

Metrolinx had the following transactions with related parties during the year.

- a) The Ontario Ministry of Government and Consumer Services, Infrastructure Ontario, Ontario Northland and Toronto District School Board charged Metrolinx \$793 (2016 - \$706), \$10,627 (2016 - \$11,654), \$257 (2016 - \$1,921), and \$1,008 (2016 - \$131) respectively, during the year for the provision of services provided by these organizations. As at March 31, 2017, accounts payable and accrued liabilities included \$2,762 (2016 - \$5,152) owing to the Infrastructure Ontario.
- b) Metrolinx procured four parcels of land for \$nil from the Ontario Ministry of Transportation during the year. The transfer was treated as a contribution from the Province equivalent to the fair value of the asset that amounted to \$10 (2016 - \$13,575).

The transactions in 20(a) are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Contributions of capital assets from the Province are recorded at the fair value.

Balances due from/to the Province of Ontario are separately disclosed on the statement of financial position. Amounts are non-interest bearing with no specified terms of repayments.

21 Guarantees

In the normal course of business, Metrolinx enters into agreements that meet the definition of a guarantee.

- a) In the normal course of business, Metrolinx has entered into agreements that include indemnities in favour of third parties such as purchase and sale agreements, confidentiality agreements, engagement letters with advisers and consultants, outsourcing agreements, leasing contracts, information technology agreements and service agreements. These indemnification agreements may require Metrolinx to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated.

Metrolinx

Notes to Financial Statements

March 31, 2017

(in thousands of dollars)

- b) Indemnity has been provided to all directors and or officers of Metrolinx including, but not limited to, all costs to settle suits or actions due to association with Metrolinx, subject to certain restrictions. Metrolinx has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The term of the indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as a trustee, director or officer of Metrolinx. The maximum amount of any potential future payment cannot be reasonably estimated.

The nature of these indemnification agreements prevents Metrolinx from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability which stems from the unpredictability of future events and the unlimited coverage offered to counterparties.

Historically, Metrolinx has not made any significant payments under such or similar indemnification agreements and therefore no amount has been recorded with respect to these agreements.

22 Subsequent event

Metrolinx has several contracts with Bombardier Inc. (Bombardier) including those for repairs and maintenance of rail coaches, purchase of GO bi-level coaches and daily operations of GO and UP Express trains. On June 13, 2010, Metrolinx and Bombardier entered into a contract for the design, production and supply of 182 Light Rail Vehicles (LRVs) for the Toronto LRT projects, including 76 LRVs for the Eglinton Crosstown LRT and 23 for the Finch West LRT. The value of the contract is approximately \$871,000. The Eglinton Crosstown and Finch West LRT projects have been publicly committed to enter revenue service in September 2021 and December 2021, respectively.

Metrolinx was expecting pilot vehicles to be delivered in April and May 2015. To date, Bombardier has not fulfilled the contractual requirements for the pilot vehicles to be deemed delivered. Metrolinx has continuously communicated with Bombardier that its pilot vehicles do not meet agreed-upon specifications. Metrolinx maintains a regular presence in Bombardier's facilities and is in regular discussion with Bombardier on the readiness of the vehicle for delivery.

Metrolinx filed a notice of default in July 2016, and issued a notice of intent to terminate the contract with cause in November 2016. However, on April 19, 2017, an Ontario court ruled that Metrolinx must proceed with the Dispute Resolution Process (DRP) as defined in the contract prior to considering terminating the contract. The DRP is estimated to be an 8 to 12 month process.

On May 3, 2017, Metrolinx entered into an agreement with Alstom as an alternative supplier of LRVs. Alstom has been contracted to build 17 vehicles for the Finch West LRT project and, if necessary, 44 for Eglinton Crosstown. If Alstom vehicles are not needed for Eglinton Crosstown, they will be reassigned to the Hurontario LRT project.

Once the DRP process is complete, Metrolinx will re-visit its obligations under its contract with Bombardier. As at March 31, 2017, Metrolinx has not written down its work-in-progress related to Bombardier LRVs as management cannot determine whether the Bombardier vehicles under the contract being disputed will be delivered and used in future service for the Region.

**METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION****Management Report**

The accompanying financial statements are the responsibility of the management of Metropolitan Toronto Convention Centre Corporation. The financial statements have been prepared by management in accordance with the accounting requirements of the Financial Administration Act including Ontario Regulation 395/11. The statements include certain amount based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

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

The financial statements have been audited by KPMG LLP, a firm of independent external auditors appointed by the Board of Director, whose report follows.

Imtiaz Dhanjee

Vice President Finance

June 16, 2017



KPMG LLP
Vaughan Metropolitan Centre
100 New Park Place, Suite 1400
Vaughan ON L4K 0J3
Canada
Tel 905-265-5900
Fax 905-265-6390

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Metropolitan Toronto
Convention Centre Corporation and the Minister
of Tourism, Culture and Sport

We have audited the accompanying financial statements of Metropolitan Toronto Convention Centre Corporation, which comprise the statement of financial position as at March 31, 2017, the statements of operations and accumulated surplus, changes in net debt and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with the accounting requirements of the Financial Administration Act, including Ontario Regulation 395/11, *Government Transfers* of the Financial Administration Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

*Opinion*

In our opinion, the financial statements of Metropolitan Toronto Convention Centre Corporation, as at March 31, 2017 and for the year then ended, are prepared in all material respects in accordance with the accounting requirements of the Financial Administration Act, including Ontario Regulation 395/11, *Government Transfers* of the Financial Administration Act.

Emphasis of Matter

Without modifying our opinion, we draw attention to note 2 to the financial statements, which discloses that the financial statements are prepared in accordance with the Financial Administration Act, including Ontario Regulation 395/11, *Government Transfers* of the Financial Administration Act.

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

Chartered Professional Accountants, Licensed Public Accountants

June 15, 2017
Vaughan, Canada

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION


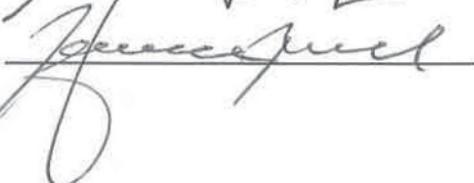
Statement of Financial Position

March 31, 2017, with comparative information for 2016

	2017	2016
Financial assets:		
Cash and cash equivalents	\$ 10,727,630	\$ 9,820,956
Customer deposits (note 3)	14,290,697	13,846,707
Accounts receivable (note 9)	3,981,079	3,379,899
	<u>28,999,406</u>	<u>27,047,562</u>
Liabilities:		
Accounts payable and accrued liabilities	8,319,822	5,131,236
Deferred revenue	14,290,697	13,846,707
Employee future benefits (note 7)	2,455,400	2,151,000
Deferred contributions related to tangible capital assets	43,696,886	44,689,997
	<u>68,762,805</u>	<u>65,818,940</u>
Net debt	(39,763,399)	(38,771,378)
Non-financial assets:		
Tangible capital assets (note 5)	186,353,453	184,778,981
Inventories	469,361	440,654
Prepaid expenses	663,056	666,149
	<u>187,485,870</u>	<u>185,885,784</u>
Commitments (note 10)		
Accumulated surplus (note 6)	\$ 147,722,471	\$ 147,114,406

See accompanying notes to financial statements.

On behalf of the Board:

 Director
 Director

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Statement of Operations and Accumulated Surplus

Year ended March 31, 2017, with comparative information for 2016

	March 31, 2017 Budget	March 31, 2017 Actual	March 31, 2016 Actual
Revenue:			
Food and beverage	\$ 24,900,000	\$ 25,636,135	\$ 23,629,120
Facility rental	16,000,000	15,964,638	16,141,461
Parking	11,100,000	10,717,368	10,888,475
Commissions	6,206,700	6,144,929	6,010,587
Communications	2,122,800	2,070,480	2,123,320
Capital contribution	993,100	993,111	993,111
Other	3,405,500	3,507,533	3,412,625
Total gross revenue	64,728,100	65,034,194	63,198,699
Expenses (note 8):			
Food and beverage	15,898,400	16,902,716	15,359,362
Facility rental	4,602,300	4,627,503	4,412,230
Parking	2,920,200	2,756,276	2,743,461
Communications	772,700	842,805	741,138
Event services	525,700	554,831	542,173
General and administrative	7,845,100	7,706,465	7,103,903
Sales and marketing	4,488,600	3,549,432	4,197,747
Engineering	5,183,300	5,151,106	5,084,225
Energy	3,149,300	3,619,027	3,139,112
Other	2,851,400	2,842,076	2,800,207
Amortization	9,219,900	8,873,892	8,848,361
Total expenses	57,456,900	57,426,129	54,971,919
Annual surplus	7,271,200	7,608,065	8,226,780
Accumulated surplus, beginning of year	146,477,900	147,114,406	145,387,626
Distribution payment (note 6)	(7,000,000)	(7,000,000)	(6,500,000)
Accumulated surplus, end of year	\$ 146,749,100	\$ 147,722,471	\$ 147,114,406

See accompanying notes to financial statements.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Statement of Changes in Net Debt

Year ended March 31, 2017, with comparative information for 2016

	March 31, 2017 Budget	March 31, 2017 Actual	March 31, 2016 Actual
Annual surplus	\$ 7,271,200	\$ 7,608,065	\$ 8,226,780
Acquisition of tangible capital assets	(13,206,700)	(10,448,364)	(4,887,698)
Amortization of tangible capital assets	9,219,900	8,873,892	8,848,361
	3,284,400	6,033,593	12,187,443
Acquisition of inventories	(5,360,000)	(6,050,794)	(5,241,509)
Acquisition of prepaid expenses	(965,000)	(1,208,157)	(1,057,841)
Consumption of inventories	5,320,000	6,022,087	5,348,945
Use of prepaid expenses	972,500	1,211,250	1,080,127
Distribution payment	(7,000,000)	(7,000,000)	(6,500,000)
Decrease (increase) in net debt	(3,748,100)	(992,021)	5,817,165
Net debt, beginning of year	(39,725,400)	(38,771,378)	(44,588,543)
Net debt, end of year	\$ (43,473,500)	\$ (39,763,399)	\$ (38,771,378)

See accompanying notes to financial statements.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Statement of Cash Flows

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 7,608,065	\$ 8,226,780
Items not involving cash:		
Amortization	8,873,892	8,848,361
Employee future benefits	304,400	(141,700)
Deferred contributions related to amortization of tangible capital assets	(993,111)	(993,111)
	15,793,246	15,940,330
Change in non-cash assets and liabilities:		
Accounts receivable	(601,180)	868,329
Inventories	(28,707)	107,436
Prepaid expenses	3,093	22,286
Accounts payable and accrued liabilities	3,188,586	(906,681)
	18,355,038	16,031,700
Financing activities:		
Distribution payment (note 6)	(7,000,000)	(6,500,000)
Capital activities:		
Additions to tangible capital assets	(10,448,364)	(4,887,698)
Increase in cash and cash equivalents	906,674	4,644,002
Cash and cash equivalents, beginning of year	9,820,956	5,176,954
Cash and cash equivalents, end of year	\$ 10,727,630	\$ 9,820,956

See accompanying notes to financial statements.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements

Year ended March 31, 2017

Metropolitan Toronto Convention Centre Corporation (the "Corporation") is incorporated as a corporation without share capital under Bill 141, the *Metropolitan Toronto Convention Centre Corporation Act, 1988*, and is subject to control by the Province of Ontario through the Ministry of Tourism, Culture and Sport. The Corporation is a Crown Agency under the same act and is exempt from income taxes:

The Corporation operates a convention facility for conventions, trade shows, consumer shows, corporate and food and beverage events and parking facilities.

1. Significant accounting policies:

(a) Revenue recognition:

Revenue from food and beverage sales, facility rentals and the use of the Corporation's parking facilities is recognized when services are provided. Commissions revenue is recognized as it is earned. Cancellation fees are recognized when an event is cancelled.

(b) Deferred contributions related to tangible capital assets:

Funding received from the Province of Ontario used for the acquisition of depreciable tangible capital assets is recorded as deferred contributions. This is recognized as a recovery in the statement of operations equal to depreciation charged on the related depreciable tangible capital assets, of which the annual change in the account of \$993,111 (2016 - \$993,111) is recorded in the statement of cash flows.

(c) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

1. Significant accounting policies (continued):

Non-financial assets include:

(i) Tangible capital assets:

Tangible capital assets are recorded at cost less accumulated amortization. Amortization is charged on a straight-line basis over the following estimated useful lives of the assets:

Building	50 years
Furniture, fixtures and computer equipment	3 - 10 years
Leasehold improvements	5 - 20 years

Tangible capital assets are reviewed for impairment whenever conditions indicate that a tangible capital asset no longer contributes to the Corporation's ability to provide services, or that the value of future economic benefits associated with the tangible capital asset is less than its net book value.

(ii) Inventories:

Inventories are recorded at the lower of cost and net realizable value.

(d) Deferred revenue:

Deferred revenue represents customer deposits received for future use of the Corporation's facilities. Deposits are applied against the customer's billing when services are rendered.

(e) Use of estimates:

The preparation of financial statements requires management to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the useful lives of tangible capital assets, valuation allowances for accounts receivable and obligations related to employee future benefits. Actual results could differ from those estimates.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

1. Significant accounting policies (continued):

(f) Financial instruments:

Financial instruments are recorded at fair values on initial recognition and subsequently recorded at cost or amortized cost.

(g) Budget figures:

Budget figures have been derived from the Business Plan approved by the Board of Directors on March 24, 2017.

2. Basis of presentation:

The Financial Administration Act requires that the financial statements be prepared in accordance with the accounting principles used by the Province of Ontario, being the Canadian public sector accounting standards ("PS") as published by the Public Sector Accounting Board and that changes may be required to these standards as a result of regulation.

Ontario Regulation 395/11 requires that government transfers used for the acquisition of depreciable tangible capital assets is recorded as deferred contributions and is recognized as a recovery in the statement of operations equal to depreciation charged on the related depreciable tangible capital assets. This accounting requirement is not consistent with the requirements of PS, which require that government transfers be recognized as revenue when approved by the transferor and eligibility criteria have been met unless the transfer contains a stipulation that creates a liability, in which case, the transfer is recognized as revenue over the period that the liability is extinguished.

Accordingly, these financial statements have been prepared in accordance with the accounting requirements of the Financial Administration Act, including Ontario Regulation 395/11, *Government Transfers* of the Financial Administration Act.

3. Customer deposits:

Customer deposits represent cash received for future use of the Corporation's facilities. The customer deposits are invested in 1-year Guaranteed Investment Certificates which mature at various dates.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

4. Customer commitments for future events:

The facility rental commitments associated with future events to be held at the Corporation are listed in the table below:

	Facility rental contract commitments	Customer deposits received	Customer deposits to be received in the future		
			Convention Development Fund*	Customers	Total
2018	\$ 15,341,044	\$ 8,923,319	\$ 864,000	\$ 5,553,725	\$ 6,417,725
2019	10,731,956	1,907,447	1,380,591	7,443,918	8,824,509
2020	5,425,514	800,726	922,217	3,702,571	4,624,788
2021	2,768,620	724,526	973,878	1,070,216	2,044,094
2022	1,732,570	420,321	559,789	752,460	1,312,249
Thereafter	4,264,620	1,514,358	2,377,047	373,215	2,750,262
	<u>\$ 40,264,324</u>	<u>\$ 14,290,697</u>	<u>\$ 7,077,522</u>	<u>\$ 18,896,105</u>	<u>\$ 25,973,627</u>

*The Convention Development Fund supports major non-domestic conventions held at the Corporation. This fund is used to off-set the Corporation Facility rental charges and other conference related expenses. The Corporation, Tourism Toronto, 20+ hotels and periodically the Ministry of Tourism, Culture and Sport contribute to this funding mechanism.

5. Tangible capital assets:

	Cost	Accumulated amortization	Net book value
2017			
Building	\$ 237,068,603	\$ 84,942,979	\$ 152,125,624
Furniture, fixtures and computer equipment	40,742,761	30,694,326	10,048,435
Leasehold improvements	69,868,291	45,688,897	24,179,394
	<u>\$ 347,679,655</u>	<u>\$ 161,326,202</u>	<u>\$ 186,353,453</u>

	Cost	Accumulated amortization	Net book value
2016			
Building	\$ 230,623,960	\$ 80,400,518	\$ 150,223,442
Furniture, fixtures and computer equipment	38,469,049	28,796,847	9,672,202
Leasehold improvements	68,138,282	43,254,945	24,883,337
	<u>\$ 337,231,291</u>	<u>\$ 152,452,310</u>	<u>\$ 184,778,981</u>

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

6. Accumulated surplus:

The total accumulated surplus includes the contributed surplus, accumulated distribution payments and the accumulated annual surplus as follows:

	Contributed surplus	Accumulated distribution payments	Accumulated annual surplus	Total accumulated surplus
Balance, March 31, 2016	\$ 142,850,705	\$ (65,500,000)	\$ 69,763,701	\$ 147,114,406
Distribution payment	—	(7,000,000)	—	(7,000,000)
Annual surplus	—	—	7,608,065	7,608,065
Balance, March 31, 2017	\$ 142,850,705	\$ (72,500,000)	\$ 77,371,766	\$ 147,722,471

The contributed surplus balance was created as a result of the Ontario Financing Authority (the "OFA") issuing a release to the Corporation as at March 30, 2003 from all of its obligations under the temporary expansion financing.

The Corporation agreed to make a minimum distribution payment to the OFA annually in the amount of \$2,500,000 less any amount of payments in lieu of property taxes that it makes within that year and annually, any such further amounts agreed to in writing by the Corporation and the OFA.

The Board of Directors approved a distribution payment of \$7,000,000 on March 24, 2017 based on the financial results of fiscal 2017 (fiscal 2016 - \$6,500,000). Since the establishment of the distribution policy, the total amount paid is \$72,500,000 (2016 - \$65,500,000).

7. Employee future benefits:

The Corporation maintains a registered pension plan that provides a defined benefit component and a defined contribution component. Under the defined benefit component of the pension plan, contributions are made by employees at specified rates and by the sponsor in such amounts and at such times as determined by the consulting actuaries. The defined benefit component of the plan provides pension benefits based on the length of service and best average pensionable earnings. Certain retired employees also receive health and other post-retirement benefits paid for by the Corporation. Furthermore, there is also an unfunded executive retirement allowance plan available to an executive which accrues at the rate of 15% of the executive's base salary and a funded retirement compensation agreement for a retired executive which no longer accrues benefits.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

7. Employee future benefits (continued):

The Corporation accrues its obligations under the defined benefit plan as the employees render the services necessary to earn the pension and other retirement benefits. The actuarial determination of the accrued benefit obligations for pensions and other retirement benefits uses the projected accrued benefit cost method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors). The measurement date of the post-employment plans and retirement compensation agreement coincides with the Corporation's fiscal year, and the defined benefit plan measurement date is December 31. The most recent actuarial valuations of the defined benefit plan for funding purposes (and the next required valuations) and the actuarial valuation of the other post-employment plans (and the next required valuations) are as follows:

- (a) Defined benefit registered pension plan - December 31, 2016 (December 31, 2019);
- (b) Other post-employment plans - March 31, 2015 (March 31, 2018);
- (c) Retirement compensation agreement - March 31, 2017 (March 31, 2018); and
- (d) Executive retiring allowance plan - March 31, 2017 (March 31, 2018).

Actuarial gains (losses) on plan assets arise from the difference between the actual return on plan assets for a period and the expected return on plan assets for that period. For the purpose of calculating the expected return on plan assets, those assets are valued at fair value. Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains (losses) are amortized over the expected average remaining service period of active employees ("EARSL").

As shown in the following table, the Corporation has a deficit of \$1,262,500 (2016 - \$4,485,300) for its employee future benefit plans. Unamortized net actuarial gain is \$1,192,900 (2016 - loss of \$2,334,300) and results in an employee future benefit liability of \$2,455,400 (2016 - \$2,151,000) recorded in the financial statements.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

7. Employee future benefits (continued):

Currently, there are 106 employees enrolled in the defined benefit plan and 211 employees enrolled in the defined contribution plan. During 2005, the Corporation closed the defined benefit component of the plan. All new eligible plan members must join the defined contribution component of the plan. The defined contribution portion of the plan is fully funded as at March 31, 2017.

Information about the Corporation's pension plan and employee benefit arrangements are detailed in the table below:

	2017			2016		
	Pension plan	Employee benefits	Total	Pension plan	Employee benefits	Total
Defined benefit plan expense:						
Current year benefit cost	\$ 1,339,200	\$ 98,200	\$ 1,437,400	\$ 1,269,400	\$ 97,900	\$ 1,367,300
Amortization of actuarial loss (gain)	203,300	26,900	230,200	(63,800)	29,400	(34,400)
Employee contributions	(182,900)	—	(182,900)	(183,800)	—	(183,800)
Defined benefit plan expense	1,359,600	125,100	1,484,700	1,021,800	127,300	1,149,100
Defined benefit plan interest expense:						
Interest cost on accrued benefit obligation	1,767,200	119,400	1,886,600	1,641,800	111,600	1,753,400
Expected return on plan assets	(1,628,200)	(19,500)	(1,847,700)	(1,643,500)	(20,900)	(1,664,400)
Defined benefit plan interest expense (income)	139,000	99,900	238,900	(1,700)	90,700	89,000
Total defined benefit plan expense	1,498,600	225,000	1,723,600	1,020,100	218,000	1,238,100
Defined contribution plan cost	646,000	—	646,000	604,700	—	604,700
Total benefit plan expense	\$ 2,144,600	\$ 225,000	\$ 2,369,600	\$ 1,624,800	\$ 218,000	\$ 1,842,800

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

7. Employee future benefits (continued):

	2017			2016		
	Pension plan	Employee benefits	Total	Pension plan	Employee benefits	Total
Expected closing balance of accrued benefit obligation:						
Actual accrued benefit obligation, beginning of year	\$ 31,787,000	\$ 2,573,500	\$ 34,360,500	\$ 29,555,871	\$ 2,489,000	\$ 32,044,871
Current year benefit cost	1,339,200	98,200	1,437,400	1,269,400	97,900	1,367,300
Interest cost	1,767,200	119,400	1,886,600	1,641,800	111,600	1,753,400
Benefit payments	(652,300)	(74,100)	(726,400)	(680,100)	(86,400)	(766,500)
Expected closing balance of accrued benefit obligation, end of year	\$ 34,241,100	\$ 2,717,000	\$ 36,958,100	\$ 31,786,971	\$ 2,612,100	\$ 34,399,071
Expected plan assets:						
Actual plan assets, beginning of year	\$ 29,153,000	\$ 722,200	\$ 29,875,200	\$ 29,452,600	\$ 792,163	\$ 30,244,763
Employer contributions	1,372,000	47,200	1,419,200	1,355,400	24,400	1,379,800
Employee contributions	182,900	—	182,900	183,800	—	183,800
Expected return on plan assets	1,628,200	19,500	1,647,700	1,643,500	20,900	1,664,400
Benefit payments	(652,300)	(74,100)	(726,400)	(680,100)	(86,400)	(766,500)
Expected plan assets, end of year	\$ 31,683,800	\$ 714,800	\$ 32,398,600	\$ 31,955,200	\$ 751,063	\$ 32,706,263
Amortization of gains (losses) on accrued benefit obligation:						
Expected closing balance of accrued benefit obligation	\$ 34,241,100	\$ 2,717,000	\$ 36,958,100	\$ 31,786,971	\$ 2,612,100	\$ 34,399,071
Actual accrued benefit obligation	33,785,600	2,378,000	36,163,600	31,787,000	2,573,500	34,360,500
Experience gain (loss)	\$ 455,500	\$ 339,000	\$ 794,500	\$ (29)	\$ 38,600	\$ 38,571
Annual amortization over EARS	\$ 53,000	\$ 29,900	\$ 82,900	\$ —	\$ 4,800	\$ 4,800
Amortization of gains (losses) on plan assets:						
Expected closing balance of plan assets	\$ 31,683,800	\$ 714,800	\$ 32,398,600	\$ 31,955,200	\$ 751,063	\$ 32,706,263
Actual plan assets	34,158,200	742,900	34,901,100	29,153,000	722,200	29,875,200
Experience gain (loss)	\$ 2,474,400	\$ 28,100	\$ 2,502,500	\$ (2,802,200)	\$ (28,863)	\$ (2,831,063)
Annual amortization over EARS	\$ 288,100	\$ 2,100	\$ 290,200	\$ (267,100)	\$ (2,300)	\$ (269,400)
Actual pension liability recorded in the statement of financial position:						
Actual accrued benefit obligation	\$ 33,785,600	\$ 2,378,000	\$ 36,163,600	\$ 31,767,000	\$ 2,573,500	\$ 34,360,500
Actual plan assets	(34,158,200)	(742,900)	(34,901,100)	(29,153,000)	(722,200)	(29,875,200)
Deficit (Surplus)	(372,600)	1,835,100	1,262,500	2,634,000	1,851,300	4,485,300
Unamortized actuarial gains (losses)	971,000	221,900	1,192,900	(2,162,200)	(172,100)	(2,334,300)
Actual pension liability recorded	\$ 598,400	\$ 1,857,000	\$ 2,455,400	\$ 471,800	\$ 1,679,200	\$ 2,151,000

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

7. Employee future benefits (continued):

The total accrued pension benefit liability of \$2,455,400 (2016 - \$2,151,000) is included in the Corporation's statement of financial position.

The significant actuarial assumptions used in accounting for the plans are as follows:

	2017		2016	
	Pension plan	Employee benefits	Pension plan	Employee benefits
Discount rate	5.20%	3.40 - 5.20%	5.50%	3.20 - 5.50%
Expected return on plan assets	5.20%	2.75%	5.50%	2.75%
Rate of compensation increase	3.25%	n/a	2.50%*	n/a
Indexation rate	1.30%	1.30%	1.50%	1.50%
EARSL (years)	8.6	8.6 - 13.6	10.5	8.8 - 12.6

*2.50% per year for calendar year 2015 and 3.75% for calendar year 2016 in accordance with the actuarial valuation assumptions as at December 31, 2013.

Assumed health care cost trend rates at March 31:

	2017	2016
Initial health care cost trend rate	7.50%	7.75%
Cost trend rate declines to	3.75%	4.00%
Year that the rate reaches the rate it is assumed to remain at	2032	2031

8. Expenses:

Included in expenses are wages and benefits of \$27,047,444 (2016 - \$25,535,350).

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

9. Financial instruments, risk management and capital management:

(a) Financial instruments:

PS 3450 requires an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 - unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 - observable or corroborated inputs, other than Level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 - unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

The Corporation's financial assets carried at fair value, which include cash and cash equivalents and customer deposits, are classified as Level 1.

There were no financial instruments categorized in Level 2 or in Level 3 as at March 31, 2017 and 2016.

There were no changes in categorization of financial assets and liabilities into the three levels in the fair value hierarchy during the year.

The carrying values of cash and cash equivalents, customer deposits, accounts receivable and accounts payable and accrued liabilities approximate fair values due to their short-term nature.

(b) Risk management:

The Corporation's activities expose it to a variety of financial risks: credit risk and liquidity risk. Risk management is the responsibility of the Corporation's management which identifies and evaluates financial risks. Material risks are monitored and discussed with the Finance and Audit Committee of the Board of Directors. The Corporation does not utilize derivative financial instruments.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

9. Financial instruments, risk management and capital management (continued):

(i) Credit risk:

Credit risk arises from cash held with the banks and financial institutions and accounts receivable. The objective of managing counterparty credit risk is to prevent losses in financial assets. The Corporation assesses the quality of its counterparties, taking into account their creditworthiness and reputation, past experience and other factors.

The aging of accounts receivable is as follows:

	2017	2016
Current	\$ 1,405,039	\$ 1,415,128
Less than 60 days overdue	2,165,241	1,753,982
More than 60 days overdue	3,074	5,283
Less allowance for doubtful accounts	(38,648)	(19,737)
Total trade accounts receivable	3,534,706	3,154,656
Non-trade accounts receivable	446,373	225,243
	\$ 3,981,079	\$ 3,379,899

The carrying amounts of accounts receivable represent the maximum credit exposure.

(ii) Liquidity risk:

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Corporation's objective in managing liquidity risk is to maximize available cash reserves to meet its liquidity requirements in order to meet obligations as they come due. The Corporation has established a conservative investment policy to achieve this objective. The governance of this policy refers to the Corporation's power to invest surplus monies only in the following investments:

- (a) Canadian government securities (federal and provincial);
- (b) guaranteed investment certificates; and
- (c) deposit receipts, deposit notes and bankers' acceptance (Schedule A or B bank).

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

9. Financial instruments, risk management and capital management (continued):

The policy also includes minimum quality requirements and recognized bond rating agencies pertaining to the above investments.

The Corporation's financial liabilities, which include accounts payable and accrued liabilities, are generally due within one year.

(c) Capital management:

The Corporation's objective in managing capital is to safeguard the entity's ability to continue as a going concern and make distributions to the OFA.

10. Commitments:

The Corporation is committed to minimum annual lease payments (excluding common area charges) under various operating leases for facility rental, parking, office space, computer equipment and equipment, as follows:

2018	\$ 2,564,373
2019	1,086,779
2020	863,245
2021	381,722
2022	83,196
Thereafter	1,652,839
	<hr/>
	\$ 6,632,154

The Corporation's minimum annual distribution of \$2,500,000 required to be paid to the OFA (as disclosed in note 6) has been excluded from the commitments schedule above.