Treasury Board Secretariat

Public Accounts of Ontario

Financial Statements of Government Organizations

VOLUME 2A
2017–2018

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

Ministry of Agriculture and Food/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 Citizenship and Immigration
- Ontario Immigrant Investor Corporation

Ministry of Economic Development and Growth/Research, Innovation and Science
- Ontario Capital Growth Corporation

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.
- Fair Hydro Trust
- 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
- Ontario Climate Change Solutions Deployment Corporation (Green Ontario Fund)

Ministry of Finance
- Deposit Insurance Corporation of Ontario
- Financial Services Regulatory Authority of Ontario
- Liquor Control Board of Ontario
- Losses Deleted from the Accounts
- Motor Vehicle Accident Claims Fund
- Ontario Cannabis Retail Corporation
- 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

Ministry of Infrastructure
- General Real Estate Portfolio
- Ontario Infrastructure and Lands Corporation (Infrastructure Ontario)
- Toronto Waterfront Revitalization Corporation (Waterfront Toronto)

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 / 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)
- Science North
- 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 2017-2018 Public Accounts of the Province of Ontario comprise the **Annual Report and Consolidated Financial Statements** and three volumes:

Volume 1 contains ministry statements and detailed schedules of debt and other items. The ministry statements reflect the financial activities of the government's ministries on the accrual basis of accounting, providing a comparison of appropriations with actual spending. Ministry expenses include all expenses that are subject to appropriation approved by the Legislative Assembly, but exclude adjustments arising from consolidation of government organizations whose expenses are not appropriated.

Volume 2 contains the financial statements of Government Organizations and Business Enterprises that are part of the government's reporting entity and other miscellaneous financial statements.

Volume 3 contains the details of payments made by ministries to vendors (including sales tax) and transfer payment recipients that are not deemed to be prohibited by the *Freedom of Information and Protection of Privacy Act.*

2. A GUIDE TO VOLUME 2 OF THE PUBLIC ACCOUNTS

The financial statements of the selected crown corporations, boards and commissions are for fiscal periods ending within the Province's own fiscal period April 1, 2017 to March 31, 2018. They are presented in the same detail as the approved, audited financial statements and as nearly as possible in the same form. The statements have been presented in the order shown in the Table of Contents. In addition, a listing is provided which groups the crown corporations, boards and commissions by ministerial responsibility.

GOVERNMENT ORGANIZATIONS -

Agricorp
An agency of the Government of Ontario Un organisme du gouvernement de l'Ontario

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

Monika Sawa
Chief Financial Officer

June 19, 2018

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

Independent Auditor's Report

To Agricorp

I have audited the accompanying financial statements of Agricorp, which comprise the statement of financial position as at March 31, 2018, 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, 2018 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.

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Toronto, Ontario
June 19, 2018

Susan Klein, CPA, CA, LPA
Assistant Auditor General

Agricorp

Statement of financial position

As at March 31, 2018 with comparative information for 2017

(In thousands of dollars)	General Fund	Production Insurance Fund	2018	2017
Current assets				
Cash	$ 3,015	$ 33,716	$ 36,731	$ 42,762
Short term investments (note 5)	481	883,568	884,049	735,979
Accounts receivable (note 4)	3,759	8,606	12,365	8,086
Funds under administration (note 3)	32,986	-	32,986	111,193
Prepaid expenses	597	-	597	650
Total current assets	**40,838**	**925,890**	**966,728**	**898,670**
Long term investments (note 5)	-	-	-	108,856
Accrued pension asset (note 11)	9,278	-	9,278	8,276
Capital assets (note 6)	2,722	-	2,722	638
Total assets	**52,838**	**925,890**	**978,728**	**1,016,440**
Current liabilities				
Accounts payable and accrued liabilities	5,205	169	5,374	5,682
Unearned premiums and revenue (note 9)	5,837	17,690	23,527	20,667
Provision for claims	-	4,600	4,600	1,200
Funds under administration (note 3)	32,986	-	32,986	111,193
Total current liabilities	**44,028**	**22,459**	**66,487**	**138,742**
Fund balances				
Unrestricted funds	8,810	-	8,810	8,662
Restricted funds	-	903,139	903,139	866,228
Total fund balances	**8,810**	**903,139**	**911,949**	**874,890**
Accumulated remeasurement gains	-	292	292	2,808
Liabilities, fund balances and accumulated remeasurement gains	**$ 52,838**	**$ 925,890**	**$ 978,728**	**$1,016,440**

Commitments and contingencies (note 12)

See accompanying notes to financial statements

Approved on behalf of the Board

Murray Porteous
Board Chair

Patricia Lorenz
Finance and Audit Committee Chair

Agricorp
Statement of operations and fund balances
Year ended March 31, 2018 with comparative information for 2017

(In thousands of dollars)	General Fund	Production Insurance Fund	2018	2017
Revenue				
Funding – provincial government (note 8)	$ 20,476	$ 31,489	$ 51,965	$ 52,055
Funding – federal government (note 8)	19,510	47,249	66,759	68,024
Premiums from producers	-	52,529	52,529	54,210
Consulting and other services	910	-	910	852
Investment income	58	16,613	16,671	16,970
Total revenue	**40,954**	**147,880**	**188,834**	**192,111**
Expenses				
Claims	-	108,031	108,031	127,709
Reinsurance (note 10)	-	2,926	2,926	3,641
Administration (note 15)	40,806	-	40,806	40,020
Bad debts	-	12	12	6
Total expenses	**40,806**	**110,969**	**151,775**	**171,376**
Excess of revenue over expenses	148	36,911	37,059	20,735
Fund balances, beginning of year	8,662	866,228	874,890	854,155
Fund balances, end of year	**$ 8,810**	**$ 903,139**	**$ 911,949**	**$ 874,890**

Related party transactions (note 13)

See accompanying notes to financial statements

Agricorp

Statement of remeasurement gains and losses

Year ended March 31, 2018 with comparative information for 2017

(In thousands of dollars)

		2018		2017
Accumulated remeasurement gains, beginning of year	$	**2,808**	$	**6,752**
Unrealized (losses) on investments		(2,194)		(3,010)
Realized (gains) reclassified to the statement of operations and fund		(322)		(934)
Net change for the year		(2,516)		(3,944)
Accumulated remeasurement gains, end of year	$	**292**	$	**2,808**

See accompanying notes to financial statements

Agricorp

Statement of cash flows

Year ended March 31, 2018 with comparative information for 2017

(In thousands of dollars)	General Fund	Production Insurance Fund	2018	2017
Cash provided by operating activities				
Excess of revenue over expenses	$ 148	$ 36 911	$ 37 059	$ 20 735
Items not requiring an outlay of cash				
Realized (gains) on investments	-	(322)	(322)	(934)
Amortization of capital assets	520	-	520	572
Total	**668**	**36 589**	**37 257**	**20 373**
Changes in non-cash working capital				
Accounts receivable	(1 125)	(3 154)	(4 279)	401
Prepaid expenses	53	-	53	20
Accrued pension asset	(1 002)	-	(1 002)	(262)
Accounts payable and accrued liabilities	(261)	(47)	(308)	(8 461)
Unearned premiums and revenue	2 059	801	2 860	(6 744)
Provision for claims	-	3 400	3 400	(2 970)
Total	**(276)**	**1 000**	**724**	**(18 016)**
Investing activity				
Net (purchase) proceeds of investments	(5)	(41 403)	(41 408)	17 311
Capital activity				
Purchase of capital assets	(2 604)	-	(2 604)	(398)
(Decrease) increase in cash	(2 217)	(3 814)	(6 031)	19 270
Cash, beginning of year	**5 232**	**37 530**	**42 762**	**23 492**
Cash, end of year	**$ 3 015**	**$ 33 716**	**$ 36 731**	**$ 42 762**

See accompanying notes to financial statements

Agricorp
Notes to the financial statements
Year ended March 31, 2018 with comparative information for 2017

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 business risk management programs to Ontario's agriculture industry on behalf of the Ontario Ministry ofAgriculture, 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 bymanagement 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. Revenue is recognized in the year in which it is 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.

Agricorp
Notes to the financial statements
Year ended March 31, 2018 with comparative information for 2017

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

Software under development is recorded at cost, which includes amounts directly related to the acquisition, development, customization and installation, as well as directly attributable labour. Software under development is not amortized until it is available for use.

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 5 days of sick leave per year. Unused sick leave days are eligible to accumulate up to 47 days, which can only be used to supplement the short term disability benefit. 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 producer premiums are recognized as revenue in the year in which the related agricultural products 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, 2018 with comparative information for 2017

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 (GICs) 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, and then 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 not all of the necessary information for reported claims is always available as of the year-end date and therefore estimates are made as to the value of these claims.

Agricorp
Notes to the financial statements
Year ended March 31, 2018 with comparative information for 2017

3. Funds under administration

Agricorp processes and disburses payments to producers enrolled in agricultural business risk management and other programs. These programs are generally administered on behalf of OMAFRA for producers in the province, and cover joint federal-provincial, federal-only and provincial-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 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 in 2007 as a continuation of the Canadian Agricultural Income Stabilization program. 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 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.

Agricorp
Notes to the financial statements
Year ended March 31, 2018 with comparative information for 2017

c) General Top-Up Program (GTUP)

GTUP was established under the Federal-Provincial Implementation Agreement and expired on March 31, 2008. Under the terms of the agreement, producers that participated in AgriStability and received a payment 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. MVIP is fully funded by the provincial government.

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

The VQA-WSP 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. This program is fully funded by the provincial government.

f) Other programs

Agricorp administers 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 their program delivery agreement. Examples include:

Farm Business Registration (FBR)

In accordance with the Farm Registration and Organizations Funding Act, 1993, farm businesses in Ontario whose gross farm income is equal to or greater than $7,000 are required to register their farm business. In return for the registration, the farm business pays a reduced property tax rate on agricultural land 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.

Provincial Premises Registry (PPR)

Established in 2008, the PPR registers unique parcels of land in Ontario associated with agri-food activities. The PPR collects information including agri-food business location, activities and emergency contacts, and maintains a current database for access by the Ministry for emergency response and preparedness. As part of the National Agri-Food Traceability System, all provinces are responsible for having a premises registration system in place to enable the swift response to incidents and emergencies that could harm agri-food businesses and consumers. Agricorp began administering this program on behalf of OMAFRA in February 2018.

Edible Horticulture Support Program (EHSP)

The EHSP is a two-year support program announced by the provincial government in the 2017 fall economic statement. The program supports Ontario’s fruit and vegetable farmers and other horticultural producers, by helping them adapt to evolving cost pressures facing the sector, and adapt to a new small business climate. Agricorp began administering this program on behalf of OMAFRA in January 2018.

Farm Property Class Tax Rate Program (FPCTRP)

Under FPCTRP, eligible farm properties pay a reduced property tax rate for their acreage. Currently, OMAFRA delivers the FPCTRP, completes eligibility assessments for all valued and assessed farm properties, and reports the properties that meet all the FPCTRP requirements to the Municipal Property Assessment Corporation (MPAC). MPAC in turn forwards this information to the local municipalities. The municipality will then tax the properties at the farm rate that meet the requirements.

Agricorp
Notes to the financial statements
Year ended March 31, 2018 with comparative information for 2017

In July 2017, the provincial government signaled that their activities related to the delivery of FPCTRP will be transferred to Agricorp in early 2019. In the meantime, Agricorp will work to design, develop and implement business processes and system capabilities to facilitate this transfer. There are no changes related to the involvement of MPAC or the municipalities in this program.

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

(In thousands of dollars)	Opening balance 2018	Funding, federal government	Funding, provincial government	Other	Payments	Closing balance 2018
AgriStability	$ 92,889	$ 40,910	$ 17,183	$ (82,022)	$ (54,371)	$ 14,589
RMP–GO	144	-	31,893	4	(30,516)	1,525
RMP–LS	4,913	-	37,677	(170)	(38,667)	3,753
RMP–SDRM	9,419	-	25,402	(3,010)	(22,657)	9,154
GTUP	2,533	-	-	29	-	2,562
MVIP	783	-	1,822	1	(1,731)	875
VQA–WSP	-	-	7,500	-	(7,500)	-
Other programs	512	-	2,038	11	(2,033)	528
Total	**$ 111,193**	**$ 40,910**	**$ 123,515**	**$ (85,157)**	**$ (157,475)**	**$ 32,986**

(In thousands of dollars)	Opening balance 2017	Funding, federal government	Funding, provincial government	Other	Payments	Closing balance 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**

The Other column in the tables above includes 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)	2018	2017
Funding – federal government	$ 8,948	$ 5,403
Funding – provincial government	2,100	1,408
Other	1,464	1,411
	12,512	8,222
Less allowance for doubtful accounts	(147)	(136)
Total	**$ 12,365**	**$ 8,086**

Agricorp
Notes to the financial statements
Year ended March 31, 2018 with comparative information for 2017

5. Investments

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

a) Portfolio profile

(In thousands of dollars)		2018		2017
Short-term				
Province of Ontario	$	11 625	$	21 905
Other provincial governments		37 888		31 932
Provincial utilities		22 012		11 634
Financial institutions – deposits held		277 660		195 775
Financial institutions – guaranteed investment certificates		534 864		469 692
Financial institutions – bonds		-		5 041
Total short-term		**884 049**		**735 979**
Long-term				
Province of Ontario		-		11 507
Other provincial governments		-		39 358
Provincial utilities		-		22 514
Financial institutions – guaranteed investment certificates		-		35 477
Total long-term		**-**		**108 856**
Total investments	**$**	**884 049**	**$**	**844 835**

b) Maturity profile of the investment portfolio

(In thousands of dollars)		2018		2017
< 1 Year	$	884,049	$	735,979
1 – 3 Years		-		108,856
Total	**$**	**884,049**	**$**	**844,835**

c) Fair value hierarchy

(In thousands of dollars)	Level		2018		2017
Cash and equivalents	1	$	277,660	$	195,775
Guaranteed investment certificates	2		534,864		505,168
Bonds	1		71,525		143,892
Total		**$**	**884,049**	**$**	**844,835**

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

Agricorp
Notes to the financial statements
Year ended March 31, 2018 with comparative information for 2017

6. Capital assets

(In thousands of dollars)		Cost		Accumulated amortization		2018 Net book value		2017 Net book value
Furniture and fixtures	$	1,218	$	1,217	$	1	$	3
Computer hardware		3,726		2,991		735		566
Leasehold improvements		1,958		1,952		6		10
Computer software		13,315		13,178		137		59
Software under development		1,843		-		1,843		-
Total	**$**	**22,060**	**$**	**19,338**	**$**	**2,722**	**$**	**638**

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 investment guidelines constraints 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.

Agricorp's bond portfolio has interest rates ranging from 3.64% to 5.50% (2017 – 2.28% to 5.50%) with maturities ranging from August to December 2018 (2017 – June 2017 to December 2018). As at March 31, 2018, a 1% fluctuation in interest rates, with all other variables held constant, would increase/decrease the value of bonds by an estimated $0.4 million (2017 - $1.6 million).

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 2.01% (2017 - 2.20%). 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 the policies, procedures and methods used to measure the risk.

c) Credit risk

General

Credit risk is the risk that other parties fail to perform as contracted. Agricorp's exposure to credit risk is principally through balances receivable from the federal and provincial governments and producers as well as through its investment securities.

Agricorp
Notes to the financial statements
Year ended March 31, 2018 with comparative information for 2017

Reinsurance

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.

Collectability

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.

Investments

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

8. Funding – 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 agricultural business risk management and other programs. The provincial and federal 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, VQA-WSP, PPR, EHSP and FPCTRP are funded by the provincial government.

9. Unearned premiums and revenue

Unearned premiums represent Production Insurance premiums of $17.7 million (2017 - $16.9 million) received by Agricorp in the current fiscal year, and are recognized as revenue in the year in which the related agricultural products are harvested. Unearned revenue includes operating funding related primarily to the unamortized value of capital assets of $2.7 million (2017 - $0.7 million) and other unearned amounts of $3.1 million (2017 - $3.1 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 2017 Production Insurance claims in excess of $598 million to a maximum of $661 million (2016 production year – in excess of $495 million to a maximum of$587 million). As actual claims for the 2017 production year were less than the minimum threshold, no reinsurance payments were received by Agricorp.

Agricorp
Notes to the financial statements
Year ended March 31, 2018 with comparative information for 2017

Agricorp signed an agreement in December 2017 whereby it purchased reinsurance through a number of carriers for the 2018 production year. The amount purchased under this agreement is to mitigate a fixed percentage of losses between 16% and 21% (on a 50% co-reinsurance basis) of insured liability, subject to a maximum of $4.0 billion (2017 19% – 21% subject to a maximum of $3.75 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:

(In thousands of dollars)	2018	2017
Accrued benefit obligation		
Balance, beginning of year	$ 50,828	$ 45,337
Current service cost	2,917	2,557
Interest cost	3,116	2,798
Employee contributions	1,650	1,438
Benefits paid	(2,358)	(1,545)
Actuarial (gain) loss	(1,379)	146
Plan amendment	-	97
Balance, end of year	**54,774**	**50,828**
Plan assets		
Fair value, beginning of year	61,239	52,622
Actual return on plan assets	2,937	6,211
Employer contributions	3,152	2,513
Employee contributions	1,650	1,438
Benefits paid	(2,358)	(1,545)
Fair value, end of year	**66,620**	**61,239**
Funded status		
Plan surplus	11,846	10,411
Unamortized actuarial (gain)	(2,568)	(2,135)
Accrued pension asset	**$ 9,278**	**$ 8,276**

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

	2018 (%)	2017 (%)
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	2.75	3.25

Agricorp
Notes to the financial statements
Year ended March 31, 2018 with comparative information for 2017

The net benefit plan expense is as follows:

(In thousands of dollars)		2018		2017
Current service cost	$	2,917	$	2,557
Interest cost		3,116		2,798
Expected return on plan assets		(3,748)		(3,233)
Amortization of unrecognized (gain) loss		(136)		44
Plan amendment		-		97
Net benefit plan expense	**$**	**2,149**	**$**	**2,263**

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

Security type	2018 (%)	2017 (%)
Canadian equities	28.4	30.5
U.S. equities	18.2	18.6
International equities	12.7	11.6
Bonds	24.2	28.8
Real estate	10.1	8.9
Cash and cash equivalents	6.4	1.6
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 $2.1 million (2017 - $2.3 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)*. Payment of the solvency deficit is required to be made over 5 years. An allowable election was made to defer these payments for 2 years, thus commencing January 1, 2019, $2.1 million will be contributed to the pension plan annually for 5 years. 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
2019	$	1,153	$	2,605	$	3,758
2020		1,170		859		2,029
2021		1,189		611		1,800
2022		1,207		449		1,656
2023		1,226		391		1,617
Thereafter		3,799		1,265		5,064
Total	**$**	**9,744**	**$**	**6,180**	**$**	**15,924**

Agricorp
Notes to the financial statements
Year ended March 31, 2018 with comparative information for 2017

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 (2017 - $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 $1.1 million (2017 - $1.1 million). Agricorp earned revenue of $52.0 million (2017 - $52.1 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 $32 thousand (2017 - $43 thousand). *The Public Sector Salary Disclosure Act, 1996* requires Agricorp to disclose employees paid an annual salary in excess of $100 thousand. 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 2017 calendar year, actual amounts paid to the five employees with the highest annual salaries are:

Name	Position	Salary	Taxable benefits
Beifuss, Erich	Chief Financial Officer	$ 165,203	$ 527
Dosanjh, Baljit	Director, Systems Development & Computing Network Services	154,014	505
Fazil, Abbas	Director, Architecture Services	153,654	485
LaRose, Doug	Chief Executive Officer	190,803	595
Sayer, Greg	Senior Director, Legal Services	157,296	524

15. Administration

(In thousands of dollars)	2018	2017
Salaries and benefits	$ 32,062	$ 31,459
Equipment and maintenance	2,610	2,471
Consulting and professional	1,750	1,972
Facilities	1,498	1,387
Office	782	590
Telephone and postage	767	787
Vehicle and travel	586	582
Amortization	520	572
Other	231	200
Total	**$ 40,806**	**$ 40,020**

16. Comparative figures

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

Agricorp
Notes to the financial statements
Year ended March 31, 2018 with comparative information for 2017

17. Subsequent events
New agricultural policy framework

Canada's federal, provincial and territorial agriculture ministers reached agreement on a new agricultural policy framework, called the *Canadian Agricultural Partnership* (the *Partnership*), which came into effect in April 2018, replacing the Growing Forward 2 (GF2) framework that expired in March 2018. The intent of the new framework is to strengthen the agriculture, agri-food and agri-based products sector, ensuring continued innovation, growth and prosperity. In addition, producers will continue to have access to a robust suite of Business Risk Management (BRM) programs. Similar to GF2, the *Partnership* is a five-year investment by federal, provincial and territorial governments to strengthen the agriculture and agri-food sector. For a full list of changes to the BRM suite of programs under the *Partnership*, visit the Government of Canada - Agriculture and Agri-Food Canada website.

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 18, 2018.

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, Food and Rural Affairs 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

Sue Mihelchic,
Comptroller

Chartered
Professional
Accountants

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, 2018 and the statements of revenues and expenditures and changes in fund balances, remeasurement (losses) gains 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, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

RLB LLP

Guelph, Ontario
June 18, 2018

Chartered Professional Accountants
Licensed Public Accountants

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2018

	2018 (schedule 1)	2017
ASSETS		
CURRENT		
Cash	$ 6,662,999	$ 3,740,844
Investments	27,213,712	37,124,309
Accounts receivable	188,426	269,672
Accounts receivable - OMAFRA (re: TBARS)	500,000	0
Note receivable - North Grenville (re: Kemptville sale) (note 11)	4,000,000	0
	38,565,137	41,134,825
TANGIBLE CAPITAL ASSETS UNDER CONSTRUCTION	8,432,364	3,389,048
TANGIBLE CAPITAL ASSETS (note 5)	78,598,160	84,698,918
	$125,595,661	$129,222,791
LIABILITIES		
CURRENT		
Accounts payable and accruals	$ 1,570,026	$ 1,471,415
Holdbacks payable	528,076	427,842
Unclaimed expenditures	3,267,330	2,769,930
Deferred revenue	562,552	339,471
	5,927,984	5,008,658
DEFERRED CAPITAL FUNDED CONTRIBUTIONS (note 6)	71,842,359	72,286,239
DEFERRED CAPITAL CONTRIBUTIONS (note 7)	16,826,781	22,022,133
	94,597,124	99,317,030
NET ASSETS		
FUND BALANCES	18,367,711	16,683,246
ACCUMULATED REMEASUREMENT (LOSSES) GAINS	(51,348)	15,232
CONTRIBUTED ASSETS (notes 4, 5 and 11)	12,682,174	13,207,283
	30,998,537	29,905,761
	$125,595,661	$129,222,791

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, 2018

	2018 (schedule 2)	2017
REVENUES		
Research		
Grants - provincial (note 9)	$ 500,000	$ 1,850,000
Grants - OEGF (Kawartha and IGPC) (note 12)	378,000	378,000
Intellectual property (note 8)	1,539,667	1,521,773
	2,417,667	3,749,773
Property		
Grants - provincial - minor capital (note 9)	4,500,000	4,260,952
Grants - provincial - Food Innovation (note 9)	800,000	0
Rental income - provincial	948,489	836,868
Rental income - private industry	1,570,505	1,306,250
Deferred capital impairment (notes 4, 6 and 7)	765,910	6,000,403
Deferred capital contributions on sale of tangible capital assets (note 11)	3,437,392	0
Grants - provincial - payments in lieu of taxes (note 9)	750,000	750,000
Payments in lieu of taxes	189,430	206,852
Amortization of deferred capital contributions	2,646,124	3,046,549
	15,607,850	16,407,874
Other		
Gain on disposal of tangible capital asset (note 11)	4,197,692	0
Investment income (note 13)	465,843	408,541
	4,663,535	408,541
	22,689,052	20,566,188
EXPENDITURES		
Research		
Research project/program	1,430,079	2,522,338
Intellectual property (note 8)	1,005,668	956,074
	2,435,747	3,478,412
Property		
Payments in lieu of taxes	1,032,852	965,206
Minor capital	4,226,092	4,684,373
Transfer payments - U of G - Guelph Turfgrass Institute (note 10)	5,000,000	0
Transfer payments - U of G - Food Innovation (note 10)	800,000	0
Provision for forgivable loan (note 11)	3,700,000	0
Operations and maintenance	1,198,997	942,529
Loss on disposal of tangible capital asset	0	327,253
Impairment of tangible capital assets (note 5)	765,910	6,000,403
Amortization of tangible capital assets	2,646,124	3,046,549
	19,369,975	15,966,313
	21,805,722	19,444,725
EXCESS OF REVENUES OVER EXPENDITURES for the year	883,330	1,121,463
NET AMOUNT TRANSFERRED FROM UNCLAIMED EXPENDITURES	736,220	709,417
	1,619,550	1,830,880
FUND BALANCES, beginning of year	29,905,761	28,858,842
NET REMEASUREMENT (LOSSES) GAINS for the year	(66,580)	46,039
IMPAIRMENT OF CONTRIBUTED LAND (note 4)	(460,194)	(830,000)
FUND BALANCES, end of year	$ 30,998,537	$ 29,905,761

See notes to the financial statements

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO

STATEMENT OF REMEASUREMENT (LOSSES) GAINS

FOR THE YEAR ENDED MARCH 31, 2018

	2018	2017
ACCUMULATED REMEASUREMENT GAINS (LOSSES), beginning of year	$ 15,232	$ (30,807)
Unrealized (losses) gains attributable to investments	(56,981)	117,784
Amounts reclassified to the statement of operations: Realized gains on investments	(9,599)	(71,745)
Net remeasurement (losses) gains for the year	(66,580)	46,039
ACCUMULATED REMEASUREMENT (LOSSES) GAINS, end of year	$ (51,348)	$ 15,232

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2018

	2018	2017
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Excess of revenues over expenditures for the year	$ 883,330	$ 1,121,463
Items not requiring an outlay of cash		
Amortization of tangible capital assets	2,646,124	3,046,549
Impairment of tangible capital assets	765,910	6,000,403
Impairment of contributed land	(460,194)	(830,000)
Completed project surplus transferred to unclaimed expenditures	1,233,619	31,709
Deferred capital contributions	(5,195,352)	(6,204,068)
(Gain) loss on disposal of tangible capital assets	(4,197,692)	327,253
Net remeasurement (losses) gains	(66,580)	46,039
	(4,390,835)	3,539,348
Changes in non-cash working capital		
Accounts receivable	81,246	(18,090)
Accounts receivable - OMAFRA (re: TBARS)	(500,000)	0
Note receivable - North Grenville (re: Kemptville sale)	(4,000,000)	0
Investments	9,910,597	(4,702,960)
Accounts payable and accruals	98,611	(151,265)
Deferred capital funded contributions	(443,880)	9,609,768
Prepaid land deposits	0	250,000
Holdbacks payable	100,234	(175,011)
Deferred revenue	223,081	(41,265)
	1,079,054	8,310,525
CASH PROVIDED BY (USED IN) CAPITAL ACTIVITIES		
Additions to tangible capital assets	(813,583)	(14,198,758)
Proceeds on sale of tangible capital assets	7,700,000	0
Tangible capital assets under construction	(5,043,316)	(3,389,048)
	1,843,101	(17,587,806)
NET INCREASE (DECREASE) IN CASH for the year	2,922,155	(9,277,281)
CASH, beginning of year	3,740,844	13,018,125
CASH, end of year	$ 6,662,999	$ 3,740,844

See notes to the financial statements

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2018

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. Transactions between OMAFRA and the below programs are recorded at the exchange value.

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, 2018

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 and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accruals, holdbacks payable, unclaimed expenditures, deferred revenue, 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, 2018

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, 2018 and 2017.

There were no transfers in or out of Level 1 for the years ended March 31, 2018 and 2017.

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2018

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 $272,137 (2017 - $371,243). 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 $12,682,174 (2017 - $13,207,283) 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 $460,194 (2017 - $830,000) and the fair value of the land in Kemptville was adjusted by $64,915 (2017 - $nil) due to a sale (see note 11). The land adjustment in Kemptville represents a real transaction and not a provision for impairment. Accordingly, it has been included in excess of revenue over expenditures for the year and the impairment on contributed assets at year end is $460,194, despite contributed assets on the statement of financial position being reduced by $525,109.

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2018

5. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2018	Net 2017
Land:				
Simcoe railway line	$ 9,793	$ 0	$ 9,793	$ 9,793
Regional campuses	1,736,994	0	1,736,994	2,262,104
Research stations	24,642,185	0	24,642,185	24,642,184
	26,388,972	0	26,388,972	26,914,081
Buildings:				
Regional campuses	25,118,835	8,117,008	17,001,827	20,862,613
Research stations	45,373,538	10,166,177	35,207,361	36,922,224
	70,492,373	18,283,185	52,209,188	57,784,837
	$ 96,881,345	$ 18,283,185	$ 78,598,160	$ 84,698,918

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 $460,194 (2017 - $830,000) on land and $305,716 (2017 - $5,170,403) on buildings for a total impairment of $765,910 (2017 - $6,000,403). Additionally, contributed surplus was reduced by $64,915 (2017 - $nil) due to a sale of land parcels in Kemptville.

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.

	2018	2017
Balance, beginning of the year	$ 72,286,239	$ 62,676,471
Less amortization for the year	(1,066,593)	(1,121,328)
Less deferred capital impairment	(127,287)	(891,556)
Add contributions received for capital purposes	750,000	11,622,652
Balance, end of the year	$ 71,842,359	$ 72,286,239

The funding sources are as follows:

	2018	2017
Federal	$ 1,172,500	$ 1,207,500
Provincial	61,794,811	62,764,098
Industry	8,875,048	8,314,641
	$ 71,842,359	$ 72,286,239

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2018

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:

	2018	2017
Balance, beginning of the year	$ 22,022,133	$ 28,226,201
Less deferred capital impairment	(305,716)	(4,278,847)
Add prior year amortization adjustments	0	2,480
Less funds recognized on sale of Kemptville	(3,310,106)	0
Less amortization for the year	(1,579,530)	(1,927,701)
Balance, end of the year	$ 16,826,781	$ 22,022,133

8. ARIO RESEARCH FUND

	Seed Royalty	Technology Royalty	Other	Total 2018	Total 2017
Revenue					
Intellectual property	$ 1,269,046	$ 270,621	$ 0	$ 1,539,667	$ 1,521,773
Investment income	50,814	59,280	0	110,094	178,102
	1,319,860	329,901	0	1,649,761	1,699,875
Expenses	993,481	12,187	0	1,005,668	956,074
Net surplus for the year	326,379	317,714	0	644,093	743,801
Fund balance, beginning of year	2,388,275	2,736,819	0	5,125,094	4,342,685
Remeasurement (losses) gains	(15,953)	(18,281)	0	(34,234)	38,608
New Directions (Competitive Research) Program transfer	0	0	500,000	500,000	0
Fund balance, end of year	$ 2,698,701	$ 3,036,252	$ 500,000	$ 6,234,953	$ 5,125,094

9. GRANTS RECEIVED FROM THE PROVINCIAL GOVERNMENT

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

	2018	2017
New Directions (Competitive Research) Program	$ 0	$ 1,350,000
Food Safety Research Program	500,000	500,000
	500,000	1,850,000
Minor capital	4,500,000	4,260,952
Growing Forward 2 - Food Innovation project	800,000	0
New Directions (Competitive Research) - re: TBARS	650,000	0
Elora Livestock Environmental and Energy Complex	0	10,510,000
Payments in lieu of taxes	750,000	750,000
	6,700,000	15,520,952
	$ 7,200,000	$ 17,370,952

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2018

9. **GRANTS RECEIVED FROM THE PROVINCIAL GOVERNMENT** (continued)

The following grants, recorded at the exchange value, have been received from the Ontario Ministry of Advanced Education and Skills Development (MAESD):

	2018	2017
Lakehead University Project:		
Funding received	$ 500,000	$ 0
Capitalized - Unclaimed expenditures	(500,000)	0
Net revenue	$ 0	$ 0

Note: Funding was flowed to OMAFRA from MAESD and is payable to ARIO at March 31, 2018.

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

	2018	2017
Minor capital:		
Funding received	$ 4,500,000	$ 4,650,000
Capitalized - Deferred Capital Funding Contribution	0	(389,048)
Net revenue	$ 4,500,000	$ 4,260,952
Food Innovation project:		
Funding received	$ 800,000	$ 0
Capitalized - Unclaimed expenditures	0	0
Net revenue	$ 800,000	$ 0
New Directions (Competitive Research) - re: TBARS:		
Funding received	$ 650,000	$ 0
Capitalized - Unclaimed expenditures	(650,000)	0
Net revenue	$ 0	$ 0
Elora Livestock Environmental and Energy Complex:		
Funding received	$ 0	$ 10,510,000
Capitalized - Deferred Capital Funding Contribution	0	(10,510,000)
Net revenue	$ 0	$ 0

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2018

10. TRANSFER PAYMENTS TO THE UNIVERSITY OF GUELPH

During 2016, 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, 2018 funding milestones have been met and ARIO has provided the University with $12,000,000 in funding.

During 2017, ARIO entered into a funding agreement with the University. Under the agreement, ARIO would provide maximum funds of $800,000 to fund equipment for the Guelph Food Innovation Centre. At March 31, 2018, funding milestones have been met and ARIO has provided the University with $800,000 in funding.

11. SALE OF KEMPTVILLE

During the year, the organization sold parcels of land in Kemptville to the Municipality of North Grenville for proceeds of $7.7 million, comprised of $4 million note receivable at year end and $3.7 million set up as a provision for a forgivable loan. This involved the following transactions:

Proceeds from sale	$ 7,700,000
Cost of tangible capital assets - Kemptville	7,449,275
Accumulated amortization - Kemptville	(4,011,882)
Net book value - Kemptville	3,437,393
	4,262,607
Contributed asset - Kemptville land	(64,915)
Gain on sale of Kemptville	$ 4,197,692

12. FUNDING AGREEMENTS WITH THIRD PARTIES

(a) The Agricultural Research Institute of Ontario (ARIO), Her Majesty the Queen in right of Ontario as represented by the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA) and the Integrated Grain Processors Co-operative Inc. (IGPC) have jointly signed an agreement whereby, pursuant to a Capital Grant Agreement effective June 2006 between OMAFRA and IGPC, IGPC agreed to contribute to a research and development fund in exchange for the capital grant support provided by OMAFRA through the Ontario Ethanol Growth Fund. IGPC has agreed to contribute $280,000 annually for 10 years (for a total of $2,800,0000) starting in April 2012 and ending with the final payment in April 2021. These funds are being paid directly to ARIO to be used to support research priorities in the agri-food sector in Ontario. Funds recognized to date are $1,680,000. See schedule 2.

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2018

12. FUNDING AGREEMENTS WITH THIRD PARTIES

(b) Her Majesty the Queen in right of Ontario as represented by the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA) and Kawartha Ethanol Inc. have signed a Capital Grant Agreement effective August 1, 2008 between OMAFRA and Kawartha Ethanol Inc. whereby Kawartha Ethanol Inc. agreed to contribute to a research and development fund in exchange for the capital grant support provided by OMAFRA through the Ontario Ethanol Growth Fund. Kawartha Ethanol Inc. has agreed to contribute $98,000 annually for 10 years (for a total of $980,000) starting April 2013 and ending with the final payment in April 2022. These funds are to be paid directly to ARIO to be used to support research priorities in the agri-food sector in Ontario. Funds recognized to date are $490,000. See schedule 2.

13. INVESTMENT INCOME

Investment income is comprised of the net result of investment earnings and management fees paid. Included in investment income is $35,410 (2017 - $30,712) in expenses paid for management of investment portfolios.

Agricultural Research Institute of Ontario
Research Trust Funds
Schedule of Financial Position
As at March 31, 2018

Schedule 1

	ARIO	Infrastructure	New Directions	Food Safety	Eliminations	2018 (page 4)
	$	$	$	$	$	$
ASSETS						
CURRENT						
Cash	6,662,999					6,662,999
Investments	27,213,712					27,213,712
Due from ARIO		23,205,994	5,076,363	1,301,695	(29,584,052)	0
Accounts receivable	149,709	38,124	560	33		188,426
Accounts receivable - OMAFRA (re: TBARS)	500,000					500,000
Note receivable - North Grenville (re: Kemptville sale) (note 11)	4,000,000					4,000,000
	38,526,420	23,244,118	5,076,923	1,301,728	(29,584,052)	38,565,137
TANGIBLE CAPITAL ASSETS UNDER CONSTRUCTION		8,432,364				8,432,364
TANGIBLE CAPITAL ASSETS (note 5)		78,598,160				78,598,160
	$ 38,526,420	$110,274,642	$ 5,076,923	$ 1,301,728	$ (29,584,052)	$125,595,661
LIABILITIES						
CURRENT						
Due to other research trust funds	29,584,052				(29,584,052)	0
Accounts payable and accruals	1,057,416	207,751	220,035	84,824		1,570,026
Holdbacks payable			370,390	157,686		528,076
Unclaimed expenditures	1,650,000		1,291,975	325,355		3,267,330
Deferred revenue		184,552	378,000			562,552
	32,291,468	392,303	2,260,400	567,865	(29,584,052)	5,927,984
DEFERRED CAPITAL FUNDED CONTRIBUTIONS (note 6)		71,842,359				71,842,359
DEFERRED CAPITAL CONTRIBUTIONS (note 7)		16,826,781				16,826,781
	32,291,468	89,061,443	2,260,400	567,865	(29,584,052)	94,597,124
FUND BALANCES	6,240,063	8,563,419	2,829,162	735,067		18,367,711
ACCUMULATED REMEASUREMENT LOSSES	(5,111)	(32,394)	(12,639)	(1,204)		(51,348)
CONTRIBUTED ASSETS (notes 4, 5 and 11)		12,682,174				12,682,174
	6,234,952	21,213,199	2,816,523	733,863	0	30,998,537
	$ 38,526,420	$110,274,642	$ 5,076,923	$ 1,301,728	$ (29,584,052)	$125,595,661

See notes to the financial statements

Agricultural Research Institute of Ontario *Schedule 2*
Research Trust Funds
Schedule of Revenues and Expenditures and Changes in Fund Balances
For the year ended March 31, 2018

	ARIO (note 8) $	Infrastructure $	New Directions $	Food Safety $	2018 (page 5) $
REVENUE					
Research					
Grants - provincial (note 9)				500,000	500,000
Grants - OEGF (Kawartha and IGPC) (note 12)			378,000		378,000
Intellectual property (note 8)	1,539,667				1,539,667
	1,539,667	0	378,000	500,000	2,417,667
Property					
Grants - provincial - minor capital (note 9)		4,500,000			4,500,000
Grants - provincial - Food Innovation (note 9)		800,000			800,000
Rental income - provincial		948,489			948,489
Rental income - private industry		1,570,505			1,570,505
Deferred capital impairment (notes 4, 6 & 7)		765,910			765,910
Deferred capital contributions on sale of tangible capital assets (note 11)		3,437,392			3,437,392
Grants - provincial - payments in lieu of taxes (note 9)		750,000			750,000
Payments in lieu of taxes		189,430			189,430
Amortization of deferred capital contributions		2,646,124			2,646,124
	0	15,607,850	0	0	15,607,850
Other					
Gain on disposal of tangible capital asset (note 11)		4,197,692			4,197,692
Investment income (note 13)	110,093	265,528	80,581	9,641	465,843
	110,093	4,463,220	80,581	9,641	4,663,535
	1,649,760	20,071,070	458,581	509,641	22,689,052
EXPENDITURES					
Research					
Research project/program			1,076,663	353,416	1,430,079
Intellectual property (note 8)	1,005,668				1,005,668
	1,005,668	0	1,076,663	353,416	2,435,747
Property					
Payments in lieu of taxes		1,032,852			1,032,852
Minor capital		4,226,092			4,226,092
Transfer payments - U of G - Guelph Turfgrass Institute (note 10)		5,000,000			5,000,000
Transfer payments - U of G - Food Innovation (note 10)		800,000			800,000
Provision for forgivable loan (note 11)		3,700,000			3,700,000
Operations and maintenance		1,198,997			1,198,997
Impairment of tangible capital assets (note 5)		765,910			765,910
Amortization of tangible capital assets		2,646,124			2,646,124
	0	19,369,975	0	0	19,369,975
	1,005,668	19,369,975	1,076,663	353,416	21,805,722
EXCESS (SHORTFALL) OF REVENUE OVER EXPENDITURES for the year	644,092	701,095	(618,082)	156,225	883,330
NET AMOUNT TRANSFERRED FROM UNCLAIMED EXPENDITURES			386,514	349,706	736,220
	644,092	701,095	(231,568)	505,931	1,619,550
FUND BALANCES, beginning of year	5,125,094	20,993,460	3,558,393	228,814	29,905,761
NET REMEASUREMENT LOSSES for the year	(34,234)	(21,162)	(10,302)	(882)	(66,580)
TRANSFER OF NEW DIRECTION FUNDS TO LAKEHEAD PROJECT (RE: TBARS)	500,000		(500,000)		0
IMPAIRMENT OF CONTRIBUTED LAND (note 4)		(460,194)			(460,194)
FUND BALANCES, end of year	$ 6,234,952	$ 21,213,199	$ 2,816,523	$ 733,863	$30,998,537

See notes to the financial statements

Algonquin Forestry Authority
Year ended March 31, 2018

Management's Responsibility for Financial Information

Management and the Board of Directors of the Algonquin Forestry Authority are responsible for the Financial Statements and all other information presented in this Annual Report. The Financial Statements have been prepared by Management in accordance with Canadian Public Sector Accounting Standards and, where appropriate, include amounts based on Management's best estimates and judgements.

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

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

The Financial Statements have been examined by the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion on whether the Financial Statements are fairly presented in accordance with Canadian Public Sector Accounting Standards. The Independent Auditor's Report outlines the scope of the Auditor's examination and opinion.

Tim Doyle, CPA, CA
Treasurer

Jeff W. Leavey
General Manager

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

Independent Auditor's Report

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

I have audited the accompanying financial statements of the Algonquin Forestry Authority, which comprise the statement of financial position as at March 31, 2018, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Toronto, Ontario
June 15, 2018

Susan Klein, CPA, CA, LPA
Assistant Auditor General

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Algonquin Forestry Authority
Statement of Financial Position

Assets		
Current assets		
Cash	$ 1,353,410	$ 3,305,316
Accounts receivable (Note 3)	10,445,785	7,130,035
Inventories held for sale	520,520	543,036
Prepaid expenses	1,962	1,962
	12,321,677	10,980,349
Capital assets (Note 4)	451,956	534,874
	$ 12,773,633	$ 11,515,223

Liabilities		
Current liabilities		
Accounts payables and accrued liabilities	$ 2,249,459	$ 1,475,788
Contractors' performance holdbacks	74,580	60,124
Due to Consolidated Revenue Fund (Note 13)	302,857	225,969
Deferred contributions (Note 5)	15,888	33,240
	2,642,784	1,795,121
Obligation for employee future benefits (Note 6)	334,172	349,947
Net assets		
Restricted - Forest Renewal Fund (Notes 7 and 9)	3,292,239	3,050,709
Invested in capital assets (Note 8)	451,956	534,874
Unrestricted - General Fund	6,052,482	5,784,572
	$ 12,773,633	$ 11,515,223

On behalf of the Board:

Director

Director

See accompanying notes to the financial statements.

Algonquin Forestry Authority
Statement of Operations

Year Ended March 31

	General Fund	Forest Renewal Fund	2018 Total	2017 Total
Revenue				
Product sales	$ 22,506,224	$ -	**$ 22,506,224**	$ 22,362,486
Forest renewal activity	-	1,815,831	**1,815,831**	1,729,884
Standing timber sales	35,356	-	**35,356**	224,106
Other (Note 10)	2,548,087	439,740	**2,987,827**	2,798,500
	25,089,667	2,255,571	**27,345,238**	27,114,976
Expenses				
Direct program costs	19,309,526	1,540,613	**20,850,139**	21,026,903
Crown timber stumpage charges (Note 13)	2,971,286	-	**2,971,286**	2,986,500
Public access road maintenance	317,352	-	**317,352**	292,609
Operations planning	371,447	-	**371,447**	272,003
Wood measurement	45,543	-	**45,543**	40,763
	23,015,154	1,540,613	**24,555,767**	24,618,778
Operating income	2,074,513	714,958	**2,789,471**	2,496,198
Administrative and other				
Salaries and benefits	1,424,230	380,051	**1,804,281**	1,367,763
Amortization of capital assets	121,986	67,780	**189,766**	176,453
Office supplies and other	132,218	95	**132,313**	112,443
Directors' allowance	59,284	-	**59,284**	53,306
Office rent	43,414	14,348	**57,762**	57,103
Public relations	37,280	-	**37,280**	29,213
Insurance	19,953	8,264	**28,217**	31,757
Staff travel and training	23,660	2,890	**26,550**	48,911
Consulting, legal and miscellaneous	26,054	-	**26,054**	3,198
Interest and bank charges	1,442	-	**1,442**	2,000
	1,889,521	473,428	**2,362,949**	1,882,147
Excess of revenue over expenses	$ 184,992	$ 241,530	**$ 426,522**	$ 614,051

See accompanying notes to the financial statements.

Algonquin Forestry Authority
Statement of Changes in Net Assets
Year Ended March 31

2018	Invested in Capital Assets	Restricted - Forest Renewal Fund	Unrestricted - General Fund	**Total**
Balance, beginning of year	$ 534,874	$ 3,050,709	$ 5,784,572	**$ 9,370,155**
(Deficiency) excess of revenue over expenses (Note 8)	(189,766)	241,530	374,758	**426,522**
Invested in capital assets (Note 8)	106,848	-	(106,848)	**-**
Balance, end of year	$ 451,956	$ 3,292,239	$ 6,052,482	**$ 9,796,677**

2017	Invested in Capital Assets	Restricted - Forest Renewal Fund	Unrestricted - General Fund	**Total**
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	$ 534,874	$ 3,050,709	$ 5,784,572	**$ 9,370,155**

Algonquin Forestry Authority
Statement of Cash Flows

Year Ended March 31		2018		2017
Cash flows from operating activities:				
Excess of revenue over expenses	$	**426,522**	$	614,051
Adjustments for non-cash items:				
Amortization of capital assets		**189,766**		176,453
Gain on sale of capital assets		**(9,115)**		(15,195)
		607,173		775,309
Change in non-cash operating working capital:				
Accounts receivable		**(3,315,750)**		1,527,624
Inventories held for sale		**22,516**		(214,428)
Prepaid expenses		**-**		5,439
Accounts payable and accrued liabilities		**773,671**		191,973
Contractors' performance holdbacks		**14,456**		(19,883)
Due to Consolidated Revenue Fund		**76,888**		(66,907)
Deferred contributions		**(17,352)**		7,391
Obligation for employee future benefits		**(15,775)**		(86,887)
		(1,854,173)		2,119,631
Cash flows from capital activities				
Acquisition of capital assets		**(106,848)**		(436,070)
Proceeds from sale of capital assets		**9,115**		15,195
		(97,733)		(420,875)
Net (decrease) increase in cash		**(1,951,906)**		1,698,756
Cash				
Beginning of year		**3,305,316**		1,606,560
End of year	**$**	**1,353,410**	$	3,305,316

See accompanying notes to the financial statements.

Algonquin Forestry Authority
Notes to the Financial Statements
March 31, 2018

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, 2018

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:

Asset	Rate
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, 2018

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, useful lives of capital assets 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

	2018	2017
Trade receivables	$ 9,984,921	$ 6,666,575
Billable stumpage and other	498,778	501,374
	10,483,699	7,167,949
Less allowance for doubtful accounts	(37,914)	(37,914)
	$ 10,445,785	$ 7,130,035

Algonquin Forestry Authority
Notes to the Financial Statements
March 31, 2018

4. Capital assets

	2018		
	Cost	Accumulated amortization	Net book value
Bridges and access roads	$ 5,346,799	$ 5,346,799	$ -
Portable steel structures	958,076	723,395	**234,681**
Forest renewal assets	498,042	395,978	**102,064**
Automotive equipment	518,870	420,106	**98,764**
Technical equipment	181,435	174,869	**6,566**
Data processing equipment	74,720	71,694	**3,026**
Furniture and fixtures	50,608	50,608	-
Leasehold improvements	44,804	44,804	-
Trailers	12,550	5,695	**6,855**
	$ 7,685,904	$ 7,233,948	$ **451,956**

	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
	$ 7,635,416	$ 7,100,542	$ 534,874

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	**2018 Total**	2017 Total
Balance, beginning of year	$ -	$ 33,240	$ **33,240**	$ 25,849
Add: contributions received in the year	1,951,566	300,000	**2,251,566**	2,169,561
Less: amount spent in the year	(1,951,566)	(317,352)	**(2,268,918)**	(2,162,170)
Balance, end of year	$ -	$ 15,888	$ **15,888**	$ 33,240

Algonquin Forestry Authority
Notes to the Financial Statements
March 31, 2018

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 $141,080 (2017 - $117,019) 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 $334,172 (2017 - $349,947) 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, 2018

		2018	2017
8.	**Invested in capital assets**		
(a)	Investment in capital assets	**$ 451,956**	$ 534,874
(b)	Change in net assets invested in capital assets is calculated as follows:		
	Deficiency of revenues over expenses:		
	Amortization of capital assets	**$ (189,766)**	$ (176,453)
(c)	Net change in investment in capital assets:		
	Purchase of capital assets	**$ 106,848**	$ 436,070

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 (2017 - $Nil).

10. Other revenue	2018	2017
Ministry reimbursement - road construction and maintenance	**$ 1,951,566**	$ 1,869,561
Ministry reimbursement - public access road maintenance	**317,353**	292,609
Interest	**196,167**	269,315
Gain on sale of capital assets	**9,115**	15,195
Forestry Futures Trust Ontario	**397,914**	196,901
Other	**115,712**	154,919
	$ 2,987,827	$ 2,798,500

Included in General Fund other revenue is revenue of $1.95 million (2017 - $1.87 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 2018, $472,632 (2017 - $492,002) 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 $28,700 during the fiscal year (2017 - $24,600).

Algonquin Forestry Authority
Notes to the Financial Statements
March 31, 2018

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.

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INDEPENDENT AUDITORS' REPORT

To Board of Directors of Brampton Distribution Holdco Inc.

We have audited the accompanying separate financial statements of Brampton Distribution Holdco Inc., which comprise the separate balance sheet as at December 31, 2017, the separate statement of operations and retained earnings, cash flows and changes in shareholder's equity for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Separate Financial Statements

Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of separate 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 separate 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 separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the separate 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 separate 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 separate 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 separate financial statements present fairly, in all material respects, the separate financial position of Brampton Distribution Holdco Inc. as at December 31, 2017, and its separate financial performance and its separate cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada
March 29, 2018

Brampton Distribution Holdco Inc.
Separate Balance Sheet

	As at December 31 2017	As at December 31 2016
Assets		
Cash	**$ 493,539,457**	$ -
Loans receivable (including interest accrued)	**-**	211,900,312
Investment in subsidiary	**-**	172,000,000
Due from shareholder	**100**	100
	$ 493,539,557	$ 383,900,412
Liabilities and Shareholder's Equity		
Shareholder's equity		
Share capital	**100**	100
Contributed surplus (*Note 4*)	**349,553,394**	368,044,793
Retained earnings	**143,986,063**	15,855,519
	493,539,557	383,900,412
	$ 493,539,557	$ 383,900,412

Subsequent events (Note 9)

See accompanying notes to the consolidated financial statements.

On behalf of the Board:

Chair, Board of Directors

Director

Brampton Distribution Holdco Inc.
Separate Statement of Operations and Retained Earnings

		For the 12 month period ended December 31, 2017	For the 12 month period ended December 31, 2016
Revenue			
Interest income		**$ 6,624,344**	$ 11,883,500
Dividend income from investment *(note 5)*		**30,700,000**	-
Gain on sale of investment (*Note 5*)		**160,196,000**	-
		197,520,344	11,883,500
Expense			
Bank Charges		**128**	-
Consulting Fees		**25,747**	-
Loss on debt forgiveness *(note 7)*		**69,207,048**	-
Office expenses		**1,271**	-
Professional fees		**45,200**	-
Salaries and benefits		**109,586**	-
Travel		**820**	-
		69,389,800	11,883,500
Net income		**128,130,544**	11,883,500
Retained earnings, beginning of period		**15,855,519**	3,972,019
Retained earnings, end of period		**$ 143,986,063**	$ 15,855,519

Brampton Distribution Holdco Inc.
Separate Cash Flow Statement for the year ended December 31, 2017

	For the 12 month period ended December 31, 2017	For the 12 month period ended December 31, 2016
Operating Activities		
Net Income	**128,130,544**	**11,883,500**
Add back: interest income	- 6,624,344	- 11,883,500
Add back: dividend income	- 30,700,000	-
Net Cash from Operating Activities	**90,806,200**	**-**
Investing Activities		
Pre-closing dividend received from investee	30,700,000	-
Interest received from investee	25,524,656	-
Proceeds from HOBNI sale	545,400,000	-
Non-cash Gain on sale of HOBNI investment	- 160,196,000	-
Non-cash loss on debt forgiveness	69,200,000	-
Net Cash from Investing Activities	**510,628,656**	**-**
Financing Activities		
Regulatory distribution to Province of Ontario	- 107,895,399	-
Net Cash used in Financing Activities	- 107,895,399	-
Net Increase in Cash Flow	493,539,457	-
Cash at the beginning of the period	-	-
Cash at the end of the period	**493,539,457**	-

Brampton Distribution Holdco Inc.

Separate Statement of Changes in Shareholder’s Equity

	Share Capital	Contributed Surplus (note 4)	Retained Earnings	Total
Balance at December 31, 2015 *(note 4)*	100	368,044,793	3,972,019	372,016,912
Current Net Income			11,883,500	11,883,500
Balance at December 31, 2016	100	368,044,793	15,855,519	383,900,412
Net Income			128,130,544	128,130,544
Settlement of Asset *(note 4)*		89,404,000		89,404,000
Regulatory transfer to Province *(note 6)*		- 107,895,399		- 107,895,399
Balance at December 31, 2017	**100**	**349,553,394**	**143,986,063**	**493,539,557**

Brampton Distribution Holdco Inc.
Notes to the Separate Financial Statements

Financial Notes

1. **Description of the Business**
Brampton Distribution Holdco Inc. (the "Company" or "Brampton HoldCo") was incorporated on August 31, 2015 under the Business Corporations Act (Ontario). The Company is wholly owned by the Province of Ontario (Province)

2. **Basis of Operation**
These separate financial statements of the Company as at December 31, 2017 and 12 months ended December 31, 2016 have been prepared in accordance with International Financial Reporting Standards (IFRS). During the period, Brampton HoldCo. sold 100% of its interest in Hydro One Brampton Networks Inc. ("HOBNI") to Alectra Utilities Corporation. (the "Purchaser") for a total proceeds of $614,600,000. The cost of investment immediately before the transaction was $454,404,000 *(note 5)*. These separate financial statements have been prepared in accordance with the significant accounting policies described in *Note 3*.

3. **Summary of Significant Accounting Policies**

Cash
Cash includes cash in bank accounts.

Investments
In an entity's separate financial statements, acquisitions of shares in an entity under common control are outside the scope of IFRS 3 "Business Combinations". IFRS provides no direct guidance on the accounting for these types of transactions as a result the Company was required to develop an accounting policy in line with IAS 27 – Separate Financial Statements.

The Company adopted an accounting policy to account for the acquisition of the investment in Hydro One Brampton Networks Inc. ("HOBNI") by Brampton Holdco using book value as both Brampton Holdco and Hydro One Brampton Networks Inc. ("HOBNI") are both wholly owned subsidiaries of the Province of Ontario and as such are part of the same larger economic group. In applying book value accounting, no entries are recognized to the income statement; instead, the result of the transaction is recognized in equity as arising from a transaction with shareholders. The book value of the investment in "HOBNI" has been determined to be the carrying amount in the separate financial statements of Hydro One Inc. ("HOI") being the transferor

The following tables summarize the carrying value of the net investment of Brampton HoldCo as at August 31, 2015:

July 31, 2001	-	HOI Acquired Brampton Hydro Corporation for	262,000,000
Nov 13, 2001	-	HOBNI reduction in stated capital	(143,000,000)
August 31, 2015	-	HOBNI Spin off completed and HOI Subscription	53,000,000

Brampton HoldCo investment in HOBNI as of August 31, 2015			172,000,000

Financial Notes

4. Contributed Surplus

The contributed surplus as at December 31, 2017 consists of assets transferred from Hydro One Inc. of $368,044,793 on the inception of Brampton HoldCo. on August 31, 2015 and a deemed contribution of $89,404,000 from share issuance by a subsidiary for settlement of loans receivable during the period. The following table provides the break-down:

Asset transferred from HOI on August 31, 2015:	
Loan Receivable	193,000,000
Interest Receivable	3,044,793
Fair Value of Investment from HOI	172,000,000
Total Asset transferred	368,044,793
Settlement of Debt Receivable on February 27, 2017:	
Long Term Debt	193,000,000
Share issuance at fair value	282,404,000
Total difference carried over to Contributed surplus	89,404,000

5. HOBNI Sale

The Company was incorporated under the Ontario Business Corporations Act, (OBCA) on August 31, 2015 as a result of the Province's decision to move forward with broadening the ownership of Hydro One Inc. and sell its interest in HOBNI. The Province and Brampton Holdco entered into a Share Purchase Agreement on March 24, 2016 with the purchaser for a purchase price of $607 million on a debt-free basis, subject to post-closing working capital and fixed asset adjustments. The sale of HOBNI to the Purchaser closed on February 28, 2017. The following table provides breakdown of Purchase Price calculation at close and Post-closing adjustments:

Base Cash Purchase Price	507,000,000
Promissory Note	100,000,000
Add: Working Capital Adjustment	28,300,000
Add: Net Fixed Asset Adjustment	12,200,000
Less: Pre-close dividend	30,700,000
Purchase Price at close	616,800,000
Less: Final working capital and net fixed asset adjustment	2,200,000
Net Purchase Price	614,600,000
Cost of Investment:	
Less: Investment in HOBNI (*note 3*)	172,000,000
Less: Share Issuance at Fair Value	282,404,000
Cost of Investment	454,404,000
Gain on Sale Proceeds (Net Purchase Price Less Cost of Investment)	160,196,000

6. Regulatory Transfer to Province

Ontario Regulation 387/17, Trillium Trust Act, 2014 for Hydro One Brampton Networks Inc. applies with respect to voting securities of Hydro One Brampton Networks Inc., Purpose of the section 6 of the Act covers following amount in connection with the disposition of the assets is to be credited to the Trillium Trust promptly after this section comes into force: $107,895,399, being 100 per cent of the designated proceeds of disposition, as determined under section 4 of the Act.

Brampton Distribution Holdco Inc.
Notes to the Separate Financial Statements

Financial Notes

7. **Promissory Note**
Initial principal amount of $100,000,000 made between The Company and Alectra Utilities Corporation dated February 28, 2017 which Note was delivered pursuant to Section 2.3(1)(b) of the Purchase Agreement. Reference is further made to Section 4(a) of the Note which permits Alectra Utilities Corporation to reduce the Principal Amount by the Reduction Amount by written notice to the Company. Alectra Utilities Corporation notified The Company that the Principal Amount is reduced by the Reduction Amount that MergeCo has calculated the Reduction Amount to be $69,235,048 and that Alectra Utilities Corporation has calculated the Principal Amount to be $30,764,952 dated April 27, 2017. This has resulted in $69.2 million adjustment to Purchase Price of $607 million.

8. **Future Accounting Pronouncements**
A number of new accounting standards, amendments and interpretations, including but not limited to IFRS 15 - Revenue from Customer Contracts, IFRS 9 – Financial Instruments and IFRS 16 - Leases have been issued by the International Accounting Standard Board (IASB) and are not yet effective for the year ended December 31, 2017, the Company is in the process of evaluating the impact of these standards

9. **Subsequent Event**
Brampton HoldCo has transferred $492,500,000.00 on February 23, 2018 to the Province of Ontario.

June 25, 2018

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, 2018, Cancer Care Ontario's Board of Directors, through the Audit Finance Committee, was responsible for ensuring that management fulfilled its responsibilities for financial reporting and internal controls. The Committee meets regularly with management, the internal auditor and the Auditor General to satisfy itself that each group had properly discharged its respective responsibility, and to review the financial statements before recommending approval by the Board of Directors. The Auditor General had direct and full access to the Audit Finance Committee, with and without the presence of management, to discuss their audit and their findings as to the integrity of Cancer Care Ontario's financial reporting and the effectiveness of the system of internal controls.

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

On behalf of Cancer Care Ontario Management,

Michael Sherar, PhD President and CEO	Elham Roushani, BSc, CPA, CA Vice President & Chief Financial Officer

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

Independent Auditor's Report

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

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

Toronto, Ontario
June 25, 2018

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

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Cancer Care Ontario

Statement of Financial Position

As at March 31, 2018

(in thousands of dollars)

	2018 $	2017 $
Assets		
Current assets		
Cash (note 3)	19,882	64,745
Investments (note 4)	71,818	76,226
Receivables and prepaid expenses (note 5)	13,851	5,069
	105,551	146,040
Capital assets (note 6)	9,433	6,867
	114,984	152,907
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	73,051	98,161
Non-current liabilities		
Deferred contributions related to capital assets (note 8)	7,626	5,989
Post-employment benefits other than pension plan (note 9(b))	2,344	2,428
	9,970	8,417
Fund Balances		
Endowment	88	88
Internally restricted	-	86
Externally restricted	1,473	1,577
General - unrestricted	28,595	43,700
Invested in capital assets (note 10)	1,807	878
	31,963	46,329
	114,984	152,907

Commitments (note 15)

Contingencies (note 16)

Guarantees (note 17)

Approved by the Board of Directors

W. J. Knox ______ 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, 2018

(in thousands of dollars)

	Restricted		General		Total	
	2018 $	2017 $	2018 $	2017 $	2018 $	2017 $
Revenue						
Ministry of Health and Long-Term Care	-	-	2,131,356	2,023,038	2,131,356	2,023,038
Amortization of deferred contributions related to capital assets (note 8)	-	-	1,107	1,268	1,107	1,268
Other revenue (note 11)	2,175	1,396	4,162	5,297	6,337	6,693
Investment income (note 12)	-	1	2,480	2,201	2,480	2,202
	2,175	1,397	2,139,105	2,031,804	2,141,280	2,033,201
Expenses						
Cancer and prevention related services	-	9	800,567	754,123	800,567	754,132
Chronic kidney disease services	-	-	631,408	634,118	631,408	634,118
Provincial drug reimbursement program	-	-	378,839	319,262	378,839	319,262
Screening services	-	-	167,729	159,986	167,729	159,986
Salaries and benefits (note 9)	1,867	1,953	106,926	105,845	108,793	107,798
Capital contributions to cancer related services	-	-	37,895	34,730	37,895	34,730
Other operating expenses (note 13)	162	237	21,208	20,365	21,370	20,602
Purchased services	308	496	5,829	2,882	6,137	3,378
Amortization of capital assets	-	-	1,598	2,279	1,598	2,279
Clinical translational research	-	-	1,310	1,385	1,310	1,385
	2,337	2,695	2,153,309	2,034,975	2,155,646	2,037,670
(Deficiency) of revenue over expenses	(162)	(1,298)	(14,204)	(3,171)	(14,366)	(4,469)

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, 2018

(in thousands of dollars)

						2018
	Restricted					
	Endowment $	Internally $	Externally $	General unrestricted $	Invested in capital assets $	Total $
Fund balances - March 31, 2017	88	86	1,577	43,700	878	46,329
(Deficiency) of revenue over expenses	-	(86)	(76)	(14,204)	-	(14,366)
Net change in invested in capital assets (note 10)	-	-	-	(929)	929	-
Interfund transfers (note 14)	-	-	(28)	28	-	-
Fund balances - March 31, 2018	88	-	1,473	28,595	1,807	31,963

						2017
	Restricted					
	Endowment $	Internally $	Externally $	General unrestricted $	Invested in capital assets $	Total $
Fund balances - March 31, 2016	1,088	99	1,867	45,974	1,770	50,798
(Deficiency) of revenue over expenses	(1,000)	(8)	(290)	(3,171)	-	(4,469)
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	46,329

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

Cancer Care Ontario

Statement of Cash Flows

For the year ended March 31, 2018

(in thousands of dollars)

	2018 $	2017 $
Cash provided by (used in)		
Operating activities		
(Deficiency) of revenue over expenses	(14,366)	(4,469)
Amortization of capital assets	1,598	2,279
Amortization of deferred contributions related to capital assets	(1,107)	(1,268)
Post-employment benefits expense other than pension plan	138	141
Post-employment benefits paid other than pension plan	(222)	(224)
Change in non-cash operating working capital		
Receivables and prepaid expenses	(8,782)	44,025
Accounts payable and accrued liabilities	(25,110)	(21,035)
	(47,851)	19,449
Capital activities		
Purchase of capital assets	(4,164)	(3,099)
Investing activities		
Proceeds from maturity of investments	76,756	-
Purchase of investments	(72,348)	(10,085)
	4,408	(10,085)
Financing activities		
Amounts received related to capital assets	2,744	2,980
(Decrease) increase in cash during the year	(44,863)	9,245
Cash - Beginning of year	64,745	55,500
Cash - End of year	19,882	64,745

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

Cancer Care Ontario

Notes to Financial Statements
March 31, 2018

(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, 2018

(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, 2018

(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, 2018

(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

Cash includes $330 (2017 - $330), 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

	2018 $	2017 $
Guaranteed investment certificates, as follows:		
Redeemable on demand:		
Interest at 2.28%, maturing September 19, 2019	10,088	-
Interest at 1.95%, maturing November 4, 2019	10,079	-
Interest at 2.28%, maturing September 20, 2019	6,005	-
Interest at 1.75%, maturing September 5, 2017	-	44,861
Interest at 1.75%, maturing October 2, 2017	-	10,830
Interest at 1.75%, maturing November 3, 2017	-	10,450
Non-Redeemable:		
Interest at 1.75%, maturing September 5, 2018	45,646	-
Interest at 1.60%, maturing March 19, 2018	-	10,085
	71,818	76,226

5 Receivables and prepaid expenses

	2018 $	2017 $
Accounts receivable	3,147	2,606
Due from MOHLTC	780	350
Prepaid expenses	9,924	2,113
	13,851	5,069

Cancer Care Ontario

Notes to Financial Statements
March 31, 2018

(in thousands of dollars)

6 Capital assets

			2018
	Cost $	Accumulated amortization $	Net book value $
Therapeutic and other technical equipment	2,996	2,976	20
Office furniture and equipment	6,914	6,177	737
Leasehold improvements	6,064	5,082	982
Land and building	1	-	1
Software	37,043	29,350	7,693
	53,018	43,585	9,433

			2017
	Cost $	Accumulated amortization $	Net book 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

The cost of capital assets include software under development of $6,208 (2017 - $3,464), leasehold improvements not yet available for use of $765 (2017 - $Nil), and office furniture not yet available for use of $414 (2017 - $Nil). 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 $1,251 (2017 - $4,130). The values represent the original cost.

7 Accounts payable and accrued liabilities

	2018 $	2017 $
Trade payables	-	38,738
Accrued liabilities	54,829	48,783
Payable to MOHLTC	17,891	10,206
Payable to other funders	1	104
Pension escrow (note 3)	330	330
	73,051	98,161

Cancer Care Ontario

Notes to Financial Statements
March 31, 2018

(in thousands of dollars)

8 Deferred contributions related to capital assets

The changes in the deferred contributions related to capital assets balance for the year are as follows:

	2018 $	2017 $
Balance - beginning of year	5,989	4,277
Amounts received related to capital assets	2,744	2,980
Amounts recognized as revenue	(1,107)	(1,268)
Balance - end of year	7,626	5,989

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 $8,328 (2017 - $8,724) and are included in the pension expenses, which reflect all amounts owing for the year, in the statement of operations.

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 $222 (2017 - $224). The actuarial valuation for the post-employment benefits other than pension plan is dated March 31, 2017 and has been extrapolated to March 31, 2018.

Cancer Care Ontario

Notes to Financial Statements
March 31, 2018

(in thousands of dollars)

9 Pension benefits and post-employment benefits - continued

b) Post-employment benefits plan other than pension plan – continued

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

	2018 $	2017 $
Accrued benefit obligation	2,633	2,795
Unamortized actuarial losses	(289)	(367)
Post-employment benefits other than pension plan	2,344	2,428

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

	2018 $	2017 $
Post-employment benefits other than pension plan - opening balance	2,428	2,511
Expense related to post-retirement benefits	138	141
Funding contributions	(222)	(224)
Post-employment benefits other than pension plan - ending balance	2,344	2,428

	2018 $	2017 $
Interest cost	81	84
Amortization of experience losses	57	57
Total expense related to post-retirement benefits	138	141

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:

	2018	2017
Discount rate	3.00%	3.00%
Extended health care trend rate	6.00% in 2018 to 4.5% in 2023 and after	6.00% in 2017 to 4.5% in 2023 and after
Dental cost trend rates	3%	3%
Employee average remaining lifetime (years)	9.5	9.5

Cancer Care Ontario

Notes to Financial Statements

March 31, 2018

(in thousands of dollars)

10 Invested in capital assets

	2018 $	2017 $
Capital assets	9,433	6,867
Amounts financed by deferred capital contributions (note 8)	(7,626)	(5,989)
	1,807	878

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

	2018 $	2017 $
Purchase of capital assets	4,164	3,099
Capital funding	(2,744)	(2,980)
Amortization of deferred contributions related to capital assets	1,107	1,268
Amortization of capital assets	(1,598)	(2,279)
	929	(892)

11 Other revenue

	2018 $	2017 $
General Fund		
Public Health Ontario	2,720	2,353
Canadian Partnership Against Cancer	-	1,231
Other income	1,442	1,713
	4,162	5,297
Restricted Fund		
Grants	2,175	1,396

12 Investment income

Investment income earned on the Endowment Fund resources in the amount of $1 (2017 - $1) is included in the Restricted Fund.

Cancer Care Ontario

Notes to Financial Statements

March 31, 2018

(in thousands of dollars)

13 Other operating expenses

	2018 $	2017 $
Restricted Fund	162	237
General Fund		
Equipment	7,590	7,492
General office	1,480	1,385
Occupancy costs	6,240	5,213
Education and publications	2,225	2,209
Consulting services	1,637	1,968
Travel	1,634	1,610
Professional fees	175	176
Other expenses	227	312
	21,208	20,365

14 Interfund transfers

	2018 $	2017 $
Transfer to the General Fund from the Internally Restricted Fund	-	5
Transfer to the General Fund from the Externally Restricted Fund	28	-
	28	5

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:

	$
2019	9,487
2020	9,268
2021	7,076
2022	5,841
2023	2,723
	34,395

Cancer Care Ontario

Notes to Financial Statements
March 31, 2018

(in thousands of dollars)

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.

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.

Cancer Care Ontario

Notes to Financial Statements
March 31, 2018

(in thousands of dollars)

17 Guarantees - continued

b) Other indemnification agreements - continued

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.

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	3,009	94	16	28	3,147
Due from MOHLTC	-	-	780	-	780
Amount receivable	3,009	94	796	28	3,927

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

Cancer Care Ontario

Notes to Financial Statements

March 31, 2018

(in thousands of dollars)

18 Financial instruments - continued

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 $
Accrued liabilities	54,485	127	88	129	54,829
Payable to MOHLTC	17,891	-	-	-	17,891
Payable to other funders	1	-	-	-	1
Pension escrow	-	-	-	330	330
Amount payable	72,377	127	88	459	73,051

ONTARIO SCIENCE CENTRE | CENTRE DES SCIENCES DE L'ONTARIO

June 26, 2018

Management's Responsibility for Financial Information

Management and the Board of Trustees of The Centennial Centre of Science and Technology (the Centre) 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 Centre is dedicated to the highest standards of integrity in its business. To safeguard assets, the Centre 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 Centre, 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 Officer

770 Don Mills Road, Toronto
Ontario, Canada M3C 1T3

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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, 2018, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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, 2018 and the results of its operations, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Toronto, Ontario
June 26, 2018

Susan Klein, CPA, CA, LPA
Assistant Auditor General

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The Centennial Centre of Science and Technology
Statement of Financial Position
As at March 31, 2018

	2018 ($ 000)	2017 ($ 000)
ASSETS		
Current		
Cash	13,674	11,793
Cash - Internally Restricted Reserve Fund (Note 6)	3,047	3,000
Accounts receivable (Note 4(B))	940	532
Prepaid expenses	603	813
Inventory of general stores	107	100
	18,371	16,238
Capital Assets (Note 8)	9,417	10,150
	27,788	26,388
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities	2,041	2,276
Deferred revenue	4,382	3,523
Due to Ontario Infrastructure and Lands Corporation	2,186	1,888
Due to the Province of Ontario	1,209	1,214
	9,818	8,901
Long-Term Liabilities		
Accrued legislated employee benefit obligation (Note 13(C))	2,821	3,056
Deferred Capital Contributions (Note 9)	8,326	8,761
	11,147	11,817
	20,965	20,718
Net Assets		
Invested in capital assets (Note 10)	1,091	1,389
Accumulated surplus	2,685	1,281
Internally Restricted Reserve Fund (Note 6)	3,047	3,000
	6,823	5,670
	27,788	26,388

Commitments and Contingencies (Note 15)

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, 2018

	2018 ($ 000)	2017 ($ 000)
Revenue		
Province of Ontario		
Operating grant	15,476	15,476
Occupancy grant (Note 15(A))	3,888	3,888
Other grants	722	299
General Admission and Parking Fees	5,556	5,110
Revenue from Ancillary Operations (Schedule 1)	11,422	11,389
	37,064	36,162
Expenses		
General Operations		
Exhibits and Programs	2,556	2,706
Marketing and Advertising	1,755	2,144
Visitor Services	3,291	3,235
Facility Operations	5,261	5,142
Program Management	3,464	3,518
Administration	3,916	3,569
Occupancy Costs (Note 15(A))	5,474	5,347
Expenses from Ancillary Operations (Schedule 1)	9,172	8,458
	34,889	34,119
Income before amortization	2,175	2,043
Less:		
Amortization of Deferred Capital Contributions (Note 9)	1,699	1,840
Amortization Expense	(2,721)	(3,039)
	(1,022)	(1,199)
Net income for the year	1,153	844

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, 2018

	2018 ($ 000)				2017 ($ 000)
	Internally Restricted Reserve Fund (Note 6 (J))	Invested in Capital Assets	Accumulated Surplus from Operations	Total	Total
Balance, beginning of year	3,000	1,389	1,281	5,670	4,826
Investment in capital assets		724	(724)	-	-
Transfer to Internally restricted reserve fund	47	-	(47)	-	-
Net income (loss) for the year	-	(1,022)	2,175	1,153	844
Balance, end of year	3,047	1,091	2,685	6,823	5,670

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, 2018

	2018 ($ 000)	2017 ($ 000)
Cash Flows from Operating Activities		
Net income for the year	1,153	844
Adjustments for items not requiring an outlay of cash		
• Amortization of capital assets	2,721	3,039
• Amortization of deferred capital contributions	(1,699)	(1,840)
• Gain on accrued employee benefit obligation	(5)	(35)
	2,170	2,008
Changes in non-cash working capital (Note 7)	712	1,773
Reduction of accrued employee benefit obligation	(235)	(181)
Curtailment of accrued employee benefit obligation	5	35
	482	1,627
Net cash provided by operating activities	2,652	3,635
Cash Flows used in Capital Activities		
Capital Assets acquisitions	(1,988)	(1,234)
Cash Flows from Financing Activities		
Loan repayment – Ontario Financing Authority	-	(500)
Deferred capital contributions	1,264	1,706
Net cash generated from financing activities	1,264	1,206
Net change in cash for the year	1,928	3,607
Cash, beginning of year	14,793	11,186
Cash, end of year	16,721	14,793

	2018 ($ 000)	2017 ($ 000)
Cash Consists of:		
Cash	13,674	11,793
Cash - Internally Restricted Reserve Fund	3,047	3,000
	16,721	14,793

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, 2018

Schedule 1

	2018 ($ 000)			2017 ($ 000)		
	Revenue	Expenses	Net	Revenue	Expenses	Net
OMNIMAX® Theatre	1,248	1,214	34	1,278	1,395	(117)
International Sales and Rentals (Note 5)	1,268	1,203	65	2,227	1,872	355
Educational Programs & Admission	1,284	2,173	(889)	1,281	1,928	(647)
Recreation & Family Learning Experiences	1,199	871	328	1,201	854	347
Memberships	1,919	497	1,422	2,247	539	1,708
Ontario 150	420	805	(385)	-	-	-
Concessions	360	100	260	163	120	43
Interest	287	-	287	161	-	161
Adult & Corporate Learning Experiences	470	335	135	484	269	215
Development (Note 16)	3,510	1,616	1,894	2,579	1,274	1,305
Program Support and Other Revenue	144	136	8	67	18	49
Bank & Service Fees	-	222	(222)	-	189	(189)
	12,109	9,172	2,937	11,688	8,458	3,230
Less: Provincial Programs	(687)	-	(687)	(299)	-	(299)
Totals	11,422	9,172	2,250	11,389	8,458	2,931

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

The Centennial Centre of Science and Technology

Notes to Financial Statements
March 31, 2018

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 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 restricted operating grants from the Province which are recognized in revenue in the year the related expenses are incurred.

Provincial grants restricted for the purchase of capital assets are deferred and amortized into revenue over the same period as the related asset.

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.

Membership fees are deferred and recognized as revenue over the term covered by the fees.

Donations are recognized when funds are received. Sponsorship revenue is recognized over the term of the agreement.

The Centennial Centre of Science and Technology
Notes to Financial Statements
March 31, 2018

3. Significant Accounting Policies (Continued)

(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.

(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. 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 15(A).

(F) INVENTORY

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

The Centennial Centre of Science and Technology

Notes to Financial Statements
March 31, 2018

3. Significant Accounting Policies (Continued)

(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.

(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) GOVERNMENT PARTNERSHIP

The Centre uses the proportionate consolidation method to account for its interest in a government partnership.

4. Cash Availability and Risks Related to Financial Instruments

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

(A) CASH AVAILABILITY AND LIQUIDITY RISK

The Centre has unrestricted cash of $13,674,000 (2017 - $11,793,000) to settle current liabilities of $9,818,000 and a legislated employee benefit obligation of $2,821,000 totaling $12,639,000 (2017 - $11,957,000) leaving a cash balance (deficit) for operations of $1,035,000 (2017 - ($164,000)). During the year, due to the seasonal nature of the business, cash balances fluctuate requiring a modest cash balance to meet ongoing payroll and other supplier obligations.

(B) 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.

The Centennial Centre of Science and Technology

Notes to Financial Statements
March 31, 2018

4. Cash Availability and Risks Related to Financial Instruments (Continued)

Below the accounts receivable aging is summarized:

	Current	+60 Days	+90 Days	($ 000) Total
General Accounts Receivable	674	-	-	674
Admissions	78	-	-	78
Facility Rental	11	-	-	11
International Sales	160	-	17	177
Totals	923	-	17	940

(C) CURRENCY RISK

The Centre realizes approximately 6.1% (2017, 4.35%) 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.

5. Government Partnership

Capital assets include the Centre's partnership interest in rental exhibits of $1,269,000 (2017 - $710,000). The exhibits are managed by another government agency. The Centre recognized $118,000 (2017 - $34,000) of revenue in International Sales and Rentals in Schedule 1 as a result of this partnership.

6. Internally Restricted Reserve Fund

During the year, the Board approved an increase to the internally restricted reserve fund of $47,000 (2017-$3,000,000) from accumulated surplus. The reserve fund was established to provide funding for various capital and operating projects at the Centre.

7. Change in Non-cash Working Capital

Cash provided by (used in):	**2018 ($ 000)**	**2017 ($000)**
Decrease (increase) in accounts receivable	(408)	821
Decrease (increase) in prepaid expenses	210	157
Decrease (increase) in inventory	(7)	6
Increase (decrease) in accounts payable and accrued liabilities	(235)	(11)
Increase (decrease) in deferred revenue	859	(509)
Increase (decrease) in Due to Ontario Infrastructure and Lands Corporation	298	1019
Increase (decrease) in Due to the Province of Ontario	(5)	290
	712	1,773

The Centennial Centre of Science and Technology

Notes to Financial Statements
March 31, 2018

8. Capital Assets

Capital assets consist of the following:

	2018 ($ 000)			2017 ($ 000)
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Leasehold Improvements	35,798	32,706	3,092	3,346
Exhibits	28,528	24,318	4,210	5,056
OMNIMAX® Theatre Leasehold Improvements	15,331	15,331	-	-
Exhibits – Rentals	2,457	1,472	985	586
Furniture, Fixtures and Equipment	2,409	1,665	744	612
Computers	2,865	2,479	386	550
Total	87,388	77,971	9,417	10,150

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

	2018 ($ 000)	2017 ($ 000)
Leasehold Improvements	96	22
Exhibits – Rentals	558	-
Furniture, Fixtures and Equipment	-	3
Computers	-	168
Total	654	193

9. Deferred Capital Contributions

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

	2018 ($ 000)	2017 ($000)
Balance, beginning of year	8,761	8,895
Net additions/transfers during year	1,264	1,706
Amortization of deferred capital contributions	(1,699)	(1,840)
	8,326	8,761

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

	2018 ($ 000)	2017 ($ 000)
Agents of Change Project	-	440
Health and Safety Initiatives	7,287	7,105
Exhibits	1,039	1,216
	8,326	8,761

The Centennial Centre of Science and Technology

Notes to Financial Statements
March 31, 2018

10. Invested in Capital Assets

Invested in capital assets represents the following:

	2018 ($ 000)	2017 ($ 000)
Capital assets, net	9,417	10,150
Less amount financed by deferred capital contributions	(8,326)	(8,761)
	1,091	1,389

11. 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.

12. Economic Dependence

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

13. 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 $1,333,941 for the current year (2017-$1,300,042), is included in salaries and employee benefit costs allocated to various expense categories in the Statement of Operations. See also note 14.

(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 LEGISLATED EMPLOYEE BENEFIT OBLIGATION

The accrued legislated employee benefit obligation includes accrued severance entitlements. The total costs for the year amount to $80,000 (2017-$208,000) and are included in salaries and benefits, disclosed in note 14. During the year, the accrued legislated employee benefits obligation was reduced by $5,000 (2017-$35,000) due to a curtailment resulting from changes commencing in 2016 under the *Public Service of Ontario Act*.

The Centennial Centre of Science and Technology

Notes to Financial Statements
March 31, 2018

14. Breakdown of Expenses

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

	2018 ($ 000)	2017 ($ 000)
Salaries and Benefits	19,953	19,780
Other Direct Operating Expenses	14,936	14,339
	34,889	34,119

15. Commitments and Contingencies

(A) OCCUPANCY COSTS

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 $4,764,000. 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 entered into contracts for various promotional, maintenance and utility services spanning several years.

Total committed costs relating to these contracts for the next five fiscal years are as follows:

	($ 000)
2018/19	4,429
2019/20	1,778
2020/21	1,297
2021/22	240
2022/23	31
	7,775

The Centennial Centre of Science and Technology

Notes to Financial Statements
March 31, 2018

16. Development Revenue

The Centre is active in obtaining sponsorships and donations from the private sector to support new projects, experiences and operations. Development revenue and expenses for the year include a long-term sponsorship for the Agents of Change Project. Amounts pledged and agreed to but not yet received (including $485,000 for the Agents of Change Project) have not been recognized as revenue, deferred revenue or deferred capital contributions as of March 31, 2018 and are as follows:

	($ 000)
2018/19	1,060
2019/20	350
2020/21	100
	1,510

17. Comparative Figures

Certain comparative figures have been reclassified to conform to the 2018 presentation.

Education Quality and Accountability Office
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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, 2018, 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, 2018.

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

These financial statements have been examined by KPMG LLP, a firm of independent external auditors appointed by 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,

Norah Marsh	Tony Saini
Chief Executive Officer	Director, Corporate and Public Affairs

Toronto, Canada
June 8, 2018

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, 2018, 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, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

June 6, 2018
Vaughan, Canada

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Statement of Financial Position

March 31, 2018, with comparative information for 2017

	2018	2017
Financial Assets		
Cash	$ 1,590,434	$ 1,057,123
Cash - board restricted fund (note 2(b))	6,969,154	6,602,318
Accounts receivable (note 3)	1,974,320	645,151
Tangible capital assets held for resale (note 5)	250,000	–
	10,783,908	8,304,592
Financial Liabilities		
Accounts payable and accrued liabilities	3,241,441	2,160,863
Net financial assets	7,542,467	6,143,729
Non-Financial Assets		
Prepaid expenses (note 4)	613,190	1,010,291
Tangible capital assets (note 5)	884,460	671,878
	1,497,650	1,682,169
Commitments (note 6)		
Accumulated surplus (note 2)	$ 9,040,117	$ 7,825,898

See accompanying notes to financial statements.

On behalf of the Board:

Dave Cooke ______________________ Chairman

N. Marsh ______________________ Chief Executive Officer

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Statement of Operations and Accumulated Surplus

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

	2018 Budget (note 10)	2018 Actual	2017 Actual
Revenue:			
Ministry of Education:			
Base allocation payments	$ 31,719,961	$ 32,431,323	$ 31,443,684
Other	–	423,234	593,090
	31,719,961	32,854,557	32,036,774
Expenses:			
Service and rental	16,059,395	16,225,420	18,638,971
Salaries and wages	12,581,469	12,387,720	11,998,134
Transportation and communication	2,377,493	2,335,037	1,830,026
Supplies and equipment	701,604	692,161	2,565,081
	31,719,961	31,640,338	35,032,212
Annual surplus (deficit)	–	1,214,219	(2,995,438)
Accumulated surplus, beginning of year	7,825,898	7,825,898	10,821,336
Accumulated surplus, end of year	$ 7,825,898	$ 9,040,117	$ 7,825,898
Accumulated surplus comprises:			
Externally restricted		$ 2,070,963	$ 1,223,580
Internally restricted (note 2(b))		6,969,154	6,602,318
		$ 9,040,117	$ 7,825,898

See accompanying notes to financial statements.

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Statement of Changes in Net Financial Assets

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

	2018 Budget (note 10)	2018 Actual	2017 Actual
Annual surplus (deficit)	$ –	$ 1,214,219	$ (2,995,438)
Acquisition of tangible capital assets	–	(530,957)	(192,668)
Amortization and impairment of tangible capital assets (note 5)	363,268	318,375	2,209,235
	363,268	(212,582)	2,016,567
Acquisition of prepaid expenses	–	(613,190)	(1,010,291)
Use of prepaid expenses	–	1,010,291	1,299,480
	–	397,101	289,189
Increase (decrease) in net financial assets	363,268	1,398,738	(689,682)
Net financial assets, beginning of year	6,143,729	6,143,729	6,833,411
Net financial assets, end of year	$ 6,506,997	$ 7,542,467	$ 6,143,729

See accompanying notes to financial statements.

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Statement of Cash Flows

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

	2018	2017
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	$ 1,214,219	$ (2,995,438)
Items not involving cash:		
Amortization and impairment of tangible capital assets (note 5)	318,375	2,209,235
	1,532,594	(786,203)
Change in non-cash operating working capital:		
Accounts receivable	(1,329,169)	13,294
Tangible capital assets held for resale	(250,000)	–
Accounts payable and accrued liabilities	1,080,578	(259,832)
Prepaid expenses	397,101	289,189
	1,431,104	(743,552)
Capital activities:		
Acquisition of tangible capital assets	(530,957)	(192,668)
Investing activities:		
Change to board restricted fund	(366,836)	(540,046)
Increase (decrease) in cash	533,311	(1,476,266)
Cash, beginning of year	1,057,123	2,533,389
Cash, end of year	$ 1,590,434	$ 1,057,123

See accompanying notes to financial statements.

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Notes to Financial Statements

Year ended March 31, 2018

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

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.

(d) Newly adopted accounting standards:

(i) The Agency adopted Public Sector ("PS") 3210, Assets effective April 1, 2017. This standard provides a definition of assets and further expands that definition as it relates to control and includes some disclosure requirements related to economic resources that are not recorded as assets to provide the user with better information about the types of resources available to the public sector entity. The adoption of this standard as at April 1, 2017 did not have a material impact on the Agency's fiscal year 2018 financial statements.

(ii) The Agency adopted PS 3320, Contingent Assets effective April 1, 2017. This standard provides a definition of contingent assets and has two basis characteristics. It includes specific disclosure requirements for contingent assets when the occurrence of the confirming event is likely. The adoption of this standard as at April 1, 2017 did not have a material impact on the Agency's fiscal year 2018 financial statements.

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Notes to Financial Statements (continued)

Year ended March 31, 2018

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1. Significant accounting policies (continued):

(iii) The Agency adopted PS 3380, Contractual Rights effective April 1, 2017. This standard provides contractual rights to future assets and revenue. Information about a public sector entity's contractual rights should be disclosed in notes or schedules to the financial statements and should include descriptions about their nature and extent and the timing. The adoption of this standard as at April 1, 2017 did not have a material impact on the Agency's fiscal year 2018 financial statements.

(iv) The Agency adopted PS 2200, Related Party Disclosures effective April 1, 2017. This standard provides related party disclosures and defines related parties. Related parties could be either an entity or an individual. Related parties exist when one party has the ability to control or has shared control over another party. Individuals that are key management personnel or close family members may also be related parties. The adoption of this standard as at April 1, 2017 did not have a material impact on the Agency's fiscal year 2018 financial statements.

(v) The Agency adopted PS 3420, Inter-entity Transactions effective April 1, 2017. This standard provides measurement of related party transactions and includes a decision tree to support the standard. Transactions are recorded at carrying amounts with some exceptions. The adoption of this standard as at April 1, 2017 did not have a material impact on the Agency's fiscal year 2018 financial statements.

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.

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Notes to Financial Statements (continued)

Year ended March 31, 2018

2. Accumulated surplus (continued):

(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.

	2018	2017
Balance, beginning of year	$ 6,602,318	$ 6,062,272
Appropriation of other income	309,850	507,323
Interest income earned on funds	113,384	84,106
Cost associated with fee-based administration (note 8)	(56,398)	(51,383)
Balance, end of year	$ 6,969,154	$ 6,602,318

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 $1,891,740 (2017 - $297,446) 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:

	2018	2017
Prepaid expenses	$ 266,246	$ 351,841
Prepaid secondees	346,944	658,450
	$ 613,190	$ 1,010,291

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Notes to Financial Statements (continued)

Year ended March 31, 2018

5. Tangible capital assets:

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Computer equipment	$ 3,163,171	$ 2,383,279	$ 779,892	$ 584,054
Furniture and fixtures	433,759	329,191	104,568	87,824
	$ 3,596,930	$ 2,712,470	$ 884,460	$ 671,878

Amortization and impairment of tangible capital assets recorded in the current year amounts to $318,375 (2017 - $2,209,235).

As at March 31, 2018, the Agency approved plans to sell certain tangible capital assets (TCA); accordingly, the TCA of $250,000 (2017 - nil) has been reported as a financial asset in the statement of financial position.

6. Lease commitments:

The Agency leases premises under certain operating lease arrangements with expiry dates up to December 31, 2022. 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:

2019	$ 1,420,608
2020	1,228,190
2021	898,850
2022	898,850
2023	674,137
	$ 5,120,635

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Notes to Financial Statements (continued)

Year ended March 31, 2018

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.

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 2017.

10. Budget:

The budget information has been derived from the budget approved by the Board on August 24, 2017.

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June 21, 2018

Management and the Board of Directors are responsible for the accompanying financial statements. 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 judgment. Management is responsible for the accuracy, integrity and objectivity of these financial statements. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 21, 2018.

eHealth Ontario is dedicated to the highest standards of integrity in its business. To safeguard the agency's assets and assure the reliability of financial information, eHealth Ontario follows sound management practices and procedures, and maintains appropriate financial reporting systems and controls.

The Board of Directors ensures 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 have been reviewed by eHealth Ontario's Finance and Audit Committee and approved by the Board of Directors.

The financial statements have been examined by Ernst & Young LLP, independent external auditors appointed by the Board of Directors. The external auditors' responsibility is to examine the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express their 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.

On behalf of management,

Karen McKibbin
Chief Executive Officer

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, 2018, and the statements of operations and changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

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

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
June 21, 2018

eHealth Ontario

Statement of financial position

[in thousands of dollars]

As at March 31

	2018 $	2017 $
Assets		
Current		
Cash	**18,612**	8,026
Prepaid expenses	**11,878**	12,710
Due from Ministry of Health and Long-Term Care *[note 3[b]]*	**2,714**	18,358
HST and other receivables *[note 6]*	**1,738**	4,558
Total current assets	**34,942**	43,652
Capital assets, net *[note 4]*	**79,645**	90,508
Prepaid expenses	**453**	1,463
	115,040	135,623
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities *[notes 6 and 7[e]]*	**35,395**	45,115
Total current liabilities	**35,395**	45,115
Deferred capital contributions *[note 5]*	**79,645**	90,508
Total liabilities	**115,040**	135,623
Commitments and contingencies *[note 7]*		
Net assets *[note 1]*	**—**	—
	115,040	135,623

See accompanying notes

On behalf of the Board:

Karen McKibbin
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

	2018	2017
	$	$
Revenue		
Government grants *[note 3[a]]*	**255,799**	264,733
Amortization of deferred capital contributions *[note 5]*	**26,906**	25,312
	282,705	290,045
Expenses *[notes 6, 8 and 9]*		
Technology and operations	**162,955**	160,228
Enterprise planning and reporting	**65,961**	76,321
Architecture, standards and planning	**9,560**	9,332
Corporate offices	**17,323**	18,852
	255,799	264,733
Amortization of capital assets *[note 4]*	**26,906**	25,312
	282,705	290,045
Excess of revenue over expenses for the year *[note 1]*	**—**	—
Net assets, beginning of year	**—**	—
Net assets, end of year	**—**	—

See accompanying notes

eHealth Ontario

Statement of cash flows

[in thousands of dollars]

Year ended March 31

	2018 $	2017 $
Operating activities		
Excess of revenue over expenses for the year	**—**	—
Add (deduct) items not involving cash		
Amortization of deferred capital contributions	**(26,906)**	(25,312)
Amortization of capital assets	**26,906**	25,312
	—	—
Changes in non-cash working capital balances related to operations		
Prepaid expenses	**1,842**	(1,586)
Due from Ministry of Health and Long-Term Care	**15,644**	36,299
HST and other receivables	**2,820**	(2,298)
Accounts payable and accrued liabilities *[note 10]*	**(9,884)**	(30,465)
Cash provided by operating activities	**10,422**	1,950
Capital activities		
Purchase of capital assets *[note 10]*	**(15,879)**	(32,721)
Cash used in capital activities	**(15,879)**	(32,721)
Financing activities		
Contributions used to fund capital asset purchases	**16,043**	34,840
Cash provided by financing activities	**16,043**	34,840
Net increase in cash during the year	**10,586**	4,069
Cash, beginning of year	**8,026**	3,957
Cash, end of year	**18,612**	8,026

See accompanying notes

eHealth Ontario

Notes to financial statements

[in thousands of dollars]

March 31, 2018

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 which was in effect from April 1, 2015 until March 31, 2018. A new Accountability Agreement was signed and will be in effect from April 1, 2018 until terminated by either the Ministry or eHealth Ontario. 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 Accounting 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, 2018

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.

New accounting standards

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

eHealth Ontario

Notes to financial statements

[in thousands of dollars]

March 31, 2018

3. Government of Ontario

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

	2018	**2017**
	$	$
Funding for eHealth Ontario operating/capital expenditures	**215,524**	228,090
Funding for transfer payments to eHealth Ontario partners	**54,204**	63,760
Total funding	**269,728**	291,850
Amounts used to fund capital assets and recorded as deferred capital contributions *[note 5]*	**(16,043)**	(34,840)
Interest earned during the year repayable to the Ministry	**237**	161
Funding receivable from the Ministry *[note 3[b]]*	**1,877**	7,562
Amount recognized as revenue	**255,799**	264,733

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

	2018	**2017**
	$	$
Due from the Ministry for administered programs *[note 6[f]]*	**2,125**	12,445
Funding receivable – current year *[note 3[a]]*	**1,877**	7,562
Funding repayable – prior years	**(1,288)**	(1,649)
	2,714	18,358

eHealth Ontario

Notes to financial statements

[in thousands of dollars]

March 31, 2018

4. Capital assets

	2018		
	Cost	**Accumulated amortization**	**Net book value**
	$	$	$
Computer hardware	**102,346**	**68,331**	**34,015**
Computer software	**141,760**	**99,144**	**42,616**
Furniture and office equipment	**7,231**	**6,651**	**580**
Leasehold improvements	**6,475**	**5,534**	**941**
Work-in-process	**1,493**	**—**	**1,493**
	259,305	**179,660**	**79,645**

	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

In the current year, certain assets no longer in use with a total cost of $9,482 [2017 – $264], accumulated amortization of $9,478 [2017 – $261] and a net book value of $4 [2017 – $3] were written off and included in amortization of capital assets.

No impairment charges to write down projects were recognized in the current year [2017 – $711 included in amortization of capital assets].

5. Deferred capital contributions

	2018	**2017**
	$	$
Balance, beginning of year	**90,508**	80,980
Contributions used to fund capital asset purchases *[note 3[a]]*	**16,043**	34,840
Amortization	**(26,906)**	(25,312)
Balance, end of year	**79,645**	90,508

eHealth Ontario

Notes to financial statements

[in thousands of dollars]

March 31, 2018

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 party hospitals:

	2018 $	2017 $
Enterprise planning and reporting expenses	**40,621**	51,452
Technology and operations expenses	**—**	70
	40,621	51,522

At March 31, 2018, accounts payable and accrued liabilities include $835 [2017 – nil] payable to related parties and HST and other receivables includes $136 [2017 – $1,113] 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. Enterprise planning and reporting expenses include $1,860 [2017 – $1,389 was in technology and operations expenses] in connection with this agreement. At March 31, 2018, accounts payable and accrued liabilities includes $457 [2017 – $488] payable to the hospital.

[c] During the year, Hydro One charged eHealth Ontario $23,332 [2017 – $30,174] for network services. This amount is included in technology and operations expenses. At March 31, 2018, accounts payable and accrued liabilities includes $3,327 [2017 – $1,911] payable to Hydro One.

eHealth Ontario

Notes to financial statements

[in thousands of dollars]

March 31, 2018

[d] Technology and operations expenses include $2,192 [2017 – $2,614] and corporate offices expenses include nil [2017 – $12] for the rental of office space and other facility related expenses from the Ministry of Government Services. Corporate offices expenses also include $5,494 [2017 – $5,342] for the rental of office space and other facility related expenses from Infrastructure Ontario. At March 31, 2018, accounts payable and accrued liabilities include $570 [2017 – $1,314] and $495 [2017 – $2,947] payable to the Ministry of Government Services and Infrastructure Ontario, respectively.

[e] Technology and operations expenses include $738 [2017 – $412] and corporate offices expenses include $305 [2017 – $177] 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, the Ministry of the Attorney General and other hospitals and health care organizations. At March 31, 2018, accounts payable and accrued liabilities include $659 [2017 – $448] in respect of these services.

[f] During the year, eHealth Ontario spent $10,262 [2017 – $12,566] 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 $288 [2017 – $294] to develop prototypes and proof of concepts for eHealth Ontario's electronic health record infrastructure. Of these costs, $170 [2017 – $294] is included in architecture, standards and planning expenses and $118 [2017 – nil] of these costs are included in technology and operations expenses. At March 31, 2018, accounts payable and accrued liabilities include $237 [2017 – $184].

[h] During the year, an Ontario hospital transferred its interest in certain software and hardware to eHealth Ontario for no consideration. These assets have been recognized in the financial statements at nominal value as their fair value at the date of transfer could not be reasonably determined. The assets transferred will be used by eHealth Ontario and its partners to access digital health records.

7. Commitments and contingencies

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

	$
2019	58,240
2020	41,348
2021	37,888
2022	23,520
2023 and thereafter	14,566
	175,562

Commitments above include $103,028 payable to Hydro One under a network services contract and $9,217 payable to the Ministry of Government Services for facility related costs.

eHealth Ontario

Notes to financial statements

[in thousands of dollars]

March 31, 2018

[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 and other occupancy costs. The payments required to the date of expiry are as follows:

	$
2019	5,740
2020	5,770
2021	5,770
2022	3,291
2023	2,066
2024 and thereafter	4,246
	26,883

[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 $38.5 million, of which $35.7 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 $37.9 million of total future payments is expected to be paid in fiscal 2019.

[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, 2018.

[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 $3,970 [2017 – $3,836].

eHealth Ontario

Notes to financial statements

[in thousands of dollars]

March 31, 2018

9. Board remuneration

Total remuneration paid to members of the Board of Directors during the year was $35 [2017 – $62]. 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, 2018 of $164 [2017 – $2,119] 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. At March 31, 2018, there were no significant amounts that are past due or impaired.

Liquidity risk

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

Accounts payable mature within six months.

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

Independent Auditor's Report

To the Financial Services Regulatory Authority of Ontario

I have audited the accompanying financial statements of the Financial Services Regulatory Authority of Ontario, which comprise the statement of financial position as at March 31, 2018, and the statements of operations and changes in net debt, and cash flows for the period from June 30, 2017 to March 31, 2018, 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 Financial Services Regulatory Authority of Ontario as at March 31, 2018 and the results of its operations and its cash flows for the period from June 30, 2017 to March 31, 2018 in accordance with Canadian public sector accounting standards.

Toronto, Ontario
June 12, 2018

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

Financial Services Regulatory Authority of Ontario

STATEMENT OF FINANCIAL POSITION

[in thousands of dollars]

As at March 31, 2018	Note(s)	$
ASSETS		
Current		
Cash		15,041
HST Recoverable		178
Accounts Receivable		6
Prepaid Expenses		39
Total Current Assets		**15,264**
Total Assets		**15,264**
LIABILITIES AND NET ASSETS		
Current		
Accounts Payable and Accrued Liabilities		633
Total Current Liabilities		**633**
Loan Payable	3 and 7	17,388
Interest Payable	3 and 7	29
Total Liabilities		**18,050**
Net Debt		**(2,786)**
Total Liabilities and Net Debt		**15,264**

See accompanying notes

On behalf of the Board of the Commission

Chair

Board Member

Financial Services Regulatory Authority of Ontario

STATEMENT OF OPERATIONS AND CHANGES IN NET DEBT

[in thousands of dollars]

For the period from June 30, 2017 (commencement of operations) to March 31, 2018	Note(s)	$
REVENUE	4	
Interest Income		23
EXPENSES		
Salaries and wages	5 and 7	580
Employee benefits	7	35
Services		
Consultants and advisors		1,646
Legal		247
Accommodation		215
Other		57
Total Services		2,165
Interest expense	3 and 7	29
		2,809
Deficiency of revenue over expenses		**2,786**
Net Debt, beginning of year		---
Net Debt, end of year		**2,786**

See accompanying notes

Financial Services Regulatory Authority of Ontario

STATEMENT OF CASH FLOWS

[in thousands of dollars]

For the period from June 30, 2017 (commencement of operations) to March 31, 2018	Note(s)	$
OPERATING ACTIVITIES		
Deficiency of revenue over expenses for the year		(2,786)
Changes in non-cash operating items		
Increase in prepaid expenses		(39)
Increase in HST receivable		(178)
Increase in accounts receivable		(6)
Increase in interest payable		29
Increase in accounts payable and accrued liabilities		633
Cash (used in) operating activities		**2,347**
FINANCING ACTIVITIES		
Loan advances	3	17,388
Cash provided by financing activities		**17,388**
Net increase in cash		**15,041**

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

1. DESCRIPTION OF THE ORGANIZATION

The Financial Services Regulatory Authority of Ontario [“FSRA”] was established under the Financial Services Regulatory Authority of Ontario Act, 2016 as a corporation without share capital. The FSRA’s mandate is to improve, through regulation, consumer and pension plan beneficiary protections in Ontario.

The FSRA was incorporated effective June 29, 2017. These financial statements include results of operations of the FSRA from June 30, 2017 (commencement of operations).

The fiscal year ending March 31, 2018 is the FSRA’s inaugural year of operation.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared by management of the FSRA in accordance with Public Sector Accounting Standards for government not-for-profit organizations (PSA-GNFPO) as issued by the Public Sector Accounting Board (PSAB). The significant accounting policies used to prepare these statements are summarized below.

(a) Revenue Recognition

Revenue recognition methods will be established once FSRA has developed and received Minister of Finance approval of its fee rules. The implementation of its fee rules is expected by April 1, 2019.

(b) Financial Instruments

All financial instruments are included on the statement of financial position and are measured either at fair value or at cost or amortized cost. The FSRA’s accounts receivable, accounts payable and accrued liabilities and loan payable are recorded at cost in its financial statements.

(c) Use of Estimates

Management can 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 period. Actual amounts could differ from these estimates. Significant items subject to estimates include accrued liabilities.

3. LOAN AGREEMENT

On August 29, 2017, the FSRA entered into a non-revolving Loan Agreement with Her Majesty the Queen in the right

Financial Services Regulatory Authority of Ontario

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

of Ontario as represented by the Minister of Finance to borrow up to $20 million for the purpose of covering initial administrative and operational costs related to its start-up activities.

The Loan Agreement permitted the FSRA to draw advances (Advance Period End Date) until March 31, 2018. All amounts plus interest drawn under the Loan Agreement are due on April 1, 2019 (Maturity Date), unless otherwise agreed to by both parties.

Interest expense on advances is calculated at the annual interest rate equal to the ninety-day Ontario Treasury Bill Rate as of each quarterly interest reset date, plus 0.25 percent. The average interest rate during the year was 1.39%.

On March 31, 2018, the Loan Agreement was amended (Amending Agreement) to:

- increase the amount of the non-revolving Loan Agreement up to $40 million,
- amend the Advance Period End Date to March 31, 2019,
- amend the Maturity Date to April 1, 2020, and
- acknowledge that amendments will be required to convert the non-revolving loan facility into a long-term loan facility.

There was no change in the basis of the interest expense calculation between the Agreements.

As at March 31, 2018, the FSRA borrowed $17.4 million. Interest expense amounted to $29,000.

4. REVENUE

Under the Financial Services Regulatory Authority of Ontario Act, 2016 (Act), the FSRA may make rules in respect of any matter over which the Act gives authority in respect of fees, sector assessments and other charges (Fees).

As at March 31, 2018, sections of the Act related to Fees, have received royal assent, but have not yet been proclaimed. Sections of the Act related to Fees are expected to be proclaimed when the FSRA becomes operational on April 1, 2019.

5. DIRECTOR'S REMUNERATION

The Agencies & Appointments Directive requires the disclosure of remuneration paid to directors. For the year ended March 31, 2018, director's remuneration amounted to approximately $350,000. The Board of Directors are part-time appointees and the amounts paid to the Directors are established in an Order in Council. During the year, the Board of Directors took a more active and direct senior role in the management of FSRA's activities as there was limited staff on hand to support the start-up activities.

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

6. FINANCIAL INSRUMENTS

Interest rate risk:

Financial assets and liabilities are not exposed to significant interest rate risk due to their short term nature.

Liquidity risk:

Exposure to liquidity risk is minimal as the FSRA has sufficient cash to settle all current liabilities.

7. RELATED PARTY TRANSACTIONS

(a) Metrolinx (an Ontario Crown Agency)

During the course of the year, the FSRA entered into a sub-lease agreement with Metrolinx.

The FSRA paid Metrolinx $215,000 related to rent and common area costs.

(b) The Province of Ontario

During the course of the year, the FSRA entered into the following transactions with the Province of Ontario:

(i) A $40 million Loan Agreement with the Ministry of Finance to cover initial administrative and operational costs. During the year, FSRA borrowed $17.4 million and incurred loan interest of $29,000.

(ii) Seconded employees from the Province to support its start-up activities. During the year, the FSRA reimbursed the Province $218,000 related to salary and benefit costs.

8. LEASE COMMITMENTS

FSRA has entered into an operating lease agreement for office space and is committed to operating lease payments of $201,000 to March 31, 2019.

9. SUBSEQUENT EVENT

Subsequent to the year end, the Minister of Infrastructure assigned the premise lease at 5160 Yonge Street in Toronto (currently occupied by the Financial Services Commission of Ontario (FSCO)) from Infrastructure Ontario to the FSRA, effective July 1, 2018. The lease assignment covers the period July 1, 2018 to March 31, 2019.

The FSRA will receive funding from the Minister of Finance to fully cover the cost of the FSCO premise lease. Lease payments for the assignment period, including operating expenses and taxes, are expected to amount to approximately $3,900,000.

FOREST RENEWAL TRUST

RBC Investor &
Treasury Services

July 20, 2018

Management's Responsibility for Financial Reporting

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

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

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

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

Michael Keel
Associate, Service Assurance, Client Operations*

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

KPMG

KPMG LLP
Bay Adelaide Centre
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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, 2018, 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.

KPMG

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, 2018, 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

July 20, 2018
Toronto, Canada

FOREST RENEWAL TRUST

Statement of Financial Position

March 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	$ 4,175,440	$ 2,722,958
Capital funding in transit (note 9)	2,380,191	–
Accrued investment income	588,874	604,605
Harmonized sales tax recoveries receivable	308,441	367,148
	7,452,946	3,694,711
Investments at fair value (notes 5 and 6)	117,551,650	124,051,433
	$ 125,004,596	$ 127,746,144
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 149,556	$ 144,422
Holdback on Forest Renewal disbursements	156,918	301,151
Due to Forestry Futures Trust (note 9)	663,434	590,504
	969,908	1,036,077
Net assets:		
Trust settlement	1	1
Net assets available for project disbursements	130,814,859	130,356,891
Accumulated remeasurement losses	(6,780,172)	(3,646,825)
	124,034,688	126,710,067
	$ 125,004,596	$ 127,746,144

See accompanying notes to financial statements.

On behalf of the Board:

Trustee

Ontario Minister of Natural Resources and Forestry

FOREST RENEWAL TRUST

Statement of Operations

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

	2018	2017
Investment income:		
Interest income (note 8)	$ 3,068,910	$ 3,097,252
Net realized gain (loss) on investments	(213,787)	737,930
	2,855,123	3,835,182
Expenses:		
Professional fees	393,993	423,672
Trustee and investment management fees (note 9)	302,298	277,121
Audit fee	87,521	78,544
Ontario Ministry of Natural Resources and Forestry fees	70,313	70,313
	854,125	849,650
Investment income over expenses	2,000,998	2,985,532
Forest Renewal capital funding transactions:		
Forest Renewal charges	49,826,206	53,668,281
Forest Renewal disbursements	(51,369,236)	(52,314,723)
Net Forest Renewal capital funding surplus (deficiency)	(1,543,030)	1,353,558
Surplus for the year	457,968	4,339,090
Net assets available for project disbursements, beginning of year	130,356,891	126,017,801
Net assets available for project disbursements, end of year	$ 130,814,859	$ 130,356,891

See accompanying notes to financial statements.

FOREST RENEWAL TRUST

Statement of Remeasurement Gains and Losses

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

	2018	2017
Accumulated remeasurement losses, beginning of year	$ (3,646,825)	$ (1,835,244)
Change in unrealized losses attributable to investments	(3,347,134)	(1,073,651)
Amounts reclassified to the statement of operations:		
Net realized loss (gain) on investments	213,787	(737,930)
Net remeasurement losses	(3,133,347)	(1,811,581)
Accumulated remeasurement losses, end of year	$ (6,780,172)	$ (3,646,825)

See accompanying notes to financial statements.

FOREST RENEWAL TRUST

Statement of Cash Flows

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

	2018	2017
Cash provided by (used in):		
Operating activities:		
Investment income over expenses	$ 2,000,998	$ 2,985,532
Item not involving cash:		
Net realized loss (gain) on investments	213,787	(737,930)
Change in non-cash operating working capital:		
Decrease in accrued investment income	15,731	210,014
Decrease in harmonized sales tax recoveries receivable	58,708	111,191
Increase (decrease) in accounts payable and accrued liabilities	5,134	(33,051)
Increase (decrease) in holdback on Forest Renewal disbursements	(144,233)	21,127
Increase in due to Forestry Futures Trust	72,930	312,047
	2,223,055	2,868,930
Capital activities:		
Capital receipts - Forest Renewal charges	47,446,015	53,668,281
Capital disbursements - Forest Renewal disbursements	(51,369,236)	(52,314,723)
	(3,923,221)	1,353,558
Investing activities:		
Purchase of investments	(96,381,675)	(133,090,482)
Net proceeds of investments sold	99,534,323	130,629,825
	3,152,648	(2,460,657)
Increase in cash and cash equivalents	1,452,482	1,761,831
Cash and cash equivalents, beginning of year	2,722,958	961,127
Cash and cash equivalents, end of year	$ 4,175,440	$ 2,722,958

See accompanying notes to financial statements.

FOREST RENEWAL TRUST

Notes to Financial Statements

Year ended March 31, 2018

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") (formerly known as "Montreal Trust Company of Canada") 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, 2014. 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 Minister of Finance who transfers funds to the Trustee, who, in turn, credits the payment to the specific forest management unit accounts in the Trust (note 10).

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, 2018

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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, 2018

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 capital receipts at that time or when they are in transit from the Ministry of Government and Consumer Services ("MGCS"). Since January 2018, funds received for renewal charges are initially deposited into a MGCS account and then transferred to the Trust. Reimbursements are considered capital disbursements when they are claimed from the Trustee, as directed by the Ministry.

Capital receipts in transit include Forest Renewal charges received by the Ministry of Government and Consumer Services before March 31, 2018, and were in transit to the Trust account.

FOREST RENEWAL TRUST

Notes to Financial Statements (continued)

Year ended March 31, 2018

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3. Significant accounting policies (continued):

(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.

(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.

FOREST RENEWAL TRUST

Notes to Financial Statements (continued)

Year ended March 31, 2018

3. Significant accounting policies (continued):

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

(a) Investments at fair value:

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

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

(b) Loans and receivables:

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

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

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

FOREST RENEWAL TRUST

Notes to Financial Statements (continued)

Year ended March 31, 2018

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3. Significant accounting policies (continued):

(ii) Financial liabilities:

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

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

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

4. Accounting changes

On April 1, 2017, the Trust adopted Canadian public sector accounting standards PS 2200, Related party disclosures, PS 3420, Inter-entity transactions, PS 3210, Assets, PS 3320, Contingent Assets, and PS 3380, Contractual rights.

PS 2200, Related party disclosures has been adopted by the Trust on a retroactive basis. The standard defines a related party and establishes disclosures required for related party transactions.

In accordance with the provisions of these new accounting standards, the Trust has reflected in note 9 the required disclosures.

The adoption of the remaining standards did not result in an accounting policy change for the Trust, and did not result in any adjustments to the financial statements as at April 1, 2017.

FOREST RENEWAL TRUST

Notes to Financial Statements (continued)

Year ended March 31, 2018

5. **Financial assets and liabilities:**

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

	2018	2017
Assets		
Designated at fair value upon initial recognition:		
Investment in:		
Canada treasury bills	$ 1,719,843	$ 1,522,994
Provincial treasury bills	5,213,056	8,308,181
Corporate discount notes under one year	4,584,072	7,637,713
Canada bonds	29,082,182	32,394,377
Provincial bonds	33,032,821	22,706,444
Corporate bonds and notes over one year	40,011,561	47,617,548
Pooled money market funds	3,908,115	3,864,176
	117,551,650	124,051,433
Cash and cash equivalents	4,175,440	2,722,958
Capital funding in transit	2,380,191	–
Accrued investment income	588,874	604,605
HST recoveries receivable	308,441	367,148
	7,452,946	3,694,711
Total assets	$ 125,004,596	$ 127,746,144
Liabilities		
Other liabilities:		
Accounts payable and accrued liabilities	$ 149,556	$ 144,422
Holdback on Forest Renewal disbursements	156,918	301,151
Due to Forestry Futures Trust	663,434	590,504
Total liabilities, excluding net assets available for project disbursements	$ 969,908	$ 1,036,077

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, 2018

6. 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:

2018	Level 1	Level 2	Total
Canada treasury bills and other discount notes	$ –	$ 11,516,971	$ 11,516,971
Bonds	–	102,126,564	102,126,564
Pooled money market funds	3,908,115	–	3,908,115
	$ 3,908,115	$ 113,643,535	$ 117,551,650

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

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, 2018

7. 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 2018 or 2017. The maximum credit risk exposure as at March 31, 2018 is $121,073,464 (2017 - $125,023,186), 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	2018	2017
AAA	32%	37%
AA	30%	28%
A	38%	34%
BBB	–	1%
	100%	100%

FOREST RENEWAL TRUST

Notes to Financial Statements (continued)

Year ended March 31, 2018

7. 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	2018	2017
R-1 (high)	32%	39%
R-1 (mid)	46%	61%
R-1 (low)	22%	–
	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 $4,801,015 as at March 31, 2018 (2017 - $4,869,439).

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 $390,812 at March 31, 2018 (2017 - $386,418).

FOREST RENEWAL TRUST

Notes to Financial Statements (continued)

Year ended March 31, 2018

7. 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:

2018	Less than 1 year	1 - 3 years	3 - 10 years	Greater than 10 years	Total
Canada treasury bills and other discount notes	$ 11,516,971	$ –	$ –	$ –	$ 11,516,971
Bonds	–	24,923,364	70,619,223	6,583,977	102,126,564
Pooled money market funds	3,908,115	–	–	–	3,908,115
	$ 15,425,086	$ 24,923,364	$ 70,619,223	$ 6,583,977	$ 117,551,650

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

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 1.1% to 4.5% (2017 - 0.4% to 8.2%). Interest earned is accrued on a daily basis.

FOREST RENEWAL TRUST

Notes to Financial Statements (continued)

Year ended March 31, 2018

7. Financial instruments and associated risks (continued):

(d) Fair values of financial instruments:

The fair values of the investments are as disclosed in note 6. 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, capital funding in transit, 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.

8. Interest income:

	2018	2017
Interest income from financial assets at fair value	$ 2,923,795	$ 2,968,214
Interest income from cash and cash equivalents	145,115	129,038
	$ 3,068,910	$ 3,097,252

9. Related party information:

The Trust is related to the Trustee, the Ministry of Natural Resources and Forestry and the Ministry of Government and Consumer Services in terms of economic interest. The Trust is related to Forestry Futures Trust in terms of common ownership.

The Trust enters into transactions with these entities in the normal course of business and on normal trade terms. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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%. Additional fees include fund administration and reporting for the management unit accounts and master trust, transaction charges and other charges. Total fees paid to the Trustee were $158,511 (2017 - $158,517).

FOREST RENEWAL TRUST

Notes to Financial Statements (continued)

Year ended March 31, 2018

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9. Related party information (continued):

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 (2017 - $70,313).

As at March 31, 2018, $663,434 (2017 - $590,504) was payable to Forestry Futures Trust.

The Ministry of Government and Consumer Services receives silviculture charges on behalf of the Ministry of Natural Resources and Forestry, which are subsequently transferred into the Trust. As at March 31, 2018, $2,380,191 of capital funding was in transit from the Ministry of Government and Consumer Services.

10. Capital management:

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

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

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

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

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.

10. Capital management (continued):

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 25, 2018

Independent Auditor's Report

To the Minister of the
Ministry of Infrastructure General Real Estate Portfolio

We have audited the accompanying financial statements of the Ministry of Infrastructure General Real Estate Portfolio (GREP), which comprise the statement of financial position as at March 31, 2018 and the statement 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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Ministry of Infrastructure GREP as at March 31, 2018 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, Licensed Public Accountants

MINISTRY OF INFRASTRUCTURE
GENERAL REAL ESTATE PORTFOLIO
STATEMENT OF FINANCIAL POSITION
As at March 31, 2018 and March 31, 2017
(in thousands of dollars)

	March 31, 2018	March 31, 2017
Financial assets		
Cash (Note 3)	**$ 408,772**	$ 234,205
Trade and other receivables (Note 4)	**109,528**	93,786
AFP receivables	**955,349**	967,646
AFP Receivables under capital leases (Note 5)	**356,337**	364,978
Due from related party (Note 6)	**82**	12,066
Project receivables (Note 7)	**49,619**	30,050
Assets held for sale (Note 8)	**1,901**	2,144
	1,881,588	1,704,875
Liabilities		
Accounts payable and other liabilities	**184,054**	156,329
Liability for contaminated sites (Note 9)	**130,774**	132,235
AFP liabilities	**955,349**	967,646
Customers' deposits	**23,292**	800
AFP Capital lease obligations (Note 5)	**356,337**	364,978
Due to related party (Note 6)	**167,584**	78
	1,817,390	1,622,066
Net financial assets	**64,198**	82,809
Non-financial assets		
Tangible capital assets (Note 10)	**5,447,690**	5,508,642
Prepaids, deposits and other assets	**3,412**	3,988
	5,451,102	5,512,630
Accumulated surplus	**$ 5,515,300**	$ 5,595,439

Contractual rights (Note 13)
Commitments (Note 14)
Contingent liabilities (Note 15)

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, 2018 and 2017
(in thousands of dollars)

	For the years ended		
	March 31, 2018 Budget	**March 31, 2018 Actual**	March 31, 2017 Actual
Revenue			
Rent (Notes 6, 11)	$ 858,145	**$ 874,163**	$ 851,015
Ministry project cost recoveries (Notes 6, 12)	247,838	**224,334**	172,058
Portfolio rationalization cost recoveries (Note 6)	19,616	**16,607**	18,350
Interest income	1,627	**2,683**	1,824
	1,127,226	**1,117,787**	1,043,247
Operating expenses			
Facilities (Notes 6, 11)	683,141	**688,083**	645,067
Capital repair program expenses (note 6)	65,550	**100,213**	85,453
Ministry project recoverable costs (Notes 6, 12)	247,838	**223,733**	171,898
Portfolio rationalization costs (Note 6)	19,616	**16,607**	18,189
General and administration	1,256	**517**	918
Interest	92,222	**92,222**	93,551
	1,109,623	**1,121,375**	1,015,076
Adjustment to liability for contaminated sites (Note 9)	94	**(2,857)**	(527)
Gain on sale of tangible capital assets (Note 10)	160,000	**152,377**	1,281
Gain on sale of assets held for sale (Note 8)	15,640	**11,688**	9,351
Easements and license revenue (Note 10)	-	**7,028**	17,101
	175,640	**171,093**	27,733
Operating surplus before amortization of tangible capital assets and government transfers	193,337	**164,648**	55,377
Amortization of tangible capital assets	(220,711)	**(225,581)**	(215,367)
Write-down of tangible capital assets	(1,415)	**(5,598)**	(8,093)
Deficit before Government Transfers	(28,789)	**(66,531)**	(168,083)
Government Transfers			
Funding for capital repair program	68,313	**68,313**	68,313
Asset additions transferred in from ministries	92,359	**164,045**	93,574
AFP asset additions transferred in from ministries	-	**4,893**	1,691
Other capital transfers	1,268	**2,674**	1,343
Funding for remediation of contaminated sites	8,896	**4,318**	4,579
	170,836	**244,243**	169,500
Pan Am accommodation buildings transfer to PPAGS	-	**-**	(156,363)
Assets transfers to ministries	(18,471)	**(35,878)**	(12,275)
Realty sales revenue distribution to the Province	(208,110)	**(197,798)**	(31,960)
Private sector rent and interest distribution to the Province	(21,210)	**(24,175)**	(24,167)
	(247,791)	**(257,851)**	(224,765)
Deficit	$ (105,744)	**$ (80,139)**	$ (223,348)

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, 2018 and 2017
(in thousands of dollars)

	March 31, 2018 Actual	March 31, 2017 Actual
Accumulated surplus, beginning of the year	**$ 5,595,439**	$ 5,818,787
Deficit	**(80,139)**	(223,348)
Accumulated surplus, end of the year	**$ 5,515,300**	$ 5,595,439

MINISTRY OF INFRASTRUCTURE
GENERAL REAL ESTATE PORTFOLIO
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
For the years ended March 31, 2018 and March 31, 2017
(in thousands of dollars)

	March 31, 2018 Actual	March 31, 2017 Actual
Deficit for the year	$ **(80,139)**	$ (223,348)
Acquisition of tangible capital assets	**(232,567)**	(181,337)
Transfer of tangible capital assets from held for sale	**(57)**	(3,274)
Amortization of tangible capital assets	**225,581**	215,367
Gain on sale of tangible capital assets	**(152,377)**	(1,281)
Proceeds on sale of tangible capital assets	**178,896**	1,403
Transfer of tangible capital assets to ministries	**35,878**	168,638
Write-down of tangible capital assets	**5,598**	8,093
	(19,187)	(15,739)
Decrease in prepaids, deposits and other assets	**576**	158
Decrease in net financial assets	**(18,611)**	(15,581)
Net financial assets, beginning of the year	**82,809**	98,390
Net financial assets, end of the year	$ **64,198**	$ 82,809

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, 2018 and 2017
(in thousands of dollars)

		March 31, 2018		March 31, 2017
Operating activities				
Deficit for the year	**$**	**(80,139)**	$	(223,348)
Changes in non-cash items				
Amortization of tangible capital assets		**225,581**		215,367
Gain on sale of tangible capital assets		**(152,377)**		(1,281)
Gain on sale of assets held for sale		**(11,688)**		(9,351)
Write-down of tangible capital assets		**5,598**		8,093
Adjustment to contaminated sites liability		**2,857**		527
Transfer of capital assets from ministries		**(168,938)**		(95,265)
Transfer of capital assets to ministries		**35,878**		168,638
Changes in non-cash working capital balances				
(Increase)/Decrease in trade and other receivables		**(15,742)**		11,006
Decrease in AFP receivables		**12,297**		11,400
Decrease in AFP receivables under capital lease		**8,641**		8,209
Decrease in due from related party		**11,984**		18,213
(Increase) in project receivables		**(19,569)**		(1,372)
Increase in accounts payable and other liabilities		**27,725**		1,065
Remediation of contaminated sites		**(4,318)**		(4,579)
(Decrease) in AFP liabilities		**(12,297)**		(11,400)
Increase/(Decrease) in customers' deposits		**22,492**		(5,670)
(Decrease) in AFP capital lease obligation		**(8,641)**		(8,209)
Increase/(Decrease) in due to related party		**167,506**		(4,594)
Decrease in prepaids, deposits and other assets		**576**		158
		47,426		77,607
Capital activities				
Proceeds from sale of tangible capital assets		**178,896**		1,403
Acquisition of tangible capital assets		**(63,629)**		(86,072)
		115,267		(84,669)
Investing activities				
Proceeds from disposition of assets held for sale		**11,874**		13,456
Net change in cash and cash equivalents		**174,567**		6,394
Cash and cash equivalents, beginning of the year		**234,205**		227,811
Cash and cash equivalents, end of the year	**$**	**408,772**	$	234,205

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

MINISTRY OF INFRASTRUCTURE
GENERAL REAL ESTATE PORFOLIO
NOTES TO FINANCIAL STATEMENTS
March 31, 2018 and 2017
(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 includes 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).

Tangible capital assets
Tangible capital assets are recorded at cost less accumulated amortization. Cost includes the expenditures 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 costs 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. Alternative Financing and Procurement (AFP) buildings and AFP assets under capital leases represent the value of AFP projects completed and transferred from sponsoring ministries.

Premises leased from third party landlords through commercial operating lease agreements are excluded from Tangible Capital Assets.

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
Yard works, including airport runways, parking lots and a dam	12 to 40 years

The carrying value of tangible capital assets are 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 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 2017-18, the WACC is 3.11% (2016-17 – 3.53%).

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.

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 AFP assets acquired under capital leases are recorded as tangible capital assets and a lease liability is recorded as AFP capital lease obligations at the present value of the minimum lease payments at substantial completion. Lease payments are receivable from sponsoring ministries and are recorded as AFP receivable under capital leases. The terms and conditions are the same for both AFP receivables under capital leases from the sponsoring ministries and the AFP capital leases obligation to the construction consortium.

Assets held for sale
Assets that meet the following criteria are categorized as held for sale: (i) the asset has been authorized or committed to be sold; (ii) is in a saleable condition; (iii) is publicly seen to be available for sale; (iv) has an active market with a plan in place for sale; and (v) 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.

MINISTRY OF INFRASTRUCTURE
GENERAL REAL ESTATE PORFOLIO
NOTES TO FINANCIAL STATEMENTS
March 31, 2018 and 2017
(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 that 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 allocations received from MOI. Rental revenue includes base rent, parking revenues and recoveries from ministries for operating expenses, property taxes, third party landlord lease costs, monthly service payments for AFP properties as well as, tenant specific requirements over and above the standard services provided. 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 third parties the right to use GREP properties for a specific purpose for a specified long term or in perpetuity.

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

Facilities operating expenses include rental expenses paid to third party landlords, expenses incurred for the operation and maintenance of owned properties, including utilities, property taxes, facility management fees paid to Infrastructure Ontario.

Capital repair program expenses represent costs incurred on major repairs and maintenance for properties which are not recovered from tenants through rent.

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.

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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. Portfolio rationalization costs also include strategic asset management fees paid to Infrastructure Ontario.

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.

Government Transfers
GREP adopted the new Public Sector Accounting Standards *PS 3420 – Inter-entity transactions* (PS 3420) and *PS 3430 Restructuring transactions* (PS 3430) effective April 1, 2016. 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.

Use of estimates
The above 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

Effective April 1, 2017, GREP adopted Public Sector Accounting Standards PS 3320 Contingent assets (PS 3320) and PS 3380 Contractual rights (PS 3380). GREP conducted a review of its contracts and leases to identify contractual rights to receive future payments which will result in revenue and assets. GREP has disclosed contractual rights arising from such contracts or agreements in this financial statements under note 13. There were no contingent assets as at March 31, 2018.

3. CASH

Cash is held in operating and high interest savings accounts.

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

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	March 31, 2018	March 31, 2017
CFA receivables	$ **25,806**	$ 17,519
AFP MSP receivables	**8,352**	15,307
Project receivables	**21,255**	25,234
Private sector and other receivables	**11,257**	3,597
Allowance for doubtful accounts	**(1,041)**	(931)
HST receivables	**13,275**	12,380
Tenant inducement receivables	**30,624**	20,680
	$ **109,528**	$ 93,786

5. AFP RECEIVABLES UNDER CAPITAL LEASES AND AFP CAPITAL LEASE OBLIGATIONS

	March 31, 2018	March 31, 2017
Due March 2040, repayable in blended monthly installments of $1,026, interest at 5.19%, secured by the tangible capital assets under the AFP project.	**$ 161,043**	$ 164,876
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.	**195,294**	200,102
	$ 356,337	$ 364,978

Future minimum lease payments under capital leases are as follows:

	Amount
2018-19	$ 27,233
2019-20	27,233
2020-21	27,233
2021-22	27,233
2022-23	27,233
Thereafter	457,561
Total minimum lease payments	593,726
Less: Imputed interest	(237,389)
	$ 356,337

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 part of the shortfall between its operating and capital needs and the income generated by operations. Operating funding allocations are provided for routine and ongoing expenses incurred throughout the year including strategic advisory fees, project management fees, as well as operating and maintenance funding for corporate space, vacant and/or non-leasable properties and space leased to non-government tenants.

Capital funding allocations includes funding for specific projects within various real estate programs such as the Capital Repair Program and the Rightsizing Program (Portfolio rationalization).

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For the year ended March 31, 2018, GREP received the following amounts from MOI as operating and capital funding allocations, which were recorded as revenue and government transfers.

		March 31, 2018		March 31, 2017
Operating funding allocations from MOI	$	**44,762**	$	45,641
Capital funding allocations from MOI		**105,599**		94,380
	$	**150,361**	$	140,021

Due from related party consists of $82 (March 31, 2017 - $12,066) due from Infrastructure Ontario related to a project. The prior year outstanding balance was due from MOI on account of CFA, project services, operating and capital funding allocations, net of private sector rent and property sales revenue payable to MOI for remittance to the Province's Consolidated Revenue Fund. The amounts are due on demand, unsecured and non-interest bearing.

Due to related party of $167,584 (March 31, 2017 - $78) consists of outstanding balances due to MOI for remittance to the Province's Consolidated Revenue Fund on account of private sector rent and property sales revenue net of receivable from MOI for CFA, project services, operating and capital funding allocations as at March 31, 2018. Due to related party balance at March 31, 2017 was 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 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 as well as a project administration and management fee, all of which were recorded as facilities expenses. In addition, Infrastructure Ontario charges GREP a strategic asset management fee recorded as portfolio rationalization costs.

		March 31, 2018		March 31, 2017
Facility management fees	$	**32,291**	$	32,166
AFP operations management fees		**725**		713
Project administration and management fees		**8,304**		7,808
Strategic asset management fees		**10,440**		10,936
	$	**51,760**	$	51,623

7. PROJECT RECEIVABLES

Project receivables of $49,619 (March 31, 2017 - $30,050) consists of accrued project costs incurred up to March 31, 2018, but yet not invoiced. These amounts are invoiced to the clients on receipt of corresponding vendor invoices.

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 are summarized below.

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	March 31, 2018	March 31, 2017
Land	$ **1,671**	$ 1,946
Yard works	**327**	49
Buildings	**88**	5,804
	2,086	7,799
Accumulated amortization	**(185)**	(5,655)
Net book value	$ **1,901**	$ 2,144

Fifteen properties (March 31, 2017- 11 properties) with a carrying value of $186 (March 31, 2017 - $4,105) were sold for net proceeds of $11,874 (March 31, 2017 - $13,456) generating a net gain on sale of $11,688 (March 31, 2017 - $9,351).

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 the 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 76 sites (March 31, 2017 - 79 sites) identified with known existing or potential contamination, of which 37 sites (March 31, 2017 - 38 sites) have met the liability recognition criteria.

Of the 37 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 were 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 would 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 the minimum estimated costs for remediation of contamination to bring the site to the minimum acceptable environmental standards for its use just prior to contamination, in addition to ongoing

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monitoring and management of the site. During the year ended March 31, 2018, GREP incurred $4,318 (March 31, 2017 - $4,579) of remediation costs and accordingly, reduced the associated liability for the specific contaminated sites. New information received during the year resulted in recognizing a liability of $2,680 for two additional sites, an increase of $1,275 in the estimated liability for one site, and the extinguishment of liabilities for three sites for a total of $1,098 upon determination that no further remediation activities were required for those sites. The net adjustment to liability for the year was $2,857.

Management's best estimate of the amount required to settle or otherwise extinguish the liability for the 37 sites (March 31, 2017 - 38 sites) on an undiscounted basis is $130,774 (March 31, 2017 - $132,235).

10. TANGIBLE CAPITAL ASSETS

	Land	Yard-works	Buildings	CIP	AFP Buildings	AFP Assets under Capital Lease	Total
Cost							
Balance as at April 1, 2017	**781,402**	**59,584**	**4,121,750**	**317,688**	**2,042,100**	**502,382**	**7,824,906**
Additions	159,260	(1,454)	154,983	203,352	2,963	1,930	521,034
Transfer out from CIP	-	-	-	(288,467)	-	-	(288,467)
Disposals	(26,519)	-	-	-	-	-	(26,519)
Transfers to ministries	(15,788)	(64)	(47,647)	-	-	-	(63,499)
Retirements and write-downs	(5,300)	(4,965)	(2,819)	-	-	-	(13,084)
Transfer (to)/from held for sale	89	(277)	3,272	-	-	-	3,084
Balance as at March 31, 2018	**893,144**	**52,824**	**4,229,539**	**232,573**	**2,045,063**	**504,312**	**7,957,455**
Accumulated Amortization							
Balance as at April 1, 2017	**-**	**15,865**	**1,995,711**	**-**	**208,343**	**96,345**	**2,316,264**
Additions	-	7,161	154,155	-	51,637	12,628	225,581
Disposals	-	-	-	-	-	-	-
Transfers to ministries	-	(23)	(27,598)	-	-	-	(27,621)
Retirements and write-downs	-	(4,965)	(2,521)	-	-	-	(7,486)
Transfer (to)/from held for sale	-	(81)	3,108	-	-	-	3,027
Balance as at March 31, 2018	**-**	**17,957**	**2,122,855**	**-**	**259,980**	**108,973**	**2,509,765**
Net book value at March 31, 2018	**893,144**	**34,867**	**2,106,684**	**232,573**	**1,785,083**	**395,339**	**5,447,690**

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	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 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

14 properties (March 31, 2017 - 12 properties) with a carrying value of $26,519 (March 31, 2017 - $122) were disposed of for net proceeds of $178,896 (March 31, 2017 - $1,403) generating a net gain on sale of $152,377 (March 31, 2017 - $1,281). Easements and license transactions completed for the year generated $7,028 (March 31, 2017 - $17,101).

11. RENT AND FACILITY OPERATING EXPENSES

Rent and facility operating expenses for the years ended March 31, 2018 and March 31, 2017 were as follows:

	March 31, 2018	March 31, 2017
Rent		
Base rent and recoverable operating expenses - owned	$ **336,228**	$ 339,910
Base rent and recoverable operating expenses - leased	**316,112**	296,665
MSP for AFP properties - government tenants	**169,309**	163,258
Private sector revenues	**22,550**	21,495
MOI grants for operating expenses	**21,660**	21,879
MOI grants for project fees	**8,304**	7,808
	$ **874,163**	$ 851,015

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Facility operating expenses				
Operating and maintenance expenses	$	**128,563**	$	125,819
Utilities		**73,512**		76,149
Property taxes		**47,907**		33,013
Facility management fees to Infrastructure Ontario		**32,291**		32,166
Third party leased property expenses		**314,437**		296,727
Operating cost - AFP facilities		**77,087**		69,707
IT systems and non-recoverable project costs		**5,982**		3,678
Project administration fees to Infrastructure Ontario		**8,304**		7,808
	$	**688,083**	$	645,067

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. Ministry project cost recoveries also include recoveries from MOI for specific GREP program costs.

13. CONTRACTUAL RIGHTS

GREP has entered into contracts with various third parties for property leases and property sales which are expected to generate revenues and assets in the future periods. Property leases are lease contracts entered into with certain third party tenants in MOI owned or leased buildings. Occupancy agreements with provincial government tenants are determined to be not in the nature of contracts and hence future revenues and assets from such agreements are not considered contractual rights. Contractual rights also include contracts entered into with non-government parties for sale of properties in a future period. Contractual rights as at March 31, 2018 are as follows:

		Property leases		**Sale of properties and easements**
2018-19	**$**	16,840	$	26,225
2019-20		14,975		-
2020-21		13,314		-
2021-22		6,267		-
2022-23		4,669		-
Thereafter		15,878		-
	$	71,943	$	26,225

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, 2018 are as follows:

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		Building Leases	Construction Contracts	AFP Commitments
2018-19	$	293,080	425,768	133,741
2019-20		276,855	139,393	135,832
2020-21		243,116	30,664	134,700
2021-22		189,240	15,019	133,520
2022-23		155,970	19,099	132,795
Thereafter		570,773	4,801	2,439,850
	$	1,729,034	634,744	3,110,438

15. 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 estimating the Liability for Contaminated Sites, management made significant judgment with respect to the determination of sites which met the recognition criteria and the costs associated with remediation. There may be additional sites owned by GREP with contamination that exceeds an environmental standard, or certain sites identified by GREP as having contamination that exceeds an environmental standard which may have migrated beyond GREP's property boundaries (i.e. offsite contamination). No liability has been accounted for in these financial statements for these sites, as management does not have sufficient information to determine if the recognition criteria has been met, 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.

16. PRIOR YEAR BALANCES

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

INDEPENDENT ELECTRICITY SYSTEM OPERATOR -

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, particu-larly 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 27, 2018.

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

These financial statements have been examined by KPMG LLP, a firm of independent external auditors appointed by the Board of 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,

Peter Gregg
President and Chief Executive Officer
Toronto, Canada
March 27, 2018

Kimberly Marshall
Vice-President, Corporate Services
and Chief Financial Officer
Toronto, Canada
March 27, 2018

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, 2017, the statements of operations and accumulated surplus, 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, 2017, 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

March 27, 2018
Waterloo, Canada

Statement of Financial Position

As at (in thousands of Canadian dollars)	December 31, 2017	December 31, 2016
	$	$
FINANCIAL ASSETS		
Cash	64,214	38,914
Accounts receivable	41,429	25,194
Regulated assets **(Note 3)**	39,529	65,064
Long-term investments **(Note 4)**	45,276	40,355
Market accounts – assets **(Note 5)**	2,005,167	1,692,752
TOTAL FINANCIAL ASSETS	**2,195,615**	**1,862,279**
LIABILITIES		
Accounts payable and accrued liabilities **(Note 6)**	37,264	38,963
Accrued interest on debt	–	315
Rebates due to market participants **(Note 7)**	1,422	12,551
Debt **(Note 8)**	120,000	90,000
Accrued pension liability **(Note 9)**	29,229	34,620
Accrued liability for employee future benefits other than pension **(Note 9)**	96,216	90,251
Market accounts – liabilities **(Note 5)**	2,005,167	1,692,752
TOTAL LIABILITIES	**2,289,298**	**1,959,452**
NET DEBT	(93,683)	(97,173)
NON-FINANCIAL ASSETS		
Net tangible capital assets **(Note 10)**	100,794	105,047
Prepaid expenses	6,809	6,614
TOTAL NON-FINANCIAL ASSETS	**107,603**	**111,661**
ACCUMULATED SURPLUS		
Accumulated surplus from operations	3,436	6,582
Accumulated remeasurement gains	10,484	7,906
ACCUMULATED SURPLUS (Note 7)	**13,920**	**14,488**

Contingencies **(Note 16)**

See accompanying notes to financial statements

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)	2017	2017	2016
	Budget $	Actual $	Actual $
IESO CORE OPERATIONS			
System fees	190,790	180,102	185,531
Other revenue **(Note 11)**	574	4,145	2,531
Interest and investment income	2,100	2,312	2,157
Core operation revenues	**193,464**	**186,559**	**190,219**
Core operating expenses **(Note 12)**	(193,464)	(185,137)	(177,668)
Core operations surplus/(deficit) before rebates	**-**	**1,422**	**12,551**
Rebates due to market participants	-	(**5,422**)	(12,551)
Core operations deficit	**-**	**(4,000)**	**-**
OTHER GOVERNMENT PROGRAMS			
Government transfer **(Note 12)**	-	2,696	-
Government transfer expenses **(Note 12)**	-	(2,696)	-
Government transfer surplus	**-**	**-**	**-**
SMART METERING ENTITY			
Smart metering charge	31,536	25,655	27,426
Smart metering expenses **(Note 12)**	(31,536)	(24,716)	(27,426)
Smart metering entity surplus	**-**	**939**	**-**
MARKET SANCTIONS AND PAYMENT ADJUSTMENTS			
Market sanctions and payment adjustments	4,219	3,176	3,889
Customer education and market enforcement expenses **(Note 12)**	(4,513)	(3,261)	(3,655)
Market sanctions and payment adjustments surplus/(deficit)	**(294)**	**(85)**	**234**
(DEFICIT)/SURPLUS	**(294)**	**(3,146)**	**234**
ACCUMULATED SURPLUS FROM OPERATIONS, BEGINNING OF PERIOD	6,582	6,582	6,348
ACCUMULATED SURPLUS FROM OPERATIONS, END OF PERIOD	**6,288**	**3,436**	**6,582**

See accompanying notes to financial statements

Statement of Remeasurement Gains and Losses

For the year ended December 31 (in thousands of Canadian dollars)	2017	2016
	Actual $	Actual $
ACCUMULATED REMEASUREMENT GAINS, BEGINNING OF PERIOD	**7,906**	**7,658**
UNREALIZED GAINS ATTRIBUTABLE TO:		
Foreign exchange – other	456	477
Portfolio investments **(Note 4)**	2,599	286
AMOUNTS RECLASSIFIED TO THE STATEMENT OF OPERATIONS:		
Foreign exchange – other	(477)	(515)
NET REMEASUREMENT GAINS FOR THE PERIOD	**2,578**	**248**
ACCUMULATED REMEASUREMENT GAINS, END OF PERIOD	**10,484**	**7,906**

See accompanying notes to financial statements

Statement of Change in Net Debt

For the year ended December 31 (in thousands of Canadian dollars)	2017	2017	2016
	Budget $	Actual $	Actual $
SURPLUS/(DEFICIT)	**(294)**	**(3,146)**	**234**
CHANGE IN NON-FINANCIAL ASSETS			
Acquisition of tangible capital assets	(27,500)	(16,774)	(24,769)
Amortization of tangible capital assets	23,126	21,027	23,438
Change in prepaid expenses	–	(195)	(417)
TOTAL CHANGE IN NON-FINANCIAL ASSETS	**(4,374)**	**4,058**	**(1,748)**
NET REMEASUREMENT GAINS FOR THE PERIOD	–	2,578	248
CHANGE IN NET DEBT	**(4,668)**	**3,490**	**(1,266)**
NET DEBT, BEGINNING OF PERIOD	(97,173)	(97,173)	(95,907)
NET DEBT, END OF PERIOD	**(101,841)**	**(93,683)**	**(97,173)**

See accompanying notes to financial statements

Statement of Cash Flows

For the year ended December 31 (in thousands of Canadian dollars)	2017	2016
	$	$
OPERATING TRANSACTIONS		
Change in accumulated surplus/(deficit):		
(Deficit)/surplus	(3,146)	234
	(3,146)	234
Changes in non-cash items:		
Amortization	21,027	23,438
Pension expense	8,111	11,610
Other employee future benefits expense	8,601	8,127
	37,739	43,175
Changes in non-cash balances related to operations:		
Change in accounts payable and accrued liabilities	(202)	(7,495)
Change in accounts receivable	(16,235)	8,005
Change in rebates due to market participants	(11,129)	2,956
Change in regulated assets	25,535	23,138
Change in prepaid expenses	(195)	(417)
	(2,226)	26,187
Other:		
Contribution to pension fund	(13,502)	(13,052)
Payment of employee future benefits	(2,636)	(2,377)
	(16,138)	(15,429)
Cash provided by operating transactions	**16,229**	**54,167**
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	(16,774)	(24,769)
Change in accounts payable and accrued liabilities	(1,812)	(2,410)
Cash applied to capital transactions	**(18,586)**	**(27,179)**
INVESTING TRANSACTIONS		
Purchase of long-term investments	(2,322)	(2,751)
Cash applied to investing transactions	**(2,322)**	**(2,751)**
FINANCING TRANSACTIONS		
Issuance of debt	30,000	–
Cash provided by financing transactions	**30,000**	**–**
INCREASE IN CASH	**25,321**	**24,237**
CASH – BEGINNING OF PERIOD	38,914	14,715
Unrealized foreign exchange (losses) for the period	(21)	(38)
CASH – END OF PERIOD	**64,214**	**38,914**

See accompanying notes to financial statements

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 IESO and the Ontario Power Authority (OPA) were amalgamated by statute effective January 1, 2015, and continues 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. IESO's services and the market IESO operates are subject to regulation by the OEB, under the authority granted by the *Ontario Energy Board Act, 1998*. The OEB has regulatory oversight of electricity matters in Ontario. 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 (IAM) 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
- 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 SME, 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 SME 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 SME 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 SME 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 SME is a corporation
- to recover, through just and reasonable rates, the costs and an appropriate return approved by the OEB associated with the conduct of its activities
- to undertake any other objects that are prescribed by associated regulation.

c) The IESO is required to exercise the powers and rights and to perform the duties and obligations assigned to it under the *Ontario Fair Hydro Plan Act, 2017* (FHP) and to engage in activities to facilitate the implementation of FHP, including,

i. entering into agreements or arrangements with any person for the purposes of the FHP
ii. engaging in activities related to making payments to and receiving payments as contemplated under the FHP and related settlement activities
iii. engaging in activities related to the transfer and administration of the regulatory asset created under the FHP, which activities may include:
    a) incurring liabilities in relation to the regulatory asset
    b) transferring the regulatory asset under section 26 of the FHP for consideration
    c) acting as a recovery agent under the FHP.

d) 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.

The Smart Metering Charge that is earned by the IESO is based on a rate approved by the OEB for each installed smart meter in the province. Revenue is recognized in the year as it is earned.

These financial statements reflect the revenue and expenses of the financial transactions of market participants within the IAM on a net basis.

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.

Government transfers are recognized as revenues in the financial statements in the period in which the events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made.

Market sanctions represent funds received to offset payments disbursed related to penalties, damages, fines and payment adjustments arising from resolved settlement disputes. Such revenue is recognized as it is earned.

c) Financial instruments

The IESO records cash and cash equivalents, long-term investments 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 amounts due to and from market participants, 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 IAM in its statements of financial position. The IESO-administered markets are 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 2017	Estimated Average Service Life 2016
Facilities	5 to 50	5 to 50
Market systems and applications	4 to 12	4 to 12
Infrastructure and other assets	4 to 10	4 to 10
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 2017.

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 (2016 – 15 years) and OPEB plan is 16.2 years (2016 – 16.2 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 converted 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 converted to Canadian dollars at the rate of exchange as of the date of the financial statements. 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 surplus 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. REGULATED ASSETS

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 SME. 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 SME Charge, which is intended to cover the costs of developing and operating the MDM/R.

In 2017, the smart metering expenses were fully recovered, resulting in a $nil balance in the regulated asset account.

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)	2017	2016
	$	$
Unrecovered smart metering expenses	–	21,623
Unrecovered PSAB transition items	39,529	43,441
Closing balance	**39,529**	**65,064**

The IESO also records regulated assets/liabilities within its market accounts (Note 5).

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 $44,811 thousand (2016 – $39,972 thousand). As at December 31, the market value allocation of these long-term investments was 62.8% equity securities and 37.2% debt securities (2016 – 62.3% and 37.7%, respectively).

Balanced portfolio of pooled funds

As at December 31 (in thousands of Canadian dollars)	2017	2016
	$	$
Opening balance	39,972	37,019
Net purchase of investments	2,240	2,667
Change in fair value	2,599	286
Closing balance	**44,811**	**39,972**

In addition to the balanced portfolio of pooled funds, the IESO has a long-term deposit with Canada Revenue Agency in the amount of $465 thousand (2016 – $383 thousand) pertaining to the Retirement Compensation Arrangements Trust (Note 8).

5. MARKET ACCOUNTS

a) In 2017, the Government of Ontario announced its Fair Hydro Plan (FHP), which was implemented through the *Fair Hydro Act, 2017*. Under the FHP, the IESO continues to settle the market and recover Global Adjustment from customers, but as a result of the fair adjustment applicable to specified consumers (defined in the Ontario *Fair Hydro Plan Act, 2017*), the IESO collects less than the full amount of the Global Adjustment. The IESO records the shortfall together with the costs of financing the shortfall, the amounts charged to the IESO by the Fair Hydro Trust in respect of the carrying costs of the Fair Hydro Trust, when applicable, and certain other amounts in a Deferred Global Adjustment Variance account. The Regulated Price Plan Variance account balance as of July 1, 2017, was included in the Deferred Global Adjustment Variance. The FHP also shifted the cost of the Ontario Electricity Support Program (OESP) and most of the Rural or Remote Rate Protection (RRRP) program costs from ratepayer- to taxpayer-funded programs. These accounts comprise the market-regulated assets.

The cumulative amount recorded in the Deferred Global Adjustment Variance account to the end of December 2017 was $1,378,000 thousand. On December 21, 2017, a regulatory asset in the amount of $1,179,000 thousand was transferred to the Fair Hydro Trust. As a result, as at December 31, the Deferred Global Adjustment Variance account balance was $199,475 thousand, including interest and carrying charges.

In consideration of the implementation of the FHP, on May 1, 2017, the OEB rescinded the OESP charge and determined to fund the program through the credit balance in the Ontario Electricity Support Program Variance account. Therefore only payments to OESP-eligible customers are currently being made, and the balance in the Ontario Electricity Support Program Variance account at December 31, 2017, was in a credit position of $24,892 thousand, net of interest.

A new rate for the RRRP program under the FHP was effective July 1, 2017. The balance in the RRRP variance account to June 30, 2017, was $6,626 thousand. The new rate has resulted in a further under-collection of $5,994 thousand (net of interest) in the second half of the year, resulting in a cumulative balance in the variance of $12,620 thousand as at December 31, 2017.

Components of the market accounts are as follows:

As of December 31 (in thousands of Canadian dollars)	2017	2016
	$	$
Cash, restricted for market activities	454,174	244,755
Amounts due from market participants	1,253,417	1,384,407
Interest receivable	217	186
HST receivable	110,156	25,531
Regulated assets/liabilities	187,203	37,873
Total Market Assets	**2,005,167**	**1,692,752**
Market debt	(13,252)	(150,501)
Amounts due to market participants	(1,855,206)	(1,385,790)
Other net liabilities	(136,709)	(156,461)
Total Market Liabilities	**(2,005,167)**	**(1,692,752)**
Closing balance	**–**	**–**

Regulated assets/liabilities consist of the following:

As of December 31 (in thousands of Canadian dollars)	2017	2016
	$	$
Deferred Global Adjustment Variance	199,475	–
Regulated Price Plan Variance	–	134,988
Ontario Electricity Support Program Variance	(24,892)	(92,443)
Rural or Remote Rate Protection Variance	12,620	(4,672)
Closing balance	**187,203**	**37,873**

b) Market Debt

$475 Million Credit Facility with OFA

The IESO has an unsecured credit facility agreement with the Ontario Financing Authority (OFA), which will make available to the IESO an amount up to $475,000 thousand. Advances are payable at a variable interest rate equal to the Province of Ontario's cost of borrowing plus 0.25% per annum. The credit facility expires December 31, 2019. As at December 31, 2017, $12,281 thousand was outstanding (2016 – $150,501 thousand).

$2 Billion Credit Facility with OFA

During 2017, the IESO entered into a new unsecured credit facility agreement with the OFA, which will make available to the IESO an amount up to $2,000,000 thousand for the purpose of supporting the IESO's role in the Ontario FHP. Advances are payable at a variable interest rate equal to the Province of Ontario's cost of borrowing plus 0.25% per annum. The credit facility expires September 30, 2022. As at December 31, 2017, $971 thousand was outstanding.

$150 Million Credit Facility with TD Bank

The IESO has an unsecured credit facility agreement with TD Bank, which will make available to the IESO an amount up to $150,000 thousand. Advances are payable at a variable interest rate equal to that of banker's acceptance plus a margin per annum. The credit facility expires April 30, 2020. As at December 31, 2017, no amount was drawn on the credit facility (2016 – $nil).

c) Related Party Transactions

The IESO records the market accounts, assets, liabilities and amounts due to and from market participants held on behalf of the IAM in its statement of financial position. Included in these accounts are amounts due to and from related parties.

The Province of Ontario is a related party as it is the controlling entity of the IESO. The Ontario Electricity Financial Corporation (OEFC), OEB, Hydro One, Ontario Power Generation Inc. (OPG), Fair Hydro Trust and Ministry of Energy are related parties of the IESO, through the common control of the Province of Ontario. Transactions between these parties and the IAM were as follows:

As of December 31, 2017, the IAM had a payable balance due to the OEFC for $31,025 thousand (2016 – $65,711 thousand).

As of December 31, 2017, the IAM had a payable balance with the OEB for $57 thousand (2016 – $ nil).

As of December 31, 2017, the IAM had a receivable balance with Hydro One of $25,018 thousand (2016 – $75,610 thousand).

As of December 31, 2017, the IAM had a payable balance with OPG for $356,611 thousand (2016 – $430,432 thousand).

In 2017 the Fair Hydro Trust paid $1,179,000 thousand and received $6,000 thousand. As at December 31, 2017, the IAM had a payable balance of $3,620 thousand (2016 – $nil).

As of December 31, 2017, the IAM had a receivable balance with Ministry of Energy for $93,854 thousand (2016 – $153 thousand).

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at December 31 (in thousands of Canadian dollars)	2017	2016
	$	$
Relating to operations	35,743	35,630
Relating to tangible capital assets	1,521	3,333
Closing balance	**37,264**	**38,963**

7. REBATES DUE TO MARKET PARTICIPANTS AND ACCUMULATED SURPLUS

In 2017, the IESO recognized $5,422 thousand in rebates due to market participants of system fees (2016 – $12,551 thousand). As at December 31, 2017, rebates due to market participants were $1,422 thousand (2016 – $12,551 thousand).

The IESO's approved regulatory deferral account balance has been historically maintained at a maximum of $10,000 thousand. However, in 2017 the IESO received a decision and order by the OEB to reduce the regulatory deferral account to $6,000 thousand. The 2017 approved regulatory deferral account balance at $6,000 thousand was approved by the OEB on October 31, 2017. In December 2017, the IESO rebated $4,000 thousand to market participants.

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)	2017	2016
	$	$
Regulatory deferral account (a)	6,000	10,000
Smart Metering Entity (b)	939	–
Accumulated market sanctions and payment adjustments (c)	641	726
Remeasurement gains	6,340	3,762
Accumulated surplus – end of year	**13,920**	**14,488**

a) Regulatory Deferral Account

As at December 31 (in thousands of Canadian dollars)	2017	2016
	$	$
Accumulated surplus – beginning of year	10,000	10,000
OEB decision and order	(4,000)	–
Revenues (before rebates due to market participants)	186,559	190,219
Rebates due to market participants	(1,422)	(12,551)
Core operation expenses	(185,137)	(177,668)
Accumulated surplus – end of year	**6,000**	**10,000**

b) Smart Metering Entity – Accumulated Surplus

As at December 31 (in thousands of Canadian dollars)	2017	2016
	$	$
Accumulated surplus – beginning of year	–	–
Smart metering charge	25,655	–
Smart metering expenses	(24,716)	–
Accumulated surplus – end of year	**939**	**–**

c) Accumulated Market Sanctions and Payment Adjustments

As at December 31 (in thousands of Canadian dollars)	2017	2016
	$	$
Accumulated surplus – beginning of year	726	492
Market sanctions and payment adjustments	3,176	3,889
Customer education and market enforcement expenses	(3,261)	(3,655)
Accumulated surplus – end of year	**641**	**726**

8. DEBT

Note payable to Ontario Electricity Financial Corporation (OEFC)

In April 2017, the IESO entered into a note payable with the OEFC. The note payable is unsecured, bears interest at a fixed rate of 1.767% per annum and is repayable in full on June 30, 2020. Interest accrues daily and is payable in arrears semi-annually in June and December of each year. As at December 31, 2017, the note payable to the OEFC was $120,000 thousand (2016 – $90,000 thousand).

For the year ended December 31, 2017, the interest expense on the note payable was $2,018 thousand (2016 – $1,841 thousand).

Credit facility with OEFC

The IESO has an unsecured credit facility agreement with the OEFC, which will make available to the IESO an amount up to $160,000 thousand. 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 June 30, 2020. As at December 31, 2017, no amount was drawn on the credit facility (December 31, 2016 – $nil).

For the year ended December 31, 2017, the interest expense on the credit facility was $nil (2016 – $nil).

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, 2017, the IESO has provided the RCA trustee with a bank letter of credit of $33,141 thousand (2016 – $30,466 thousand) the trustee can draw upon if the IESO is in default under the terms of this plan.

9. 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)	2017 Pension Benefits	2016 Pension Benefits	2017 Other Benefits	2016 Other Benefits
	$	$	$	$
Accrued benefit obligation	547,410	507,724	97,358	91,014
Fair value of plan assets	545,400	523,756	–	–
Funded status as of measurement date	(2,010)	16,032	(97,358)	(91,014)
Employer contribution/other benefits payments after measurement date	2,418	2,416	753	588
Unrecognized actuarial (gain)/loss	(29,637)	(53,068)	389	175
Accrued liability recognized in the statement of financial position	**(29,229)**	**(34,620)**	**(96,216)**	**(90,251)**
Market-related value of plan assets (as at September 30, 2017)	537,587	506,791	–	–

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:

	2017	2016
Canadian equity securities	20.6%	20.2%
Foreign equity securities	38.0%	39.9%
Canadian debt securities	34.7%	39.8%
Global infrastructure	4.8%	0.0%
Canadian real estate	1.3%	0.0%
Cash equivalents	0.1%	0.4%
Forward foreign exchange contracts	0.5%	(0.3%)
	100.0%	**100.0%**

Principal assumptions used to calculate benefit obligations at the end of the year are determined at that time and are as follows:

	2017 Pension Benefits	2016 Pension Benefits	2017 Other Benefits	2016 Other Benefits
Discount rate at the end of the period	5.50%	5.75%	5.50%	5.75%
Rate of compensation increase	3.50%	3.50%	3.50%	3.50%
Rate of indexing	2.00%	2.00%	2.00%	2.00%

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)	2017 Pension Benefits	2016 Pension Benefits	2017 Other Benefits	2016 Other Benefits
	$	$	$	$
Current service cost (employer)	10,089	11,117	3,247	3,107
Interest cost	29,487	29,292	5,343	5,120
Expected return on plan assets	(29,058)	(27,626)	–	–
Amortization of net actuarial loss/(gain)	(2,407)	(1,173)	11	(100)
Benefit cost	**8,111**	**11,610**	**8,601**	**8,127**

(in thousands of Canadian dollars)	2017 Pension Benefits	2016 Pension Benefits	2017 Other Benefits	2015 Other Benefits
	$	$	$	$
Employer contribution/other benefit payments	13,502	13,052	2,636	2,377
Plan participants' contributions	6,253	5,811	–	–
Benefits paid	25,457	23,317	2,636	2,377

The most recent actuarial valuation of the registered pension plan for accounting purposes was at September 30, 2017.

Principal assumptions used to calculate benefit costs for the year are determined at the beginning of the period and are as follows:

	2017 Pension Benefits	2016 Pension Benefits	2017 Other Benefits	2016 Other Benefits
Discount rate at the beginning 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%

10. TANGIBLE CAPITAL ASSETS

Net tangible capital assets consist of the following:

Cost of Tangible Capital Assets

(in thousands of Canadian dollars)	As at December 31, 2016	Additions	Disposals	As at December 31, 2017
	$	$	$	$
Facilities	55,973	631	(39)	56,565
Market systems and applications	306,993	3,825	–	310,818
Infrastructure and other assets	63,355	1,294	(32)	64,617
Meter data management/repository	36,911	906	–	37,817
Total cost	**463,232**	**6,656**	**(71)**	**469,817**

Accumulated Amortization

(in thousands of Canadian dollars)	As at December 31, 2016	Amortization Expense	Disposals	As at December 31, 2017
	$	$	$	$
Facilities	(24,301)	(1,694)	39	(25,956)
Market systems and applications	(263,546)	(12,134)	–	(275,680)
Infrastructure and other assets	(52,772)	(4,375)	32	(57,115)
Meter data management/repository	(29,190)	(2,824)	–	(32,014)
Total accumulated amortization	**(369,809)**	**(21,027)**	**71**	**(390,765)**

Net Book Value

(in thousands of Canadian dollars)	As at December 31, 2016	As at December 31, 2017
	$	$
Facilities	31,672	30,609
Market systems and applications	43,447	35,138
Infrastructure and other assets	10,583	7,502
Meter data management/repository	7,721	5,803
Total net book value	**93,423**	**79,052**
Assets under construction	11,624	21,742
Net tangible capital assets	**105,047**	**100,794**

In 2017, there were no adjustments to management's estimates of remaining asset service lives (2016 – $nil). Interest capitalized to assets under construction during 2017 was $170 thousand (2016 – $260 thousand).

11. OTHER REVENUE

In its administration of the IAM, the IESO directs the investment of market funds in highly rated, short-term investments throughout the settlement cycle. The IESO is entitled to receive the investment interest and investment gains, net of investment losses earned on funds passing through the real-time market settlement accounts. The IESO is not entitled to the principal on real-time market investments.

The IESO recognized investment income earned in the market settlement accounts of $3,441 thousand in 2017 (2016 – $ 2,508 thousand).

12. SEGMENT EXPENSES

Expenses by object for 2017 are comprised of the following:

(in thousands of Canadian dollars)	2017 Core Operations	2017 Other Government Programs	2017 Smart Metering Entity	2017 Market Sanctions & Payment Adjustments	2017 Total
	$	$	$	$	$
Compensation & benefits	114,502	212	2,803	2,151	119,668
Professional & consulting	19,516	2,445	14,209	407	36,577
Operating & administration	34,890	39	4,641	703	40,273
Amortization	18,204	–	2,825	–	21,029
Interest	1,801	–	238	–	2,039
Less: Recoveries	(3,776)	–	–	–	(3,776)
Total Expenses	**185,137**	**2,696**	**24,716**	**3,261**	**215,810**

In 2017, the IESO signed an agreement with the Minister of the Environment and Climate Change (MOECC) to deliver conservation and energy-efficiency programs. The IESO recognized government transfers revenue of $2,696 thousand in 2017 (2016 – $nil).

Expenses by object for 2016 are comprised of the following:

(in thousands of Canadian dollars)	2016 Core Operations	2016 Other Government Programs	2016 Smart Metering Entity	2016 Market Sanctions & Payment Adjustments	2016 Total
	$	$	$	$	$
Compensation & benefits	107,402	–	2,661	2,180	112,243
Professional & consulting	18,810	–	14,659	770	34,239
Operating & administration	34,386	–	5,705	705	40,796
Amortization	19,577	–	3,861	–	23,438
Interest	1,341	–	540	–	1,881
Less: Recoveries	(3,848)	–	–	–	(3,848)
Total Expenses	**177,668**	**–**	**27,426**	**3,655**	**208,749**

13. 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, OPG and the MOECC 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 8). Interest payments made by the IESO in 2017 for the note payable were $2,018 thousand (2016 – $1,841 thousand) and for the credit facility were $nil (2016 – $nil). As of December 31, 2017, the IESO had an accrued interest payable balance with the OEFC of $nil (2016 – $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 $3,146 thousand in 2017 (2016 – $1,747 thousand).

The IESO performed connection and bulk electric system exception assessments for Hydro One in 2017. In 2017, the IESO invoiced Hydro One $694 thousand (2016 – $610 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. In 2017, the IESO incurred costs of $184 thousand (2016 – $188 thousand) for these services. As of December 31, 2017, the IESO had a net receivable balance with Hydro One of $137 thousand (2016 – $4 thousand).

The IESO performs connection assessment and approvals for OPG, delivers telecommunication services to market participants to connect to the real-time market systems and provides market-related training courses. In 2017, OPG was invoiced $92 thousand (2016 – $124 thousand). As of December 31, 2017, the IESO had a net receivable balance with OPG of $61 thousand (2016 – $5 thousand).

For 2017, the IESO invoiced MOECC $2,257 thousand (2016 – $nil). As of December 31, 2017, the IESO had a net receivable balance with MOECC of $4,101 thousand (2016 – $nil).

14. 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 has 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, 2017, 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 $659 thousand as at December 31, 2017 (2016 – $602 thousand).

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, 2017, would have resulted in a change for the year of approximately $8,440 thousand (2016 – $7,468 thousand). 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, 2017, included no material items past due and substantially all of the balance was collected within 30 days from December 31, 2017. The long-term Canadian bond pooled fund is comprised of primarily investment-grade securities.

Market participants are required to provide non-voluntary pre-payments to reduce their electricity financial exposures as determined by the IESO. If collateral is not sufficient to remedy a default amount, the IESO undertakes a default allocation process that recovers the default amount from all remaining non-defaulting market participants.

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 two 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.

i) Market Settlements

In cases where a market participant fails to pay, the IESO will utilize credit facilities to settle the market. If the IESO has exhausted the availability of its credit facilities, then the IESO will pay market creditors on a pro rata basis in proportion to the amounts owed to each market creditor.

ii) Fair Hydro – regulatory asset

In accordance with the *Ontario Fair Hydro Plan Act, 2017*,

- the IESO will establish a regulatory asset as it continues to settle the market and recover Global Adjustment from customers, but as a result of the fair adjustment applicable to specified consumers the IESO collects less than the full amount of the Global Adjustment. The IESO records the shortfall together with the costs of financing the shortfall, the amounts charged to the IESO by the Fair Hydro Trust in respect of the carrying costs of the Fair Hydro Trust, when applicable, and certain other amounts, in a Deferred Global Adjustment Variance account (such amount a regulatory asset)
- the IESO utilizes its credit facilities to fund the amounts recorded in the Deferred Global Adjustment variance account, and
- the IESO is permitted to: a) transfer all or a portion of the regulatory asset to a financing entity, and b) after May 2021 fully recover any non-transferred asset from specified consumers.

As a result of the Fair Hydro Plan, the IESO will be required to borrow the amounts to be recorded in the Deferred Global Adjustment Variance Account (see the bulletin above). The IESO has a current $2 billion line of credit with the OFA (see Debt Note 5) with a maturity date of September 30, 2022, to fund these amounts. The IESO expects to continue to transfer the regulatory asset to the financing entity and use the funds of such transfer to reduce the amounts borrowed. However, the financing entity is not obligated to purchase any transfer(s) offered by the IESO, and therefore the IESO is potentially subject to liquidity risk.

Pursuant to regulation the IESO will pay carrying costs to the Fair Hydro Trust monthly during the period beginning on December 1, 2017 and ending on July 31, 2021.

The IESO has provided security for the IESO's current monthly obligation to pay these carrying costs. The security provides the Fair Hydro Trust first priority over IESO receivables due from LDCs and electricity retailers.

15. COMMITMENTS

Operating commitments

The obligations of the IESO with respect to non-cancellable operating leases over the next five years are as follows:

As at December 31 (thousands of Canadian dollars)

	$
2018	5,942
2019	4,972
2020	4,202
2021	718
2022	649

16. 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.

17. COMPARATIVE FIGURES

Certain of the comparative figures have been amended to reflect adjustments made in the current year. As a result, cash has increased and accounts receivable has decreased by $5,909 thousand. There was no impact to the annual surplus for the year ended December 31, 2016, or the net liabilities and accumulated deficit at December 31, 2016. Other figures have been reclassified to conform with the current year's presentation.

LEGAL AID ONTARIO

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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.

acting for

David Field
President and
Chief Executive Officer

June 19, 2018

Louis Dimitracopoulos
Chief Administrative Officer
and Vice President

June 19, 2018

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

Independent Auditor's Report

To Legal Aid Ontario

I have audited the accompanying financial statements of Legal Aid Ontario, which comprise the balance sheet as at March 31, 2018 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, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Toronto, Ontario
June 19, 2018

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

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Legal Aid Ontario

Balance Sheet

		March 31, 2018 ($000's)		March 31 2017 ($000's) Note(14)
ASSETS				
Current Assets				
Cash and cash equivalents	**$**	**21,722**	$	4,702
Investments (Note 5)		**20,196**		5,028
Prepaid expenses and other assets		**2,870**		2,489
Client accounts receivable (Note 4(a))		**11,905**		14,298
Other receivables (Note 4(b))		**13,806**		15,989
	$	**70,499**	$	42,506
Long-term client accounts receivable (Note 4(a))		**17,445**		20,124
Capital net assets (Note 6)		**3,619**		4,486
TOTAL ASSETS	**$**	**91,563**	$	67,116
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable and accrued liabilities (Note 7)	**$**	**104,291**	$	91,274
Long Term Liabilities				
Accrued pension liability (Notes 11 and 14)	**$**	**2,236**	$	2,253
Net Assets (Deficit)				
Net accumulated deficit (Note 14)	**$**	**(18,583)**	$	(30,897)
Invested capital assets (Note 8)		**3,619**		4,486
		(14,964)		(26,411)
TOTAL LIABILITIES AND NET ASSETS	**$**	**91,563**	$	67,116

On behalf of the Board:

Chair

Legal Aid Ontario
Statement of Operations

For the year ended March 31	2018 ($000's)	2017 ($000's) (Note 14)
REVENUE		
Total government funding (Notes 1(a), 1(b) and (2))	**$ 428,016**	$ 414,373
The Law Foundation of Ontario	**46,916**	29,345
Client contributions	**10,742**	11,157
Client and other recoveries	**1,081**	941
Investment income (Note 5)	**415**	182
Miscellaneous income	**485**	-
TOTAL REVENUE	**$ 487,655**	$ 455,998
EXPENSES (Note 3)		
Client Programs		
Certificate Program		
Criminal - Big cases	**$ 29,924**	$ 29,501
Criminal - others	**94,411**	95,907
Sub-total	**124,335**	125,408
Family	**75,545**	76,280
Immigration and refugee	**25,128**	22,838
Other civil	**7,362**	7,262
Sub-total	**232,370**	231,788
Settlement conferences	**222**	232
Family law offices	**6,107**	6,955
Integrated law offices	**4,314**	4,120
Criminal law offices	**2,248**	3,051
Refugee law office	**4,246**	4,349
Articling students	**1,355**	1,976
Nishnawbe-Aski Legal Services Corporation	**1,901**	1,885
Certificates	**252,763**	254,356
Duty Counsel Program		
Duty counsel fees and disbursements	**53,974**	53,909
Expanded duty counsel	**2,107**	2,337
Sub-total	**56,081**	56,246
Clinic Program and Special Services		
Clinic law services (Note 9)	**80,113**	80,331
Student legal aid services societies	**4,796**	5,675
Clinic information management project	**912**	1,108
Sub-total	**85,821**	87,114
Service Innovation Projects		
Other	**2,152**	2,205
Sub-total	**2,152**	2,205

Legal Aid Ontario
Statement of Operations

or the year ended March 31	2018 ($000's)	2017 ($000's) (Note 14)
EXPENSES (continued)		
Program Support		
Regional operations	**2,656**	3,061
District/Area office services	**14,349**	15,237
Client and legal service centre	**8,923**	10,494
Sub-total	**25,928**	28,792
TOTAL CLIENT PROGRAMS	**422,745**	428,713
Service Provider Support		
Research facilities	**3,767**	3,857
Lawyers' services and payments	**2,654**	2,833
Sub-total	**6,421**	6,690
Administrative and Other Costs		
Provincial office	**36,355**	38,804
Amortization	**2,700**	3,249
Bad debts	**7,987**	3,988
Sub-total	**47,042**	46,041
TOTAL EXPENSES	**$ 476,208**	$ 481,444
Excess (deficiency) of revenues over expenses for the year	**$ 11,447**	$ (25,446)

Legal Aid Ontario

Statement of Changes in Net Assets (Deficit)

For the year ended March 31

($000's)	**Net Assets (Note 8)**	**Accumulated deficit**	**2018 Total**	2017 Total (Note 14)
Net assets (deficit), beginning of year, as previously reported	**$ 4,486**	**$ (30,897)**	**$ (26,411)**	$ (304)
Prior year adjustment (Note 14)				(661)
Net assets (deficit), beginning of year, restated	$ 4,486	$ (30,897)	$ (26,411)	$ (965)
Net change in capital assets	**(867)**	**867**	-	-
Excess of revenues over expenses for the year	-	**11,447**	**11,447**	(25,446)
Net assets (deficit), end of year	**$ 3,619**	**$ (18,583)**	**$ (14,964)**	$ (26,411)

Legal Aid Ontario

Statement of Cash Flows

For the year ended March 31	2018 ($000's)	2017 ($000's) (Note 14)
Cash provided by (used in)		
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses for the year	**$ 11,447**	$ (25,446)
Non-cash operating activity**:**		
Amortization of capital assets	**2,700**	3,249
Changes in non-cash balances:		
Accrued pension liability	**(17)**	(21)
Accrued interest on investments	**(168)**	99
Prepaid expenses and other assets	**(381)**	141
Client accounts receivable	**2,393**	1,411
Other receivables	**2,183**	(4,877)
Long-term client accounts receivable	**2,679**	871
Accounts payable and accrued liabilities	**13,017**	6,042
Deferred contributions	**-**	(5,477)
Contingency Reserve	**-**	(1,400)
	$ 33,853	$ (25,408)
INVESTING ACTIVITIES		
Redemption of Investment	**$ 5,000**	$ 35,500
Purchase of Investment	**(20,000)**	(10,000)
	(15,000)	25,500
CAPITAL ACTIVITIES		
Purchase of capital assets	**$ (1,833)**	$ (753)
Net increase (decrease) in cash and cash equivalents during the year	**17,020**	(661)
Cash and cash equivalents, beginning of year	**4,702**	5,363
Cash and cash equivalents, end of year	**$ 21,722**	$ 4,702

Legal Aid Ontario

Notes to Financial Statements

March 31, 2018

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, 2018

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, 2018

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, 2018

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:

	2018 ($000's)	2017 ($000's)
General contributions	**$ 361,036**	$ 365,563
Financial Eligibility (Note 2)	**66,980**	48,810
Total contributions	**$ 428,016**	$ 414,373

(b) Included in contributions from the Province of Ontario for the year ended March 31, 2018 is an amount of $62.6 million (2017 - $60.4 million) representing an allocation of funds by the Federal Government to the Province in connection with criminal law ($46.7 million), under the Youth Criminal Justice Act; Immigration and Refugee expenditures ($15.9 million), these amounts are for unique pressures based on 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

Starting in 2014, the Government of Ontario included in the provincial budget special funding amounts to provide Ontarians with greater access to justice. LAO was therefore able to increase the Financial Eligibility threshold by 6% each year. The first increase was on November 1, 2014; since then, there have been increases on April 1, of each year. Further increases are scheduled annually to 2020. LAO received $67.0 million (note 1(a)) from the Province of Ontario in 2017/18 (2017 - $48.8 million) and the Province has committed to increase funding to $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 the number of clients receiving access to justice and ensure that the Financial Eligibility funding is fully utilized through the certificate program and the new clinic and staff programs.

For the past 3 years, expenses incurred exceeded contributions received: these differences in revenue and expenses will offset each other over the life of the program. On average it takes three years for the full cost on a certificate to be expensed. As at March 31, 2018, the deficiency was $10.9 million (2017- $18.6 million). For the current year, LAO incurred expenses of $59.3 million (2017 - $61.8 million).

Since the inception of the program, the cumulative receipts were $153.7 million, while cumulative expenses were $164.6 million.

Legal Aid Ontario

Notes to Financial Statements

March 31 2018

3. Expenses by Object

The table below provides totals for each expense category:

	2018 ($000's)	2017 ($000's)
		(Note 14)
Certificates	**230,768**	229,943
Duty Counsel per diem	**22,030**	22,193
Clinic funding	**84,230**	87,629
Other transfer payments	**1,901**	1,885
Salaries and benefits	**102,712**	110,069
Leases	**4,912**	4,842
Bad debts, depreciation and other expenses	**29,655**	24,883
	$ 476,208	$ 481,444

Expenses by object summarises the total salaries, benefits and administrative amounts. The Statement of Operations, shows program funding which includes salaries, benefits and other expenses.

Legal Aid Ontario

Notes to Financial Statements

March 31 2018

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 certificates, to receive free legal services. These applicants receive the assistance they need by entering into a contribution agreement, where 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 **2018** **($000's)**	**Total**	**1-30 Days**	**31-60 Days**	**61-90 Days**	**Over 90 Days**
Client accounts receivable	**$ 61,382**	**$ 144**	**$ 470**	**$ 111**	**$ 60,657**
Less: impairment allowance	**(32,032)**	**(57)**	**(189)**	**(54)**	**(31,732)**
	$ 29,350	**$ 87**	**$ 281**	**$ 57**	**$ 28,925**

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)
	$ 34,422	$ 20	$ 92	$ 60	$ 34,250

	2018 ($000's)	2017 ($000's)
Represented by		
Current (non-lien) client accounts receivable	**11,905**	14,298
Long-term (lien) client accounts receivable	**17,445**	20,124
	$ 29,350	$ 34,422

Legal Aid Ontario

Notes to Financial Statements

March 31 2018

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 2018 ($000's)	**Total**	**1-30 Days**	**31-60 Days**	**61-90 Days**	**Over 90 Days**
MAG protocol cases	**$ 3,754**	**$ 1,727**	**$ -**	**$ -**	**$ 2,027**
DOJ protocol cases	**363**	**-**	**-**	**363**	**-**
HST receivable	**3,073**	**3,073**	**-**	**-**	**-**
The Law Foundation of Ontario	**6,300**	**6,300**	**-**	**-**	**-**
Other receivables	**316**	**-**	**-**	**-**	**316**
Total other receivables	**$ 13,806**	**$ 11,100**	**$ -**	**$ 363**	**$ 2,343**

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

Legal Aid Ontario

Notes to Financial Statements

March 31 2018

5. Investments

	2018 ($000's)	2017 ($000's)
Guaranteed investment certificates	**$ 20,000**	$ 5,000
Accrued interest	**196**	28
	$ 20,196	$ 5,028

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, 2018 are in compliance with the statutory requirements. Short-term investments held of $20.0 million (2017 - $5.0 million) are invested at prime less 1.9%.

The Corporation earned investment income of $0.4 million in 2018 (2017 - $0.2 million).

Legal Aid Ontario

Notes to Financial Statements

March 31 2018

6. Capital Assets

	2018 ($000's)		2017 ($000's)	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and office equipment	**$ 114**	**$ 91**	$ 131	$ 87
Computer hardware	**3,723**	**2,629**	4,741	3,007
Leasehold improvements	**8,019**	**5,573**	6,903	4,660
Enterprise-wide software	**17,938**	**17,882**	17,910	17,445
	$ 29,794	**$ 26,175**	$ 29,685	$ 25,199
Net book value		**$ 3,619**		$ 4,486

7. Accounts Payable and Accrued Liabilities

	2018 ($000's)	2017 ($000's)
Legal accounts		
- accruals for billings received but not paid	**$ 22,233**	$ 20,775
- estimate of work performed but not yet billed	**68,900**	60,783
Rent inducements	**1,613**	336
Trade and other payables	**8,644**	6,781
Vacation pay	**2,901**	2,599
	$ 104,291	$ 91,274

Legal Aid Ontario

Notes to Financial Statements

March 31 2018

8. Net Assets

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:

	2018 ($000's)	2017 ($000's)
Balance, beginning of year	**$ 4,486**	$ 6,982
Purchase of capital assets	**1,833**	753
Amortization	**(2,700)**	(3,249)
Balance, end of year	**$ 3,619**	$ 4,486

Legal Aid Ontario

Notes to Financial Statements

March 31 2018

9. 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.

	2018 ($000's)	2017 ($000's)
Payments to and on behalf of clinics	**$ 80,113**	$ 80,331

10. 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, 2018, management estimates certificates in the amount of $64.8 million (2017 - $58.3 million) of authorized legal services could still be incurred on certificates issued on or before March 31, 2018 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)**
2019	$ 1,491	$ 2,525	$ 68	$ 4,084
2020	1,963	2,421	58	4,442
2021	1,614	2,167	54	3,835
2022	1,536	2,167	34	3,737
2023	1,426	2,053	20	3,499
Thereafter	8,252	11,179	-	19,431
	$ 16,282	$ 22,512	$ 234	$ 39,028

Legal Aid Ontario

Notes to Financial Statements

March 31 2018

10. 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 $1.0 million (2017 - $0.3 million) and made the necessary provision. Some of those 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.

11. 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 970 (2017 - 982) employees. The Corporation's pension expense for the year relating to this component of the plan was $7.1 million (2017 - $7.6 million). LAO has a transition plan to have all employees contribute nine percent of the employees' pensionable earnings. Currently, the existing employee contribution rate varies between eight and nine percent depending on the contribution of the employees to the component of the plan. By 2019 it is anticipated that all employees' contribution will be 9%.

Defined Benefit Component

The defined benefit component of the plan covers a total of 16 employees; there are 3 active participants (2017 - 3) and 13 retirees (2017 - 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, 2018 (2017 - 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, 2017, the next actuarial valuation of the Plan for funding purposes will be prepared as at January 1, 2020. The Corporation makes pension contributions to this component of the plan in amounts recommended by the actuary.

Legal Aid Ontario

Notes to Financial Statements

March 31 2018

11. Pensions (continued)

The Corporation measures its accrued benefit obligation for accounting purposes as at March 31 of each year.

	2018 ($000's)	2017 ($000's)
Accrued benefit obligation	**$ 3,609**	$ 3,576
Fund assets at market value	**4,332**	4,319
Funded status - plan surplus	**723**	743
Unamortized net actuarial loss (gain)	**(43)**	(137)
Net Pension asset	**680**	606
Valuation allowance, beginning of year	**(606)**	(661)
(Increase) decrease valuation allowance (Note 14)	**(74)**	55
Valuation allowance, end of year	**$ (680)**	$ (606)

The expense related to the Corporation's defined benefit component of the plan consists of the following:

	2018 ($000's)	2017 ($000's)
Current period benefit cost	**$ 26**	$ 26
Amortization of actuarial losses (gains)	**(20)**	75
Interest revenue	**(39)**	(22)
	$ (33)	$ 79

Legal Aid Ontario

Notes to Financial Statements

March 31 2018

11. Pensions (continued)

The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligation and benefit expense are as follows:

	2018	2017
Accrued benefit obligation		
Discount rate	**5.25%**	5.25%
Rate of compensation increase	**3.00%**	3.00%

	2018	2017
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:

	2018 ($000's)	2017 ($000's)
Employer contributions	**$ 40**	$ 25
Employee contributions	**10**	10
Benefits paid	**188**	187

Legal Aid Ontario

Notes to Financial Statements

March 31 2018

11. Pensions (continued)

Supplementary Executive Benefit Plan

The Board of the Corporation 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, 2018.

The significant actuarial assumptions adopted in measuring the accrued benefit obligation and expense for the year are as follows:

	2018	2017
Discount rate	**4.00%**	4.00%
Inflation	**1.50%**	1.50%

The Corporation's pension expense for the year for this plan was $0.10 million (2017 - $0.10 million). The accrued benefit obligation and the accrued benefit liability as at March 31, 2018 was $2.24 million (2017 - $2.25 million). During the year, the Corporation made $0.10 million (2017 - $0.10 million) payments to the plan. Benefits to the retiree began on April 1, 2016.

	2018 ($000's)	2017 ($000's)
Accrued Pension (Liability)		
Supplementary Executive Benefit Plan	**(2,236)**	(2,253)

Legal Aid Ontario

Notes to Financial Statements

March 31 2018

12. 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.

	2018 ($000's)	2017 ($000's)
Balance, beginning of year	**$ -**	$ 1,400
Amounts recognized as revenue	**-**	(1,400)
Balance, end of year	**$ -**	$ -

13. 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 $20.0 million (2017 - $5.0 million) invested in Guaranteed Investment Certificates (GIC), at rates of prime minus 1.9% with maturity dates up to December 2018.

Legal Aid Ontario

Notes to Financial Statements

March 31 2018

14. Prior Year Adjustment

During the year, it was determined that a full valuation allowance is required against the defined benefit pension plan in accordance with public sector accounting standards. Consequently, the prior period financial statements were corrected to reflect the full valuation allowance. As a result, opening net assets as at April 1, 2016 were decreased by six hundred sixty-one thousand, deficiency of revenues over expenses for the year ended March 31, 2017 was decreased by fifty-five thousand, net assets as at March 31, 2017 were decreased and the accrued pension liability was increased as at March 31, 2017 by six hundred six thousand.

15. Comparative Figures

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

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Management's Responsibility for the Financial Statements

June 26, 2018

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, 2018 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, 2018 have been audited and reported on by Deloitte LLP, independent external auditors appointed by the Board of Directors.

Karin Dschankilic
Vice President, Performance , Corporate Services and Chief Financial Officer

Kim L. Baker
Chief Executive Officer

Ontario
Local Health Integration Network

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Independent Auditor's Report

To the Members of the Board of Directors of the
Central Local Health Integration Network

We have audited the accompanying financial statements of the Central Local Health Integration Network (the "LHIN"), which comprise the statement of financial position as at March 31, 2018, and the statements of operations and changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

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, 2018, and the results of its operations, changes in its net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
June 26, 2018

Central Local Health Integration Network
Statement of financial position
as at March 31, 2018

	Notes	2018	2017
		$	$
Assets			
Current assets			
Cash		**31,095,681**	343,604
Due from Ministry of Health and Long-Term Care ("MOHLTC")	14	**9,674,366**	2,624,828
Accounts receivable		**6,840,697**	43,704
Prepaid expenses		**694,096**	64,973
		48,304,840	3,077,109
Capital assets	7	**1,684,930**	109,388
		49,989,770	3,186,497
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**37,016,366**	396,174
Due to Health Service Providers ("HSPs")	14	**9,674,366**	2,624,828
Due to Ministry of Health and Long-Term Care ("MOHLTC")	4	**1,614,108**	56,107
		48,304,840	3,077,109
Deferred capital contributions	8	**1,684,930**	109,388
		49,989,770	3,186,497
Commitments	9		
Net Assets		**—**	—
		49,989,770	3,186,497

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

Approved by the Board

Warren Jestin, Chair of the Board of Directors

David Lai, Chair of the Audit Committee

Central Local Health Integration Network
Statement of operations and changes in net assets
year ended March 31, 2018

	Notes	2018 Actual	2017 Actual
	3	**$**	$
Revenue			
MOHLTC funding - transfer payments	14	**1,933,735,375**	2,113,639,000
MOHLTC funding - Operations and Initiatives		**298,813,918**	5,558,208
Other funding sources:			
Enabling technologies	5	**476,000**	423,000
Cancer Care Ontario		**1,528,783**	—
Interest income		**324,652**	—
Amortization of deferred capital contributions	8	**407,687**	37,513
Recoveries		**382,976**	—
		301,934,016	6,018,721
		2,235,669,391	2,119,657,721
Expenses			
HSP transfer payments	14	**1,933,735,375**	2,113,639,000
Operations and Initiatives			
Contracted out:			
In-home/clinic services		**203,891,670**	—
School services		**8,222,182**	—
Hospice services		**1,139,444**	—
Salaries and benefits		**60,803,103**	4,586,840
Medical supplies, equipment rental and minor equipment		**13,250,625**	—
Supplies and sundry		**3,003,701**	982,500
Accommodation		**3,062,114**	331,686
Amortization		**407,687**	37,513
Information technology		**1,483,685**	80,182
		295,264,211	6,018,721
		2,228,999,586	2,119,657,721
Excess of revenue over expenses before the undernoted		**6,669,805**	—
Expenses of the restricted contribution fund		**(41,097)**	
Net liabilities assumed on transition	12	**(6,628,708)**	—
Excess of revenue over expenses		**—**	—
Net assets, beginning of year		**—**	—
Net assets, end of year		**—**	—

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

Central Local Health Integration Network

Statement of cash flows

year ended March 31, 2018

	Notes	2018	2017
	3	**$**	$
Operating activities			
Excess of revenue over expenses		**—**	—
Cash received on transition	12	**22,852,650**	—
Net liabilities assumed on transition	12	**6,628,708**	—
Less amounts not affecting cash			—
Amortization of capital assets		**(407,687)**	(37,513)
Amortization of deferred capital contributions	8	**407,687**	37,513
		29,481,358	—
Changes in non-cash working capital items	11	**1,270,719**	(37,149)
		30,752,077	(37,149)
Investing activities			
Purchase of capital assets		**—**	(65,322)
Leasehold improvement		**(1,273,656)**	—
		(1,273,656)	(65,322)
Financing activity			
Deferred capital contributions received	8	**1,273,656**	65,322
Net increase (decrease) in cash		**30,752,077**	(37,149)
Cash, beginning of year		**343,604**	380,753
Cash, end of year		**31,095,681**	343,604

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

Central Local Health Integration Network
Notes to the financial statements
Year ended March 31, 2018

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 as follows:

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.

All funding payments to LHIN managed Health Service Providers are flowed through the LHIN's financial statements. 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.

Effective June 7, 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.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations including the 4200 series standards, as issued by the Public Sector Accounting Board. Significant accounting policies adopted by the LHIN are as follows:

Revenue recognition

The LHIN follows the deferral method of accounting for contributions. Contributions from the MOHLTC represent externally restricted contributions which must be spent within the fiscal year provided. Unspent contributions from the MOHLTC are set up as repayable to the MOHLTC at the end of the year. Unrestricted contributions are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

2. Significant accounting policies (continued)

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 approved by the MOHLTC to support LHIN managed Health Services Providers and the operations of the LHIN. The LHIN cannot authorize payments in excess of the budgetary allocation set by the MOHLTC in the MLAA. 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 to the Health Service Provider and does not flow through the LHIN bank account.

LHIN Financial Statements includes only transfer payment funds and LHIN operating funds included in the Ministry-LHIN Accountability Agreement.

Capital assets

Purchased capital assets are recorded at cost. Repairs and maintenance costs are charged to expense. Betterments, which extend the estimated life of an asset, are capitalized

Capital assets are amortized on a straight-line basis based on their estimated useful life as follows:

Furniture and equipment	5 years
Computer and communications equipment	3 years
Leasehold improvements	Over the term of the lease

Deferred capital contributions

Contributions received for the purchase of capital assets are deferred and are amortized to income at the same rate as the corresponding capital asset.

Adoption of PSAS 3430 – Restructuring transactions

The LHIN has implemented Public sector Accounting Board ("PSAB") section 3430 Restructuring Transactions. Section 3430 requires that the assets and liabilities assumed in a restructuring agreement be recorded at the carrying value and that the increase in net assets or net liabilities received from the transferor be recognized as revenue or expense. Restructuring is an event that changes the economics of the recipient from the restructuring date onward. It does not change their history or accountability in the past, and therefore retroactive application with restatement of prior periods is permitted only in certain circumstances. The impact of this policy on the current year is detailed in note 12.

Central Local Health Integration Network
Notes to the financial statements
Year ended March 31, 2018

2. Significant accounting policies (continued)

Financial instruments

Financial assets and liabilities are measured at amortized cost, with the exception of cash that is measured at fair value. Financial instruments measured at amortized cost are initially recognized at cost, and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets. Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Write-downs on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the write-down being recognized in the Statement of operations and changes in net assets.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates include depreciation rates for capital assets and certain accruals. Actual results could differ from those estimates.

3. Change in accounting policy

As a result of the transition of responsibility for the delivery of home and community care services as described above, there has been a significant change in the operations of the LHIN over the prior year. As a result of these changes, the LHIN has determined that the adoption of Canadian public sector accounting standards for Government not-for-profit organizations is appropriate. Previously the LHIN followed Canadian public sector accounting standards. The adoption of this policy has no impact on numbers previously reported. The impact of the change is limited to presentation only, and as a result the prior year figures presented for comparative purposes have been reclassified to conform to the current year's presentation.

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.

The amount due to the MOHLTC at March 31 is made up as follows:

	2018	2017
	$	$
Due to MOHLTC, beginning of year	**56,107**	36,158
Funding repaid to MOHLTC	**(56,107)**	(634)
Funding repayable to the MOHLTC related to current year activities	**1,614,108**	— 20,583
Due to MOHLTC, end of year	**1,614,108**	56,107

Central Local Health Integration Network
Notes to the financial statements
Year ended March 31, 2018

5. Enabling technologies for integration project management office

Effective February 1, 2012, the LHIN entered into an agreement with Central West, Mississauga Halton, Toronto Central, Central East 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 funding from Central West LHIN of $476,000 (2017 - $423,000).

6. Related party transactions

Health Shared Services Ontario ("HSSO")

HSSO is a provincial agency established January 1, 2017 by O. Reg. 456/16 made under the Local Health System Integration Act, 2006 ("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.

As of March 31, 2018, an amount of $45,628 is due from HSSO and is included in accounts receivable.

7. Capital assets

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
	$	$	$	$
Computer equipment	**982,709**	**982,709**	**—**	516
Computer software	**1,135,469**	**1,135,469**	**—**	—
Leasehold improvements	**2,454,793**	**1,048,772**	**1,406,021**	8,130
Furniture and equipment	**2,137,230**	**1,858,321**	**278,909**	100,742
	6,710,201	**5,025,271**	**1,684,930**	109,388

8. Deferred capital contributions

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

	2018	2017
	$	$
Balance, beginning of year	**109,388**	81,579
Capital contributions transferred from CCAC	**709,573**	—
Capital contributions received during the year	**1,273,656**	65,322
Amortization for the year	**(407,687)**	(37,513)
Balance, end of year	**1,684,930**	109,388

Central Local Health Integration Network
Notes to the financial statements
Year ended March 31, 2018

9. Commitments

The LHIN has commitments under various operating leases as follows:

	$
2019	1,795,724
2020	1,586,890
2021	1,527,705
2022	1,419,442
2023	1,437,377
Thereafter	6,874,980

10. Contingencies

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.

The LHIN has been named as defendants in various claims. Based on the opinion of legal counsel as to the realistic estimates of the merits of these actions and the LHINs potential liability, management believes any liability resulting from these actions would be adequately covered by existing liability insurance.

11. Change in non-cash working capital balances

	2018	2017
	$	$
Due From Ministry of Health and Long Term Care	**(7,049,538)**	(852,552)
Accounts receivable	**(3,891,546)**	(39,120)
Prepaid expenses	**136,181**	8,806
Accounts payable and accrued liabilities	**11,731,463**	(130,919)
Due to Health Service Providers	**7,049,538**	852,552
Due to LHIN Shared Services Office	**—**	(7,801)
Due to Ministry of Health and Long Term Care	**1,558,001**	(52,840)
Deferred Operating contributions	**(8,263,380)**	—
Total change in non-cash working capital items	**1,270,719**	(221,874)

Central Local Health Integration Network
Notes to the financial statements
Year ended March 31, 2018

12. Transition of Central Community Care Access Centre

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 employess of the Central CCAC. This transition took place on June 7, 2017. Prior to the transition, the LHIN funded a significant portion of the CCACs operations via HSP transfer payements. Subsequent to transition date, the costs incurred for the delivery of services previously provided by the CCAC were incurred directly by the LHIN and are reported in the appropriate lines in the Statement of operations and changes in net assets.

The LHIN assumed the following assets and liabilities, which were recorded at the carrying value of the CCAC.

	$
Cash	22,852,650
Accounts Receivable	2,905,447
Prepaid Expenses	765,304
Tangible Capital Assets	709,573
Total Assets	27,232,974

	$
Accounts Payable and Accrued liabilities	24,888,729
Deferred Capital contributions	709,573
Deferred operating contributions	8,263,380
Total liabilities	33,861,682
Net Liabilities assumed on transition	6,628,708

The Net liabilities resulting from this transaction is recorded in the Statement of operations and changes in net assets.

Included in net liabilities assumed on transition was a restricted contribution fund totalling $41,097. The balance of the fund was expensed during the year.

13. Pension plan

The LHIN contributes to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 854 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 2018 was $4,431,605 (2017 - $418,654) for current service costs and is included as an expense in the 2018 Statement of operations and changes in net assets. The last actuarial valuation was completed for the plan as of December 31, 2017. At that time, the plan was fully funded.

Central Local Health Integration Network
Notes to the financial statements
Year ended March 31, 2018

14. Transfer payment to HSPs

The LHIN has authorization to allocate funding of $1,933,735,375 to various HSPs in its geographic area. The LHIN approved transfer payments to various sectors in 2018 as follows:

	2018	2017
	$	$
Operations of hospitals	**1,326,504,067**	1,259,701,164
Grants to compensate for municipal taxation – public hospitals	**275,250**	—
Long-Term Care Homes	**355,313,627**	347,927,561
Community Care Access Centres	**57,841,705**	318,610,800
Community support services	**95,501,061**	92,076,075
Community health centres	**13,397,510**	12,891,912
Community mental health addictions program	**84,902,155**	82,431,488
	1,933,735,375	2,113,639,000

The LHIN receives funding from the MOHLTC and in turn allocates it to the HSPs. As at March 31, 2018, an amount of $9,674,366 (2017 - $2,624,828) was receivable from the 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.

Pursuant to note 12, effective June 7, 2017 the LHIN assumed the assets, liabilities, rights and obligations of the Central CCAC. Current year amounts reported in respect of the CCAC in the table above represent funding provided to the CCAC up to the date of transfer.

15. Board expenses

The following provides the details of Board expenses reported in the Statement of operations and changes in net assets:

	2018	2017
	$	$
Board Chair per diem expenses	**15,500**	18,725
Other Board members' per diem expenses	**47,175**	38,775
Other governance and travel	**31,195**	41,124
	93,870	98,624

16. Financial risk

The LHIN through its exposure to financial assets and liabilities, has exposure to credit risk and liquidity risk as follows:

Credit risk relates to the potential that one party to a financial instrument will fail to discharge an obligation and incur a financial loss. The maximum exposure to credit risk is the carrying value reported in the statement of financial position. Credit risk is mitigated through collection practices and the diverse nature of amounts with accounts receivable.

Liquidity risk is the risk that the LHIN will not be able to meet all cash flow obligations as they come due. The LHIN mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and cash flow analysis.

Central Local Health Integration Network
Notes to the financial statements
Year ended March 31, 2018

17. 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.

Central East LHIN | RLISS du Centre-Est

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(bureau administratif)
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www.centraleasthealthline.ca
310-2272 (indicatif régional non requis)

Responsibility for the Financial Statements

March 31, 2018

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.

Dr. Barry Guppy
Interim Chief Executive Officer

Shelley Dagorne, CPA, CMA
Vice President, Finance and Corporate Services

Deloitte.

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Independent Auditor's Report

To the Members of the Board of Directors of the
Central East Local Health Integration Network

We have audited the accompanying financial statements of the Central East Local Health Integration Network (the "LHIN"), which comprise the statement of financial position as at March 31, 2018, and the statements of operations and changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

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, 2018, and the results of its operations, changes in its net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
June 27, 2018

Central East Local Health Integration Network

Statement of financial position

As at March 31, 2018

	Notes	2018	2017
	3	**$**	$
Assets			
Current assets			
Cash		**42,669,834**	354,998
Due from Ministry of Health and Long-Term Care ("MOHLTC")	14	**2,343,736**	2,458,900
Accounts receivable		**2,812,047**	65,951
Prepaid expenses		**665,772**	25,539
		48,491,389	2,905,388
Capital assets	7	**2,075,599**	83,787
		50,566,988	2,989,175
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**42,483,364**	307,298
Due to Health Service Providers ("HSPs")	14	**2,343,736**	2,458,900
Due to Ministry of Health and Long-Term Care ("MOHLTC")	4	**3,420,078**	84,268
Due to Central West LHIN	5	**12,534**	51,584
Due to Health Shared Services Ontario		—	3,338
Deferred operating contributions		**231,677**	—
		48,491,389	2,905,388
Deferred capital contributions	8	**2,075,599**	83,787
		50,566,988	2,989,175
Commitments	9		
		—	—
Net assets		**50,566,988**	2,989,175

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

Approved by the Board

_______________ Director

_______________ Director

Central East Local Health Integration Network

Statement of operations and changes in net assets

Year ended March 31, 2018

	Notes	2018 Actual	2017 Actual
	3	$	$
Revenue			
MOHLTC funding - transfer payments	14	**2,100,877,092**	2,288,396,677
MOHLTC funding - Operations and Initiatives		**255,860,074**	6,245,899
Interest income		**523,172**	—
Amortization of deferred capital contributions	8	**725,061**	74,826
Other revenue		**1,886,781**	—
		258,995,088	6,320,725
Total revenue		**2,359,872,180**	2,294,717,402
Expenses			
HSP transfer payments	14	**2,100,877,092**	2,288,396,677
Operations and Initiatives			
Contracted out			
In-home/clinic services		**151,002,240**	—
School services		**10,617,259**	—
Hospice services		**315,000**	—
Salaries and benefits		**68,418,396**	3,417,881
Medical supplies		**14,753,212**	—
Medical equipment rental		**3,805,571**	—
Supplies and sundry		**3,884,436**	2,526,592
Building and ground		**3,782,365**	301,426
Amortization		**725,061**	74,826
Repairs and maintenance		**1,691,548**	—
		258,995,088	6,320,725
Total expenses		**2,359,872,180**	2,294,717,402
Excess of revenue over expenses before the undernoted		**—**	—
Net liabilities assumed on transition	12	**—**	—
		—	—
Net assets, beginning of year		**—**	—
Net assets, end of year		**—**	—

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

Central East Local Health Integration Network

Statement of cash flows

Year ended March 31, 2018

	Notes	2018	2017
	3	**$**	$
Operating activities			
Excess of revenue over expenses		**—**	—
Cash received on transition	12	**33,185,980**	—
Less amounts not affecting cash			
Amortization of capital assets		**725,061**	74,826
Amortization of deferred capital contributions	8	**(725,061)**	(74,826)
		33,185,980	—
Changes in non-cash working capital items	11	**9,128,856**	(166,952)
		42,314,836	(166,952)
Investing activities			
Purchase of capital assets		**(275,959)**	(46,247)
Financing activities			
Increase in deferred contributions		**275,959**	46,247
Net change in cash		**42,314,836**	(166,952)
Cash, beginning of year		**354,998**	521,950
Cash, end of year		**42,669,834**	354,998

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

Central East Local Health Integration Network
Notes to the financial statements
Year ended March 31, 2018

1. Description of business

The Central 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 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 mandate of the LHIN is as follows:

a) 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 Durham North East, Durham West, Halliburton County and the City of Kawartha Lakes, Northumberland County, Peterborough City and County, Scarborough North and Scarborough Sought. 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.

   All funding payments to LHIN managed Health Service Providers are flowed through the LHIN's financial statements. 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.

b) Effective June 21, 2017, the LHIN assumed the responsibility to provide community services legislated in the Home Care and Community Services Act, 1994. These services include health and related social services, medical supplies and equipment for the care of persons in home and community 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 to provide information to the public about, and make referrals to, health and social services. See note 12 for further details.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations including the 4200 series standards, as issued by the Public Sector Accounting Board. Significant accounting policies adopted by the LHIN are as follows:

Revenue recognition

The LHIN follows the deferral method of accounting for contributions. Contributions from the MOHLTC represent externally restricted contributions which must be spent within the fiscal year provided. Unspent contributions from the MOHLTC are set up as repayable to the MOHLTC at the end of the year. Unrestricted contributions are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Central East Local Health Integration Network
Notes to the financial statements
Year ended March 31, 2018

2. Significant accounting policies (continued)

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 approved by the MOHLTC to support LHIN managed Health Services Providers and the operations of the LHIN. The LHIN cannot authorize payments in excess of the budgetary allocation set by the MOHLTC in the MLAA. 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 to the Health Service Provider and does not flow through the LHIN bank account.

LHIN Financial Statements includes only transfer payment funds and LHIN operating funds included in the Ministry-LHIN Accountability Agreement.

Capital assets

Purchased capital assets are recorded at cost. Repairs and maintenance costs are charged to expense. Betterments, which extend the estimated life of a capital asset, are capitalized.

Capital assets are amortized on a straight-line basis based on their estimated useful life as follows:

Computer equipment and software	3 years
Furniture and equipment	10 years
Leasehold improvements	Over the term of the lease
Medical equipment	10 years

For capital assets acquired or brought into use, during the year, amortization is provided for one half of a year.

Deferred capital contributions

Contributions received for the purchase of capital assets are deferred and are amortized to income at the same rate as the corresponding capital asset.

Adoption of PSAS 3430 – Restructuring transactions

The LHIN has implemented Public sector Accounting Board ("PSAB") section 3430 Restructuring Transactions. Section 3430 requires that the assets and liabilities assumed in a restructuring agreement be recorded at the carrying value and that the increase in net assets or net liabilities received from the transferor be recognized as revenue or expense. Restructuring is an event that changes the economics of the recipient from the restructuring date onward. It does not change their history or accountability in the past, and therefore retroactive application with restatement of prior periods permitted only in certain circumstances. The impact of this policy on the current year is detailed in note 12.

Central East Local Health Integration Network
Notes to the financial statements
Year ended March 31, 2018

2. Significant accounting policies (continued)

Financial instruments

Financial assets and liabilities are measured at amortized cost, with the exception of cash that is measured at fair value. Financial instruments measured at amortized cost are initially recognized at cost, and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets. Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Write-downs on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the write-down being recognized in the Statement of operations and changes in net assets.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates include depreciation rates for capital assets and certain accruals. Actual results could differ from those estimates.

3. Change in accounting policy

As a result of the transition of responsibility for the delivery of home and community care services as described above, there has been a significant change in the operations of the LHIN over the prior year. As a result of these changes, the LHIN has determined that the adoption of Canadian public sector accounting standards for Government not-for-profit organizations is appropriate. Previously the LHIN followed Canadian public sector accounting standards. The adoption of this policy has no impact on numbers previously reported. The impact of the change is limited to presentation only, and as a result the prior year figures presented for comparative purposes have been reclassified to conform with the current year's presentation.

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.

The amount due to the MOHLTC at March 31 is made up as follows:

	2018	2017
	$	$
Due to MOHLTC, beginning of year	**84,268**	137,108
Due to MOHLTC transferred from CCAC	**4,476,745**	—
Funding repaid to MOHLTC	**(4,331,348)**	(81,715)
Funding repayable to the MOHLTC related to current year activities	**3,190,413**	28,875
Due to MOHLTC, end of year	**3,420,078**	84,268

5. Enabling technologies for integration project management office

Effective April 1, 2013, 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 Offices for its cluster and related expenses. During the year the LHIN received one-time funding from Central West LHIN of $317,250 (2017 - $383,000). The LHIN incurred eligible expenses of $304,896 (2017 - $370,646). The unspent amount of $12,354 (2017 - $51,854) is reported as due to Central West LHIN on the statement of financial position.

6. Related party transactions

Health Shared Services Ontario ("HSSO")

HSSO is a provincial agency established January 1, 2017 by O. Reg. 456/16 made under the *Local Health System Integration Act, 2006* 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.

7. Capital assets

			2018	2017
	Cost	**Accumulated amortization**	**Net book value**	Net book value
	$	**$**	**$**	$
Computer equipment and software	**3,947,484**	**3,434,679**	**512,805**	43,105
Leasehold improvements	**5,208,038**	**4,090,394**	**1,117,644**	13,156
Furniture and equipment	**4,441,229**	**4,355,113**	**86,116**	27,526
Medical equipment	**1,562,600**	**1,203,566**	**359,034**	-
	15,159,351	**13,083,752**	**2,075,599**	83,787

Central East Local Health Integration Network
Notes to the financial statements
Year ended March 31, 2018

8. Deferred capital contributions

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

	2018	2017
	$	$
Balance, beginning of year	**83,787**	112,366
Capital contributions received during the year	**275,959**	46,247
Capital contributions transferred from CCAC	**2,440,914**	—
Amortization for the year	**(725,061)**	(74,826)
Balance, end of year	**2,075,599**	83,787

9. Commitments

The LHIN has commitments under various operating leases as follows:

	$
2019	4,406,596
2020	3,253,205
2021	1,028,759
2022	605,021
2023	40,500

10. Contingencies

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.

The LHIN has been named as defendants in various claims. Based on the opinion of legal counsel as to the realistic estimates of the merits of these actions and the LHINs potential liability, management believes any liability resulting from these actions would be adequately covered by existing liability insurance.

Central East Local Health Integration Network
Notes to the financial statements
Year ended March 31, 2018

11. Change in non-cash working capital balances

	2018	2017
	$	$
Due From Ministry of Health and Long Term Care	**115,164**	(852,552)
Accounts receivable	**(233,879)**	(39,120)
Prepaid expenses	**298,590**	8,806
Accounts payable and accrued liabilities	**18,931,733**	(130,919)
Due to Health Service Providers	**(115,164)**	852,552
Due to Central West LHIN	**(39,050)**	51,584
Due to Health Shared Services Ontario	**(3,338)**	3,338
Due to LHIN Shared Services Office	**—**	(7,801)
Due to Ministry of Health and Long Term Care	**(1,140,935)**	(52,840)
Deferred Operating contributions	**(8,684,265)**	—
Total change in non-cash working capital items	**9,128,856**	(166,952)

12. Transition of Central East Community Care Access Centre

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 Central East LHIN, including the transfer of all employess of the Central East CCAC. This transition took place on June 21, 2017. Prior to the transition, the LHIN funded a significant portion of the CCACs operations via HSP transfer payements. Subsequent to transition date, the costs incurred for the delivery of services previously provided by the CCAC were incurred directly by the LHIN and are reported in the appropriate lines in the Statement of operations and changes in net assets.

The LHIN assumed the following assets and liabilities, which were recorded at the carrying value of the CCAC.

	$
Cash	33,185,980
Accounts receivable	2,512,217
Prepaid expenses	938,823
Tangible capital assets	2,440,914
Total assets	39,077,934

	$
Accounts payable and accrued liabilities	23,244,333
Due to Ministry of Health and Long Term Care	4,476,745
Deferred Capital contributions	2,440,914
Deferred operating contributions	8,915,942
Total liabilities	39,077,934
Net assets assumed	-

Central East Local Health Integration Network
Notes to the financial statements
Year ended March 31, 2018

13. Pension plan

The LHIN contributes to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 1,020 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 2018 was $5,070,893 (2017 - $354,366) for current service costs and is included as an expense in the 2018 Statement of operations and changes in net assets. The last actuarial valuation was completed for the plan as of December 31, 2017. At that time, the plan was fully funded.

14. Transfer payment to HSPs

The LHIN has authorization to allocate funding of $2,100,877,092 to various HSPs in its geographic area. The LHIN approved transfer payments to various sectors in 2018 as follows:

	2018	2017
	$	$
Operations of hospitals	**1,271,065,991**	1,232,517,651
Grants to compensate for municipal taxation – public hospitals	**280,275**	280,275
Long-Term Care Homes	**462,151,199**	453,784,761
Community Care Access Centres	**65,156,226**	311,112,562
Community support services	**58,961,189**	55,845,293
Assisted living services in supportive housing	**15,967,680**	15,968,925
Community health centres	**32,181,932**	30,520,928
Community mental health addictions program	**68,111,801**	66,738,936
Specialty psychiatric hospitals	**125,275,626**	120,003,326
Acquired brain injury	**1,698,848**	1,597,695
Grants to compensate for municipal taxation – psychiatric hospitals	**26,325**	26,325
	2,100,877,092	2,288,396,677

The LHIN receives funding from the MOHLTC and in turn allocates it to the HSPs. As at March 31, 2018, an amount of $2,343,736 (2017 - $2,458,900) was receivable from the MOHLTC, and was payable to HSPs. These amounts have been reflected as revenue and expenses in the Statement of operations and changes in net assets and are included in the table above.

Pursuant to note 12, effective June 21, 2017 the LHIN assumed the assets, liabilities, rights and obligations of the Central East CCAC. Current year amounts reported in respect of the CCAC in the table above represent funding provided to the CCAC up to the date of transfer.

Central East Local Health Integration Network
Notes to the financial statements
Year ended March 31, 2018

15. Board expenses

The following provides the details of Board expenses reported in the Statement of operations and changes in net assets:

	2018	2017
	$	$
Board Chair per diem expenses	**36,225**	35,050
Other Board members' per diem expenses	**75,475**	50,675
Other governance and travel	**37,406**	31,251
	149,106	116,976

16. Financial risk

The LHIN through its exposure to financial assets and liabilities, has exposure to credit risk and liquidity risk as follows:

Credit risk relates to the potential that one party to a financial instrument will fail to discharge an obligation and incur a financial loss. The maximum exposure to credit risk is the carrying value reported in the statement of financial position. Credit risk is mitigated through collection practices and the diverse nature of amounts with accounts receivable.

Liquidity risk is the risk that the LHIN will not be able to meet all cash flow obligations as they come due. The LHIN mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and cash flow analysis.

17. 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.

Central West **LHIN** | **RLISS** du Centre-Ouest

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www.rlisscentre-ouest.on.ca

May 23, 2018

Management's Respon i ility for the Financial Statements

The integrity and objectivity of the accompanying financial statements of the Central West Local Health Integration Network (CW 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.

Scott McLeod
Chief Executive Officer

Brock Hovey
Vice-President Corporate Services, Accountability and Quality

Ontario
Local Health Integration Network
Réseau local d'intégration des services de santé

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Independent Auditor's Report

To the Members of the Board of Directors of the
Central West Local Health Integration Network

We have audited the accompanying financial statements of the Central West Local Health Integration Network (the "LHIN"), which comprise the statement of financial position as at March 31, 2018, and the statements of operations and changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

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, 2018, and the results of its operations, changes in its net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
May 23, 2018

Central West Local Health Integration Network

Statement of financial position

As at March 31, 2018

	Notes	2018	2017
	3	$	$
Assets			
Current assets			
Cash		**14,006,796**	1,617,589
Due from Ministry of Health and Long-Term Care ("MOHLTC")		**2,765,654**	3,937,890
Due from other LHINs - Enabling Technologies for Integration	5	**20,346**	63,414
Accounts receivable		**1,253,589**	102,730
Prepaid expenses		**617,335**	87,984
		18,663,720	5,809,607
Capital assets	7	**810,955**	16,538
		19,474,675	5,826,145
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**13,917,016**	750,155
Due to Health Service Providers ("HSPs")	15	**2,411,674**	3,937,890
Due to other LHINs		**101,351**	147,557
Due to Ministry of Health and Long-Term Care ("MOHLTC")	4	**2,115,340**	974,005
Deferred operating contributions	8	**118,339**	-
		18,663,720	5,809,607
Commitments and contingencies	10 and 11		
Deferred capital contributions	9	**810,955**	16,538
Net assets		**19,474,675**	5,826,145

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

Approved by the Board

Director

Carmine Domanico

Director

Adrian Bita

Central West Local Health Integration Network

Statement of operations and changes in net assets

Year ended March 31, 2018

	Notes	2018	2017
	3	$	$
Revenue			
MOHLTC funding - transfer payments	15	857,425,062	926,396,097
MOHLTC funding - Operations and Initiatives		122,663,280	8,646,024
Interest income		153,435	-
Amortization of deferred capital contributions		304,502	22,149
Other revenue		1,448,200	178,680
Total LHIN Operations, Initiatives, Amortization		124,569,417	8,846,853
eHealth-Enabling Technologies for Integration allocated to LHIN's	5	(1,932,719)	(1,915,863)
Funding repayable to the MOHLTC-unrestricted revenue		(22,780)	(732)
Funding repayable to the MOHLTC-restricted revenue		(1,307,215)	(563,932)
Total revenue		978,731,765	932,762,423
Expenses			
HSP transfer payments	15	857,425,062	926,396,097
Operations and Initiatives			
Contracted out			
In-home/clinic services		72,233,803	-
School services		183,695	-
Hospice services		5,930,984	-
Salaries and benefits		30,728,787	4,607,652
Medical supplies		4,984,437	-
Medical equipment rental		1,275,625	-
Supplies and sundry		3,066,308	1,477,995
Building and ground		1,339,955	258,530
Amortization		304,502	22,149
Repairs and maintenance		148,627	-
LHIN Operations, Initiatives, Amortization		120,196,723	6,366,326
		977,621,785	932,762,423
Excess of revenue over expenses before the undernoted		1,109,980	-
Net liabilities assumed on transition	13	(1,109,980)	-
		-	-
Net assets, beginning of year		-	-
Net assets, end of year		-	-

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

Central West Local Health Integration Network

Statement of cash flows

Year ended March 31, 2018

	Notes	2018	2017
		$	$
Operating activities			
Excess of revenue over expenses		-	-
Cash received on transition	13	4,991,591	-
Net liabilities assumed on transition	13	1,109,980	-
Less amounts not affecting cash			
Amortization of capital assets		304,502	22,149
Amortization of deferred capital contributions		(304,502)	(22,149)
		6,101,571	-
Changes in non-cash working capital items	12	6,287,636	365,815
		12,389,207	365,815
Investing activities			
Purchase of capital assets		(257,310)	(21,675)
Increase in deferred contributions		257,310	21,675
		-	-
Net change in cash		12,389,207	365,815
Cash, beginning of year		1,617,589	1,251,774
Cash, end of year		14,006,796	1,617,589

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

Central West Local Health Integration Network
Notes to the financial statements
Year ended March 31, 2018

1. Description of business

The Central West 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 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 mandate of the LHIN is as follows:

a) 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 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.

   All funding payments to LHIN managed Health Service Providers are flowed through the LHIN's financial statements. 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.

b) Effective May 31, 2017, the LHIN assumed the responsibility to provide community services legislated in the Home Care and Community Services Act, 1994. These services include health and related social services, medical supplies and equipment for the care of persons in home and community 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 to provide information to the public about, and make referrals to, health and social services. See note 13 for further details.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations including the 4200 series standards, as issued by the Public Sector Accounting Board. Significant accounting policies adopted by the LHIN are as follows:

Revenue recognition

The LHIN follows the deferral method of accounting for contributions. Contributions from the MOHLTC represent externally restricted contributions which must be spent within the fiscal year provided. Unspent contributions from the MOHLTC are set up as repayable to the MOHLTC at the end of the year. Unrestricted contributions are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Central West Local Health Integration Network
Notes to the financial statements
Year ended March 31, 2018

2. Significant accounting policies (continued)

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 approved by the MOHLTC to support LHIN managed Health Services Providers and the operations of the LHIN. The LHIN cannot authorize payments in excess of the budgetary allocation set by the MOHLTC in the MLAA. 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 to the Health Service Provider and does not flow through the LHIN bank account.

LHIN Financial Statements includes only transfer payment funds and LHIN operating funds included in the Ministry-LHIN Accountability Agreement.

Capital assets

Purchased capital assets are recorded at cost. Repairs and maintenance costs are charged to expense. Betterments, which extend the estimated life of an asset, are capitalized

Capital assets are amortized on a straight-line basis based on their estimated useful life as follows:

Furniture and equipment	3-10 years
Computer and communications equipment	3 years
Medical Equipment	4 years
Leasehold improvements	Over the term of the lease

For assets acquired or brought into use, during the year, amortization is provided for one half of a year.

Deferred capital contributions

Contributions received for the purchase of capital assets are deferred and are amortized to income at the same rate as the corresponding capital asset.

Adoption of PSAS 3430 – Restructuring transactions

The LHIN has implemented Public sector Accounting Board ("PSAB") section 3430 Restructuring Transactions. Section 3430 requires that the assets and liabilities assumed in a restructuring agreement be recorded at the carrying value and that the increase in net assets or net liabilities received from the transferor be recognized as revenue or expense. Restructuring is an event that changes the economics of the recipient from the restructuring date onward. It does not change their history or accountability in the past, and therefore retroactive application with restatement of prior periods permitted only in certain circumstances. The impact of this policy on the current year is detailed in note 13.

Central West Local Health Integration Network
Notes to the financial statements
Year ended March 31, 2018

2. Significant accounting policies (continued)

Financial instruments

Financial assets and liabilities are measured at amortized cost, with the exception of cash that is measured at fair value. Financial instruments measured at amortized cost are initially recognized at cost, and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets. Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Write-downs on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the write-down being recognized in the Statement of operations and changes in net assets.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates include depreciation rates for capital assets and certain accruals. Actual results could differ from those estimates.

3. Change in accounting policy

As a result of the transition of responsibility for the delivery of home and community care services as described above, there has been a significant change in the operations of the LHIN over the prior year. As a result of these changes, the LHIN has determined that the adoption of Canadian public sector accounting standards for Government not-for-profit organizations is appropriate. Previously the LHIN followed Canadian public sector accounting standards. The adoption of this policy has no impact on numbers previously reported. The impact of the change is limited to presentation only, and as a result the prior year figures presented for comparative purposes have been reclassified to conform with the current year's presentation.

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.

The amount due to the MOHLTC at March 31 is made up as follows:

	2018	2017
	$	$
Due to MOHLTC, beginning of year	**974,005**	624,171
Due to MOHLTC transferred from CCAC	**453,294**	—
Funding repaid to MOHLTC	**(1,140,052)**	(214,830)
Funding repayable to the MOHLTC related to current year activities	**1,549,061**	334,560
Funding repayable to the MOHLTC related to current year ETI PMO Cluster activities	**279,032**	230,104
Due to MOHLTC, end of year	**2,115,340**	974,005

Central West Local Health Integration Network
Notes to the financial statements
Year ended March 31, 2018

5. Enabling technologies for integration project management office

Effective April 1, 2013, the LHIN entered into an agreement with Central, 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 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, 2018 was $2,988,000 ($3,060,000 in 2017).

Funding of $1,932,719 ($1,979,277 in 2017) was allocated to other LHIN's within the cluster who incurred eligible expenses of $1,912,373 ($1,915,863 in 2017). The LHIN has set up a payable to the MOHLTC for $279,032.

The following provides condensed financial information for the ETI PMO funding and expenses for the cluster:

			2018	2017
	Funding allocated	Eligible expenses	Excess funding	Excess funding
	$	$	$	$
Central West LHIN	1,055,281	796,595	258,686	166,690
Allocation to Other LHINs				
Central LHIN	476,000	476,000	—	—
Central East LHIN	317,250	304,896	12,354	51,584
Toronto Central LHIN	423,000	423,000	—	—
Mississauga Halton LHIN	336,969	336,969	—	—
North Simcoe Muskoka LHIN	379,500	371,508	7,992	11,830
Total Other LHINs	1,932,719	1,912,373	20,346	63,414
Total All LHINs	2,988,000	2,708,968	279,032	230,104

6. Related party transactions

Health Shared Services Ontario ("HSSO")

HSSO is a provincial agency established January 1, 2017 by O. Reg. 456/16 made under the Local Health System Integration Act, 2006 ("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 West Local Health Integration Network
Notes to the financial statements
Year ended March 31, 2018

7. Capital assets

	Cost	Accumulated depreciation	2018 Net book value	2017 Net book value
	$	$	$	$
Furniture and equipment	2,565,681	2,113,513	452,168	12,528
Computer equipment	282,654	280,649	2,005	4,010
Medical equipment	634,810	455,935	178,875	—
Leasehold improvements	2,397,984	2,220,077	177,907	—
	5,881,129	5,070,174	810,955	16,538

8. Deferred operating contributions

Deferred operating contributions represent the unamorizted amount of grants and other contributions received to fund expenditures of future periods BTI equipment leases represent the unamortized amount of grants received from Health shared Services Ontario for the payment of computer leases under the Base Technology Infrastructure Project.

	2018	2017
	$	$
Balance, beginning of year	—	—
Operating contributions received during the year	181,413	—
Operating contributions transferred from CCAC	111,166	—
Amount recognized as revenue in the year	(174,240)	—
Balance, end of year	118,339	—

9. Deferred capital contributions

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

	2018	2017
	$	$
Balance, beginning of year	16,538	17,012
Capital contributions received during the year	257,310	21,675
Capital contributions transferred from CCAC	841,610	—
Amortization for the year	(304,502)	(22,149)
Balance, end of year	810,956	16,538

Central West Local Health Integration Network
Notes to the financial statements
Year ended March 31, 2018

10. Commitments

The LHIN has commitments under various operating leases as follows:

	$
2019	1,724,623
2020	1,658,965
2021	194,185
2022	9,948
2023	8,040

11. Contingencies

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.

The LHIN has been named as defendants in various claims. Based on the opinion of legal counsel as to the realistic estimates of the merits of these actions and the LHINs potential liability, management believes any liability resulting from these actions would be adequately covered by existing liability insurance.

12. Change in non-cash working capital balances

	2018	2017
	$	$
Due From Ministry of Health and Long Term Care	**1,172,236**	(3,498,357)
Due from other LHINs - Enabling Technologies for Integration	**43,068**	(23,511)
Accounts receivable other	**72,537**	3,176
Prepaid expenses	**(102,089)**	(79,379)
Accounts payable and accrued liabilities	**5,979,092**	(20,521)
Due to Health Service Providers	**(1,526,216)**	3,498,357
Due to other LHINs	**(46,206)**	136,218
Due to Ministry of Health and Long Term Care	**688,041**	349,832
Deferred Operating contributions	**7,173**	—
Total change in non-cash working capital items	**6,287,636**	365,815

13. Transition of Central West Community Care Access Centre

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 Central West LHIN, including the transfer of all employess of the Central West CCAC. This transition took place on May 31, 2017. Prior to the transition, the LHIN funded a significant portion of the CCACs operations via HSP transfer payements. Subsequent to transition date, the costs incurred for the delivery of services previously provided by the CCAC were incurred directly by the LHIN and are reported in the appropriate lines in the Statement of operations and changes in net assets.

The LHIN assumed the following assets and liabilities, which were recorded at the carrying value of the CCAC.

	$
Cash	4,991,591
Accounts Receivable	1,223,396
Prepaid Expenses	427,262
Tangible Capital Assets	841,609
Total Assets	7,483,858

	$
Accounts Payable and Accrued liabilities	7,187,769
Due to Ministry of Health and Long Term Care	453,294
Deferred Capital contributions	841,609
Deferred operating contributions	111,166
Total liabilities	8,593,838
Net Liabilities Assumed	(1,109,980)

The Net liabilities resulting from this transaction is recorded in the Statement of operations and changes in net assets.

14. Pension plan

The LHIN contributes to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 345 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 2018 was $2,434,260 ($372,398 in 2017) for current service costs and is included as an expense in the 2018 Statement of operations and changes in net assets. The last actuarial valuation was completed for the plan as of December 31, 2017. At that time, the plan was fully funded.

Central West Local Health Integration Network
Notes to the financial statements
Year ended March 31, 2018

15. Transfer payment to HSPs

The LHIN has authorization to allocate funding of $857,425,062 to various HSPs in its geographic area. The LHIN approved transfer payments to various sectors in 2018 as follows:

	2018	2017
	$	$
Operations of hospitals	585,329,716	563,812,751
Grants to compensate for municipal taxation – public hospitals	96,975	96,975
Long-Term Care Homes	170,764,034	160,057,019
Community Care Access Centres	19,851,161	123,234,690
Community support services	15,166,565	15,701,088
Assisted living services in supportive housing	11,203,007	10,999,045
Community health centres	13,243,463	12,639,799
Community mental health addictions program	41,770,141	39,854,730
	857,425,062	926,396,097

The LHIN receives funding from the MOHLTC and in turn allocates it to the HSPs. As at March 31, 2018, an amount of $2,411,674 ($3,937,890 in 2017) was receivable from the MOHLTC, and was payable to HSPs. These amounts have been reflected as revenue and expenses in the Statement of operations and changes in net assets and are included in the table above.

Pursuant to note 13, effective May 31, 2017 the LHIN assumed the assets, liabilities, rights and obligations of the Central West CCAC. Current year amounts reported in respect of the CCAC in the table above represent funding provided to the CCAC up to the date of transfer.

16. Board expenses

The following provides the details of Board expenses reported in the Statement of operations and changes in net assets:

	2018	2017
	$	$
Board Chair per diem expenses	48,478	50,400
Other Board members' per diem expenses	59,423	58,807
Other governance and travel	61,794	35,812
	169,695	145,019

17. Financial risk

The LHIN through its exposure to financial assets and liabilities, has exposure to credit risk and liquidity risk as follows:

Credit risk relates to the potential that one party to a financial instrument will fail to discharge an obligation and incur a financial loss. The maximum exposure to credit risk is the carrying value reported in the statement of financial position. Credit risk is mitigated through collection practices and the diverse nature of amounts with accounts receivable.

Liquidity risk is the risk that the LHIN will not be able to meet all cash flow obligations as they come due. The LHIN mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and cash flow analysis.

Central West Local Health Integration Network
Notes to the financial statements
Year ended March 31, 2018

18. 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.

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 LHINs 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 met ten times in 2017-18 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

Richard Wilson
Interim Vice President
Performance, Accountability, Corporate Services & CFO

May 31, 2018

Deloitte.

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Independent Auditor's Report

To the Members of
The Board of Directors of the
Champlain Local Health Integration Network

We have audited the accompanying financial statements of the Champlain Local Health Integration Network, which comprise the statement of financial position as at March 31, 2018, and the statements of operations and changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

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 Champlain Local Health Integration Network as at March 31, 2018, and the results of its operations, changes in net assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
May 31, 2018

Champlain Local Health Integration Network

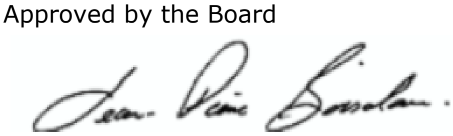
Statement of financial position

As at March 31, 2018

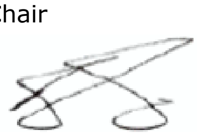
	Notes	2018	2017
		$	$
Assets	3		
Current assets			
Cash		**15,489,893**	745,088
Due from Ministry of Health and Long-Term Care		**11,252,159**	12,791,240
Due from other LHINs - Enabling Technologies		**65,674**	—
Due from other LHINs - Translation		**82,712**	—
Due from Health Shared Services Ontario		**407,468**	—
Accounts receivable		**2,388,437**	42,741
Prepaid expenses		**8,018**	11,746
		29,694,361	13,590,815
Capital assets	7	**1,190,724**	25,576
		30,885,085	13,616,391
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**15,028,715**	607,843
Due to Health Service Providers		**10,924,234**	12,791,240
Due to Ministry of Health and Long-Term Care	4	**3,633,517**	186,517
Due to other funders		**99,195**	—
Due to Health Shared Services Ontario		**8,700**	5,215
		29,694,361	13,590,815
Deferred capital contributions	8	**1,190,724**	25,576
		30,885,085	13,616,391
Commitments and contingent liabilities	9 and 16		
Net assets		**—**	—
		30,885,085	13,616,391

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

Approved by the Board



Board Chair



Audit Committee Chair

Champlain Local Health Integration Network

Statement of operations and changes in net assets

Year ended March 31, 2018

	Notes	2018 Actual	2017 Actual
		$	$
Revenue			
MOHLTC funding - transfer payments	13	**2,461,739,987**	2,632,357,165
Operations, initiatives and amortization			
MOHLTC funding - operations and initiatives		**231,382,029**	9,476,796
Interest income		**272,211**	—
Amortization of deferred capital contributions	8	**326,913**	68,458
Other revenue		**3,156,297**	—
Less			
Enabling Technology funding allocated to other LHINs		**(1,464,326)**	(1,530,000)
Funding repayable to MOHLTC		**(1,172,512)**	(138,384)
Funding repayable to other funders		**(99,195)**	—
		232,401,417	7,876,870
		2,694,141,404	2,640,234,035
Expenses			
HSP transfer payments		**2,461,739,987**	2,632,357,165
Operations, initiatives and amortization			
Contracted out			
In-home/clinic services		**146,264,074**	—
School services		**3,218,105**	—
Hospice services		**5,300,700**	—
Salaries and benefits		**57,559,368**	5,419,866
Medical supplies		**9,168,034**	—
Medical equipment rental		**3,189,713**	—
Supplies and sundries		**3,411,979**	767,390
Building and ground		**2,555,128**	490,924
Amortization		**326,913**	68,458
Repairs and maintenance		**265,527**	390
Professional services		**918,026**	—
Board costs		**129,969**	136,005
Le Reseau Program costs		**993,370**	993,837
		233,300,906	7,876,870
		2,695,040,893	2,640,234,035
Excess of revenue over expenses before the undernoted		**(899,489)**	—
Net assets assumed on transition	11	**899,489**	—
Excess of revenue over expenses		**—**	—
Net assets, beginning of year		**—**	—
Net assets, end of year		**—**	—

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

Champlain Local Health Integration Network

Statement of cash flows

Year ended March 31, 2018

	Notes	2018	2017
		$	$
Operating activities			
Excess of revenue over expenses		—	—
Cash received on transition	11	10,400,623	—
Net assets assumed on transition	11	(899,489)	—
Less amounts not affecting cash			
Amortization of capital assets		326,913	68,458
Amortization of deferred capital contributions		(326,913)	(68,458)
		9,501,134	—
Changes in non-cash operating working capital items	10	5,243,671	182,271
		14,744,805	182,271
Investing activities			
Purchase of capital assets		(573,077)	—
Increase in deferred capital contributions		573,077	—
		—	—
Net increase in cash		14,744,805	182,271
Cash, beginning of year		745,088	562,817
Cash, end of year		15,489,893	745,088

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

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. 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 as follows:

(a) 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. The LHIN enters into service accountability agreements with Health Service Providers (HSP).

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.

All funding payments to LHIN managed Health Service Providers are flowed through the LHIN's financial statements. 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 HSP.

(b) Effective May 24, 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. See Note 11 for further details.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian public sector accounting standards including the 4200 series standards, as issued by the Public Sector Accounting Board. Significant accounting policies adopted by the LHIN are as follows:

Revenue recognition

The LHIN follows the deferral method of accounting for contributions. Contributions from the MOHLTC represent externally restricted contributions which must be spent within the fiscal year provided. Unspent contributions from the MOHLTC are set up as repayable to the MOHLTC at the end of the year. Unrestricted contributions are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Champlain Local Health Integration Network
Notes to the financial statements
March 31, 2018

2. Significant Accounting Policies (continued)

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 approved by the MOHLTC to support LHIN managed Health Services Providers and the operations of the LHIN. The LHIN cannot authorize payments in excess of the budgetary allocation set by the MOHLTC in the MLAA. Due to the nature of the MLAA, 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 MLAA 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 to the Health Service Provider and does not flow through the LHIN bank account.

Capital assets

Purchased capital assets are recorded at cost. Repairs and maintenance costs are charged to expense. Betterments, which extend the estimated life of an asset, are capitalized.

Capital assets are amortized on a straight-line basis based on their estimated useful life on the following terms:

Furniture and equipment	10 years
Computer and communication equipment	3 years
Computer software	3 years
Leasehold improvements	5 years

For assets acquired or brought into use, during the year, amortization is provided for one half of a full year.

Deferred capital contributions

Any amounts received that are used to fund expenses that are recorded as capital asset are 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 capital asset.

Adoption of PSAS 3430 – Restructuring Transactions

The LHIN has implemented Public Sector Accounting Board (PSAB), section 3430, *Restructuring Transactions*. Section 3430 requires that the assets and liabilities assumed in a restructuring agreement be recorded at the carrying value and that the increase in net assets or net liabilities received from the transferor be recognized as revenue or expense. Restructuring is an event that changes the economics of the recipient from the restructuring date onward. It does not change its history or accountability in the past, and therefore retroactive application with restatement of prior periods is permitted only in certain circumstances. The impact of this policy on the current year is detailed in Note 11.

2. Significant Accounting Policies (continued)

Financial instruments

Financial assets and financial liabilities are measured at amortized cost, with the exception of cash that is measured at fair value. Financial instruments measured at amortized cost are initially recognized at cost, and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets. Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Write-downs on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the write-down being recognized in the statement of operations and changes in net assets.

Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates include depreciation rates for capital assets and certain accruals. Actual results could differ from those estimates.

3. Change in Accounting Policy

As a result of the transition of responsibility for the delivery of certain services related to home care as described above, there has been a significant change in the operations of the LHIN over the prior year. As a result of these changes, the LHIN has determined that the adoption of Canadian public sector accounting standards is appropriate. Previously, the LHIN followed Canadian public sector accounting standards. The adoption of this policy has no impact on numbers previously reported. The impact of the change is limited to presentation only, and as a result, the prior year figures presented for comparative purposes have been reclassified to conform with the current year’s presentation.

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.

Champlain Local Health Integration Network
Notes to the financial statements
March 31, 2018

4. Funding repayable to the MOHLTC (continued)

The amount due to the MOHLTC as at March 31 is made up as follows:

	2018	2017
	$	$
Due to MOHLTC, beginning of year	**186,517**	145,204
Surplus funding received for PSW training repayable to MOHLTC	**61,457**	—
Funding repaid to MOHLTC	**(247,974)**	(97,071)
Funding repayable to MOHLTC transferred on May 24, 2017	**2,461,005**	—
Funding repayable to MOHLTC related to current year activities	**1,078,691**	138,384
Funding repayable to MOHLTC related to current year ETI PMO Cluster activities	**93,821**	—
Due to MOHLTC, end of year	**3,633,517**	186,517

5. Enabling Technologies for Integration Project Management Office

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. 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 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 Integration 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, 2018, was $2,040,000 ($2,040,000 in 2017).

Funding of $1,530,000 ($1,530,000 in 2017) was allocated to other LHINs within the Cluster who incurred eligible expenses of $1,464,326 ($1,530,000 in 2017). The LHIN has set up a payable to the MOHLTC for $93,821.

The following provides condensed financial information for the ETI PMO funding and expenses for the Cluster:

			2018	2017
	Funding allocated	**Eligible expenses**	**Excess funding**	Excess funding
	$	**$**	**$**	$
Champlain LHIN	**510,000**	**481,853**	**28,147**	—
South East LHIN	**510,000**	**444,326**	**65,674**	—
North East LHIN	**510,000**	**510,000**	**—**	—
North West LHIN	**510,000**	**510,000**	**—**	—
	2,040,000	**1,946,179**	**93,821**	—

Champlain Local Health Integration Network
Notes to the financial statements
March 31, 2018

6. Related party transactions

Health Shared Services Ontario (HSSO)

HSSO is a provincial agency established January 1, 2017, by O. Reg. 456/16 made under *Local Health System Integration Act* (LHSIA) with objects to provide shared services to LHINs in areas, that include human resource 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 Ministry of Health and Long-Term Care.

Board costs

The following provides the details of Board expenses reported in the statement of operations and changes in net assets:

	2018	2017
	$	$
Board Chair per diem expenses	**59,325**	66,150
Other Board members' per diem expenses	**49,856**	48,575
Other governance and travel	**21,696**	21,280
	130,877	136,005

7. Capital Assets

			2018	2017
	Cost	**Accumulated amortization**	**Net Book value**	Net Book value
	$	**$**	**$**	$
Furniture and equipment	**3,449,401**	**2,513,198**	**936,203**	20,607
Computer and communication equipment	**4,676,439**	**4,467,298**	**209,141**	—
Computer software	**58,832**	**58,832**	**—**	—
Leasehold improvements	**4,749,874**	**4,704,494**	**45,380**	4,969
	12,934,546	**11,743,822**	**1,190,724**	25,576

8. Deferred Capital Contributions

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

	2018	2017
	$	$
Balance, beginning of year	**25,576**	94,034
Capital contributions assumed on May 24, 2017	**918,984**	
Capital contributions received during the year	**573,077**	—
Amortization for the year	**(326,913)**	(68,458)
Balance, end of year	**1,190,724**	25,576

Champlain Local Health Integration Network
Notes to the financial statements
March 31, 2018

9. Commitments

Facilities

The LHIN has entered into lease agreements for multiple facilities. Annual lease payments for the next five years at their current rates are as follows:

	$
2019	2,491,298
2020	2,290,044
2021	2,021,194
2022	1,753,575
2023	1,707,830

Operations

The LHIN has entered into operating lease commitments for equipment rental with varied conditions. Annual lease payments for the next four years are as follows:

	$
2019	464,865
2020	411,489
2021	42,081
2022	27,112

Health Service Providers

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. Minimum commitment to Health Service Providers, based on the current accountability agreements, is as follows:

	$
2019	2,386,535,383
2020	1,783,526,480

Champlain Local Health Integration Network
Notes to the financial statements
March 31, 2018

10. Additional information to the statement of cash flows

	2018	2017
	$	$
Changes in non-cash operating working capital items		
Due from MOHLTC	**1,867,006**	(3,020,298)
Due from other LHINs	**(148,386)**	—
Due from HSSO	**(407,468)**	—
Accounts receivable	**(1,781,942)**	55,449
Prepaid expenses	**60,188**	2,373
Accounts payable and accrued liabilities	**3,971,599**	83,136
Due to Health Service Providers	**(1,867,006)**	3,020,298
Due to MOHLTC	**3,546,195**	41,313
Due to HSSO	**3,485**	—
	5,243,671	182,271

11. Transition of Champlain Community Care Access Centre

On April 3, 2017, the Ministry 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 Champlain LHIN, including the transfer of all employees of the CCAC. This transition took place on May 24, 2017. Prior to the transition, the LHIN funded a significant portion of the CCAC's operations via HSP transfer payments. Subsequent to transition date, the costs incurred for the delivery of services previously provided by the CCAC were incurred directly by the LHIN and are reported in the appropriate lines in the statement of operations and changes in net assets.

	2018	2017
	$	$
HSP transfer payments to CCAC	**36,091,031**	257,788,280
Other income sources	**453,716**	2,951,718
Costs of providing services previously provided By CCAC		
Contracted out services	**(24,362,668)**	(174,212,606)
Salaries and benefits	**(9,275,299)**	(60,687,247)
Medical supplies	**(1,337,823)**	(10,126,515)
Medical equipment rental	**(524,506)**	(3,998,419)
Supplies and sundries	**(379,564)**	(5,233,252)
Building and ground	**(345,383)**	(2,342,734)
Amortization	**(50,353)**	(389,174)
Repairs and maintenance	**(146,694)**	(291,008)
Professional services	**(121,488)**	(1,604,950)
Board costs	**(969)**	(6,024)
	—	1,848,069

Champlain Local Health Integration Network
Notes to the financial statements
March 31, 2018

11. Transition of Champlain Community Care Access Centre (continued)

The LHIN assumed the following assets and liabilities, which were recorded at the carrying value of the CCAC.

	$
Cash	**10,400,623**
Accounts receivable	**891,679**
Tangible capital assets	**918,984**
Prepaid expenses	**56,460**
Total assets	**12,267,746**
Accounts payable and accrued liabilties	**10,449,273**
Deferred capital contributions	**918,984**
Total liabilities	**11,368,257**
Net assets assumed	**899,489**

The net asset resulting from this transaction is recorded as revenue in the statement of operations and changes in net assets.

As a result of the transition, the LHIN also assumed the contingent liablities (note 16), and contractual obligations of the CCAC.

Commitments

The CCAC finalized a new lease agreement for its 4200 Labelle Street location in 2016-2017. Annual lease payments for the next five years, including tax maintenance and tax apportionments at their current rates, for the next five years are as follows:

	$
2018	1,885,544
2019	2,122,200
2020	1,919,172
2021	1,899,365
2022	1,879,456
	9,705,737

The CCAC has entered into operating lease commitments for equipment rental with varied conditions. The contracts have terms extending to 2019-2020. Annual lease payments for the next four years are as follows:

	$
2018	353,646
2019	176,998
2020	123,622
2021	14,968
	669,234

Champlain Local Health Integration Network
Notes to the financial statements
March 31, 2018

11. Transition of Community Care Access Centre (continued)

During the year, transition costs of $147,680 were incurred and have reported as follows:

	$
Salaries and Benefits	147,585
Travel	95
	147,680

Funding of $147,680 received from the Province to offset these transition costs is included in the MOHLTC funding – operations and initiatives in the statement of operations and changes in net assets.

12. Pension Plan

The LHIN contributes to the Healthcare of Ontario Pension Plan (HOOPP), which is a multi-employer plan, on behalf of approximately 755 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 2018 was $4,089,744 ($395,820 in 2017) for current service costs and is included as an expense in the statement of operation and changes in net assets. The last actuarial valuation was completed for the plan as of December 31, 2017. At that time, the plan was fully funded.

13. Transfer Payment to HSPs

The LHIN has authorization to allocate funding of $2,461,739,987 to various HSPs in its geographic area. The LHIN approved transfer payments to various sectors in 2018 as follows:

	2018	2017
	$	$
Operations of Hospitals	**1,710,129,636**	1,675,913,304
Grants to compensate for Municipal Taxation – Public Hospitals	**355,650**	355,650
Long-Term Care Homes	**363,641,729**	355,508,651
Community Care Access Centres	**36,620,754**	257,788,280
Community Support Services and Acquired Brain Injury	**51,265,043**	50,553,922
Assisted Living Services in Supportive Housing	**24,783,086**	24,163,783
Community Health Centres	**66,733,068**	65,762,807
Community Mental Health and Addictions Programs	**100,625,134**	97,805,631
Specialty Psychiatric Hospitals	**107,557,912**	104,477,162
Grants to compensate for Municipal Taxation – Psychiatric Hospitals	**27,975**	27,975
	2,461,739,987	2,632,357,165

The LHIN receives funding from the MOHLTC and in turn allocates it to the HSPs. As at March 31, 2018, an amount of $10,924,234 ($12,791,240 in 2017) was receivable from the MOHLTC, and was payable to HSPs. These amounts have been reflected as revenue and expenses in the statement of operations and changes in net assets and are included in the table above.

Pursuant to note 11, effective May 24, 2017, the LHIN assumed the assets, liabilities, rights and obligations of the Champlain CCAC. Current year amounts reported in respect of the CCAC in the table above represent funding provided to the CCAC up to the date of transfer.

14. Financial Risk

The LHIN through its exposure to financial assets and liabilities has exposure to credit risk and liquidity risk as follows:

Credit risk relates to the potential that one party to a financial instrument will fail to discharge an obligation and incur a financial loss. The maximum exposure to credit risk is the carrying value reported in the statement of financial position. Credit risk is mitigated through collection practices and the diverse nature of amounts with accounts receivable.

Liquidity risk is the risk that the LHIN will not be able to meet all cash flow obligations as they come due. The LHIN mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and cash flow analysis.

15. 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*.

16. Contingent Liabilities

Litigation

Prior to the transfer of the CCAC to the Champlain LHIN, the CCAC was involved in litigation arising from a contract award from a predecessor CCAC. Although the claimant has asserted a claim of approximately $12 million, on March 22, 2017, the judge issued a reason for decision, which found in favor of the CCAC. On April 21, 2017 the decision was appealed.
On June 6, 2017, the judge issued a costs endorsement, which ordered the claimant to reimburse the CCAC $1,864,000 for the recovery of legal costs. On April 27, 2018, the Champlain LHIN received a reimbursement cheque from the claimant directed to the Minister of Finance. As the expenses were incurred in a prior fiscal year, the full amount of the settlement is payable directly to the Province of Ontario. This matter is considered resolved.

Operations

Due to the nature of its operations, the LHIN is susceptible to claims from clients, employees, suppliers and past service provider agencies. Management has recorded its best estimate of the outcome of these claims in these financial statements.

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.

The LHIN is a member of the Healthcare Insurance Reciprocal of Canada (HIROC), which is a pooling of the liability insurance risks of its members. Members of the pool pay annual premiums that are actuarially determined. HIROC members are subject to reassessment for losses, if any, experienced by the pool for the years in which they are members, and these losses could be material. No reassessments have been made to March 31, 2018.

Should these result in additional revenues or costs, the difference will be recorded in the year of settlement.

16. Contingent Liabilities (continued)

GST/HST on Personal Support Services

The 2014 federal budget proposed to formally expand the tax exemption for homemaker services to include personal support services. This treatment is in line with current provincial and territorial practices. Starting March 22, 2013, personal support services are HST exempt. However, services provided before this date remain taxable. It is unclear at this time if the Canada Revenue Agency will proceed with the audit and reassessment of personal support service providers. While the LHIN believes this course of action is unlikely, such exposure could represent a significant financial liability for the LHIN. The LHIN has not recorded any liabilities with respect to this matter.

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 the LHIN'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

Linda Vienneau
Director, Finance & Corporate Services

June 27, 2018

Deloitte.

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Independent Auditor's Report

To the Members of the Board of Directors of the
Erie St. Clair Local Health Integration Network

We have audited the accompanying financial statements of the Erie St. Clair Local Health Integration Network (the "LHIN"), which comprise the statement of financial position as at March 31, 2018, and the statements of operations, changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2018, and the results of its operations, changes in its net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
June 27, 2018

Erie St. Clair Local Health Integration Network

Statement of financial position

As at March 31, 2018

	Notes	2018	2017
	3	**$**	$
Assets			
Current assets			
Cash		**15,361,767**	915,602
Due from Ministry of Health and Long-Term Care ("MOHLTC")		**994,769**	4,253,500
Due from Health Shared Services Ontario		**120,092**	—
Accounts receivable		**670,091**	62,391
Prepaid expenses and supplies		**1,152,960**	37,305
		18,299,679	5,268,798
Capital assets	7	**1,830,251**	142,369
		20,129,930	5,411,167
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**13,514,836**	969,671
Due to Health Service Providers ("HSPs")		**434,869**	4,253,500
Due to Ministry of Health and Long-Term Care ("MOHLTC")	4	**4,260,763**	45,627
Deferred revenue		**138,616**	—
Due to Health Shared Services Ontario		**7,300**	—
		18,356,384	5,268,798
Post employment benefits and compensated absences	8	**1,574,600**	—
Deferred capital contributions	9	**1,830,251**	142,369
		21,761,235	5,411,167
Commitments	10		
Net assets		**(1,631,305)**	—
		20,129,930	5,411,167

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

Approved by the Board

M. Hirsch ______________________, Director

Shaun T. Pillon ______________________, Director

Erie St. Clair Local Health Integration Network

Statement of operations

Year ended March 31, 2018

	Notes	2018	2017
	3	$	$
Revenue			
MOHLTC funding - transfer payments	14	**1,080,822,329**	1,170,767,983
MOHLTC funding - operations and initiatives		**124,831,594**	6,523,561
Interest income		**188,126**	—
Amortization of deferred capital contributions		**511,316**	149,193
Other revenue		**1,261,635**	—
Less			
Funding repayable to MOHLTC		**(3,361,379)**	(8,287)
Total operations and initiatives		**123,431,292**	6,664,467
		1,204,253,621	1,177,432,450
Expenses			
HSP transfer payments	14	**1,080,822,329**	1,170,767,983
Operations and initiatives			
contracted out			
In-home/clinic services		**62,655,229**	—
School services		**5,976,378**	—
Hospice services		**3,418,719**	—
Salaries and benefits		**37,521,115**	4,071,917
Medical supplies		**5,298,079**	—
Medical equipment rental		**962,407**	—
Supplies and sundry		**2,727,001**	1,188,609
Equipment		**613,487**	70,071
Building and ground		**1,522,865**	317,397
Amortization		**511,316**	149,193
Professional service		**1,573,407**	726,312
Board costs		**137,554**	140,968
Total operations and initiatives		**122,917,557**	6,664,467
		1,203,739,886	1,177,432,450
Excess of revenue over expenses before the undernoted		**513,735**	—
Net liabilities assumed on transition	13	**(2,145,040)**	—
Excess of expenses over revenue		**(1,631,305)**	—

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

Erie St. Clair Local Health Integration Network

Statement of changes in net financial assets

Year ended March 31, 2018

	2018			2017
	Unrestricted	**Employee benefits**	**Total**	Actual
	$	**$**	**$**	$
Net assets, beginning of year	**—**	**—**	**—**	—
Excess of revenue over expenses before the undernoted	**291,960**	**221,775**	**513,735**	—
Net liabilities assumed on transition	**(291,960)**	**(1,853,080)**	**(2,145,040)**	—
Net assets, end of year	**—**	**(1,631,305)**	**(1,631,305)**	—

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

Erie St. Clair Local Health Integration Network

Statement of cash flows
Year ended March 31, 2018

	Notes	2018	2017
		$	$
Operating activities			
Excess of revenue over expenses		**(1,631,305)**	—
Cash received on transition		**12,548,860**	—
Net liabilities assumed on transition		**2,145,040**	—
Less amounts not affecting cash			
Amortization of capital assets		**511,316**	149,193
Amortization of deferred capital contributions		**(511,316)**	(149,193)
		13,062,595	—
Changes in non-cash working capital items	12	**1,383,570**	348,760
		14,446,165	348,760
Investing activities			
Purchase of capital assets		**(328,367)**	(3,900)
Financing activity			
Increase in deferred contributions		**328,367**	3,900
Net change in cash		**14,446,165**	348,760
Cash, beginning of year		**915,602**	566,842
Cash, end of year		**15,361,767**	915,602

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

Erie St. Clair Local Health Integration Network
Notes to the financial statements
March 31, 2018

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 mandate of the LHIN is as follows:

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 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.

All funding payments to LHIN managed Health Service Providers are flowed through the LHIN's financial statements. 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.

Effective June 21, 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.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations including the 4200 series standards, as issued by the Public Sector Accounting Board. Significant accounting policies adopted by the LHIN are as follows:

Revenue recognition

The LHIN follows the deferral method of accounting for contributions. Contributions from the MOHLTC represent externally restricted contributions which must be spent within the fiscal year provided. Unspent contributions from the MOHLTC are set up as repayable to the MOHLTC at the end of the year. Unrestricted contributions are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Erie St. Clair Local Health Integration Network
Notes to the financial statements
March 31, 2018

2. Significant accounting policies (continued)

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.

Capital assets

Purchased capital assets are recorded at cost. Repairs and maintenance costs are charged to expense. Betterments, which extend the estimated life of an asset, are capitalized

Capital assets are amortized on a straight-line basis based on their estimated useful life as follows:

Furniture and equipment	5 years
Computer and communications equipment	3 years
Leasehold improvements	5 years

For assets acquired or brought into use, during the year, amortization is provided for a full year.

Deferred capital contributions

Contributions received for the purchase of capital assets are deferred and are amortized to income at the same rate as the corresponding capital asset.

Adoption of PSAS 3430 – Restructuring transactions

The LHIN has implemented Public sector Accounting Board ("PSAB") section 3430 Restructuring Transactions. Section 3430 requires that the assets and liabilities assumed in a restructuring agreement be recorded at the carrying value and that the increase in net assets or net liabilities received from the transferor be recognized as revenue or expense. Restructuring is an event that changes the economics of the recipient from the restructuring date onward. It does not change their history or accountability in the past, and therefore retroactive application with restatement of prior periods permitted only in certain circumstances. The impact of this policy on the current year is detailed in Note 13.

Financial instruments

Financial assets and liabilities are measured at amortized cost, with the exception of cash that is measured at fair value. Financial instruments measured at amortized cost are initially recognized at cost, and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets. Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

2. Significant accounting policies (continued)

Financial instruments (continued)

Write-downs on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the write-down being recognized in the Statement of Operations.

Post employment benefits and compensated absences

The LHIN accrues its obligations relating to the defined benefit pension plan administered by the LHIN, other post employment benefits and sick leave as the employees render services necessary to earn benefits. The LHIN has adopted the following policies:

i. The cost of benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation, mortality and termination rates, and retirement ages of employees;

ii. For the purpose of calculating expected return on plan assets related to the defined benefit pension plan, these assets are valued at fair value;

iii. The excess of the net actuarial gain /loss is amortized over the average remaining service period of the employees;

iv. Differences arising from changes in assumptions and experience gains and losses are amortized on a straight line basis over the average remaining service period of the employees;

v. Past service costs arising from plan amendments are recognized immediately in the period the plan amendments occur.

A majority of the employees of the LHIN are eligible to be members of the Health Care of Ontario Pension Plan ("HOOPP"), which is a multi-employer, defined benefit, final average earnings and contributory pension plan. Defined contribution plan accounting is applied to HOOPP as LHIN has insufficient information to apply defined benefit accounting.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates include depreciation rates for capital assets and certain accruals. Actual results could differ from those estimates.

3. Change in accounting policy

As a result of the transition of responsibility for the delivery of certain services related to home care as described above, there has been a significant change in the operations of the LHIN over prior year. As a result of these changes, the LHIN has determined that the adoption of Canadian public sector accounting standards for Government not-for-profit organizations is appropriate. Previously the LHIN followed Canadian public sector accounting standards. The adoption of this policy has no impact on numbers previously reported. The impact of the change is limited to presentation only, and as a result the prior year figures presented for comparative purposes have been reclassified to conform with the current year presentation.

Erie St. Clair Local Health Integration Network
Notes to the financial statements
March 31, 2018

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.

The amount due to the MOHLTC at March 31 is made up as follows:

	2018	2017
	$	$
Due to MOHLTC, beginning of year	**45,627**	93,318
Funding repaid to MOHLTC	**(45,627)**	(55,978)
Funding repayable to the MOHLTC related to current year activities	**3,361,379**	8,287
Funding repayable to the MOHLTC assumed on transition	**899,384**	—
Due to MOHLTC, end of year	**4,260,763**	45,627

5. Enabling Technologies for Integration Project Management Office

Effective February 1, 2012, the LHIN entered into an agreement with 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 ($510,000 in 2017).

6. Related party transactions

Health Shared Services Ontario (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.

7. Capital assets

			2018	2017
	Cost	**Accumulated amortization**	**Net book value**	Net book value
	$	**$**	**$**	$
Leasehold improvements	**4,347,660**	**3,351,462**	**996,198**	66,587
Furniture and equipment	**2,562,645**	**2,160,243**	**402,402**	75,782
Computer equipment	**2,240,620**	**1,808,969**	**431,651**	—
	9,150,925	**7,320,674**	**1,830,251**	142,369

Erie St. Clair Local Health Integration Network
Notes to the financial statements
March 31, 2018

8. Post employment benefits and compensated absences

The net post employment benefits and compensated absences liability consists of:

	2018	2017
	$	$
(a) Pension plan – accrued future benefit asset	(292,700)	—
(b) Other benefits – accrued future benefit liability	1,360,900	—
(c) Accumulated sick leave liability	506,400	—
Net post employment benefits and compensated absences	1,574,600	—

(a) Pension plans

The LHIN has a defined benefit pension plan administered by the LHIN and managed by Standard Life of Canada, which provides pension benefits based on years of service prior to January 1, 1999 for some unionized employees and prior to January 1, 2002 for some non-unionized employees. Subsequent to the above mentioned dates, some of the respective employees became members of Healthcare of Ontario Pension Plan ("HOOPP"), a multi-employer final average pay contributory pension plan.

The LHIN uses actuarial reports prepared by independent actuaries for funding and accounting purposes. The most recent actuarial valuation of the pension plans for funding purposes was as of November 30, 2014. The measurement date is March 31, 2018.

The following significant actuarial assumptions were employed to determine the periodic pension expense and the accrued benefit obligations:

	2018	2017
	%	%
Assumptions		
Accrued benefit obligation as of March 31		
Discount rate	3.37	—
Rate of compensation increase	2.00	—
Benefit costs for period ended March 31		
Expected long-term rate of return on plan assets	5.00	—
Rate of compensation increase	2.00	—

Information about the LHINs defined benefit pension plan is as follows:

	2018	2017
	$	$
Accrued benefit obligation		
Accrued benefit obligation, beginning of year	—	—
Accrued benefit obligation, transferred from CCAC	967,000	—
Interest cost	23,900	—
Benefits paid	(300,900)	—
Actuarial loss	115,100	—
	805,100	—

Erie St. Clair Local Health Integration Network
Notes to the financial statements
March 31, 2018

8. Post employment benefits and compensated absences (continued)

(a) Pension plans (continued)

	2018	2017
	$	$
Plan assets		
Fair value of plan assets, beginning of year	—	—
Fair value of plan assets, transferred from CCAC	1,133,600	—
Actual return on plan assets	38,500	—
Contributions	16,800	—
Benefit payments	(300,900)	
Actuarial loss	(9,400)	—
	878,600	—

Funded status

	2018	2017
	$	$
Unamortized net actuarial loss	219,200	—
Funded status surplus	73,500	—
	292,700	—

Most employees are also members of HOOPP, which is a multi-employer plan, on behalf of approximately 505 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 2018 was $2,930,989 ($314,335 in 2017) for current service costs and is included as an expense in the 2018 Statement of operations. The last actuarial valuation was completed for the plan as of December 31, 2017. At that time, the plan was fully funded.

(b) Other benefits

The LHIN provides for the continuation of medical benefits to most employees upon retirement. Information about the plan is as follows:

Accrued benefit liability is determined as follows:

	2018	2017
	$	$
Accrued benefit obligation	1,210,000	—
Unamortized actuarial gains	150,900	—
	1,360,900	—

Erie St. Clair Local Health Integration Network
Notes to the financial statements
March 31, 2018

8. Post employment benefits and compensated absences (continued)

(b) Other benefits (continued)

Continuity of benefit liability is as follows:

	2018	2017
	$	$
Balance, beginning of year	—	—
Balance, transferred from CCAC	1,341,400	—
Current service cost	64,800	—
Interest cost	28,300	—
Benefits paid	(43,300)	—
Amortization of net actuarial gains	(30,300)	—
Balance, end of year	1,360,900	—

The following significant actuarial assumptions were employed to determine the periodic benefit expense and the accrued benefit obligation:

	2018	2017
Assumptions		
Accrued benefit obligation as of March 31		
Discount rate	3.37%	—
Health care trend rate	8% trending down	—
	by 1% to 5%	—

(c) Sick leave benefits

Under the sick leave benefit plan, unused sick leave for most employees can accumulate. Information about the plan is as follows:

Compensated absence liability is determined as follows:

	2018	2017
	$	$
Accrued benefit obligation	2,496,800	—
Unamortized actuarial losses	(1,990,400)	—
	506,400	—

Erie St. Clair Local Health Integration Network
Notes to the financial statements
March 31, 2018

8. Post employment benefits and compensated absences (continued)

(c) Sick leave benefits (continued)

Continuity of benefit liability is as follows:

	2018	2017
	$	$
Balance, beginning of year	—	—
Balance, transferred from CCAC	686,700	—
Interest cost	45,600	—
Benefits paid	(282,700)	—
Amortization of net actuarial gains	56,800	—
Balance, end of year	506,400	—

The following significant actuarial assumptions were employed to determine the periodic benefit expense and the accrued benefit obligation:

	2018	2017
Assumptions		
Accrued benefit obligation as of March 31		
Discount rate	3.37%	—
Rate of compensation increase	2.00%	—

9. Deferred capital contributions

Deferred capital contributions represent the unamortized amount of contributions received for the purchase of capital assets. The changes in the deferred capital contributions balance are as follows:

	2018	2017
	$	$
Balance, beginning of year	142,369	287,662
Capital contributions received during the year	328,367	3,900
Capital contributions transferred from CCAC	1,870,831	—
Amortization for the year	(511,316)	(149,193)
Balance, end of year	1,830,251	142,369

Erie St. Clair Local Health Integration Network
Notes to the financial statements
March 31, 2018

10. Commitments

The LHIN has commitments under various operating leases as follows:

	$
2019	1,848,934
2020	1,470,121
2021	1,297,517
2022	1,021,310
2023	988,681
Thereafter	343,013

11. Contingencies

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.

The LHIN has been named as defendants in various claims. Based on the opinion of legal counsel as to the realistic estimates of the merits of these actions and the LHINs potential liability, management believes any liability resulting from these actions would be adequately covered by existing liability insurance.

12. Changes in non-cash working capital balances

	2018	2017
	$	$
Due From Ministry of Health and Long Term Care	**3,258,731**	(2,552,645)
Due from Health Shared Services Ontario	**(120,092)**	—
Accounts receivable other	**(237,010)**	(13,456)
Prepaid expenses	**71,967**	(5,964)
Accounts payable and accrued liabilities	**(914,443)**	421,345
Due to Health Service Providers	**(3,818,631)**	2,552,645
Due to MOHLTC	**3,315,752**	(47,691)
Deferred revenue	**65,396**	—
Due to Health Shared Services Ontario	**7,300**	—
Due to LHIN Shared Services Services Ontario	**—**	(5,474)
Post employment benefits and compensated absences	**(245,400)**	—
Total change in non-cash working capital items	**1,383,570**	348,760

Erie St. Clair Local Health Integration Network
Notes to the financial statements
March 31, 2018

13. Transition of Erie St. Clair Community Care Access Centre

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. This transition took place on June 21, 2017. Prior to the transition, the LHIN funded a significant portion of the CCACs operations via HSP transfer payements. Subsequent to transition date, the costs incurred for the delivery of services previously provided by the CCAC were incurred directly by the LHIN and are reported in the appropriate lines in the statement of operations.

The LHIN assumed the following assets and liabilities, which were recorded at the carrying value of the CCAC.

	$
Cash	**12,548,860**
Sundry receivables	**370,690**
Prepaid expenses and supplies	**1,187,622**
Capital assets	**1,870,831**
	15,978,003
Accounts payable and accrued liabilities	**13,459,608**
Due to Province of Ontario	**899,384**
Deferred revenue	**73,220**
Deferred capital contributions	**1,870,831**
Post employment benefits and compensated absences	**1,820,000**
	18,123,043
Net liabilities assumed	**(2,145,040)**

The Net liabilities resulting from this transaction are recorded as an expense in the statement of operations.

14. Transfer payment to HSPs

The LHIN has authorization to allocate funding of $1,080,822,329 to various HSPs in its geographic area. The LHIN approved transfer payments to various sectors in 2018 as follows:

	2018	2017
	$	$
Operations of hospitals	**691,997,489**	676,437,991
Grants to compensate for municipal taxation – public hospitals	**156,975**	172,500
Long-Term Care Homes	**226,437,014**	220,720,033
Community Care Access Centres	**32,168,352**	148,779,255
Community support services	**23,678,658**	22,826,637
Assisted living services in supportive housing	**13,070,797**	12,322,437
Community health centres	**37,035,831**	35,250,458
Community mental health addictions program	**13,365,190**	12,213,804
Community mental health program	**42,912,023**	42,044,868
	1,080,822,329	1,170,767,983

Erie St. Clair Local Health Integration Network
Notes to the financial statements
March 31, 2018

14. Transfer payment to HSPs (continued)

The LHIN receives funding from the MOHLTC and in turn allocates it to the HSPs. As at March 31, 2018, an amount of $434,869 ($4,253,500 in 2017) was receivable from the 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.

Pursuant to note 13, effective June 21, 2017 the LHIN assumed the assets, liabilities, rights and obligations of the Erie St. Clair CCAC. Current year amounts reported in respect of the CCAC in the table above represent funding provided to the CCAC up to the date of transfer.

15. Board costs

The following provides the details of Board expenses reported in the statement of operations and changes in net assets:

	2018	2017
	$	$
Board Chair per diem expenses	**34,325**	41,650
Other Board members' per diem expenses	**54,150**	40,100
Other governance and travel	**49,079**	59,218
Total Board costs	**137,554**	140,968

16. Financial risk

The LHIN through its exposure to financial assets and liabilities, has exposure to credit risk and liquidity risk as follows:

Credit risk relates to the potential that one party to a financial instrument will fail to discharge an obligation and incur a financial loss. The maximum exposure to credit risk is the carrying value reported in the statement of financial position. Credit risk is mitigated through collection practices and the diverse nature of amounts with accounts receivable.

Liquidity risk is the risk that the LHIN will not be able to meet all cash flow obligations as they come due. The LHIN mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and cash flow analysis.

17. 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.

Hamilton Niagara Haldimand Brant **LHIN** | **RLISS** de Hamilton Niagara Haldimand Brant

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Management's Respon i ility for the inan ial Statements

March 31, 2018

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

Donna Cripps
Chief Executive Officer

Cindy Ward

Cindy Ward
VP Resource Stewardship & CFO

Ontario
Local Health Integration Network
Réseau local d'intégration des services de santé

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Independent Auditor's Report

To the Members of the Board of Directors of the
Hamilton Niagara Halidmand Brant Local Health Integration Network

We have audited the accompanying financial statements of the Hamilton Niagara Haldiamand Brant Local Health Integration Network (the "LHIN"), which comprise the statement of financial position as at March 31, 2018, and the statements of operations, changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2018, and the results of its operations, changes in its net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
June 27, 2018

Hamilton Niagara Haldimand Brant Local Health Integration Network

Statement of financial position

As at March 31, 2018

	Notes	2018	2017
		$	$
Assets			
Current assets			
Cash		**19,523,676**	960,321
Due from Ministry of Health and Long-Term Care ("MOHLTC")	16	**21,246,962**	26,181,852
Accounts receivable		**4,573,573**	78,519
Prepaid expenses		**849,511**	7,327
		46,193,722	27,228,019
Capital assets	7	**1,454,734**	73,636
		47,648,456	27,301,655
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**21,217,748**	337,073
Due to Health Service Providers ("HSPs")	16	**21,246,962**	26,181,852
Due to Ministry of Health and Long-Term Care ("MOHLTC")	4	**3,334,265**	709,094
Deferred operating contributions	8	**394,747**	—
		46,193,722	27,228,019
Deferred capital contributions	9	**1,454,734**	73,636
Accrued non-vested sick benefits	10	**3,568,327**	—
		51,216,783	27,301,655
Commitments	11		
Net assets		**(3,568,327)**	—
		47,648,456	27,301,655

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

Approved by the Board

_______________, Director

_______________, Director

Hamilton Niagara Haldimand Brant Local Health Integration Network

Statement of operations

Year ended March 31, 2018

	Notes	2018	2017
	3	**$**	$
Revenue			
MOHLTC funding - transfer payments	16	**2,815,162,388**	3,019,516,021
MOHLTC funding - Operations and Initiatives		**310,675,744**	7,188,206
Amortization of deferred capital contributions	9	**362,072**	38,850
Other revenue		**3,514,337**	—
		314,552,153	7,227,056
		3,129,714,541	3,026,743,077
Expenses			
HSP transfer payments	16	**2,815,162,388**	3,019,516,021
Operations and initiatives			
Contracted out			
In-home/clinic services		**191,189,779**	—
School services		**10,918,475**	—
Hospice services		**5,371,228**	—
Salaries and benefits		**79,241,175**	4,368,994
Medical supplies and equipment		**15,971,651**	—
Supplies and sundry		**11,211,977**	2,298,207
Amortization	9	**362,072**	38,850
		314,266,357	6,706,051
		3,129,428,745	3,026,222,072
Excess of revenue over expenses before the undernoted		**285,796**	521,005
Accrued non vested sick benefits		**(97,313)**	—
Net liabilities assumed on transition	14	**(3,756,810)**	—
		(3,568,327)	521,005

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

Hamilton Niagara Haldimand Brant Local Health Integration Network

Statement of changes in net financial assets

Year ended March 31, 2018

	2018			2017
	Unrestricted	**Employee benefits**	**Total**	Actual
	$	**$**	**$**	$
Net assets, beginning of year	**—**	**—**	**—**	—
Excess of revenue over expenses before the undernoted	**285,796**	**(97,313)**	**188,483**	—
Net liabilities assumed on transition	**(285,796)**	**(3,471,014)**	**(3,756,810)**	—
Net assets, end of year	**—**	**(3,568,327)**	**(3,568,327)**	—

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

Hamilton Niagara Haldimand Brant Local Health Integration Network

Statement of cash flows

Year ended March 31, 2018

	Notes	2018	2017
		$	$
Operating activities			
Excess of expenses over revenue		**(3,568,327)**	—
Cash received on transition		**13,701,728**	—
Net liabilities assumed on transition		**3,756,810**	—
Less: amounts not affecting cash			
Amortization of capital assets		**362,072**	38,850
Amortization of deferred capital contributions		**(362,072)**	(38,850)
		13,890,211	—
Changes in non-cash working capital items	13	**4,673,144**	(102,050)
		18,563,355	(102,050)
Investing activity			
Purchase of capital assets		**(15,764)**	(90,827)
Financing activity			
Increase in deferred contributions		**15,764**	90,827
Net increase (decrease) in cash		**18,563,355**	(102,050)
Cash, beginning of year		**960,321**	1,062,371
Cash, end of year		**19,523,676**	960,321

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

Hamilton Niagara Haldimand Brant Local Health Integration Network
Notes to the financial statements
Year ended March 31, 2018

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 mandate of the LHIN is as follows:

a) 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 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.

All funding payments to LHIN managed Health Service Providers are flowed through the LHIN's financial statements. 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.

b)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.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations including the 4200 series standards, as issued by the Public Sector Accounting Board. Significant accounting policies adopted by the LHIN are as follows:

Revenue Recognition

The LHIN follows the deferral method of accounting for contributions. Contributions from the MOHLTC represent externally restricted contributions which must be spent within the fiscal year provided. Unspent contributions from the MOHLTC are set up as repayable to the MOHLTC at the end of the year. Unrestricted contributions are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Hamilton Niagara Haldimand Brant Local Health Integration Network
Notes to the financial statements
Year ended March 31, 2018

2. Significant Accounting Policies (continued)

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.

Capital Assets

Purchased capital assets are recorded at cost. Repairs and maintenance costs are charged to expense. Betterments, which extend the estimated life of an asset, are capitalized

Capital assets are amortized on a straight-line basis based on their estimated useful life as follows:

Furniture and equipment	5 to 10 years
Computer and communications equipment	3 years
Leasehold improvements	Over the remaining lease term

Deferred capital contributions

Contributions received for the purchase of capital assets are deferred and are amortized to income at the same rate as the corresponding capital asset.

Adoption of PSAS 3430 – Restructuring transactions

The LHIN has implemented Public sector Accounting Board ("PSAB") section 3430 Restructuring Transactions. Section 3430 requires that the assets and liabilities assumed in a restructuring agreement be recorded at the carrying value and that the increase in net assets or net liabilities received from the transferor be recognized as revenue or expense. Restructuring is an event that changes the economics of the recipient from the restructuring date onward. It does not change their history or accountability in the past, and therefore retroactive application with restatement of prior periods permitted only in certain circumstances. The impact of this policy on the current year is detailed in note 14.

Accrued non-vested sick benefits

The LHIN provides a sick leave benefit plan to all permanent employees and accrues it obligations as the employees render the service necessary to earn the benefits. The actuarial determination of the accrued benefit obligation uses the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, retirement ages of employees and other actuarial factors). Under this method, the benefit costs are recognized over the expected average service life of the employee group. The accrued benefit obligation is equal to the present value of the cost of sick leave credits accumulated to date that are expected to be used in the future in excess of the current yearly allotment of 18 days (pro-rated accordingly for part-time employees).

Hamilton Niagara Haldimand Brant Local Health Integration Network
Notes to the financial statements
Year ended March 31, 2018

2. Significant accounting policies (continued)

Accrued non-vested sick benefits (continued)

The current service costs for a particular period is equal to the actuarial present value of the cost of sick leave credits earned in the year that are expected to be used in the future in excess of the yearly allotment.

Actuarial gains and losses on the accrued benefit obligation arise from the differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. Any gains or losses are amortized over the estimated average remaining service life of the employees. The most recent actuarial evaluation of the sick leave plan was as of March 31, 2018.

Financial Instruments

Financial assets and liabilities are measured at amortized cost, with the exception of cash that is measured at fair value. Financial instruments measured at amortized cost are initially recognized at cost, and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets. Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Write-downs on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the write-down being recognized in the Statement of Operations.

Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates include depreciation rates for capital assets and certain accruals. Actual results could differ from those estimates.

3. Change in accounting policy

As a result of the transition of responsibility for the delivery of certain services related to home care as described above, there has been a significant change in the operations of the LHIN over prior year. As a result of these changes, the LHIN has determined that the adoption of Canadian public sector accounting standards for Government not-for-profit organizations is appropriate. Previously the LHIN followed Canadian public sector accounting standards. The adoption of this policy has no impact on numbers previously reported. The impact of the change is limited to presentation only, and as a result the prior year figures presented for comparative purposes have be reclassified to conform with the current year’s presentation.

Hamilton Niagara Haldimand Brant Local Health Integration Network
Notes to the financial statements
Year ended March 31, 2018

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.

The amount due to the MOHLTC at March 31 is made up as follows:

	2018	2017
	$	$
Due to MOHLTC, beginning of year	**709,094**	913,720
Due to MOHLTC, transferred from HNHB CCAC	**100,100**	—
Funding repaid during year	**(448,590)**	(725,631)
Funding repayable to the MOHLTC related to current year activities	**2,973,661**	521,005
Due to MOHLTC, end of year	**3,334,265**	709,094

5. 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 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 Management Offices for its Cluster and related expenses. During the year, the LHIN received and expensed funding from the South West LHIN of $510,000 (2017- $510,000).

6. Related party transactions

Health Shared Services Ontario (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.

Hamilton Niagara Haldimand Brant Local Health Integration Network
Notes to the financial statements
Year ended March 31, 2018

7. Capital Assets

			2018	2017
	Cost	Accumulated amortization	Net book value	Net book value
	$	$	$	$
Computer equipment and software	476,389	416,219	60,170	61,780
Leasehold improvements	5,776,362	4,409,717	1,366,645	—
Furniture and equipment	6,427,449	6,399,530	27,919	11,856
	12,680,200	11,225,466	1,454,734	73,636

8. Deferred operating contributions

Deferred operating contributions represent the unamortized amount of grants and other contributions received to fund expenditures of future periods. BTI equipment leases represent the unamortized amount of grants received for the payment of computer leases under the Base Technology Infrastructure Project.

	2018	2017
	$	$
MOHLTC/LHIN BTI equipment leases	342,201	—
Other	52,546	—
	394,747	—

9. Deferred Capital Contributions

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

	2018	2017
	$	$
Balance, beginning of year	73,636	21,659
Capital contributions received during the year	15,764	90,827
Capital contributions transferred from CCAC	1,727,406	—
Amortization for the year	(362,072)	(38,850)
Balance, end of year	1,454,734	73,636

10. Accrued non-vested sick benefits

All full-time and part-time employees are credited with 1.5 days per month (pro-rated accordingly for part-time employees) for use as paid absences in the year, due to illness or injury. Employees are allowed to accumulate unused sick day credits each year, up to a maximum of 130 days for unionized employees and 120 days for non-union employees. Accumulated credits may be used in future years if the employee's illness or injury exceeds the annual allocation of credits. Employees are not entitled to any cash payment upon retirement.

Hamilton Niagara Haldimand Brant Local Health Integration Network
Notes to the financial statements
Year ended March 31, 2018

10. Accrued non-vested sick benefits (continued)

The significant assumptions used are as follows:

	2018	2017
	$	$
Discount rate	3.37%	-
Rate of compensation/inflation increases	2.00%	-

Accrued benefit liability is determined as follows:

	2018	2017
	$	$
Accrued benefit obligation	3,058,362	-
Unamortized actuarial gain	509,965	-
Accrued benefit liability	3,568,327	-

Continuity of the accrued benefit liability is as follows:

	2018	2017
	$	$
Accrued benefit liability assumed on transition	3,471,014	-
Change in liability :		
Benefit expense	605,780	-
Less: benefits paid	(508,467)	-
Accrued benefit liability, end of year	3,568,327	-

The accrued non-vested sick benefit expense is as follows:

	2018	2017
	$	$
Benefit cost	477,594	-
Interest on accrued benefit obligation	127,533	-
Amortization of actuarial losses	653	-
Accrued non-vested sick benefits expense	605,780	-

The current year expense in excess of actual benefits paid of $97,313 is recorded through the employee benefits fund.

Hamilton Niagara Haldimand Brant Local Health Integration Network
Notes to the financial statements
Year ended March 31, 2018

11.Commitments

The LHIN is committed to the following operating lease payments as follows:

	$
2019	2,380,531
2020	2,147,277
2021	2,063,681
2022	1,757,545
2023	1,527,844

12. Contingencies

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.

The LHIN has been named as defendants in various claims. Management believes any liability resulting from these actions would be adequately covered by existing liability insurance.

13. Additional Information to the statement of cash flows

	2018	2017
	$	$
Due from MOHLTC	**4,934,890**	5,067,766
Accounts Receivable	**695,816**	28,568
Prepaid expenses	**427,987**	1,837
Accounts payable and accrued liabilities	**7,059,268**	72,171
Due to Health Service Providers	**(4,934,890)**	(5,067,766)
Due to MOHLTC	**2,525,071**	(204,626)
Deferred operating contributions	**(6,132,311)**	—
Accrued non-vested sick benefits	**97,313**	—
Total change in non-cash working capital items	**4,673,144**	(102,050)

14. Transition of Hamilton Haldimand Brant Local Health Integration Network

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 Hamilton Niagara Haldimand Brant LHIN, including the transfer of all employess of the Hamilton Niagara Haldimand Brant CCAC. This transition took place on May 10, 2017. Prior to the transition, the LHIN funded a significant portion of the CCACs operations via HSP transfer payements. Subsequent to transition date, the costs incurred for the delivery of services previously provided by the CCAC were incurred directly by the LHIN and are reported in the appropriate lines in the statement of operations.

14. Transition of Hamilton Haldimand Brant Local Health Integration Network (continued)

The LHIN assumed the following assets and liabilities, which were recorded at the carrying value of the CCAC.

	$
Cash	13,701,728
Accounts Receievable	5,190,870
Prepaid expenses	1,270,171
Tangible Capital Assets	1,727,406
Total Assets	21,890,175
Accounts Payable and Accrured liabilties	13,821,407
Due to MOHLTC	101,100
Deferred operating contributions	6,527,058
Accrued non-vested sick benefits	3,471,014
Deferred Capital contributions	1,727,406
Total liabilities	25,646,985
Net Liabilities Assumed	3,756,810

The Net liabilities restulting from this transaction is recorded as expense in the statement of operations.

15. Pension Plan

The LHIN contributes to the Healthcare of Ontario Pension Plan (“HOOPP”), which is a multi-employer plan, on behalf of approximately 1,028 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 2018 was $5,739,921 (2017 - $348,047). The last actuarial valuation was completed for the plan as of December 31, 2017. At that time, the plan was fully funded.

Hamilton Niagara Haldimand Brant Local Health Integration Network
Notes to the financial statements
Year ended March 31, 2018

16. Transfer Payment to HSPs

The LHIN has authorization to allocate funding of $2,815,162,388 to various HSPs in its geographic area. The LHIN approved transfer payments to various sectors in 2017 as follows:

	2018	2017
	$	$
Operations of hospitals	**2,048,229,757**	1,979,076,717
Grants to compensate for municipal taxation – public hospitals	**462,750**	462,750
Long-Term Care Homes	**510,852,386**	497,028,368
Community Care Access Centres	**34,037,927**	328,666,580
Community support services	**57,250,443**	56,659,208
Acquired brain injury	**7,909,740**	7,655,039
Assisted living services in supportive housing	**37,293,330**	35,983,893
Community health centres	**30,594,767**	29,545,184
Community mental health addictions program	**88,531,288**	84,438,282
	2,815,162,388	3,019,516,021

The LHIN receives funding from the MOHLTC and in turn allocates it to the HSPs. As at March 31, 2018, an amount of $21,246,962 (2017 - $26,181,852) was receivable from the 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.

Pursuant to note 14, effective May 10, 2017 the LHIN assumed the assets, liabilities, rights and obligations of the Hamilton Niagara Haldimand Brant CCAC. Current year amounts reported in respect of the CCAC in the table above represent funding provided to the CCAC up to the date of transfer.

17. Financial Risk

The LHIN through its exposure to financial assets and liabilities, has exposure to credit risk and liquidity risk as follows:

Credit risk relates to the potential that one party to a financial instrument will fail to discharge an obligation and incur a financial loss. The maximum exposure to credit risk is the carrying value reported in the statement of financial position. Credit risk is mitigated through collection practices and the diverse nature of amounts with accounts receivable.

Liquidity risk is the risk that the LHIN will not be able to meet all cash flow obligations as they come due. The LHIN mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and cash flow analysis.

Hamilton Niagara Haldimand Brant Local Health Integration Network
Notes to the financial statements
Year ended March 31, 2018

18. 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.

19. Board Costs

The following provides the details of Board expenses which are reported in the statement of operations:

	2018	2017
	$	$
Board Chair per diem expenses	**28,453**	36,210
Other Board members' per diem expenses	**56,017**	49,441
Other governance and travel	**9,730**	12,594
	94,200	98,245

Mississauga Halton LHIN
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Management's Responsibility for the Financial Statements

March 31, 2018

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
CFO & Vice President Finance,
Performance & Corporate Services

Deloitte.

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Independent Au i

To the Members of the Board of Directors of the
Mississauga Halton Local Health Integration Network

We have audited the accompanying financial statements of the Mississauga Halton Local Health Integra ion Network (the "LHIN"), w ich comp ise the statement of financial position as at March 31, 2018, and the statements of operations and changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Respon ı ili y 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.

Au ı ı ili

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 inan ial statement . lected depend on the au itor' inclu ing the assessment of the risks of material misstatement of the financial statements, whether due to fraud or erro ing those isk assessments, the au itor con ider internal control relevant to the en ity'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 en ity' internal control it als includes evalua ing the approp iateness of accoun ing poli ies 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, 2018, and the results of its operations, changes in its net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
June 7, 2018

Mississauga Halton Local Health Integration Network

Statement of financial position

As at March 31, 2018

	Notes	2018	2017
		$	$
Assets			
Current assets			
Cash		**9,020,076**	605,714
Due from Ministry of Health and Long-Term Care (“MOHLTC”)		**1,279,900**	—
MOHLTC transfer payments to Health Service Providers ("HSPs")	14	**1,424,224**	534,600
Due from other LHIN's - enabling technology		**39,160**	124,948
Accounts receivable		**1,059,694**	49,536
Prepaid expenses		**1,466,461**	81,951
		14,289,515	1,396,749
Capital assets	7	**11,193**	26,190
		14,300,708	1,422,939
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**12,586,137**	740,719
Due to Health Service Providers (“HSPs”)	14	**1,424,224**	534,600
Due to Ministry of Health and Long-Term Care (“MOHLTC”)	4	**279,154**	121,430
		14,289,515	1,396,749
Deferred capital contributions	8	**11,193**	26,190
		14,300,708	1,422,939
Commitments	9		
Net assets		**—**	—
		14,300,708	1,422,939

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

Approved by the Board

Mary Davies

Mary Davies
Acting Chair, Board of Directors

Joanne Rogers

Joanne Rogers, CPA, CA
Acting Chair, Audit and Finance Committee

Mississauga Halton Local Health Integration Network

Statement of operations and changes in net assets

Year ended March 31, 2018

	Notes	2018	2017
		$	$
Revenue			
MOHLTC funding - transfer payments	14	**1,446,667,755**	1,530,939,575
MOHLTC funding - Operations and Initiatives		**171,102,998**	6,388,505
Interest income		**97,269**	—
Amortization of deferred capital contributions		**227,287**	38,258
Other revenue		**463,685**	—
Less:			—
Funding repayable to MOHLTC		**(279,154)**	(106,574)
		171,612,085	6,320,189
Total Revenue		**1,618,279,840**	1,537,259,764
Expenses			
HSP transfer payments	14	**1,446,667,755**	1,530,939,575
Operations and Initiatives			
Contracted out			
In-home/clinic services		**104,773,717**	—
School services		**4,871,043**	—
Hospice services		**1,424,433**	—
Salaries and benefits		**45,682,487**	4,662,840
Medical professional services		**828,719**	361,897
Medical supplies		**5,084,558**	—
Medical equipment rental		**2,120,338**	—
Supplies and sundry		**1,992,049**	892,984
Building and ground		**2,029,778**	227,990
Amortization		**227,287**	38,258
Equipment repairs and maintenance		**742,950**	—
Board costs	15	**73,301**	136,220
		169,850,660	6,320,189
Total Expenses		**1,616,518,415**	1,537,259,764
Excess of revenue over expenses before the undernoted		**1,761,425**	—
Net liabilities assumed on transition	12	**(1,761,425)**	—
		—	—
Net assets, beginning of year		**—**	—
Net assets, end of year		**—**	—

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

Mississauga Halton Local Health Integration Network

Statement of cash flows

Year ended March 31, 2018

	Notes	2018	2017
		$	$
Operating activities			
Excess of revenue over expenses		—	—
Cash assumed on transition	12	7,424,939	—
Net liabilities assumed on transition	12	1,761,425	—
Less: amounts not affecting cash			
Amortization of capital assets		284,322	38,258
Amortization of deferred capital contributions		(284,322)	(38,258)
		9,186,364	—
Changes in non-cash working capital items	11	(772,002)	(31,968)
		8,414,362	(31,968)
Investing activities			
Purchase of capital assets		—	(6,983)
Financing activities			
Increase in deferred capital contributions		—	6,983
Net increase (decrease) in cash		8,414,362	(31,968)
Cash, beginning of year		605,714	637,682
Cash, end of year		9,020,076	605,714

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

Mississauga Halton Local Health Integration Network
Notes to the financial statements
March 31, 2018

1. Description of business

The Mississauga Halton 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 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 mandate of the LHIN is as follows:

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 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.

All funding payments to LHIN managed Health Service Providers are flowed through the LHIN's financial statements. 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.

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.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations including the 4200 series standards, as issued by the Public Sector Accounting Board. Significant accounting policies adopted by the LHIN are as follows:

Revenue recognition

The LHIN follows the deferral method of accounting for contributions. Contributions from the MOHLTC represent externally restricted contributions which must be spent within the fiscal year provided. Unspent contributions from the MOHLTC are set up as repayable to the MOHLTC at the end of the year. Unrestricted contributions are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

2. Significant accounting policies (continued)

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. Funding allocations for transfer payment 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, 2018.

LHIN Financial Statements do not include transfer payment funds not included in the Ministry-LHIN Accountability Agreement.

Capital assets

Purchased capital assets are recorded at cost. Repairs and maintenance costs are charged to expense. Betterments, which extend the estimated life of an asset, are capitalized

Capital assets are amortized on a straight-line basis based on their estimated useful life as follows:

Furniture and equipment	5 years
Computer and communications equipment	3 years
Leasehold improvements	Over the remaining lease term

For assets acquired or brought into use, during the year, amortization is provided for a full year.

Deferred capital contributions

Contributions received for the purchase of capital assets are deferred and are amortized to income at the same rate as the corresponding capital asset.

Adoption of PSAS 3430 – Restructuring Transactions

The LHIN has implemented Public sector Accounting Board (“PSAB”) section 3430 Restructuring Transactions. Section 3430 requires that the assets and liabilities assumed in a restructuring agreement be recorded at the carrying value and that the increase in net assets or net liabilities received from the transferor be recognized as revenue or expense. Restructuring is an event that changes the economics of the recipient from the restructuring date onward. It does not change their history or accountability in the past, and therefore retroactive application with restatement of prior periods is permitted only in certain circumstances. The impact of this policy on the current year is detailed in note 12.

2. Significant accounting policies (continued)

Financial instruments

Financial assets and liabilities are measured at amortized cost, with the exception of cash that is measured at fair value. Financial instruments measured at amortized cost are initially recognized at cost, and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets. Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Write-downs on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the write-down being recognized in the Statement of Operations and changes in net assets.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates include depreciation rates for capital assets and certain accruals. Actual results could differ from those estimates.

3. Change in accounting policy

As a result of the transition of responsibility for the delivery of certain services related to home care as described above, there has been a significant change in the operations of the LHIN over prior year. As a result of these changes, the LHIN has determined that the adoption of Canadian public sector accounting standards for Government not-for-profit organizations is appropriate. Previously the LHIN followed Canadian public sector accounting standards. The adoption of this policy has no impact on numbers previously reported. The impact of the change is limited to presentation only, and as a result the prior year figures presented for comparative purposes have been reclassified to conform with the current year's presentation.

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.

The amount due to the MOHLTC at March 31 is made up as follows:

	2018	2017
	$	$
Due to MOHLTC, beginning of year	**121,430**	181,681
Funding repaid to MOHLTC	**(121,430)**	(166,825)
Funding repayable to the MOHLTC related to current year activities	**279,154**	106,574
Due to MOHLTC, end of year	**279,154**	121,430

Mississauga Halton Local Health Integration Network
Notes to the financial statements
March 31, 2018

5. Enabling Technologies for Integration Project Management Office

Effective February 1, 2012 the LHIN entered into an agreement with Central West, Central, Central East, Toronto Central, 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 one-time funding from Central West LHIN of $336,969 ($327,277 in 2017).

6. Related party transactions

Health Shared Services Ontario (HSSO)

HSSO is a provincial agency established January 1, 2017 by O. Reg. 456/16 made under the *Local Health System Integration Act, 2006* 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.

During the year, the LHIN received Business Technology Infrastructure (BTI) funding from HSSO of $275,260 (Nil in 2017).

7. Capital assets

			2018	2017
	Cost	**Accumulated amortization**	**Net book value**	Net book value
	$	**$**	**$**	$
Computer equipment	**1,360,742**	**1,360,742**	**—**	—
Leasehold improvements	**6,422,929**	**6,422,929**	**—**	1,436
Furniture and equipment	**1,278,304**	**1,267,111**	**11,193**	24,754
	9,061,975	**9,050,782**	**11,193**	26,190

8. Deferred capital contributions

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

	2018	2017
	$	$
Balance, beginning of year	**26,190**	57,465
Capital contributions acquired (Note 12)	**212,290**	—
Capital contributions received during the year	**—**	6,983
Amortization for the year	**(227,287)**	(38,258)
Balance, end of year	**11,193**	26,190

Mississauga Halton Local Health Integration Network
Notes to the financial statements
March 31, 2018

9. Commitments

The LHIN has commitments under various operating leases related to building and equipment. Minimum lease payments due in each of the next five fiscal years are as follows:

2019	2,723,236
2020	2,596,951
2021	2,198,382
2022	1,167,965
2023	1,166,565

10. Contingencies

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.

The LHIN potential liability due to claims arising in the ordinary course of business would be adequately covered by existing liability insurance. As confirmed by HIROC, as at close of March 31, 2018, there were no claims reported by the LHIN to HIROC.

11. Net change in Non-cash working capital

	2018	2017
	$	$
Due from MOHLTC	**(1,279,900)**	—
Accounts receivable – Includes due from LHINs	**456,885**	(133,461)
Accounts receivable MOHLTC transfer payments to Health Service Providers (HSPs)	**(889,624)**	6,331,504
Prepaid expenses	**(155,429)**	(48,267)
Accounts payable and accrued liabilities	**48,718**	215,179
Due to HSPs transfer payments	**889,624**	(6,331,504)
Due to MOHLTC	**157,724**	(60,251)
Due to Health Shared Services Ontario	**—**	(5,168)
	772,002	(31,968)

12. Community Care Access Centre transition

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 MH CCAC. This transition took place on May 31, 2017.

The LHIN assumed the following assets and liabilities, which were recorded at the carrying value of the CCAC.

Mississauga Halton Local Health Integration Network
Notes to the financial statements
March 31, 2018

12. Community Care Access Centre transition (continued)

	$
Cash	7,424,939
Accounts receivable	1,381,255
Prepaid expenses	1,229,081
Tangible capital assets	212,290
	10,247,565
Accounts payable and accrued liabilties	11,796,700
Deferred capital contributions	212,290
	12,008,990
Net liabilities assumed	(1,761,425)

13. Pension plan

The LHIN contributes to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 600 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 2018 was $3,250,558 ($376,251 in 2017). The last actuarial valuation was completed for the plan as of December 31, 2017. At that time, the plan was fully funded.

14. Transfer payment to HSPs

The LHIN has authorization to allocate funding of $1,446,667,755 to various HSPs in its geographic area. The LHIN approved transfer payments to various sectors in 2018 as follows:

	2018	2017
	$	$
Operations of hospitals	**1,065,404,135**	1,013,011,981
Grants to compensate for municipal taxation – public hospitals	**163,200**	163,200
Long-term care homes	**207,941,836**	202,724,637
Community care access centres	**28,465,081**	176,279,459
Community support services	**49,358,359**	47,743,303
Assisted living services in supportive housing	**40,811,937**	39,962,439
Community mental health	**36,106,179**	34,777,191
Addictions program	**8,992,401**	7,735,785
Acquired brain injury	**6,303,432**	6,102,724
Community health centres	**3,121,195**	2,438,856
	1,446,667,755	1,530,939,575

Mississauga Halton Local Health Integration Network
Notes to the financial statements
March 31, 2018

14. Transfer payment to HSPs (continued)

The LHIN receives funding from the MOHLTC and in turn allocates it to the HSPs. As at March 31, 2018, an amount of $1,424,224 ($534,600 in 2017) was receivable from the MOHLTC, and was payable to HSPs. These amounts have been reflected as revenue and expenses in the Statement of operations and changes in net assets and are included in the table above.

Pursuant to note 12, effective May 31, 2017 the LHIN assumed the assets, liabilities, rights and obligations of the Mississauga Halton CCAC. Current year amounts reported in respect of the CCAC in the table above represent funding provided to the CCAC up to the date of transfer.

15. Board costs

The following provides the details of Board expenses:

	2018	2017
	$	$
Board Chair per diem expenses	**13,150**	38,850
Other Board members' per diem expenses	**48,350**	72,800
Other governance and travel	**11,801**	24,570
	73,301	136,220

16. Financial risk

The LHIN through its exposure to financial assets and liabilities has exposure to credit risk and liquidity risk as follows:

Credit risk relates to the potential that one party to a financial instrument will fail to discharge an obligation and incur a financial loss. The maximum exposure to credit risk is the carrying value reported in the statement of financial position. Credit risk is mitigated through collection practices and the diverse nature of amounts with accounts receivable.

Liquidity risk is the risk that the LHIN will not be able to meet all cash flow obligations as they come due. The LHIN mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and cash flow analysis.

17. Guarantees

The LHIN is subject to the provisions of the Financial Administration Act. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favor of third parties, except in accordance with the Financial Administration Act and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the Local Health System Integration Act, 2006 and in accordance with s.28 of the Financial Administration Act.

North East LHIN | RLISS du Nord-Est

SUDBURY OFFICE
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Management's Responsibility for the Financial Statements
March 31, 2018

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.

Jérémy Stevenson
Chief Executive Officer

Cathy Bailey
Vice President Human Resources,
Finance and Corporate Services

Ontario
Local Health Integration Network
Réseau local d'intégration des services de santé

Deloitte.

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Independent Auditor's Report

To the Members of the Board of Directors of the
North East Local Health Integration Network

We have audited the accompanying financial statements of the North East Local Health Integration Network (the "LHIN"), which comprise the statement of financial position as at March 31, 2018, and the statements of operations, changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2018, and the results of its operations, changes in its net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
June 6, 2018

North East Local Health Integration Network
Statement of financial position
As at March 31, 2018

	Notes	2018	2017
	3	$	$
Assets			
Current assets			
Cash		**18,364,763**	565,035
Due from Ministry of Health and Long-Term Care ("MOHLTC") (Transfer payments)		**5,907,319**	15,757,699
Accounts receivable		**684,387**	95,069
Prepaid expenses		**222,123**	39,913
		25,178,592	16,457,716
Capital assets	7	**1,103,200**	155,347
		26,281,792	16,613,063
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**16,865,328**	700,017
Due to Health Service Providers ("HSPs")	15	**5,907,319**	15,757,699
Due to Ministry of Health and Long-Term Care ("MOHLTC")	4	**2,370,614**	—
Deferred contributions		**19,153**	—
		25,162,414	16,457,716
Employee Future Benefits	8	**4,502,210**	—
Deferred capital contributions	9	**1,103,200**	155,347
		30,767,824	16,613,063
Commitments	10		
Net liabilities		**(4,486,032)**	—
		26,281,792	16,613,063

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

Approved by the Board

_______________, Director

_______________, Director

North East Local Health Integration Network
Statement of operations
Year ended March 31, 2018

	Notes	2018	2017
	3	$	$
Revenue			
MOHLTC funding - transfer payments	15	**1,406,271,882**	1,503,092,882
MOHLTC funding - operations and initiatives		**132,700,585**	8,129,229
Interest income		**183,676**	—
Amortization of deferred capital contributions		**400,743**	74,619
Other revenue		**1,384,648**	—
		134,669,652	8,203,848
Total revenue		**1,540,941,534**	1,511,296,730
Expenses			
HSP transfer payments	15	**1,406,271,882**	1,503,092,882
Operations and Initiatives			
Contracted out			
In-home/clinic services		**57,886,886**	—
School services		**2,387,248**	—
Hospice services		**4,282,850**	—
Salaries and benefits		**53,288,127**	5,734,701
Medical supplies		**4,950,939**	—
Medical equipment rental		**1,765,467**	—
Supplies and sundry		**6,494,446**	2,186,368
Building and ground		**2,184,701**	208,160
Amortization		**400,743**	74,619
Repairs and maintenance		**94,914**	—
Employee Future Benefits		**211,871**	—
		133,948,192	8,203,848
Total expenses		**1,540,220,074**	1,511,296,730
Excess of revenue over expenses before the undernoted		**721,460**	—
Net liabilities assumed on transition	13	**(5,207,492)**	—
Excess of expenses over revenue		**(4,486,032)**	—

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

North East Local Health Integration Network
Statement of changes in net financial assets
Year ended March 31, 2018

	Unrestricted	Employee benefits	Internally restricted	2018 Total	2017 Actual
	$	$	$	$	$
Net assets, beginning of year	—	—	—	—	—
Excess of revenue over expenses before the undernoted	933,331	(211,871)	—	721,460	—
Net liabilities assumed on transition	(933,331)	(4,290,339)	16,178	(5,207,492)	—
Net assets, end of year	—	(4,502,210)	16,178	(4,486,032)	—

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

North East Local Health Integration Network
Statement of cash flows
Year ended March 31, 2018

	Notes	2018	2017
		$	$
Operating activities			
Excess of expenses over revenue		**(4,486,032)**	—
Cash Received on transition		**11,230,772**	—
Net liabilities assumed on transition		**5,207,492**	—
Less amounts not affecting cash			
Amortization of capital assets		**400,743**	74,619
Amortization of deferred capital contributions		**(400,743)**	(74,619)
		11,952,232	—
Change in non-cash working capital items	12	**5,847,496**	189,473
		17,799,728	189,473
Investing activities			
Purchase of capital assets		**(54,065)**	(63,802)
Financing activity			
Increase in deferred contributions		**54,065**	20,735
Net change in cash		**17,799,728**	146,406
Cash, beginning of year		**565,035**	418,629
Cash, end of year		**18,364,763**	565,035

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

North East Local Health Integration Network
Notes to the financial statements
March 31, 2018

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 mandate of the LHIN is as follows:

(a) gPlan, 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 the North East. 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.

All funding payments to LHIN managed Health Service Providers are flowed through the LHIN's financial statements. 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.

(b) gEffective 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.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations including the 4200 series standards, as issued by the Public Sector Accounting Board. Significant accounting policies adopted by the LHIN are as follows:

Revenue recognition

The LHIN follows the deferral method of accounting for contributions. Contributions from the MOHLTC represent externally restricted contributions which must be spent within the fiscal year provided. Unspent contributions from the MOHLTC are set up as repayable to the MOHLTC at the end of the year. Unrestricted contributions are recognized when received or receivable if the amount to be received can be reasonably estimated and collected is reasonably assured.

North East Local Health Integration Network
Notes to the financial statements
March 31, 2018

2. Significant accounting policies (continued)

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.

Capital assets

Purchased capital assets are recorded at cost. Repairs and maintenance costs are charged to expense. Betterments, which extend the estimated life of an asset, are capitalized.

Capital assets are amortized on a straight-line basis based on their estimated useful life as follows:

Furniture and equipment	5 years
Computer and communications equipment	3 years
Leasehold improvement	Over the lease term

For assets acquired or brought into use, during the year, amortization is provided for a half year.

Deferred capital contributions

Contributions received for the purchase of capital assets are deferred and amortized to income at the same rate as the corresponding capital asset.

Adoption of PSAS 3430 – Restructuring Transactions

The LHIN has implemented Public sector Accounting Board ("PSAB") section 3430 Restructuring Transactions. Section 3430 requires that the assets and liabilities assumed in a restructuring agreement be recorded at the carrying value and that the increase in net assets or net liabilities received from the transferor be recognized as revenue or expense. Restructuring is an event that changes the economics of the recipient from the restructuring date onward. It does not change their history or accountability in the past, and therefore retroactive application with restatement of prior periods permitted only in certain circumstances. The impact of this policy on the current year is detailed in note 13.

North East Local Health Integration Network
Notes to the financial statements
March 31, 2018

2. Significant accounting policies (continued)

Financial instruments

Financial assets and liabilities are measured at amortized cost, with the exception of cash that is measured at fair value. Financial instruments measured at amortized cost are initially recognized at cost, and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets. Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Write-downs on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the write-down being recognized in the Statement of Operations.

Employee future benefits

The LHIN accrues its obligations for sick leave and post-employment benefit plans as the employees render the services necessary to earn the benefits. The actuarial determination of the accrued benefit obligations uses the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors). Under this method, the benefit costs are recognized over the expected average service life of the employee group.

Actuarial gains and 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 excess of the future actuarial gains and losses will be amortized over the estimated average remaining service life of the employees (8.7 to 11.8 years). The most recent actuarial valuation of the sick leave plan and the benefit plan was as of March 31, 2015.

Substantially all of the employees of the LHIN are eligible to be members of the Health Care of Ontario Pension Plan ("HOOPP"), which is a multi-employer, defined benefit, final average earnings and contributory pension plan. Defined contribution plan accounting is applied to HOOPP as the LHIN has insufficient information to apply defined benefit accounting at the predecessor NE CCAC.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates include depreciation rates for capital assets and certain accruals. Actual results could differ from those estimates.

3. Change in accounting policy

As a result of the transition of responsibility for the delivery of certain services related to home care as described above, there has been a significant change in the operations of the LHIN over prior year. As a result of these changes, the LHIN has determined that the adoption of Canadian public sector accounting standards for Government not-for-profit organizations is appropriate. Previously the LHIN followed Canadian public sector accounting standards. The adoption of this policy has no impact on numbers previously reported. The impact of the change is limited to presentation only, and as a result the prior year figures presented for comparative purposes have been reclassified to conform with the current year's presentation.

North East Local Health Integration Network
Notes to the financial statements
March 31, 2018

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.

The amount due to the MOHLTC at March 31 is made up as follows:

	2018	2017
	$	$
Due from MOHLTC, transferred from NE CCAC	(439,490)	—
Funding received from MOHLTC	439,490	—
Funding repayable to the MOHLTC related to current year activities	2,370,614	—
Due to MOHLTC, end of year	2,370,614	—

5. Enabling Technologies for Integration Project Management Office

Effective Fiscal 2016 the LHIN entered into an agreement with South East, North West, and Champlain 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 Champlain LHIN of $510,000 ($510,000 in 2017).

6. Related party transactions

Health Shared Services Ontario (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.

7. Capital assets

			2018	2017
	Cost	Accumulated amortization	Net book value	Net book value
	$	$	$	$
Furniture and equipment	1,021,113	926,449	94,664	12,350
Computer equipment	1,367,039	1,313,509	53,530	38,809
Leasehold improvements	4,429,598	3,474,592	955,006	104,188
	6,817,750	5,714,550	1,103,200	155,347

North East Local Health Integration Network
Notes to the financial statements
March 31, 2018

8. Employee future benefits

The North East Local Health Integration Network provides for the reimbursement of medical and some life insurance expenses to certain retired employees provided that specified conditions are met. The LHIN provides 50% of accumulated sick leave entitlement not taken by certain employees, on their departure, provided certain conditions are met. The LHIN provided for a non-vesting benefit where it accrues to employees. An actuarial calculation of the future liabilities thereof has been made and forms the basis for the liability reported in these financial statements.

The significant assumptions used are as follows (weighted-average):

	Vested and non-vested sick leave	**Post-employment benefit obligation**
Discount rate	**3.37%**	**3.37%**
Rate of compensation increases	**4%**	**4%**
Health care costs trend rate	**—**	**6.5% trending to 4% over a 10 year period**

Information about the LHIN's benefit plans in aggregate is as follows:

	Vested and non-vested sick leave	Other employee future benefits	Total
	$	$	$
Balance – May 31, 2017, transferred from North East Community Care Access Centre	2,455,424	1,834,915	4,290,339
Benefit cost	147,912	84,192	232,104
Interest cost	75,417	46,130	121,547
Benefits paid	(82,978)	(29,829)	(112,807)
Amortization of actuarial gains	(2,050)	(26,923)	(28,973)
Employee future benefit liability, March 31, 2018	**2,593,725**	**1,908,485**	**4,502,210**
Obligation	2,395,916	1,187,358	3,583,274
Unamortized net actuarial gains	197,809	721,127	918,936
Employee future benefit liability, March 31, 2018	**2,593,725**	**1,908,485**	**4,502,210**

North East Local Health Integration Network
Notes to the financial statements
March 31, 2018

8. Employee future benefits (continued)

Employee future benefits expense

	Vested and non-vested sick leave	Other employee future benefits	Total
	$	$	$
Benefit cost	147,912	84,192	232,104
Interest on accrued benefit obligation	75,417	46,130	121,547
Amortization charges	(2,050)	(26,923)	(28,973)
Employee future benefits expense	221,279	103,399	324,678

The total expense of $211,871 is included in salaries in wages in the statement of operations. The Ministry does not fund the full actuarial expense, but rather the actual payments made during the year. The funded portion of the overall expense is reported through the unrestricted fund, the unfunded portion is reported in the employment benefit fund as follows:

	Vested and non-vested sick leave	Other future benefits	Total
	$	$	$
Benefit expense	221,279	103,399	324,678
Funded portion of expense	(82,978)	(29,829)	(112,807)
Unfunded portion of expense	138,301	73,570	211,871

9. Deferred capital contributions

Deferred capital contributions represent the unamortized amount of contributions received for the purchase of capital assets. Deferred capital contributions are amortized to income at the same rate as the corresponding capital asset. The changes in the deferred capital contributions balance are as follows:

	2018	2017
	$	$
Balance, beginning of year	155,347	209,231
Capital contributions received during the year	54,065	20,735
Capital contributions transferred from NE CCAC	1,294,531	—
Amortization for the year	(400,743)	(74,619)
Balance, end of year	1,103,200	155,347

North East Local Health Integration Network
Notes to the financial statements
March 31, 2018

10. Commitments

The LHIN has commitments under various operating leases as follows:

	$
2018	2,151,875
2019	1,905,297
2020	1,436,587
2021	1,314,072
2022	1,064,777
Thereafter	281,704

11. Contingencies

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.

The LHIN has been named as defendants in various claims. Based on the opinion of legal counsel as to the realistic estimates of the merits of these actions and the LHINs potential liability, management believes any liability resulting from these actions would be adequately covered by existing liability insurance.

12. Change in non-cash working capital balance

	2018	2017
	$	$
Due from MOHLTC	**9,850,380**	8,429,683
Accounts Receivable	**791,420**	(44,407)
Prepaid expenses	**808,733**	(25,899)
Accounts payable and accrued liabilities	**2,095,411**	259,779
Due to Health Service Providers	**(9,850,380)**	(8,429,683)
Due to MOHLTC	**2,370,614**	—
Deferred revenue	**(430,553)**	—
Employee Future benefits	**211,871**	—
	5,847,496	189,473

13. Transition of North East Community Care Access Centre

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 North East LHIN, including the transfer of all employess of the North East CCAC. This transition took place on May 31, 2017. Prior to the transition, the LHIN funded a significant portion of the CCACs operations via HSP transfer payements. Subsequent to transition date, the costs incurred for the delivery of services previously provided by the CCAC were incurred directly by the LHIN and are reported in the appropriate lines in the statement of operations.

North East Local Health Integration Network
Notes to the financial statements
March 31, 2018

13. Transition of North East Community Care Access Centre (continued)

The LHIN assumed the following assets and liabilities, which were recorded at the carrying value of the CCAC.

	$
Cash	**11,230,772**
Accounts receivable	**1,380,738**
Prepaids	**990,943**
Tangible capital assets	**1,294,531**
Total assets	**14,896,984**
Accounts payable and accrued liabilities	**14,519,606**
Employee future benefits	**4,290,339**
Deferred capital contributions	**1,294,531**
Total liabilities	**20,104,476**
Net liabilities assumed	**(5,207,492)**

The net liability resulting from this transaction is recorded as revenue in the statement of operations.

14. Pension Plan

The LHIN contributes to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 752 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 2018 was $3,976,864 ($417,246 in 2017) for current service costs and is included as an expense in the 2018 Statement of Financial Operations. The last actuarial valuation was completed for the plan as of 2017. At that time, the plan was fully funded.

15. Transfer payment to HSPs

The LHIN has authorization to allocate funding of $1,406,271,882 to various HSPs in its geographic area. The LHIN approved transfer payments to various sectors in 2017 as follows:

	2018	2017
	$	$
Operations of hospitals	**972,977,062**	957,015,404
Grants to Compensate for Municipal Taxation – Public Hospitals	**211,725**	211,725
Long-Term Care Homes	**230,103,100**	227,563,522
Community Care Access Centers	**23,787,521**	145,532,336
Community Support Services	**40,708,612**	39,525,889
Acquired Brain Injury	**3,779,279**	3,770,183
Assisted Living Services in Supportive Housing	**24,297,247**	23,439,912
Community Health Centers	**20,081,307**	19,144,535
Community Mental Health	**65,033,349**	63,725,937
Substance Abuse and Gambling Problem	**25,292,679**	23,163,439
	1,406,271,882	1,503,092,882

15. Transfer payment to HSPs (continued)

The LHIN receives funding from the MOHLTC and in turn allocates it to the HSPs. As at March 31, 2018, an amount of $5,907,319 ($15,757,699 in 2017) was receivable from the 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.

Pursuant to note 13, effective May 31, 2017 the LHIN assumed the assets, liabilities, rights and obligations of the North East CCAC. Current year amounts reported in respect of the CCAC in the table above represent funding provided to the CCAC up to the date of transfer.

16. Board expenses

The following provides the details of Board expenses reported in the Statement of operations:

	2018	2017
	$	$
Board Chair per diem expenses	**63,600**	12,810
Other Board members' per diem expenses	**65,165**	36,745
Other governance and travel	**58,784**	31,115
	187,549	80,670

17. Financial risk

The LHIN through its exposure to financial assets and liabilities, has exposure to credit risk and liquidity risk as follows:

Credit risk relates to the potential that one party to a financial instrument will fail to discharge an obligation and incur a financial loss. The maximum exposure to credit risk is the carrying value reported in the statement of financial position. Credit risk is mitigated through collection practices and the diverse nature of amounts with accounts receivable.

Liquidity risk is the risk that the LHIN will not be able to meet all cash flow obligations as they come due. The LHIN mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and cash flow analysis.

18. Accumulated non-vesting sick pay

The accumulated non-vesting sick pay comprises the sick pay benefits that accumulated but do not vest. These adjustments are not funded by the Ontario Ministry of Health and Long-Term Care.

19. Guarantees

The LHIN is subject to the provisions of the Financial Administration Act. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favor of third parties, except in accordance with the Financial Administration Act and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the Local Health System Integration Act, 2006 and in accordance with s.28 of the Financial Administration Act.

North Simcoe Muskoka **LHIN**

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Management's Responsibility for the Financial Statements
March 31, 2018.

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.

J. Tettmann

Name: Jill Tettmann

Title: Chief Executive Officer

Date: July 3, 2018

Name: Jeff Kwan

Title: Vice President, Financial Health & Accountability

Date: July 3, 2018

Ontario
Local Health Integration Network

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Independent Auditor's Report

To the Members of the Board of Directors of the
North Simcoe Muskoka Local Health Integration Network

We have audited the accompanying financial statements of the North Simcoe Muskoka Local Health Integration Network (the "LHIN"), which comprise the statement of financial position as at March 31, 2018, and the statements of operations, changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2018, and the results of its operations, changes in its net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
June 25, 2018

North Simcoe Muskoka Local Health Integration Network

Statement of financial position

As at March 31, 2018

	Notes	2018	2017
		$	$
Assets			
Current assets			
Cash		**12,632,344**	583,210
Due from Ministry of Health and Long-Term Care (“MOHLTC”)	15	**4,028,807**	151,000
Accounts receivable		**1,446,338**	69,165
Prepaid expenses		**310,136**	66,819
		18,417,625	870,194
Rental security deposits		**84,414**	—
Capital assets	7	**149,649**	125,705
		18,651,688	995,899
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**12,343,019**	587,602
Due to Health Service Providers (“HSPs”)	15	**3,606,607**	151,000
Due to Ministry of Health and Long-Term Care (“MOHLTC”)	4	**2,109,646**	119,762
Due to Central West LHIN	5	**7,992**	11,830
Due to Cancer Care Ontario		**15,539**	—
Deferred revenue		**17,362**	—
		18,100,165	870,194
Post Employment Benefits and Compensated Absences	13	**1,364,800**	—
Deferred capital contributions	8	**149,649**	125,705
		19,614,614	995,899
Commitments	9		
Net liabilities		**(962,926)**	—
		18,651,688	995,899

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

Approved by the Board

______________ Director

______________ Director

North Simcoe Muskoka Local Health Integration Network

Statement of operations

Year ended March 31, 2018

	Notes	2018 Actual	2017 Actual
		$	$
Revenue			
MOHLTC funding - transfer payments	15	**826,586,599**	892,323,214
MOHLTC funding - Operations and Initiatives		**101,841,146**	6,627,673
Interest income		**171,866**	—
Amortization of deferred capital contributions	8	**181,281**	124,071
Other revenue		**2,510,392**	—
		104,704,685	6,751,744
Total revenue		**931,291,284**	899,074,958
Expenses			
HSP transfer payments	15	**826,586,599**	892,323,214
Operations and initiatives			
Contracted out			
In-home/clinic services		**58,114,577**	—
School services		**3,314,644**	—
Hospice services		**2,080,210**	—
Other		**783,324**	—
Salaries and benefits		**30,728,272**	4,343,155
Medical supplies and services		**4,029,606**	78,271
Medical equipment rental		**1,714,811**	—
Supplies and sundry		**1,536,983**	1,835,475
Equipment - other		**721,644**	—
Building and ground		**1,151,962**	370,772
Amortization		**181,281**	124,071
Repairs and maintenance		**306,548**	—
		104,663,862	6,751,744
Total expenses		**931,250,461**	899,074,958
Excess of revenue over expenses before the undernoted		**40,823**	—
Unfunded employee benefit expenses	13	**(11,840)**	—
Expenditures from care fund	19	**(35,723)**	—
Net liabilities assumed on transition	12	**(956,186)**	—
Excess of expenses over revenue		**(962,926)**	—

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

North Simcoe Muskoka Local Health Integration Network

Statement of changes in net financial assets

Year ended March 31, 2018

				2018	2017
	Unrestricted	Care Fund	Employee benefits	Total	Actual
			$	$	$
Net assets, beginning of year	—	—	—	—	—
Excess of revenue over expenses (expenses over revenue) before the undernoted	40,823	(35,723)	(11,840)	(6,740)	—
Net liabilities assumed on transition	(40,823)	437,597	(1,352,960)	(956,186)	—
Net liabilities, end of year	—	401,874	(1,364,800)	(962,926)	—

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

North Simcoe Muskoka Local Health Integration Network

Statement of cash flows

Year ended March 31, 2018

	Notes	2018	2017
		$	$
Operating activities			
Excess of revenue over expenses		(962,926)	—
Cash received on transition		10,919,668	—
Net liabilities assumed on transition		956,186	—
Less amounts not affecting cash			
Amortization of capital assets		181,281	124,071
Amortization of deferred capital contributions		(181,281)	(124,071)
		10,912,928	—
Changes in non-cash operating items	11	1,136,206	8,472
		12,049,134	8,472
Investing activities			
Purchase of capital assets		(45,949)	(9,949)
Increase in deferred capital contributions		45,949	9,949
		—	—
Net increase in cash		12,049,134	8,472
Cash, beginning of year		583,210	574,738
Cash, end of year		12,632,344	583,210

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

North Simcoe Muskoka Local Health Integration Network
Notes to the financial statements
Year ended March 31, 2018

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 mandate of the LHIN is as follows:

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 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.

All funding payments to LHIN managed Health Service Providers are flowed through the LHIN's financial statements. 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.

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.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations including the 4200 series standards, as issued by the Public Sector Accounting Board. Significant accounting policies adopted by the LHIN are as follows:

Revenue recognition

The LHIN follows the deferral method of accounting for contributions. Contributions from the MOHLTC represent externally restricted contributions which must be spent within the fiscal year provided. Unspent contributions from the MOHLTC are set up as repayable to the MOHLTC at the end of the year. Unrestricted contributions are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

2. Significant accounting policies (continued)

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.

Capital assets

Purchased capital assets are recorded at cost. Repairs and maintenance costs are charged to expenses when incurred. Betterments which extend the estimated life of an asset are capitalized.

Capital assets are are amortized on a straight-line basis based on their estimated useful life as follows:

Computer Equipment	4 years
Computer Software	3 years
Equipment	5 years
Leasehold improvement	Life of lease
Furniture and fixtures	10 years
Telephone system	10 years

Deferred capital contributions

Contributions received for the purchase of capital assets are deferred and amortized to income at the same rate as the corresponding capital asset.

Adoption of PSAS 3430 – restructuring transactions

The LHIN has implemented Public sector Accounting Board ("PSAB") section 3430 Restructuring Transactions. Section 3430 requires that the assets and liabilities assumed in a restructuring agreement be recorded at the carrying value and that the increase in net assets or net liabilities received from the transferor be recognized as revenue or expense. Restructuring is an event that changes the economics of the recipient from the restructuring date onward. It does not change their history or accountability in the past, and therefore retroactive application with restatement of prior periods permitted only in certain circumstances. The impact of this policy on the current year is detailed in note 12.

North Simcoe Muskoka Local Health Integration Network
Notes to the financial statements
Year ended March 31, 2018

2. Significant accounting policies (continued)

Post-Employment Benefits and Compensated Absences

The LHIN provides defined retirement and post-employment benefits and compensated absences to certain employee groups. These benefits include pension, health, dental and insurance and non-vesting sick leave. The LHIN has adopted the following policies with respect to accounting for these employee benefits:

i) The costs of post-employment future benefits are actuarially determined using management's best estimate of heath care costs, expected salary escalation, retirement ages of employees and discount rates. Adjustments to these costs arising from the changes in estimates and experience gains and losses are amortized to income over the estimated average remaining service life of the employee groups on a straight-line basis.

ii) The costs of multi-employer defined benefit pension are the employers contributions due to the plan in the period

iii) The cost of non-vesting sick leave benefits are actuarially determined using management's best estimate of salary escalation, employees' use of entitlement and discount rates. Adjustments to these costs arising from changes in actuarial assumption and/or experience are recognized over the estimated average remaining service life of the employees

iv) The discount rate used in the determination of the above liabilities is management's best estimate of the LHIN's cost of borrowing.

Financial instruments

Financial assets and liabilities are measured at amortized cost, with the exception of cash, which is measured at fair value. Financial instruments measured at amortized cost are initially recognized at cost, and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets. Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Write-downs on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the write-down being recognized in the Statement of operations.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates include depreciation rates for capital assets and certain accruals. Actual results could differ from those estimates.

3. Change in accounting policy

As a result of the transition of responsibility for the delivery of certain services related to home care as described above, there has been a significant change in the operations of the LHIN over prior year. As a result of these changes, the LHIN has determined that the adoption of Canadian public sector accounting standards for Government not-for-profit organizations is appropriate. Previously the LHIN followed Canadian public sector accounting standards. The adoption of this policy has no impact on amounts previously reported. The impact of the change is limited to presentation only, and as a result, the prior year figures presented for comparative purposes have been reclassified to conform with the current year's presentation.

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.

The amount due to the MOHLTC at March 31 is made up as follows:

	2018	2017
	$	$
Due to MOHLTC, beginning of year	119,762	169,959
Due to MOHLTC acquired from NSM CCAC	2,406,743	—
Funding repaid to MOHLTC during the current year	(2,266,648)	(76,389)
Funding repayable to the MOHLTC related to current	1,849,789	26,192
Due to MOHLTC, end of year	2,109,646	119,762

5. 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 $379,500 (2017 - $423,000). The LHIN incurred eligible expenditures related to this funding totaling $371,508 (2017 - $411,170). The unspent amount of $7,992 (2017 - $11,830) is reported as due to Central West LHIN on the statement of financial position.

North Simcoe Muskoka Local Health Integration Network
Notes to the financial statements
Year ended March 31, 2018

6. Related party transactions

Health Shared Services Ontario (HSSO)

HSSO is a provincial agency established January 1, 2017 by O. Reg. 456/16 made under the *Local Health System Integration Act, 2006* 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.

7. Capital assets

			2018	2017
	Cost	**Accumulated depreciation**	**Net book value**	Net book value
	$	**$**	**$**	$
Computer equipment	**270,315**	**186,023**	**84,292**	—
Computer software	**124,147**	**124,147**	**—**	—
Equipment	**343,684**	**327,036**	**16,648**	—
Leasehold improvements	**2,119,213**	**2,103,823**	**15,390**	35,776
Furniture and fixtures	**1,249,230**	**1,226,123**	**23,107**	89,929
Telephone system	**538,086**	**527,874**	**10,212**	—
	4,644,675	**4,495,026**	**149,649**	125,705

8. Deferred capital contributions

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

	2018	2017
	$	$
Balance, beginning of year	**125,705**	239,827
Capital contributions acquired from NSM CCAC	**159,276**	—
Capital contributions received during the year	**45,948**	9,949
Amortization for the year	**(181,281)**	(124,071)
Balance, end of year	**149,648**	125,705

9. Commitments

The LHIN has commitments under various operating leases expiring in 2022 as follows:

	$
2019	1,411,404
2020	1,094,091
2021	412,588
2022	12,284
	2,930,367

10. Contingencies

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.

The LHIN has been named as defendants in various claims. Based on the opinion of legal counsel as to the realistic estimates of the merits of these actions and the LHINs potential liability, management believes any liability resulting from these actions would be adequately covered by existing liability insurance.

11. Changes in non-cash working capital balance

	2018	2017
	$	$
Due from MOHLTC	**(3,361,016)**	271,741
Accounts receivable	**(569,176)**	(10,195)
Prepaid expenses	**289,061**	14,878
Rental security deposit	**(84,414)**	
Accounts payable and accrued liabilities	**1,889,807**	50,822
Due to Health Service Providers	**3,455,607**	(271,741)
Due to MOHLTC	**(175,721)**	(50,197)
Due to Central West LHIN	**(3,838)**	3,164
Due to Cancer Care Ontario	**15,539**	—
Deferred revenue	**(331,483)**	—
Employee future benefits	**11,840**	—
Total change in non-cash operating items	**1,136,206**	8,472

12. Transition of North Simcoe Muskoka Community Care Access Centre

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 NSM LHIN, including the transfer of all employees of the NSM CCAC. This transition took place on May 3, 2017. Prior to the transition, the LHIN funded a significant portion of the CCAC's operations via HSP transfer payments. Subsequent to transition date, the costs incurred for the delivery of services previously provided by the CCAC were incurred directly by the LHIN and are reported in the appropriate lines in the statement of operations.

North Simcoe Muskoka Local Health Integration Network
Notes to the financial statements
Year ended March 31, 2018

12. Transition of North Simcoe Muskoka Community Care Access Centre (continued)

The LHIN assumed the following assets and liabilities, which were recorded at the carrying value of the CCAC.

	$
Assets	
Cash	10,919,668
Accounts receivable	807,997
Due from the Ministry of Health and Long-Term Care	516,791
Prepaid expenses	532,378
Capital assets	159,276
	12,936,110
Liabilities	
Accounts payable & accrued liabilities	9,865,610
Due from the Ministry of Health and Long-Term Care	2,165,605
Deferred revenue	348,845
Deferred capital contributions	159,276
Employee future benefits	1,352,960
	13,892,296
Net liabilities assumed	956,186

13. Post-employment benefits and compensated absences liabilities

The LHIN records estimated post-employment benefits and compensated absences in the year they are earned. These liabilities are actuarially determined.

Post-employment benefits

The LHIN extends post-employment life insurance, health and dental benefits to certain employee groups subsequent to their retirement. The LHIN contributes 50% towards the premiums for these benefits for its non-union retirees. The LHIN recognizes these benefits as they are earned during the employees' tenure of service. The related benefit liability was determined by an actuarial valuation for accounting purposes as at March 31, 2018.

The major actuarial assumptions employed for the valuations are as follows:

	%
Salary grid placement	**2.00**
Health care cost escalation	**6.00**
Dental costs escalation	**2.75**
Discount on accrued benefit obligations	**3.10**

13. Post-employment benefits and compensated absences liabilities (continued)

Non-vesting sick leave

The LHIN allocates to certain employee groups a specified number of days each year for use as paid absences in the event of illness or injury. These days do not vest and are available immediately. Employees are permitted to accumulate their unused allocation each year, up to the allowable maximum provided in their employment agreements. Accumulated days may be used in future years to the extent that the employees' illness or injury exceeds the current year's allocation of days. Sick days are paid out at the salary in effect at the time of usage. The related benefit liability was determined by an actuarial valuation for accounting purposes as at March 31, 2018.

The assumptions used in the valuation of non-vesting sick leave are the LHIN's best estimates of expected rates of:

	%
Salary grid placement	**2.00**
Discount rate	**3.10**

The post-employment liability is determined as follows:

	Post-employment benefits	Non-vesting sick leave	Total liability
	$	$	$
Accrued benefit obligation	**789,600**	**470,100**	**1,259,700**
Unamortized actuarial losses	**220,700**	**(115,600)**	**105,100**
Total liability	**1,010,300**	**354,500**	**1,364,800**

The benefit expense for the year is as follows:

	Post-employment benefits	Non-vesting sick leave	Total expense
	$	$	$
Current period benefit cost	**47,876**	**49,616**	**97,492**
Interest on accrued benefit obligation	**29,511**	**3,333**	**32,844**
Amortization of actuarial losses/gains	**5,649**	**11,909**	**17,558**
Total expense	**83,036**	**64,858**	**147,894**

The unfunded portion of the benefit expense of $11,840 is reported through the employee benefit fund.

North Simcoe Muskoka Local Health Integration Network
Notes to the financial statements
Year ended March 31, 2018

14. Pension Plan

The LHIN contributes to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 420 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 2018 was $2,252,581 ($354,986 in 2017) for current service costs and is included as an expense in the 2018 Statement of Financial Operations. The last actuarial valuation was completed for the plan as of December 31, 2017. At that time, the plan was fully funded.

15. Transfer payment to HSPs

The LHIN has authorization to allocate funding of $826,586,599 ($892,323,214 in 2017) to various HSPs in its geographic area. The LHIN approved transfer payments to various sectors in 2018 as follows:

	2018	2017
	$	$
Operations of hospitals	**465,319,108**	445,797,205
Grants to compensate for municipal taxation – public hospitals	**77,625**	77,625
Long-term Care Homes	**150,505,848**	146,841,685
Community Care Access Centres	**9,179,465**	105,707,993
Community support services	**15,614,653**	15,537,085
Assisted living services in supportive housing	**9,670,159**	8,991,978
Community health centres	**12,741,392**	11,828,900
Community mental health	**29,203,855**	27,844,391
Addictions program	**6,153,542**	5,309,334
Specialty psychiatric hospitals	**126,887,428**	123,177,528
Grants to compensate for municipal taxation – psychiatric hospitals	**23,400**	23,400
Acquired brain injury	**1,210,124**	1,186,090
	826,586,599	892,323,214

The LHIN receives funding from the MOHLTC and in turn allocates it to the HSPs. As at March 31, 2018, an amount of $3,606,607 ($151,000 in 2017) was receivable from the MOHLTC and included as due from MOHLTC in the statement of financial position. The amount of $3,606,607 was payable to HSPs and is included in the table above. Amounts have been reflected as revenue and expenses in the Statement of operations.

Pursuant to note 12, effective May 3, 2017 the LHIN assumed the assets, liabilities, rights and obligations of the North Simcoe Muskoka CCAC. Current year amounts reported in respect of the CCAC in the table above represent funding provided to the CCAC up to the date of transfer.

16. Financial risk

The LHIN through its exposure to financial assets and liabilities has exposure to credit risk and liquidity risk as follows:

Credit risk relates to the potential that one party to a financial instrument will fail to discharge an obligation and incur a financial loss. The maximum exposure to credit risk is the carrying value reported in the statement of financial position. Credit risk is mitigated through collection practices and the diverse nature of amounts with accounts receivable.

Liquidity risk is the risk that the LHIN will not be able to meet all cash flow obligations as they come due. The LHIN mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and cash flow analysis.

17. 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.

18. Board expenses

The following provides the details of Board expenses reported in the statement of operations:

	2018	2017
	$	$
Board Chair per diem expenses	**56,359**	60,200
Other Board members' per diem expenses	**80,504**	58,975
Other governance and travel	**28,238**	38,931
	165,101	158,106

19. Care Fund

The care fund is an internally restricted fund. Charitable donations received by the CCAC are used to support Care Fund activities. The Care Fund is used to support patient needs including caregiver respite and the purchase of medical equipment. Funds are also used to support staff education and organizational development activities.

North West **LHIN** | **RLISS** du Nord-Ouest

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March 31, 2018

Management's Respon i ility for the inan ial Statements

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.

Rhonda Crocker Ellacott	Brian Ktytor
CEO	Vice President, Corporate Services

North West Local Health Integration Network

Réseau local d'intégration des services de santé du Nord-Ouest

Deloitte.

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Independent Auditor's Report

To the Members of the Board of Directors of the
North West Local Health Integration Network

We have audited the accompanying financial statements of the North West Local Health Integration Network (the "LHIN"), which comprise the statement of financial position as at March 31, 2018, and the statement 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.

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, 2018, and the results of its operations, changes in its net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
June 26 2018

North West Local Health Integration Network

Statement of financial position

As at March 31, 2018

	Notes	2018	2017
	3	**$**	$
Assets			
Current assets			
Cash		**6,935,590**	444,497
Due from Ministry of Health and Long-Term Care ("MOHLTC") - HSP			
Transfer payments	15	**8,016,497**	4,869,393
Accounts receivable		**380,052**	84,767
Prepaid expenses		**87,078**	6,610
		15,419,217	5,405,267
Capital assets	7	**178,360**	80,215
		15,597,577	5,485,482
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**5,604,421**	428,318
Due to Health Service Providers ("HSPs")	15	**8,016,497**	4,869,393
Due to MOHLTC	4	**1,798,299**	95,247
Due to Health Shared Services Ontario		**—**	12,309
		15,419,217	5,405,267
Deferred capital contributions	8	**178,360**	80,215
		15,597,577	5,485,482
Commitments	10		
Net assets		**—**	—
		15,597,577	5,485,482

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

Approved by the Board

_________________________ Director

_________________________ Director

North West Local Health Integration Network
Statement of operations and changes in net Assets
Year ended March 31, 2018

	Notes	2018 Actual	2017 Actual
	3	**$**	$
Revenue			
MOHLTC funding - transfer payments	15	**656,997,507**	674,545,363
Base funding		**50,016,826**	6,046,958
One time funding		**1,918,645**	399,731
Other Ministry funding		**319,121**	
Other revenue		**768,984**	510,000
Amortization of deferred capital contribution		**89,252**	63,451
		53,112,828	7,020,140
		710,110,335	681,565,503
Expenses			
HSP transfer payments	15	**656,997,507**	674,545,363
Purchased Client Services			
Nursing		**8,914,356**	—
Personal support		**15,571,756**	—
Residential hospice		**167,704**	—
Other healthcare services		**4,366,250**	—
Medical supplies and equipment		**2,444,147**	—
Salaries and benefits		**18,586,581**	5,101,940
Supplies & sundry		**2,211,830**	1,505,947
Building and ground		**990,799**	348,802
Amortization		**89,252**	63,451
		53,342,675	7,020,140
		710,340,182	681,565,503
Excess of expenses over revenue before the undernoted		**(229,847)**	—
Net assets assumed on transition	13	**229,847**	—
Excess of revenue over expenses		**—**	—
Net assets, beginning of year		**—**	—
Net assets, end of year		**—**	—

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

North West Local Health Integration Network

Statement of cash flows

Year ended March 31, 2018

	Notes	2018	2017
		$	$
Operating activities			
Excess of revenue over expenses		—	—
Cash received on transition		2,758,941	—
Net assets assumed on transition		(229,847)	—
Less amounts not affecting cash			
Amortization of capital assets		89,252	63,461
Amortization of deferred capital contributions		(89,252)	(63,461)
		2,529,094	—
Changes in non-cash working capital items		3,961,999	34,503
		6,491,093	34,503
Investing activity			
Purchase of capital assets		(107,911)	(26,322)
Financing activity			
Deferred capital contributions received		107,911	26,322
Net increase in cash		6,491,093	34,503
Cash, beginning of year		444,497	409,994
Cash, end of year		6,935,590	444,497

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

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 mandate of the LHIN is as follows:

(a) 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 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.

All funding payments to LHIN managed Health Service Providers are flowed through the LHIN's financial statements. 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.

(b) Effective June 21, 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.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations including the 4200 series standards, as issued by the Public Sector Accounting Board. Significant accounting policies adopted by the LHIN are as follows:

Revenue recognition

The LHIN follows the deferral method of accounting for contributions. Contributions from the MOHLTC represent externally restricted contributions which must be spent within the fiscal year provided. Unspent contributions from the MOHLTC are set up as repayable to the MOHLTC at the end of the year. Unrestricted contributions are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

2. Significant accounting policies (continued)

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.

Capital assets

Purchased capital assets are recorded at cost. Repairs and maintenance costs are charged to expense. Betterments, which extend the estimated life of an asset, are capitalized

Capital assets are amortized on a straight-line basis based on their estimated useful life as follows:	
Furniture and equipment	5 years
Computer equipment	3 years
Leasehold improvements	5 years

For assets acquired or brought into use, during the year, amortization is provided for a full year.

Deferred capital contributions

Contributions received for the purchase of capital assets are deferred and amortized to income at the same rate as the corresponding capital asset.

Adoption of PSAS 3430 – Restructuring transactions

The LHIN has implemented Public sector Accounting Board ("PSAB") section 3430 Restructuring Transactions. Section 3430 requires that the assets and liabilities assumed in a restructuring agreement be recorded at the carrying value and that the increase in net assets or net liabilities received from the transferor be recognized as revenue or expense. Restructuring is an event that changes the economics of the recipient from the restructuring date onward. It does not change their history or accountability in the past, and therefore retroactive application with restatement of prior periods permitted only in certain circumstances.

Financial instruments

Financial assets and liabilities are measured at amortized cost, with the exception of cash that is measured at fair value. Financial instruments measured at amortized cost are initially recognized at cost, and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets. Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

2. Significant accounting policies (continued)

Financial instruments (continued)

Write-downs on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the write-down being recognized in the statement of operations and changes in net assets.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates include depreciation rates for capital assets and certain accruals. Actual results could differ from those estimates.

3. Change in accounting policy

As a result of the transition of responsibility for the delivery of certain services related to home care as described above, there has been a significant change in the operations of the LHIN over prior year. As a result of these changes, the LHIN has determined that the adoption of Canadian public sector accounting standards for Government not-for-profit organizations is appropriate. Previously the LHIN followed Canadian public sector accounting standards. The adoption of this policy has no impact on numbers previously reported. The impact of the change is limited to presentation only, and as a result the prior year figures presented for comparative purposes have been reclassified to conform with the current year's presentation.

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.

The amount due to the MOHLTC at March 31 is made up as follows:

	2018	2017
	$	$
Due to MOHLTC, beginning of year	**95,247**	137,920
Funding repaid to MOHLTC	**(95,247)**	(126,789)
Funding repayable to the MOHLTC related to current year activities	**1,798,299**	84,116
Due to MOHLTC, end of year	**1,798,299**	95,247

5. Enabling technologies for integration project management office

Effective February 1, 2012 the LHIN entered into an agreement with the 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 and expensed funding from Champlain LHIN of $510,000 ($510,000 in 2017).

6. Related party transactions

Health Shared Services Ontario (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.

7. Capital assets

			2018	2017
	Cost	**Accumulated amortization**	**Net book value**	Net book value
	$	**$**	**$**	$
Computer equipment	**641,611**	**624,247**	**17,364**	5,225
Leasehold improvements	**940,742**	**907,115**	**33,627**	51,286
Furniture and equipment	**2,079,907**	**1,952,538**	**127,369**	23,704
	3,662,260	**3,483,900**	**178,360**	80,215

8. Deferred capital contributions

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

	2018	2017
	$	$
Balance, beginning of year	**80,215**	117,344
Capital contributions transferred from CCAC	**79,486**	—
Capital contributions received during the year	**107,911**	26,322
Amortization for the year	**(89,252)**	(63,451)
Balance, end of year	**178,360**	80,215

9. Board costs

The following provides the details of Board expenses reported in the statement of operations and changes in net assets:

	2018	2017
	$	$
Board Chair per diem expesnes	**32,060**	31,325
Other Board members' per diem expenses	**76,965**	52,931
Other governance and travel costs	**64,321**	85,584
	173,346	169,840

10. Commitments

The LHIN has commitments under various operating leases related to building and equipment extending to 2021. Minimum lease payments due in each of the next five year are as follows:

	$
2019	1,197,898
2020	1,124,949
2021	344,197
2022	84,062
2023	42,817
	2,793,923

11. Contingencies

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.

The LHIN has been named as defendants in various claims. Based on the opinion of legal counsel as to the realistic estimates of the merits of these actions and the LHINs potential liability, management believes any liability resulting from these actions would be adequately covered by existing liability insurance.

12. Additional information to the statement of cash flows

	2018	2017
	$	$
Due from MOHLTC - HSP transfer payment	**(3,147,104)**	4,391,678
Accounts receivable	**893,640**	17,019
Prepaid expenses	**330**	4,480
Accounts payable and accrued liabilities	**1,377,286**	55,677
Due to health service providers	**3,147,104**	(4,391,678)
Due to MOHLTC	**1,703,052**	(42,673)
Due to Health Shares Services Ontario	**(12,309)**	—
Total change in non-cash working capital items	**3,961,999**	34,503

13. Transition of North West Community Care Access Centre

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 West Community Care Access Centre the (CCAC), to the North Westl LHIN, including the transfer of all employees of the North West CCAC. This transition took place on June 21, 2017. Prior to the transition, the LHIN funded a significant portion of the CCACs operations via HSP transfer payements. Subsequent to transition date, the costs incurred for the delivery of services previously provided by the CCAC were incurred directly by the LHIN and are reported in the appropriate lines in the statement of operations and changes in net assets.

The LHIN assumed the following assets and liabilities, which were recorded at the carrying value of the CCAC.

Cash	2,758,941
Accounts receivable	1,188,925
Prepaid expenses	80,798
Tangible capital assets	79,486
	4,108,150
Accounts payable and accrured liabilities	3,798,817
Deferred capital contributions	79,486
	3,878,303
Net assets assumed	229,847

The net assets resulting from this transaction is recorded as revenue in the statement of operations.

14. Pension plan

The LHIN contributes to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 235 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 2018 was $1,404,676 ($399,085 in 2017) for current service costs and is included as an expense in the Statement of Financial Operations. The last actuarial valuation was completed for the plan as of December 31, 2017. At that time, the plan was fully funded.

15. Transfer payment to HSPs

The LHIN has authorization to allocate funding of $656,997,507 to various HSPs in its geographic area. The LHIN approved transfer payments to various sectors in 2017 as follows:

		2017
		$
Operations of hospitals		450,138,937
Grants to compensate for municipal taxation – public hospitals		105,375
Long-Term care Homes		77,181,486
Community care access centres		57,079,225
Community support services		15,806,326
Acquired brain in jury		1,038,082
Assisted living services in supportive housing		13,488,520
Community health centres		10,147,480
Community mental health program		33,463,391
Addictions program		16,096,541
		674,545,363

The LHIN receives funding from the MOHLTC and in turn allocates it to the HSPs. As at March 31, 2018, an amount of $8,016,497 ($4,869,393 in 2017) was receivable from the 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.

Pursuant to note 13, effective June 21, 2017 the LHIN assumed the assets, liabilities, rights and obligations of the North West CCAC. Current year amounts reported in respect of the CCAC in the table above represent funding provided to the CCAC up to the date of transfer.

16. Financial risk

The LHIN through its exposure to financial assets and liabilities, has exposure to credit risk and liquidity risk as follows:

Credit risk relates to the potential that one party to a financial instrument will fail to discharge an obligation and incur a financial loss. The maximum exposure to credit risk is the carrying value reported in the statement of financial position. Credit risk is mitigated through collection practices and the diverse nature of amounts with accounts receivable.

Liquidity risk is the risk that the LHIN will not be able to meet all cash flow obligations as they come due. The LHIN mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and cash flow analysis.

17. 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.

South East **LHIN**

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March 31, 2018

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 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 matter prior to approval of the financial statements.

The financial statements have been audited by Deloitte, independent auditors appointed by the Board of Directors.

Steve Goetz	Ja
Director, Finance, Service Contracts & Operations	Manager, Finance
South East Local Health Integration Network	South East Local Health Integration Network

Ontario
Local Health Integration Network

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Independent Auditor's Report

To the Members of the Board of Directors of the
South East Local Health Integration Network

We have audited the accompanying financial statements of the South East Local Health Integration Network (the "LHIN"), which comprise the statement of financial position as at March 31, 2018, and the statements of operations and changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

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, 2018, and the results of its operations, changes in its net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
June 25, 2018

South East Local Health Integration Network

Statement of financial position

As at March 31, 2018

	Notes	2018	2017
	3	**$**	$
Assets			
Current assets			
Cash		**16,442,157**	1,085,414
Due from Ministry of Health and Long-Term Care ("MOHLTC")		**1,605,381**	—
Accounts receivable		**1,879,271**	32,605
Prepaid expenses		**393,828**	37,289
		20,320,637	1,155,308
Capital assets	7	**164,409**	152,410
		20,485,046	1,307,718
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**14,729,345**	874,082
Due to Health Service Providers ("HSPs")	15	**1,374,710**	—
Due to Ministry of Health and Long-Term Care ("MOHLTC")	4	**3,639,109**	137,594
Due to Champlain LHIN	5	**65,674**	—
Deferred revenue		**402,215**	—
Current portion of obligations under capital leases	8	**35,789**	34,048
		20,246,842	1,045,724
Obligations under capital leases	8	**73,795**	109,584
Deferred capital contributions	9	**164,409**	152,410
		20,485,046	1,307,718
Commitments	10		
		—	—
Net assets		**20,485,046**	1,307,718

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

Approved by the Board

______________________, Director

______________________, Director

South East Local Health Integration Network

Statement of operations and changes in net assets

Year ended March 31, 2018

	Notes	2018 Actual	2017 Actual
	3	$	$
Revenue			
MOHLTC funding – transfer payments	15	**1,064,235,812**	1,139,922,236
MOHLTC funding – Operations and Initiatives		**118,397,062**	6,665,571
Interest income		**207,117**	—
Amortization of deferred capital contributions		**180,555**	54,812
Amortization of deferred restricted contributions		**35,264**	—
Other revenue		**1,241,660**	—
		120,061,658	6,720,383
		1,184,297,470	1,146,642,619
Expenses			
HSP transfer payments	15	**1,064,235,812**	1,139,922,236
Operations and Initiatives			
Contracted out			
In-home/clinic services		**70,798,260**	—
School services		**3,894,726**	—
Hospice services		**378,026**	—
Salaries and benefits		**33,464,048**	5,310,907
Medical supplies		**5,723,923**	—
Medical equipment rental		**1,250,195**	—
Supplies and sundry		**2,644,143**	1,096,501
Buildings and grounds		**1,290,488**	258,163
Amortization		**180,555**	54,812
		119,624,364	6,720,383
		1,183,860,176	1,146,642,619
Excess of revenue over expenses before the undernoted		**437,294**	—
Net liabilities assumed on transition	13	**(437,294)**	—
		—	—
Net assets, beginning of year		**—**	—
Net assets, end of year		**—**	—

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

South East Local Health Integration Network

Statement of cash flows

Year ended March 31, 2018

	Notes	2018	2017
		$	$
Operating activities			
Excess of revenue over expenses		**—**	—
Cash received on transition	13	**14,489,718**	—
Net liabilities assumed on transition	13	**437,294**	—
Less amounts not affecting cash			
Amortization of capital assets		**180,555**	54,812
Amortization of deferred capital contributions	9	**(180,555)**	(54,812)
		14,927,012	—
Changes in non-cash working capital items	12	**463,779**	349,080
		15,390,791	349,080
Investing activity			
Purchase of capital assets		**(23,119)**	—
Financing activities			
Increase in deferred capital contributions	9	**23,119**	—
Repayment of capital lease obligations	8	**(34,048)**	(32,390)
		(10,929)	(32,390)
Net change in cash		**15,356,743**	316,690
Cash, beginning of year		**1,085,414**	768,724
Cash, end of year		**16,442,157**	1,085,414

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

1. Description of business

The South 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 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 mandate of the LHIN is as follows:

(a) 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 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 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.

All funding payments to LHIN managed Health Service Providers are flowed through the LHIN's financial statements. 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.

(b) 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.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations including the 4200 series standards, as issued by the Public Sector Accounting Board. Significant accounting policies adopted by the LHIN are as follows:

Revenue recognition

The LHIN follows the deferral method of accounting for contributions. Contributions from the MOHLTC represent externally restricted contributions which must be spent within the fiscal year provided. Unspent contributions from the MOHLTC are set up as repayable to the MOHLTC at the end of the year. Unrestricted contributions are recognized when received or receivable if the amount to be received can be reasonably estimated and collected is reasonably assured.

2. Significant accounting policies (continued)

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.

Capital assets

Purchased capital assets are recorded at cost. Repairs and maintenance costs are charged to expense. Betterments, which extend the estimated life of an asset, are capitalized.

Capital assets are amortized on a straight-line basis based on their estimated useful life as follows:

Furniture and equipment	5 years
Computer equipment	3 years
Leasehold improvement	Over the lease term

For assets acquired or brought into use, during the year, amortization is provided for a full year.

Deferred capital contributions

Contributions received for the purchase of capital assets are deferred and amortized to income at the same rate as the corresponding capital asset.

Adoption of PSAS 3430 – Restructuring Transactions

The LHIN has implemented Public sector Accounting Board ("PSAB") section 3430 Restructuring Transactions. Section 3430 requires that the assets and liabilities assumed in a restructuring agreement be recorded at the carrying value and that the increase in net assets or net liabilities received from the transferor be recognized as revenue or expense. Restructuring is an event that changes the economics of the recipient from the restructuring date onward. It does not change their history or accountability in the past, and therefore retroactive application with restatement of prior periods permitted only in certain circumstances. The impact of this policy on the current year is detailed in note 13.

Financial instruments

Financial assets and liabilities are measured at amortized cost, with the exception of cash that is measured at fair value. Financial instruments measured at amortized cost are initially recognized at cost, and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets. Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

2. Significant accounting policies (continued)

Financial instruments (continued)

Write-downs on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the write-down being recognized in the statement of operations and changes in net assets.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates include depreciation rates for capital assets and certain accruals. Actual results could differ from those estimates.

3. Change in accounting policy

As a result of the transition of responsibility for the delivery of certain services related to home care as described above, there has been a significant change in the operations of the LHIN over prior year. As a result of these changes, the LHIN has determined that the adoption of Canadian public sector accounting standards for Government not-for-profit organizations is appropriate. Previously the LHIN followed Canadian public sector accounting standards. The adoption of this policy has no impact on numbers previously reported. The impact of the change is limited to presentation only, and as a result the prior year figures presented for comparative purposes have been reclassified to conform with the current year's presentation.

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.

The amount due to the MOHLTC at March 31 is made up as follows:

		2017
		$
Due to MOHLTC, beginning of year		115,146
Funding repaid to MOHLTC		(70,605)
Funding repayable to the MOHLTC related to current year activities		93,053
Funding repayable to MOHLTC related to CCAC prior year activities		—
Due to MOHLTC, end of year		137,594

5. Enabling Technologies for Integration Project Management Office

Effective Fiscal 2014 the LHIN entered into an agreement with Champlain, North East and North West 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.

5. Enabling Technologies for Integration Project Management Office (continued)

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 (2017 - $510,000) and incurred eligible expenditures of 444,326 2017 = $510,000). The unspent portion of $65,674 (2017 - nil) has been set as up as repayable to the Champlain LHIN.

6. Related party transactions

Health Shared Services Ontario (HSSO)

HSSO is a provincial agency established January 1, 2017 by O. Reg. 456/16 made under LHSIA with objectives 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.

7. Capital assets

		2017
		Net book value
		$
Computer equipment		2,820
Leasehold improvements		140,616
Furniture and equipment		8,974
		152,410

8. 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 capital assets and the related liabilities are included in liabilities 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:

		2017
		$
2018		34,048
2019		35,789
2020		37,621
2021		36,174
		143,632
Less: current portion		34,048
Long-term portion of capital lease obligation		109,584

Pledged as security for the above borrowings are the leasehold improvements under capital lease.

8. Obligations under capital lease (continued)

The minimum payments over the remaining terms of the leases are as follows:

		2017
		$
2018		40,456
2019		40,456
2020		40,456
2021		37,084
Total minimum payment		158,452
Less: amount representing interest		14,820
		143,632

9. Deferred capital contributions

Deferred capital contributions represent the unamortized amount of contributions received for the purchase of capital assets. Deferred capital contributions are amortized to income at the same rate as the corresponding capital asset. The changes in the deferred capital contributions balance are as follows:

		2017
		$
Balance, beginning of year		207,222
Capital contributions received during the year		—
Capital contributions transferred from SE CCAC		—
Amortization for the year		(54,812)
Balance, end of year		152,410

10. Commitments

The LHIN has commitments under various operating leases expiring in 2022 as follows:

	$
2019	1,606,758
2020	434,652
2021	237,487
2022	4,945
	2,283,842

11. Contingencies

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.

The LHIN has been named as defendants in various claims. Based on the opinion of legal counsel as to the realistic estimates of the merits of these actions and the LHINs potential liability, management believes any liability resulting from these actions would be adequately covered by existing liability insurance.

12. Change in non-cash working capital balance

		2017
		$
Due from MOHLTC		—
Accounts receivable		8,898
Prepaid expenses		21,935
Accounts payable and accrued liabilities		295,799
Due to HSP		—
Due to MOHLTC		22,448
Due to Champlain LHIN		
Deferred revenue		—
		349,080

13. Transition of South East Community Care Access Centre

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 South East LHIN, including the transfer of all employees of the South East CCAC. This transition took place on May 17, 2017. Prior to the transition, the LHIN funded a significant portion of the CCACs operations via HSP transfer payments. Subsequent to transition date, the costs incurred for the delivery of services previously provided by the CCAC were incurred directly by the LHIN and are reported in the appropriate lines in the statement of operations and changes in net assets.

The LHIN assumed the following assets and liabilities, which were recorded at the carrying value of the CCAC.

Cash	
Accounts receivable	
Prepaids	
Tangible capital assets	
Total assets	
Accounts payable and accrued liabilities	
Deferred revenue	
Due to Ministry	
Deferred capital contributions	
Total liabilities	
Net liabilities assumed	

The net liability resulting from this transaction is recorded as an expense in the statement of operations and changes in net assets.

14. Pension Plan

The LHIN contributes to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 430 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 2018 was $2,527,953 ($286,327 in 2017) for current service costs and is included as an expense in the 2018 Statement of Financial Operations. The last actuarial valuation was completed for the plan as of December 31, 2017. At that time, the plan was fully funded.

15. Transfer payment to HSPs

The LHIN has authorization to allocate funding of $1,064,235,812 to various HSPs in its geographic area. The LHIN approved transfer payments to various sectors in 2018 as follows:

		2017
		$
Operations of hospitals		673,586,976
Grants to Compensate for Municipal Taxation – Public Hospitals		190,725
Long-Term Care Homes		189,581,149
Community Care Access Centers		127,792,583
Community Support Services		39,616,533
Assisted Living Services in Supportive Housing		2,262,722
Community Health Centers		30,609,214
Community Mental Health		76,282,334
		1,139,922,236

The LHIN receives funding from the MOHLTC and in turn allocates it to the HSPs. As at March 31, 2018, an amount of $1,374,710 (nil in 2017) was receivable from the MOHLTC, and was payable to HSPs. These amounts have been reflected as revenue and expenses in the statement of operations and changes in net assets and are included in the table above.

Pursuant to note 13, effective May 17, 2017 the LHIN assumed the assets, liabilities, rights and obligations of the South East CCAC. Current year amounts reported in respect of the CCAC in the table above represent funding provided to the CCAC up to the date of transfer.

16. Board expenses

The following provides the details of Board expenses reported in the statement of operations and changes in net assets:

		2017
		$
Board Chair per diem expenses		29,375
Other Board members' per diem expenses		50,675
Other governance and travel		147,017
		227,067

17. Financial risk

The LHIN through its exposure to financial assets and liabilities, has exposure to credit risk and liquidity risk as follows:

Credit risk relates to the potential that one party to a financial instrument will fail to discharge an obligation and incur a financial loss. The maximum exposure to credit risk is the carrying value reported in the statement of financial position. Credit risk is mitigated through collection practices and the diverse nature of amounts with accounts receivable.

Liquidity risk is the risk that the LHIN will not be able to meet all cash flow obligations as they come due. The LHIN mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and cash flow analysis.

18. 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.

South West **LHIN** | **RLISS** du Sud-Ouest

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London (Oxford St)
London (Downtown)
Owen Sound
Seaforth
Stratford
St. Thomas
Woodstock

July 17, 2018

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 the 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 the 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.

Ronald T. Sapsford MD

Ron Sapsford
Interim Chief Executive Officer

H. Anderson

Hilary Anderson
Vice President, Corporate Services

Ontario
Local Health Integration Network
Réseau local d'intégration des services de santé

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Independent Auditor's Report

To the Members of the Board of Directors of the
South West Local Health Integration Network

We have audited the accompanying financial statements of the South West Local Health Integration Network (the "LHIN"), which comprise the statement of financial position as at March 31, 2018, and the statements of operations and changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

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, 2018 and the results of its operations, changes in its net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
June 26, 2018

South West Local Health Integration Network

Statement of financial position

As at March 31, 2018

	Notes	2018	2017
		$	$
Assets			
Current assets			
Cash		**33,795,044**	648,278
Due from Ministry of Health Long-Term Care ("MOHLTC")		**6,216,698**	7,656,700
Harmonized Sales Tax receivable		**749,387**	32,175
Accounts receivable – other		**559,524**	7,606
Prepaid expenses		**863,448**	8,738
		42,184,101	8,353,497
Capital assets	7	**2,758,535**	44,290
		44,942,636	8,397,787
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**24,192,933**	600,480
Due to Health Service Providers ("HSPs")	15	**6,216,698**	7,656,700
Due to Ministry of Health Long-Term Care ("MOHLTC")	4, 15	**11,654,347**	96,317
Current portion of obligations under capital leases	8	**450,746**	—
		42,514,724	8,353,497
Obligations under capital leases	8	**300,518**	—
Deferred capital contributions	9	**2,646,961**	44,290
		45,462,203	8,397,787
Commitments	10		
Net assets		**(519,567)**	—
		44,942,636	8,397,787

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

Approved by the Board

_______________, Director

_______________, Director

South West Local Health Integration Network

Statement of operations
Year ended March 31, 2018

	Notes	2018 Actual	2017 Actual
		$	$
Revenue			
MOHLTC funding – transfer payments	15	**2,177,164,119**	2,309,811,966
MOHLTC funding – operations and initiatives		**202,344,217**	8,712,912
Interest income		**364,532**	—
Amortization of deferred capital contributions		**1,728,850**	21,618
Other revenue		**1,313,297**	—
		2,382,915,015	2,318,546,496
Enabling Technologies ETI PMO allocated to other LHIN's	5	**(1,530,000)**	(1,530,000)
Total revenue		**2,381,385,015**	2,317,016,496
Expenses			
HSP transfer payments	15	**2,177,164,119**	2,309,811,966
Operations and Initiatives			
Contracted out			
In-home/clinic services		**112,489,356**	—
School services		**6,866,801**	—
Hospice services		**2,898,226**	—
Salaries and benefits		**58,674,067**	5,296,566
Medical supplies		**8,660,433**	—
Medical equipment rental		**1,213,936**	—
Supplies and sundry		**7,307,969**	1,886,346
Building and ground		**2,678,481**	21,618
Amortization		**2,205,514**	
Repairs and maintenance		**1,217,486**	—
		204,212,269	7,204,530
Total expenses		**2,381,376,388**	2,317,016,496
Excess of revenue over expenses before the undernoted		**8,627**	—
Net liabilities assumed on transition	13	**(528,194)**	—
Excess of expenses over revenue		**(519,567)**	—

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

South West Local Health Integration Network

Statement of cash flows

Year ended March 31, 2018

	Unrestricted	Employee benefits	2018 Total	2017 Actual
	$	**$**	**$**	$
Net assets, beginning of year	**—**	**—**	**—**	—
Excess of revenue over expenses before the undernoted	**—**	**8,627**	**8,627**	—
Net liabilities assumed on transition	**—**	**(528,194)**	**(528,194)**	—
Net assets, end of year	**—**	**(519,567)**	**(519,567)**	—

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

South West Local Health Integration Network

Statement of cash flows

Year ended March 31, 2018

	Notes	2018	2017
		$	$
Operating activities			
Excess of revenue over expenses		(519,567)	—
Cash received on transition		23,827,333	—
Net liabilities assumed on transition		528,194	—
Less amounts not affecting cash			
Amortization of capital assets		2,205,514	21,618
Amortization of deferred capital contributions		(1,728,850)	(21,618)
		24,312,624	—
Changes in non–cash working capital items	12	8,945,202	212,925
		33,257,826	212,925
Investing activities			
Purchase of capital assets		(500,617)	(22,314)
Financing activity			
Repayment of capital lease obligations		(451,363)	—
Increase in deferred contributions		840,920	22,314
		389,557	22,314
Net change in cash		33,146,766	212,925
Cash, beginning of year		648,278	435,353
Cash, end of year		33,795,044	648,278

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

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 mandate of the LHIN is as follows:

a) 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 kilometres from Tobermory in the north to Long Point in the south. 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.

   All funding payments to LHIN managed Health Service Providers are flowed through the LHIN's financial statements. 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.

b) Effective May 24, 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.

2. Significant Accounting Policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations including the 4200 series standards, as issued by the Public Sector Accounting Board. Significant accounting policies adopted by the LHIN are as follows:

Revenue recognition

The LHIN follows the deferral method of accounting for contributions. Contributions from the MOHLTC represent externally restricted contributions which must be spent within the fiscal year provided. Unspent contributions from the MOHLTC are set up as repayable to the MOHLTC at the end of the year. Unrestricted contributions are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

2. Significant Accounting Policies (continued)

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 approved by the MOHLTC to support LHIN managed Health Services Providers and the operations of the LHIN. The LHIN cannot authorize payments in excess of the budgetary allocation set by the MOHLTC in the MLAA. 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 to the Health Service Provider and does not flow through the LHIN bank account.

LHIN Financial Statements includes only transfer payment funds and LHIN operating funds included in the Ministry-LHIN Accountability Agreement.

Adoption of PSAS 3430 – Restructuring transactions

The LHIN has implemented Public sector Accounting Board ("PSAB") section 3430 Restructuring Transactions. Section 3430 requires that the assets and liabilities assumed in a restructuring agreement be recorded at the carrying value and that the increase in net assets or net liabilities received from the transferor be recognized as revenue or expense. Restructuring is an event that changes the economics of the recipient from the restructuring date onward. It does not change their history or accountability in the past, and therefore retroactive application with restatement of prior periods permitted only in certain circumstances. The impact of this policy on the current year is detailed in note 12.

Financial instruments

Financial assets and liabilities are measured at amortized cost, with the exception of cash that is measured at fair value. Financial instruments measured at amortized cost are initially recognized at cost, and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets. Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Write-downs on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the write-down being recognized in the Statement of Operations.

2. Significant Accounting Policies (continued)

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.

Capital assets

Purchased capital assets are recorded at cost. Repairs and maintenance costs are charged to expense. Betterments, which extend the estimated life of an asset, are capitalized.

Capital assets are amortized on a straight-line basis based on their estimated useful life as follows:

Computer equipment	3 years straight-line method
Computer software	3 years straight-line method
Equipment capital lease	Life of lease straight-line method
Leasehold improvements	Life of lease straight-line method
Furniture and equipment	10 years straight-line method
Phone system	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 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 reporting period. Significant estimates include depreciation rates for capital assets and certain accruals. Actual results could differ from those estimates.

3. Change in Accounting Policy

As a result of the transition of responsibility for the delivery of certain services related to home care as described above, there has been a significant change in the operations of the LHIN over prior year. As a result of these changes, the LHIN has determined that the adoption of Canadian public sector accounting standards for Government not-for-profit organizations is appropriate. Previously the LHIN followed Canadian public sector accounting standards. The adoption of this policy has no impact on numbers previously reported. The impact of the change is limited to presentation only, and as a result the prior year figures presented for comparative purposes have be reclassified to conform with the current year's presentation.

4. Funding repayable to the MOHLTC

In accordance with the Ministry-LHIN Accountability Agreement "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 due to the MOHLTC at March 31 is made up as follows:

Due to MOHLTC, beginning of year		61,122
nding repaid to MOHLTC		(55,636)
nding repayable to the MOHLTC related to current year activities		83,354
nding repayable to the MOHLTC assumed on transition		
Funding repayable to the MOHLTC related to current year ETI PMO Cluster activities		7,476
Due to MOHLTC, end of year		96,316

5. Enabling Technologies for Integration Project Management Office

Effective January 31, 2014, the LHIN entered into an agreement with Erie St. Clair, Hamilton Niagara Haldimand Brant and Waterloo Wellington (the "Cluster") in order to enable the effective and efficient delivery of e-health programs and initiatives within the geographic area of the Cluster. Under the agreement, decisions related to the financial and operating activities of the Enabling Technologies for Integration Project Management Office are shared. No LHIN is in a position to exercise unilateral control.

The South West LHIN is designated the Lead LHIN with this agreement and as such holds the accountability over the distribution of the funds and manages the shared Project Management Office. In the event that the Cluster experiences a surplus, the Lead LHIN is responsible for returning those funds to the MOHLTC. The total Cluster funding received for the year ended March 31, 2018 was $2,040,000 ($2,040,000 in 2017).

Funding of $1,530,000 ($1,530,000 in 2017) was allocated to other LHIN's within the cluster who incurred eligible expenses of $1,530,000 ($1,530,000 in 2017). The LHIN has set up a payable to the MOHLTC for $nil ($7,476 in 2017).

5. Enabling Technologies for Integration Project Management Office (continued)

The following provides condensed financial information for the ETI PMO funding and expenses for the cluster:

		2017
		Excess funding
		$
Erie St. Clair LHIN		—
Hamilton Niagara Haldimand Brant LHIN		—
Waterloo Wellington LHIN		—
South West LHIN		7,476

6. Related party transactions

Health Shared Services Ontario (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.

7. Capital Assets

			2018	2017
	Cost	**Accumulated depriciation**	**Net book value**	Net book value
	$	**$**	**$**	$
Computer equipment	**4,572,985**	**3,872,036**	**700,949**	9,832
Computer software	**2,231,898**	**2,168,350**	**63,548**	—
Equipment capital lease	**2,480,139**	**1,639,287**	**840,852**	—
Leasehold improvements	**5,145,820**	**4,464,482**	**681,338**	—
Furniture and equipment	**5,067,139**	**4,653,845**	**413,294**	34,458
Phone system	**1,342,568**	**1,284,014**	**58,554**	—
	20,840,549	**18,082,014**	**2,758,535**	44,290

8. Obligations under Capital Leases

	2018	2017
	$	$
Equipment lease maturing in April 2019. Monthly combined interest and principal payments of $10,442 plus applicable taxes are required until maturity	**127,208**	—
Computer lease maturing in September 2019. Annual combined interest and principal payments of $10,948 plus applicable taxes are required until maturity	**11,091**	—
Computer lease maturing in January 2020. Annual combined interest and principal payments of $27,803 plus applicable taxes are required until maturity	**28,166**	—
Computer lease maturing in March 2020. Annual combined interest and principal payments of $21,480 plus applicable taxes are required until maturity	**21,760**	—
Computer lease maturing in March 2021. Annual combined interest and principal payments of $16,554 plus applicable taxes are required until maturity	**49,189**	—
Computer lease maturing in March 2021. Annual combined interest and principal payments of $2,425 plus applicable taxes are required until maturity	**7,205**	—
Computer lease maturing in June 2021. Annual combined interest and principal payments of $2,237 plus applicable taxes are required until maturity	**6,647**	—
Computer lease maturing in July 2021. Annual combined interest and principal payments of $23,017 plus applicable taxes are required until maturity	**68,392**	—
Computer lease maturing in July 2019. Annual combined interest and principal payments of $4,773 plus applicable taxes are required until maturity	**4,483**	
Computer lease maturing in September 2019. Annual combined interest and principal payments of $3,458 plus applicable taxes are required until maturity	**3,508**	— —
Computer lease maturing in November 2019. Annual combined interest and principal payments of $1,056 plus applicable taxes are required until maturity	**1,071**	—
Balance carry forward	**328,720**	—

8. Obligations under Capital Leases (continued)

	2018	2017
	$	$
Balance brought forward	**328,720**	—
Computer lease maturing in December 2019. Annual combined interest and principal payments of $4,341 plus applicable taxes are required until maturity	**4,404**	—
Computer lease maturing in March 2020. Annual combined interest and principal payments of $20,996 plus applicable taxes are required until maturity	**40,380**	—
Computer lease maturing in June 2020. Annual combined interest and principal payments of $30,591 plus applicable taxes are required until maturity	**58,791**	—
Computer lease maturing in August 2020. Annual combined interest and principal payments of $103,065 plus applicable taxes are required until maturity	**198,073**	—
Computer lease maturing in October 2020. Annual combined interest and principal payments of $37,602 plus applicable taxes are required until maturity	**72,264**	—
Computer lease maturing in January 2021. Annual combined interest and principal payments of $7,074 plus applicable taxes are required until maturity	**13,596**	—
Computer lease maturing in January 2021. Annual combined interest and principal payments of $2,283 plus applicable taxes are required until maturity	**4,387**	—
Computer lease maturing in February 2021. Annual combined interest and principal payments of $9,280 plus applicable taxes are required until maturity	**17,835**	—
Computer lease maturing in March 2021. Annual combined interest and principal payments of $4,304 plus applicable taxes are required until maturity	**8,271**	—
Computer lease maturing in March 2021. Annual combined interest and principal payments of $2,364 plus applicable taxes are required until maturity	**4,543**	—
	751,264	—
Less current portion of capital lease obligation	**450,746**	—
Long-term portion of capital lease obligation	**300,518**	—

8. Obligations under Capital Leases (continued)

Pledged as security for the above borrowings are the equipment under capital lease. The minimum payments over the remaining terms of the leases are as follows:

	$
2019	470,541
2020	263,534
2021	28,769
Total minimum payment	762,844
Less: amount representing interest	11,580
	751,264

9. Deferred capital contributions

Deferred capital contributions represent the unamortized amount of contributions received for the purchase of capital assets. Deferred capital contributions are amortized to income at the same rate as the corresponding capital asset. The changes in the deferred capital contributions balance are as follows:

		2017
		$
Balance, beginning of year		43,594
Capital contributions received during the year		22,314
Capital contributions transferred from CCAC		
Amortization of deferred contributions recognized as revenue for the year		(21,618)
Long-term deferred capital contributions balance, end of year		44,290

10. Commitments

The LHIN has commitments under various operating leases extending to 2023 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	1,370,693
2019	1,054,750
2020	928,449
2021	925,950
2022	905,950
Thereafter	268,650

11. Contingencies

The LHIN enters into accountability agreements with Health Service Providers ("HSPs") which include planned funding targets. The actual funding provided by the LHIN is contingent on the MOHLTC providing the funding.

12. Additional Information to the statement of cash flows

	2018	2017
	$	$
Due from MOHLTC HSP transfer payments	**1,440,002**	5,798,622
Accounts receivable	**(830,117)**	(7,606)
Harmonized sales tax receivable	**262,862**	4,052
Prepaid expenses	**(222,898)**	14,310
Accounts payable and accrued liabilities	**3,402,964**	175,682
Due to Health Service Providers	**(1,440,002)**	(5,798,622)
Due to MOHLTC	**6,332,391**	35,195
Due to LHIN shared services office	**—**	(8,708)
Total change in non-cash working capital items	**8,945,202**	212,925

13. Transition of South West Community Care Access Centre

On April 3, 2017 the MOHLTC 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 South West LHIN, including the transfer of all employees of the South West CCAC. This transition took place on May 23, 2017. Prior to the transition, the LHIN funded a significant portion of the CCACs operations via HSP transfer payments. Subsequent to the transition date, the costs incurred for the delivery of services previously provided by the CCAC were incurred directly by the LHIN and are reported in the appropriate lines in the statement of operations.

13. Transition of South West Community Care Access Centre (continued)

The LHIN assumed the following assets and liabilities, which were recorded at the carrying value of the CCAC

	$
Assets	
Cash	23,827,333
Accounts receivable	806,677
Statutory government remittances receivable	950,034
Accrued funding due from MOHLTC	8,103
Prepaid expenses	431,990
	26,024,137
Rental, security and benefit deposits	199,822
Capital assets	3,783,459
	30,007,418
Liabilities	
Accounts payable and accrued liabilities	22,854,615
Statutory government remittances payable	1,062,939
Non-vesting sick pay obligation	528,194
Due to MOHLTC	2,032,319
Current portion of capital lease obligations	247,352
Current portion of deferred contributions for capital expenditures	1,798,622
	28,524,041
Long-term capital lease obligations	319,592
Long-term deferred contributions for capital expenditures	1,691,979
	30,535,612
Net liabilities assumed	(528,194)

The Net liability resulting from this transaction is recorded in the statement of operations.

14. Pension Plan

The LHIN contributes to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 881 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 2018 was $4,502,622 ($415,822 in 2017) 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, 2017. At that time, the plan was fully funded.

15. Transfer payments to HSPs

The LHIN has authorization to allocate funding of $2,177,164,119 ($2,309,811,966 in 2017) to various HSPs in its geographic area. The LHIN approved transfer payments to various sectors in 2018 as follows:

		2017
		$
Operations of hospitals		1,574,467,090
Grants to compensate for municipal taxation – public hospitals		426,600
Long-Term care homes		339,024,414
Community care access centres		228,637,822
Community support services		47,829,870
Assisted living services in supportive housing		25,200,322
Community health centres		21,705,859
Acquired brain injury		—
Community mental health addictions program		72,519,989
		2,309,811,966

The LHIN receives funding from the MOHLTC and in turn allocates it to the HSPs. As at March 31, 2018, an amount of $6,216,698 ($7,656,700 in 2017) was receivable from the 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.

Pursuant to note 13, effective May 24, 2017 the South West LHIN assumed the assets, liabilities, rights and obligations of the South West CCAC. Current year amounts reported in respect of the CCAC in the table above represent funding provided to the CCAC after the date of transfer.

16. Board costs

The following provides the details of Board expenses reported in the statement of operations and changes in net assets:

		2017
		$
Board Chair per diem expenses		61,089
Other Board members' per diem expenses		72,767
Other governance and travel		76,323
Balance, end of year		210,179

17. Financial risk

The LHIN through its exposure to financial assets and liabilities, has exposure to credit risk and liquidity risk as follows:

Credit risk relates to the potential that one party to a financial instrument will fail to discharge an obligation and incur a financial loss. The maximum exposure to credit risk is the carrying value reported in the statement of financial position. Credit risk is mitigated through collection practices and the diverse nature of amounts with accounts receivable.

Liquidity risk is the risk that the LHIN will not be able to meet all cash flow obligations as they come due. The LHIN mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and cash flow analysis.

18. Accumulated non-vesting sick pay

The accumulated non-vesting sick pay comprises the sick pay benefits that accumulated but do not vest. These adjustments are not funded by the Ontario Ministry of Health and Long-Term Care.

19. Guarantees

The LHIN is subject to the provisions of the Financial Administration Act. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favor of third parties, except in accordance with the Financial Administration Act and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the Local Health System Integration Act, 2006 and in accordance with s.28 of the Financial Administration Act.

Toronto Central **LHIN**

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June 6, 2018

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 LLP, independent external auditors appointed by the Board of Directors.

Susan Fitzpatrick

Chief Executive Officer

Raj Krishnapillai

Vice President, Finance and IT, Chief Financial Officer

Ontario
Local Health Integration Network

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Independent Auditor's Report

To the Members of the Board of Directors of the
Toronto Central Local Health Integration Network

We have audited the accompanying financial statements of the Toronto Central Local Health Integration Network (the "LHIN"), which comprise the statement of financial position as at March 31, 2018, and the statements of operations and changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

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, 2018 and the results of its operations, change in its net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
June 27, 2018

Toronto Central Local Health Integration Network
Statement of financial position
As at March 31, 2018

	Notes	2018	2017
		$	$
Assets			
Current assets			
Cash		**18,245,200**	1,096,486
Due from Ministry of Health and Long-Term Care ("MOHLTC") regarding operations		**1,281,400**	—
Due from MOHLTC regarding HSP transfer payments	13	**17,461,797**	21,813,625
Due from Health Shared Services Ontario ("HSSOntario")		**337,700**	25,129
Accounts receivable		**1,391,167**	197,765
Prepaid expenses		**338,477**	15,308
		39,055,741	23,148,313
Rental and security deposits		**107,501**	—
Capital assets	7	**570,887**	200,031
		39,734,129	23,348,344
Liabilities			
Current liabilities			
Accounts payable and accrued charges		**21,367,069**	1,306,471
Due to Health Service Providers ("HSPs")	13	**17,461,797**	21,813,625
Due to MOHLTC	4	**334,376**	28,217
		39,163,242	23,148,313
Deferred capital contributions	8	**570,887**	200,031
		39,734,129	23,348,344
Commitments	9		
Net assets		**-**	-
		39,734,129	23,348,344

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

Approved by the Board

_______________, Director

_______________, Director

Toronto Central Local Health Integration Network
Statement of operations and changes in net assets
Year ended March 31, 2018

	Notes	2018	2017
		$	$
Revenue			
MOHLTC - Transfer payments	13	**4,844,923,299**	4,896,026,687
MOHLTC funding - Operations and initiatives		**225,896,238**	14,877,647
Amortization of deferred capital contributions		**2,003,047**	1,083,269
Other revenue		**1,181,989**	—
		229,081,274	15,960,916
Total revenue		**5,074,004,573**	4,911,987,603
Expenses			
HSP transfer payments	13	**4,844,923,299**	4,896,026,687
Operations and initiatives			
Contracted out			
In-home/clinic services		**146,082,690**	—
School services		**4,679,809**	—
Hospice services		**2,152,076**	—
Salaries and benefits		**53,088,680**	9,999,365
Medical supplies		**7,590,514**	—
Medical equipment rental		**2,693,060**	—
Supplies and sundry		**6,229,687**	4,144,161
Building and ground		**1,972,437**	670,646
Amortization		**2,003,047**	1,083,269
Repairs and maintenance		**420,484**	63,474
		226,912,484	15,960,916
Total expenses		**5,071,835,783**	4,911,987,603
Excess of revenue over expenses before the undernoted		**2,168,790**	—
Net liabilities assumed on transition	11	**(2,168,790)**	—
		—	—
Net assets, beginning of year		**—**	—
Net assets, end of year		**—**	—

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

Toronto Central Local Health Integration Network
Statement of cash flows
Year ended March 31, 2018

	Notes	2018	2017
		$	$
Operating activities			
Excess of revenue over expenses		—	—
Cash received on transition	11	16,468,992	—
Net liabilities assumed on transition	11	2,168,790	—
Less amounts not affecting cash			
Amortization of capital assets		2,003,047	1,083,263
Amortization of deferred capital contributions		(2,003,047)	(1,083,263)
Transfer of deferred capital contributions		—	(410,980)
Transfer of tangible capital assets to HSSO		—	410,980
		18,637,782	—
Changes in non-cash working capital items	10	(1,489,068)	(319,821)
		17,148,714	(319,821)
Investing activity			
Purchase of capital assets		(429,140)	(179,288)
Financing activity			
Increase in deferred capital contributions		429,140	179,288
Net increase change in cash		17,148,714	(319,821)
Cash, beginning of year		1,096,486	1,416,307
Cash, end of year		18,245,200	1,096,486

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

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 mandate of the LHIN is as follows:

(a) 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 City of Toronto. The LHIN enters into service accountability agreements with health service providers.

(b) Effective June 7, 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.

All funding payments to LHIN managed Health Service Providers are flowed through the LHIN's financial statements. 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 for government not-for-profit organizations including the 4200 series standards, as issued by the Public Sector Accounting Board. Significant accounting policies adopted by the LHIN are as follows:

Revenue recognition

The LHIN follows the deferral method of accounting for contributions. Contributions from the MOHLTC represent externally restricted contributions which must be spent within the fiscal year provided. Unspent contributions from the MOHLTC are set up as repayable to the MOHLTC at the end of the year. Unrestricted contributions are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

2. Significant accounting policies (continued)

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.

Capital assets

Purchased capital assets are recorded at cost. Repairs and maintenance costs are charged to expense. Betterments, which extend the estimated lives of an asset, are capitalized

Capital assets are amortized on a straight-line basis based on their estimated useful lives as follows:

Furniture and equipment	5 years
Computer and communications equipment	3 years
Client serving equipment	5 years
Leasehold improvements	Life of lease

For assets acquired or brought into use, during the year, amortization is provided for a full year.

Deferred capital contributions

Contributions received for the purchase of capital assets are deferred and are amorized to income at the same rate as the corresponding capital asset.

Adoption of PSAS 3430 – Restructuring transactions

The LHIN has implemented Public sector Accounting Board ("PSAB") section 3430 Restructuring Transactions. Section 3430 requires that the assets and liabilities assumed in a restructuring agreement be recorded at the carrying value and that the increase in net assets or net liabilities received from the transferor be recognized as revenue or expense. Restructuring is an event that changes the economics of the recipient from the restructuring date onward. It does not change their history or accountability in the past, and therefore retroactive application with restatement of prior periods permitted only in certain circumstances. The impact of this policy on the current year is detailed in Note 11.

2. Significant accounting policies (continued)

Financial instruments

Financial assets and liabilities are measured at amortized cost, with the exception of cash that is measured at fair value. Financial instruments measured at amortized cost are initially recognized at cost, and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets. Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Write-downs on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the write-down being recognized in the Statement of operations and changes in net assets.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates include depreciation rates for capital assets and certain accruals. Actual results could differ from those estimates.

3. Change in accounting policy

As a result of the transition of responsibility for the delivery of certain services related to home care as described above, there has been a significant change in the operations of the LHIN over prior year. As a result of these changes, the LHIN has determined that the adoption of Canadian public sector accounting standards for government not-for-profit organizations is appropriate.

Previously the LHIN followed Canadian public sector accounting standards. The adoption of this policy has no impact on numbers previously reported. The impact of the change is limited to presentation only, and as a result the prior year figures presented for comparative purposes have been reclassified to conform with the current year's presentation.

4. Due to 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 due to the MOHLTC at March 31 is made up as follows:

	2018	2017
	$	$
Due to MOHLTC, beginning of year	**(28,217)**	(4,707)
Funding repaid to MOHLTC	**28,217**	2,807
Funding repayable to the MOHLTC related to current year activities	**(334,376)**	(26,317)
Due to MOHLTC, end of year	**(334,376)**	(28,217)

5. Enabling technologies for integration project management office

Effective April 1, 2013, the LHIN entered into an agreement with 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 Office for its Cluster and related expenses. During the year, the LHIN received MOHLTC funding for $423,000 ($423,000 in 2017).

6. Related party transactions

Health Shared Services Ontario ("HSSOntario")

HSSOntario is a provincial agency established January 1, 2017 by O. Reg. 456/16 made under the Local Health System Integration Act with objects to provide shared services to LHINs in areas that include human resources management, logistics, finance and administration and procurement. HSSOntario as a provincial agency is subject to legislation, policies and directives of the Government of Ontario and the Memorandum of Understanding between HSSOntario and the Minister of Health and Long-Term Care.

During the year, an allocation of $1,080,000 of additional Pan-LHIN support funding was made to the LHIN to be applied to salary and benefit costs related to the support of transition and implementation of the expanded LHIN mandate. Of this, $360,000 was incurred directly by the LHIN on eligible expenses. $414,445 was distributed to other LHINs as follows:

	$
Central West LHIN	168,948
North East LHIN	65,497
South East LHIN	180,000
	414,445

The remaining unspent funds of $305,555 is payable to MOHLTC, and has been included in the Due to MOHLTC balance on the statement of financial position.

Prior year statement of operations includes the transactions of LHIN Shared Services Office (LSSO) and LHIN Collaborative (LHINC) up to February 28, 2017 as they were divisions of the LHIN. As of March 1, 2017, these balances and results of operations are included in the accounts of HSSOntario.

7. Capital assets

			2018	2017
	Cost	Accumulated depreciation	Net book value	Net book value
	$	$	$	$
Computer and communication equipment	**13,802,756**	**13,802,756**	**—**	156,305
Leasehold improvements	**4,304,402**	**3,875,262**	**429,140**	—
Furniture and equipment	**2,160,107**	**2,158,680**	**1,427**	43,726
Client serving equipment	**233,866**	**93,546**	**140,320**	—
	20,501,131	**19,930,244**	**570,887**	200,031

8. Deferred capital contributions

Deferred capital contributions represent the unamortized amount of contributions received for the purchase of capital assets. Deferred capital contributions are amortized to income at the same rate as the corresponding capital asset. The changes in the deferred capital contributions balance are as follows:

	2018	2017
	$	$
Balance, beginning of year	**200,031**	1,514,992
Capital contributions received during the year	**429,140**	179,288
Capital contributions assumed on transition	**1,944,763**	-
Transfer of deferred capital contributions to HSSO	**—**	(410,980)
Amortization for the year	**(2,003,047)**	(1,083,269)
Balance, end of year	**570,887**	200,031

9. Commitments

The LHIN has commitments under various operating leases as follows:

	$
2019	2,833,778
2020	2,543,868
2021	2,000,505
2022	1,587,846
2023	1,603,896
Thereafter	7,567,892
	18,137,785

10. Change in non-cash working capital items

	2018	2017
	$	$
Due from LHINs	**—**	79,564
Due from HSSOntario	**(312,571)**	(25,129)
Due from MOHLTC regarding operations	**(1,281,400)**	—
Due from MOHLTC regarding HSP transfer payments	**4,351,828**	(3,782,831)
Accounts receivable	**890,703**	103,431
Prepaid expenses	**489,120**	88,620
Rental and security deposits	**(107,501)**	—
Accounts payable and accrued charges	**(1,473,578)**	(589,817)
Due to HSPs	**(4,351,828)**	3,782,831
Due to MOHLTC	**306,159**	23,510
Total change in non-cash working capital items	**(1,489,068)**	(319,821)

11. Transition of Toronto Central Community Care Access Centre

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 Toronto Central Community Care Access Centre ("CCAC"), to the Toronto Central LHIN, including the transfer of all employees of the Toronto Central CCAC. This transition took place on June 7, 2017. Prior to the transition, the LHIN funded a significant portion of the CCAC's operations via HSP transfer payments. Subsequent to the transition date, the costs incurred for the delivery of services previously provided by the CCAC were incurred directly by the LHIN and are reported in the appropriate lines in the statement of operations.

The LHIN assumed the following assets and liabilities, which were recorded at the carrying value of the CCAC.

	$
Cash	16,468,992
Accounts receivable	2,084,105
Prepaid expenses	812,289
Tangible capital assets	1,944,763
	21,310,149
Accounts payable and accrued liabilities	21,534,176
Deferred capital contributions	1,944,763
Total liabilities	23,478,939
Net liabilities assumed	(2,168,790)

The net liabilities resulting from this transaction are recorded as an expense in the statement of operations and changes in net assets.

11. Transition of Toronto Central Community Care Access Centre (continued)

During the year, transition costs of $180,000 were incurred and are comprised of the following:

	$
Salaries and benefits	179,773
Travel	227
Total	180,000

Funding of $180,000 received from the Province of Ontario to offset these transition costs is included in MOHLTC funding – Operations and initiatives revenue in the statement of operations and changes in net assets.

12. Pension Plan

The LHIN contributes to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 717 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 2018 was $4,331,114 ($567,348 in 2017) for current service costs and is included as an expense in the statement of operations and changes in net assets. The last actuarial valuation was completed for the plan as of December 31, 2017. At that time, the plan was fully funded.

13. Transfer payment to HSPs

The LHIN has authorization to allocate funding of $4,844,923,299 to various HSPs in its geographic area. The LHIN approved transfer payments to various sectors as follows:

	2018	2017
	$	$
Operations of hospitals	**3,762,942,504**	3,651,802,995
Grants to compensate for municipal taxation – public hospitals	**715,050**	751,425
Long-term care homes	**286,436,318**	281,028,865
Community care access centres	**45,672,039**	250,537,181
Community support services	**121,219,547**	103,132,111
Assisted living services in supportive housing	**61,296,702**	60,388,749
Community health centres	**101,968,489**	97,270,624
Community mental health addictions program	**146,069,582**	143,110,762
Addictions program	**39,665,607**	37,951,625
Acquired brain injury	**3,096,818**	3,091,657
Specialty psychiatric hospital	**275,791,593**	266,911,643
Grants to compensate for municipal taxation – psychiatric hospital	**49,050**	49,050
	4,844,923,299	4,896,026,687

The LHIN receives funding from the MOHLTC and in turn allocates it to the HSPs. As at March 31, 2018, an amount of $17,461,797 ($21,813,625 in 2017) was receivable from the MOHLTC, and was payable to HSPs. These amounts have been reflected as revenue and expenses in the statement of operations and changes in net assets and are included in the table above.

13. Transfer payment to HSPs (continued)

Pursuant to Note 11, effective June 7, 2017 the LHIN assumed the assets, liabilities, rights and obligations of the Toronto Central CCAC. Current year amounts reported in respect of the CCAC in the table above represent funding provided to the CCAC up to the date of transfer.

14. Financial risk

The LHIN through its exposure to financial assets and liabilities, has exposure to credit risk and liquidity risk as follows:

Credit risk relates to the potential that one party to a financial instrument will fail to discharge an obligation and incur a financial loss. The maximum exposure to credit risk is the carrying value reported in the statement of financial position. Credit risk is mitigated through collection practices and the diverse nature of amounts with accounts receivable.

Liquidity risk is the risk that the LHIN will not be able to meet all cash flow obligations as they come due. The LHIN mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and cash flow analysis.

15. 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.

16. Board Costs

The following provides the details of Board expenses reported in the statement of operations and changes in net assets:

	2018	2017
	$	$
Board Chair per diem expenses	**14,700**	11,200
Other Board members' per diem expenses	**52,100**	50,025
Other governance and travel	**509**	4,407
	67,309	65,632

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.

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Independent Auditor's Report

To the Members of the Board of Directors of the
Waterloo Wellington Local Health Integration Network

We have audited the accompanying financial statements of the Waterloo Wellington Local Health Integration Network (the "LHIN"), which comprise the statement of financial position as at March 31, 2018, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2018, and the results of its operations, changes in its net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
June 27, 2018

Waterloo Wellington Local Health Integration Network

Statement of financial position

As at March 31, 2018

	Notes	2018	2017
	3	**$**	$
Assets			
Current assets			
Cash		**11,708,066**	713,807
Due from Ministry of Health and Long-Term Care ("MOHLTC")		**8,071,353**	2,449,272
Accounts receivable		**2,593,872**	84,865
Prepaid expenses		**759,711**	56,740
		23,133,002	3,304,684
Rental, security and benefit deposits		**41,650**	—
Capital assets	7	**555,009**	149,390
		23,729,661	3,454,074
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**15,979,710**	700,940
Due to Health Service Providers ("HSPs")		**6,800,553**	2,449,272
Due to Ministry of Health and Long-Term Care ("MOHLTC")	4	**362,828**	154,472
Deferred revenue		**4,743**	—
		23,147,834	3,304,684
Post employment benefits	8	**1,281,829**	—
Sick leave benefits	17	**29,996**	
Deferred capital contributions	9	**555,009**	149,390
Commitments	10		
		25,014,668	3,454,074
Net liabilities (assets)		**(1,285,007)**	—
		23,729,661	**3,454,074**

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

Approved by the Board

Board Chair

Finance and Audit Committee Chair

Waterloo Wellington Local Health Integration Network

Statement of operations

Year ended March 31, 2018

	Notes	2018 Actual	2017 Actual
		$	$
Revenue			
MOHLTC funding - transfer payments	15	**985,588,120**	1,082,899,573
MOHLTC funding - operations and initiatives		**147,962,830**	6,177,119
Interest income		**161,458**	—
Amortization of deferred capital contributions		**127,445**	50,116
Other revenue		**2,013,083**	—
		150,264,816	6,227,235
Total revenue		**1,135,852,936**	1,089,126,808
Expenses			
HSP transfer payments	15	**985,588,120**	1,082,899,573
Operations and initiatives			
Contracted out			—
In-home/clinic services		**83,051,148**	—
School services		**4,871,672**	—
Hospice services		**2,624,347**	—
Salaries and benefits		**39,358,220**	4,735,071
Medical supplies		**4,071,510**	—
Medical equipment rental		**1,301,943**	—
Supplies and sundry		**1,242,462**	34,036
Building and ground		**1,866,234**	318,039
Amortization		**127,445**	50,116
Repairs and maintenance		**73,149**	—
Other operating expenses		**10,712,337**	1,089,973
		149,300,467	6,227,235
Total expenses		**1,134,888,587**	1,089,126,808
Excess of revenue over expenses before the undernoted		**964,349**	—
Post employment benefits expenses		**(172,864)**	—
Expenditures from donations fund		**(24,146)**	—
Net liabilities assumed on transition	13	**(2,052,346)**	—
Excess of expenses over revenue		**(1,285,007)**	—

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

	Unrestricted	Donations Fund	Employee benefits	2018 Total	2017 Actual
			$	$	$
Net assets, beginning of year	—	—	—	—	—
Excess of revenue over expenses before the undernoted	964,349	(24,146)	(172,864)	767,339	—
Net liabilities assumed on transition	(964,349)	50,964	(1,138,961)	(2,052,346)	—
Net assets (liabilites), end of year	—	26,818	(1,311,825)	(1,285,007)	—

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

Waterloo Wellington Local Health Integration Network

Statement of cash flows

Year ended March 31, 2018

	Notes	2018	2017
		$	$
Operating activities			
Excess of expenses over revenue		**(1,285,007)**	—
Cash received on transition		**9,483,705**	—
Net liabilities assumed on transition		**2,052,346**	—
Add amounts not affecting cash			
Amortization of capital assets		**127,445**	50,115
Amortization of deferred capital contributions		**(127,445)**	(50,115)
		10,251,044	—
Changes in non-cash working capital items	12	**743,215**	174,252
		10,994,259	174,252
Investing activity			
Purchase of capital assets		**(169,438)**	—
Financing activity			
Increase in deferred capital contributions	9	**169,438**	—
Net (decrease) change in cash		**10,994,259**	174,252
Cash, beginning of year		**713,807**	539,555
Cash, end of year		**11,708,066**	713,807

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

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 mandate of the LHIN is as follows:

a. 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 Regions of Waterloo Wellington. 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.

   All funding payments to LHIN managed Health Service Providers are flowed through the LHIN's financial statements. 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.

   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.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations including the 4200 series standards, as issued by the Public Sector Accounting Board. Significant accounting policies adopted by the LHIN are as follows:

Revenue Recognition

The LHIN follows the deferral method of accounting for contributions. Contributions from the MOHLTC represent externally restricted contributions which must be spent within the fiscal year provided. Unspent contributions from the MOHLTC are set up as repayable to the MOHLTC at the end of the year. Unrestricted contributions are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

2. Significant accounting policies (continued)

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.

Capital Assets

Purchased capital assets are recorded at cost. Repairs and maintenance costs are charged to expense. Betterments, which extend the estimated life of an asset, are capitalized

Capital assets are amortized on a straight-line basis based on their estimated useful life as follows:

Furniture and equipment	10 years
Computer and communications equipment	3 years
Leasehold improvements	5 years

For assets acquired or brought into use, during the year, amortization is provided for at one half of the annual rate.

Deferred capital contributions

Contributions received for the purchase of capital assets are deferred and are amortized to income at the same rate as the corresponding capital asset.

Adoption of PSAS 3430 – Restructuring transactions

The LHIN has implemented Public sector Accounting Board ("PSAB") section 3430 Restructuring Transactions. Section 3430 requires that the assets and liabilities assumed in a restructuring agreement be recorded at the carrying value and that the increase in net assets or net liabilities received from the transferor be recognized as revenue or expense. Restructuring is an event that changes the economics of the recipient from the restructuring date onward. It does not change their history or accountability in the past, and therefore retroactive application with restatement of prior periods permitted only in certain circumstances. The impact of this policy on the current year is detailed in note 13.

2. Significant accounting policies (continued)

Employee future benefits

The LHIN accrues its obligations for sick leave and post-employment benefit plans as the employees render the services necessary to earn the benefits. The actuarial determination of the accrued benefit obligations uses the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, and other actuarial factors). Under this method, the benefit costs are recognized over the expected average service life of the employee group.

Actuarial gains and 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 excess of the future actuarial gains and losses will be amortized over the estimated average remaining service life of the employees. The most recent actuarial valuation of the sick leave plan and the benefit plan was as of March 31, 2018.

Financial instruments

Financial assets and liabilities are measured at amortized cost, with the exception of cash that is measured at fair value. Financial instruments measured at amortized cost are initially recognized at cost, and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets. Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Write-downs on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the write-down being recognized in the statement of operations.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates include depreciation rates for capital assets and certain accruals. Actual results could differ from those estimates.

3. Change in accounting policy

As a result of the transition of responsibility for the delivery of certain services related to home care as described above, there has been a significant change in the operations of the LHIN over prior year. As a result of these changes, the LHIN has determined that the adoption of Canadian public sector accounting standards for Government not-for-profit organizations is appropriate. Previously the LHIN followed Canadian public sector accounting standards. The adoption of this policy has no impact on numbers previously reported. The impact of the change is limited to presentation only, and as a result the prior year figures presented for comparative purposes have be reclassified to conform with the current years presentation.

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.

The amount due to the MOHLTC at March 31 is made up as follows:

		2017
		$
Due to MOHLTC, beginning of year		194,990
Funding repaid to MOHLTC		(192,450)
Funding repayable to the MOHLTC from WWCCAC transition		—
Funding repayable to the MOHLTC related to current year activities		151,932
Funding repayable to the MOHLTC related to current year ETI PMO Cluster activities		—
Due to MOHLTC, end of year		154,472

5. Enabling Technologies for Integration Project Management Office

Effective January 31, 2014, the WWLHIN 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 WWLHIN'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 ($510,000 in 2017).

6. Related party transactions

Health Shared Services Ontario (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.

7. Capital assets

		2017
		Net book value
		$
Computer equipment		—
Leasehold improvements		143,880
Furniture and equipment		5,509
		149,389

8. Post employment benefits

The LHIN has a defined early retirement benefit plan that provides benefits to employee who are 55 years of age, have retired and are withdrawing funds from the pension plan. The early retirement benefits cease when the individual reaches 65 years of age.

The accrued benefit obligation for early retirement benefits as at March 31, 2018 is based on an actuarial valuation for accounting purposes using the projected benefit method pro-rated on service. The most recent actuarial valuation of the early retirement benefits obligation was completed March 31, 2018.

This valuation was based on assumptions about future events. The economic assumptions used in these valuations are management's best estimates of expected rates of:

Inflation	
Discount on accrued benefit obligation	
Compensation increase	
Dental cost trends	
Health care cost trends	

Information about the post employment benefit plan is as follows:

		2017
		$
Accrued benefit liability, transferred from		-
Waterloo Wellington CCAC		-
Current service cost		-
Interest on obligation		-
Amortization of actuarial losses		-
Benefits paid		-
Accrued benefit liability, end of year		-

Accrued benefit obligation		-
Unamortized actuarial losses		-
Accrued benefit liability, March 31, 2018		-

9. Deferred capital contributions

Deferred capital contributions represent the unamortized amount of contributions received for the purchase of capital assets. Deferred capital contributions are amortized to income at the same rate as the corresponding capital asset. The changes in the deferred capital contributions balance are as follows:

		2017
		$
Balance, beginning of year		199,505
Capital contributions assumed on transition		—
Capital contributions received during the year		—
Amortization for the year		(50,115)
Balance, end of year		149,390

10. Commitments

The LHIN has commitments under various operating leases as follows:

	$
2018	1,617,313
2019	1,364,731
2020	987,415
2021	904,708
2022	351,021

11. Contingencies

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.

The LHIN has been named as defendants in various claims. Based on the opinion of legal counsel as to the realistic estimates of the merits of these actions and the LHINs potential liability, management believes any liability resulting from these actions would be adequately covered by existing liability insurance.

12. Additional information to the statement of cash flows

	2018	2017
	$	$
Due from MOHLTC	**(5,622,081)**	8,986,928
Accounts Receivable	**(1,094,237)**	(51,941)
Prepaid Expenses	**887,608**	(25,773)
Deposits	**(41,650)**	-
Accounts payable and accrued liabilities	**2,288,562**	309,019
Due to HSP	**4,351,281**	(8,986,928)
Due to MOHLTC	**205,386**	(40,518)
Due to LSSO	**-**	(16,535)
Deferred revenue	**(404,518)**	—
Post employment benefits	**172,864**	—
	743,215	174,252

13. Transition of Waterloo Wellington Community Care Access Centre

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 Waterloo Wellington Community Care Access Centre the (WWCCAC), to the LHIN, including the transfer of all employees of the WWCCAC. This transition took place on May 17, 2017. Prior to the transition, the LHIN funded a significant portion of the WWCCACs operations via HSP transfer payments. Subsequent to transition date, the costs incurred for the delivery of services previously provided by the WWCCAC were incurred directly by the LHIN and are reported in the appropriate lines in the statement of operations.

The LHIN assumed the following assets and liabilities, which were recorded at the carrying value of the WWCCAC.

	2017
	$
Cash	9,483,705
Accounts receivable	1,414,770
Prepaid expenses	1,590,579
Capital assets	363,626
	12,852,680
Accounts payable and accrued liabilities	12,990,208
Deferred revenue	409,261
Due to MOHLTC	2,970
Deferred capital contributions	363,626
Post-employment benefits and compensated absences	1,138,961
	14,905,026
Net liabilities assumed	(2,052,346)

The Net liabilities resulting from this transaction is recorded as revenue in the statement of operations.

14. Pension plan

The LHIN contributes to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 533 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 2018 was $2,692,122 (2017 - $347,875) for current service costs and is included as an expense in the 2018 statement of operations. The last actuarial valuation was completed for the plan as of December 31, 2017. At that time, the plan was fully funded.

15. Transfer payment to HSPs

The LHIN has authorization to allocate funding of $985,588,120 to various HSPs in its geographic area. The LHIN approved transfer payments to various sectors in 2018 as follows:

		2017
		$
Operations of hospitals		598,060,559
Grants to compensate for municipal taxation – public hospitals		159,225
Long-Term Care Homes		195,888,555
Community Care Access Centres		146,637,176
Community support services		28,349,482
Assisted living services in supportive housing		6,471,004
Community health centres		22,693,581
Community mental health addictions program		84,639,991
		1,082,899,573

The LHIN receives funding from the MOHLTC and in turn allocates it to the HSPs. As at March 31, 2018, an amount of $6,800,553 ($2,449,272 in 2017) was receivable from the 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.

Pursuant to note 13, effective May 17, 2017 the LHIN assumed the assets, liabilities, rights and obligations of the WWCCAC. Current year amounts reported in respect of the WWCCAC in the table above represent funding provided to the WWCCAC from the date of transfer.

16. Financial risk

The LHIN through its exposure to financial assets and liabilities, has exposure to credit risk and liquidity risk as follows:

Credit risk relates to the potential that one party to a financial instrument will fail to discharge an obligation and incur a financial loss. The maximum exposure to credit risk is the carrying value reported in the statement of financial position. Credit risk is mitigated through collection practices and the diverse nature of amounts with accounts receivable.

Liquidity risk is the risk that the LHIN will not be able to meet all cash flow obligations as they come due. The LHIN mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and cash flow analysis.

17. Accumulated non-vesting sick pay

The accumulated non-vesting sick pay comprises the sick pay benefits that accumulated but do not vest. These adjustments are not funded by the Ontario Ministry of Health and Long-Term Care.

18. 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.

19. Board costs

The following provides the details of Board expenses reported in the statement of operations and changes in net assets:

		2017
		$
Board Chair per diem expenses		75,950
Other Board members' per diem expenses		45,000
Other governance and travel		31,284
		152,234

METROLINX

June 29, 2018

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, 2018, 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.

Phil Verster
President and Chief Executive Officer

Jennifer Gray
Chief Financial Officer (A)

20 Bay Street, Suite 600
Toronto, Ontario M5J 2W3

20, rue Bay, Bureau 600
Toronto (Ontario) M5J 2W3

June 29, 2018

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, 2018 and the statements of operations, changes in net 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

Opinion

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

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Metrolinx

Statement of Financial Position

As at March 31, 2018

(in thousands of dollars)

	2018 $	2017 $
Assets		
Current assets		
Cash and cash equivalents (note 5)	257,813	469,851
Accounts receivable (note 7)	144,766	72,354
Contributions due from Province of Ontario	714,692	368,985
Contributions due from Municipalities (note 11)	95,460	-
Contributions due from Government of Canada	11,196	35,297
Spare parts and supplies	15,175	11,851
Prepaid expenses	11,979	14,305
	1,251,081	972,643
Accounts receivable - long-term (note 7)	74,787	74,787
Contributions due from Province of Ontario - long-term (note 10)	1,325,121	1,164,757
Capital assets (note 6)	19,128,047	16,108,846
Deposits on land (note 8)	165,101	145,079
Advances on capital projects (note 8)	85,382	221,216
Long-term lease (note 9)	26,899	27,226
	22,056,418	18,714,554
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	1,227,995	964,641
Presto Farecard E-Purse (note 5)	60,047	44,965
	1,288,042	1,009,606
Long-term payable (note 10)	1,325,121	1,164,757
Deferred capital contributions (note 11)	16,289,789	13,885,963
Pension plan top-up benefits payable (note 13)	65,706	63,530
Other employee future benefits payable (note 14)	137,772	129,519
	19,106,430	16,253,375
Net Assets		
Invested in capital assets (note 15)	3,088,741	2,589,178
Invested in long-term lease	26,899	27,226
Internally restricted (note 16)	26,332	26,332
Deficiency of net assets	(191,984)	(181,557)
	2,949,988	2,461,179
	22,056,418	18,714,554

Economic dependence (note 2)

Commitments (note 17)

Contingencies (note 18)

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, 2018

(in thousands of dollars)

	2018 $	2017 $
Revenue		
Operating	598,140	567,592
Contribution from the Province of Ontario	341,309	262,834
Investment income	7,537	4,449
Amortization of deferred capital contributions (note 11)	616,494	520,871
Gain (loss) on disposal of capital assets	19,837	(376)
	1,583,317	1,355,370
Expenses		
Supplies and services	97,112	88,746
Equipment maintenance	118,192	99,944
Facilities and track	146,002	129,897
Labour and benefits	318,656	282,963
Rail and bus operations	314,570	248,185
Amortization of capital assets	611,795	521,815
Amortization of long-term lease	327	327
	1,606,654	1,371,877
Excess of expenses over revenue	(23,337)	(16,507)

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

Metrolinx

Statement of Changes in Net Assets

For the year ended March 31, 2018

(in thousands of dollars)

	2018					2017
	Invested in capital assets $ (note 15)	**Invested in long-term lease** $	**Internally restricted net assets** $ (note 16)	**Deficiency** $	**Total** $	**Total** $
Balance - Beginning of year	2,589,178	27,226	26,332	(181,557)	2,461,179	2,236,569
Excess of expenses over revenues	-	-	-	(23,337)	(23,337)	(16,507)
Amortization - net of amortization to revenue	(1,803)	(327)	-	2,130	-	-
Assets contributed by the Province of Ontario (note 19(b))	-	-	-	-	-	10
Land acquisitions - net of deposits	347,045	-	-	-	347,045	107,911
Disposal of land	(10,780)	-	-	10,780	-	-
Deposits on land	165,101	-	-	-	165,101	133,196
Balance - End of year	3,088,741	26,899	26,332	(191,984)	2,949,988	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, 2018

(in thousands of dollars)

	2018 $	2017 $
Cash provided by (used in)		
Operating activities		
Excess of expenses over revenues	(23,337)	(16,507)
Amortization of capital assets and long-term lease	612,122	522,142
Loss (gain) on disposal of capital assets	(19,837)	376
Amortization of deferred capital contributions	(616,494)	(520,871)
Employee future benefits - net of payments	10,429	14,159
	(37,117)	(701)
Change in non-cash working capital		
Accounts receivable	(72,412)	5,814
Spare parts and supplies	(3,325)	65
Prepaid expenses	2,326	2,014
Accounts payables and accrued liabilities	139,898	(226,360)
PRESTO Farecard E-Purse	15,082	10,320
	44,452	(208,848)
Capital activities		
Purchase of capital assets	(2,998,160)	(1,637,308)
Proceeds from sale of capital assets	37,119	700
Deposits on land (note 15)	(165,101)	(133,196)
Advances on capital projects (note 18)	(85,382)	(221,216)
	(3,211,524)	(1,991,020)
Financing activities		
Grants received for purchase of land	512,146	241,107
Capital contributions	2,442,888	1,955,261
	2,955,034	2,196,368
Net change in cash and cash equivalents	(212,038)	(3,500)
Cash and cash equivalents - Beginning of year	469,851	473,351
Cash and cash equivalents - End of year	257,813	469,851
Supplemental cash flow information		
Non-cash capital activities		
Change in accounts payable and accrued liabilities relating to capital assets	123,456	595,482
Change in advance from Province of Ontario	-	(14,004)
Change in long-term capital payable/contribution due from Province	160,364	220,207
Assets contributed by the Province of Ontario (note 19(b))	-	10
Non-cash financing activities		
Capital contributions receivable/payable	(417,067)	(376,827)

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

Metrolinx

Notes to Financial Statements

March 31, 2018

(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 card that allows riders to transfer seamlessly across multiple transit systems.

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.

(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
Accounts receivable	amortized cost
Contributions due from Province of Ontario	amortized cost
Contributions due from Municipalities	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
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.

From time to time, 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, 2018

(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, 2018.

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, maintain and operate 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.

(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 - 40 years
Leasehold improvements	lease life
Locomotives and other railway rolling stock	20 - 30 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 Plan. 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, 2018

(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 other than land. These deferred capital contributions are recognized as revenue over the same period as the amortization of the related capital asset.

Contributions received for the acquisition of land, including deposits for land, are recognized as direct increases in net assets.

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

Management is currently reviewing PSAB's communications on several standards that it has under development. These include: PSAB's Statement of Concepts paper on the revised conceptual framework; a Statement of Principles paper on the reporting model for the Canadian public sector; a Consultation Paper on PSAB's approach to International Public Sector Accounting Standards; and a final standard on Financial Instruments.

(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 $60,047 (2017 - $44,964) 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.

Metrolinx

Notes to Financial Statements

March 31, 2018

(in thousands of dollars)

6 Capital assets

	2018			2017
	Cost $	Accumulated amortization $	Net $	Net $
Land	2,307,424	-	2,307,424	2,189,960
Buildings	1,976,339	499,706	1,476,633	933,674
Leasehold improvements	101,984	40,497	61,487	62,956
Locomotives and other railway rolling stock	2,490,812	831,805	1,659,007	1,462,052
Improvements to railway right-of-way plant	1,446,653	714,997	731,656	672,372
Grade separations, track work and installations	3,436,358	667,600	2,768,758	2,643,451
Work-in-progress	7,934,424	-	7,934,424	6,121,592
Buses	431,969	218,625	213,344	197,839
Parking lots	837,645	283,306	554,339	510,036
Computer equipment and software	1,384,326	582,573	801,753	765,544
Other	791,159	171,937	619,222	549,370
	23,139,093	4,011,046	19,128,047	16,108,846

Work-in-progress includes the following:

	2018 $	2017 $
Rail corridor expansion	721,963	436,892
Union Station	381,171	341,615
Rail fleet	449,047	518,406
PRESTO system	111,845	63,737
Light Rapid Transit and Bus Rapid Transit	5,133,332	3,466,400
Various	1,137,066	1,294,542
	7,934,424	6,121,592

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, 2018

(in thousands of dollars)

7 Accounts receivable

Accounts receivable are composed of the following:

	2018 $	2017 $
Recoverable HST	64,919	49,728
Other receivables	79,847	22,626
	144,766	72,354
Sunk project costs recoverable from City of Toronto	74,787	74,787
	219,553	147,141

Included in accounts receivable is $74,787 (2017 - $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.

8 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 $164,201 (2017 - $144,029) and other project costs totalling $85,382 (2017 - $221,216) 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, 2018

(in thousands of dollars)

As at March 31, 2018, Metrolinx has expended approximately $5,845,433 (2017 - $4,440,449) in relation to these projects, including the following amounts that have been advanced for costs expected to be incurred to June 30, 2018 and deposits related to future perpetual easements.

	2018 $	2017 $
York Region	238,601	354,263
TTC	10,982	10,982
	249,583	365,245
Other land deposits	900	1,050
	250,483	366,295

9 Long-term lease

	2018			2017
	Cost $	Accumulated amortization $	Net $	Net $
Leasehold - Union Station	32,704	5,805	26,899	27,226

10 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 Whitby Facility (formerly known as the 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. This amount also includes lifecycle payments over the term of the contract amounting to $76.6 million.

Costs incurred on these contracts as at March 31, 2018 are as follows and are included in work-in-progress.

	2018			2017
	ECLRTL $	Whitby Facility $	Net $	Net $
Costs incurred	2,262,447	518,570	2,781,017	1,823,492
Amount paid or payable within one year	(1,137,047)	(318,849)	(1,455,896)	(658,735)
Long-term payable	1,125,400	199,721	1,325,121	1,164,757

(in thousands of dollars)

A matching contribution receivable from the Province for costs incurred to date is included in deferred capital contributions.

11 Deferred capital contributions

The changes in the deferred capital contributions for the year are as follows:

	2018 $	2017 $
Balance - Beginning of year	13,885,963	11,854,540
Contributions received or receivable in the period for capital acquisitions		
Province of Ontario	2,799,609	2,518,187
Municipalities	109,086	7,662
Government of Canada	111,625	26,445
Amortization of deferred capital contributions	(616,494)	(520,871)
Balance - End of year	16,289,789	13,885,963

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 $65,650 (2017 - $81,549) and the cumulative amount is $1,261,683 (2017 - $1,196,033). The Province will work with its municipal partners to address the funding shortfalls.

The City of Toronto has agreed to contribute $95,460 related to grade separation and utility relocation work performed by Metrolinx on the Georgetown South (GTS) corridor. An Agreement in Principle signed in January 2018 between the Province and the City of Toronto allows Metrolinx to recover eligible costs that it incurred on behalf of the City.

12 Pension contributions

Metrolinx provides pension benefits for substantially all of its permanent employees through participation in the OMERS Pension Plan. The amount expensed in pension contributions for the year ended March 31, 2018 is $30,714 (2017 - $28,425).

13 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, 2016. 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 $4,176 (2017 - $4,098).

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

Metrolinx

Notes to Financial Statements

March 31, 2018

(in thousands of dollars)

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:

	2018 $	2017 $
Accrued benefit obligation	70,191	68,873
Fair value of plan assets	(2,607)	(2,562)
Funded status - plan deficit	67,584	66,311
Unamortized net actuarial loss	(1,878)	(2,781)
Accrued benefit liability	65,706	63,530

Details of the accrued benefit obligation are as follows:

	2018 $	2017 $
Accrued benefit obligation - Beginning of year	68,874	67,247
Current service cost	1,138	1,104
Interest cost on accrued benefit obligation	2,140	2,095
Benefit payments	(1,961)	(1,572)
Actuarial loss (gain) on accrued benefit obligation	-	-
Accrued benefit obligation - End of year	70,191	68,874

Details of the pension expense are as follows:

	2018 $	2017 $
Current service cost	1,138	1,104
Interest cost on accrued benefit obligation	2,140	2,095
Actual return on plan assets	(5)	(8)
Expected return versus actual return on plan assets	5	8
Amortization of actuarial loss	898	899
	4,176	4,098

(in thousands of dollars)

Plan assets by asset category are as follows:

	2018 %	2017 %
Cash invested	4	10
Cash on deposit with Canada Revenue Agency	96	90
	100	100

Other information about Metrolinx's benefit plan is as follows:

	2018 $	2017 $
Employer contributions	2,000	2,000
Benefits	1,961	1,572

The significant actuarial assumptions adopted in measuring Metrolinx's pension plan top-up benefit obligations are as follows:

	2018	2017
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	5 years

14 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 $11,466 (2017 - $14,438).

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. Information about Metrolinx's post-retirement non-pension benefits is as follows:

Metrolinx

Notes to Financial Statements

March 31, 2018

(in thousands of dollars)

	2018 $	2017 $
Accrued benefit obligation	140,302	131,205
Fair value of plan assets	-	-
Funded status - plan deficit	140,302	131,205
Unamortized net actuarial loss	(2,530)	(1,686)
Accrued benefit liability	137,772	129,519

Details of the accrued benefit obligation are as follows:

	2018 $	2017 $
Accrued benefit obligation - Beginning of year	131,205	151,855
Current service cost	5,509	6,572
Interest cost on accrued benefit obligation	4,283	4,833
Benefit payments	(3,213)	(2,376)
Actuarial gain on accrued benefit obligation	2,518	(29,679)
Accrued benefit obligation - End of year	140,302	131,205

Details on the post-retirement non-pension benefits expense are as follows:

	2018 $	2017 $
Current service cost	5,509	6,572
Interest cost on accrued benefit obligation	4,283	4,833
Amortization of actuarial loss	1,674	3,033
	11,466	14,438

The significant actuarial assumptions adopted in measuring Metrolinx's post-retirement non-pension benefit obligations are as follows:

	2018	2017
Discount rate for post-retirement non-pension benefit	3.1%	3.2%
Discount rate for WSIB liabilities	2.7%	2.6%
Discount rate for retiree severance benefits	2.5%	2.2%
Expected average remaining service life for post-retirement non-pension benefit	15 years	15 years
Expected average remaining service life for WSIB liabilities	9 years	10 years
Expected average remaining service life for retiree severance benefits	2 years	5 years
Rate of compensation increase	2.75%	2.75%
Inflation per annum	2%	2%
Initial Weighted Average Health Care Trend Rate	5.1%	5.1%
Ultimate Weighted Average Health Care Trend Rate	4%	4%
Dental care benefits increase	2.75%	2.75%

(in thousands of dollars)

15 Net assets invested in capital assets

	2018 $	2017 $
Capital assets	19,128,047	16,108,846
Deposits on land	165,101	145,079
Advances on capital projects	85,382	221,216
Less: Deferred capital contributions used to purchase capital assets	(16,289,789)	(13,885,963)
	3,088,741	2,589,178

16 Internally restricted net assets

The internally restricted net assets are as follows:

	2018 $	2017 $
MCOR	21,051	21,051
Employment obligation	889	889
Self-insured retention	2,013	2,013
Stabilization	2,379	2,379
	26,332	26,332

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.

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.

Metrolinx

Notes to Financial Statements

March 31, 2018

(in thousands of dollars)

17 Commitments

The minimum operating lease payments in each of the next five years and thereafter are as follows:

	$
2019	41,264
2020	36,155
2021	35,721
2022	35,313
2023	31,345
Subsequent	206,549
	386,347

Metrolinx has also committed approximately $12,321,000 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 $286,000 per year:

- Master Operating Agreement with CN terminating on May 31, 2019;
- Commuter Agreement with CP terminating on December 31, 2019;
- Equipment Maintenance contract with Bombardier terminating on December 31, 2024;
- Rail Crew contract with Bombardier terminating on December 31, 2024;
- Routine Track and Signal Maintenance contract with PNR terminating on June 30, 2019; and
- Rail Corridor Management Service Agreement with TTR terminating on June 30, 2019.

The remaining annual service payments relating to the AFP contract with Crosslinx Transit Solutions (note 10) amount to $6,880,350, whereas the Whitby Facility AFP contractual obligations, in nominal dollars, as at March 31, 2018 are as follows:

				Outstanding obligations to be disbursed by March 31					
	Contract amount $	Amount disbursed $	Outstanding obligation $	2019 $	2020 $	2021 $	2022 $	2023 $	2024 and Thereafter $
Plenary infrastructure	921,794	310,422	611,372	16,421	16,504	17,153	17,509	17,643	526,142

As at March 31, 2018, Metrolinx had outstanding letters of credit totalling $28 (2017 - $28).

Metrolinx

Notes to Financial Statements

March 31, 2018

(in thousands of dollars)

18 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.

19 Related party disclosures and transactions and balances

Related party disclosures

Metrolinx implemented PSAB's new standard on Related Party Disclosures. This standard require disclosure of related party transactions if they have a material financial effect on the financial statements and only if those transactions occur at a value different from what would have been arrived at if the parties were unrelated . Transactions involving key management personnel and their close family members are required to be disclosed if they meet certain criteria.

Key management personnel are defined as individuals having authority and responsibility for planning, directing and controlling activities of the entity. Metrolinx has identified direct reports to the CEO and its board members as its key management personnel and put in place processes for preparation and review of annual attestations. There were no material transactions to report in the year.

Inter-entity transactions

PSAB's new standard on inter-entity transactions. It establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity.

Metrolinx had the following transactions with our 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 $611 (2017 - $793), $1 (2017 - $10,627), $520 (2017 - $257) and $123 (2017 - $1,008) respectively, during the year for the provision of services provided by these organizations. As at March 31, 2018, accounts payable and accrued liabilities included $2,218 (2017 - $2,762), owing to the Infrastructure Ontario.

b) The Ontario Ministry of Transportation procured two parcels of land from Metrolinx during the year. The transfer was made at the fair value of the assets that amounted to $225 (2017 - $nil).

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.

Metrolinx

Notes to Financial Statements

March 31, 2018

(in thousands of dollars)

20 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.

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.

metro toronto convention centre

An Agency of the Government of Ontario

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.

I Dhanjee

Imtiaz Dhanjee

Vice President Finance

June 15, 2018

KPMG

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, 2018, the statement 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. The financial statements have been prepared by management in accordance with the accounting requirements of the Financial Administration Act, including Ontario Regulation 395/11, *Government Transfers* of the Financial Administration Act.

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.

KPMG

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 as at and for the year ended March 31, 2018 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.

Basis of Accounting

Without modifying our opinion, we draw attention to note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared for the Metropolitan Toronto Convention Centre Corporation and the Minister of Tourism, Culture and Sport. As a result, the financial statements may not be suitable for another purpose.

Restriction on Use

Our report is intended solely for Metropolitan Toronto Convention Centre Corporation and the Minister of Tourism, Culture and Sport and should not be used by parties other than Metropolitan Toronto Convention Centre Corporation and the Minister of Tourism, Culture and Sport.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

June 14, 2018
Vaughan, Canada

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Statement of Financial Position

March 31, 2018, with comparative information for 2017

	2018	2017
Financial assets:		
Cash and cash equivalents	$ 8,240,782	$ 10,727,630
Customer deposits (note 3)	23,337,265	14,290,697
Accounts receivable (note 9)	5,412,238	3,981,079
	36,990,285	28,999,406
Liabilities:		
Accounts payable and accrued liabilities	12,194,669	8,319,822
Deferred revenue	23,337,265	14,290,697
Employee future benefits (note 7)	2,391,700	2,455,400
Deferred contributions related to tangible capital assets	42,703,775	43,696,886
	80,627,409	68,762,805
Net debt	(43,637,124)	(39,763,399)
Non-financial assets:		
Tangible capital assets (note 5)	196,952,185	186,353,453
Inventories	738,069	469,361
Prepaid expenses	730,025	663,056
	198,420,279	187,485,870
Commitments (note 10)		
Accumulated surplus (note 6)	$ 154,783,155	$ 147,722,471

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, 2018, with comparative information for 2017

	March 31, 2018 Budget	March 31, 2018 Actual	March 31, 2017 Actual
Revenue:			
Food and beverage	$ 26,200,000	$ 33,547,499	$ 25,636,135
Facility rental	16,400,000	18,185,117	15,964,638
Parking	11,200,000	11,737,479	10,717,368
Commissions	7,126,700	8,596,115	6,144,929
Communications	2,482,000	3,012,112	2,070,480
Capital contribution	993,100	993,111	993,111
Other	3,861,000	4,704,746	3,507,533
Total revenue	68,262,800	80,776,179	65,034,194
Expenses (note 8):			
Food and beverage	17,090,200	20,842,731	16,902,716
Facility rental	4,757,000	4,961,962	4,627,503
Parking	3,041,700	2,795,187	2,756,276
Communications	848,200	815,960	842,805
Event services	659,800	831,245	554,831
General and administrative	8,490,800	8,565,652	7,706,465
Sales and marketing	4,396,700	4,633,667	3,549,432
Engineering	5,307,800	5,140,146	5,151,106
Energy	3,632,600	3,246,491	3,619,027
Other	2,959,200	3,014,981	2,842,076
Amortization	9,890,000	9,867,473	8,873,892
Total expenses	61,074,000	64,715,495	57,426,129
Annual surplus	7,188,800	16,060,684	7,608,065
Accumulated surplus, beginning of year	147,103,400	147,722,471	147,114,406
Distribution payment (note 6)	(4,000,000)	(9,000,000)	(7,000,000)
Accumulated surplus, end of year	$ 150,292,200	$ 154,783,155	$ 147,722,471

See accompanying notes to financial statements.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Statement of Changes in Net Debt

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

	March 31, 2018 Budget	March 31, 2018 Actual	March 31, 2017 Actual
Annual surplus	$ 7,188,800	$ 16,060,684	$ 7,608,065
Acquisition of tangible capital assets	(18,560,000)	(20,466,205)	(10,448,364)
Amortization of tangible capital assets	9,890,000	9,867,473	8,873,892
	(1,481,200)	5,461,952	6,033,593
Acquisition of inventories	(5,660,500)	(8,278,978)	(6,050,794)
Acquisition of prepaid expenses	(1,142,500)	(1,555,713)	(1,208,157)
Consumption of inventories	5,657,500	8,010,270	6,022,087
Use of prepaid expenses	1,073,200	1,488,744	1,211,250
Distribution payment	(4,000,000)	(9,000,000)	(7,000,000)
Increase in net debt	(5,553,500)	(3,873,725)	(992,021)
Net debt, beginning of year	(42,379,300)	(39,763,399)	(38,771,378)
Net debt, end of year	$ (47,932,800)	$ (43,637,124)	$ (39,763,399)

See accompanying notes to financial statements.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Statement of Cash Flows

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

	2018	2017
Cash provided by (used in):		
Operating activities:		
Annual surplus	$ 16,060,684	$ 7,608,065
Items not involving cash:		
Amortization	9,867,473	8,873,892
Employee future benefits	(63,700)	304,400
Deferred contributions related to tangible capital assets	(993,111)	(993,111)
	24,871,346	15,793,246
Change in non-cash assets and liabilities:		
Accounts receivable	(1,431,159)	(601,180)
Inventories	(268,708)	(28,707)
Prepaid expenses	(66,969)	3,093
Accounts payable and accrued liabilities	3,874,847	3,188,586
	26,979,357	18,355,038
Financing activities:		
Distribution payment (note 6)	(9,000,000)	(7,000,000)
Capital activities:		
Acquisition of tangible capital assets	(20,466,205)	(10,448,364)
Increase (decrease) in cash and cash equivalents	(2,486,848)	906,674
Cash and cash equivalents, beginning of year	10,727,630	9,820,956
Cash and cash equivalents, end of year	$ 8,240,782	$ 10,727,630

See accompanying notes to financial statements.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements

Year ended March 31, 2018

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 is $993,111 (2017 - $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, 2018

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, 2018

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, *Government Transfers* of the Financial Administration Act 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 major portion of 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, 2018

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
2019	$ 15,971,015	$ 15,010,641	$ –	$ 960,374	$ 960,374
2020	9,324,925	2,896,829	144,933	6,283,163	6,428,096
2021	6,472,942	2,390,146	883,789	3,199,007	4,082,796
2022	2,000,645	729,074	818,333	453,238	1,271,571
2023	1,785,160	605,189	1,131,287	48,684	1,179,971
Thereafter	4,863,400	1,705,386	1,903,287	1,254,727	3,158,014
	$ 40,418,087	$ 23,337,265	$ 4,881,629	$ 12,199,193	$ 17,080,822

*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:

2018	Cost	Accumulated amortization	Net book value
Building	$ 253,054,459	$ 90,280,229	$ 162,774,230
Furniture, fixtures and computer equipment	43,404,102	32,700,706	10,703,396
Leasehold improvements	71,687,299	48,212,740	23,474,559
	$ 368,145,860	$ 171,193,675	$ 196,952,185

2017	Cost	Accumulated amortization	Net book value
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
	$ 347,679,655	$ 161,326,202	$ 186,353,453

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2018

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, 2017	$ 142,850,705	$ (72,500,000)	$ 77,371,766	$ 147,722,471
Distribution payment	–	(9,000,000)	–	(9,000,000)
Annual surplus	–	–	16,060,684	16,060,684
Balance, March 31, 2018	$ 142,850,705	$ (81,500,000)	$ 93,432,450	$ 154,783,155

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 $9,000,000 on February 14, 2018 based on the financial results of fiscal 2018 (fiscal 2017 - $7,000,000). Since the establishment of the distribution policy, the total amount paid is $81,500,000 (2017 - $72,500,000).

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, 2018

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 was completed as at December 31, 2016. The Plan is required by the Pension Benefits Act (Ontario) to have an actuarial valuation report prepared at least every three years.

The actuarial valuation of the other post-employment plans (and the next required valuations) are as follows:

(a) Other post-employment plans - March 31, 2018 (March 31, 2021);

(b) Retirement compensation agreement - March 31, 2018 (March 31, 2019); and

(c) Executive retiring allowance plan - March 31, 2018 (March 31, 2019).

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 $1,799,600 (2017 - $1,262,500) for its employee future benefit plans. Unamortized net actuarial gain is $592,100 (2017 - gain of $1,192,900) and results in an employee future benefit liability of $2,391,700 (2017 - $2,455,400) recorded in the financial statements.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2018

7. Employee future benefits (continued):

Currently, there are 102 employees enrolled in the defined benefit plan and 214 employees enrolled in the defined contribution plan. In 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, 2018.

Information about the Corporation's pension plan and employee benefit arrangements are detailed in the table below:

			2018			2017
	Pension plan	Employee benefits	Total	Pension plan	Employee benefits	Total
Defined benefit plan expense:						
Current year benefit cost	$ 1,219,300	$ 97,300	$ 1,316,600	$ 1,339,200	$ 98,200	$ 1,437,400
Amortization of actuarial loss (gain)	(137,800)	(5,100)	(142,900)	203,300	26,900	230,200
Employee contributions	(181,900)	–	(181,900)	(182,900)	–	(182,900)
Defined benefit plan expense	899,600	92,200	991,800	1,359,600	125,100	1,484,700
Defined benefit plan interest expense:						
Interest cost on accrued benefit obligation	1,770,500	111,300	1,881,800	1,767,200	119,400	1,886,600
Expected return on plan assets	(1,791,900)	(18,800)	(1,810,700)	(1,628,200)	(19,500)	(1,647,700)
Defined benefit plan interest expense (income)	(21,400)	92,500	71,100	139,000	99,900	238,900
Total defined benefit plan expense	878,200	184,700	1,062,900	1,498,600	225,000	1,723,600
Defined contribution plan cost	674,700	–	674,700	646,000	–	646,000
Total benefit plan expense	$ 1,552,900	$ 184,700	$ 1,737,600	$ 2,144,600	$ 225,000	$ 2,369,600

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2018

7. Employee future benefits (continued):

			2018			2017
	Pension plan	Employee benefits	Total	Pension plan	Employee benefits	Total
Expected closing balance of accrued benefit obligation:						
Actual accrued benefit obligation, beginning of year	$ 33,785,600	$ 2,378,000	$ 36,163,600	$ 31,787,000	$ 2,573,500	$ 34,360,500
Current year benefit cost	1,219,300	97,300	1,316,600	1,339,200	98,200	1,437,400
Interest cost	1,770,500	111,300	1,881,800	1,767,200	119,400	1,886,600
Benefit payments	(693,100)	(49,600)	(742,700)	(652,300)	(74,100)	(726,400)
Expected closing balance of accrued benefit obligation, end of year	$ 36,082,300	$ 2,537,000	$ 38,619,300	$ 34,241,100	$ 2,717,000	$ 36,958,100
Expected plan assets:						
Actual plan assets, beginning of year	$ 34,158,200	$ 742,900	$ 34,901,100	$ 29,153,000	$ 722,200	$ 29,875,200
Employer contributions	1,114,200	12,400	1,126,600	1,372,000	47,200	1,419,200
Employee contributions	181,900	–	181,900	182,900	–	182,900
Expected return on plan assets	1,791,900	18,800	1,810,700	1,628,200	19,500	1,647,700
Benefit payments	(693,100)	(49,600)	(742,700)	(652,300)	(74,100)	(726,400)
Expected plan assets, end of year	$ 36,553,100	$ 724,500	$ 37,277,600	$ 31,683,800	$ 714,800	$ 32,398,600
Amortization of gains (losses) on accrued benefit obligation:						
Expected closing balance of accrued benefit obligation	$ 36,082,300	$ 2,537,000	$ 38,619,300	$ 34,241,100	$ 2,717,000	$ 36,958,100
Actual accrued benefit obligation	36,082,300	2,713,100	38,795,400	33,785,600	2,378,000	36,163,600
Experience gain (loss)	$ –	$ (176,100)	$ (176,100)	$ 455,500	$ 339,000	$ 794,500
Annual amortization over EARSL	$ –	$ (18,300)	$ (18,300)	$ 53,000	$ 29,900	$ 82,900
Amortization of gains (losses) on plan assets:						
Expected closing balance of plan assets	$ 36,553,100	$ 724,500	$ 37,277,600	$ 31,683,800	$ 714,800	$ 32,398,600
Actual plan assets	36,282,700	713,100	36,995,800	34,158,200	742,900	34,901,100
Experience gain (loss)	$ (270,400)	$ (11,400)	$ (281,800)	$ 2,474,400	$ 28,100	$ 2,502,500
Annual amortization over EARSL	$ (31,500)	$ (800)	$ (32,300)	$ 288,100	$ 2,100	$ 290,200
Actual pension liability recorded in the statement of financial position:						
Actual accrued benefit obligation	$ 36,082,300	$ 2,713,100	$ 38,795,400	$ 33,785,600	$ 2,378,000	$ 36,163,600
Actual plan assets	(36,282,700)	(713,100)	(36,995,800)	(34,158,200)	(742,900)	(34,901,100)
Deficit (surplus)	(200,400)	2,000,000	1,799,600	(372,600)	1,635,100	1,262,500
Unamortized actuarial gains	562,800	29,300	592,100	971,000	221,900	1,192,900
Accrued benefit liability	$ 362,400	$ 2,029,300	$ 2,391,700	$ 598,400	$ 1,857,000	$ 2,455,400

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2018

7. Employee future benefits (continued):

The total accrued pension benefit liability of $2,391,700 (2017 - $2,455,400) is included in the Corporation's statement of financial position.

The significant actuarial assumptions used in accounting for the plans are as follows:

	2018		2017	
	Pension plan	Employee benefits	Pension plan	Employee benefits
Discount rate	5.20%	3.10 - 5.20%	5.20%	3.40 - 5.20%
Expected return on plan assets	5.20%	2.60%	5.20%	2.75%
Rate of compensation increase	3.25%	n/a	3.25%	n/a
Indexation rate	1.30%	1.30%	1.30%	1.30%
EARSL (years)	8.6	7.2 - 14.2	8.6	8.6 - 13.6

Assumed health care cost trend rates at March 31:

	2018	2017
Initial health care cost trend rate	7.25%	7.50%
Cost trend rate declines to	3.75%	3.75%
Year that the rate reaches the rate it is assumed to remain at	2032	2032

8. Expenses:

Included in expenses are wages and benefits of $29,809,105 (2017 - $27,047,444).

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2018

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, 2018 and 2017.

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, 2018

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:

	2018	2017
Current	$ 2,815,100	$ 2,341,991
Less than 30 days overdue	2,261,737	1,228,289
More than 30 days overdue	7,573	3,074
Less allowance for doubtful accounts	(46,564)	(38,648)
Total trade accounts receivable	5,037,846	3,534,706
Non-trade accounts receivable	374,392	446,373
	$ 5,412,238	$ 3,981,079

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, 2018

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:

2019	$ 2,809,923
2020	1,097,665
2021	441,117
2022	207,302
2023	154,107
Thereafter	1,754,031
	$ 6,464,145

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.