Orrnge

Consolidated Financial Statements

March 31, 2017

(Expressed in thousands of Canadian dollars)

Management's Responsibility

To the Board of Directors of Ornge:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Board of Directors and Finance and Audit Committee are composed entirely of Directors who are neither management nor employees of the Organization. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Finance and Audit Committee has the responsibility of meeting with management and auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of the Organization's external auditors.

MNP LLP is appointed by the Board of Directors to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Committee and management to discuss their audit findings.

June 28, 2017

Chief Executive Officer

Chief Financial Officer

Independent Auditors' Report

To the Board of Directors of Ornge:

We have audited the accompanying consolidated financial statements of Ornge, which comprise the consolidated statement of financial position as at March 31, 2017, and the consolidated statements of operations and changes in net deficiency, changes in remeasurement gains and losses and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Ornge as at March 31, 2017 and the results of its operations, changes in net deficiency and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

MNP LLP

Mississauga, Ontario — Chartered Professional Accountants

June 28, 2017 — Licensed Public Accountants

MNP

Ornge
Consolidated Statement of Financial Position
As at March 31, 2017
(In thousands of Canadian dollars)

	2017	2016
Assets		
Current		
Cash	**6,145**	9,973
Accounts receivable	**4,703**	6,259
Prepaid expenses and deposits	**2,254**	1,977
Inventory *(Note 5)*	**6,723**	5,618
Current portion of maintenance contract *(Note 7)*	**2,479**	-
Assets held for sale	**-**	177
	22,304	24,004
Restricted cash *(Note 4)*	**400**	280
Capital assets *(Note 6)*	**180,646**	183,376
Maintenance contract *(Note 7)*	**11,214**	-
	214,564	207,660
Liabilities		
Current		
Short-term loan *(Note 8)*	**7,100**	-
Accounts payable and accrued liabilities *(Note 10)*	**19,074**	18,938
Employee future benefits *(Note 9)*	**1,263**	1,268
Current portion of long-term debt *(Note 10)*	**8,706**	8,230
	36,143	28,436
Long-term debt *(Note 10)*	**254,910**	263,462
	291,053	291,898
Commitments and contingencies *(Note 13), (Note 14)*		
Subsequent event *(Note 16)*		
Net Deficiency	**(76,489)**	(84,238)
	214,564	207,660

Approved on behalf of the Board

Director

Director

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

Ornge
Consolidated Statement of Operations and Changes in Net Deficiency
For the year ended March 31, 2017
(In thousands of Canadian dollars)

	2017	*2016*
Revenue		
Ontario Ministry of Health and Long-Term Care Transport Medicine program	**167,584**	158,536
Critical Care Land Ambulance program *(Note 12)*	**13,801**	13,801
Other income	**5,603**	4,364
	186,988	176,701
Expenses		
Salaries, employee benefits and other labour-related *(Note 15)*	**68,870**	69,086
Carrier and fleet-related	**54,476**	51,915
Supplies, facilities and other	**15,443**	13,121
Critical Care Land Ambulance program *(Note 12)*	**13,801**	13,801
Interest	**15,620**	16,087
Amortization of capital assets	**11,175**	10,510
	179,385	174,520
	7,603	2,181
Other income		
Gain on capital asset disposal - net *(Note 6)*	**(146)**	(72)
Excess of revenue over expenses	**7,749**	2,253
Recovery of income tax	**-**	(15)
Excess of revenue over expenses	**7,749**	2,268
Net deficiency, beginning of the year	**(84,238)**	(86,506)
Net deficiency, end of the year	**(76,489)**	(84,238)

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

Ornge

Consolidated Statement of Remeasurement Gains and Losses

For the year ended March 31, 2017
(In thousands of Canadian dollars)

	2017	2016
Accumulated remeasurement losses, beginning of year	**-**	(980)
Unrealized remeasurement gains		
Derivatives	**-**	33
Remeasurement gains reclassified to statement of operations		
Derivatives	**-**	947
Change in remeasurement gains for the year	**-**	980
Accumulated remeasurement gains, end of year	**-**	-

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

Ornge
Consolidated Statement of Cash Flows
For the year ended March 31, 2017
(In thousands of Canadian dollars)

	2017	2016
Cash provided by (used for) the following activities		
Operating		
Excess of revenue over expenses	**7,749**	2,268
Amortization	**12,507**	10,667
Gain on capital asset disposal - net	**(97)**	(72)
	20,159	12,863
Changes in working capital accounts		
Accounts receivable	**1,556**	(1,404)
Prepaid expenses and deposits	**(277)**	(27)
Inventory	**(1,105)**	(1,130)
Restricted cash	**(120)**	(54)
Accounts payable and accrued liabilities	**136**	1,506
Employee future benefits	**(5)**	145
	20,344	11,899
Financing		
Advances of short-term loan	**7,100**	-
Principal repayment of long-term debt	**(8,230)**	(7,607)
	(1,130)	(7,607)
Capital activities		
Purchases of capital assets	**(9,133)**	(6,690)
Proceeds from sale of capital assets	**962**	6,163
Maintenance contract deposit	**(14,871)**	-
	(23,042)	(527)
Increase (decrease) in cash	**(3,828)**	3,765
Cash, beginning of year	**9,973**	6,208
Cash, end of year	**6,145**	9,973

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

1. Purpose of the organization

Ornge operates from a number of bases across the province coordinating all aspects of Ontario's air medical transport system, critical care land transport program, and the screening of inter-facility transfers of patients within the province. The consolidated financial statements include the activities of the Ornge group of entities (the "Organization"). These include Ornge, Ornge Issuer Trust, Ornge Foundation, and wholly owned subsidiaries: Ornge Global Air Inc. and 7506406 Canada Inc.

During the year, Ornge Corporate Services Inc., Ornge Global Real Estate Inc. and Ornge Real Estate Inc., former subsidiaries of Ornge, amalgamated into Ornge to form one legal entity. The amalgamated entity continues to operate as Ornge for the year ended March 31, 2017.

Ornge is a corporation continued under the Canada Not-for-profit Corporations Act. Ornge is a registered charity under the Income Tax Act (Canada) (the "Act") and, as such, is exempt from income taxes pursuant to Section 149 of the Act.

On February 12, 2009, Ornge Issuer Trust (the "Trust") was created as a special purpose entity under the laws of Ontario pursuant to a declaration of trust. Ornge is the sole beneficiary of the Trust. Pursuant to the Act and Income Tax Regulations, the Trust is subject to income taxes. 4495128 Canada Inc. is the bare trustee for the Trust.

Ornge Global Air Inc. ("Ornge Air") and its wholly-owned subsidiary 7506406 Canada Inc. (“7506406”) are for-profit entities incorporated under the Canada Business Corporations Act. The entities provide rotary wing and fixed wing transport services on behalf of the Organization. Pursuant to the Act and Income Tax Regulations, Ornge Air and 7506406 are subject to income taxes.

Ornge Foundation is a registered charity and is currently inactive.

The Organization is funded primarily by the Province of Ontario in accordance with a Performance Agreement established by the Ministry of Health and Long-Term Care (the "Ministry"). This Agreement sets out the rights and obligations of the two parties in respect of funding provided by the Ministry. It also sets out certain performance standards and obligations that establish acceptable results for the Organization's performance in a number of areas.

2. Significant accounting policies

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

Basis of consolidation

All controlled not-for-profit and for-profit entities are consolidated into the Organization. The consolidated financial statements include the assets, liabilities and activities of such entities as defined in Note 1. Transactions and balances between the entities have been eliminated in arriving at the consolidated financial statements.

Cash

Cash includes balances with banks. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

2. Significant accounting policies *(Continued from previous page)*

Financial instruments

The Organization recognizes its financial instruments when the Organization becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, and are subsequently measured at either fair value or amortized cost.

Fair value is determined by the amount that would be exchanged in an arm's length transaction between willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists. Transactions to purchase or sell these items are recorded on the trade date. Net gains and losses arising from changes in fair value are recognized in the statement of remeasurement gains and losses. With the exception of those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost using the effective interest rate method.

Financial assets measured at fair value include cash and restricted cash.

Financial assets measured at amortized cost include accounts receivable.

Financial liabilities measured at amortized cost include short-term loan, accounts payable and accrued liabilities and longterm debt.

Transaction costs directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in excess of revenue over expenses. Conversely, transaction costs are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

All financial assets are tested annually for impairment. Any impairment which is not considered temporary is recorded in the statement of operations. Write-downs of financial assets measured at cost and/or amortized cost to reflect losses in value may be reversed for subsequent increases in value. Reversals of any net remeasurements of financial assets measured at fair value are reported in the statement of remeasurement gains and losses.

Inventory

The Organization's inventory includes aviation parts and medical supplies, which are valued at the lower of cost and replacement cost. This inventory is consumed in the normal course of operations and is not intended for sale.

Capital assets

Capital assets are recorded at cost less accumulated amortization.

Assets under construction are assets being built on behalf of the Organization. Amortization is not recorded until construction is substantially complete and the assets are ready for their intended use.

When an asset is retired, the book value and accumulated amortization of the asset are removed from the asset accounts. Any losses incurred on retirement or abandonment are recorded as an expense in the year of retirement or abandonment.

When a capital asset no longer has any long-term service potential to the Organization, the excess of its net carrying amount over any residual value is recognized as an expense in the consolidated statement of operations and changes in net deficiency.

Assets are classified as held for sale when all criteria in PS 1201.055 are met. The Organization measures the assets held for sale at the lower of their carrying amount and fair value less costs to sell. The gains or losses are recorded in the consolidated statement of operations and changes in net deficiency.

2. Significant accounting policies *(Continued from previous page)*

Capital assets *(Continued from previous page)*

Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives as follows:

	Method	Rate
Buildings	straight-line	10 - 40 years
Equipment and vehicles	straight-line	3 - 5 years
Computer equipment and software	straight-line	3 years
Leasehold improvements	straight-line	over term of lease
Aircraft airframes	straight-line	20 - 30 years
Aircraft engines	straight-line	20 years
Avionics and rotables	straight-line	5 - 30 years

Maintenance and repairs

The Organization has entered into long-term maintenance ("LTM") contracts for the maintenance of fixed wing engines, rotary wing airframes, and fixed and rotary wing avionics. The costs are based on a contractual hourly rate multiplied by flight hours (subject to a minimum required hours) or an annual fixed amount. Maintenance costs that are not covered by the LTM contracts are expensed as incurred.

Certain LTM contracts that the Organization entered into contain buy-in provisions, which represent the hours flown by the aircraft prior to when they were placed in the LTM program. Buy-in provision payments are initially capitalized and subsequently recognized as an expense on a straight-line basis over the term of the contract.

Revenue recognition

The Organization follows the deferral method of accounting for contributions. Most of the Organization's revenue is received from the Ministry under the terms of its service contract with the Organization. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Unrestricted donations are recognized as revenue when received, and restricted donations are recognized as revenue in the year in which the related expenses are incurred.

Other income includes organ transfers and billings for uninsured services, which are recognized as revenue when services are provided and when amounts can be reasonably estimated and collection is reasonably assured.

2. Significant accounting policies *(Continued from previous page)*

Foreign currency translation

Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at the prevailing exchange rate at the date of the transaction. Carrying values of monetary assets and liabilities and non-monetary items included in the fair value category reflect the exchange rates at the consolidated statement of financial position date.

Unrealized foreign exchange gains and losses are recognized in the consolidated statement of remeasurement gains and losses. In the period of settlement, the cumulative amount of remeasurement gains and losses is reversed in the consolidated statement of remeasurement gains and losses, and foreign exchange gains and losses are reclassified to the consolidated statement of operations.

Employee future benefits

The Organization's employee future benefit programs consist of a multi-employer defined benefit plan, a defined contribution plan, and a non-vested sick-leave program.

Certain full-time employees of the Organization participate in the Hospitals of Ontario Pension Plan ("HOOPP" or the "Plan"), which is a defined benefit multi-employer plan. Defined contribution accounting is used to recognize the Organization’s share of a defined benefit multi-employer plan.

The Organization contributes to a defined contribution plan for certain employees. Contributions are expensed as incurred.

The Organization provides non-vested sick leave programs to unionized rotary wing, fixed wing, paramedics and operations control centre employees. The Organization recognizes a liability and an expense for these sick-leave programs that accumulate in the period in which employees render services to the Organization in return for the benefits. The service period is the period from the date the employee is first eligible for benefits (generally the date of hire) to the expected date of the payment of the benefits.

In addition, there is a sick leave program for non-union employees, however, benefits earned do not vest or accumulate beyond 12 months after they are earned. As such, the Organization recognizes an expense when the event (the sick leave) that obligates the Organization occurs.

Allocation of expenses

The Organization operates a Critical Care Land Ambulance ("CCLA") program. Program costs include personnel, premises and other expenses directly related to providing this program. The Organization also incurs a number of general support expenses that are common to the administration of the Organization and of the CCLA program.

The Organization allocates certain of its general support expenses by identifying the appropriate basis of allocating each component expense, and applies that basis consistently each year.

(In thousands of Canadian dollars)

2. Significant accounting policies *(Continued from previous page)*

Measurement uncertainty (use of estimates)

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates are required to determine the useful lives of capital assets, the appropriate method of amortization of capital assets, the assessment of impairment of assets, the valuation of derivatives, and the assessment of actuarial assumptions for the non-vesting sick-leave benefit plan.

Non-vesting sick-leave benefit plan valuation is based on actuarial assumptions. Actuarial assumptions for the non-vesting sick-leave benefit plan are based on details of the membership and actuarial models. The valuation of assets held for sale is based on the expected proceeds from the sale.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues and expenses in the periods in which they become known.

The amount of revenue recognized from the Ministry requires a number of estimates. Based on the Performance Agreement established between Ornge and the Ministry, if the Organization does not meet its performance standards or obligations, the Ministry has the right to adjust funding received by the Organization. The Ministry is not required to communicate certain funding adjustments until after the submission of year-end data. Since this data is not submitted until after the completion of the consolidated financial statements, the amount of Ministry funding received during the year may be increased or decreased subsequent to year end. The amount of revenue recognized in these consolidated financial statements represents management’s best estimate of amounts that have been earned during the year.

3. Change in accounting policy

The Organization early adopted Canadian Public Sector Accounting Standard PS 3430 *Restructuring transactions* on April 1, 2016. This standard would otherwise be effective for fiscal periods beginning on or after April 1, 2018. The standard establishes the accounting treatment of restructuring transactions. There was previously no specific standard addressing such transactions.

The standard was applied in accounting for the amalgamation of Ornge Corporate Services Inc., Ornge Global Real Estate Inc. and Ornge Real Estate Inc. into Ornge. Adoption of this standard was applied prospectively and did not have a material impact on the financial statements.

4. Restricted cash

Restricted cash consists of the following:

	2017	*2016*
Deposit with BNY Trust Company of Canada ("Trustee") for $23,877 First Mortgage Series A Bond (representing 3 months' debt service)	**400**	280

5. Inventory

Inventory consists of the following:

	2017	*2016*
Aviation parts	**5,907**	280
Medical supplies	**816**	728
	6,723	5,618

(In thousands of Canadian dollars)

6. Capital assets

Capital assets consist of the following:

	Cost	***Accumulated amortization***	***2017 Net book value***
Land	**3,243**	**-**	**3,243**
Buildings	**21,914**	**8,718**	**13,196**
Equipment and vehicles	**17,511**	**11,490**	**6,021**
Computer equipment and software	**8,183**	**5,453**	**2,730**
Aircraft airframes	**142,604**	**23,664**	**118,940**
Aircraft engines	**38,565**	**9,354**	**29,211**
Avionics and rotables	**11,354**	**5,970**	**5,384**
Leasehold improvements	**2,025**	**774**	**1,251**
Assets under construction	**670**	**-**	**670**
	246,069	**65,423**	**180,646**

	Cost	*Accumulated amortization*	*2016 Net book value*
Land	3,243	-	3,243
Buildings	21,587	7,544	14,043
Equipment and vehicles	15,642	10,943	4,699
Computer equipment and software	7,250	3,917	3,333
Aircraft airframes	143,445	22,788	120,657
Aircraft engines	39,427	8,526	30,901
Avionics and rotables	10,263	5,338	4,925
Leasehold improvements	1,386	535	851
Assets under construction	724	-	724
	242,967	59,591	183,376

During the current year, it was determined that certain capital assets no longer had long-term service potential. As a result, the Organization recorded, as a reduction of cost, impairment of $76 (2016 - $250) comprised of: $76 (2016 - $151) related to airframes, aircraft engines, and avionics and $nil (2016 - $99) related to equipment and vehicles.

(In thousands of Canadian dollars)

7. Maintenance contract

During the year, the Organization entered into a six-year maintenance program for its rotary wing airframes. Under this agreement, the buy-in provision is initially capitalized and subsequently amortized on a straight-line basis over the life of the contract.

	2017	*2016*
Buy-in provision	**14,871**	-
Less: amortization	**(1,178)**	-
	13,693	-
Less: current portion	**(2,479)**	-
	11,214	-

8. Short-term loan

On December 15, 2016, the Organization entered into a short term, unsecured credit facility for general corporate purposes. The facility currently allows borrowing of up to $40,000, bearing interest at the bank's prime rate less 0.50% per annum, under a revolving facility. The facility is unsecured and matures on December 15, 2019 with the option to extend for two additional years.

As of March 31, 2017, the outstanding balance was $7,100 (2016 - $nil).

9. Employee future benefits

The Organization allocates to unionized employees a specified number of days each year for use as paid absences in the event of illness or injury. These employees are permitted to accumulate their unused allocation each year up to the allowable maximum provided in their employment agreements. Accumulated days may be used in future years to the extent that employees' illness or injury exceeds the current year's allocation of sick days. Sick days are paid out at the salary in effect at the time of usage.

All computations and disclosures are determined using a measurement date of accounting purposes as at March 31, 2017.

	2017	*2016*
Employee future benefit liabilities		
Accrued employee future benefit obligations	**1,299**	1,356
Unamortized actuarial loss, end of year	**(36)**	(88)
Employee future benefit liabilities	**1,263**	1,268
Employee future benefit expenses		
Current year benefit cost	**558**	677
Interest on accrued benefit obligation	**25**	22
Employee future benefit expenses	**583**	699

The significant actuarial assumptions adopted in measuring the Organization's accrued benefit obligations for the non-vesting sick leave were: a discount rate of 2.80% (2016 - 2.50%).

The significant actuarial assumptions adopted in measuring the Organization's expense for the non-vesting sick leave were: a discount rate of 2.75% (2016 - 2.50%), and salary cost escalation of 3.50% (2016 - 3.50%).

(In thousands of Canadian dollars)

10. Long-term debt

	2017	*2016*
Series A unsecured debenture (a)	**242,704**	250,606
First Mortgage Series A bond (b)	**23,033**	23,361
Less: Unamortized transaction costs	**(2,121)**	(2,275)
	263,616	271,692
Less: Current portion	**(8,706)**	(8,230)
	254,910	263,462

Principal repayments on long-term debt in each of the next five years and thereafter are estimated as follows:

	Principal
2018	8,706
2019	9,213
2020	9,747
2021	10,360
2022	11,202
Thereafter	216,509
Total	265,737

Accrued interest included in accounts payable and accrued liabilities amounted to $4,200 (2016 - $4,353).

(a) On June 11, 2009, the Organization issued a Series A unsecured debenture (the "Debenture") in the amount of $275,000 to finance the acquisition of certain fixed wing and rotary wing aircraft and related infrastructure, and for general corporate purposes. The Debenture bears interest at 5.727% per annum, calculated annually and payable semi-annually. Until June 11, 2012, the Organization paid interest only on the outstanding Debenture. From December 11, 2012 the Organization will pay interest and principal semi-annually until the maturity of the Debenture on June 11, 2034.

Transaction costs related to the issuance of the Debenture, including professional fees, were $2,549. These costs were recorded against the Debenture amount and are being amortized over the life of the Debenture using the effective interest rate method.

The fair market value of the Debenture as at March 31, 2017 is $286,356 (2016 - $301,403). The yield on a similar private placement would be 3.57% (2016 - 3.43%). Given that there is no active secondary market for this issue, the price quoted represents the theoretical value of the Debenture.

The Organization is subject to certain covenants associated with the Debenture. During the reporting period, the Organization met all its covenants.

(In thousands of Canadian dollars)

10. Long-term debt *(Continued from previous page)*

(b) On January 31, 2011, the Organization issued a First Mortgage Series A bond (the "Bond") in the amount of $23,877 for the purpose of financing the head office building. The Bond bears interest at 5.60% per annum, calculated semi-annually, and is repayable in blended payments of principal and interest monthly. The maturity date of the Bond is January 31, 2036. A mortgage and security interest in and to the Organization's corporate building, the related land and fixtures with a carrying value of $16,439, and all benefits to be derived from these assets, including the lease of these assets, has been provided as collateral for the bond.

Transaction costs related to the issuance of the Bond, including professional fees, were $684. These costs were recorded against the Bond amount and are being amortized over the life of the Bond using the effective interest rate method.

The Organization may redeem a portion of or the entire Bond at any time prior to its maturity at a price based on the principal amount then outstanding plus a "make-whole" premium, and accrued and unpaid interest.

Given that there is no active secondary market for this issue, the bond will always be priced at par, yielding its original issue yield of 5.60%.

The Organization is subject to certain covenants associated with the Bond. During the reporting period, the Organization met all its covenants.

11. Financial instruments

The Organization, as part of its operations, carries a number of financial instruments and is exposed to interest, currency, credit, liquidity price risks arising from these financial instruments. The risk exposure and management's objectives, policies and processes for measuring and managing the risks have not changed significantly during the year.

Credit risk

Credit risk is the risk of financial loss because a counter party to a financial instrument fails to discharge its contractual obligations.

The carrying amount of the Organization's financial instruments best represents the maximum exposure to credit risk.

The maximum credit risk exposure as at March 31 is:

	2017	*2016*
Cash	**6,145**	9,973
Restricted cash	**400**	280
Accounts receivable	**4,703**	6,259
	11,248	16,512

Liquidity risk

The Organization derives most of its operating revenue from the Ministry. The Organization is bound by a Performance Agreement with the Ministry, which provides funds to the Organization for the purposes of delivering the services as described in the Performance Agreement. The Organization is exposed to the risk related to availability of cash resources in order to continue to provide services expected by the Organization's mandate under the Performance Agreement.

To manage liquidity risk, the Organization ensures sound management of available cash resources. The Organization has access to short-term, unsecured credit facility that is used when sufficient cash flow is not available from the Ministry funding to cover operating expenditures (see Note 8).

The Organization monitors its cash requirements based on financial forecasts and anticipated cash flows.

11. Financial instruments *(Continued from previous page)*

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. In seeking to manage the risks from foreign exchange rate fluctuations, the Organization monitors current exchange rates and fluctuations to manage its accounts payable and accrued liabilities.

The Organization enters into transactions for purchases and warranty claims that are denominated in U.S. dollars for which the related accounts payable balances are subject to exchange rate fluctuations. As at March 31, 2017, the following items are denominated in U.S. dollars:

	2017 U.S.$ (In thousands)	*2016 U.S.$ (In thousands)*
Accounts payable and accrued liabilities	**2,092**	1,416

A 1% change in the U.S. dollar foreign exchange rates would change accounts payable and accrued liabilities by $28, resulting in a change to unrestricted net deficiency and accumulated remeasurement gains and losses in the amount of $28.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The Organization is exposed to interest rate risk with respect to its long-term debt. A change in the interest rate of the long-term debt would have an impact on the fair value of the debt but no impact on the consolidated financial statements since the debt is measured at amortized cost and has a fixed rate of interest.

Commodity risk

The Organization requires significant quantities of aviation fuel for its aircraft operations. As a result, the Organization is exposed to commodity price risks associated with the variations in the market price for aviation fuel. The price of aviation fuel is sensitive to, among other things, the price of crude oil, refining, and delivery costs. As at March 31, 2017, the Organization has not entered into any hedge contracts.

Fair value of financial instruments

Financial instruments measured at fair value are classified according to a fair value hierarchy that reflects the importance of the data used to perform each valuation. The fair value hierarchy is made up of the following levels:

Level 1: Quoted prices (unadjusted) are available in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly; and

Level 3: Unobservable inputs in which there is little or no market data, which require the Organization to develop its own assumptions.

The fair value hierarchy requires the use of observable data on the market each time such data exists. A financial instrument is classified at the lowest level of hierarchy for which significant input has been considered in measuring fair value.

Cash and restricted cash that the Organization held as at March 31, 2017 fall within Level 1 of the fair value hierarchy.

(In thousands of Canadian dollars)

12. Critical Care Land Ambulance program expenses

The Critical Care Land Ambulance program expenses consist of direct program costs and allocation of general support expenses as follows:

	2017	*2016*
Direct program costs - CCLA	**12,775**	12,333
Allocation of administrative costs - CCLA	**1,026**	1,468
	13,801	13,801

13. Commitments

The Organization has entered into various operating agreements to receive services in support of the Organization's transport medicine operation. The Organization is also committed under long-term leases for premises in various bases across Ontario. The estimated minimum annual payments are as follows:

Within one year	16,844
Between one and five years	20,530
Beyond five years	8,237
	45,611

14. Contingencies

The Organization is subject to various claims and potential claims. Where the potential liability is determinable, management believes that the ultimate disposition of the matters will not materially exceed the amounts recorded in the accounts. In other cases, the ultimate outcome of the claims cannot be determined at this time. Any additional losses related to the claims will be recorded in the year during which the liability is determined or adjustments to the amount recorded are determined to be required.

A legal action against the Organization’s former CEO for payment of a loan of $500 was commenced during 2012. The former CEO filed a counter claim in the amount of $3,000 and a separate claim against the Organization for $12,200 in connection with his termination. All claims and counter claims filed by the former CEO against the Organization have been dismissed. Subsequent to year-end, the parties have agreed to settle the legal action against the Organization's former CEO.

The Organization has indemnified its former and current directors and officers for claims and legal costs related to their services to the Organization.

The Organization is named as a defendant in charges brought under the Canada Labour Code resulting from an air ambulance helicopter accident in 2013. The maximum potential liability is estimated to be $3,000. No liability has been accrued in connection with these claims as the maximum amount is not likely and a more reliable estimate cannot be determined.

The Organization participates in the Healthcare Insurance Reciprocal of Canada (“HIROC”). HIROC is a pooling of the public liability insurance risks of its members. All members of the HIROC pool pay annual premiums which are actuarially determined. All members are subject to assessment for losses, if any, experienced by the pool for the years in which they were members. There are other claims covered by HIROC. Management believes that their coverage is adequate to cover any amounts payable in connection with these claims.

15. Pension plans

Certain full-time employees of the Organization are eligible to be members of HOOPP (the "Plan"), which is a multi-employer, defined benefit, final average earnings, and contributory pension. The Plan is accounted for as a defined contribution plan following the standards for multi-employer plans. The Organization's contribution to the Plan during the year amounted to \$3,541 (2016 - \$3,472) and is included in salaries and employee benefits expense and specifically funded programs in the consolidated statement of operations and changes in net deficiency. Contributions made by the Organization are in accordance with the funding requirements under the Plan. The most recent valuation for financial reporting purposes completed by HOOPP as of December 31, 2016 disclosed net assets available for benefits of \$70,359 million with pension obligations of \$54,461 million, resulting in a surplus of \$15,898 million.

The Organization also maintains a defined contribution pension plan for certain groups of its employees. During the year ended March 31, 2017, the Organization contributed and expensed an aggregate of \$1,825 (2016 - \$1,668) to this plan.

16. Subsequent event

On April 1, 2017, Ornge entered into an engine LTM agreement for the rotary wing fleet. Under this agreement, Ornge will be charged based on contractual hourly rates, multiplied by actual flight hours, subject to a minimum number of required hours. The maximum amount payable is \$58,500 USD over the term of the agreement, terminating at the earlier of the completion of the second overhaul period or twenty years.