

**The Public Guardian and Trustee
for the Province of Ontario**

Financial Statements

For the year ended March 31, 2020

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Management's Responsibility for Financial Information

Management is responsible for the financial statements and all other information presented with the financial statements. The financial statements have been prepared by management in accordance with International Financial Reporting Standards (IFRS), and, where appropriate, include amounts based on management's best estimates and judgments.

Management is also responsible for developing and maintaining systems of internal control that provide reasonable assurance that financial information is reliable, that all financial transactions are properly authorized, that assets are safeguarded, and that the Public Guardian and Trustee for the Province of Ontario adheres to legislation and regulatory requirements. These systems include the communication of policies and the Public Guardian and Trustee for the Province of Ontario's code of ethics and business conduct throughout the organization. Management continually monitors the systems of internal controls for compliance.

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 International Financial Reporting Standards (IFRS). The Auditor's Report outlines the scope of the auditor's examination and opinion.



Kenneth R. Goodman
Public Guardian and Trustee



Carolyn Sitler, CPA, CMA
Chief Financial Officer

July 16, 2020



Office of the Auditor General of Ontario
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Independent Auditor's Report

TO THE PUBLIC GUARDIAN AND TRUSTEE FOR THE PROVINCE OF ONTARIO

Opinion

I have audited the accompanying financial statements of the Public Guardian and Trustee (PGT), which comprise the statement of financial position as at March 31, 2020, and the statements of income and comprehensive income, changes in net assets attributable to beneficiaries of estates and trusts, changes in equity of the administration fund and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of PGT as at March 31, 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of PGT in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRSs, 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.

In preparing the financial statements, management is responsible for assessing PGT's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless PGT either intends to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing PGT's financial reporting process.



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Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 PGT's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on PGT's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause PGT to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Susan Klein, CPA, CA, LPA
Assistant Auditor General
Toronto, Ontario
July 16, 2020

Financial Statements

Statement of Cash Flows 1

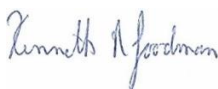
Statement of Financial Position

As at March 31

in thousands of dollars

| | Note | 2020 | 2019 |
|---|------|---------------------|---------------------|
| Estates and Trusts | | | |
| Assets | | | |
| Cash and cash equivalents | 4.1 | \$ 98,783 | \$ 87,420 |
| Accounts receivable | 6 | 5,284 | 5,282 |
| Investments at fair value through profit or loss: | | | |
| Bonds and other debt securities - client owned | 4.1 | 64,085 | 62,530 |
| Diversified fund | 4.2 | 91,088 | 97,481 |
| Canadian income and dividend fund | 4.3 | 99,943 | 106,715 |
| Equity securities - client owned | 4.4 | 62,988 | 57,079 |
| Investments in Fixed income funds | 4.5 | 1,490,009 | 1,455,763 |
| Real estate | | 157,324 | 134,165 |
| Other assets | 7 | 15,918 | 14,523 |
| Total assets | | 2,085,422 | 2,020,958 |
| Liabilities | | | |
| Accounts payable and accrued liabilities | 8 | 93,261 | 79,092 |
| Net assets attributable to beneficiaries of Estates and Trusts | | 1,992,161 | 1,941,866 |
| Total liabilities and net assets attributable to beneficiaries of Estates and Trusts | | \$ 2,085,422 | \$ 2,020,958 |
| Administration Fund | | | |
| Assets | | | |
| Cash and cash equivalents | | \$ 3,542 | \$ 597 |
| Accounts receivable | 6 | 2,696 | 1,999 |
| Investments at fair value through profit or loss: | | | |
| Diversified fund | 4.2 | 88,948 | 91,335 |
| Canadian income and dividend fund | 4.3 | 26,467 | 27,620 |
| Investments in Fixed income funds | 4.5 | 20,813 | 18,257 |
| Total assets | | 142,466 | 139,808 |
| Liabilities | | | |
| Accounts payable and accrued liabilities | 8 | 8,303 | 5,438 |
| Total liabilities | | 8,303 | 5,438 |
| Equity | | | |
| Funds and reserves | | 17,500 | 17,500 |
| Unappropriated fund | | 116,663 | 116,870 |
| Total equity | | 134,163 | 134,370 |
| Total liabilities and equity | | \$ 142,466 | \$ 139,808 |

On behalf of The Public Guardian and Trustee for the Province of Ontario



Kenneth R. Goodman
Public Guardian and Trustee



Carolyn Sittler, CPA, CMA
Chief Financial Officer

Stmnt of income & comprehensive income 1

Statement of income and comprehensive income - Estates and Trusts

For the year ended March 31

in thousands of dollars

| | Note | 2020 | 2019 |
|--|------|-------------------|-------------------|
| Estates and Trusts | | | |
| Income | | | |
| Social benefits | | \$ 115,765 | \$ 111,567 |
| Pensions | | 107,568 | 103,092 |
| Other income | | 37,496 | 41,371 |
| | | <u>260,829</u> | <u>256,030</u> |
| Expenses | | | |
| Accommodation | | 144,962 | 139,110 |
| Allowances | | 47,860 | 46,100 |
| Fees charged by the Public Guardian and Trustee | 9 | 32,745 | 32,385 |
| Real estate | | 18,019 | 8,848 |
| Taxes | | 13,403 | 14,974 |
| Living expenses | | 11,376 | 11,097 |
| Other expenses | | 7,677 | 6,500 |
| Medical expenses | | 7,080 | 7,011 |
| Funeral expenses | | 6,517 | 6,761 |
| Utilities | | 5,548 | 5,354 |
| Insurance | | 2,246 | 2,213 |
| Total expenses | | <u>297,433</u> | <u>280,353</u> |
| Net loss | | <u>(36,604)</u> | <u>(24,323)</u> |
| Net investment income | | | |
| Interest income from fixed income funds | | 32,977 | 29,522 |
| Change in fair value on investments at fair value through profit or loss | 10 | (393) | 24,429 |
| | | <u>32,584</u> | <u>53,951</u> |
| Change in net assets attributable to beneficiaries before undernoted: | | <u>\$ (4,020)</u> | <u>\$ 29,628</u> |
| - Client Capital Contributions during the year | | 577,865 | 590,882 |
| - Client Capital Distributions during the year | | (519,578) | (496,850) |
| - Funds escheated to the Crown | 14 | (3,972) | (6,544) |
| Change in net assets attributable to beneficiaries | | <u>\$ 50,295</u> | <u>\$ 117,116</u> |

Stmnt of income & comprehensive income 2

Statement of income and comprehensive income - Administration Fund

For the year ended March 31

in thousands of dollars

| | Note | 2020 | 2019 |
|---|------|-----------------|------------------|
| Administration Fund | | | |
| Revenue | | | |
| Fees charged on estates and trusts | 9 | \$ 32,745 | \$ 32,385 |
| Grants received from the Ministry of the Attorney General | 13 | 19,717 | 20,698 |
| | | <u>52,462</u> | <u>53,083</u> |
| Expenses | | | |
| Salaries, wages and benefits | 11 | 38,735 | 37,595 |
| General administration | 12 | 4,437 | 3,702 |
| Fees incurred | | 1,922 | 1,971 |
| Transportation and communication expenses | | 781 | 901 |
| Supplies and equipment expenses | | 295 | 283 |
| Claims | | 570 | 306 |
| Total expenses | | <u>46,740</u> | <u>44,758</u> |
| Net income | | <u>5,722</u> | <u>8,325</u> |
| Net investment income | | | |
| Interest income from fixed income funds | | 361 | 1,219 |
| Change in fair value on investments at fair value through profit or loss | 10 | (3,540) | 5,161 |
| | | <u>(3,179)</u> | <u>6,380</u> |
| Investment expenses | | 2,750 | 2,686 |
| Net investment (loss) income | | <u>(5,929)</u> | <u>3,694</u> |
| Total comprehensive (loss) income | | <u>\$ (207)</u> | <u>\$ 12,019</u> |

Stmnt of changes in net assets 1

Statement of changes in net assets attributable to beneficiaries of Estates and Trusts

(in thousands of dollars)

| | Client Trusts | Minors | Litigants | Deceased Estates | Cemetery Trusts | Forfeited Corporate Assets | Corporate Trusts | Land Titles | Total |
|---|-------------------|----------------|----------------|---------------------|--------------------|----------------------------------|---------------------|----------------|---------------------|
| Balance at March 31, 2018 | \$ 757,448 | 426,377 | 393,171 | 191,445 | 27,846 | 24,078 | 781 | 3,604 | \$ 1,824,750 |
| Change in net assets attributable to beneficiaries before undernoted: | 16,624 | 11,618 | 6,092 | (6,119) | 386 | 922 | 20 | 85 | 29,628 |
| Client Capital Contributions during the year | 225,232 | 66,602 | 242,866 | 55,371 | 753 | 58 | - | - | 590,882 |
| Client Capital Distributions during the year | (198,797) | (64,776) | (199,824) | (33,383) | (50) | - | - | (20) | (496,850) |
| Funds escheated to the Crown (note 14) | - | - | - | (6,122) | - | (422) | - | - | (6,544) |
| Change in net assets attributable to beneficiaries | 43,059 | 13,444 | 49,134 | 9,747 | 1,089 | 558 | 20 | 65 | 117,116 |
| Balance at March 31, 2019 | \$ 800,507 | 439,821 | 442,305 | 201,192 | 28,935 | 24,636 | 801 | 3,669 | \$ 1,941,866 |
| Change in net assets attributable to beneficiaries before undernoted: | (4,671) | (1,201) | 7,212 | (6,639) | (447) | 1,618 | 23 | 85 | (4,020) |
| Client Capital Contributions during the year | 240,613 | 62,713 | 211,665 | 61,232 | 1,072 | 563 | - | 7 | 577,865 |
| Client Capital Distributions during the year | (186,337) | (71,679) | (212,755) | (47,694) | (1,091) | (22) | - | - | (519,578) |
| Funds escheated to the Crown (note 14) | - | - | - | (3,379) | - | (593) | - | - | (3,972) |
| Change in net assets attributable to beneficiaries | 49,605 | (10,167) | 6,122 | 3,520 | (466) | 1,566 | 23 | 92 | 50,295 |
| Balance at March 31, 2020 | \$ 850,112 | 429,654 | 448,427 | 204,712 | 28,469 | 26,202 | 824 | 3,761 | \$ 1,992,161 |

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

Stmnt of changes in equity 1

Statement of changes in equity of the Administration Fund

(in thousands of dollars)

| | Assurance Fund | Litigation Reserve Fund | Reserve for Doubtful Accounts | Capacity Assessment Fund | Total Funds and Reserves | Unappropriated Fund | Total |
|-----------------------------------|-------------------|-------------------------------|-------------------------------------|--------------------------------|-----------------------------|------------------------|-------------------|
| Balance at March 31, 2018 | \$ 14,300 | 3,000 | 100 | 100 | 17,500 | 104,851 | \$ 122,351 |
| Total income for the year | - | - | - | - | - | 12,019 | 12,019 |
| Transfers to/(from) reserves | | | | | | | |
| Transfers made during the year | 207 | 87 | - | 12 | 306 | (306) | - |
| Reserves released during the year | (207) | (87) | - | (12) | (306) | 306 | - |
| Total increase in equity | - | - | - | - | - | 12,019 | 12,019 |
| Balance at March 31, 2019 | \$ 14,300 | 3,000 | 100 | 100 | 17,500 | 116,870 | \$ 134,370 |
| Total loss for the year | - | - | - | - | - | (207) | (207) |
| Transfers to/(from) reserves | | | | | | | |
| Transfers made during the year | 476 | 59 | - | 35 | 570 | (570) | - |
| Reserves released during the year | (476) | (59) | - | (35) | (570) | 570 | - |
| Total decrease in equity | - | - | - | - | - | (207) | (207) |
| Balance at March 31, 2020 | \$ 14,300 | 3,000 | 100 | 100 | 17,500 | 116,663 | \$ 134,163 |

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

Statement of Cash Flows

Statement of Cash Flows

For the year ended March 31

in thousands of dollars

| | Estates and Trusts | | Administration Fund | |
|---|--------------------|------------------|---------------------|----------------|
| | 2020 | 2019 | 2020 | 2019 |
| Cash flows from operating activities | | | | |
| Total Comprehensive (Loss) Income | | | | |
| Estates and Trusts | | | | |
| Change in net assets attributable to beneficiaries before undernoted: | \$ (4,020) | \$ 29,628 | \$ - | \$ - |
| Client Capital Contributions during the year | 577,865 | 590,882 | - | - |
| Client Capital Distributions during the year | (519,578) | (496,850) | - | - |
| Funds escheated to the Crown | (3,972) | (6,544) | - | - |
| Change in net assets attributable to beneficiaries | 50,295 | 117,116 | - | - |
| Administration Fund | - | - | (207) | 12,019 |
| Adjustments for: | | | | |
| Non-cash Client Capital Contributions | (138,860) | (128,497) | - | - |
| Non-cash Client Capital Distributions | 23,510 | 40,567 | - | - |
| Net unrealized loss on investments and foreign currency at fair value | 17,073 | 1,176 | 9,035 | 7,798 |
| Investment income reinvested | (7,859) | (15,831) | (5,305) | (13,815) |
| Changes in working capital items | | | | |
| Accounts receivable | (2) | (1,094) | (697) | 762 |
| Accounts payable and accrued liabilities | 14,169 | 4,677 | 2,865 | 611 |
| Net cash (used in) from operating activities | (41,674) | 18,114 | 5,691 | 7,375 |
| Cash flows from investing activities | | | | |
| Acquisition of investments | (1,520,136) | (1,451,725) | (2,746) | (7,498) |
| Proceeds from sale of investments | 1,516,598 | 1,395,273 | - | - |
| Proceeds from sale of real estate | 57,970 | 39,637 | - | - |
| Net decrease/(increase) in other assets | (1,395) | 1,458 | - | - |
| Net cash from (used in) investing activities | 53,037 | (15,357) | (2,746) | (7,498) |
| Increase (decrease) in cash and cash equivalents | 11,363 | 2,757 | 2,945 | (122) |
| Cash and cash equivalent, beginning of the year | 87,420 | 84,663 | 597 | 719 |
| Cash and cash equivalent, end of the year | \$ 98,783 | \$ 87,420 | \$ 3,542 | \$ 597 |

Notes to financial statements

March 31, 2020 and March 31, 2019

1. Reporting entity

The Office of the Public Guardian and Trustee for the Province of Ontario, Canada ("The Public Guardian and Trustee" or "OPGT") is part of the Province of Ontario's Ministry of the Attorney General. The Public Guardian and Trustee is appointed under *The Public Guardian and Trustee Act* and performs duties under a number of statutes with the following main responsibilities:

- The guardianship of property of incapable adults;
- The administration of estates of persons who have died in Ontario intestate and without next-of-kin;
- The gathering of assets reverting to the Crown under the Escheats Act;
- The management of funds, mortgages and securities paid into or lodged with the Accountant of the Superior Court of Justice on behalf of minors and litigants; and
- A general supervisory role over charitable property.

The Public Guardian and Trustee has perpetual succession and an official seal and may sue and be sued in his or her corporate name. The Office of The Public Guardian and Trustee has close to 400 staff located in six regional offices throughout the Province of Ontario with the main office located in Toronto at 595 Bay Street, Suite 800, Toronto, ON, M5G 2M6.

These financial statements comprise the following:

a) **Estates and Trusts:** This represents accounts administered by The Public Guardian and Trustee acting as guardian or trustee under the *Substitute Decisions Act*, the *Public Guardian and Trustee Act*, the *Crown Administration of Estates Act*, the *Estates Act* and various other statutes.

b) **Administration Fund:** This represents the operating account of The Public Guardian and Trustee. The Administration Fund is used to accumulate fees charged to each estate and trust for services as prescribed by the Fee Schedule created pursuant to *The Public Guardian and Trustee Act*. Operating grants are received as required from the Ministry of the Attorney General to fund the operations of OPGT.

Cash balances in the Administration Fund which are not required for operating purposes are invested along with the cash funds of Estates and Trusts. The Administration Fund receives the net interest income of these investment activities, after interest is distributed on the funds of Estates and Trusts in accordance with the interest rates prescribed by *The Public Guardian and Trustee Act*.

The Public Guardian and Trustee in its capacity as Accountant of the Superior Court of Justice also acts as custodian of miscellaneous securities and documents having a face value of \$384,967 (March 31, 2019: \$1,308,594) and mortgages as required. These amounts are not reflected in the financial statements as The Public Guardian and Trustee does not act as trustee of these funds but simply as custodian of the instruments on behalf of the client. The Public Guardian and Trustee as custodian also holds letters of credit, lien bonds, guardianship bonds and performance guarantee bonds for litigants.

The Public Guardian and Trustee is exempt from federal and provincial income taxes under the Income Tax Act (Canada).

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

These financial statements were authorized for issue by the Audit Committee of The Public Guardian and Trustee on July 15, 2020.

Notes to financial statements (continued)

March 31, 2020 and March 31, 2019

2. Basis of preparation (continued)

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis except for the investments at fair value through profit or loss in the statement of financial position which are measured at fair value.

(c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the functional currency for OPGT. Except as otherwise indicated, all financial information presented in Canadian dollars has been rounded to the nearest thousand dollars.

(d) Use of estimates and judgements

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

The OPGT's management has made significant judgments when determining the classification and measurement of financial instruments under IFRS 9, Financial Instruments (IFRS 9). These judgments centre upon a cash flow characteristic and business model analysis. This analysis results in OPGT's financial assets being measured at fair value through profit or loss due to factors including management of the financial assets on a fair value basis or, based on the OPGT's intent to collect cash flows until maturity, measuring the financial assets at amortized cost.

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 periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year relates to the valuation of investments. Details are included in notes 3(c), 3(d) and note 5.

(e) New accounting standards and amendments to existing standards

The following new standard is effective April 1, 2019.

IFRS 16 – Leases

OPGT adopted IFRS 16, Leases, retrospectively from April 1, 2019, but has not restated comparatives for the fiscal 2019 reporting period, as permitted under the specific transition provisions in the standard. There was no impact to retained earnings in the opening consolidated balance sheet on April 1, 2019.

OPGT does not have any material lease contracts. Accordingly, the adoption of this standard did not have an impact on the financial statements.

Accounting standards not yet applicable

There are no IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on OPGT.

Notes to financial statements (continued)

March 31, 2020 and March 31, 2019

3. Significant accounting policies

The significant accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Foreign currency

Transactions in foreign currencies are translated into Canadian Dollars using exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are converted to Canadian Dollars at the exchange rate at the reporting period end date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in Canadian Dollars at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the reporting period end date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to Canadian Dollars at the exchange rate on the reporting period end date. Foreign currency differences arising on translation are recognized in profit or loss on a net basis.

(b) Net investment income/(loss)

Net investment income/(loss) comprises interest income on funds invested, and change in fair value on investments at fair value through profit and loss comprising dividend income, gains (losses) on the disposal of investment securities, other realized and unrealized fair value changes and impairment losses recognized on financial assets.

Interest income and expense is recognized on an accrual basis in profit or loss, using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial instrument (or, when appropriate, a shorter period) to the carrying amount of the financial instrument. When calculating the effective interest rate, estimates are made of future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

(c) Financial assets and liabilities

(i) Financial assets

OPGT classifies its financial assets based on both OPGT's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets.

OPGT classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether OPGT has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). OPGT reclassifies debt investments when and only when its business model for managing those assets changes.

Notes to financial statements (continued)

March 31, 2020 and March 31, 2019

3. Significant accounting policies (continued)

(c) Financial assets and liabilities (continued)

(i) Financial assets (continued)

The Public Guardian and Trustee does not enter into derivative financial contracts. The OPGT may have indirect exposure to derivatives through investments held within its funds.

Financial assets at fair value through profit or loss

At initial recognition, The Public Guardian and Trustee measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on OPGT's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which OPGT classifies its debt instruments:

- **Amortized cost (includes investments held in Fixed Income funds):** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in Interest income from fixed income funds using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of income and comprehensive income (if applicable).
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of income and comprehensive income. OPGT does not hold any debt or any equity securities as FVOCI.
- **FVPL:** Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises.

All of OPGT's debt investments at amortized cost are considered to have low credit risk, and the loss allowance recognized during the period was therefore limited to 12 months expected losses. Management considers 'low credit risk' for listed bonds to be an investment grade credit rating with at least one major rating agency. Other instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

OPGT has classified its fixed income fund investments as amortized cost.

Equity instruments

OPGT subsequently measures all equity investments at fair value. Dividends from such investments continue to be recognized in profit or loss when OPGT's right to receive payments is established.

Notes to financial statements (continued)

March 31, 2020 and March 31, 2019

3. Significant accounting policies (continued)

(c) Financial assets and liabilities (continued)

(I) Financial assets (continued)

Equity instruments (continued)

Changes in the fair value of financial assets at FVPL are recognized in Other net changes in fair value of financial assets at FVPL in the statement of income and comprehensive income as applicable.

Financial assets at fair value through profit or loss comprise investments in client-owned bonds and other debt securities, the Diversified Fund, the Canadian Income and Dividend fund and client-owned equity securities, which had previously been designated at fair value through profit or loss. These securities are classified as fair value through profit or loss.

Financial assets are derecognized when the contractual rights to the cash flows from the asset expire, or when the rights to receive the contractual cash flows or when substantially all the risks and rights of ownership of the financial asset are transferred.

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

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, current bank balances and short-term deposits with banks. All cash equivalents are highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value.

(II) Financial liabilities

Financial liabilities are recognized initially on the date at which The Public Guardian and Trustee on behalf of Estates and Trusts and the Administration Fund become a party to the contractual provisions of the instrument. The Public Guardian and Trustee on behalf of the Estates and Trusts and the Administration Fund derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial liabilities comprise accounts payable and accrued liabilities. These financial liabilities are recognized initially at fair value plus any directly attributable transaction costs.

(III) Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction on the measurement date. Fair value does not take into consideration transaction costs expected to be incurred on transfer or disposal of a financial instrument.

The Public Guardian and Trustee on behalf of Estates and Trusts and the Administration Fund measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognized in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Notes to financial statements (continued)

March 31, 2020 and March 31, 2019

3. Significant accounting policies (continued)

(c) Financial assets and liabilities (continued)

(III) Fair value measurement (continued)

Equity and fixed income securities publicly traded are measured at the exchange traded close price and bid price, respectively. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the counter party where appropriate.

(d) Real estate and other assets

Real estate included within the statement of financial position primarily represents residential properties currently owned by clients of The Public Guardian and Trustee. Other assets comprise jewellery, art, collectibles, nominal assets, vehicles, cash value of insurance policies, prepaid funeral costs and similar items. The IFRS Framework identifies acceptable measurement bases for all assets, which include cost and fair value.

The policy is to measure real estate assets and other assets at cost. Cost is determined as the fair value when the asset is initially recognized.

(e) Employee benefits

(I) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term employee benefit plans if the Administration Fund has a present legal or constructive obligation to pay the amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(II) Post-employment benefits

Staff of The Public Guardian and Trustee are employees of the Ontario Public Service which provides pension benefits to its employees through participation in the Public Service Pension Plan and the Ontario Public Service Employees' Union Pension Plan. The Province funds the employer's contribution to the Pension Plans. In addition, the cost of post-retirement, non-pension employee benefits are paid by the Province. As such, The Public Guardian and Trustee makes no contributions to these post-employment benefit plans. There is no contractual agreement or stated policy for charging the net benefit cost for the plans as a whole (measured in accordance with IAS 19, *Employee Benefits*) to individual reporting entities of the Government of Ontario. As a result, the costs associated with post-employment benefits are not reflected in the financial statements.

(f) Income and expenses

Income from pensions, social benefits and settlements and items of a related nature is recognized when received or receivable. Other income comprising compensation, transaction and service fees are recognized as the related services are performed.

Expenses are recognized as incurred on an accrual basis. Investment management fees, placement and transaction fees that do not qualify for inclusion as part of the initial measurement of an asset are expensed as the services are received.

Notes to financial statements (continued)

March 31, 2020 and March 31, 2019

3. Significant accounting policies (continued)

(g) Government grants

Grants are in the form of funding of The Public Guardian and Trustee's operating expenses as the expenses are incurred and recognized. Grants that compensate the Administration Fund for the operations of The Public Guardian and Trustee by way of amounts recovered from the Ministry of the Attorney General, are recognized in net income or loss as income on a systematic basis in the same periods in which the expenses are recognized.

(h) Funds and reserves – Administration Fund

Assurance Fund

The *Public Guardian and Trustee Act* and the regulations under the Act provide that an Assurance Fund shall be established to meet losses for which The Public Guardian and Trustee might become liable. During the year, the Assurance Fund released and was reimbursed \$475,849 (2019: \$206,878) by the Unappropriated Fund.

Litigation Reserve Fund

This reserve is used to cover expenses and costs of legal proceedings paid by The Public Guardian and Trustee on behalf of its litigation guardian clients. During the year, legal costs incurred on behalf of clients of \$58,636 (2019: \$86,702) were released from this reserve and were reimbursed by the Unappropriated Fund.

Reserve for Doubtful Accounts

The intent of this reserve is to provide for all clients' accounts whereby The Public Guardian and Trustee has advanced funds on a client's behalf and has a statutory lien pursuant to section 8.1 of the *Public Guardian and Trustee Act* but may not be able to recover the amount from the client. During the year, \$nil (2019: \$nil) was paid from the Reserve for Doubtful Accounts.

Capacity Assessment Fund

This reserve was set up to cover fees of capacity assessors when a client is unable to pay costs of an assessment or re-assessment. During the year, the Capacity Assessment Fund released and was reimbursed \$35,083 (2019: \$12,480) by the Unappropriated Fund.

Unappropriated Fund

Pursuant to Section 9(5) of the *Public Guardian and Trustee Act*, the Lieutenant Governor in Council may from time to time direct the payment into the Consolidated Revenue Fund of the Province of any balance at the credit of the Administration Fund. During 2020 and 2019, no such direction was received and no transfers were made during the year.

(i) Provisions

A provision is recognized if, as a result of a past event, The Public Guardian and Trustee has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Notes to financial statements (continued)

March 31, 2020 and March 31, 2019

4. Investments in financial assets

4.1 Estates and Trusts – cash and cash equivalents, bonds and other debt securities – client owned

| As at March 31 | 2020 | 2019 |
|--|----------------|----------------|
| <i>(In thousands of dollars)</i> | | |
| Cash and cash equivalents | | |
| Cash | 21,966 | 17,294 |
| Cash equivalents | 76,817 | 70,126 |
| | <u>98,783</u> | <u>87,420</u> |
| Client owned – Bonds and other debt securities | | |
| Bonds – Federal Government | 369 | 875 |
| Bonds – Provincial Governments | 889 | 1,679 |
| Bonds – Corporate | 14,782 | 12,369 |
| Other Debt Securities – Financial institutions | 48,045 | 47,607 |
| | <u>64,085</u> | <u>62,530</u> |
| | <u>162,868</u> | <u>149,950</u> |

These balances do not include client holdings by way of their investment in Public Guardian and Trustee Funds by virtue of their unit holdings in the various OPGT funds.

Cash equivalents, notes and bonds have an annual interest rate of between 0.0–8.0% (2019: 0.0–7.5%) and, at the reporting date, have remaining maturity periods ranging between 0–15 years (2019: 0–16 years).

Interest rates on notes and bonds with maturities greater than one year are as follows:

| | 2020 | 2019 |
|--------------------------------|----------|----------|
| Bonds – Federal Government | | |
| 1–3 years | 0.0–1.4% | 0.0–7.5% |
| 3 years + | 2.2–8.0% | – |
| Bonds – Provincial Governments | | |
| 1–3 years | 2.1–3.8% | 0.0–4.5% |
| 3 years + | 3.1% | – |
| Bonds – Corporate | | |
| 1–3 years | – | 0.0–2.6% |
| 3 years + | 3.4% | 0.0–2.8% |
| Financial institutions | | |
| 1–3 years | 0.0–4.2% | 0.0–5.5% |
| 3 years + | 0.0–3.4% | 0.0–3.4% |

Interest income is distributed to client accounts based on an interest rate as approved by The Public Guardian and Trustee's Investment Advisory Committee. The approved rates and effective dates for Canadian dollars during the year ending March 31, 2020 and March 31, 2019, were as follows:

| 1 | Mar 1 st , 2018 | Jun 1 st , 2018 | Oct 1 st , 2018 | Jun 1 st , 2019 | Dec 1 st , 2019 |
|---------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Interest rate - CAD | 1.95% | 2.10% | 2.25% | 2.35% | 2.25% |

The approved rates and effective dates for United States dollars during the year ending March 31, 2020 and March 31, 2019, were as follows:

| Effective From: | Mar 1 st , 2018 | Jun 1 st , 2018 | Oct 1 st , 2018 | Dec 1 st , 2018 | Mar 1 st , 2019 | Oct 1 st , 2019 | Dec 1 st , 2019 |
|---------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Interest rate - USD | 1.50% | 1.75% | 2.00% | 2.25% | 2.50% | 2.25% | 2.00% |

Notes to financial statements (continued)

March 31, 2020 and March 31, 2019

4. Investments in financial assets (continued)

4.2 Diversified fund

The Public Guardian and Trustee has a Diversified fund that includes high quality equity and fixed income securities. This fund is a unitized trust and was established in order to provide an alternative for those clients whose investment objectives require a broader, longer range investment strategy. The fund is subject to the investment guidelines of the *Trustee Act* and the guidelines and limitations as set by The Public Guardian and Trustee with emphasis on the need to preserve and enhance capital over the longer term.

| <i>As at March 31</i> <i>(In thousands of dollars)</i> | 2020 | 2019 |
|---|----------------|----------------|
| Cash | 901 | 1,058 |
| Short-term notes | 414 | 800 |
| Bonds | 75,277 | 73,885 |
| Canadian equity securities | 56,878 | 60,734 |
| Foreign equity securities | 46,537 | 50,864 |
| Net other assets/(liabilities) | 29 | 1,475 |
| | <u>180,036</u> | <u>188,816</u> |

The short-term notes and bonds yield, on a fair value basis, annual interest of between 0.5–8.7% (2019: 0.0–8.7%) and, at the reporting date, have remaining maturity periods ranging between 1 day to 59 years (2019: 1 day to 58 years). The weighted average yield on investments in Canadian and Foreign equity securities is 3.00% (2019: 2.70%).

The financial assets held in the Diversified fund as at March 31 are held by:

In thousands of dollars

| | 2020 | 2019 |
|---------------------|----------------|----------------|
| Estates and Trusts | 91,088 | 97,481 |
| Administration Fund | 88,948 | 91,335 |
| | <u>180,036</u> | <u>188,816</u> |

The investment returns on this fund accrue directly to the unit holders.

4.3 Canadian Income and dividend fund

The Public Guardian and Trustee has a Canadian income and dividend fund that consists of a balanced portfolio of high quality income-producing Canadian securities. The fund includes dividend-paying common and preferred equities and fixed income securities intended to generate a consistent stream of income and long-term capital appreciation. The fund is subject to the investment guidelines of the *Trustee Act* and the guidelines and limitations as set by The Public Guardian and Trustee.

| <i>As at March 31</i> <i>(In thousands of dollars)</i> | 2020 | 2019 |
|---|----------------|----------------|
| Cash | 33 | 102 |
| Short-term notes | 6,536 | 10,812 |
| Bonds | 58,726 | 55,056 |
| Canadian equity securities | 64,145 | 66,611 |
| Other assets/(liabilities) | (3,030) | 1,754 |
| | <u>126,410</u> | <u>134,335</u> |

Notes to financial statements (continued)

March 31, 2020 and March 31, 2019

4. Investments in financial assets (continued)

4.3 Canadian Income and dividend fund (continued)

The short term notes and bonds yield, on a fair value basis, annual interest of between 0.0–8.0% (2019: 0.0–8.0%) and, at the reporting date, have remaining maturity periods ranging between 35 days to 10 years (2019: 76 days to 90 years). The average yield on investments in Canadian equity securities is 5.57% (2019: 4.54%).

The financial assets held in the Canadian Income and Dividend Fund as at March 31 are held by:

| <i>(In thousands of dollars)</i> | 2020 | 2019 |
|----------------------------------|----------------|----------------|
| Estates and Trusts | 99,943 | 106,715 |
| Administration Fund | 26,467 | 27,620 |
| | 126,410 | 134,335 |

The income earned in this fund may be distributed in cash to unit holders monthly or reinvested in this fund.

4.4 Equity securities – client owned

As at March 31

(In thousands of dollars)

| | 2020 | 2019 |
|---------------------------------|---------------|---------------|
| Canadian listed securities | 47,370 | 44,653 |
| United States listed securities | 1,996 | 2,186 |
| Other listed securities | 13,094 | 9,931 |
| Unlisted securities | 528 | 309 |
| | 62,988 | 57,079 |

These balances do not include indirect client holdings by way of their investment in Public Guardian and Trustee Funds by virtue of unit holdings in the various OPGT funds.

4.5 Fixed Income Funds

As at March 31

(In thousands of dollars)

| | 2020 | 2019 |
|--|------------------|------------------|
| Bonds – Federal Government | 78,966 | 58,896 |
| Bonds – Provincial and Municipal Governments | 387,334 | 506,287 |
| Bonds – Corporate | 1,043,087 | 896,521 |
| Cash and Accrued Interest | 1,435 | 12,316 |
| | 1,510,822 | 1,474,020 |

The bonds yield (at cost) annual interest of between 1.55-7.50% (2019: 1.55-7.50%) and, at the reporting date, have remaining maturity periods ranging between 1 day to 5 years (2019: 3 days to 6 years).

The financial assets held in the fixed income funds as at March 31 are held by:

(In thousands of dollars)

| | 2020 | 2019 |
|---------------------|------------------|------------------|
| Estates and Trusts | 1,490,009 | 1,455,763 |
| Administration Fund | 20,813 | 18,257 |
| | 1,510,822 | 1,474,020 |

Notes to financial statements (continued)

March 31, 2020 and March 31, 2019

5. Financial risk management

The Public Guardian and Trustee has exposure to credit risk, liquidity risk and market risk arising from financial instruments. This note presents information about OPGT's exposure to each of the above risks, and the OPGT's objectives, policies and processes for management of capital and measuring and managing risk.

5.1 Credit risk

Management of credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with The Public Guardian and Trustee, resulting in a financial loss to the Estates and Trusts and the Administration Fund. It arises principally from debt securities held and accounts receivable.

The Public Guardian and Trustee mitigates this risk by engaging experienced investment managers and structuring their investment policies and goals to minimize the risk to clients' capital. In particular, investments in lower investment grade fixed income instruments (typically a rating of BBB) are minimized. As well, investment managers are required to report immediately adverse changes in the credit ratings of financial instruments.

Impairment of Financial Assets – At each reporting date, OPGT's management measures the loss allowance for financial assets carried at amortized cost. If, at the reporting date, the credit risk has increased significantly since initial recognition, management measures the loss allowance at an amount equal to the lifetime expected credit losses. If, at the reporting date, the credit risk has not increased significantly since initial recognition, OPGT measures the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties and probability that the counterparty may default in payments are considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance.

OPGT's management measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward looking information in determining any expected credit loss. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due or on a low quality credit standing. Any contractual payment which is more than 90 days past due is considered credit impaired. As at March 31, 2020 and March 31, 2019, all amounts receivable for investments sold, cash or short term deposits are held with high credit quality counterparties. Management considers the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognized based on 12-month expected credit losses as any such impairment would be wholly insignificant to a Fund.

Client accounts receivable are reviewed on an individual basis; any necessary adjustments to amounts recorded are made at that time.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date for the financial assets of both Estates and Trusts and the Administration Fund was:

| <i>As at March 31</i> <i>(In thousands of dollars)</i> | Estates and Trusts 2020 | Estates and Trusts 2019 | Administra- tion Fund 2020 | Administra- tion Fund 2019 |
|---|--|--|---|---|
| Cash and cash equivalents | 98,783 | 87,420 | 3,542 | 597 |
| Accounts receivable | 5,284 | 5,282 | 2,696 | 1,999 |
| Investments at fair value through profit or loss: | | | | |
| Bonds and other debt securities– client owned | 64,085 | 62,530 | - | - |
| Diversified fund | 38,751 | 38,664 | 37,841 | 36,227 |
| Canadian income and dividend fund | 51,624 | 52,158 | 13,671 | 13,499 |
| Fixed income funds | 1,490,009 | 1,455,763 | 20,813 | 18,257 |
| | 1,748,536 | 1,701,817 | 78,563 | 70,579 |

Notes to financial statements (continued)

March 31, 2020 and March 31, 2019

5. Financial risk management (continued)

5.1 Credit risk (continued)

Credit quality

As at March 31, Estates and Trusts and the Administration Fund hold unit investments in The Public Guardian and Trustee's unit funds that have underlying debt securities with the following credit quality:

Debt Securities

| | 2020 | 2019 |
|---------|--------|--------|
| AAA/Aaa | 18.09% | 17.50% |
| AA/Aa | 79.15% | 79.19% |
| BBB/Baa | 2.76% | 3.31% |

Concentration of credit risk

As at March 31, the debt securities of Estates and Trusts and the Administration Fund hold unit investments in The Public Guardian and Trustee's unitized funds that have underlying debt securities that were concentrated in the following sectors:

Debt Securities

| | 2020 | 2019 |
|------------------------------|--------|--------|
| Government and public sector | 65.17% | 62.57% |
| Banks and financial services | 23.49% | 26.41% |
| Other corporate | 11.34% | 11.02% |

Past due and impaired assets

No financial assets carried at amortized cost were past due or impaired at March 31, 2020 and 2019.

5.2 Liquidity risk

Liquidity risk is the risk that The Public Guardian and Trustee may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The objective of The Public Guardian and Trustee is to ensure that adequate financial resources are available to meet ongoing requirements and to discharge the obligations of Estates and Trusts and the Administration Fund. The Public Guardian and Trustee mitigates liquidity risk by maintaining significant holdings in short-term, liquid, money market instruments within OPGT's fixed income funds.

Maturity analysis for financial instruments

As at March 31, 2020 and 2019, the financial assets and liabilities of Estates and Trusts and the Administration Fund had the following remaining contractual maturity profile:

Notes to financial statements (continued)

March 31, 2020 and March 31, 2019

5. Financial risk management (continued)

5.2 Liquidity risk (continued)

Estates and trusts 2020

In thousands of dollars

| | Carrying Amount | Less than 3 months | 3 to 12 months | >1 year |
|--|------------------|--------------------|----------------|------------------|
| Financial assets | | | | |
| Cash and cash equivalents | 98,783 | 98,783 | - | - |
| Accounts receivable | 5,284 | 3,949 | - | 1,335 |
| Investments at fair value through profit or loss: | | | | |
| Bonds and other debt securities – client owned | 64,085 | 26,131 | 12,126 | 25,828 |
| Diversified fund | 91,088 | 53,010 | 2,300 | 35,778 |
| Canadian income and dividend fund | 99,943 | 48,589 | 5,762 | 45,592 |
| Equity securities – client owned | 62,988 | 62,988 | - | - |
| Fixed income funds | 1,490,009 | 271,876 | 197,711 | 1,020,422 |
| | <u>1,912,180</u> | <u>565,326</u> | <u>217,899</u> | <u>1,128,955</u> |
| Financial liabilities | | | | |
| Accounts payable and accrued liabilities | 93,261 | 4,083 | - | 89,178 |
| Net assets attributable to beneficiaries of Estates and Trusts | 1,992,161 | 1,672,677 | 38,156 | 281,328 |
| | <u>2,085,422</u> | <u>1,676,760</u> | <u>38,156</u> | <u>370,506</u> |

2019

In thousands of dollars

| | Carrying Amount | Less than 3 months | 3 to 12 months | >1 year |
|--|------------------|--------------------|----------------|------------------|
| Financial assets | | | | |
| Cash and cash equivalents | 87,420 | 87,420 | - | - |
| Accounts receivable | 5,282 | 4,364 | - | 918 |
| Investments at fair value through profit or loss: | | | | |
| Bonds and other debt securities – client owned | 62,530 | 23,757 | 25,469 | 13,304 |
| Diversified fund | 97,481 | 59,336 | 625 | 37,520 |
| Canadian income and dividend fund | 106,715 | 54,657 | 9,316 | 42,742 |
| Equity securities – client owned | 57,079 | 57,079 | - | - |
| Fixed income funds | 1,455,763 | 212,357 | 146,563 | 1,096,843 |
| | <u>1,872,270</u> | <u>498,970</u> | <u>181,973</u> | <u>1,191,327</u> |
| Financial liabilities | | | | |
| Accounts payable and accrued liabilities | 79,092 | 2,045 | - | 77,047 |
| Net assets attributable to beneficiaries of Estates and Trusts | 1,941,866 | 1,617,653 | 37,698 | 286,515 |
| | <u>2,020,958</u> | <u>1,619,698</u> | <u>37,698</u> | <u>363,562</u> |

Notes to financial statements (continued)

March 31, 2020 and March 31, 2019

5. Financial risk management (continued)

5.2 Liquidity risk (continued)

Administration Fund
2020

| <i>In thousands of dollars</i> | Carrying Amount | Less than 3 months | 3 to 12 months | >1 year |
|---|-----------------|--------------------|----------------|---------------|
| Financial assets | | | | |
| Cash and cash equivalents | 3,542 | 3,542 | - | - |
| Accounts receivable | 2,696 | 2,696 | - | - |
| Investments at fair value through profit or loss: | | | | |
| Diversified fund | 88,948 | 51,765 | 2,246 | 34,937 |
| Canadian income and dividend fund | 26,467 | 12,867 | 1,526 | 12,074 |
| Fixed income funds | 20,813 | 3,798 | 2,762 | 14,253 |
| | <u>142,466</u> | <u>74,668</u> | <u>6,534</u> | <u>61,264</u> |
| Financial liabilities | | | | |
| Accounts payable and accrued liabilities | 8,303 | 8,303 | - | - |
| | <u>8,303</u> | <u>8,303</u> | - | - |

2019

| <i>In thousands of dollars</i> | Carrying Amount | Less than 3 months | 3 to 12 months | >1 year |
|---|-----------------|--------------------|----------------|---------------|
| Financial assets | | | | |
| Cash and cash equivalents | 597 | 597 | - | - |
| Accounts receivable | 1,999 | 1,999 | - | - |
| Investments at fair value through profit or loss: | | | | |
| Diversified fund | 91,335 | 55,595 | 585 | 35,155 |
| Canadian income and dividend fund | 27,620 | 14,146 | 2,411 | 11,063 |
| Fixed income funds | 18,257 | 2,663 | 1,838 | 13,756 |
| | <u>139,808</u> | <u>75,000</u> | <u>4,834</u> | <u>59,974</u> |
| Financial liabilities | | | | |
| Accounts payable and accrued liabilities | 5,438 | 5,438 | - | - |
| | <u>5,438</u> | <u>5,438</u> | - | - |

5.3 Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect investment income or the value of the holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Market risk comprises currency risk, interest rate risk and other price risks (including equity price risk).

5.3.1 Currency risk

Currency risk is the risk that the fair value of investment assets and earnings on those assets will fluctuate as a result of changes in foreign exchange rates. Investments in the Diversified Fund are exposed to this risk which is also part of the return potential in the fund. Hedging foreign currency exposure is considered by management as part of an annual review of investment policies. OPGT's management did not undertake any hedging activities as of March 31, 2020 and 2019.

Notes to financial statements (continued)

March 31, 2020 and March 31, 2019

5. Financial risk management (continued)

5.3 Market risk (continued)

5.3.1 Currency risk (continued)

At March 31, the carrying value of net financial assets and liabilities held in foreign currencies expressed in Canadian Dollars is as follows:

| <i>In thousands of dollars</i> | 2020 | 2019 |
|--------------------------------|---------------|---------------|
| Estates and Trusts | | |
| United States Dollars | 31,294 | 35,045 |
| Euros | 3,273 | 4,515 |
| Other foreign currencies | 13,320 | 12,429 |
| | <u>47,887</u> | <u>51,989</u> |

The table below sets out the impact on net financial assets and liabilities from a reasonably possible weakening of the Canadian Dollar against the other currencies by 5% (2019: 5%) at March 31. The analysis assumes that all other variables, in particular interest rates, remain constant.

| <i>In thousands of dollars</i> | 2020 | 2019 |
|--------------------------------|--------------|--------------|
| United States Dollars | 1,565 | 1,752 |
| Euros | 164 | 226 |
| Other foreign currencies | 666 | 621 |
| | <u>2,395</u> | <u>2,599</u> |

A strengthening of the Canadian Dollar against the other currencies would have resulted in a proportionate but opposite effect to the amounts shown above.

5.3.2 Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. By adopting a hold to maturity policy on its fixed income funds, The Public Guardian and Trustee has significantly mitigated this risk, particularly for short-term, temporary movements in market interest rates.

The table below sets out the impact on the net financial assets and liabilities from an increase of 75 basis points in interest rates as at March 31. The impact of such an increase has been estimated by calculating the fair value changes of the fixed interest debt securities, excluding the fixed income funds which are measured at amortized cost. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

| <i>In thousands of dollars</i> | 2020 | 2019 |
|--|---------|---------|
| Impact on client (Estates and Trusts) and Administration fund assets | (3,089) | (2,412) |

A decrease of 75 basis points in interest as at March 31 would have resulted in a proportionate but opposite effect to the amounts shown above.

5.3.3 Equity price risk

Equity price risk is the risk that the fair value of equity securities will fluctuate as a result of changes in the market price of equity instruments whether caused by factors specific to an individual investment or factors affecting all instruments traded in the market which, for international equities, includes changes in currency rates.

The Public Guardian and Trustee has mitigated this risk by engaging experienced investment managers and structuring their investment policies and goals, including limits on the holding of individual securities, limits on the investments in non-government debt, and defining asset component ranges to minimize the risk to clients' capital. As well, investments in financial instruments that are subject to changes in market prices, including equity securities, are undertaken only when the client can invest for a medium to longer term.

Notes to financial statements (continued)

March 31, 2020 and March 31, 2019

5. Financial risk management (continued)

5.3 Market risk (continued)

5.3.3 Equity price risk (continued)

Investments are made in funds, namely the Diversified fund and the Canadian income and dividend fund that have the following benchmarks for concentration of asset portfolios:

Diversified fund:

- Equity investments listed on Canadian stock exchanges - 50% of fund assets
- Equity investments listed on US stock exchanges - 25% of fund assets
- Equity investments listed on other stock exchanges - 25% of fund assets
- Unlisted equity investments - none

Canadian income and dividend fund:

- Equity investments listed on Canadian stock exchanges - 100% of fund assets

Investment managers are permitted to vary from these benchmarks within stipulated limits.

Investment managers further monitor concentration of risk based on counterparties and industry sectors.

At March 31, equity investments are concentrated in the following sectors:

| | 2020 | 2019 |
|------------------------------|-------------|-------------|
| Banks and financial services | 52% | 52% |
| Industrial and manufacturing | 28% | 29% |
| Information technology | 12% | 10% |
| Retail | 5% | 7% |
| Other | 3% | 2% |
| | 100% | 100% |

The table below sets out the impact on the net financial assets and liabilities from a reasonably possible decrease of 15% (2019: 10%) in the price of individual equity securities as at March 31. This analysis assumes that all other variables, in particular interest and foreign currency rates, remain constant. The impact of COVID-19 has resulted in, and in many cases continues to result in, greater price volatility. As a result, a reasonable possible change of 15% is used to account for the higher continuing volatility experienced by the OPGT as at March 31, 2020.

| <i>In thousands of dollars</i> | 2020 | 2019 |
|--------------------------------------|----------|----------|
| Impact on value of equity securities | (34,582) | (23,529) |

A strengthening in the individual equity market prices of 15% (2019: 10%) as at March 31 would have resulted in a proportionate but opposite effect to the amounts shown above.

5.4 Fair value disclosures

The accounting policy for fair value measurements is detailed in accounting policy 3c(iii).

5.4.1 Fair values versus carrying amounts

The carrying amounts approximate fair value for all financial assets and liabilities, except for the fixed income funds, which are measured at amortized cost investments, and for real estate whose fair values for the Estates and Trusts administered by OPGT are \$1,505,532,000 (2019 \$1,464,956,000) and \$183,868,000 (2019: \$153,977,000) respectively. As a result, the fair value of net assets attributable to beneficiaries of Estates and Trust clients is \$2,034,228,000 (2019: \$1,970,871,000).

Notes to financial statements (continued)

March 31, 2020 and March 31, 2019

5. Financial risk management (continued)

5.4 Fair value disclosures (continued)

5.4.2 Fair value hierarchy

The fair value measurements used by The Public Guardian and Trustee place the highest priority on observable market inputs and the lowest priority on unobservable internally developed inputs. Accordingly, The Public Guardian and Trustee classifies its assets and liabilities that are measured at fair value, or for which fair value information is disclosed, within a three-level valuation hierarchy that reflects the inputs to valuation techniques used to determine fair value. Level 1 represents valuations based on unadjusted quoted prices in active markets for identical assets or liabilities, level 2 comprises valuations using models or techniques that incorporate observable market information and level 3 comprises valuations based on models without observable market information as inputs. The classification determination is based on the lowest level of input that is significant to the valuation.

The following fair value hierarchy table presents information about financial assets measured at fair value on a recurring basis as of March 31, 2020 and March 31, 2019.

| Estates and Trusts | | | | |
|--|----------------|----------------|----------|----------------|
| <i>As of March 31, 2020</i> | | | | |
| <i>In thousands of dollars</i> | | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Investments at fair value through profit or loss: | | | | |
| Bonds and other debt securities – client owned | - | 64,085 | - | 64,085 |
| Diversified fund – equity | 52,322 | - | - | 52,322 |
| Diversified fund – bonds | - | 38,086 | - | 38,086 |
| Canadian income and dividend fund – equity | 50,715 | - | - | 50,715 |
| Canadian income and dividend fund – bonds | - | 46,430 | - | 46,430 |
| Equity securities – client owned | 62,460 | 528 | - | 62,988 |
| | <u>165,497</u> | <u>149,129</u> | <u>-</u> | <u>314,626</u> |
| | | | | |
| <i>As of March 31, 2019</i> | | | | |
| <i>In thousands of dollars</i> | | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Investments at fair value through profit or loss: | | | | |
| Bonds and other debt securities – client owned | - | 62,530 | - | 62,530 |
| Diversified fund – equity | 57,615 | - | - | 57,615 |
| Diversified fund – bonds | - | 38,145 | - | 38,145 |
| Canadian income and dividend fund – equity | 52,915 | - | - | 52,915 |
| Canadian income and dividend fund – bonds | - | 43,736 | - | 43,736 |
| Equity securities – client owned | 56,770 | 309 | - | 57,079 |
| | <u>167,300</u> | <u>144,720</u> | <u>-</u> | <u>312,020</u> |
| | | | | |
| Administration Fund | | | | |
| <i>As of March 31, 2020</i> | | | | |
| <i>In thousands of dollars</i> | | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Investments at fair value through profit or loss: | | | | |
| Diversified fund – equity | 51,093 | - | - | 51,093 |
| Diversified fund – bonds | - | 37,191 | - | 37,191 |
| Canadian income and dividend fund – equity | 13,430 | - | - | 13,430 |
| Canadian income and dividend fund – bonds | - | 12,296 | - | 12,296 |
| | <u>64,523</u> | <u>49,487</u> | <u>-</u> | <u>114,010</u> |
| | | | | |
| <i>As of March 31, 2019</i> | | | | |
| <i>In thousands of dollars</i> | | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Investments at fair value through profit or loss: | | | | |
| Diversified fund – equity | 53,983 | - | - | 53,983 |
| Diversified fund – bonds | - | 35,740 | - | 35,740 |
| Canadian income and dividend fund – equity | 13,696 | - | - | 13,696 |
| Canadian income and dividend fund – bonds | - | 11,320 | - | 11,320 |
| | <u>67,679</u> | <u>47,060</u> | <u>-</u> | <u>114,739</u> |

The fair value of bonds and equities categorized in Level 2 was determined by obtaining quoted market prices or executable dealer quotes for identical or similar instruments in inactive markets, or other inputs that are observable or can be corroborated by observable market data.

Notes to financial statements (continued)

March 31, 2020 and March 31, 2019

5. Financial risk management (continued)

5.4 Fair value disclosures (continued)

5.4.2 Fair value hierarchy (continued)

Transfers between fair value hierarchy levels are considered effective from the beginning of the reporting period in which the transfer is identified. During 2020 and 2019 there were no significant transfers of financial instruments between Level 1 and Level 2.

For assets and liabilities carried at amortised cost, their carrying values are a reasonable approximation of fair value.

5.5 Capital management

The Public Guardian and Trustee's operating capital is shown in the Administration Fund, and consists of various specific purpose funds and an unappropriated fund (detailed in the statement of changes in equity of the Administration Fund).

The Public Guardian and Trustee's primary objective when managing its Administration Fund is to safeguard its ability to continue operations and provide adequate resources to service clients and safeguard clients' interests. The Public Guardian and Trustee expects the current balance in the Administration Fund, together with future cash flows from operations, to be sufficient to support The Public Guardian and Trustee's ability to operate on an ongoing basis and to meet this objective.

A secondary objective is to use available funds, not required to meet the primary objective, to modernize the infrastructure of the office of The Public Guardian and Trustee.

The Public Guardian and Trustee has invested part of its Administration Fund in the Diversified and Canadian income and dividend funds. Investment income earned is, in part, used to replenish the various specific purpose funds for expenses incurred.

6. Accounts receivable

As at March 31

In thousands of dollars

| | Estates and Trusts 2020 | Estates and Trusts 2019 | Administra- tion Fund 2020 | Administra- tion Fund 2019 |
|---|-------------------------------|-------------------------------|----------------------------------|----------------------------------|
| Accrued revenue | - | - | 2,686 | 1,963 |
| Balances due from the Federal and Provincial Government, its Agencies and Crown Corporations | - | - | 10 | 14 |
| Balances due from the Administration Fund | 2,811 | 2,700 | - | - |
| Other receivables | 2,473 | 2,582 | - | 22 |
| | 5,284 | 5,282 | 2,696 | 1,999 |

Notes to financial statements (continued)
March 31, 2020 and March 31, 2019

| | Estates and Trusts 2020 | Estates and Trusts 2019 | Administra- tion Fund 2020 | Administra- tion Fund 2019 |
|---|--|--|---|---|
| 7. Other assets | | | | |
| <i>As at March 31</i> | | | | |
| <i>In thousands of dollars</i> | | | | |
| Life Insurance | 7,830 | 6,661 | - | - |
| Prepaid Funerals, Cemetery plots and Burial Instruments | 4,844 | 4,850 | - | - |
| Vehicles | 1,213 | 1,054 | - | - |
| Jewellery | 881 | 887 | - | - |
| Furniture and Medical Aid Equipment | 863 | 853 | - | - |
| Collectibles | 250 | 153 | - | - |
| Other | 26 | 25 | - | - |
| Art | 11 | 10 | - | - |
| | 15,918 | 14,523 | - | - |
| 8. Accounts payable and accrued liabilities | | | | |
| <i>As at March 31</i> | | | | |
| <i>In thousands of dollars</i> | | | | |
| Accrued expenses | 3,624 | 1,899 | 5,540 | 2,738 |
| Balances due to the Federal and Provincial Government, its Agencies and Crown Corporations | 31,702 | 24,453 | - | - |
| Balances due to Estates and Trusts | - | - | 2,763 | 2,700 |
| Other liabilities of Estates and Trust clients | 57,935 | 52,740 | - | - |
| | 93,261 | 79,092 | 8,303 | 5,438 |

Other liabilities of Estates and Trusts include mortgages payable, credit card balances, health facility accommodation fees, and charges for services such as telecommunication and utilities.

| | Administra- tion Fund 2020 | Administra- tion Fund 2019 |
|---|---|---|
| 9. Fees charged by the Administration Fund to Estates and Trusts | | |
| <i>For the year ended March 31</i> | | |
| <i>In thousands of dollars</i> | | |
| Client trusts | 23,344 | 23,700 |
| Deceased Estates | 3,578 | 3,126 |
| Minors | 2,891 | 2,789 |
| Litigants | 2,698 | 2,529 |
| Cemetery trusts | 227 | 226 |
| Forfeited corporate assets/corporate trusts | 7 | 15 |
| | 32,745 | 32,385 |

Notes to financial statements (continued)
March 31, 2020 and March 31, 2019

| | Estates and Trusts 2020 | Estates and Trusts 2019 | Administra- tion Fund 2020 | Administra- tion Fund 2019 |
|---|--|--|---|---|
| 10. Change in fair value on investments at fair value through profit or loss | | | | |
| <i>For the year ended March 31</i> | | | | |
| <i>In thousands of dollars</i> | | | | |
| Bonds and other debt securities – client owned | 4,985 | 3,372 | - | - |
| Diversified fund | (667) | 4,580 | (2,387) | 3,650 |
| Canadian income and dividend fund | (4,293) | 5,644 | (1,153) | 1,511 |
| Equity securities-client owned | (418) | 10,833 | - | - |
| | (393) | 24,429 | (3,540) | 5,161 |

| | Administra- tion Fund 2020 | Administra- tion Fund 2019 |
|--|---|---|
| 11. Salaries, wages and benefits | | |
| <i>For the year ended March 31</i> | | |
| <i>In thousands of dollars</i> | | |
| Salaries and wages | 33,807 | 32,949 |
| Compulsory employer contributions | 2,382 | 2,131 |
| Other benefits | 2,292 | 2,164 |
| Termination benefits | 254 | 351 |
| | 38,735 | 37,595 |
| 12. General Administration | | |
| <i>For the year ended March 31</i> | | |
| <i>In thousands of dollars</i> | | |
| Systems Development and Data Processing | 2,757 | 2,330 |
| Miscellaneous expenses | 1,052 | 794 |
| Leases and rentals | 325 | 320 |
| Security | 243 | 158 |
| Training and education | 60 | 100 |
| | 4,437 | 3,702 |

Notes to financial statements (continued)

March 31, 2020 and March 31, 2019

13. Related party transactions

The Government of the Province of Ontario, its Agencies and its Crown Corporations are related parties to The Public Guardian and Trustee. Under IFRS, a reporting entity is exempt from the disclosure requirements of IAS 24, *Related Party Disclosures* in relation to related party transactions and outstanding balances, including commitments, with a government that has control, joint control or significant influence over the reporting entity and another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity. The Public Guardian and Trustee has used this exemption in preparing these financial statements.

In the normal course of business, transactions occur with the Government of the Province of Ontario, its Agencies and its crown Corporations and include the following types of transactions and outstanding balances, all of which have been recognized in these financial statements:

- a) Investments in certain financial instruments that are issued by these related parties;
- b) Expenditure on certain services including information technology and telecommunication costs provided by these related parties; and
- c) The Province of Ontario provides funding for the operations of OPGT including expenditures relating to salaries, wages and benefits, transportation and communication costs, supplies, equipment and general administrative costs. In addition, OPGT remits surplus income to the Province of Ontario on a quarterly basis. During the year the Province provided funding amounting to \$44,246,808 (2019: \$42,480,283) and recovered \$24,529,711 (2019: \$21,782,108), for a net grant by the Province of \$19,717,097 (2019: \$20,698,175).

In addition, in the normal course of business, the following transactions are entered into with these related parties at no charge to The Public Guardian and Trustee and therefore are not reflected in the financial statements:

- a) Staff of The Public Guardian and Trustee are employees of the Ontario Public Service which provides pension benefits to its employees through participation in the Public Service Pension Fund and the Ontario Public Service Employees' Union Pension Fund. The Province funds the employer's contribution to the Pension Funds;
- b) The cost of post-retirement, non-pension employee benefits are paid by the Province;
- c) The Public Guardian and Trustee occupies leased premises paid for by the Ministry of the Attorney General; and
- d) The Province provides payroll and payment processing for The Public Guardian and Trustee.

Key management personnel compensation

Staff, including key management personnel are employees of the Ministry of the Attorney General, Ontario Public Service (OPS). All management compensation is in accordance with Management Board of Cabinet Compensation Directives and compensation follows approved OPS compensation practices. This includes public disclosure for all individuals earning more than \$100,000 in a calendar year.

The benefit costs as set out in the schedule below does not include any specific post-employment, termination or other long term benefits but the cost of these benefits are funded by the Province as set out in Note 3(e) (ii).

In addition to the salaries and mandatory employer contributions to government programs (Canada Pension Plan and Employment Insurance), senior managers also participate in various group life, health and dental plans for which the employer shares the premiums.

Notes to financial statements (continued)

March 31, 2020 and March 31, 2019

13. Related party transactions (continued)

Key management personnel are members of the OPGT's Office management committee. Their compensation comprises the following:

| <i>In thousands of dollars</i> | Administration Fund 2020 | Administration Fund 2019 |
|--------------------------------|--------------------------------|--------------------------------|
| Salaries and Wages | 1,095 | 951 |
| Employee benefits | 20 | 19 |

14. Funds Escheated to the Crown

Deceased Estates include estates administered under the *Crown Administration of Estates Act* and the *Estates Act*. The Public Guardian and Trustee is authorized by the *Escheats Act* to take possession of property reverting to the Crown under the *Succession Law Reform Act*. After a period of ten years, any property so received by The Public Guardian and Trustee which remains unclaimed is required to be transferred to the Consolidated Revenue Fund (CRF) of the Province of Ontario. Such property transfers to the CRF are included in the statement of changes in net assets attributable to beneficiaries of Estates and Trusts. During the year, escheats from Deceased Estates totalling \$3,379,484 (2019: \$6,122,217) were transferred to the CRF.

Under the *Escheats Act*, The Public Guardian and Trustee may take possession of assets of dissolved corporations which have been forfeited to the Crown under various corporate statutes. Such property transfers to the CRF are included in the statement of changes in net assets attributable to beneficiaries of Estates and Trusts. During the year, \$592,849 (2019: \$422,007) was transferred to the CRF.

15. Contingencies and commitments

The Public Guardian and Trustee is involved in various legal actions arising in the normal course of business operations, the outcome and ultimate disposition of which are not determinable at this time. Liabilities for any settlements will be recognized if and when the criteria for recognizing provisions is met (see accounting policy note 3 (i)).

The Public Guardian and Trustee is one of several defendants to a multimillion-dollar civil lawsuit. The Public Guardian and Trustee, based on information available, believes that it may be found liable for some portion of any settlement that may be forthcoming from the litigation process. However, at this time, because of multiple defendants and the complexities of the litigation, it is not possible to assess a degree of probability concerning any outcomes and it is not practicable to determine the financial effect of any potential liability. As a result, The Public Guardian and Trustee has not included a provision for any potential liability in these financial statements.

The Public Guardian and Trustee estimates that any potential settlement is within financial resources available and will have no adverse effect on the ongoing operations of The Public Guardian and Trustee.

16. Subsequent events

Financial markets have experienced significant volatility in response to the developing COVID-19 pandemic and equity markets in particular have experienced significant declines. The investment portfolios of the OPGT have been subject to these market fluctuations and may continue to experience significant volatility as the situation continues to evolve.