



2018-19 ANNUAL REPORT

Office of the Public Guardian and Trustee

Ministry of the Attorney General

Ontario 

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Message from Ontario's Public Guardian and Trustee

At the Ontario Office of the Public Guardian and Trustee our mission is to make a difference by protecting the value of property and promoting the quality of life for those we serve. We do this in a cost-effective manner for the benefit of all Ontarians.

I am pleased to present the Annual Report of the Office of the Public Guardian and Trustee (OPGT) for the period of April 1, 2018 to March 31, 2019.

The OPGT provides three primary types of services to its clients – protecting incapable adults, trust operations and protecting the public interest. As demand for our services continues to grow, we continue to be challenged by increasing volumes and complexity of work and strive to ensure the sustainability of our services.

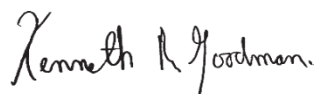
This year marked my seventh year as Ontario's Public Guardian and Trustee and it has been one of the most interesting to date. The Government of Ontario is committed to prudent fiscal management while making strategic investments in critical public services and the OPGT was chosen for a value-for-money audit by the Office of the Auditor General of Ontario.

The OPGT is successfully moving forward with its strategic plan to modernize our organization. To lay the groundwork for implementing the OPGT's new strategic plan, we have consulted with partners and experts across the Ontario Public Service (OPS) and established relationships and plans to help move the work forward. To date, this has resulted in the completion of conceptual work to better understand our clients' ability to use technology, and the development of strategies for improving our business processes and business-critical tools, maturing our data management framework, and evolving communications with clients and stakeholders to ultimately improve the customer journey. You can read more about our plans in this report.

We have a lot to be proud of this year. In conjunction with actively participating in the audit and beginning our modernization journey, we have continued to meet standards for service delivery. We also marked the beginning of our 100th Anniversary, which will culminate with an open house in October 2019.

Over the next year, we will continue to move forward with improvements to the organization that will address the ever-changing needs of Ontarians and the ongoing acceleration of digital technology.

I would like to thank our employees, our Investment Advisory Committee and Audit Committee members, and our government partners for their tireless service and contributions to the OPGT in 2018-19.

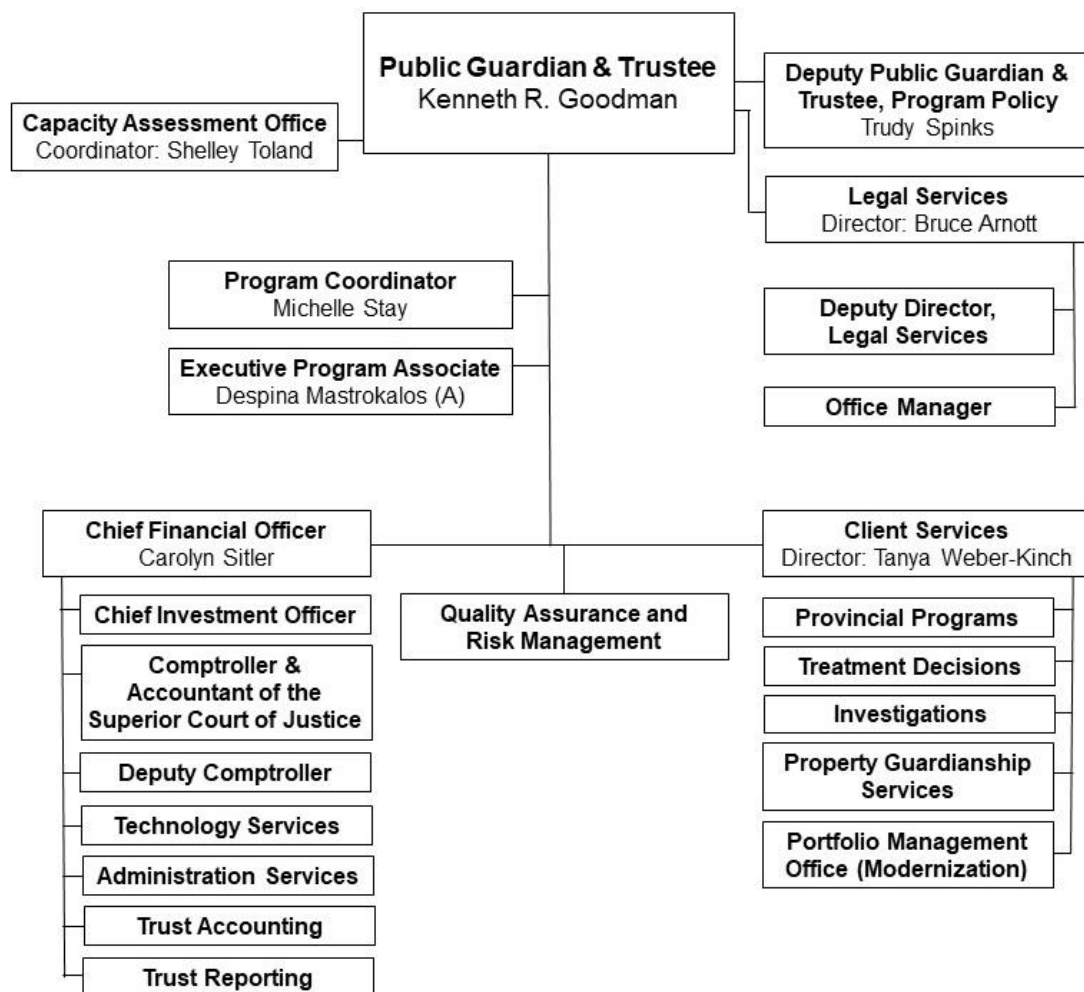


Kenneth R. Goodman
Public Guardian and Trustee for Ontario

Organizational Structure

The OPGT was created as an organization that is legally independent from government (a corporation sole) because many of its functions involve acting on behalf of individuals, in a fiduciary role as trustee. The OPGT currently operates as a program of the Ministry of the Attorney General, as part of the Victims and Vulnerable Persons Division.

The Public Guardian and Trustee (PGT) delegates his authority and responsibilities to staff to act on his behalf. As staff are acting on behalf of the appointed PGT, in this report we refer to our activities as being delivered by the OPGT.



OPGT services are offered across Ontario through six offices located in Toronto, Hamilton, London, Ottawa, Sudbury and Thunder Bay.

About the Office of the Public Guardian and Trustee

The OPGT has a statutory duty to assist in protecting incapable Ontarians. As it pertains to capacity, decision-making and guardianship, this duty is set out in four statutes, key of which is the *Substitute Decisions Act, 1992*.

The OPGT delivers a unique and diverse range of services to a rapidly increasing number of clients, in a wide variety of situations. We protect people who do not have the mental capacity to make decisions about their finances and health. We also hold funds in trust on behalf of private individuals and manage certain estates where there is no one else to do so.

The OPGT investigates when it may need to be guardian for an individual who is reported to be incapable and at risk of suffering serious harm, assists the courts by acting as litigation guardian of last resort, provides power of attorney kits, appoints private guardians to replace the OPGT, and keeps a register of all guardians of property and guardians of the person appointed by the court.

Important legislation governing the activities of the OPGT:

- *Public Guardian and Trustee Act*
- *Trustee Act*
- *Substitute Decisions Act*
- *Health Care Consent Act*
- *Charities Accounting Act*
- *Religious Organizations' Land Act*
- *Crown Administration of Estates Act*
- *Escheats Act*
- *Estates Act*
- *Mental Health Act*

OUR MISSION

We make a difference by protecting the value of property
and promoting the quality of life for those we serve.
We do this in a cost-effective manner for the benefit of all Ontarians.

OUR VISION

Working together, we value and protect our clients.

OUR GUIDING PRINCIPLES

Accountable
Honest

Creative
Informative

Effective
Respectful

The Scope of Our Work

The OPGT administered about \$2 billion in assets for more than 54,000 individual accounts – an average balance of under \$36,000 per account. These assets are held on behalf of the following client groups:

Protecting Incapable Adults

- Property Guardianship Clients

Trust Operations

- Accountant of the Superior Court of Justice – Litigants
- Accountant of the Superior Court of Justice – Minors
- Deceased Persons Estates
- Perpetual Care Funds for Cemeteries, Charities and Other Trusts

Protecting the Public Interest

- Corporate Trusts and Dissolved Corporations
- Un-administered Estates, Charity Trusts and Others

As you read through this report you will find more detail on the assets managed on behalf of the different client groups. The OPGT's approach to investment is guided by the requirements of the *Public Guardian and Trustee Act, R.S.O. 1990* and the *Trustee Act, R.S.O. 1990*. OPGT has a fiduciary duty to protect its clients' interests when carrying out day-to-day financial decisions. The obligation as a fiduciary and prudent investor provides the foundation for the policies and practices in place today. These are described in the Investment Management section of this report.

Public Education

The OPGT provides information, education and referrals to more than 30,000 Ontarians annually. Outreach sessions are conducted to increase the public's awareness of the OPGT's services, and issues such as mental incapacity, guardianship processes and powers of attorney. OPGT staff participate in information and job fairs, meet with the public and present to key stakeholders, including health and community organizations.

During the 2018-19 fiscal year, 43 outreach sessions were held across the province.

Staff Training

A dedicated unit is responsible for establishing policies, procedures and training curricula for staff members in client services. Internal training includes new staff training, topic refresher sessions, software release training, and ad-hoc training opportunities. In the 2018-19 fiscal year 278 hours of new staff training was delivered to 101 new staff members.

The unit advises staff of policy and procedure changes, circulates reminders and communicates important information regarding stakeholders and special projects to staff through emailed bulletins. During the 2018-19 fiscal year, 40 bulletins were distributed to staff in client services.

In addition, the following health and wellness modules were offered to all OPGT Staff:

- OPS Employee and Family Assistance Sessions
- Mental Health in the Workplace
- Mindfulness for Stress Management
- The Art of a Mindful Life

This year, the OPGT Wellness Portal went live. The online portal contains resources for staff including health and wellness courses. Topics include sleep, anxiety, fitness, self-care, mental health and nutrition.

Strategic Plan and Modernization Project

This year marked the beginning of a new strategic planning cycle at the OPGT and the development of a plan that will guide the organization through significant change over the next few years. The strategic plan aligns with the government's direction towards building simpler, faster and better government services and maintaining fiscal accountability for the people of Ontario. It supports broader government priorities around combatting elder abuse and providing support to those with mental health challenges. The strategic plan includes strategies to modernize business processes and tools to improve the efficiency and effectiveness of service delivery to the clients we serve.

OPGT Strategic Priorities

1. Our Clients and Partners

- Create strong, accessible relationships with our clients and strong, collaborative relationships with our partners that are focused on timely and consistent delivery of excellent service.
- Improve business processes and activities to optimize the client experience.

2. Our People

- Foster and engage staff to be resilient, inclusive, positive and productive.
- Provide opportunities for staff to enhance their knowledge, develop skills, and grow their careers.

3. Branding

- Educate and create public awareness of the OPGT's roles and responsibilities, including those related to guardianship.

4. Business Processes and Technology

- Modernize business processes to optimize business outcomes.
- Embrace innovation and technology to improve business efficiency, agility and continuity.
- Enhance the OPGT's ability to make timely, effective decisions.

5. Policy and Legislative Reform

- Act only where the OPGT can add value.
- Leverage external trends to implement changes that better serve our clients.
- Consider the future structure and responsibilities of the OPGT so as to best serve the public interest.

Work is already underway to bring our strategic plan to life. While some objectives will be completed in one year, work on others will span three years. By remaining agile and willing to adapt to any changes in our operating environment we will be able to ensure the

successful execution of our plan, resulting in a stronger organization that is better prepared to meet the changing and complex needs of its client base.

Strategic Plan Performance Measures

The OPGT is in the early stages of developing appropriate measures that will verify if modernization efforts support the strategic plan. These measures will continue to be tested, refined, and will also be used to identify any risk of potential errors or fraudulent activity while managing the finances of incapable people.

Priorities	Potential Measures
1. Our Clients & Partners	• client satisfaction • substantiated complaints received • the number of service standards and commitments met
2. Our People	• number of training hours logged by staff
3. Branding	• public understanding of the importance of completing powers of attorney • rate of growth and complexity of statutory guardianship clients
4. Business Processes and Technology	• decrease in the cost per client served • increase in digitization
5. Policy & Legislative Reform	• cost per client served • use of alternatives to the OPGT for guardianship • increase in digitization • public perception of the OPGT's ability to effectively serve Ontarians

To receive a copy of the OPGT's Strategic Plan Report please email Michelle.Stay@ontario.ca or call 416-557-6121.

Consider Granting a Power of Attorney

The OPGT encourages every capable Ontarian to consider granting a power of attorney for finances and personal care to a **trusted person** or organization.

A power of attorney is a legal document in which you give someone you trust (called “your attorney”) the right to make decisions for you if something happens and you are no longer able to look after matters on your own. There are two types – power of attorney for personal care and power of attorney for property.

Advance planning is very important as **you must be considered mentally capable** to sign a power of attorney. Make sure the person you choose understands your wishes and agrees to this important responsibility.

If something happens to you and you don’t have a power of attorney or the named attorney is unwilling to act, the government may have to step in, through the Office of the Public Guardian and Trustee.

Consider acting as an attorney for a loved one

The reality is, many adults become unable to make important decisions for themselves due to Alzheimer’s or other forms of dementia, an accident or another serious medical condition.

Agreeing to act as an attorney for a friend or family member can be a rewarding way to both support your friend or family member and give back to the community in general.

Once you are named as an attorney, you can be confident that you will be able to provide care for your friend or family member for years to come. You will have the legal right to make financial, medical, and other decisions on behalf of your ward (depending on the type of power of attorney put in place).

Learn more about how powers of attorney work at [Ontario.ca/OPGT](https://ontario.ca/OPGT)



PRIMARY SERVICES:

PROTECTING INCAPABLE ADULTS

Helping Steven Access Health Benefits and his Inheritance

The OPGT became guardian of property for Steven* after an admission to hospital. Prior to this, he had been living on the streets for over 10 years. Although Steven had a social worker in the community, he did not have anyone to manage his financial affairs and had stopped receiving income from the Ontario Disability Support Program.

Steven was admitted to hospital because of a broken hip and concerns over his mental health but he did not have a valid health card. The OPGT applied for a new health card and completed the necessary paperwork to have Steven's Ontario Disability Support Program funding and related health benefits reinstated. The health card was also vital to ensuring Steven received coverage for required medications after his hospital discharge.

The OPGT sent out applications for additional identification documents on Steven's behalf. To gather the birth place information required to complete a birth certificate application, the OPGT contacted Steven's life insurance company and learned that the policy was purchased by Steven's parents several decades ago. The life insurance company was able to provide the names, dates and places of birth of his parents and the name of the beneficiary of the policy, Steven's cousin. By contacting Steven's cousin, we learned that when Steven's parents passed away, they left him an inheritance now valued at \$70,000.

The OPGT contacted the bank holding the inheritance and the funds were redirected into a secondary trust account for Steven. Proper precautions were taken to maintain his Ontario Disability Support Program eligibility.

The OPGT met with Steven to explain this new financial information and discussed how Steven's budget could be adjusted and his inheritance funds used to purchase the things he needed.

Steven is now off the street and receiving care in a mental health hospital. His social workers are finding him permanent and suitable housing since he now has increased funds for rent and other necessities.

*Name and other identifying information have been changed to protect client confidentiality.



Property Guardianship Services

The *Substitute Decisions Act* sets out the authority of the OPGT to manage its clients' finances as guardian of property.

OPGT provides services to a unique client base comprised of adults from diverse backgrounds with differing needs and mental capacities. Clients may require substitute decision making services due to a range of reasons, including mental illness, developmental disabilities, brain injury, illness, and age-related diseases.

The OPGT makes all the financial decisions and conducts transactions that these individuals would otherwise handle themselves. This includes receiving and depositing income, making investments, maintaining and selling property, filing tax returns and paying bills – everything from cooking lessons and winter tires. To complete this work the OPGT must interface with more than 21,000 vendors including government and private pension plans, health and long-term care facilities, phone companies, pharmacies and even veterinarians and funeral homes.

At the end of 2018-19, the OPGT was actively managing the finances of 12,504 clients (an increase of 315 clients from the previous fiscal year). There has been a steady growth in the number of guardianship clients over the past 10 years.

In 2018-19, 93 per cent of the OPGT guardianship clients were statutory guardianships under the *Substitute Decisions Act* or *Mental Health Act*.

Our goal is to provide a client-centered service that is accessible, personalized, timely and respectful of individual client's wishes, lifestyle choices and preferences.

Client equity

Of all 12,504 guardianship and trusteeship clients, 88 per cent have equity less than \$100,000. Many of these clients have limited means and a large number receive low income support through the Ontario Disability Support Program. Many older clients live in long-term care or assisted living settings.

Increasingly complex cases

Client files are grouped and assigned based on the level of financial complexity. A file is considered complex if there is:

- over \$50,000 in cash or cash equivalents under management
- complex legal issue (for example, a motor vehicle accident claim)
- real estate

- extended health care coverage
- secondary trusts outside the OPGT

At the end of the 2018-19 fiscal year, 4,517 (36 per cent) of the OPGT's 12,504 clients were assigned to a complex caseload. Since the 2009-10 fiscal year, the number of files assigned to complex caseloads has increased by 29 per cent.

Non-complex client files may have up to \$50,000 in cash or cash equivalents, a non-complex legal issue (for example, an interest in an estate), or a secondary trust fund. In the 2018-19 fiscal year the OPGT managed 7,987 non-complex files.

Asset Management

In addition to managing day-to-day transactions for its clients, the OPGT manages their assets. This includes everything from their savings accounts and investments to real estate and vehicles.

Figures in this section reflect assets being managed on behalf of property guardianship services clients. Figures for asset management done for other areas, including estates and the Accountant of the Superior Court of Justice, are included in the relevant sections of this report.

Cash and Investments

In order to satisfy the goals and needs of the OPGT's diverse client groups a variety of investment options offering differing levels of risk and return potential are available to clients. Most guardianship clients require high liquidity to allow the payment of their day-to-day living expenses. Funds held on behalf of these property guardianship clients are primarily invested in low risk fixed income investments to earn a reasonable rate of return and preserve capital. Clients may also be invested in the OPGT Diversified and Canadian Income and Dividend Funds, as well as external options for clients whose needs are better met with these investment types.

Fixed Income Investments

At the end of the 2018-19 fiscal year, the OPGT was managing \$523.6 million in fixed income investments for guardianship clients. This is an increase of \$37.5 million or 8 per cent since the previous fiscal year, and a 50 per cent increase since 2009/10.

Diversified and Canadian Income and Dividend Fund Assets

The OPGT manages funds on behalf of clients who need to preserve and enhance the purchasing power of capital over the longer term and maximize the need for current income. The OPGT manages \$36 million in these funds on behalf of clients.

External Investments

At the end of the 2018-19 fiscal year, the OPGT managed \$185.7 million worth of external investments on behalf of property guardianship clients. These include investments which are held in the following types of accounts:

- Registered Disability Savings Plans
- Registered Retirement Savings Plan
- Tax-Free Savings Accounts
- Non-registered accounts holding primarily segregated funds

Real Estate

At the end of the 2018-19 fiscal year, the OPGT continued to manage properties worth \$134.7 million.

Other

Other assets managed by the OPGT include:

- Pre-paid funerals
- Life insurance policies
- Loans receivable
- Chattels and vehicles

At the end of the 2018-19 fiscal year, the OPGT was managing \$14.5 million of other assets on behalf of guardianship clients.

Personal Care Guardianship

The OPGT can also be appointed by the court to act as personal care guardian for clients, making personal care decisions for mentally incapable adults in cases of high risk to personal care and safety. In the 2018-19 fiscal year, OPGT continued to act as the court appointed guardian of personal care for 41 clients.

Litigation Guardianship

The OPGT acts on behalf of individuals who are involved in lawsuits and who, in the court's opinion, lack the mental capacity to properly instruct a lawyer or make decisions about important matters, such as settlements, and who have no family or friends willing to act in this role.

The OPGT has about 200 active litigation guardianship files and 100 active legal representative files at any point in time.

Investigations

The OPGT conducts investigations when information is received alleging that an individual may be incapable and at risk of suffering serious financial or personal harm and there is no alternative solution available. An investigation may result in the OPGT asking the court for authority to make decisions on a person's behalf on a permanent or temporary basis, for property or personal care. Severe self-neglect, physical abuse and financial exploitation of incapable people are some issues that the OPGT investigates.

In 2018-19 the OPGT handled more than 19,858 individual incoming and outgoing individual communications involving 1,778 allegedly incapable persons.

The OPGT conducted 149 investigations based on allegations from the public that an individual may be incapable and at risk of suffering serious financial or personal harm.

In addition, more than 1,114 property and estate investigations were performed throughout the province on behalf of existing clients to gather information that is vital to the administration and management of these files.

If you know of an adult who appears to be mentally incapable and at serious risk, call **1-800-366 0335**. If someone is in a crisis situation or can't wait for an appointment, take them to the emergency department of a nearby hospital or call **911**.

Healthcare Treatment Decisions

The OPGT is responsible for giving or refusing consent to medical treatment on behalf of incapable people when medical treatment is proposed and there is no one else capable and willing to make these decisions.

The OPGT may make a variety of treatment decisions including:

- dental
- medication
- surgery
- personal assistance devices
- treatment plans
- medical investigation
- end of life or palliative care
- admission to long-term care

In 2018-19, the OPGT made 8,770 treatment decisions. This is a significant increase compared to the 7,142 treatment decisions made in the 2017-18 fiscal.

Reviewing Guardianship Applications

Family members who wish to replace the OPGT as guardian of property for an incapable relative may apply to the OPGT to take over the role.

The potential guardian must submit a management plan detailing how they will manage the incapable person's finances and property in accordance with the person's needs and financial situation. The application and management plan are reviewed by the OPGT in detail. This includes looking at the relationship between the applicant and incapable person, as well as the views of other people who are involved in the incapable person's life.

This year the OPGT received 283 applications, compared to 247 in the previous fiscal year, and approved 179 of the 283 applications. Of the remainder, some are still being reviewed, some were withdrawn, and some were refused.

Consider applying to take over guardianship duties

The OPGT acts as a guardian of last resort, usually where a power of attorney was not done in advance. If your friend or loved one is under the OPGT's care, consider applying to take over responsibility as a substitute decision maker for them. The duty includes managing the finances in a way that respects their personal care decisions where possible.

[Learn more at Ontario.ca/OPGT](https://ontario.ca/OPGT)

Guardianship Advisory Committee

The Guardianship Advisory Committee (GAC) advises the OPGT on matters relating to substitute decision-making under the Substitute Decisions Act and the Health Care Consent Act and generally on guardianship matters.

The committee provides advice and feedback from the perspective of stakeholders on the community's perception, comprehension of and experience with the Office of the Public Guardian and Trustee, its substitute decision-making policies, procedures and public education initiatives. It also raises issues and policy concerns for consideration by the OPGT and to advise on options for resolving key systemic issues and policy concerns.

The OPGT would like to
thank the members of the
GAC during the fiscal year:

Benjamin Arkin
Kathryn Balter
Christine Conrad
Nancy Cooper
Laura Lee Edmiston
Seble Makonnen
Dr. Rosemary Meier
Bianca La Neve
Kathryn Pilkington
Danielle Pineda
Dr. Peter Prendergast
Alex Procope
Graham Webb



PRIMARY SERVICES:

**TRUST
OPERATIONS**

Administering Estates

The OPGT may seek authority to manage the estates of people who die without a will and who have no relatives in Ontario able or willing to do so. This often involves an extensive search for information about the deceased's assets and next of kin prior to agreeing to seek authority.

Once an estate is under OPGT's authority, our responsibilities include securing and managing the deceased's assets, applying to court to become the Estate Trustee. The objective of the estate administration process is to liquidate and distribute assets to heirs as quickly as possible. As such, assets are reviewed, typically redeemed and invested in the OPGT fixed income funds to provide a reasonable return and liquidity to facilitate the payment of liabilities, taxes and distribution to heirs.

On March 31, 2019 there were 1,395 estates under administration and the OPGT continued to manage \$151.2 million in fixed income assets related to estates.

In addition to cash assets, the OPGT continued to manage:

- properties with a collective market value of \$19.3 million
- \$0.4 million in chattels and vehicles
- \$18.3 million in external investments, and
- \$0.5 million in other assets including life insurance policies and loans receivable.

Accountant of the Superior Court of Justice

The Accountant of the Superior Court of Justice is responsible for funds, mortgages and securities that are held in relation to court actions or on behalf of minors, and parties to litigation. Funds are held until a court order is received outlining how funds are to be disbursed.

In 2018-19 the OPGT managed the accounts of 32,737 minors and litigants, totalling \$882 million in value.

Individual financial plans are completed for minor clients whose assets are held by the Accountant of the Superior Court of Justice. Minors are eligible for investment in the OPGT fixed income funds and the unit trusts. Typically, the longer the investment horizon the larger portion of a minor's assets will be invested in higher risk assets through the unit trusts.

Assets held by the Accountant of the Superior Court of Justice on behalf of litigants are held in the OPGT fixed income funds to earn a reasonable return until payment out of court occurs.

This year \$64.7 million was distributed to minors who have reached the age they were eligible to receive funds.

Cemetery Trusts

In Ontario, cemetery owners are required to place a portion of the fees charged (including those for supplies or services purchased prior to death) into a trust fund, some of which are held by the OPGT. The OPGT manages the fund and pays out the annual income and cemetery owners use the interest earned on the trust funds for the upkeep of the cemetery.

PRIMARY SERVICES:

**PROTECTING
THE PUBLIC INTEREST**

Capacity Assessment

If a person does not have a power of attorney and cannot make personal or financial decisions, another person may have to be given legal authority to make decisions on their behalf. Before this authority is given, it must be determined that the person is mentally incapable.

One way to do this is through a capacity assessment by a designated capacity assessor.

There are two primary reasons for someone to have a capacity assessment done:

- To trigger the appointment of the OPGT as guardian of property thereby allowing family members to replace the OPGT.
- To obtain a professional opinion with respect to mental capacity.

A capacity assessor is an eligible health professional who is qualified and designated under the *Substitute Decisions Act*. The Capacity Assessment Office is responsible for providing training to eligible health professionals and keeping a list of designated capacity assessors.

This year, the Capacity Assessment Office:

- designated 87 capacity assessors in Ontario (as of Dec 1, 2018)
- handled 3,363 telephone enquiries related to the assessment process

Charitable Property Program

The OPGT plays a role in helping to ensure the proper use of charitable property and funds in Ontario. Charities and charitable gifts enjoy a special status under Canadian law and when the public donates money for charitable purposes they expect it be used properly.

The OPGT:

- Protects the public interest in charitable property in court proceedings.
- Identifies charities that should receive benefit from an estate when specific charities are not named.
- Reviews and approves charities incorporation and corporate change documents.
- Acts on complaints from the public concerning the misappropriation of charitable property in Ontario.

The OPGT charities team worked on 49 litigation matters, handled 72 complaints and requests for information and reviewed 415 incorporations and amendments to corporate documents.

The OPGT also becomes involved in litigation involving charities, which is part of our role in protecting the public interest in charitable property. For example:

- In 2018-19 the OPGT became aware of two separate substantial charitable donations that were made to an organization whose charitable status had been revoked by the Canada Revenue Agency. Although the organization wanted to maintain control of the charitable donations, the OPGT asked the Court to transfer the gifts to registered charities doing similar work.
- In another case, the OPGT successfully argued that a multimillion-dollar organization is a charity, meaning that its assets must be used for charitable purposes. This decision has been appealed to the Court of Appeal for Ontario.

Another important part of the work of the Charitable Property Program is developing policy and legislation around the use of charitable property in Ontario. This includes reviewing draft legislation and writing the corresponding guidelines for the public. In the past two years the *Charities Accounting Act* and its Regulation have been significantly amended to help ensure the proper use of charitable property and funds.

Dissolved Corporations

When an Ontario corporation is dissolved and owns certain assets on the date it ceases to exist, the company's assets are forfeit to the Crown. The OPGT may act as trustee for the share of the property owing to unknown or missing corporate shareholders or creditors. In this role the OPGT, on behalf of the Crown, may sell or dispose of the property.



INVESTMENT MANAGEMENT AND RISK MANAGEMENT

Investment Management

One of the key principles that guides the investment activities of the OPGT is that investment goals should match client needs. This acknowledges the diverse nature of the OPGT's client groups and individual clients within each group. This belief is consistent with industry practices and standards. While many of the OPGT's clients have a low capacity for risk the OPGT considers individual factors and will invest clients at the higher end of the risk-return spectrum when circumstances warrant.

OPGT client funds are invested to preserve capital and maximize returns in a manner appropriate to individual client circumstances and investment risk levels.

In order to satisfy the goals and needs of OPGT's diverse client groups a variety of investment options offering differing levels of risk and return potential are available to clients. These include internal options such as the fixed income funds and unit trusts, as well as external options for clients whose needs are better met with these investment types.

Investment Options

The OPGT has five common funds managed by external professional investment firms:

- Laddered Buy and Hold Bond Fund
- Diversified Fund
- Canadian Income and Dividend Fund
- Canadian Money Market Fund
- U.S. Money Market Fund

Investment returns are evaluated using the investment industry standard of four-year rolling averages with information on returns provided by third party professional measurement services.

The performance of the Laddered Buy and Hold Bond Fund and Canadian Money Market fund enabled the OPGT to pay its clients an interest rate ranging from 1.95 per cent to 2.25 per cent throughout the past year. This rate is highly competitive while offering full liquidity and security of principal to OPGT clients.



The four-year **annualized returns** on all OPGT funds **exceeded** the respective **industry benchmarks** while also achieving value added objectives.

Investment Advisory Committee (IAC)

The IAC to the Public Guardian approves the rates of interest to be paid on money in the hands of the Public Guardian and Trustee and advises the OPGT on investments, investment manager performance and any other aspects of the investment process.

Additional details are available in the Investment Advisory Committee annual report. To receive a copy email Michelle.Stay@ontario.ca or call 416-557-6121.

The OPGT would like to thank those who served as members of the IAC during the fiscal year:

Mark Fuller (Chair)
Robert Cultraro
June Ntazinda
Elke Rubach
Stephen Sisokin
Linda Smith
Maureen Stapleton
David Yu

Audit Committee

The Audit Committee is an advisory body to the Public Guardian and Trustee whose mandate is to approve the annual audited financial statements and to review information and provide advice regarding the office's financial reporting processes, the system of internal control and risk management, and the audit process.

The OPGT would like to thank those who served as members of the IAC during the fiscal year:

Jeanette Dias D'Souza
Arnold J. Temple
Juanita Dobson
Dante Pontone
David Horie

Risk Management

The services of the OPGT are of critical importance to its clients and their well-being. The high volume and complex nature of the business processes involved in serving each client may create a risk of errors and omissions which may impact clients.

The OPGT has a dedicated quality assurance and risk management unit which is organizationally separate from the OPGT's operational branches to ensure independence and objectivity in the unit's operations.

Several risk mitigation activities happen throughout the year, including:

- Fraud detection analysis
- Case file reviews
- Transaction reviews
- Cash disbursement analysis



**MARKING A CENTURY
OF PROUDLY SERVING
THE PUBLIC AND VULNERABLE
ONTARIANS**

**1919
2019**

WWW.ONTARIO.CA/OPGT

Ministry of the Attorney General

Ontario 



2018-19

AUDITED FINANCIAL STATEMENTS

The Public Guardian and Trustee
For the Province of Ontario

Financial Statements

For the year ended March 31, 2019

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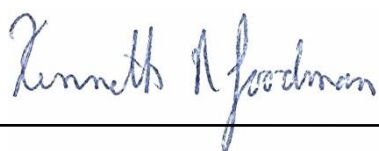
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Management's Responsibility for Financial Information

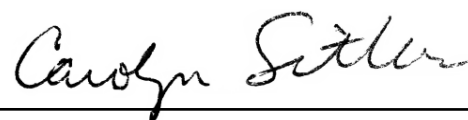
Management is responsible for the financial statements and all other information presented with the financial statements. The financial statements have been prepared by management in accordance with International Financial Reporting Standards (IFRS), and, where appropriate, include amounts based on management's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

June 28, 2019



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

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, 2019, and the statements of income and comprehensive income, changes in net assets attributable to beneficiaries of estates and trusts administered, 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, 2019 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.



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

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
June 28, 2019

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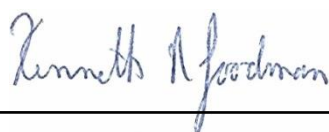
Statement of Financial Position

As at March 31

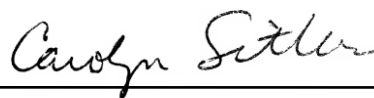
in thousands of dollars

	Note	2019	2018
Estates and Trusts			
Assets			
Cash and cash equivalents	4.1	\$ 87,420	\$ 84,663
Accounts receivable	6	5,282	4,188
Investments at fair value through profit or loss:			
Bonds and other debt securities - client owned	4.1	62,530	61,468
Diversified fund	4.2	97,481	93,494
Canadian income and dividend fund	4.3	106,715	99,091
Equity securities - client owned	4.4	57,079	58,341
Investments in Fixed income funds	4.5	1,455,763	1,370,240
Real estate		134,165	111,699
Other assets	7	14,523	15,981
Total assets		2,020,958	1,899,165
Liabilities			
Accounts payable and accrued liabilities	8	79,092	74,415
Net assets attributable to beneficiaries of Estates and Trusts		1,941,866	1,824,750
Total liabilities and net assets attributable to beneficiaries of Estates and Trusts		\$ 2,020,958	\$ 1,899,165
Administration Fund			
Assets			
Cash and cash equivalents		\$ 597	\$ 719
Accounts receivable	6	1,999	2,761
Investments at fair value through profit or loss:			
Diversified fund	4.2	91,335	87,685
Canadian income and dividend fund	4.3	27,620	26,109
Investments in Fixed income funds	4.5	18,257	9,904
Total assets		139,808	127,178
Liabilities			
Accounts payable and accrued liabilities	8	5,438	4,827
Total liabilities		5,438	4,827
Equity			
Funds and reserves		17,500	17,500
Unappropriated fund		116,870	104,851
Total equity		134,370	122,351
Total liabilities and equity		\$ 139,808	\$ 127,178

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



Public Guardian and Trustee



Chief Financial Officer

Statement of income and comprehensive income - Estates and Trusts

For the period ended March 31

in thousands of dollars

	Note	2019	2018
Estates and Trusts			
Income			
Pensions		\$ 103,092	\$ 101,304
Social benefits		111,567	104,496
Other income		41,371	38,980
		<u>256,030</u>	<u>244,780</u>
Expenses			
Accommodation		139,110	130,067
Allowances		46,100	44,333
Fees charged by the Public Guardian and Trustee	9	32,385	30,992
Taxes		14,974	12,961
Living expenses		11,097	10,622
Real estate		8,848	9,051
Medical expenses		7,011	6,663
Funeral expenses		6,761	5,956
Other expenses		6,500	6,514
Utilities		5,354	5,188
Insurance		2,213	1,358
Total expenses		<u>280,353</u>	<u>263,705</u>
Net investment income			
Interest income from fixed income funds		29,522	24,134
Change in fair value on investments			
at fair value through profit or loss	10	24,429	19,808
		<u>53,951</u>	<u>43,942</u>
Change in net assets attributable to beneficiaries before undernoted:		<u>\$ 29,628</u>	<u>\$ 25,017</u>
- Client Capital Contributions during the year		590,882	528,542
- Client Capital Distributions during the year		(496,850)	(441,384)
- Funds escheated to the Crown		(6,544)	(650)
Change in net assets attributable to beneficiaries		<u>\$ 117,116</u>	<u>\$ 111,525</u>

Statement of income and comprehensive income - Administration Fund

For the period ended March 31

in thousands of dollars

	Note	2019	2018
Administration Fund			
Revenue			
Fees charged on estates and trusts	9	\$ 32,385	\$ 30,992
Grants received from the Ministry of the Attorney General	13	20,698	18,480
		<u>53,083</u>	<u>49,472</u>
Expenses			
Salaries, wages and benefits	11	37,595	36,145
General administration	12	3,702	3,277
Fees incurred		1,971	2,087
Transportation and communication expenses		901	924
Supplies and equipment expenses		283	226
Claims		306	351
Total expenses		<u>44,758</u>	<u>43,010</u>
Net investment income			
Interest income from fixed income funds		1,219	1,103
Change in fair value on investments at fair value through profit or loss	10	5,161	5,075
		<u>6,380</u>	<u>6,178</u>
Investment expenses		2,686	2,600
Net investment income		<u>3,694</u>	<u>3,578</u>
Total income and comprehensive income for the year		<u>\$ 12,019</u>	<u>\$ 10,040</u>

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

(in thousands of dollars)

	Client Trusts	Minors	Litigants	Deceased Estates	Cemetery Trusts	Forfeited Corporate Assets	Corporate Trusts	Land Titles	Total
Balance at March 31, 2017	\$ 712,171	409,448	363,733	171,497	26,825	25,253	751	3,547	\$ 1,713,225
Change in net assets attributable to beneficiaries before undernoted:	17,819	8,565	4,306	(5,366)	28	(438)	30	73	25,017
Contributions during the year	196,258	73,835	169,522	87,600	1,193	34	-	100	528,542
Distributions during the year	(168,800)	(65,471)	(144,390)	(61,769)	(200)	(638)	-	(116)	(441,384)
Funds escheated to the Crown (note 14)	-	-	-	(517)	-	(133)	-	-	(650)
Change in net assets attributable to beneficiaries	45,277	16,929	29,438	19,948	1,021	(1,175)	30	57	111,525
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
Contributions during the year	225,232	66,602	242,866	55,371	753	58	-	-	590,882
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

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, 2017	\$ 14,300	3,000	100	100	17,500	94,811	\$ 112,311
Total income for the year	-	-	-	-	-	10,040	10,040
Transfers to/(from) reserves							
Transfers made during the year	199	137	-	16	352	(352)	-
Reserves released during the year	(199)	(137)	-	(16)	(352)	352	-
Total increase in equity	-	-	-	-	-	10,040	10,040
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

Statement of Cash flows

For the period ended March 31

in thousands of dollars

	Estates and Trusts		Administration Fund	
	2019	2018	2019	2018
Cash flows from operating activities				
Income and Comprehensive Income				
Estates and Trusts				
Change in net assets attributable to beneficiaries before undernoted:	\$ 29,628	\$ 25,017	\$ -	\$ -
Client Capital Contributions during the year	590,882	528,542	-	-
Client Capital Distributions during the year	(496,850)	(441,384)	-	-
Funds escheated to the Crown	(6,544)	(650)	-	-
Change in net assets attributable to beneficiaries	117,116	111,525	-	-
Administration Fund	-	-	12,019	10,040
Adjustments for:				
Non-cash Client Capital Contributions	(128,497)	(114,529)	-	-
Non-cash Client Capital Distributions	40,567	23,473	-	-
Net unrealized loss/(gain) on investments and foreign currency at fair value	1,176	(4,267)	7,798	2,685
Investment income reinvested	(15,831)	(10,097)	(13,815)	(8,711)
Changes in working capital items				
Accounts receivable	(1,094)	975	762	26
Accounts payable and accrued liabilities	4,677	13,958	611	230
Net cash from operating activities	18,114	21,038	7,375	4,270
Cash flows from investing activities				
Acquisition of investments	(1,451,725)	(1,797,979)	(7,498)	(3,794)
Proceeds from sale of investments	1,395,273	1,734,244	-	-
Proceeds from sale of real estate	39,637	40,298	-	-
Net decrease/(increase) in other assets	1,458	(1,761)	-	-
Net cash from investing activities	(15,357)	(25,198)	(7,498)	(3,794)
Increase (decrease) in cash and cash equivalents	2,757	(4,160)	(122)	476
Cash and cash equivalent, beginning of the year	84,663	88,823	719	243
Cash and cash equivalent, end of the year	\$ 87,420	\$ 84,663	\$ 597	\$ 719

Notes to financial statements

March 31, 2019 and March 31, 2018

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 <i>Substitute Decisions Act</i> , the <i>Public Guardian and Trustee Act</i> , the <i>Crown Administration of Estates Act</i> , the <i>Estates Act</i> and various other statutes; |
| b) Administration Fund: | <p>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 <i>The Public Guardian and Trustee Act</i>. Operating grants are received as required from the Ministry of the Attorney General to fund the operations of OPGT.</p> <p>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 <i>The Public Guardian and Trustee Act</i>.</p> |

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 \$1,308,594 (March 31, 2018: \$1,090,310) 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 June 28, 2019.

Notes to financial statements (continued)

March 31, 2019 and March 31, 2018

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 standards and amendments to existing standards are effective April 1, 2018.

IFRS 9 – Financial Instruments became effective for annual periods beginning on or after 1 January 2018. It addresses the classification, measurement and derecognition of financial assets and liabilities and replaces the multiple classification and measurement models in International Accounting Standard 39 – Financial Instruments: Recognition and Measurement (IAS 39).

Classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument solely represent payments of principal and interest (SPPI). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt instruments must be recognised at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. IFRS 9 also introduces a new expected credit loss (ECL) impairment model.

Notes to financial statements (continued)

March 31, 2019 and March 31, 2018

2. Basis of preparation (continued)

(e) New accounting standards and amendments to existing standards (continued)

IFRS 9 has been applied retrospectively, without restatement of comparatives, by OPGT and did not result in a change to the recognition or measurement of financial instruments. The investment portfolio continues to be classified as fair value through profit or loss except for investments in fixed income funds that would have previously been classified as held-to-maturity are now classified at amortized cost. Other financial assets which are held for collection continue to be measured at amortized cost. There was no material impact on adoption from the application of the new impairment model.

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on April 1, 2018, that have a material effect on the financial statements of OPGT.

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.

From April 1, 2018, 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.

Notes to financial statements (continued)

March 31, 2019 and March 31, 2018

3. Significant accounting policies (continued)

(c) Financial assets and liabilities (continued)

(i) Financial assets (continued)

For assets measured at fair value, gains and losses will either be 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.

The Public Guardian and Trustee does not directly enter into derivative financial contracts.

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 recognised 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 profit or loss (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 recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised 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 profit or loss. 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 recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

All of the entity's debt investments at amortized cost are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. Management consider '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 recognised in profit or loss when OPGT's right to receive payments is established.

Notes to financial statements (continued)

March 31, 2019 and March 31, 2018

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 recognised in Other net changes in fair value of financial assets at FVPL in the statement of profit or loss 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. On adoption of IFRS 9 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. Such 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, 2019 and March 31, 2018

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 bid price. 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.

(iv) IFRS 9 transition

On April 1, 2018 (the date of initial application of IFRS 9), the OPGT's management has assessed which business models apply to the financial assets held by the OPGT and has classified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from this classification are as follows:

Estates and Trusts Financial assets – April 1, 2018 (in thousands of dollars)	Notes	FVPL	FVOCI (Available for sale)	Held-to-maturity	Amortized cost
Closing balance March 31, 2018 – IAS 39		312,394	-	1,370,240	4,188
Reclassify investments in fixed income funds from held-to-maturity to amortized cost	(a)	-	-	(1,370,240)	1,370,240
Opening balance April 1, 2018 – IFRS 9		312,394	-	-	1,374,428

Administration Fund Financial assets – April 1, 2018 (in thousands of dollars)	Notes	FVPL	FVOCI (Available for sale)	Held-to-maturity	Amortized cost
Closing balance March 31, 2018 – IAS 39		113,794	-	9,904	2,761
Reclassify investments in fixed income funds from held-to-maturity to amortized cost	(a)	-	-	(9,904)	9,904
Opening balance April 1, 2018 – IFRS 9		113,794	-	-	12,665

(a) Reclassification from held-to-maturity to amortized cost

Investments in fixed income funds that would have previously been classified as held-to maturity are now classified at amortized cost. OPGT intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. There was no difference between the previous carrying amount and the revised carrying amount of the other financial assets at April 1, 2018.

Notes to financial statements (continued)

March 31, 2019 and March 31, 2018

3. Significant accounting policies (continued)

(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) Operating leases

All the leases entered into by the Public Guardian and Trustee on behalf of the Estates and Trusts and the Administration Fund are classified as operating leases and are not recognized in the statement of financial position. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Contingent lease payments are accounted for in the period in which they are incurred or when they are reasonably estimable and become known.

(f) 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 Fund and the Ontario Public Service Employees' Union Pension Fund. The Province funds the employer's contribution to the Pension Funds. 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.

(g) 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, 2019 and March 31, 2018

3. Significant accounting policies (continued)**(h) Government grants**

Grants are in the form of funding of the Public Guardian and Trustee operating expenses as the expenses are incurred and are 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 profit or loss as income on a systematic basis in the same periods in which the expenses are recognized.

(i) 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 \$206,878 (2018: \$198,932) 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 \$86,702 (2018: \$136,643) 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.

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 \$12,480 (2018: \$15,674) 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. No such transfers were made during the year.

(j) 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.

(k) New standards and interpretations not yet adopted*IFRS 16, Leases*

IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. The standard replaces IAS 17 'Leases' and the distinction between operating and finance leases is retained. The new standard is effective for annual periods beginning on or after January 1, 2019 and earlier application is permitted. Management expects that the adoption of this standard will not have a significant impact to the operations of the OPGT.

Notes to financial statements (continued)

March 31, 2019 and March 31, 2018

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

(In thousands of dollars)

	2019	2018
Cash and cash equivalents		
Cash	17,294	19,231
Cash equivalents	70,126	65,432
	<u>87,420</u>	<u>84,663</u>
Client owned – Bonds and other debt securities		
Bonds – Federal Government	875	552
Bonds – Provincial Governments	1,679	629
Bonds – Corporate	12,369	14,955
Other Debt Securities – Financial institutions	47,607	45,332
	<u>62,530</u>	<u>61,468</u>
	<u>149,950</u>	<u>146,131</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 of between 0.0–7.5% (2018: 0.0–7.5%) and, at the reporting date, have remaining maturity periods ranging between 0–16 years (2018: 0–17 years).

Interest rates on mid term investments (notes and bonds with maturities greater than one year) are as follows:

	2019	2018
Bonds – Federal Government		
1–3 years	0.0–7.5%	0.0–7.5%
3 years +	–	0.5–1.0%
Bonds – Provincial Governments		
1–3 years	0.0–4.5%	1.3–2.3%
3 years +	–	3.8–4.4%
Bonds – Corporate		
1–3 years	0.0–2.6%	0.0–5.8%
3 years +	0.0–2.8%	0.0–6.4%
Financial institutions		
1–3 years	0.0–5.5%	0.0–5.5%
3 years +	0.0–3.4%	0.0–5.0%

Interest income is distributed to client accounts based on an interest rate as approved by The Public Guardian and Trustee's Investment Advisory Committee. During the year, the approved rate for Canadian funds for April 1 to May 31, 2018 was 1.95%, for June 1 to September 30, 2.10% and for October 1, 2018 to March 31, 2019, 2.25% (April 1, 2017 to February 28, 2018: 1.85% and March 1–30, 2018: 1.95%). The approved rate for United States Dollar funds from April 1 to May 31, 2018 was 1.50%, for June 1 to September 30, 1.75%, for October 1 to November 30, 2.00%, for December 1, 2018 to February 28, 2019, 2.25% and March 1–31, 2019, 2.50% (April 1, 2017 to November 30, 2017: 1.00%, December 1, 2017 to February 28, 2018: 1.25% and March 1–30, 2018: 1.50%).

Notes to financial statements (continued)

March 31, 2019 and March 31, 2018

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.

As at March 31

(In thousands of dollars)

	2019	2018
Cash	1,058	3,293
Short-term notes	800	4,545
Bonds	73,885	69,217
Canadian equity securities	60,734	52,996
Foreign equity securities	50,864	50,872
Net other assets/(liabilities)	1,475	256
	<u>188,816</u>	<u>181,179</u>

The short-term notes and bonds yield, on a fair value basis, annual interest of between 0.0–8.7% (2018: 0.0–8.8%) and, at the reporting date, have remaining maturity periods ranging between 1 day to 58 years (2018: 62 days to 91 years). The weighted average yield on investments in Canadian and Foreign equity securities is 2.70% (2018: 2.47%).

The financial assets held in the Diversified fund as at March 31, 2019 are held by:

In thousands of dollars

	2019	2018
Estates and Trusts	97,481	93,494
Administration Fund	91,335	87,685
	<u>188,816</u>	<u>181,179</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.

As at March 31

(In thousands of dollars)

	2019	2018
Cash	102	77
Short-term notes	10,812	3,175
Bonds	55,056	51,681
Canadian equity securities	66,611	70,063
Other assets	1,754	204
	<u>134,335</u>	<u>125,200</u>

Notes to financial statements (continued)

March 31, 2019 and March 31, 2018

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% (2018: 0.0–8.0%) and, at the reporting date, have remaining maturity periods ranging between 76 days to 90 years (2018: 75 days to 91 years). The average yield on investments in Canadian equity securities is 4.54% (2018: 4.47%).

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

	2019	2018
<i>(In thousands of dollars)</i>		
Estates and Trusts	106,715	99,091
Administration Fund	27,620	26,109
	<u>134,335</u>	<u>125,200</u>

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)

	2019	2018
Canadian listed securities	44,653	51,276
United States listed securities	2,186	1,737
Other listed securities	9,931	5,260
Unlisted securities	309	68
	<u>57,079</u>	<u>58,341</u>

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)

	2019	2018
Bonds – Federal Government	58,896	48,850
Bonds – Provincial and Municipal Governments	506,287	612,119
Bonds – Corporate	896,521	707,813
Cash and Accrued Interest	12,316	11,362
	<u>1,474,020</u>	<u>1,380,144</u>

The bonds yield (at cost) annual interest of between 1.55–7.50% (2018: 1.55–5.24%) and, at the reporting date, have remaining maturity periods ranging between 3 days to 6 years (2018: 2 days to 6 years).

The financial assets held in the fixed income funds As at March 31, 2019 are held by:

In thousands of dollars

	2019	2018
Estates and Trusts	1,455,763	1,370,240
Administration Fund	18,257	9,904
	<u>1,474,020</u>	<u>1,380,144</u>

Notes to financial statements (continued)

March 31, 2019 and March 31, 2018

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, the 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, the 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, 2019 and March 31, 2018, 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 recognised 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>	2019	2018
Cash and cash equivalents	88,017	85,382
Accounts receivable	7,281	6,949
Investments at fair value through profit or loss:		
Bonds and other debt securities— client owned	62,530	61,468
Diversified fund	74,891	77,055
Canadian income and dividend fund	65,657	54,933
Fixed income funds	1,474,020	1,380,144
	<u>1,772,396</u>	<u>1,665,931</u>

Notes to financial statements (continued)

March 31, 2019 and March 31, 2018

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

	2019	2018
AAA/Aaa	17.50%	22.96%
AA/Aa	79.19%	74.77%
BBB/Baa	3.31%	2.27%

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

	2019	2018
Government and public sector	62.57%	64.42%
Banks and financial services	26.41%	30.01%
Other corporate	11.02%	5.57%

Past due and impaired assets

No financial assets carried at amortized cost were past due or impaired at March 31, 2018.

5.2 Liquidity risk

Liquidity risk is the risk that 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, 2019, the financial assets and liabilities of Estates and Trusts and the Administration Fund had the following remaining contractual maturity profile:

2019

In thousands of dollars

	Carrying Amount	Less than 3 months	3 to 12 months	>1 year
Financial assets				
Cash and cash equivalents	88,017	88,017	-	-
Accounts receivable	7,281	6,363	-	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	188,816	114,931	1,210	72,675
Canadian income and dividend fund	134,335	68,803	11,727	53,805
Equity securities – client owned	57,079	57,079	-	-
Fixed income funds	1,474,020	215,020	148,401	1,110,599
	<u>2,012,078</u>	<u>573,970</u>	<u>186,807</u>	<u>1,251,301</u>
Financial liabilities				
Accounts payable and accrued liabilities	84,530	7,483	-	77,047
Net assets attributable to beneficiaries of Estates and Trusts	1,941,866	1,617,653	37,698	286,515
	<u>2,026,396</u>	<u>1,625,136</u>	<u>37,698</u>	<u>363,562</u>

Notes to financial statements (continued)

March 31, 2019 and March 31, 2018

5. Financial risk management (continued)

5.2 Liquidity risk (continued)

2018

In thousands of dollars

	Carrying Amount	Less than 3 months	3 to 12 months	>1 year
Financial assets				
Cash and cash equivalents	85,382	85,382	-	-
Accounts receivable	6,949	6,270	-	679
Investments at fair value through profit or loss:				
Bonds and other debt securities – client owned	61,468	23,973	25,442	12,053
Diversified fund	181,179	108,757	107	72,315
Canadian income and dividend fund	125,200	70,171	1,134	53,895
Equity securities – client owned	58,341	58,341	-	-
Fixed income funds	1,380,144	57,312	166,315	1,156,517
	<u>1,898,663</u>	<u>410,206</u>	<u>192,998</u>	<u>1,295,459</u>
Financial liabilities				
Accounts payable and accrued liabilities	79,242	7,649	-	71,593
Net assets attributable to beneficiaries of Estates and Trusts	1,824,750	1,505,956	41,009	277,785
	<u>1,903,992</u>	<u>1,513,605</u>	<u>41,009</u>	<u>349,378</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, 2019.

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

In thousands of dollars

Estates and Trusts

	2019	2018
United States Dollars	35,045	34,499
Euros	4,515	6,539
Other foreign currencies	12,429	11,394
	<u>51,989</u>	<u>52,432</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% (2018: 5%) at March 31. The analysis assumes that all other variables, in particular interest rates, remain constant.

Notes to financial statements (continued)

March 31, 2019 and March 31, 2018

5. Financial risk management (continued)

5.3 Market risk (continued)

5.3.1 Currency risk (continued)

<i>In thousands of dollars</i>	2019	2018
United States Dollars	1,752	1,725
Euros	226	327
Other foreign currencies	621	570
	<u>2,599</u>	<u>2,622</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 a reasonably possible increase of 50-75 basis points in interest rates as at March 31. This is calculated using the average of this range. 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>	2019	2018
Impact on client (Estates and Trusts) and Administration fund assets	(2,412)	(2,309)

A decrease of 50-75 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.

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.

Notes to financial statements (continued)

March 31, 2019 and March 31, 2018

5. Financial risk management (continued)

5.3 Market risk (continued)

5.3.3 Equity price risk (continued)

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

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

	2019	2018
Banks and financial services	52%	54%
Industrial and manufacturing	29%	27%
Information technology	10%	9%
Retail	7%	6%
Other	2%	4%
	100%	100%

Investment managers engaged by the Public Guardian and Trustee estimate future reasonably possible equity price fluctuations for equity securities on an individual investment basis. The table below sets out the impact on the net financial assets and liabilities from a reasonably possible decrease of 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.

In thousands of dollars

	2019	2018
Impact on value of equity securities	(23,529)	(23,227)

A strengthening in the individual equity market prices of 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 \$1,464,956,000 (2018 \$1,359,364,000) and \$153,977,000 (2018: \$130,475,000) respectively. As a result, the fair value of net assets attributable to beneficiaries of Estates and Trust clients is \$1,970,871,000 (2018: \$1,832,719,000).

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 models without observable market information as inputs. The classification determination is based on the lowest level of input that is significant to the valuation.

Notes to financial statements (continued)

March 31, 2019 and March 31, 2018

5. Financial risk management (continued)

5.4 Fair value disclosures (continued)

5.4.2 Fair value hierarchy (continued)

The following fair value hierarchy table presents information about financial assets measured at fair value on a recurring basis as of March 31, 2019 and March 31, 2018.

Estates and Trusts

As of March 31, 2019

In thousands of dollars

Investments at fair value through profit or loss:

	Level 1	Level 2	Level 3	Total
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
	167,300	144,720	-	312,020

As of March 31, 2018

In thousands of dollars

Investments at fair value through profit or loss:

	Level 1	Level 2	Level 3	Total
Bonds and other debt securities – client owned	-	61,468	-	61,468
Diversified fund – equity	53,599	-	-	53,599
Diversified fund – bonds	-	35,718	-	35,718
Canadian income and dividend fund – equity	55,452	-	-	55,452
Canadian income and dividend fund – bonds	-	40,904	-	40,904
Equity securities – client owned	58,277	64	-	58,341
	167,328	138,154	-	305,482

Administration Fund

As of March 31, 2019

In thousands of dollars

Investments at fair value through profit or loss:

	Level 1	Level 2	Level 3	Total
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
	67,679	47,060	-	114,739

As of March 31, 2018

In thousands of dollars

Investments at fair value through profit or loss:

	Level 1	Level 2	Level 3	Total
Diversified fund – equity	50,269	-	-	50,269
Diversified fund – bonds	-	33,499	-	33,499
Canadian income and dividend fund – equity	14,611	-	-	14,611
Canadian income and dividend fund – bonds	-	10,777	-	10,777
	64,880	44,276	-	109,156

The following was used to determine the fair value measurements categorized in Level 2:

- The fair value of bonds and equities 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.

Transfers between fair value hierarchy levels are considered effective from the beginning of the reporting period in which the transfer is identified. During 2019 and 2018 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.

Notes to financial statements (continued)

March 31, 2019 and March 31, 2018

5. Financial risk management (continued)

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 2019	Estates and Trusts 2018	Administration Fund 2019	Administration Fund 2018
Accrued revenue	-	-	1,963	2,712
Balances due from the Federal and Provincial Government, its Agencies and Crown Corporations	-	-	14	25
Balances due from the Administration Fund	2,700	2,118	-	-
Other receivables	2,582	2,070	22	24
	5,282	4,188	1,999	2,761

7. Other assets

As at March 31

In thousands of dollars

Life Insurance	6,661	7,900	-	-
Prepaid Funerals, Cemetery plots and burial Instruments	4,850	5,053	-	-
Vehicles	1,054	762	-	-
Jewellery	887	987	-	-
Furniture and Medical Aid Equipment	853	839	-	-
Collectibles	183	165	-	-
Other	25	267	-	-
Art	10	8	-	-
	14,523	15,981	-	-

Notes to financial statements (continued)
March 31, 2019 and March 31, 2018

8. Accounts payable and accrued liabilities

As at March 31

In thousands of dollars

	Estates and Trusts 2019	Estates and Trusts 2018	Administration Fund 2019	Administration Fund 2018
Accrued expenses	1,899	2,620	2,738	2,709
Balances due to the Federal and Provincial Government, its Agencies and Crown Corporations	24,453	22,843	-	-
Balances due to Estates and Trusts	-	-	2,700	2,118
Other liabilities of Estates and Trust clients	52,740	48,952	-	-
	79,092	74,415	5,438	4,827

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.

9. Fees charged by the Administration Fund to Estates and Trusts

For the period ended March 31

In thousands of dollars

	Administration Fund 2019	Administration Fund 2018
Client trusts	23,700	22,666
Deceased Estates	3,126	3,256
Minors	2,789	2,504
Litigants	2,529	2,306
Cemetery trusts	226	208
Forfeited corporate assets/corporate trusts	15	52
	32,385	30,992

Notes to financial statements (continued)
March 31, 2019 and March 31, 2018

	Estates and Trusts 2019	Estates and Trusts 2018	Administration Fund 2019	Administration Fund 2018
10. Change in fair value on investments at fair value through profit or loss				
<i>For the period ended March 31</i>				
<i>In thousands of dollars</i>				
Bonds and other debt securities – client owned	3,372	4,259	-	-
Diversified fund	4,580	4,073	3,650	4,751
Canadian income and dividend fund	5,644	1,187	1,511	324
Equity securities-client owned	10,833	10,289	-	-
	24,429	19,808	5,161	5,075

	Administration Fund 2019	Administration Fund 2018
11. Salaries, wages and benefits		
<i>For the period ended March 31</i>		
<i>In thousands of dollars</i>		
Salaries and wages	32,949	31,753
Compulsory employer contributions	2,131	2,057
Other benefits	2,164	2,029
Termination benefits	351	306
	37,595	36,145

12. General Administration		
<i>For the period ended March 31</i>		
<i>In thousands of dollars</i>		
Systems Development and Data Processing	2,330	2,104
Miscellaneous expenses	794	657
Leases and rentals	320	304
Security	158	141
Training and education	100	71
	3,702	3,277

Notes to financial statements (continued)

March 31, 2019 and March 31, 2018

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 utilized 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 \$42,480,283 (2018: \$40,572,322) and recovered \$21,782,108 (2018: \$22,091,879), for a net grant by the Province of \$20,698,175 (2018: \$18,480,443).

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(f) (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, 2019 and March 31, 2018

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 2019	Administration Fund 2018
Salaries and Wages	951	947
Employee benefits	19	21

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 \$6,122,217 (2018: \$516,610) 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, \$422,007 (2018: \$133,377) was transferred to the CRF during the year.

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 (j)).

The Public Guardian and Trustee is one of several defendants to a multi- million 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. Comparative information

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