
The Public Guardian and Trustee for the Province of Ontario

Summary of Significant Accounting Policies

March 31, 2007

Nature of Operations The Public Guardian and Trustee for the Province of Ontario ("The Public Guardian and Trustee") performs duties under a number of statutes with the following main responsibilities:

- ◆ the management of estates 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
- ◆ a general supervisory role over charitable property

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

Basis of Accounting The Public Guardian and Trustee prepares its financial statements on an accrual basis and follows Canadian generally accepted accounting principles.

Estates and Trusts Estates and Trusts represent accounts over which The Public Guardian and Trustee acts as guardian or trustee under the *Substitute Decisions Act*, the *Public Guardian and Trustee Act*, the *Crown Administration of Estates Act*, the *Estates Act* and various other statutes.

Administration Fund The Administration Fund is the operating account of The Public Guardian and Trustee. It is used to accumulate fees charged to each estate and trust for services, as prescribed by the Fee Schedule created pursuant to *The Public Guardian and Trustee Act* and to pay operating expenses.

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 Fund receives the net interest income of these investment activities, after interest is distributed on the funds of Estates and Trusts in accordance with the interest rates prescribed by *The Public Guardian and Trustee Act*.

Funds appropriated for specific purposes are identified below.

Special Projects Fund

The Special Projects Fund was established to provide funding for significant special projects of The Public Guardian and Trustee. A portion of the income earned from the Unappropriated Fund, invested in the Diversified Fund, Canadian Income and Dividend Fund, and Fixed Income Funds, is included in revenue for the Special Projects Fund. To date, about \$12 million of the funding has been allocated for the development and implementation of a new trust management technology system.

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 Fund was reimbursed \$258,058 (2006 - \$30,788) and increased by transfer of an additional \$6,000,000 (2006 - \$2,800,000) from the Unappropriated Fund.

Litigation Reserve Fund

The Litigation Reserve Fund is used to cover expenses and costs of legal proceedings paid by The Public Guardian and Trustee on behalf of its litigation clients.

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During the year, legal costs incurred on behalf of clients of \$115,721 (2006 –recoveries exceeded legal costs by \$113,866) were reimbursed from the Unappropriated Fund.

Allowance for Doubtful Accounts Fund

The intent of the Allowance for Doubtful Accounts Fund 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

The Capacity Assessment Fund was set up to cover fees of capacity assessors when a client is unable to pay for the costs of an assessment or re-assessment.

During the year the Fund was reimbursed \$24,309 (2006 - \$18,630) from the Unappropriated Fund.

Cash and Cash Equivalents

Cash and Cash Equivalents includes cash on hand, current bank accounts and short term deposits, if any, with terms to maturity of less than 90 days.

Valuation of Financial Instruments

The Public Guardian and Trustee considers Bonds and Other Debt Issues, the Diversified and Canadian Income and Dividend Funds, and Stocks and Other Securities as financial instruments held for trade. The fair values of these instruments have been determined according to published prices in the active market, where applicable. In determining fair values, adjustments have not been made for transaction costs, as they are not considered to be significant. The change in the difference between the fair value and cost of investments at the beginning and end of each year is reflected in the statements of revenue and expenses.

The Public Guardian and Trustee considers Fixed Income funds which are funds invested in money market instruments and in bonds under a laddered buy-and-hold strategy as financial instruments held to maturity. These financial instruments are reflected in these statements at cost adjusted for the amortization of premiums or discounts on purchase over the period to maturity.

Purchases and sales of these financial instruments are recognized at the settlement date.

The Public Guardian and Trustee is exposed to financial risk as follows:

- Investments are subject to the risk that values will fluctuate due to changes in market interest rates.
- Investments are subject to the risk that values will fluctuate due to changes in foreign exchange rates.
- These risks are mitigated by investing in a diversified portfolio.

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Bonds and other debt issues and Stocks and other securities	Bonds and other debt issues and Stocks and other securities of Estates and Trusts, which are owned by individual clients rather than part of the Public Guardian and Trustee's investment funds, are recorded at year-end quoted market prices where available or the most recently available values received from third parties.
Other Assets	Other Assets of Estates and Trusts are recorded at appraised value at the time of taking over the Estates and Trusts.
Real Estate	Real Estate of Estates and Trusts is recorded at appraised value at the time of taking over the Estates and Trusts.
Deferred Special Project Charges	Costs of a special project for the development and implementation of a new trust management technology system incurred from 2002 to 2007 have been deferred. These charges will be amortized over management's best estimate of the useful life of the system. Amortization will commence in the period in which the system becomes operational.
Foreign Currency Translation	<p>Foreign currency amounts are translated to Canadian dollars as follows: Each asset, liability, revenue or expense is translated into Canadian dollars at the transaction date, by the use of the exchange rate in effect at that date.</p> <p>At the year-end date, US dollar monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date and the resulting foreign exchange gains and losses are included in income in the current period. As of March 31, 2007 The Public Guardian and Trustee held only US dollars in foreign currency.</p>
Revenue Recognition	Revenues of Estates and Trusts from Pension, Social Benefits, Investment, Other and Realized Investment Appreciation are recognized when received or receivable. Net Unrealized Investment Appreciation represents unrealized gains from changes in market value of Bonds and Other Debt Issues, Diversified Fund, Canadian Income and Dividend Fund, and Stocks and Other Securities.
Use of Estimates	The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ from management's best estimates, as additional information becomes available in the future.