

Financial Statements of

ONTARIO TRILLIUM FOUNDATION

And Independent Auditors' Report thereon

Year ended March 31, 2020



KPMG LLP
Vaughan Metropolitan Centre
100 New Park Place, Suite 1400
Vaughan ON L4K 0J3
Canada
Tel 905-265-5900
Fax 905-265-6390

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Ontario Trillium Foundation

Opinion

We have audited the financial statements of Ontario Trillium Foundation (the Entity), which comprise:

- the statement of financial position as at March 31, 2020
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at March 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



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

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

In preparing the financial statements, management is responsible for assessing the Entity'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 management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our 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 auditors' report that includes our 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 the financial statements.

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

We 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 our 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 the Entity's internal control.



Page 3

- 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 the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity 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.
- 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 we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

June 12, 2020

ONTARIO TRILLIUM FOUNDATION

Statement of Financial Position

March 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Cash	\$ 455,137	\$ 880,092
Accounts receivable and other	1,144,488	738,965
Investments (note 2)	175,547,575	166,798,470
Capital assets (note 3)	372,528	661,336
	<u>\$ 177,519,728</u>	<u>\$ 169,078,863</u>

Liabilities and Net Assets

Liabilities:

Accounts payable and accrued liabilities	\$ 1,744,264	\$ 1,969,534
Deferred contributions (note 4(a))	15,065,521	19,480,986
Grants payable (note 4(b))	158,137,901	145,056,301
	<u>174,947,686</u>	<u>166,506,821</u>

Net assets:

Invested in capital assets	372,528	661,336
Unrestricted	2,199,514	1,910,706
	<u>2,572,042</u>	<u>2,572,042</u>

Commitments (note 7)

Subsequent event (note 10)

	<u>\$ 177,519,728</u>	<u>\$ 169,078,863</u>
--	-----------------------	-----------------------

See accompanying notes to financial statements.

On behalf of the Board:

 Chair

 Treasurer

ONTARIO TRILLIUM FOUNDATION

Statement of Operations

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Revenue:		
Ontario government funding (note 4(a))	\$ 132,038,465	\$ 133,398,859
Grants rescinded or recovered (note 4(a))	4,615,019	4,053,896
Investment income (note 4(a))	3,676,623	3,460,780
	<u>140,330,107</u>	<u>140,913,535</u>
Expenses:		
Program activities:		
Grants pledged (note 4(a) and (b))	115,024,900	108,148,100
Grantmaking expenses (note 4(a))	14,125,913	15,035,168
Agent grants paid (note 4(a))	7,255,200	12,849,900
Partnership grants (notes 4(a) and 6)	1,187,400	1,398,272
	<u>137,593,413</u>	<u>137,431,440</u>
Support services (notes 4(a) and 5)	2,418,719	3,104,214
Amortization of capital assets	317,975	377,881
	<u>140,330,107</u>	<u>140,913,535</u>
Excess of revenue over expenses	\$ —	\$ —

See accompanying notes to financial statements.

ONTARIO TRILLIUM FOUNDATION

Statement of Changes in Net Assets

Year ended March 31, 2020, with comparative information for 2019

			2020	2019
	Invested in capital assets	Unrestricted	Total	Total
Net assets, beginning of year	\$ 661,336	\$ 1,910,706	\$ 2,572,042	\$ 2,572,042
Excess (deficiency) of revenue over expenses	(317,975)	317,975	–	–
Purchase of capital assets	29,167	(29,167)	–	–
Net assets, end of year	\$ 372,528	\$ 2,199,514	\$ 2,572,042	\$ 2,572,042

See accompanying notes to financial statements.

ONTARIO TRILLIUM FOUNDATION

Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Amortization of capital assets which does not involve cash	\$ 317,975	\$ 377,881
Change in non-cash operating items	8,035,342	(18,128,657)
	<u>8,353,317</u>	<u>(17,750,776)</u>
Capital activities:		
Net purchase of capital assets	(29,167)	(133,385)
Investing activities:		
Purchase of investments	(547,490,216)	(1,205,798,400)
Disposal of investments	538,741,111	1,224,077,456
	<u>(8,749,105)</u>	<u>18,279,056</u>
Increase (decrease) in cash	(424,955)	394,895
Cash, beginning of year	880,092	485,197
Cash, end of year	<u>\$ 455,137</u>	<u>\$ 880,092</u>

See accompanying notes to financial statements.

ONTARIO TRILLIUM FOUNDATION

Notes to Financial Statements

Year ended March 31, 2020

Ontario Trillium Foundation (the "Foundation" or "OTF"), an agency of the Ministry of Heritage, Sports, Tourism and Culture Industries ("MHSTCI"), is financially supported by the Ontario government. OTF began operations as an arm's-length agency of the Ontario government on August 23, 1982 and was incorporated without share capital under the laws of Ontario under letters patent dated November 17, 1982. OTF's purpose is to build healthy and vibrant communities throughout Ontario, by strengthening the capacity of the voluntary sector through investments in community-based initiatives.

Government funding is subject to Memoranda of Understanding that define how the funds must be invested and distributed.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards, including the 4200 standards for government not-for-profit organizations.

(a) Revenue recognition:

OTF follows the deferral method of accounting for contributions, which include government funding. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted contributions are deferred and recognized as revenue in the year in which the related expenses are incurred.

Investment income is recorded on the accrual basis.

(b) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. The Foundation has not elected to carry any such financial instruments at fair value.

Financial instruments are adjusted by transaction amortized costs incurred on acquisition and financing costs, which are amortized using the effective interest rate method.

ONTARIO TRILLIUM FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2020

1. Significant accounting policies (continued):

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations.

As financial instruments are recorded at cost or amortized costs, a statement of remeasurement gains and losses has not been included.

(c) Grants:

Grants awarded by the Foundation are recorded as grants pledged expenses in the year that the Foundation approves the grant.

Grants awarded by third party organizations for which the Foundation acts as an administrative agent are recorded as agent grant payments when payments are issued.

(d) Allocation of support services expenses:

The Foundation classifies expenses on the statement of operations by function. The Foundation allocates certain costs by identifying the appropriate basis of allocating and applying that basis consistently each year. The Foundation allocates its support services expenses proportionately on a per capita basis.

(e) Capital assets:

Capital assets are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over the following periods:

Furniture and fixtures	5 years
Computer hardware	4 years
Computer software	3 years
Leasehold improvements	Term of lease

(f) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to estimates and assumptions include the allocation of expenses. Actual results could differ from those estimates.

ONTARIO TRILLIUM FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2020

2. Investments:

	2020	2019
Short-term investments	\$ 61,766,678	\$ 52,591,286
Bonds	39,583,527	40,678,714
Laddered bond portfolio	74,197,370	73,528,470
	<u>\$ 175,547,575</u>	<u>\$ 166,798,470</u>

All investments, excluding the laddered bond portfolio, are in cash or cash equivalents, or in fixed income securities and mature within the next 12 months (2019 - 12 months). These fixed income investments bear interest from 1.00% to 2.17% (2019 - 1.35% to 2.31%).

In OTF's laddered bond portfolio, all bond investments are in fixed income securities and have maturity dates between two months and three years (2019 - six months and three years). These investments bear interest from 0.38% to 2.37% (2019 - 0.75% to 4.20%).

The Ontario Financing Authority acts as OTF's investment manager under an investment management agreement that adheres to OTF's policies and procedures governing risk and also includes additional risk concern measures.

All investments purchased starting April 1, 2019 are recorded at cost. Investments purchased prior to April 1, 2019 are recorded at amortized cost.

3. Capital assets:

			2020	2019
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and fixtures	\$ 1,030,005	\$ 967,413	\$ 62,592	\$ 98,415
Computer hardware	1,161,485	1,060,578	100,907	220,175
Computer software	1,085,881	1,085,881	–	–
Leasehold improvements	1,430,912	1,221,883	209,029	342,746
	<u>\$ 4,708,283</u>	<u>\$ 4,335,755</u>	<u>\$ 372,528</u>	<u>\$ 661,336</u>

ONTARIO TRILLIUM FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2020

4. Deferred contributions and grants payable:

- (a) Deferred contributions represent funding received from Ministries that has not yet been pledged as grants, paid to Local Poverty Reduction Fund ("LPRF") grantees or spent on operations. These funds are restricted until grants are approved by the Board of Directors and pledged to third parties, LPRF grant conditions are met and payments are made or until operating expenditures are made. OTF has controls in place to ensure that the restrictions on grant pledges are met prior to utilization of these funds.

	2019					
	General operations	Youth Opportunities Fund	Local Poverty Reduction Fund	Ontario150 Community Capital Fund	Total	Total
Deferred contributions, beginning of year	\$ 12,201,433	\$ 1,329,546	\$ 4,539,361	\$ 1,410,646	\$ 19,480,986	\$ 21,547,845
Funding received:						
Ministry of Heritage, Sports, Tourism, and Culture Industries	103,497,000	–	–	–	103,497,000	100,000,000
Ministry of Children, Community and Social Services	–	16,826,000	7,300,000	2020	24,126,000	31,332,000
	103,497,000	16,826,000	7,300,000	–	127,623,000	131,332,000
Investment income recorded as revenue	3,109,272	471,988	95,363	–	3,676,623	3,460,780
Grants pledged	(101,801,800)	(13,223,100)	–	–	(115,024,900)	(108,148,100)
Agent grants paid	–	–	(7,255,200)	–	(7,255,200)	(12,849,900)
Grantmaking expenses	– (10,561,115)	(2,954,289)	(610,509)	–	(14,125,913)	(15,035,168)
Support services	(2,418,719)	–	–	–	(2,418,719)	(3,104,214)
Amortization	(317,372)	(483)	(120)	–	(317,975)	(377,881)
Partnership grants	(1,187,400)	–	–	–	(1,187,400)	(1,398,272)
Grants rescinded or recovered	4,449,113	160,506	–	5,400	4,615,019	4,053,896
Amounts recognized as Ontario government funding	(108,728,021)	(15,545,378)	(7,770,466)	5,400	(132,038,465)	(133,398,859)
Change during the year	(5,231,021)	1,280,622	(470,466)	5,400	(4,415,465)	(2,066,859)
Deferred contributions, end of year	\$ 6,970,412	\$ 2,610,168	\$ 4,068,895	\$ 1,416,046	\$ 15,065,521	\$ 19,480,986

ONTARIO TRILLIUM FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2020

4. Deferred contributions and grants payable (continued):

Youth Opportunities Fund:

On November 7, 2013, the Foundation signed an agreement with the Ministry of Children and Youth Services ("MCYS") to administer the Youth Opportunities Fund ("YOF") to provide grants for community-based and positive youth development projects that improve conditions for youth who face multiple barriers to positive outcomes in the Greater Toronto Area. On October 8, 2015, the Foundation signed an amending agreement to expand the YOF program throughout the province. On August 30, 2016, the Foundation signed a service contract with MCYS to deliver additional YOF grants, focused on civic engagement, supported through the time-limited Ontario150 initiative. In 2019, the program was expanded to include the Family Innovation Stream.

Local Poverty Reduction Fund:

On November 19, 2015, the Foundation signed an agreement with the Provincial Government and MHSTCI to act as an administrative agent for the Local Poverty Reduction Fund, a granting program to provide funding to support innovative, community-driven projects that measurably improve the lives of those most affected by poverty. The transactions are deferred until such time that grant payments are made or operating expenses are incurred. The Ministry of Children, Community and Social Services ("MCCSS") is responsible for application review and approval, and the Foundation supports applicants through the application process and manages the grants once they are approved.

The total funding to be received from MCCSS is \$50,000,000 over six years. During 2020, \$7,300,000 (2019 - \$14,306,000) was received, and \$7,255,200 (2019 - \$12,849,900) is included in agent grants paid.

Ontario150 Community Capital Program:

On December 13, 2016, the Foundation signed an agreement with MHSTCI to administer the Ontario150 Community Capital Program, a one-time funding program launched as part of the Province of Ontario's 150th anniversary. The purpose of the program was to strengthen communities by supporting the repair, renovation or retrofitting of existing infrastructure to better address the diverse needs of Ontario communities while fostering economic growth.

ONTARIO TRILLIUM FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2020

4. Deferred contributions and grants payable (continued):

(b) Once OTF pledges grants for distribution, the grants are recorded as grants payable. Grants pledged and not yet distributed are payable, subject to the receipt of funds by OTF and to certain performance conditions placed on the recipients. The continuity of Community Investment grants payable is as follows:

	2020	2019
Grants pledged	\$ 115,024,900	\$ 108,148,100
Grants rescinded	(3,085,200)	(2,805,500)
Grants paid	(99,192,600)	(121,682,000)
	12,747,100	(16,339,400)
Grants payable, beginning of year	144,615,500	160,954,900
Grants payable, end of year	\$ 157,362,600	\$ 144,615,500

Grants are payable to various organizations in the fiscal years ending March 31 as follows:

2021	\$ 83,177,100
2022	44,038,700
2023	25,195,900
2024	3,824,100
2025	1,126,800
	\$ 157,362,600

Included in grants payable is \$775,301 (2019 - \$440,801) relating to partnership grants.

5. Allocation of expenses:

The Foundation allocates certain of its support services expenses based on the proportion of the total staff directly involved with grantmaking and partnership grants. The following percentages were used to calculate the allocation: grantmaking, 48.8% (2019 - 45.0%) and partnership grants, 0.8% (2019 - 2.0%).

Support services reported in the statement of operations of \$2,418,719 (2019 - \$3,104,214) are reported after allocation of \$3,120,142 (2019 - \$2,362,416) to grantmaking expenses and \$40,602 (2019 - \$115,240) to partnership grants.

ONTARIO TRILLIUM FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2020

6. Partnership grants:

Partnership grants are grants to non-profit organizations that perform activities such as convening, knowledge sharing, capacity building and providing technical assistance to the sector. These partnerships are innovative in nature and their objective is to maximize impact across the sector and the province. Grants are issued in accordance with OTF's Partnership Investment Framework which was formalized in April 2018.

7. Commitments:

Future minimum annual rental payments for premises under operating leases are as follows:

2021	\$ 1,423,000
2022	734,100
2023	17,300
2024	17,300
	<hr/>
	\$ 2,191,700

In relation to these leases, OTF has agreed to indemnify the landlord against losses occurring on the lease premises which may arise out of a breach of the lease agreement.

8. Indemnification of officers and directors:

OTF has indemnified its past, present and future directors, officers, employees and volunteers against expenses (including legal expenses), judgments, and any amount actually or reasonably incurred by them in connection with any action, suit or proceeding in which the directors are used as a result of their service, if they acted honestly and in good faith with a view to the best interests of OTF. The nature of the indemnity prevents OTF from reasonably estimating the maximum exposure. OTF has purchased directors' and officers' liability insurance with respect to this indemnification.

ONTARIO TRILLIUM FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2020

9. Financial risks:

(a) Liquidity risk:

Liquidity risk is the risk that the Foundation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Foundation manages its liquidity risk by monitoring its operating requirements. The Foundation prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Accounts payable and accrued liabilities are generally due within 60 days of receipt of an invoice.

There have been no significant changes to the liquidity risk exposure from 2019.

(b) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates, will affect the Foundation's income or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment.

Due to the COVID-19 pandemic as noted in subsequent event note 10, the markets are experiencing fluctuation that does expose the Foundation to increased market risk as compared to 2019.

(c) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Foundation to cash flow interest rate risk. The Foundation is exposed to this risk through its investments.

As at March 31, 2020, had prevailing interest rates increased or decreased by 1%, assuming a parallel shift in the yield curve, with all other variables held constant, the estimated impact on the market value of bonds would approximate \$1,100,000.

The Foundation's investments are disclosed in note 2.

Due to the COVID-19 pandemic as noted in subsequent event note 10, the markets are experiencing fluctuation that does expose the Foundation to enhanced interest rate risk as compared to 2019.

ONTARIO TRILLIUM FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2020

10. Subsequent event:

In the month of March, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. Financial statements are required to be adjusted for events occurring between the date of the financial statements and the date of the auditors' report which provide additional evidence relating to conditions that existed as at year end. Management completed this assessment and did not identify any such adjustments. The current events and conditions are expected to be temporary, however there is uncertainty around the length of the disruption and impact on future operations. As a result, an estimate of the financial effect of these items is not practicable at this time.