
Financial statements of Ontario Capital Growth Corporation

March 31, 2020

June 26, 2020

Management's Responsibility for Financial Reporting

The accompanying financial statements of the Ontario Capital Growth Corporation (OCGC) have been prepared in accordance with Canadian public sector accounting standards and are the responsibility of Management. The preparation of financial statements necessarily involves the use of estimates based on Management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to March 31, 2020.

Management maintains a system of internal controls designed to provide a reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provide for appropriate delegation of authority and segregation of responsibilities. The Ontario Internal Audit Division of the Ministry of Finance has the ability to independently evaluate the effectiveness of these internal controls on an ongoing basis and, as applicable, report its findings to Management and the Audit and Risk Committee of the Board of Directors.

The Board of Directors is responsible for ensuring that Management fulfills its responsibilities for financial reporting and internal controls. The Audit and Risk Committee assists the Board of Directors in carrying out these responsibilities. It meets periodically with Management, internal auditors and the external auditor, as applicable, to deal with issues raised by them and to review the financial statements before recommending approval by the Board of Directors.

The financial statements have been audited by an independent auditor, Deloitte LLP. The auditor's responsibility is to express an opinion on whether OCGC's financial statements fairly represent OCGC's financial position in accordance with Canadian public sector accounting standards. The auditor's report, which appears on the following page, outlines the scope of the auditor's examination and its opinion.

On behalf of Management:



Steve Romanyshyn, President and Chief Executive Officer

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Independent Auditor's Report

To the Board of Directors of
Ontario Capital Growth Corporation

Opinion

We have audited the financial statements of the Ontario Capital Growth Corporation, which comprise the statement of financial position as at March 31, 2020, and the statements of operations and changes in accumulated operating surplus, remeasurement gains and losses, change in net financial assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Ontario Capital Growth Corporation as at March 31, 2020, and the results of its operations, change in net financial assets 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 ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the financial statements* section of our report. We are independent of the Ontario Capital Growth Corporation 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.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Annual Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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 Ontario Capital Growth Corporation'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 Ontario Capital Growth Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Ontario Capital Growth Corporation's financial reporting process.

Auditor's 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 auditor's 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 GAAS 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 GAAS, 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 Ontario Capital Growth Corporation'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 the Ontario Capital Growth Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Ontario Capital Growth Corporation 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Ontario Capital Growth Corporation to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We 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.

Original signed by Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
June 26, 2020

Ontario Capital Growth Corporation

Statement of financial position

As at March 31, 2020

(Amounts in Canadian dollars)

	Notes	2020 \$	2019 \$
Financial assets			
Cash and cash equivalents		18,415,576	13,164,754
Marketable securities	5	204,560,761	177,454,377
Accounts receivable	4	25,601,043	31,968,630
Ontario Venture Capital Fund LP – OVCF	6	76,693,451	79,425,289
Ontario Emerging Technologies Fund – OETF	7 and 14	17,930,684	27,819,978
Northleaf Venture Catalyst Fund LP – NVCF	8	50,000,000	50,000,000
ScaleUP Venture Fund I LP – SUVF	9	17,739,443	13,500,000
Yaletown Innovation Growth LP – Yaletown	10	8,200,000	3,800,000
Lumira Ventures III LP – Lumira	11	7,775,982	—
Genesys Ventures III LP – Genesys	12	7,352,914	—
		434,269,854	397,133,028
Liabilities			
Accounts payable and accrued liabilities	17	425,918	293,131
Net financial assets		433,843,936	396,839,897
Non financial assets	22	—	—
Accumulated surplus		433,843,936	396,839,897
Contractual commitments	13		
Accumulated surplus is comprised of			
Accumulated operating surplus		433,389,779	395,786,260
Accumulated remeasurement gains		454,157	1,053,637
		433,843,936	396,839,897

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

Approved by the Board



, Director



, Director

Ontario Capital Growth Corporation

Statement of operations and changes in accumulated operating surplus

Year ended March 31, 2020

(Amounts in Canadian dollars)

	Notes	Budget \$	2020 Actual \$	2019 Actual \$
Revenue				
Funding and transfer payments from the Province of Ontario				
OETF	7	2,000,000	1,640,000	1,050,000
Venture Ontario Fund – VOF	20	25,000,000	25,000,000	26,640,000
Interest income		3,259,000	3,982,476	3,228,281
Investment loss on OETF portfolio investments	15	—	(44,236)	—
Investment income on distribution from OVCF		369	132	29,654
Investment income on distribution from Yaletown		6,631	6,631	5,192
Realized capital (loss) gain on OETF investments			(80,171)	3,878,740
Capital gain on distribution from OVCF		261,000	16,598,326	607,391
Expression of Interest expense recovery from funds				
Prior period		134,000	133,977	—
Current period		74,000	74,207	—
Foreign exchange gain (loss)	3	(234,000)	1,097,505	334,722
		30,501,000	48,408,847	35,773,980
Expenses				
Reimbursements to the Ministry	17	1,042,000	1,059,466	1,075,543
Cash management fees	13	44,000	33,902	34,138
Professional services fees	13	319,000	376,047	499,325
Board and committee member expenses		5,000	3,783	4,399
Impairment of OETF portfolio investments	16	—	9,332,130	1,984,500
		1,410,000	10,805,328	3,597,905
Annual surplus		29,091,000	37,603,519	32,176,075
Accumulated operating surplus, beginning of year		395,786,260	395,786,260	363,610,185
Accumulated operating surplus, end of year		424,877,260	433,389,779	395,786,260

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

Ontario Capital Growth Corporation
Statement of remeasurement gains and losses

Year ended March 31, 2020
(Amounts in Canadian dollars)

	Budget \$	2020 Actual \$	2019 Actual \$
Accumulated remeasurement gains, beginning of year	1,053,637	1,053,637	978,098
Unrealized (losses) gains attributable to			
Foreign exchange	—	(29,254)	166,497
Marketable securities	—	(21,212)	40,840
OETF portfolio investments	(53,637)	(549,014)	(131,798)
	(53,637)	(599,480)	75,539
Accumulated remeasurement gains, end of year	1,000,000	454,157	1,053,637

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

Ontario Capital Growth Corporation
Statement of change in net financial assets

Year ended March 31, 2020

(Amounts in Canadian dollars)

	Budget	2020 Actual	2019 Actual
	\$	\$	\$
Annual surplus	29,091,000	37,603,519	32,176,075
Net remeasurement (losses) gains	(53,637)	(599,480)	75,539
Increase in net financial assets	29,037,363	37,004,039	32,251,614
Net financial assets, beginning of year	396,839,897	396,839,897	364,588,283
Net financial assets, end of year	425,877,260	433,843,936	396,839,897

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

Ontario Capital Growth Corporation

Statement of cash flows

Year ended March 31, 2020

(Amounts in Canadian dollars)

	2020	2019
	\$	\$
Operating transactions		
Annual surplus	37,603,519	32,176,075
Realized (losses) gains on sale of OETF investments	80,171	(3,878,740)
Realized gains on sale of OVCF investments	(16,598,326)	(607,391)
Impairment of OETF portfolio investment	9,332,130	1,984,500
Changes in non-cash operating balances		
Decrease (increase) in accounts receivable	6,367,587	(30,592,328)
Increase in accounts payable and accrued liabilities	132,787	57,157
	36,917,868	(860,727)
Investing transactions		
Proceeds from disposal and redemptions of marketable securities	672,888,770	563,319,203
Purchase of marketable securities	(700,016,366)	(547,368,960)
Purchase of investments in OVCF	(2,970,000)	(8,685,000)
Proceeds from investments in OVCF	16,598,326	607,391
Return of capital from OVCF	5,701,838	636,497
Purchase of investments in SUVF	(4,239,443)	(7,250,000)
Purchase of investments in Yaletown	(4,400,000)	(2,800,000)
Purchase of investments in Lumira	(7,775,982)	—
Purchase of investments in Genesys	(7,352,914)	—
Sale of investments in OETF	42,080	5,336,111
Purchase of investments in OETF	(143,355)	(442,048)
	(31,667,046)	3,353,194
Increase in cash and cash equivalents during the year	5,250,822	2,492,467
Cash and cash equivalents, beginning of year	13,164,754	10,672,287
Cash and cash equivalents, end of year	18,415,576	13,164,754

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

Ontario Capital Growth Corporation

Notes to the financial statements

March 31, 2020

(Amounts in Canadian dollars)

1. Description of business

The Ontario Capital Growth Corporation (OCGC or the Corporation) is a corporation without share capital, established under the Ontario Capital Growth Corporation Act, 2008 (the Act), which was proclaimed in force as at February 1, 2009 as an agency of the Ministry of Research and Innovation (MRI). In July 2018, the responsible Ministry was reorganized as the Ministry of Economic Development, Job Creation and Trade (collectively, the Ministry). As at March 31, 2020, OCGC is responsible to the Minister of Economic Development, Job Creation and Trade (the Minister).

The legislative authority of the Corporation is set out in the Act. Under Section 4 of the Act, the objects of the Corporation are:

- (a) to receive, hold, administer and otherwise deal with the interest of the Government of Ontario in the limited partnership known as the Ontario Venture Capital Fund LP;
- (b) to receive, hold and deal with property, whether real or personal, in connection with the objects described above; and
- (c) to carry out the other objects or investments or classes of investments that are prescribed by regulations.

Ontario Regulation 278/09 made under the Act prescribe additional objects of the Corporation. The following are prescribed as classes of investments for the purposes of Section 4 of the Act:

- (i) Investments in venture capital funds that invest in,
 - (1) for-profit businesses, if the venture capital fund's investments include investments in private businesses, or
 - (2) other venture capital funds that invest in for-profit businesses if the other venture capital fund's investment includes investments in private businesses.
- (ii) Investments in for-profit businesses that are,
 - (1) private businesses, or
 - (2) public businesses, if the Corporation,
 - (a) invested in the business when it was a private business, or
 - (b) has an investment in a venture capital fund described in paragraph 1 that made a direct or indirect investment in the business when it was a private business.
- (iii) Investments in businesses that the Corporation considers to be emerging technology businesses, which portfolio shall be known in English as the Ontario Emerging Technologies Fund and in French as Fonds ontarien de développement des technologies émergentes.

The following are prescribed as additional objects of the Corporation for the purposes of Section 4 of the Act:

- (1) To develop or participate in conferences or other events regarding venture capital matters.
- (2) To collect, analyze or distribute information regarding venture capital matters.
- (3) To provide advice to the Government of Ontario on venture capital matters.
- (4) To undertake other activities that are similar or related to the objects described in paragraphs 1, 2 and 3

As of March 31, 2020, the Corporation has venture capital investments outstanding in seven funds: (1) the Ontario Venture Capital Fund LP (OVCF); (2) the Ontario Emerging Technologies Fund (OETF); (3) the Northleaf Venture Catalyst Fund LP (NVCF); (4) the ScaleUP Venture Fund I, LP (SUVF); (5) the Yaletown Innovation Growth LP (Yaletown); (6) the Lumira Ventures III, LP (Lumira); and (7) the Genesys Ventures III LP (Genesys). Additional information leading to the formation of the funds may be found in Notes 6, 7, 8, 9, 10, 11 and 12 respectively.

Ontario Capital Growth Corporation

Notes to the financial statements

March 31, 2020

(Amounts in Canadian dollars)

1. Description of business (continued)

As required by the Agencies and Appointments Directive, the Corporation and the Minister have entered into a memorandum of understanding, which outlines the operational, administrative, financial and other relationships that exist between the Minister, the Ministry and the Corporation.

OCGC claims exemption from federal and provincial income taxes under paragraph 149(1)(d) of the Income Tax Act (Canada). As a provincial entity listed in Schedule A of the Canada-Ontario Reciprocal Taxation Agreement, OCGC can claim government rebates of the Harmonized Sales Tax (HST). Under the pay-and-rebate model, OCGC pays the HST on taxable supplies and services, and subsequently applies for a rebate of the HST paid.

The Province of Ontario has classified OCGC as an Operational Enterprise Agency with the same fiscal year ending March 31.

2. Summary of significant accounting policies

The Corporation's functional and presentation currency is the Canadian dollar. These financial statements have been prepared in accordance with Canadian public sector accounting standards (PSAS) established by the Canadian Public Sector Accounting Board. The more significant accounting policies of the Corporation are summarized below.

Cash and cash equivalents

Cash and cash equivalents include demand deposits that are readily convertible into known amounts of cash and that are subject to an insignificant risk of change in value. Cash equivalents include investments that are short-term and highly liquid and have maturities of less than three months from the original purchase date.

Marketable securities

Investments in securities that are traded in an active market are measured at fair value as at March 31, with any unrealized gain or loss recognized on the statement of remeasurement gains and losses. Remeasurement gains and losses related to a particular investment are reclassified to the statement of operations and changes in accumulated operating surplus when that investment is settled. Fair value includes the value of accrued interest, as applicable.

Investments in securities that are not traded in an active market are measured at cost. Impairment losses, which are other than temporary, are recognized in the statement of operations and changes in accumulated operating surplus when they occur.

Investments in limited partnerships

Investments in OVCF, NVCF, SUVF, Yaletown, Lumira and Genesys are classified as financial instruments and carried at cost based on the capital calls made by their respective general partner. These investments are not traded in an active market; therefore, the fair values of the investments are not readily determinable. The investments are subsequently tested for impairment annually and any losses due to impairment are recognized immediately in the statement of operations and changes in accumulated operating surplus.

Ontario Capital Growth Corporation

Notes to the financial statements

March 31, 2020

(Amounts in Canadian dollars)

2. Summary of significant accounting policies (continued)

Ontario Emerging Technologies Fund (OETF)

The investments in OETF are classified as financial instruments and carried at cost or measured at fair value based on whether or not there exists an active market for the securities. OETF investments quoted in an active market are measured at fair value as at the statement of financial position date with any unrealized gain or loss recognized on the statement of remeasurement gains and losses. Remeasurement gains and losses are reclassified to the statement of operations and changes in accumulated operating surplus when an investment becomes impaired or is derecognized. Impairment losses that are other than temporary are recorded to the statement of operations and changes in accumulated operating surplus when recognized. Fair value includes the value of accrued interest or dividends payable, as applicable.

When an OETF investment is not traded in an active market, it is measured at cost. OETF investments are tested for impairment annually and any impairment losses are recognized immediately in the statement of operations and changes in accumulated operating surplus.

Accrued interest, dividends and realized gains on the sale of OETF investments are recorded as described below under revenue recognition. If the Corporation has evidence the amounts owing will be collected, these amounts are accrued as receivable; otherwise, a reserve is taken against these amounts. If, in a future year, the Corporation receives an amount that had been written off, it is recorded as a recovery that had been previously deemed uncollectible. Amounts written off or recovered are recognized in the statement of operations and changes in accumulated operating surplus in the year in which they occur.

Fair value and impairment

The Corporation's carrying values of cash and cash equivalents, accounts receivable and accounts payable approximate their fair values due to the immediate or short-term nature of these financial instruments.

The fair values of investments in OVCF, NVCF, SUVF, Yaletown, Lumira and Genesys are not readily determinable and have been recorded at cost. The funds do not have a quoted market price in an active market. Subject to an impairment assessment policy, the Corporation may carry out periodic testing of fund investments to determine whether there has been an other than temporary loss in value that would indicate impairment. If the investment is determined to be impaired, it is written down to the new carrying value and the resulting impairment loss is recognized immediately in the statement of operations and changes in accumulated operating surplus.

The investments made in OETF portfolio companies are recorded at cost, which represents fair value at the time of acquisition. Investments in OETF that are quoted in an active market are measured at fair value at March 31. Any unrealized gain or loss is recognized in the statement of remeasurement gains and losses until the investment is derecognized in which the gain or loss is recognized in the statement of operations and changes in accumulated operating surplus. All other investments in OETF are measured at cost or amortized cost. As part of the reporting process to the Province of Ontario, the Corporation is required to carry out periodic valuations of OETF investments to determine whether there has been an other than temporary loss in value that would indicate impairment. If the investments are determined to be impaired, they are written down to the new carrying value and the impairment expense is recognized immediately in the statement of operations and changes in accumulated operating surplus. Furthermore, to the extent that a security held in OETF represents a compound financial instrument with an embedded derivative, such as an equity conversion option, the value of that derivative at acquisition should be measured at fair value unless that derivative is linked to and must be settled by delivery of unquoted equity instruments, in which case, the derivative would be required to be measured at cost. For derivatives classified to the fair value category, value is first determined by referencing a quoted price in an active market, or in the absence of this, by applying a suitable valuation technique.

Ontario Capital Growth Corporation

Notes to the financial statements

March 31, 2020

(Amounts in Canadian dollars)

2. Summary of significant accounting policies (continued)

Revenue recognition

Interest income is recognized as it is earned. For marketable securities and OETF investments, interest income is accrued using the effective interest rate method. Interest income is recorded on an accrual basis in accordance with the terms of the purchase agreement and to the extent that such amounts are expected to be collected.

Dividend income is recognized in the year the Corporation becomes entitled to receive the dividend as per the terms and conditions of the share issuance.

Realized gains on the sale of OETF investments are recognized in the year the Corporation becomes entitled to receive the proceeds as per the terms and conditions of the respective disposition.

Distributions from OVCF, NVCF, SUVF, Yaletown, Lumira and Genesys are recognized in the year the Corporation becomes entitled to receive the distribution as per the terms and conditions of the respective limited partnership agreement.

OCGC has a number of transfer payment agreements, such as: OETF, NVCF, SUVF, CEF, LSVCF and VOF, where the funding received represents monies transferred from the Ministry to the Corporation, as described in Notes 7, 8, 9, 18, 19 and 20, respectively. The funding is recognized when received. CEF refers to the Cleantech Equity Fund, which the Corporation has made an initial \$20 million investment commitment to Yaletown. LSVCF refers to the Life Science Venture Capital Fund initiative, which the Corporation has made initial investments of \$23 million to Lumira and \$17 million to Genesys. VOF refers to the Venture Ontario Fund initiative.

Expense categories

Cash management fees primarily represent fees paid to the Ontario Financing Authority (OFA) for cash management and related services.

Professional fees relate to fees paid to third party service providers.

Board and committee member expenses represent monies paid to board and committee members according to the Board and Committee Members Remuneration Policy, which conforms with the Agencies and Appointments Directive of Management Board of Cabinet. In 2015, the Canada Revenue Agency (CRA) ruled that part-time per diem appointees (PTPDAs) are to be treated as employees for tax purposes only. This means that HST may not be paid for per diem services, since CRA does not consider appointee services (a) to be taxable supply; and (b) Employment Insurance is applicable. PTPDAs cannot participate in Canada Pension Plan with respect to their PTPDA services.

Reimbursements to the Ministry represent direct OCGC expenses paid by the Ministry on its behalf for administrative purposes only.

Foreign currency translation

Foreign currency gains and losses on monetary items are recognized immediately in the statement of operations and changes in accumulated operating surplus. Unrealized foreign currency gains and losses on marketable securities and investments in funds are recognized in the statement of remeasurement gains and losses. Unrealized foreign currency exchange gains and losses are reclassified from the statement of remeasurement gains and losses to the statement of operations and changes in accumulated operating surplus when the financial instrument is derecognized.

Ontario Capital Growth Corporation

Notes to the financial statements

March 31, 2020

(Amounts in Canadian dollars)

2. Summary of significant accounting policies (continued)

Measurement uncertainty

The preparation of financial statements in accordance with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Such estimates are based on the best information available at the time of preparation of the financial statements and are periodically reviewed to reflect new information as it becomes available. Actual results could differ from those estimates.

3. Financial instruments

The Corporation has exposure to credit risk, liquidity risk, currency risk, interest rate risk and other price risk arising from financial instruments. This note presents information about OCGC's exposure to each of these risks.

Credit risk

Credit risk arises from the potential a counterparty will fail to perform its obligations. The Corporation is currently exposed to credit risk through its holdings of convertible debt instruments in OETF.

The Corporation considers obligations of the Governments of Ontario and Canada to be relatively risk-free (Note 5).

Liquidity risk

Liquidity risk is the risk an entity will encounter difficulty in raising funds to meet both expected and unexpected cash demands associated with its financial liabilities. The Corporation manages liquidity risk by maintaining holdings of cash or highly liquid investments. In addition, the Ministry provides funding to the Corporation to meet obligations as required.

Currency risk

Currency risk is the risk to the Corporation's results of operations that arises from fluctuations of foreign currency exchange rates and the degree of volatility of these rates. The Corporation's exposure to foreign currency exchange risk is limited to holding US dollar cash and cash equivalents and holding OETF investments denominated in US dollars. OCGC does not hedge its US dollar exposure. The Corporation had a net exposure of \$13,747,481 US dollar as at March 31, 2020 (\$14,059,597 in 2019). A 5% increase (5% decrease) of the Canadian dollar against the US dollar as at March 31, 2020 would result in an impact of \$687,374 (\$702,980 in 2019) on the statement of remeasurement gains and losses with no impact on the operating surplus. In practice, the actual trading results may differ from this sensitivity analysis and the impact could be material.

Interest rate risk

Interest rate risk is the risk the value of a financial instrument might be adversely affected by a change in interest rates. In seeking to minimize the risks from interest rate fluctuations, the Corporation manages exposure through its normal operating and financing activities. The Corporation is exposed to interest rate risk primarily through its short-term marketable securities and OETF investments. Risks from interest rate fluctuations for marketable securities are minimal due to the investments being held for a term of three years or less to match the limited partnership drawdowns projected by their respective fund managers. The impact of interest rate fluctuations on OETF investments are considered minimal as these instruments are primarily held for purposes of capital appreciation.

Ontario Capital Growth Corporation

Notes to the financial statements

March 31, 2020

(Amounts in Canadian dollars)

3. Financial instruments (continued)

Other price risk

Other price risk is the risk the value of financial instruments will fluctuate as a result of changes in market prices or from factors specific to an individual investment. The maximum risk resulting from the financial instruments is equivalent to their fair value. The marketable securities consist of treasury bills that are not subject to significant price risk. As at March 31, 2020, if the value of the investments in OVCF, NVCF, SUVF, Yaletown, Lumira, Genesys and OETF had increased or decreased by 5% and all other variables held constant, the value of the investments would have changed by \$9,284,624 (\$8,727,263 in 2019). Investments made through OVCF, NVCF, SUVF, Yaletown, Lumira, Genesys or in OETF are highly illiquid, do not have a readily determinable market price, and are generally in early stage companies where the ultimate value that may be realized by OCGC on eventual disposition is inherently unpredictable.

Returns on these investments will depend on factors specific to each company (such as financial performance, product viability and quality of management), and external forces (such as the economic environment and technological progress by competitors). The carrying value of the OETF portfolio is measured at cost less changes for any other than temporary impairment in value at the statement of financial position date; however, the amounts that may ultimately be realized could be materially different.

4. Accounts receivable

As a Schedule A provincial agency, OCGC is required to follow the pay and rebate model with respect to HST applied to direct purchases. The Corporation pays the HST on its purchases and, subsequently, files a monthly rebate claim with the Canada Revenue Agency for the HST paid. HST rebates receivable as at March 31, 2020 amounted to \$3,250 (\$4,827 in 2019).

Realized gains on the sale of OETF investments are recognized in the year the Corporation becomes entitled to receive the proceeds as per the terms and conditions of the respective dispositions. Accounts receivable, as a result of dispositions of OETF investments made in 2020, amounted to \$597,793 and remains in escrow for future disbursement (\$5,323,803 in 2019).

The remaining balance as at March 31, 2020 in the amount of \$25,000,000 represents a receivable from the Province of Ontario in Venture Ontario Fund (VOF) as described in Note 20 (\$26,640,000 in 2019).

Ontario Capital Growth Corporation

Notes to the financial statements

March 31, 2020

(Amounts in Canadian dollars)

5. Marketable securities

OCGC may temporarily invest any monies not immediately required to carry out its objects in:

- (a) debt obligations of or guaranteed by the Government of Canada or a province of Canada; or
- (b) interest bearing accounts and short-term certificates of deposit issued or guaranteed by a chartered bank, trust company, credit union or caisse populaire.

The value of investments in marketable securities as at March 31 are as follows:

	2020		2019	
	Par value \$	Fair value \$	Par value \$	Fair value \$
Province of Ontario treasury bills, due dates ranging from May 27, 2020 to October 21, 2020 average coupon rate of 0.00%	68,288,000	68,161,879	52,836,000	52,427,627
Province of Ontario treasury bills, due dates ranging from April 15, 2020 to March 10, 2021 average coupon rate of 0.00%	136,727,000	136,398,882	125,769,000	125,026,750
	205,015,000	204,560,761	178,605,000	177,454,377

Fair value includes any accrued interest owing on the treasury bills.

The fair value of the marketable securities may fluctuate depending on changes in interest rates. For the year ended March 31, 2020, a change in interest rates of 1.0% would result in an impact of \$2,045,608 (\$1,774,544 in 2019) to the results of operations.

6. Ontario Venture Capital Fund LP (OVCF)

In June 2008, the OVCF was established with an investment commitment from the Government of Ontario of \$90 million. OVCF is a \$205 million joint initiative of the Government of Ontario and private institutional investors, formed to invest primarily in Ontario based and Ontario focused venture capital and growth equity funds that support innovative, high potential companies.

The investment in OVCF is carried at cost, based on the capital calls made by the OVCF general partner. As OVCF is not traded in an active market, the fair value of the investment is not readily determinable.

7. Ontario Emerging Technologies Fund (OETF)

OETF was launched in July 2009 with a commitment from the Government of Ontario to provide funding of \$250 million. OETF, as a direct co-investment fund, makes investments into innovative high potential companies alongside other qualified investors with a proven track record of success. Investments are in three strategic sectors: (a) clean technology; (b) digital media and information and communication technologies; and (c) life sciences and advanced health technologies.

On May 30, 2012, the Corporation paused new investments under OETF for an indefinite period of time. This decision did not affect the Corporation's ability to continue to make follow-on investments into existing portfolio companies.

For the year ended March 31, 2020, the aggregate OETF transfer payments received from the Ministry were \$1,640,000 (\$1,050,000 in 2019).

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8. Northleaf Venture Catalyst Fund LP (NVCF)

In January 2014, the NVCF was established with an initial investment commitment of \$36.25 million from the Corporation. As at July 2015, OCGC had increased its commitment to a final total of \$50 million. NVCF is a \$300 million joint initiative of the Government of Ontario, Government of Canada and the private sector, formed to invest primarily in Canadian venture capital funds that support innovative, high potential companies.

The investment in NVCF is carried at cost, based on the capital calls net of any return of callable capital made by the NVCF general partner. As NVCF is not traded in an active market, the fair value of the investment is not readily determinable.

9. ScaleUP Venture Fund I, LP (SUVF)

In February 2017, the Corporation made an investment commitment of \$25 million to the SUVF. SUVF is a joint initiative of the Government of Ontario and the private sector, formed to invest primarily in promising Ontario-based start-ups that have shown initial market success and demonstrate strong growth potential, but require new investment financing and mentorship to expand their operations. The final fund size is \$106 million.

The investment in SUVF is carried at cost, based on the capital calls net of any return of callable capital made by the SUVF general partner. As SUVF is not traded in an active market, the fair value of the investment is not readily determinable.

10. Yaletown Innovation Growth LP (Yaletown)

In October 2017, the Corporation made an investment commitment of \$20 million to the Yaletown Innovation Growth LP. Yaletown is a joint initiative of the Government of Ontario and other public and private sector, formed with a focus on information-technology, energy-technology and clean-technology companies in Canada and the United States. As at March 31, 2020, the total fund size is \$128 million (\$118 million in 2019).

The investment in Yaletown is carried at cost, based on the capital calls net of any return of callable capital made by the Yaletown general partner. As Yaletown is not traded in an active market, the fair value of the investment is not readily determinable.

11. Lumira Ventures III, LP (Lumira)

In July 2019, the Corporation made an investment commitment of \$23 million to the Lumira Ventures III, LP. Lumira is a joint initiative of the Government of Ontario and other public and private sector, formed with a focus on transformative healthcare and life sciences companies in Canada and the United States. The final fund size is \$178.55 million.

The investment in Lumira is carried at cost, based on the capital calls plus subsequent close interest net of any return of callable capital made by the Lumira general partner. As Lumira is not traded in an active market, the fair value of the investment is not readily determinable.

12. Genesys Ventures III LP (Genesys)

In July 2019, the Corporation made an investment commitment of \$17 million to the Genesys Ventures III LP. Genesys is a joint initiative of the Government of Ontario and other public and private sector, formed with a focus on life science companies, across various sub-sectors of the life science industry, including biopharmaceuticals, medical devices and healthcare services/information technology. The final fund size is \$107 million.

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12. Genesys Ventures III LP (Genesys) (continued)

The investment in Genesys is carried at cost, based on the capital calls plus subsequent close interest net of any return of callable capital made by the Genesys general partner. As Genesys is not traded in an active market, the fair value of the investment is not readily determinable.

13. Contractual commitments

OCGC has the following contractual commitments:

- (a) In accordance with a financial service agreement between the OFA and OCGC, OFA conducts investment and cash management services and activities for OCGC. OFA is the agency of the Province of Ontario responsible for providing financial and centralized cash management services for the government. OCGC pays OFA a fee for these services based on assets under management and reimburses for other related activities on a cost recovery basis.
- (b) Pursuant to the OVCF limited partnership agreement, OCGC is committed to making capital contributions on notice of capital calls. As at March 31, 2020, the total uncalled commitment is \$4,320,537 (\$7,290,537 in 2019) to be drawn down over the remaining years of the limited partnership.
- (c) Pursuant to the SUVF limited partnership agreement, OCGC is committed to making capital contributions on notice of capital calls. As at March 31, 2020 the total uncalled commitment is \$7,260,557 (\$11,500,000 in 2019) to be drawn down over the remaining years of the limited partnership.
- (d) Pursuant to the Yaletown limited partnership agreement, OCGC is committed to making capital contributions on notice of capital calls. As at March 31, 2020, the total uncalled commitment is \$11,800,000 (\$16,200,000 in 2019) to be drawn down over the remaining years of the limited partnership.
- (e) Pursuant to the Lumira limited partnership agreement, OCGC is committed to making capital contributions on notice of capital calls. As at March 31, 2020, the total uncalled commitment is \$15,468,087 (nil in 2019) to be drawn down over the remaining years of the limited partnership.
- (f) Pursuant to the Genesys limited partnership agreement, OCGC is committed to making capital contributions on notice of capital calls. As at March 31, 2020, the total uncalled commitment is \$10,010,944 (nil in 2019) to be drawn down over the remaining years of the limited partnership.
- (g) In accordance with the contract between LP Analyst and OCGC, LP Analyst provides investment consulting services including sourcing strategy, conducts due diligence services and activities for potential new fund investments, provides business advice to support negotiation, and undertake portfolio monitoring and reporting. OCGC pays both fixed and hourly rates for these services and activities, respectively.
- (h) In accordance with the contract between Covington Capital Corporation (Covington) and OCGC, Covington conducts services and activities to qualify, monitor, and exit OETF's investments. OCGC pays both fixed and hourly rates for these services and activities, respectively.
- (i) In accordance with the contract between Weiler & Company and OCGC, Weiler & Company performs accounting functions relating to the operations of OCGC. OCGC pays an hourly rate for these services.

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14. Investments in OETF

Investments in OETF can take the form of equity, warrants or convertible debt transacted in Canadian dollars (CAD) or US dollars (USD). The investments in OETF as at March 31 are summarized as follows:

	2020			2019		
	Acquisition cost*	Carrying value	Contingent**	Acquisition cost*	Carrying value	Contingent**
	\$	\$	\$	\$	\$	\$
CAD investments	29,746,940	16,219,681	—	29,837,656	25,551,811	—
USD investments	—	1,711,003	—	—	2,268,167	—
	29,746,940	17,930,684	—	29,837,656	27,819,978	—

* Represents historical cost net of investments exited and investments written off to nil.

** Represents follow-up on investments committed to by the Corporation but not yet executed.

All investments have been made in accordance with OETF guidelines. As at March 31, 2020, the OETF investment portfolio consisted of investments in 5 different companies, ranging from 0.07% to 3.04% of net assets. The percentage calculations exclude impaired investments in companies with a nominal or nil carrying value.

15. Income on investment in OETF

For the year ended March 31, 2020, the Corporation recognized \$44,236 (nil in 2019) of investment loss in OETF.

16. Impairment of OETF investments

For the year ended March 31, 2020, impairment charges of \$9,332,130 (\$1,984,500 in 2019) in OETF investments were identified by management and were recognized in the statement of operations and changes in accumulated operating surplus.

17. Accounts payable

The Corporation and the Ministry carry out their respective operations on a shared cost basis. The Corporation reimburses the Ministry for certain expenses incurred on its behalf. These expenses may include but are not limited to staff salaries, benefits, information technology allocations per staff member, accommodations, external legal services, website development, French language translation, and other services.

Recognition and measurement of any reimbursement is subject to annual reconciliation between the Corporation and the Ministry, and approval of the extent and scope of the Ministry services to be provided.

The Corporation accrues eligible expenses reimbursable to the Ministry under accounts payable based on estimates provided by the Ministry that can be independently verified by the Corporation. Reimbursement payable in arrears as at March 31, 2020 amounted to \$89,799 (\$126,370 in 2019).

The remaining balance as at March 31, 2020 in the amount of \$336,119 (\$166,761 in 2019) represents payables in arrears to miscellaneous service providers.

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18. Cleantech Equity Fund (CEF)

The 2016 Ontario Budget committed \$55 million to develop new approaches to making equity investments by the Province in clean technology ("cleantech") firms. OCGC implemented this initiative by establishing one or more limited partnerships in which the Corporation participated as a limited partner on the same terms as the other limited partners.

In August 2017, the Ministry entered into the CEF transfer payment agreement with OCGC and subsequently \$55 million to the Corporation.

In November 2017, the Ontario Capital Growth Corporation made an initial investment commitment of \$20 million to the Yaletown Innovation Growth LP.

The Corporation was in negotiation with another fund manager for the second CEF initiative. In April 2019, the fund manager formally advised the Corporation that they were unable to meet the fundraising targets and would not be proceeding with their proposed initiative. The Corporation is currently working with the Ministry on options to repurpose the \$35 million into another venture capital initiative.

19. Life Sciences Venture Capital Fund (LSVCF)

In March 2018, the Government of Ontario announced up to \$50 million to establish a new Life Science Venture Capital Fund (LSVCF). The Ministry entered into the LSVCF transfer payment agreement with OCGC and subsequently disbursed \$35 million to the Corporation. Folded into this initiative was \$10 million disbursed in 2014 originally to establish a new life sciences seed venture capital fund.

In July 2019, the Corporation entered into the Lumira Ventures III, limited partnership and the Genesys Ventures III limited partnership with an investment commitment of \$23 million and \$17 million, respectively. With OCGC's commitment, Lumira has a fund size of \$178.55 million and Genesys has a fund size of \$107 million.

As at March 31, 2020, the Corporation remains in negotiation with another fund manager for the third LSVCF initiative.

20. Venture Ontario Fund (VOF)

In the Fall of 2017, the Corporation received approval to establish a new strategic market-based initiative to make investments into Ontario-based and Ontario-focused venture capital funds. Shortly thereafter, the Ministry entered into a \$60 million transfer payment agreement with OCGC. OCGC will be focused on making commitments to venture capital fund managers that are in the top-quartile as well as high-potential emerging fund managers. Sectors of interest include information and communication technologies, life sciences, and clean technologies and OCGC is open to committing to venture capital funds that invest in companies at all stages of development, providing seed through to growth capital. The initiative was subsequently branded as the Venture Ontario Fund.

In March 2019, OCGC received an initial \$26.64 million disbursement from the Ministry with the Corporation contributing \$8.36 million towards this initiative.

In March 2020, OCGC requested the remaining \$25 million disbursement which was received subsequently.

As at March 31, 2020, the initiative remains in development.

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21. Related party transactions

As of March 31, 2020, the Corporation has related party transactions with the Ministry of Economic Development, Job Creation and Trade ("MEDJCT"), the Ontario Financing Authority ("OFA"), and the Province of Ontario.

OCGC has no tangible capital assets or liabilities. It is subject to a policy whereby the Ministry or another government organization provides for the management of assets and liabilities used for, or as the result of, the provision of services to the Corporation (e.g. payroll, accommodation, utilities, information technology and communications services, et cetera).

OCGC has limited resources to issue cheques or transact wire transfers to pay its direct suppliers and service providers. With the approval of the Ministry's controllership office, OCGC utilizes the Ministry's access to Ontario Shares Services ("OSS") to indirectly pay most of its suppliers and service providers. OSS journals these payments through the government's integrated financial information system ("IFIS") to cost centres of the Ministry. In turn, OCGC is invoiced by the Ministry quarterly for reimbursements.

The provision of services to the Corporation by a related party is subject to a policy of reimbursement for the costs of such services or service level agreement fee. If the Corporation has no "unrestricted" financial resources and/or has exhausted eligible transfer payments to reimburse the Ministry, the Ministry will offset such expenses in arrears from the Ministry's other direct operating expenses ("ODOE") budget line.

22. Non-financial assets

The Corporation does not have any tangible capital assets or prepaid expenses. An inventory of office supplies is held for use and expensed in the year in which they are purchased. The total cost of these supplies is not material to the financial statements, and they are expected to be used up in a period of less than one year from their purchase date.

23. Significant event

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel corona virus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put into place to combat the spread of the virus.

As a result of the COVID-19 pandemic, certain investments in for-profit businesses that the Corporation holds in OVCF, NVCF, SUVF, Yaletown, Lumira, Genesys and OETF may be negatively impacted. These investments are recorded at the lower of cost or fair value at the statement of financial position date.

The duration and impact of the COVID-19 pandemic is unknown at this time and it is not possible to reliably estimate the impact that the severity and length of the pandemic will have on the financial results and condition of the Corporation in future periods.