

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

FINANCIAL STATEMENTS FOR THE YEAR ENDING MARCH 31, 2021



Management's Responsibility for Financial Information

Management is responsible for the integrity and fair presentation of the accompanying financial statements and notes. The financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards for Government Not-For-Profit organizations. The preparation of the financial statements involves the use of management's judgement and best estimates where appropriate.

Management is also responsible for developing and maintaining financial controls, information systems and practices to provide reasonable assurances on the reliability of financial information and the safeguarding of its assets.

The Financial Services Regulatory Authority of Ontario's Board of Directors is responsible for ensuring that management fulfils its responsibilities. The Board has appointed an audit and finance committee from among its own members. The audit and finance committee meets periodically with senior management and the Office of the Auditor General of Ontario to discuss audit, internal control, accounting policy, and financial reporting matters. The financial statements have been reviewed by the audit and finance committee and approved by the Board of Directors.

The financial statements have been audited by the Office of the Auditor General of Ontario. The auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian Public Sector Accounting Standards for Government Not-For-Profit organizations. The auditor's report follows.

A handwritten signature in black ink, appearing to read 'Mark White'.

Mark White
Chief Executive Officer

A handwritten signature in black ink, appearing to read 'Stephen Power'.

Stephen Power
Executive Vice President - Corporate Services

A handwritten signature in black ink, appearing to read 'Randy Nanek'.

Randy Nanek
Chief Financial Officer



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

INDEPENDENT AUDITOR'S REPORT

To the Financial Services Regulatory Authority of Ontario

Opinion

I have audited the financial statements of the Financial Services Regulatory Authority of Ontario (the Authority), which comprise the statement of financial position as at March 31, 2021 and the statements of operations, changes in net deficit 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 the Authority as at March 31, 2021, and the results of its operations, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 the Authority 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.

Other Matter

On June 24, 2021, the Authority, as administrator of PACE Savings and Credit Union Limited (PACE), entered into a confidential settlement of claims by investors in preferred shares that were distributed by PACE's subsidiaries and an unaffiliated entity. The settlement agreement is subject to court approval. The Authority, through the Deposit Insurance Reserve Fund, has agreed to guarantee the portion of the settlement attributable to PACE, as described in note 9 to the Deposit Insurance Reserve Fund's March 31, 2021 financial statements.

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 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 Authority'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 the Authority either intends to cease operations, or has no realistic alternative but to do so.

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

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 the Authority'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 Authority'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 the Authority 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.

Toronto, Ontario
June 29, 2021


Bonnie Lysyk, MBA, FCPA, FCA, LPA
Auditor General

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

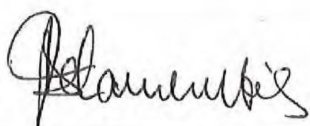
Statement of Financial Position As at March 31, 2021

(\$000)	Note(s)	March 31, 2021	March 31, 2020
ASSETS			
Current			
Cash	3	\$ 92,045	\$ 86,416
Trade and other receivables	4	13,982	12,912
Prepaid expenses		2,352	1,959
Total current assets		108,379	101,287
Capital assets	5	15,145	6,697
Total assets		\$ 123,524	\$ 107,984
LIABILITIES			
Current			
Trade and other payables	6	\$ 44,045	\$ 40,299
Deferred revenue	8	20,701	17,551
Loan payable	9	3,356	2,996
Total current liabilities		68,102	60,846
Loan payable	9	46,315	43,910
Employee future benefits	11	4,903	5,993
Deferred lease inducements	7	3,236	-
Deferred revenue	8	2,046	1,293
Other long term obligations		1,427	1,429
Total liabilities		126,029	113,471
NET ASSETS / (DEFICIT)			
Internally restricted net assets	12	5,000	5,000
Unrestricted net deficit		(7,505)	(10,487)
Total net deficit		(2,505)	(5,487)
Total liabilities and net deficit		\$ 123,524	\$ 107,984

See accompanying notes to the financial statements.

Commitments, Contracts and Contingencies (Note 17)

On Behalf of the Board:



Board Chair



Chair, Audit & Finance Committee

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Statement of Operations For the year ended March 31, 2021

(\$000)	Note(s)	March 31, 2021	March 31, 2020 (Note 18(b))
Revenue			
Assessments		\$ 72,928	\$ 60,710
Fees		24,191	16,803
Interest income		538	757
	22	<u>97,657</u>	<u>78,270</u>
Expenses			
Salaries and benefits	11, 13	69,267	46,935
Professional services		13,031	10,519
Accommodation		6,398	5,322
Technology		4,881	3,439
Staff development		1,106	646
Amortization		1,917	1,381
Interest expense		1,260	969
Other operating expenses		1,647	1,296
		<u>99,507</u>	<u>70,507</u>
Less: Recoveries	14	<u>(4,832)</u>	<u>(3,749)</u>
		<u>94,675</u>	<u>66,758</u>
Restructuring Transactions			
Gain on restructuring	18(a)	-	797
		<u>-</u>	<u>797</u>
Excess of revenue over expenses		<u>\$ 2,982</u>	<u>\$ 12,309</u>

See accompanying notes to the financial statements.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Statement of Changes in Net Deficit For the year ended March 31, 2021

(\$000)	Note(s)	Internally Restricted Net Assets	Unrestricted Net Deficit	March 31, 2021 Total	March 31, 2020 Total
Net assets / (deficit), beginning of year		\$ 5,000	\$ (10,487)	\$ (5,487)	\$ (17,796)
Excess of revenues over expenses	12	-	2,982	2,982	12,309
Net assets / (deficit), end of year		<u>\$ 5,000</u>	<u>\$ (7,505)</u>	<u>\$ (2,505)</u>	<u>\$ (5,487)</u>

See accompanying notes to the financial statements.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Statement of Cash Flows For the year ended March 31, 2021

(\$000)	Note(s)	March 31, 2021	March 31, 2020
Cash flows from / (used in) operating activities:			
Excess of revenue over expenses		\$ 2,982	\$ 12,309
Adjustments for non-cash expense items:			
Amortization of capital assets		1,917	1,381
Amortization of deferred lease inducements	7	254	134
Loss on disposal of capital assets		132	-
Interest expense		1,260	969
Adjustment to adopt Public Sector Accounting Standards	18(a)	-	374
		<u>6,545</u>	<u>15,167</u>
Changes in non-cash working capital:			
Trade and other receivables		(1,070)	(12,237)
Prepaid expenses		(393)	(541)
Trade and other payables		(4,576)	35,822
Deferred revenue		3,903	18,431
Employee future benefits	11, 18(a)	(1,090)	5,619
Deferred lease inducements	7	3,236	-
Other long term obligations		<u>(2)</u>	<u>1,429</u>
		6,553	63,690
Cash flows used in capital activities:			
Purchase of capital assets		<u>(2,429)</u>	<u>(5,138)</u>
		(2,429)	(5,138)
Cash flows from / (used in) financing activities:			
Proceeds from loan advances	9	4,500	6,853
Repayment of loan principal and interest		<u>(2,995)</u>	<u>(1,323)</u>
		1,505	5,530
Net increase / (decrease) in cash position		5,629	64,082
Cash, beginning of year		<u>86,416</u>	<u>22,334</u>
Cash, end of year	3	<u>\$ 92,045</u>	<u>\$ 86,416</u>
Supplemental cash flow information			
Capital assets funded by Trade and other payables		<u>\$ 8,068</u>	<u>\$ 1,118</u>

See accompanying notes to the financial statements.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the year ended March 31, 2021 (\$000)

1. DESCRIPTION OF THE ORGANIZATION

The Financial Services Regulatory Authority of Ontario (FSRA or the Authority) was established under the *Financial Services Regulatory Authority of Ontario Act, 2016* (the *FSRA Act*) as a corporation without share capital.

FSRA was created to fulfill specified statutory objects, which include improving consumer and pension plan beneficiary protections in Ontario, and was established to replace the Financial Services Commission of Ontario (FSCO) and the Deposit Insurance Corporation of Ontario (DICO) as the regulator under various regulated sector statutes previously administered by those predecessors.

With the proclamation of certain provisions of the *FSRA Act*, and provisions of the regulated sector statutes, the Authority assumed substantially all of the regulatory authorities and responsibilities of FSCO and DICO effective June 8, 2019. The transition involved the transfer of certain assets, liabilities and contractual obligations from FSCO to FSRA pursuant to a Minister's transfer Order, the amalgamation of FSRA and DICO, and the transfer of FSCO employees to FSRA.

FSRA regulates sectors subject to the following statutes:

- Insurance Act;
- Compulsory Automobile Insurance Act;
- Prepaid Hospital and Medical Services Act;
- Auto Insurance Rate Stabilization Act, 2003;
- Co-operative Corporations Act;
- Credit Unions and Caisses Populaires Act, 1994;
- Loan and Trust Corporations Act, Mortgage Brokerages;
- Mortgage Brokerages, Lenders and Administrators Act, 2006;
- Pension Benefits Act; and
- Financial Professionals Title Protection Act, 2019 (currently unproclaimed).

As a listed regulatory crown agency of the Province of Ontario, FSRA is exempt from income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Public Sector Accounting Standards for Government Not-For-Profit organizations (PSA-GNFPO) as issued by the Public Sector Accounting Board (PSAB). The significant accounting policies used to prepare these statements and notes are summarized below.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the year ended March 31, 2021 (\$000)

(a) Revenue Recognition

Assessment revenues are from the insurance, pension, credit union and caisses populaires and the loan and trust sectors and are based on FSRA's approved operating budget for the fiscal period. Assessment revenues are recognized when the related operating costs are incurred.

Revenues from fees are recognized as revenue in the year to which they pertain.

Interest income is recognized as earned.

(b) Capital Assets

Capital assets are recorded at cost less accumulated amortization and accumulated impairment losses, if any.

Amortization is provided on a straight-line basis based upon the estimated useful lives of the assets as follows:

Office furniture and equipment	5 years
Leasehold improvements	over the term of the lease
Software	3 to 10 years
Computer hardware	3 to 6 years

(c) Financial Instruments

All financial instruments are included on the Statement of Financial Position and are measured either at fair value or at cost or amortized cost.

Trade and other receivables, trade and other payables, loan payable and other long-term obligations are recorded at cost in the financial statements.

(d) Employee Benefits

Pension Costs

Certain employees of FSRA participate in the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Union Pension Fund (OPSEU-PF), which are defined benefit pension plans for employees of the Province and many provincial agencies. The Province of Ontario, which is the sole sponsor of the PSPF and a joint sponsor of the OPSEU-PF, determines FSRA's annual payments to the funds.

The plan sponsors are responsible for ensuring that the pension funds are financially viable. Any surpluses or unfunded liabilities arising from statutory actuarial funding valuations are not assets or obligations of FSRA.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the year ended March 31, 2021 (\$000)

Payments made to the plans are recognized as an expense when employees have rendered the service entitling them to the contributions.

FSRA Non-Pension Post-Employment Benefits

The cost of non-pension benefits for eligible pensioners is paid by the Government of Ontario and is not included in these financial statements.

DICO Non-Pension Post-Employment Benefits

FSRA provides future non-pension post-employment benefits to provide extended health, dental and life benefits to former employees and retirees of DICO who meet eligibility requirements. The cost of these benefits is actuarially determined using the projected benefit method pro-rated on service and expensed as employment services are rendered.

Adjustments to these costs arising from changes in estimates and actuarial gains and losses are amortized on a straight-line basis over the expected average remaining service life of the related employees beginning in the fiscal year following the related actuarial valuation.

Use of Estimates

In preparing the financial statements, management is required to make judgements, estimates and assumptions that affect the reported amount of assets, liabilities, revenue, expenses and disclosure of contingent liabilities at the date of the financial statements. Actual amounts could differ from these estimates.

Items subject to such estimates include the allowance for doubtful debts, useful lives of capital assets, accrued liabilities, employee future benefits and allocation of costs between industry sectors.

Due to the COVID-19 pandemic, additional uncertainty exists in relation to sector organizations' ability to pay their assessments. Note 20 expands on the potential effects of COVID-19 in subsequent financial periods.

3. CASH

Cash includes \$2,161 (2020 - \$93) in funds held in the Authority's role as a provider of administrative and support services for various organizations (see Note 14). These funds are held in separate bank accounts and are not available for general use.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the year ended March 31, 2021 (\$000)

4. TRADE AND OTHER RECEIVABLES

(\$000)	Notes	March 31, 2021	March 31, 2020
Trade and accrued receivables		\$ 8,497	\$ 10,108
HST recoverable		4,240	1,410
Due from Ministries of the Province of Ontario	15(a)	1,245	718
Due from the Pension Benefit Guarantee Fund	15(b)	-	676
		<u>\$ 13,982</u>	<u>\$ 12,912</u>

5. CAPITAL ASSETS

Capital assets consist of the following:

(\$000)	March 31, 2021			March 31, 2020
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Software	\$ 4,874	\$ 2,017	\$ 2,857	\$ 3,791
Computer hardware	3,395	1,311	2,084	1,831
Leasehold improvements	3,136	93	3,043	16
Office furniture and equipment	-	-	-	4
Construction in progress	7,161	-	7,161	1,055
	<u>\$ 18,566</u>	<u>\$ 3,421</u>	<u>\$ 15,145</u>	<u>\$ 6,697</u>

Construction in progress represents capital expenditures for leasehold improvements at FSRA's new premises that are not yet complete. Amortization of these assets will commence when construction is complete, and the assets are ready for their intended use. Leasehold improvements for FSRA's new premises at 25 Sheppard Avenue West are amortized over an initial term of 10 years.

6. TRADE AND OTHER PAYABLES

(\$000)	Notes	March 31, 2021	March 31, 2020
Accounts payable and accruals		\$ 17,534	\$ 13,979
Due to Ministries of the Province of Ontario	15(a)	14,931	23,927
Due to Infrastructure Ontario	15(c)	9,186	1,055
Current portion of employee benefits	11(b)	1,925	476
Current portion of deferred lease inducements	7	377	97
Due to Deposit Insurance Reserve Fund	15(b)	92	765
		<u>\$ 44,045</u>	<u>\$ 40,299</u>

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the year ended March 31, 2021 (\$000)

7. DEFERRED LEASE INDUCEMENTS

On June 8, 2019 FSRA assumed a deferred lease inducement related to FSCO's offices as part of the restructuring transaction described in Note 18(a). This inducement was fully amortized in the current year. FSRA then entered into a lease agreement for new office space at 25 Sheppard Avenue West, which commenced on November 1, 2020 and expires on October 31, 2030.

The new lease included a \$3,099 allowance for renovations and a four-month rent free period valued at \$671. Both amounts have been set-up as deferred lease inducements and are being amortized over the term of the lease. Total amortized lease inducements of \$254 (2020 - \$134) were recorded as a reduction of accommodation expense during the year.

(\$000)	Notes	March 31, 2021	March 31, 2020
Balance, beginning of year		\$ 97	\$ -
Additions during the year		3,770	231
Amortization to expense		(254)	(134)
Balance, end of year		3,613	97
Less: Current portion	6	(377)	(97)
		<u>\$ 3,236</u>	<u>\$ -</u>

8. DEFERRED REVENUE

Deferred revenue represents payments received for fees that cover more than the current fiscal year or that relate to the next fiscal year. The deferred portion is recognized as revenue in the fiscal year to which they pertain or in the fiscal year that the associated operating costs are incurred. Changes in the deferred revenue balances during the current year are summarized as follows:

(\$000)	Balance, beginning of year	Received during year	Recognized during year	Balance, end of year
Insurance agents, adjusters and corporations	\$ 6,017	\$ 7,579	\$ (6,415)	\$ 7,181
Mortgage brokers	8,880	19,500	(15,037)	13,343
Credit unions and caisse populaires	168	-	(168)	-
Health service providers	1,582	2,047	(3,617)	12
Other	2,197	2,571	(2,557)	2,211
	<u>\$ 18,844</u>	<u>\$ 31,697</u>	<u>\$ (27,794)</u>	<u>\$ 22,747</u>

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the year ended March 31, 2021 (\$000)

Deferred revenue has been separated into a current portion of \$20,701 (2020 - \$17,551) and long-term portion of \$2,046 (2020 - \$1,293) totaling \$22,747 (2020 - \$18,844).

9. LOAN AGREEMENT

In August 2019 FSRA entered into an Amended and Restated Loan Agreement with Her Majesty the Queen for a maximum principal amount of \$60.0 million.

The agreement includes four short-term non-revolving facilities (Facility 1, 2, 3 and 4) and four long-term loans (Term loan 1, 2, 3 and 4). The term loans are advanced as the non-revolving facilities come due and are equal to the principal and accrued interest balance of the non-revolving loans at their repayment dates. The maximum principal amount available for Facility 1 is \$40.0 million, for Facility 2 is \$12.5 million, for Facility 3 is \$4.5 million and for Facility 4 is \$3.0 million.

Facility 1 was fully drawn and replaced with Term loan 1 in 2019. Term loan 1 matures on August 29, 2039, bears interest at 2.71% per annum and is repayable in equal quarterly installments. Interest expense and loan principal and interest repayments on Term loan 1 were \$1,070 (2020 - \$969) and \$2,645 (2020 - \$1,323) respectively for the year. The balance outstanding on Term loan 1 at March 31, 2021 was \$38,478 (2020 - \$40,053).

On March 31, 2020, FSRA drew \$6,853 million from Facility 2 and the undrawn balance of the Facility expired. Facility 2 was replaced with Term loan 2 on April 1, 2020. Term loan 2 matures on April 1, 2039, bears interest at 2.81% per annum and is repayable in equal quarterly installments. Interest expense and loan principal and interest repayments on Term loan 2 were \$190 (2020 - \$nil) and \$350 (2020 - \$nil) respectively for the year. The balance outstanding on Term loan 2 at March 31, 2021 was \$6,693 (2020 - \$6,853).

On March 31, 2021, FSRA drew \$4,500 under Facility 3. Facility 3 will be repaid on April 1, 2021 with proceeds from Term loan 3 which was advanced on April 1, 2021. Term loan 3 will also mature on April 1, 2039 and will bear interest at 2.99% per annum. The loan is repayable in equal quarterly installments beginning July 2, 2021.

Up to \$3,000 may be drawn under Facility 4 from April 1, 2021 to March 31, 2022.

10. CREDIT FACILITY AGREEMENT

On December 18, 2020 FSRA entered into a credit facility agreement with the Ontario Financing Authority. The facility was established for the purpose of mitigating any potential future liquidity risk in the Ontario credit union sector, including situations where one or more credit unions may require financial support beyond the support available from the Deposit Insurance Reserve Fund (the DIRF). The agreement includes a non-revolving facility with a maximum principal amount of \$2.0 billion and a six-year long-term loan.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the year ended March 31, 2021 (\$000)

The non-revolving facility expires on December 18, 2021 but may be extended by up to 24 months. Any undrawn balance at the end of its term will expire. Interest on the non-revolving facility will accrue daily on the outstanding amount at a rate equal to the three-month Ontario Treasury Bill rate plus 0.782 percentage points, compounded quarterly.

The six-year term loan will be advanced as the non-revolving facility comes due and will be equal to the principal and accrued interest balance of the non-revolving facility at its repayment date. Interest on the six-year term loan will accrue daily at a rate equal to the Province of Ontario's cost of funds for a six-year amortizing bond plus 0.782 percentage points, compounded semi-annually.

No amounts have been drawn under this facility.

11. EMPLOYEE BENEFITS

(a) Pension Plan

Eligible FSRA employees participate in the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Union Pension Fund (OPSEU-PF). FSRA's contribution to the PSPF and OPSEU-PF for the year was \$4,483 (2020 - \$2,908), which is included in salaries and benefits in the Statement of Operations.

(b) Employee Future Benefits

(\$000)	Notes	March 31, 2021	March 31, 2020
DICO non-pension post employment benefits		\$ 3,292	\$ 3,619
Legislated severance entitlements		2,684	1,910
DICO supplemental pension benefits		735	842
Other employee future benefits		117	98
Total employee future benefit liability		6,828	6,469
Less: Due within one year	6	(1,925)	(476)
		<u>\$ 4,903</u>	<u>\$ 5,993</u>

(i) DICO Non-Pension Post-Employment Benefits

Following the restructuring transactions described in Note 18(a), FSRA became the sponsor of a defined benefit plan for retirement benefits other than pensions for former employees of DICO. The plan provides extended health and dental as well as life insurance to eligible employees.

Total benefit payments to retirees during the year were \$195 (2020 - \$146). The plan is unfunded and requires no contributions from employees.

The retirement benefit liability at March 31, 2021 includes the following components:

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the year ended March 31, 2021 (\$000)

(\$000)	March 31, 2021	March 31, 2020
Accrued benefit obligation	\$ 2,105	\$ 3,305
Unamortized actuarial gains	<u>1,187</u>	<u>314</u>
Retirement benefit liability	<u>\$ 3,292</u>	<u>\$ 3,619</u>

The most recent actuarial report was prepared at March 31, 2021. Unamortized actuarial gains are amortized on a straight-line basis over the expected average remaining service of the related employee group which is 0.25 years (2020 – 1.25 years), as former DICO employees retiring after June 8, 2021 will not be eligible for benefits under this arrangement.

The actuarial valuation is based on a number of assumptions about future events, such as inflation rates, interest rates, medical inflation rates, salary increases, and employee turnover and mortality. The assumptions used reflect management's best estimates. The discount rate used to determine the accrued benefit obligation is 2.99% (2020 - 2.71%).

The total gain or expense related to retirement benefits other than pensions includes the following components:

(\$000)	March 31, 2021	March 31, 2020
Current period benefit cost	\$ 29	\$ 28
Amortization of actuarial gains	(251)	-
Interest expense	<u>89</u>	<u>60</u>
Retirement benefit (gain) / expense	<u>\$ (133)</u>	<u>\$ 88</u>

These amounts have been included in salaries and benefits in the Statement of Operations.

(ii) *Legislated Severance*

The legislative severance portion of the employee future benefits obligation was calculated using a discount rate of 2.99% (2020 - 2.71%) and estimated average years to retirement of 11.4 years (2020 - 10.5 years). These assumptions are management's best estimates.

A charge to expenses of \$796 (2020 – credit to expenses of \$5) was recognized in relation to legislated severance and is included in salaries and benefits in the Statement of Operations. The expense in the current fiscal year includes a one-time charge for the expected settlement of a union grievance filed against the Crown in the Right of Ontario as represented by Treasury Board Secretariat. This charge is offset by a recovery from the Province as described in note 15(a)(ix).

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the year ended March 31, 2021 (\$000)

(iii) DICO Supplemental Pension Benefits

Following the restructuring transactions described in Note 18(a), FSRA assumed an obligation for a supplemental defined contribution pension plan that was established to provide pension benefits to certain former DICO employees for income in excess of registered pension limits.

Interest expense of \$6 (2020 - \$17) was recorded in respect of this obligation and is included in salaries and benefits in the Statement of Operations.

As the plan is a defined contribution plan, FSRA assumes no actuarial or investment risk.

(iv) Other Employee Future Benefits

Other employee future benefits includes other future compensation entitlements earned. The total cost for the year for all other employee future benefits is \$20 (2020 - \$12) and is included in salaries and benefits in the Statement of Operations.

12. INTERNALLY RESTRICTED NET ASSETS

In accordance with FSRA Rule 2019-001 Assessments and Fees, FSRA has established a \$5.0 million (2020 - \$5.0 million) operating reserve. The primary purpose of the reserve is to fund FSRA's operations in the event of revenue shortfalls and unanticipated expenditures or to cover the discrepancy between the timing of revenue and expenses.

13. DIRECTOR'S REMUNERATION

The Board of Directors are part-time appointees and the amounts paid to the Directors are established in an Order in Council. Remuneration paid to members of the Board of Directors during the year was \$350 (2020- \$231). During the year, the number of board members increased from seven in the prior year to ten by March 31, 2021.

14. RECOVERIES

FSRA provides administrative and other support services to a number of government and non-government organizations and recovers the costs of providing these services from the organizations in accordance with the memorandum of understanding or agreement signed with the respective organizations. In the current fiscal year FSRA also recovered the costs it incurred on behalf of a credit union under administration as permitted by section 295.1 of the *Credit Union and Caisses Populaires Act 1994*.

Details of these recoveries are as follows:

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the year ended March 31, 2021 (\$000)

(\$000)	Notes	March 31, 2021	March 31, 2020
General Insurance Statistical Agency		\$ 890	\$ 483
Canadian Association of Pension Supervisory Authorities		354	232
Canadian Council of Insurance Regulators		417	303
Canadian Insurance Services Regulatory Organization		188	121
Mortgage Broker Regulators' Council of Canada		189	180
Credit union under administration		191	-
Province of Ontario legislated severance settlement	15(a)	1,000	-
Province of Ontario lease payments	15(a)	-	979
Province of Ontario co-operative offering statements program	15(a)	182	88
Motor Vehicle Accident Claims Fund	15(a)	398	611
Financial Services Tribunal	15(a)	99	76
Pension Benefits Guarantee Fund	15(b)	924	676
		<u>\$4,832</u>	<u>\$ 3,749</u>

15. RELATED PARTY TRANSACTIONS

FSRA is wholly-owned by the Province of Ontario through the Ministry of Finance and is therefore a related party to other organizations that are controlled or subject to significant influence by the Province of Ontario. Transactions with related parties are outlined below.

All related party transactions were measured at the exchange amount, which is the amount of consideration established and agreed by the related parties.

(a) Ministries of the Province of Ontario

FSRA entered into the following transactions with the various Ministries of the Province of Ontario:

- (i) In fiscal 2019-2020 FSRA received \$27,373 from the Ministry of Finance under an Asset and Liability Transfer Agreement related to the restructuring transactions described in Note 18(a). The amount was based on a preliminary estimate of the net liabilities assumed by FSRA as part of the restructuring. The final value of cash to be transferred in respect of this transactions is \$5,760. During the year, \$10,783 of the excess payment was settled with the Ministry of Finance. The balance of the excess payment of \$10,829 (2020 - \$21,613) is included in trade and other payables in the Statement of Financial Position.
- (ii) In March 2021 FRSA received a \$2,266 (2020 - \$3,944) assessment invoice from the Ministry of Finance for expenditures that it made in respect of the regulated sectors for

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the year ended March 31, 2021 (\$000)

the operation of Dispute Resolution Services and the Financial Services Tribunal. The amount also includes expenditures that the Ministry of Finance made in respect of preparing FSRA to carry out its regulatory function.

FSRA will recover this amount from the regulated sectors through the fiscal 2021-2022 assessments. The amount has been included in trade and other receivables in the Statement of Financial Position at March 31, 2021.

- (iii) Employees from the Ontario Public Sector were seconded to FSRA to support its start-up and IT activities. During the year, FSRA expensed \$nil (2020 - \$171) as salary and benefit costs and \$807 (2020 - \$1,380) as services costs in connection with these seconded employees.
- (iv) Co-location, connectivity and related charges in support of information technology services at the Guelph Data Centre and IT user per seat costs. Expenses for these services of \$681 (2020 - \$671) have been included in technology costs in the Statement of Operations.
- (v) On July 1, 2018, FSRA assumed the lease for 5160 Yonge Street from the Financial Services Commission of Ontario. During the 2019-2020 fiscal year the Province paid FSRA \$979 in respect of this lease which was included as recoveries in the Statement of Operations. No such payments were received in the current fiscal year.
- (vi) Provided administrative and other support services for the Province's co-operating offering statements program, Motor Vehicle Accident Claim Fund and the Financial Services Tribunal as described in Note 14. Trade and other receivables include \$245 (2020 - \$718) in respect of these services.
- (vii) Collected administrative monetary penalties on behalf of the Ministry of Finance. At March 31, 2021 \$494 (2020 - \$nil) was included in trade and other payable in respect of money collected but not yet remitted to the Ministry of Finance.
- (viii) Borrowed an additional \$4,500 (2020 - \$6,853) under the Loan Agreement with the Ministry of Finance described in Note 9. During the year total interest expense for borrowings under this agreement was of \$1,260 (2020 - \$969).
- (ix) Recognized a \$1,000 (2020 - \$nil) recovery under an agreement with the Ministry of Finance which requires the Ministry to fund the legislated severance liability as described in Note 11(b)(ii).

(b) Funds Administered by FSRA

The Chief Executive Officer of FSRA is responsible for the administration of the Pension Benefit Guarantee Fund (PBGF) and FSRA is responsible for the administration of the Deposit Insurance Reserve Fund (DIRF).

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the year ended March 31, 2021 (\$000)

(i) Pension Benefit Guarantee Fund

During the year FSRA recognized a recovery of \$924 (2020 - \$676) for administrative and other support services to the Pension Benefit Guarantee Fund as described in Note 14. At March 31, 2020 \$676 was included in trade and other receivables in respect of these services. At March 31, 2021 no amounts were outstanding in respect of these services.

(ii) Deposit Insurance Reserve Fund

During the year the DIRF paid certain expenses on behalf of FSRA. At March 31, 2021 trade and other payables include a payable of \$92 in respect of these expenses.

In fiscal 2019-2020 in accordance with part 10.2 (3) of FSRA Fee Rule 2019-001, credit unions and caisses populaires were not individually assessed for their full share of FSRA's budgeted operating costs in respect of FSRA's first assessment period. Instead, the aggregate assessment of all credit unions and caisses populaires for FSRA's applicable budgeted operating costs for the period was fully satisfied through a one-time withdrawal by FSRA from the DIRF in an amount equal to the aggregate assessment, net of the regulatory portion included in the credit unions and caisses populaires for premiums received during FSRA's first assessment period. The net aggregate assessment was \$2,318 and included in assessments revenue in the fiscal 2019-2020 Statement of Operations. In fiscal 2020-2021 credit unions and caisses populaires were individually assessed for their share of FSRA's budgeted operating costs.

Additionally, in fiscal 2019-2020 FSRA collected deposit insurance premiums from credit unions and caisses populaires and paid certain expenses on behalf of the DIRF. At March 31, 2020 trade and other payables include \$765 in respect of premiums collected and items paid on behalf of the DIRF.

(c) Infrastructure Ontario (an Ontario Crown Agency)

During the year FSRA engaged Infrastructure Ontario to oversee leasehold improvements to its new offices. The Authority incurred \$9,186 (2020 - \$1,055) under this arrangement. This amount has been recognized as capital assets and trade and other payables in the Statement of Financial Position.

16. FINANCIAL INSTRUMENTS

FSRA's financial instruments are exposed to certain financial risks including credit risk, interest risk and liquidity risk.

Credit risk

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the year ended March 31, 2021 (\$000)

Credit risk is the risk that FSRA will suffer financial loss due to a third party failing to meet its financial or contractual obligations to FSRA. The Authority is exposed to credit risk on its trade and other receivables balances. FSRA manages its credit risk by closely monitoring its receivable balances and maintains reserves for potential credit losses on trade receivables. FSRA's maximum exposure to credit risk related to trade and other receivables at March 31, 2021 is as follows:

(\$000)	0-30 days overdue	31-60 days overdue	61-90 days overdue	> 91days overdue	Total
Trade and accrued receivables	\$ 7,430	\$ 11	\$ -	\$ 1,056	\$ 8,497
HST recoverable	1,399	960	-	1,881	4,240
Due from Ministries of the Province of Ontario	1,245	-	-	-	1,245
	<u>\$ 10,074</u>	<u>\$ 971</u>	<u>\$ -</u>	<u>\$ 2,937</u>	<u>\$ 13,982</u>

The amounts presented are net of reserves for potential credit losses.

Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of financial instruments will fluctuate due to changes in market interest rates. FSRA is subject to interest rate risk on its loan payable. The interest rates on the non-revolving loan facilities are based on the 90 day Ontario Treasury Bill rate and the term loans have fixed interest rates for their entire terms. FSRA is currently subject to limited interest rate risk (refer to Notes 9 and 10).

Liquidity risk

Liquidity risk is the risk that FSRA will not be able to meet its cash flow obligations as they fall due. The Authority mitigates liquidity risk by establishing and holding an operating reserve (see Note 12) and by monitoring cash activities and expected outflow to ensure that it has sufficient resources readily available to meet its liabilities when due.

Trade and other payables at March 31, 2021 mature within six months.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the year ended March 31, 2021 (\$000)

17. COMMITMENTS CONTRACTS AND CONTINGENCIES

FSRA entered into a lease agreement for new office spaces which commenced on November 1, 2020 for an initial term of 10 years, with two five-year renewal options.

The minimum annual payments for the new office lease space is as follows for the years ending March 31:

(\$000)	
2022	\$ 4,452
2023	\$ 4,548
2024	\$ 4,648
2025	\$ 4,752
2026	\$ 4,925
Thereafter	\$ 24,487

FSRA also entered into an arrangement with a crown agency of the Province of Ontario, Infrastructure Ontario, to spend \$14,054 on the construction of leasehold improvements at its new offices. At March 31, 2021 the remaining outstanding commitment is \$3,797 which will be fulfilled in fiscal 2021-2022.

Subsequent to March 31, 2021, FSRA entered into a \$500 million credit facility with PACE Credit Union. Refer to Note 21 for further information.

18. RESTRUCTURING TRANSACTIONS

(a) On June 8, 2019, FSRA assumed substantially all of FSCO's regulatory responsibilities, as well as certain assets, liabilities and contractual obligations. At the same time, responsibility for the administration of the Pension Benefit Guarantee Fund (PBGF) was transferred to the Chief Executive Officer of FSRA. The assets and liabilities of the PBGF are not part of the assets and liabilities of FSRA and are not recognized in these financial statements.

On the same date, DICO was also amalgamated with FSRA and its regulatory responsibilities, assets and liabilities were transferred to the Authority. At the same time, FSRA received the Deposit Insurance Reserve Fund (DIRF) by virtue of its amalgamation with DICO, including the transfer of the assets and liabilities previously held by DICO as insurer for credit union and caisses populaires deposits. The assets and liabilities of the DIRF are not part of the assets and liabilities of FSRA and are not recognized in these financial statements.

The net liabilities assumed by FSRA on June 8, 2019 have been recognized at book value and adjusted to comply with Public Sector Accounting Standards where required.

The value of these assets and liabilities assumed at June 8, 2019 were as follows:

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the year ended March 31, 2021 (\$000)

	FSCO	DICO	Total
(\$000)			
Due from Province	\$ 5,760	\$ -	\$ 5,760
Due from DIRF	-	14,035	14,035
Trade and other receivables	11,727	20	11,747
Prepaid expenses	375	96	471
Capital assets	4,444	146	4,590
Trade and other payables	(1,458)	(2,048)	(3,506)
Deferred revenue	(17,930)	(5,566)	(23,496)
Employee future benefits	(2,121)	(4,676)	(6,797)
Other long term obligations	-	(1,434)	(1,434)
Unrealized actuarial gains	-	(199)	(199)
Net assets transferred	\$ 797	\$ 374	\$ 1,569
Adjustments to the carrying amount of Employee future benefits to comply with the adoption of Public Sector Accounting standards	-	(374)	(573)
Gain / (loss) on restructuring	\$ 797	\$ -	\$ 797

Management assessed the impact of PSAS-GNFPO adoption on DICO's opening balance sheet items not constituting part of the DIRF, in particular the impact on recognition, measurement, and presentation of each item.

After this assessment, the DICO balances not forming part of the DIRF were all transferred at book values to FSRA, except for the liability of the DICO non-pension post-employment benefits which is included in employee future benefits. A restatement of the non-pension post-employment benefits obligation on June 8, 2019 was required as a different discount rate and attribution period of benefits is used under PSAS.

Under IFRS this benefits obligation was valued at \$3,105 on June 7, 2019, with unrealized actuarial gains of \$199 (\$3,304 in total). An actuarial firm was engaged to restate the obligation balance on June 8, 2019 under PSAS. The restatement incorporated a change in discount rate to use FSRA's applicable cost of borrowing at that date, as well as a change in the attribution period of benefits to retirement age. DICO used the Canadian Institute of Actuaries discount rate model linked to corporate bond yield and an attribution period to full eligibility age for benefits as per IFRS IAS 19.

The restated opening balance is \$3,678, an increase of \$374. As a result, the amount receivable from DIRF to FSRA was adjusted from \$13,661 to \$14,035.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the year ended March 31, 2021 (\$000)

- (b) The Statement of Operations for the year ended March 31, 2020 includes both amounts incurred from FSRA's launch on June 8, 2019 to March 31, 2020 and amounts for initial administrative and operational costs related to start-up activities incurred prior to FSRA's launch. The split of fiscal 2019-2020 excess or revenue over expenses between these two periods is summarized as follows:

(\$000)	Post- Launch June 8, 2019 to March 31, 2020	Pre-Launch April 1, 2019 to June 7, 2019
Excess / (deficiency) of revenue over expenses	\$ 17,802	\$ (5,493)

19. COMPARATIVE FIGURES

Certain prior year figures have been reclassified to conform to the current year's presentation.

20. COVID 19 IMPACT

The COVID-19 pandemic has had a material impact on the global economy. In response to the pandemic, and to support the sectors the Authority regulates, FSRA used its discretion and deferred the issuance of its fiscal 2020-2021 fee assessment. The fee assessment was deferred for approximately four months and was issued in July 2020.

The fiscal 2021-2022 fee assessment was issued in April 2021. Due to COVID-19 additional uncertainty exists in relation to sector organizations' ability to pay their assessments. In response to the increased credit risk, management has implemented additional processes to minimize uncollectible accounts.

COVID-19 also delayed the build-out of FSRA's new office facilities at 25 Sheppard Avenue West which resulted in additional temporary accommodation expenses. A claim has been filed with the landlord for the reimbursement of these additional costs and any proceeds received will be recognized in future fiscal periods.

FSRA's financial position continues to remain strong. The Authority ended fiscal 2020-2021 with \$92,045 in cash, against current liabilities of \$68,102 and available loan facilities of \$3,000, to fund operations and expenditures for the next fiscal year. FSRA has also established a \$5,000 operating reserve which may be used to fund FSRA's operations in the event of revenue shortfalls and unanticipated expenditures or to cover any discrepancy between the timing of revenue and expenses.

Management will continue to monitor its financial situation closely and will adjust operations as needed to prudently manage costs and expenditures in the next fiscal period.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the year ended March 31, 2021 (\$000)

21. SUBSEQUENT EVENT

To protect the members of PACE Credit Union (PACE) from failed board governance and misconduct by certain executives, the credit union was placed into Administration by FSRA's predecessor, the Deposit Insurance Corporation of Ontario in September 2018.

Since June 2019, FSRA has been responsible for supervising PACE's financial safety and soundness (prudential regulation) and its business conduct. In the absence of the credit union's board, FSRA provides oversight for the executives managing the day-to-day operations of PACE.

On April 28, 2021, pursuant to FSRA's authority under section 262(1)(a)(i) of the *Credit Union and Caisses Populaires Act 1994*, FSRA entered into a credit agreement with PACE. The agreement provides PACE with a \$500 million revolving loan facility to support its continued operations and to provide liquidity either in the event that PACE's liquidity falls below \$100 million or if PACE experiences a rapid decline in liquidity that could cause material financial or operational difficulties.

The loan is secured by the assets of PACE and its subsidiaries and will be the only material senior secured debt of PACE. The facility matures on January 31, 2022 but may be repaid early without premium or penalty.

Interest will accrue daily on the principal amount outstanding at a rate of prime plus 128 basis points and will be payable monthly in arrears.

At June 29, 2021 no amounts had been drawn on the facility.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the year ended March 31, 2021 (\$000)

22. OTHER INFORMATION

FSRA regulates five distinct sectors: insurance, pensions, credit unions and caisses populaires, mortgage brokers and loan and trust. The five sectors are governed by different statutes and regulations.

The following table summarizes revenue for each sector during the year ended March 31, 2021.

For the year ended March 31, 2021(000's)

Sector	Insurance						Pensions (Fixed and Variable)	Credit Unions (Variable)	Mortgage Brokers (Fixed)	Loans & Trusts (Variable)	Financial Advisor & Financial Planner	Corporate	Total
Subsector	Auto Products	P&C Conduct	P&C Prudential Regulation	Health Service Providers (Fixed)	Life Conduct & Life Health	Total Insurance							
Actual													
Revenue													
Assessment	\$ 20,146	\$ 11,007	\$ 205	\$ -	\$ 2,317	\$ 33,675	\$ 26,220	\$ 12,980	\$ -	\$ 53	\$ -	\$ -	\$72,928
Fees	5	1,021	-	3,729	4,925	9,680	33	87	14,384	4	-	3	24,191
Interest Income	-	-	-	-	-	-	-	-	-	-	-	538	538
Total Revenue	20,151	12,028	205	3,729	7,242	43,355	26,253	13,067	14,384	57	-	541	97,657

PENSION BENEFITS GUARANTEE FUND

Financial Highlights

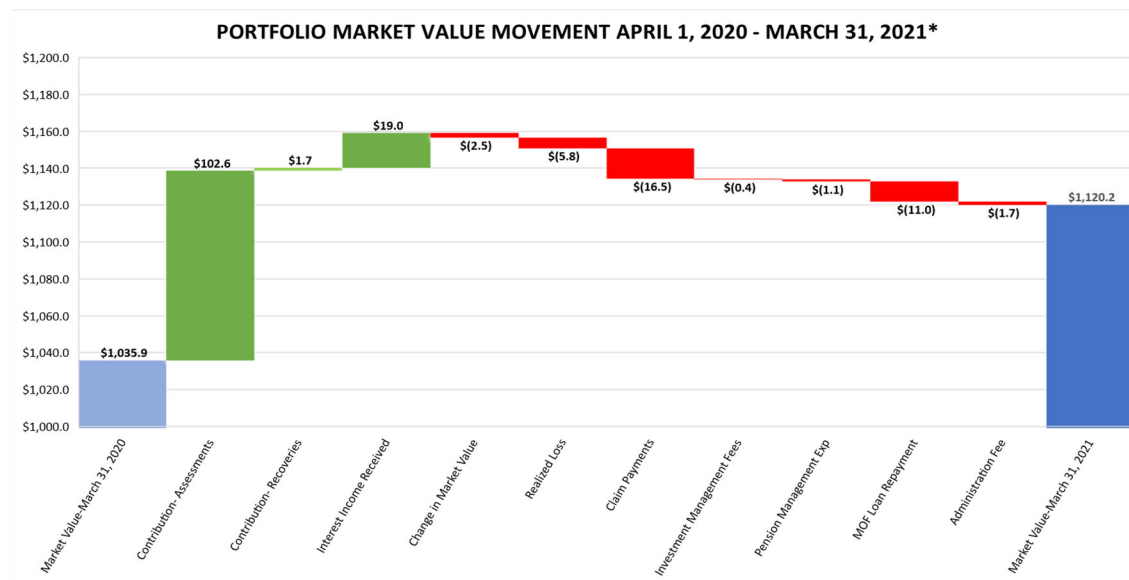
The Pension Benefits Guarantee Fund (the “Fund” or “PBGF”) is continued under the Pension Benefits Act and was administered by the Chief Executive Officer of FSRA from June 8, 2019 to the end of the current fiscal year. Prior to June 8, 2019, the Fund was administered by the Superintendent of Financial Services appointed under the Financial Services Commission of Ontario Act, 1997.

As at March 31, 2021, the total fund surplus was at \$1,029.5 million, a year-over-year increase of \$111.2 million (12.1%) from \$918.3 million. Fund assets consisted of investments of \$1,120.2 million and accounts receivable of \$76.8 million. Fund liabilities were comprised of loan payable of \$103.1 million, claims payable of \$58.0 million, and accounts payable of \$6.5 million.

The increase of \$111.2 million in fund surplus for the fiscal period resulted primarily from assessment revenue of \$75.2 million, investment income of \$11.8 million, pension plan recoveries of \$1.7 million, recovery of claims provision of \$32.5M offset by an increase in accumulated re-measurement losses of \$2.5 million, amortization of loan discount of \$5.5 million, pension consulting service fees of \$0.7 million, administration fee of \$0.9 million, and investment management fees of \$0.4 million.

Investments

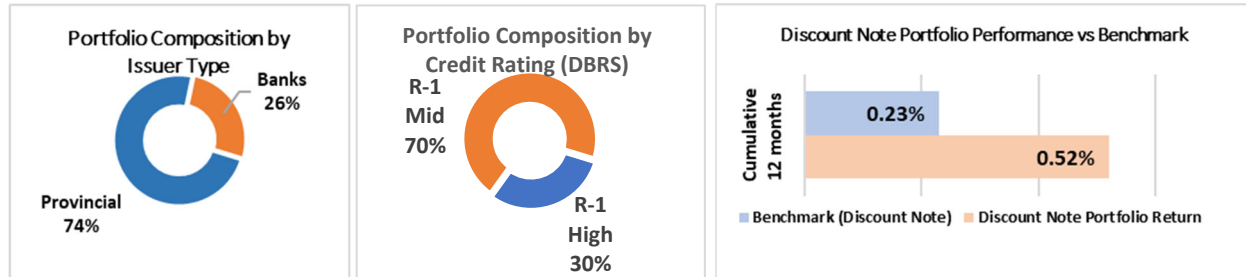
Investment of the PBGF is managed by the Ontario Financing Authority. As at March 31, 2021, market value of the total investments was \$1,120.2 million, comprised of discounted notes of \$523.4 million (47%) and government bonds of \$596.8 million (53%). The total market value increased by \$84.3 million from \$1,035.9 million as at the prior year-end.



* on a modified cash basis

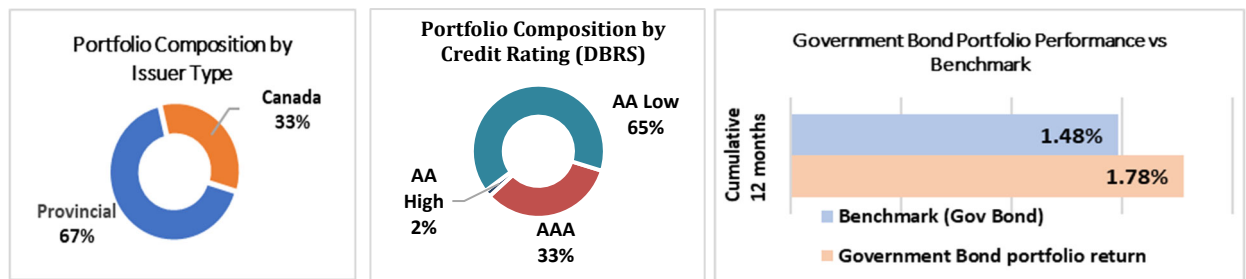
Discounted Notes

As at March 31, 2021, market value of the discounted notes was \$523.4 million with an average term to maturity of 0.28 year. Gross return of the portfolio was 0.52% for the cumulative 12 months period which outperformed the benchmark by 29 basis point.



Government Bonds

Market value of the government bonds was \$596.8 million as at March 31, 2021, with an average term to maturity of 1.40 years. Gross return of the portfolio was 1.78% for the cumulative 12 months period, outperforming the benchmark by 30 basis points.



Claims Payable

At March 31, 2021 total claims payable was \$58.1 million and was separated into a current portion of \$16.9 million and a long-term portion of \$41.2 million. This represents a \$49.0 million reduction from the prior year total claims payable amount of \$107.1 million. This reduction is primarily due to actuarial revisions which reduced the payable by \$35.4 million and claim payments of \$16.5 million. These reductions were partially offset by a \$2.9 million charge for new claims. The impact of the \$35.4 million in actuarial revisions has been shown, (net of the \$2.9 million charge for new claims), as a credit to expenses in the Statement of Operations and Fund Surplus.

Under section 34(2) of Regulation 909 of the Pensions Benefit Act, the CEO of FSRA has the discretion to determine the timing and manner of the payout of claims. As a result, \$41.2 million

of total claims payable has been classified as long-term as the amounts are currently expected to be paid out beyond one year.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

**PENSION BENEFITS GUARANTEE FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**



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Pension Benefits Guarantee Fund

Management's Responsibility for Financial Information

The Pension Benefits Guarantee Fund (the "Fund" or "PBGF") is continued under the *Pension Benefits Act, R.S.O. 1990, c. P.8* (the "Act"). Effective June 8, 2019, the Chief Executive Officer ("CEO") of Financial Services Regulatory Authority of Ontario ("FSRA") is responsible for the administration of the Fund including the investment of the assets of the Fund.

FSRA management ("Management") is responsible for the integrity and fair presentation of the accompanying financial statements and notes. The financial statements have been prepared by Management in accordance with Canadian Public Sector Accounting Standards. The reporting year is from April 1, 2020 to March 31, 2021. The preparation of the financial statements involves the use of Management's judgement and best estimates, where appropriate.

Management is also responsible for developing and maintaining financial controls, information systems and practices to provide reasonable assurances on the reliability of financial information and safeguarding of its assets.

As required by the *Financial Services Regulatory Authority of Ontario Act, 2016*, S.O. 2016, c. 37, Sched. 8, FSRA's Board of Directors established a committee (the "PBGF Advisory Committee") to advise the CEO on matters related to the Fund. The financial statements have been reviewed by the PBGF Advisory Committee and approved by the Board of Directors.

The financial statements have been audited by the Office of the Auditor General of Ontario in accordance with Canadian Public Sector Accounting Standards for Government Not-For-Profit Organizations. The auditor's report follows.

A handwritten signature in black ink, appearing to read 'M. White'.

Mark White
Chief Executive Officer

A handwritten signature in black ink, appearing to read 'S. Power'.

Stephen Power
Executive Vice President - Corporate Services

A handwritten signature in black ink, appearing to read 'R. Nanek'.

Randy Nanek
Chief Financial Officer

Toronto, Ontario
June 29, 2021



INDEPENDENT AUDITOR'S REPORT

To the Financial Services Regulatory Authority of Ontario

Opinion

I have audited the financial statements of the Pension Benefits Guarantee Fund (the "Fund"), which comprise the statement of financial position as at March 31, 2021, and the statements of operations and fund surplus, remeasurement gains and losses 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 the Fund as at March 31, 2021, and the results of its operations, its remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 the Fund 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 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 Fund'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 the Fund either intends to cease operations, or has no realistic alternative but to do so.

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

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 the Fund'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 Fund'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 the Fund 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.

Toronto, Ontario
June 29, 2021


Bonnie Lysyk, MBA, FCPA, FCA, LPA
Auditor General

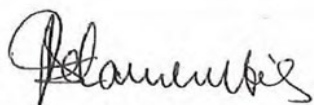
FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Pension Benefits Guarantee Fund Statements of Financial Position As at March 31, 2021

(\$000)		March 31, 2021	March 31, 2020
	Note(s)		
ASSETS			
Current			
Cash		113	1
Accounts receivable		76,847	106,866
Investments	3 and 4	1,120,190	1,035,931
Total assets		<u>1,197,150</u>	<u>1,142,798</u>
LIABILITIES AND FUND SURPLUS			
Current			
Accounts payable and accrued liabilities		6,457	8,810
Current portion of loan payable	5	11,000	11,000
Claims payable		16,860	107,052
Total current liabilities		<u>34,317</u>	<u>126,862</u>
Claim payable - Long term		41,186	-
Loan payable - Long term	5	92,101	97,629
Total liabilities		<u>167,604</u>	<u>224,491</u>
FUND SURPLUS			
Fund surplus from operation		1,033,434	919,742
Accumulated re-measurement losses		(3,888)	(1,435)
Total fund surplus		<u>1,029,546</u>	<u>918,307</u>
Total liabilities and fund surplus		<u>1,197,150</u>	<u>1,142,798</u>

See accompanying notes to the financial statements.

On Behalf of the Board of the Financial Services Regulatory Authority of Ontario:



Board Chair



PBGF Advisory Committee Chair

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Pension Benefits Guarantee Fund Statements of Operations and Fund Surplus For the year ended March 31, 2021

(\$000)	Note(s)	March 31, 2021	March 31, 2020
Revenue			
PBGF assessment revenue	3	75,241	70,686
Pension plan recoveries	7	1,683	1,031
Investment income	4	11,782	18,246
		88,706	89,963
Expenses			
Claims / (recovery of claims provision)	3	(32,506)	5,166
Amortization of loan discount	5	5,472	5,737
Pension consulting services	8	721	1,082
Administration fee	9	931	810
Investment management fees	9	396	353
		(24,986)	13,148
Excess of revenue over expenses		113,692	76,815
Fund surplus, beginning of year		919,742	842,927
Fund surplus, end of year		1,033,434	919,742

See accompanying notes to the financial statements.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Pension Benefits Guarantee Fund Statement of Re-measurement Gains and Losses For the year ended March 31, 2021

(\$000)	Note(s)	March 31, 2021	March 31, 2020
Accumulated re-measurement losses, beginning of year		(1,435)	(7,097)
Unrealized losses attributed to portfolio investments	4	(8,277)	(891)
Realized losses reclassified to the statement of operations	4	5,824	6,553
Accumulated re-measurement losses, end of year		(3,888)	(1,435)

See accompanying notes to the financial statements.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Pension Benefits Guarantee Fund Statement of Cash Flows For the year ended March 31, 2021

(\$000)	Note(s)	March 31, 2021	March 31, 2020
Cash flows from / (used in) operating activities:			
Excess of revenue over expenses		113,692	76,815
Adjustments for non-cash expense items:			
Amortization of loan discount	5	5,472	5,737
Realized losses on disposal of investments	4	5,824	6,553
		<u>124,988</u>	<u>89,105</u>
Changes in non-cash working capital:			
Accounts receivable		30,019	128,628
Claims payable		(49,006)	4,540
Accounts payable and accrued liabilities		<u>(2,353)</u>	<u>(1,342)</u>
		103,648	220,931
Cash flows from / (used in) investing activities:			
Purchases of investments		(1,685,392)	(3,533,313)
Proceeds from sale of investments		<u>1,592,856</u>	<u>3,323,382</u>
		(92,536)	(209,931)
Cash flows used in financing activities:			
Loan repayments	5	<u>(11,000)</u>	<u>(11,000)</u>
		(11,000)	(11,000)
Net increase in cash position		112	-
Cash, beginning of year		1	1
Cash, end of year		<u>113</u>	<u>1</u>

See accompanying notes to the financial statements.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Pension Benefits Guarantee Fund Notes to the Financial Statements For the year ended March 31, 2021

1. STATUTORY AUTHORITY

The Pension Benefits Guarantee Fund (the “Fund” or “PBGF”) is continued under the *Pension Benefits Act, R.S.O. 1990, c. P.8* (the “Act”). On June 8, 2019, the Financial Services Regulatory Authority of Ontario (“FSRA”) assumed substantially all of the Financial Services Commission of Ontario (“FSCO”) responsibilities. At the same time, the Chief Executive Officer (“CEO”) of FSRA assumed responsibility for the administration of the Fund including the investment of the assets of the Fund.

2. FUND OPERATIONS

The purpose of the Fund is to guarantee the payment of pension benefits of certain defined benefit pension plans that are wound up under conditions specified in the Act and regulations thereto. The regulations also prescribe an assessment payable into the Fund by employers required to make contributions to defined benefit pension plans.

The Act provides that if the assets of the Fund are insufficient to meet payments for claims, the Lieutenant Governor in Council may authorize the Minister of Finance of Ontario to make loans or grants on such terms and conditions as the Lieutenant Governor in Council directs. The total liability of the Fund to guarantee pension benefits is limited to the assets of the Fund including any loans or grants received from the Province.

Pursuant to the *Financial Services Regulatory Authority of Ontario Act, 2016* and subsection 82(2) of the *Pension Benefits Act*, the CEO is responsible for the administration of the Fund. The CEO may charge the Fund for reasonable expenses incurred in the administration of the Fund.

The investments of the Fund are managed by the Ontario Financing Authority, on a fee-for-service basis which is paid by the Fund.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in accordance with Public Sector Accounting Standards for Government Not-For-Profit organizations (PSAS-GNFPO) as issued by the Public Sector Accounting Board (PSAB). Management has used the following significant accounting policies in the financial statements and notes preparation.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Pension Benefits Guarantee Fund Notes to the Financial Statements For the year ended March 31, 2021

(a) Financial Instruments

The Fund follows PSA-GNFPO accounting standards relating to financial instruments. Under these standards, all financial instruments are included on the balance sheet and are measured either at fair value or at cost or amortized cost as follows:

- Cash and investments are recorded at fair value, with changes in fair value during the period recognized in the Statement of Re-measurement Gains and Losses until realized. Fair value is determined from quoted prices for similar investments.
- Accounts receivable, account payable and accrued liabilities are valued at cost which approximate fair value given their short-term maturities.
- The non-interest bearing loan payable is reflected at amortized cost using the effective interest rate method due to the concessionary nature of the loan. The initial valuation was determined by discounting future cash flows using the provincial cost of borrowing. The resulting benefit (the difference between the face value of the loan and the net present value) was accounted for as a grant in the year received and is amortized to loan discount expense over the term of the loan.
- Fair value measurements are classified using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:
 - Level 1 – unadjusted quoted market prices in active markets for identical assets or liabilities;
 - Level 2 – observable or corroborated inputs, other than Level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
 - Level 3 – unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

(b) Claims Payable

Claims payable are estimates of the liabilities in respect of those defined benefit pension plans prescribed by the Act that are wound up, or in the process of being ordered wound up under conditions specified in the Act, where the claim amounts can be reasonably estimated. Claims payable liabilities are also recognized when there is a high probability that a company will not emerge from creditor protection and the pension plan will be wound up on a specified date and the claim can be reasonably estimated. Claims payable are based on information provided by appointed pension plan administrators. These estimates represent the present value of future payments to settle claims for benefits and expenses by pension plans.

Differences in the liabilities, if any, between the amounts recognized based on estimates and the actual claims made, will be charged or credited to claims expense in the year when the actual amounts are determined.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Pension Benefits Guarantee Fund Notes to the Financial Statements For the year ended March 31, 2021

(c) PBGF Assessment Revenue

Assessment revenue is based on an assessment formula set out in section 37 of Regulation 909 of the Act. An estimate of the assessment revenue due from defined benefit pension plans at rates prescribed by the Act is recorded when earned. The annual assessment certificate is due nine months after the plan's fiscal year end.

Differences in assessment revenue, if any, between the estimated amounts recognized and the actual revenues due, are charged or credited to assessment revenue in the year.

(\$000)	March 31, 2021	March 31, 2020
Estimated revenue	70,400	81,700
Actual revenue related to current and prior years received in current year	86,541	98,186
Less: prior year's estimated revenue	(81,700)	(109,200)
	75,241	70,686

(d) Use of Estimates

The preparation of financial statements in accordance with PSAS-GNFPO accounting standards requires that FSRA's management make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities as at the date of the financial statements and the reported amounts of revenue and expenses for the period. Estimates and assumptions may change over time as new information is obtained or subsequent developments occur. Actual results could differ from these estimates and the differences could be material.

4. INVESTMENTS

As required by legislation, the FSRA Board has established a Pension Benefits Guarantee Fund Advisory Committee to advise the CEO on the administration and investment of the Fund. The Committee has reviewed the PBGF Investment Policy developed by FSRA management. This policy is reviewed regularly and provides operational objectives, investment principles, policies and guidelines for the management of the Fund's investments.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Pension Benefits Guarantee Fund Notes to the Financial Statements For the year ended March 31, 2021

Investments consist of:

(\$000)	March 31, 2021		March 31, 2020	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Discounted notes	523,405	523,405	457,880	457,880
Government bonds	596,785	600,673	578,051	579,486
Total Investments	1,120,190	1,124,078	1,035,931	1,037,366

(\$000)	Fair Value Hierarchy	Fair Value March 31, 2021	Fair Value March 31, 2020
Discounted notes	Level 1	523,405	457,880
Government bonds	Level 2	596,785	578,051
Total		1,120,190	1,035,931

No investments have moved between hierarchy levels during the fiscal period.

Investment income includes interest earned from interest bearing securities and realized gains and losses from the sale of securities. Unrealized gains and losses are reported on the Statement of Re-measurement Gains and Losses.

Investment income consists of:

(\$000)	March 31, 2021	March 31, 2020
Interest income	17,606	24,799
Realized losses from the sale of securities	(5,824)	(6,553)
Total	11,782	18,246

The investment risk of the Fund's investment portfolio is considered low due to the types of investments held.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Pension Benefits Guarantee Fund Notes to the Financial Statements For the year ended March 31, 2021

Discounted notes had yields in the range of 0.120% to 0.698% (2020 – had yields in the range of 0.900% to 1.950%). The government bonds had yields in the range of 0.180% to 2.390% (2020 – had yields in the range of 0.722% to 2.526%).

5. LOAN PAYABLE TO THE PROVINCE

Non-interest Bearing Loan

On March 31, 2004, the Fund obtained a \$330 million loan from the Province, a related party. The loan is non-interest bearing and repayable to the Province in thirty equal annual installments of \$11 million. The loan agreement provides for the Minister of Finance to advance any installment payment date depending on the cash position of the Fund. Repayments over the next five years total \$55 million.

The face value of this non-interest bearing loan has been discounted at an effective interest rate of 5.0368% to reflect its amortized cost outstanding as of March 31, 2021 as follows:

(\$000)	March 31, 2021	March 31, 2020
Face Value	143,000	154,000
Less: Discount	(39,899)	(45,371)
Amortized Cost	103,101	108,629
Classified as:		
Current Portion	11,000	11,000
Long-Term Portion	92,101	97,629
Balance	103,101	108,629

The unamortized discount of \$39.9 million is amortized to loan discount expense over the remaining term of the loan, based on the effective interest rate method. The amortization schedule for the subsequent five fiscal years is as follows:

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Pension Benefits Guarantee Fund Notes to the Financial Statements For the year ended March 31, 2021

Fiscal Year	Amount (\$'000)
2022	5,193
2023	4,901
2024	4,593
2025	4,271
2026	3,932

6. RISKS ARISING FROM FINANCIAL INSTRUMENTS

The main risks that the Fund's financial instruments, including its portfolio investments, are exposed to are credit risk, liquidity risk and market risk.

Credit risk

Credit risk is the risk that the counterparty to a financial instrument may fail to discharge an obligation or commitment that it has entered into. The Fund is exposed to credit risk relating to the collection of receivables and the repayment of portfolio investments. The Fund considers this risk to be low.

The portfolio investments are all investment grade debt securities with low credit risk.

The Fund's accounts receivable consists of assessment revenue receivable of \$72.2 million with Retail Sales Tax (RST), investment income receivable of \$4.4 million, and HST receivable of \$0.2 million.

The assessment revenue receivable recorded is based on an assessment formula set out in section 37 of Regulation 909 of the Act.

In the event that a pension plan would become insolvent within a year, there are legal options the Fund can exercise to collect the assessment revenue receivable. Historically, the Fund has been able to collect the amounts estimated as assessment revenue receivable.

The risk of not collecting the investment income receivable and the HST receivable is considered to be minimal.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Pension Benefits Guarantee Fund Notes to the Financial Statements For the year ended March 31, 2021

Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its cash flow obligations as they fall due. The Fund's exposure to liquidity risk is minimal as the Fund has sufficient funds in its investment portfolio to settle all current liabilities and the Fund's exposure is limited to the assets in the Fund including any loans or grants received from the Province. As at March 31, 2021, the Fund has an investment balance of \$1,120 million (2020 - \$1,036 million) to settle current liabilities of \$34.3 million (2020 - \$126.9 million). In addition, subject to realizing losses due to market declines, the Fund has the ability to meet sudden and unexpected claims by converting the investment holdings to cash without delay or significant transaction costs.

Market risk

Market risk arises from the possibility that changes in market prices will affect the value of the financial instruments of the Fund. Short-term financial instruments (receivables, accounts payable) are not subject to significant market risk. The Fund manages its market risk by investing in low-risk and liquid securities. The Fund's market risk is considered to be low.

The market value sensitivity of the discounted notes as at March 31, 2021 was \$1.26 million for a 1.00% change in rates. The market value sensitivity of the government bonds as at March 31, 2021 was \$7.33 million for a 1.00% change in rates.

7. PENSION PLAN RECOVERIES

Any funds remaining from a wound up pension plan are recovered by the Fund after the settlement of all benefits, payment of expenses and the submission of the final wind up report for such pension plan that had received payments from the Fund. During fiscal 2021, the Fund had \$1.7 million (2020 – \$1.0 million) in recoveries from such pension plans.

8. PENSION CONSULTING SERVICES

The CEO periodically engages the services of external experts to represent the Fund's interests in, or in anticipation of, insolvency proceedings respecting employers who are unable to meet their funding obligations under the *Pension Benefits Act*. For fiscal 2021, \$0.7 million was incurred to such external experts (2020 - \$1.1 million).

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Pension Benefits Guarantee Fund Notes to the Financial Statements For the year ended March 31, 2021

9. RELATED PARTY TRANSACTIONS

For fiscal 2021, an administration fee of \$0.9 million (2020 - \$0.8 million) was incurred for management salaries and benefits, accounting, information technology, legal, pension and other services. The Fund and FSRA are related parties.

Investment Management fees of \$0.4 million (2020 - \$0.4 million) consist mainly of fees paid to the Ontario Financing Authority, a related party.

Other related party transactions during the year have been disclosed in note 5.

DEPOSIT INSURANCE RESERVE FUND

Financial Highlights

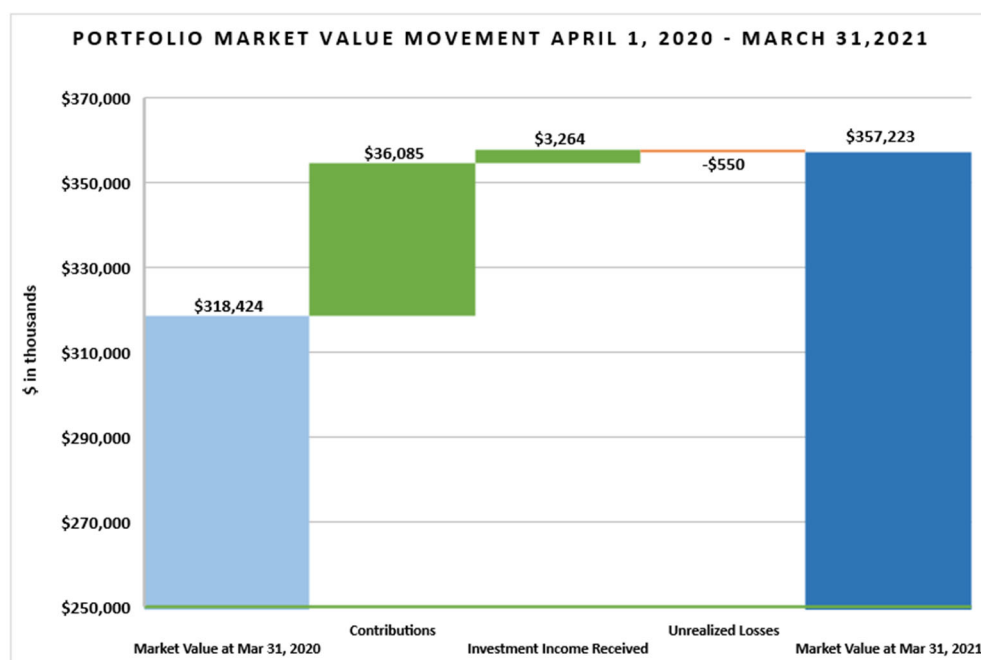
The Deposit Insurance Reserve Fund (“DIRF”) is a fund managed by FSRA and dedicated to protecting the insured deposits of credit union members through deposit insurance and other financial support for the credit union sector as set forth in the CUCPA. Pursuant to subsection 12.1 (2) of the *Financial Services Regulatory Authority of Ontario Act, 2016*, the DIRF became an independent reporting entity separated from FSRA’s operations, on June 8, 2019.

As of March 31, 2021, the DIRF surplus was at \$366.0 million (2020 - \$329.4 million). This surplus is the assets in the DIRF net of liabilities. The surplus increased by \$36.6 million (11%) year-over-year. The DIRF assets consisted of investments of \$357.2 million, premium receivable of \$33.4 million, investment income receivable of \$0.7 million, cash of \$0.3 million, and other receivables of \$0.1 million. The DIRF liabilities were comprised of deferred premium revenue of \$25.6 million and accounts payable of \$0.03 million.

The increase of \$36.6 million in the fiscal year resulted from premium revenue of \$34.3 million, investment income of \$2.5 million and other revenue of \$0.3 million, offset by unrealized losses attributable to investments of \$0.5 million.

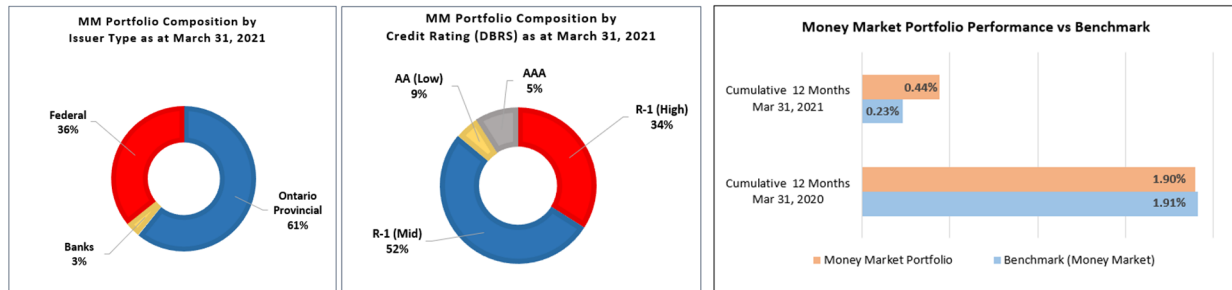
Investments

Investments of the DIRF are managed by the Ontario Financing Authority. As at March 31, 2021, market value of the total investments was \$357.2 million, comprised of a Money Market portfolio of \$291.8 million (82%) and a Government Bond Laddered portfolio of \$65.4 million (18%). The total market value increased by \$38.8 million from \$318.4 million as at March 31, 2020.



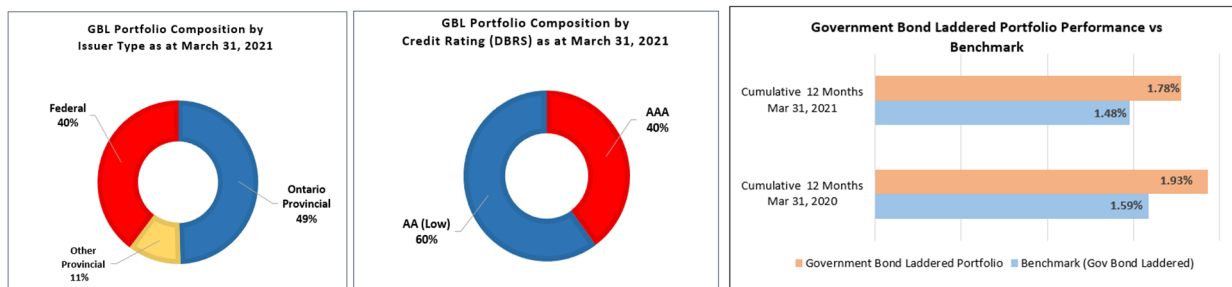
Money Market portfolio

As at March 31, 2021, market value of the Money Market portfolio was \$291.8 million (2020 - \$253.0 million) with an average term of 91.8 days. Gross return of the portfolio was 0.44% for the cumulative 12 months period which outperformed the benchmark by 21 basis points.



Government Bond Laddered portfolio

Market value of the Government Bond Laddered portfolio was \$65.4 million as at March 31, 2021 (2020 - \$65.4 million) with an average term to maturity of 1.43 years. Gross return of the portfolio was 1.78% for the cumulative 12 months period, outperforming the benchmark by 30 basis points.



FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

**DEPOSIT INSURANCE RESERVE FUND
FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2021**



Deposit Insurance Reserve Fund

Management's Responsibility for Financial Reporting

Pursuant to subsection 2 (1) of the *Financial Services Regulatory Authority of Ontario Act, 2016* and subsection 276 (1) of the *Credit Unions and Caisses Populaires Act, 1994*, effective June 8, 2019, the Financial Services Regulatory Authority of Ontario ("FSRA") is responsible for the administration of the Deposit Insurance Reserve Fund ("DIRF").

FSRA management ("Management") is responsible for the integrity and fair presentation of the accompanying financial statements and notes. The financial statements have been prepared by Management in accordance with Canadian Public Sector Accounting Standards. The reporting year is from April 1, 2020 to March 31, 2021. The preparation of the financial statements involves the use of Management's judgement and best estimates, where appropriate.

Management is also responsible for developing and maintaining financial controls, information systems and practices to provide reasonable assurances on the reliability of financial information and safeguarding of its assets.

To ensure that Management fulfils its responsibilities, the Financial Services Regulatory Authority of Ontario's Board of Directors has appointed a DIRF Advisory Committee to advise the Board on matters related to the DIRF. The financial statements have been reviewed by the DIRF Advisory Committee and approved by the Board of Directors.

The financial statements have been audited by the Office of the Auditor General of Ontario in accordance with Canadian Public Sector Accounting Standards for Government Not-For-Profit Organizations. The auditor's report follows.

A handwritten signature in black ink, appearing to read 'Mark White'.

Mark White
Chief Executive Officer

A handwritten signature in black ink, appearing to read 'Stephen Power'.

Stephen Power
Executive Vice President - Corporate Services

A handwritten signature in black ink, appearing to read 'Randy Nanek'.

Randy Nanek
Chief Financial Officer

Toronto, Ontario
June 29, 2021



INDEPENDENT AUDITOR'S REPORT

To the Financial Services Regulatory Authority of Ontario

Opinion

I have audited the financial statements of the Deposit Insurance Reserve Fund (the Fund), which comprise the statement of financial position as at March 31, 2021 and the statements of operations and fund surplus, remeasurement gains 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 the Fund as at March 31, 2021, and the results of its operations, its remeasurement gains and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 the Fund 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 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 Fund'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 the Fund either intends to cease operations, or has no realistic alternative but to do so.

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

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 the Fund'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 Fund'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 the Fund 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.

Toronto, Ontario
June 29, 2021


Bonnie Lysyk, MBA, FCPA, FCA, LPA
Auditor General

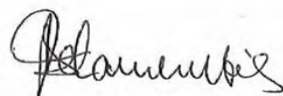
FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Deposit Insurance Reserve Fund Statement of Financial Position As at March 31, 2021

(\$'000)	Notes	March 31, 2021	March 31, 2020
ASSETS			
Current			
Cash		256	1,493
Investments	3	357,223	318,424
Premium receivable	4	33,381	7,962
Investment income receivable		668	1,316
Other receivables	6	92	765
Total assets		391,620	329,960
LIABILITIES AND FUND SURPLUS			
Current			
Accounts payable and accrued liabilities		30	41
Deferred premium revenue	5	25,568	503
Total liabilities		25,598	544
Fund surplus from operations		365,437	328,281
Accumulated remeasurement gains		585	1,135
Fund surplus		366,022	329,416
Total liabilities and fund surplus		391,620	329,960

See accompanying notes to the financial statements

On Behalf of the Board of the Financial
Services Regulatory Authority of Ontario:



Board Chair



DIRF Advisory Committee
Chair

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Deposit Insurance Reserve Fund Statement of Operations and Fund Surplus For the year ended March 31, 2021

(\$'000)	Notes	Year Ended March 31, 2021	June 8, 2019 - March 31, 2020
Revenue			
Premium revenue	2&4	34,337	25,961
Investment income	3&6	2,503	4,913
Other revenue	7	316	646
		<u>37,156</u>	<u>31,520</u>
Expenses			
Assessments due to FSRA	6	-	2,318
Reversal of accrued general provision for losses		-	(3,000)
Other expenses	7	-	164
		<u>-</u>	<u>(518)</u>
Excess of revenue over expenses		37,156	32,038
Fund surplus from operations, beginning of year/period		<u>328,281</u>	<u>296,243</u>
Fund surplus from operations, end of year/period		<u>365,437</u>	<u>328,281</u>

See accompanying notes to the financial statements

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Deposit Insurance Reserve Fund Statement of Cash Flows For the year ended March 31, 2021

(\$'000)	Notes	Year Ended March 31, 2021	June 8, 2019 - March 31, 2020
Cash flows from / (used in) operating activities:			
Excess of revenue over expenses		37,156	32,038
Adjustments for non-cash item:			
Reversal of accrued general provision for losses		-	(3,000)
		<u>37,156</u>	<u>29,038</u>
Changes in non-cash working capital:			
Premium receivable		(25,419)	(7,903)
Investment income receivable		648	(436)
Other receivables	7	673	(765)
Account payables and accrued liabilities		(11)	(13,994)
Deferred premium income		<u>25,065</u>	<u>(16,194)</u>
		<u>956</u>	<u>(39,292)</u>
Cash flows from / (used in) investing activities:			
Interest received		3,151	4,477
Purchase of investments held at year/period end		(357,773)	(317,763)
Proceeds from sale of investments		<u>315,273</u>	<u>323,645</u>
		<u>(39,349)</u>	<u>10,359</u>
Net increase / (decrease) in cash		(1,237)	105
Cash position, beginning of year/period		<u>1,493</u>	<u>1,388</u>
Cash position, end of year/period		<u>256</u>	<u>1,493</u>

See accompanying notes to the financial statements

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

**Deposit Insurance Reserve Fund
Statement of Re-Measurement Gains
For the year ended March 31, 2021**

(\$'000)	Year Ended March 31, 2021	June 8, 2019 - March 31, 2020
Accumulated re-measurement gains, beginning of year/period	1,135	474
Unrealized gains / (losses) attributed to portfolio investments	<u>(550)</u>	<u>661</u>
Accumulated re-measurement gains, end of year/period	<u>585</u>	<u>1,135</u>

See accompanying notes to the financial statements

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Deposit Insurance Reserve Fund Notes to the Financial Statements For the year ended March 31, 2021

1. REPORTING ENTITY

Statutory authorities

The Financial Services Regulatory Authority of Ontario ("FSRA") was established under the *Financial Services Regulatory Authority of Ontario Act, 2016* ("FSRA Act") without share capital. On December 6, 2018, the *Restoring Trust, Transparency and Accountability Act, 2018* (Bill 57) received Royal Assent and provided for the amalgamation of the Deposit Insurance Corporation of Ontario ("DICO") with FSRA.

On June 8, 2019, the amalgamation was completed. On this date, FSRA became responsible for providing deposit insurance and prudential regulation to Ontario's credit unions and caisses populaires ("credit unions"). By virtue of its amalgamation with DICO, FSRA assumed the responsibility to manage the Deposit Insurance Reserve Fund ("DIRF"). In accordance with subsection 276 (1) and 276 (3) of the *Credit Unions and Caisses Populaires Act, 1994* ("CUCPA"), FSRA shall maintain the DIRF with the power to manage, invest and disburse the money in the DIRF as defined under CUCPA.

The DIRF has become a separate reporting entity from FSRA's operations since the amalgamation on June 8, 2019. Pursuant to subsection 12.1 (2) of the FSRA Act, any funds received by the DIRF and assets of the DIRF are not part of the revenues, assets and investments of FSRA.

Purpose and operation

In accordance with sub-sections 276(2) and 262(1) of the CUCPA, the DIRF may be used to pay the following:

- Deposit insurance claims;
- Costs associated with the orderly winding up of credit unions in financial difficulty;
- Financial assistance to a credit union under administration in its continued operation, or to assist with the orderly winding up of credit unions in financial difficulty;
- An advance or grant for the purpose of paying lawful claims against a credit union in respect of any claims of its members for withdrawal of deposits; and
- Assets acquired or liabilities assumed from credit unions under the above circumstances.

FSRA is responsible for the operation and prudent management of the DIRF. Pursuant to section 10.2 of the FSRA Act, the Board of Directors of FSRA has established a DIRF Advisory Committee to advise the Board on matters related to the DIRF.

The investments of the DIRF are managed by the Ontario Financing Authority, on a fee-for-service basis which is paid by the Fund.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Public Sector Accounting Standards for Government Not-For-Profit Organizations (PSAS-GNFPO) as issued by the Public Sector Accounting Board (PSAB). Management has used the following significant accounting policies in the financial statements and notes preparation.

(a) Financial instruments

All financial instruments are included on the Statement of Financial Position and are measured either at fair value or at cost as follows:

- Cash and investments are recorded at fair value, with changes in fair value during the period recognized in the Statement of Re-Measurement Gains until realized. Fair value is determined from quoted prices for similar investments.
- Accounts receivable, accounts payable and accrued liabilities are valued at cost which approximate fair value given their short-term maturities.
- Fair value measurements are classified using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:
 - Level 1 – unadjusted quoted market prices in active markets for identical assets or liabilities;
 - Level 2 – observable or corroborated inputs, other than Level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
 - Level 3 – unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

(b) Revenue recognition

Premium revenue is determined in accordance with section 105 of Ontario Regulation 237/09 made under the CUCPA and the rules set out in the *Differential Premium Score Determination* published by the Corporation in *The Ontario Gazette*. The differential premium score (DPS) of a credit union is calculated with reference to its regulatory capital level and corporate governance, as reported on the Annual Information Return filed by the credit union within 75 days after its fiscal year-end. The annual premium payable is calculated by using the DPS to determine a premium rate and applying the rate to insured deposits of the credit union.

Premiums are invoiced annually within 90 days of the credit unions' fiscal year-ends. Premium revenue is recognized when earned by amortizing the annual premiums over the credit unions' applicable fiscal periods.

Investment income is recognized as earned.

(c) Use of estimates and assumptions

In preparing the financial statements, management is required to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses, and disclosures. Estimates and assumptions may change over time as new information becomes available. Accordingly, actual results may differ from the estimates and assumptions. Areas where estimates and assumptions are made include contingencies and accounts payable and accrued liabilities.

(d) First-time PSAS-GNFPO adoption

Prior to the amalgamation, DICO's operations encompassed both a fund (the DIRF) to provide deposit insurance and the prudential regulation of the credit union sector. With the amalgamation into FSRA, these two responsibilities were segregated - prudential regulation to FSRA and the separation of the DIRF as a fund to provide deposit insurance. As such, the DIRF commenced to operate as an independent reporting entity on June 8, 2019. A Statement of Financial Position on the date of transition was prepared as the starting point for the DIRF financial reporting. Assets and liabilities held by DICO as at June 7, 2019 were separated into:

- Assets and liabilities in relation to a fund to provide deposit insurance to establish the opening financial position of the DIRF, and
- Operational assets and liabilities assumed by FSRA in respect of prudential regulation of the credit union sector which were segregated from the DIRF (Note 10).

The DIRF opening statement of financial position was prepared in accordance with PSAS-GNFPO. DICO's financial reporting followed the International Financial Reporting Standards (IFRS). All assets and liabilities have been recognized at book value and adjusted to comply with PSAS-GNFPO where applicable, as detailed in Note 11.

The prior year reporting period of the financial statements was from June 8, 2019 to March 31, 2020.

3. INVESTMENTS

A DIRF Investment Policy has been maintained to ensure that the investments are managed in compliance with applicable regulations and that an appropriate balance between capital preservation, liquidity, and reasonable yield is maintained. Management and the Ontario Financing Authority ("OFA") have entered into an Investment Management Agreement for OFA to manage the DIRF investment. The DIRF Advisory Committee has the oversight responsibility to oversee management in its monitoring of the performance of OFA.

The DIRF investments are comprised of money market securities and government laddered bonds. As of March 31, 2021, the fair value of the Money Market portfolio was \$292M and the fair value of the Government Bond Laddered portfolio was \$65M (March 31, 2020 - \$253M and \$65M respectively).

	March 31, 2021		March 31, 2020	
\$'000	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Money Market	291,839	291,822	252,979	252,901

Government Bond Laddered	<u>65,384</u>	<u>64,816</u>	<u>65,445</u>	<u>64,388</u>
Total Investments	357,223	356,638	318,424	317,289

All Money Market instruments are fair value hierarchy level 1 and Government Bonds Laddered portfolio are level 2. No investments have moved between hierarchy levels during the fiscal year.

Investment income of \$2,503 reported on the Statement of Operations includes interest earned from interest bearing securities and realized gains and losses from the sale of securities. Unrealized gains of \$585 are reported on the Statement of Re-Measurement Gains.

As of March 31, 2021, the cumulative 12-month returns of the Money Market portfolio and the Government Bond Laddered portfolio were 0.44% and 1.78% respectively (March 31, 2020 - 1.90% and 1.93% respectively).

4. PREMIUM RECEIVABLE AND PREMIUM REVENUE

As prescribed in section 105 of O. Reg 237/09, the premium rates range from \$0.75 to \$2.25 per one thousand dollars of insured deposits for credit unions whose fiscal years begin after January 1, 2020.

Premium receivable of \$33,381 represents primarily the annual premiums invoiced as of March 31, 2021 to credit unions with a December 31 fiscal year-end, for the year from January 1 to December 31, 2021.

In fiscal period June 8, 2019 – March 31, 2020, for credit unions with fiscal years beginning before January 1, 2020, the premium rates ranged from \$1.00 to \$3.00 per one thousand dollars of insured deposits according to O. Reg 237/09. Premiums for these credit unions were calculated based on the foregoing rates, less the applicable portion for the FSRA prudential regulation assessment in accordance with the FSRA approved budget. In consideration of the COVID-19 pandemic, FSRA deferred premium invoices until July 2020. The premium receivable of \$7,962 as of March 31, 2020 represented premiums earned for the period from January to March 2020 that had not yet been billed.

5. DEFERRED PREMIUM REVENUE

Deferred premium revenue represents the unearned portion of premiums received from credit unions whose fiscal years straddle the DIRF's fiscal year-end. Deferred premium is recognized as revenue in the next fiscal year when prudential regulation duties are fulfilled.

Changes in deferred premium revenue balances are summarized as follows:

\$'000	Fiscal Year 2020-2021	Fiscal Period 2019-2020
Balance, beginning of year/period	503	16,697
Received & receivable during year/period	59,439	1,805
Recognized during year/period	<u>(34,374)</u>	<u>(17,999)</u>

Balance, end of year/period	25,568	503
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6. RELATED PARTY TRANSACTIONS

FSRA is a related party due to its obligation to manage the DIRF.

In fiscal period 2019-2020, according to part 10.2 (3) of FSRA Fee Rule 2019-001, credit unions were not individually assessed in respect of FSRA's first assessment period relating to FSRA's budgeted expenses and expenditures for the period. The aggregate assessment of all credit unions for the period was fully satisfied through a one-time withdrawal by FSRA from the DIRF in an amount equal to the aggregate assessment by FSRA of credit unions for its budgeted expenses allocated to the credit union sector, net of the regulatory portion included in the credit unions premiums received during FSRA's first assessment period. The net aggregate assessment was at \$2,318 and had been paid to FSRA from the DIRF. The transaction was reported on the Statement of Operations as assessments due to FSRA.

Assessment of credit unions has been invoiced separately by FSRA since March 31, 2020. Expenses associated with credit union prudential regulation are reported on FSRA's financial statements rather than the DIRF financial statements.

FSRA collects deposit insurance premiums from credit unions and pays certain expenses on behalf of the DIRF. These transactions are recorded as intercompany receivables and payables and are settled periodically. Any unsettled receivable and payable balances as at the year/period end are netted and reported on the Statement of Financial Position as other receivables or other payables. In fiscal 2020-2021, \$92 of other receivables are reported, representing expenses initially paid from the DIRF but later determined to be FSRA expenses. For fiscal period June 8, 2019 – March 31, 2020, other receivables of \$765 were reported representing premium payments that were collected and due from FSRA.

The Ontario Financing Authority is a related party in its capacity as the DIRF investment manager. Investment management fees of \$109 were paid to OFA in fiscal year 2020-2021 (fiscal period 2019-2020 - \$91). The fees are netted from investment income on the Statement of Operations.

7. OTHER REVENUE AND OTHER EXPENSES

Other revenue consists of recoveries from loans collected from liquidated credit unions. These loans were previously written off.

Other expenses for fiscal period June 8, 2019 – March 31, 2020 represented DICO's operational obligations in excess of the accrued liabilities as at June 7, 2019.

8. RISKS ARISING FROM FINANCIAL INSTRUMENTS

(a) Credit risk

Credit risk is the risk of financial loss to the DIRF if a counter party to a financial instrument fails to meet its contractual obligations. The DIRF is exposed to credit risk relating to the investments and collection of premium receivables.

Management minimizes DIRF investment credit risk by investing in high quality financial instruments permitted by legislation and by limiting the amount invested in any one counter party. Risks of net investment losses and not receiving investment income are considered minimal. The risk of not collecting premium receivables is considered low due to the importance of deposit insurance to credit unions, management's effective collection measures and that payment is an obligation under the CUCPA. As of March 31, 2021, there were no significant accounts receivable that were past due or impaired.

(b) Liquidity risk

Liquidity risk is the risk that the DIRF will not be able to meet its cash flow obligations as they fall due. As at March 31, 2021, the DIRF had an investment balance of \$357M (March 31, 2020 - \$318M). The Fund has the ability to meet sudden and unexpected claims by converting the investment holdings to cash without delay or significant transaction costs. On December 18, 2020, FSRA entered into a credit facility with the OFA of \$2 billion to be able to provide financial assistance to credit unions, that could require financial support in excess of the amount in the DIRF.

(c) Market risk

Market risk arises from the possibility that changes in market prices will affect the value of the financial instruments of the DIRF. Short-term financial instruments (accounts receivable and payable) are not subject to significant market risk. Capital preservation is the primary investment objective of the DIRF and all assets are invested in low-risk securities. Market risk to the DIRF is considered low.

(d) Fair value sensitivity

The fair value sensitivity of the Money Market portfolio at the end of the last quarter was \$0.51M for a 1.00% change in rates (end of last year - \$0.28M). The fair value sensitivity of the Government Bond Laddered portfolio at the end of the last quarter was \$1.08M for a 1.00% change in rates (end of last year - \$0.95M).

9. CONTINGENCIES

The Fund may be exposed to deposit insurance claims and other obligations required by the CUCPA as a result of existing conditions or situations involving uncertainty. In its capacity as the prudential regulator, FSRA performs regular risk assessment to review the risk profiles of the credit unions, including adequacy of capital levels, effectiveness of governance, and potential impact of market, economic and other applicable conditions. Situations and conditions for potential insurance losses for high risk and moderate-high risk credit unions are assessed.

Pursuant to section 294 of the CUCPA, PACE Savings & Credit Union Limited (PACE) was placed under Administration in September 2018 by FSRA's predecessor, Deposit Insurance Corporation of Ontario, to protect members from failed board governance and misconduct by certain former executives. Early in 2020 PACE members elected a new board and FSRA began the process of returning PACE to member-controlled governance. However, the financial effects associated with COVID-19 and several other events caused FSRA to step back from the return to member-controlled governance. On March 26, 2021, an amended Administration Order was issued. It is undeterminable at this point what costs associated with the administration, recovery and resolution of PACE will be borne by the DIRF.

A specific provision can only be established when conditions exist that will likely result in losses attributable to an individual credit union and the amount can be reasonably estimated. As of March 31, 2021 and March 31, 2020, management did not identify any conditions that warranted recognition of a specific provision.

On June 24, 2021, FSRA, as administrator of PACE, entered into a confidential settlement of certain claims by investors in preferred shares that were distributed by PACE's subsidiary, PACE Securities Corporation and issued by another subsidiary, PACE Financial Limited, and by an unaffiliated entity. This settlement agreement is subject to court approval.

FSRA, through the DIRF, has agreed to guarantee the portion of the settlement attributable to PACE. The likelihood, amount and timing of any losses charged to the DIRF cannot be reasonably estimated at this time.

10. RESTRUCTURING TRANSACTIONS

As a result of DICO's amalgamation into FSRA, the carrying amounts of DICO's assets and liabilities as of June 7, 2019 were transferred to the DIRF and FSRA on June 8, 2019. On such date, assets and liabilities in respect of deposit insurance fund became part of the DIRF and the operational assets and liabilities in relation to prudential regulation of the credit union sector became part of FSRA, as follows:

Statement of Financial Position (\$'000)	DICO As at June 7, 2019	DIRF As at June 8, 2019	FSRA As at June 8, 2019
ASSETS			
Current assets			
Cash and cash equivalents	1,388	1,388	-
Investments	215,352	215,352	-
Premiums receivable	79	59	20
Investment income receivable & prepaid expenses	976	880	96
Total current assets	217,795	217,679	116
Non-current assets			
Investments	113,648	113,648	-
Property, plant and equipment	146	-	146
Total non-current assets	113,794	113,648	146
Total Assets	331,589	331,327	262
LIABILITIES			
Current liabilities			
Payables and accruals	2,048	-	2,048
Deferred premium income	22,263	16,697	5,566
Total current liabilities	24,311	16,697	7,614
Non-current liabilities			

Payables and accruals	1,434	-	1,434
Employee benefits	4,676	-	4,676
Provision for deposit insurance losses	3,000	3,000	-
Total non-current liabilities	9,110	3,000	6,110
Total Liabilities	33,421	19,697	13,724
EQUITY			
Accumulated other comprehensive income	1,551	1,352	199
Deposit Insurance Reserve Fund	296,617	296,617	-
Total Equity	298,168	297,969	199
Total Liabilities and Equity	331,589	317,666	13,923

Cash, investments, investment income receivable, provision for losses, unrealized gains on investments, and fund surplus were entirely transferred to the DIRF. Premiums receivable and deferred premium income were transferred to the DIRF, less the applicable portion for FSRA's prudential regulation assessment which remained in the amalgamated entity.

There was a transitional adjustment of \$878 to the opening balance of Investments on June 8, 2019. As a result, the DIRF opening balance of total investments was adjusted from \$329,000 to \$328,122 (Note 11).

The rest of the assets and liabilities were in relation to prudential regulation of the credit union sector and thus were assumed by FSRA upon its amalgamation with DICO. Assumption of these assets and liabilities resulted in net liabilities of \$13,661 at book value owed to FSRA upon amalgamation, which was set up as accounts payable to FSRA on the DIRF opening balance sheet (Note 11).

11. IMPACT OF THE ADOPTION OF PUBLIC SECTOR ACCOUNTING STANDARDS

Management assessed the impact of PSAS-GNFPO adoption on the DIRF's opening balance sheet items, in particular the impact on recognition, measurement, and presentation of each item. No significant differences in recognition and measurement standards were identified for the assets and liabilities transferred to the DIRF as listed in Note 10. As a result, these assets and liabilities were transferred to the DIRF at book values. In respect to terminologies and presentation, the term Re-Measurement Gains and Losses was adopted to replace Other Comprehensive Income/Losses, Fund Surplus was used to replace Equity, and long-term investments were re-classified as current investments to appropriately present liquidity of the DIRF.

The net liabilities of \$13,661 assumed by FSRA upon amalgamation with DICO included trade payables and accruals, deferred premium income, and employee future benefits, net of prepaid expenses, premium receivables, and capital assets. After PSAS assessment of recognition and measurement, these items were assumed by FSRA upon amalgamation at book values, except for the liability of the DICO non-pension post-employment benefits which was included in employee future benefits. A restatement of the obligation on June 8, 2019 was required due to different discount rate and attribution period of benefits being used under PSAS.

DICO provided the non-pension post-employment benefits with extended health, dental and life benefits to qualified retirees and eligible current employees. Annual actuarial valuation of the benefits obligation was performed by an independent actuarial firm at DICO in accordance with IFRS. The benefits were valued at \$3,105 on June 7, 2019, with unrealized actuarial gains of \$199 (\$3,304 in total).

The same actuarial firm was engaged to restate the obligation balance on June 8, 2019 under PSAS. The restatement incorporated a change in discount rate to use FSRA's applicable cost of borrowing at that date, as well as a change in the attribution period of benefits to retirement age. DICO used the Canadian Institute of Actuaries discount rate model linked to corporate bond yield and an attribution period to full eligibility age for benefits as per IFRS IAS 19. The restated opening balance was \$3,678, an increase of \$374. As a result, the accounts payable by the DIRF to FSRA was adjusted from \$13,661 to \$14,035, and the opening fund surplus was reduced by \$374 to \$296,243.

The adjusted DIRF opening balance sheet is as follows:

Deposit Insurance Reserve Fund	Opening Balance Adjusted per PSAS June 8, 2019
(\$'000)	
ASSETS	
Current	
Cash	1,388
Investments	328,122
Premium receivable	59
Investment income receivable	880
Other receivables	-
Total assets	330,449
LIABILITIES AND FUND SURPLUS	
Current	
Accounts payable and accrued liabilities	14,035
Deferred premium revenue	16,697
	30,732
Non-current	
General provision for losses	3,000
Total liabilities	33,732
Fund surplus from operation	296,243
Accumulated remeasurement gains	474
Fund surplus	296,717
Total liabilities and fund surplus	330,449

12. SUBSEQUENT EVENTS

Credit agreement between FSRA and PACE

On April 28, 2021, pursuant to FSRA's authority under section 262(1)(a)(i) of the CUCPA, FSRA entered into a secured credit agreement with PACE to support PACE's continued operations. The agreement provides PACE with a \$500M revolving loan facility to provide liquidity either in the event that PACE's liquidity falls below \$100 million or if PACE experiences a rapid decline in liquidity that could cause material financial or operational difficulties. The loan is secured by the assets of PACE and its subsidiaries and will be the only material senior secured debt of PACE. As of June 29, 2021, no amounts have been drawn on the facility.

As the DIRF is the primary source for making advances to PACE under the secured credit facility and consequently bears the risk of such advances, the credit facility is considered a potential DIRF exposure.

13. COMPARATIVE INFORMATION

Prior year's financial information is for approximately a 10-month period. The current year's financial information covers a 12-month period.