FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

FINANCIAL STATEMENTS FOR THE YEAR ENDING MARCH 31, 2023

Financial Services Regulatory Authority of Ontario

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Ontario

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 ("PSA-GNFPO"). 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, finance and risk committee from among its own members. The audit, finance and risk 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, finance and risk 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 PSA-GNFPO. The auditor's report follows.

Mark White
Chief Executive Officer

Stephen Power
Executive Vice President - Corporate Services

Toronto, Ontario
July 11, 2023

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, 2023, and the statements of operations, changes in net assets, 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, 2023 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 Information

Management is responsible for the other information. The other information comprises the Financial Services Regulatory Authority of Ontario 2022-2023 Annual Report, but does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

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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.

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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

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
July 11, 2023

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

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Statement of Financial Position
As at March 31, 2023

($000)	Note(s)	March 31, 2023	March 31, 2022
ASSETS			
Current			
Cash	3	$90,210	$77,015
Trade and other receivables	4	9,299	15,480
Prepaid expenses		2,909	2,479
Total current assets		102,418	94,974
Capital assets	5	12,962	15,372
Total assets		**$115,380**	**$110,346**
LIABILITIES			
Current			
Trade and other payables	6	$17,878	$15,017
Deferred revenue	8	26,196	25,061
Loan payable	9	3,683	3,623
Total current liabilities		47,757	43,701
Loan payable	9	44,740	47,027
Employee future benefits	11	2,334	3,319
Deferred lease inducements	7	2,482	2,859
Deferred revenue	8	3,170	2,662
Other long-term obligations	5	3,246	3,224
Total liabilities		103,729	102,792
NET ASSETS			
Internally restricted net assets	12	5,000	5,000
Unrestricted net assets		6,651	2,554
Total net assets		11,651	7,554
Total liabilities and net assets		**$115,380**	**$110,346**

See accompanying notes to the financial statements.

Commitments, Contracts, and Contingencies (Note 17)

On Behalf of the Board:

Joanne De Laurentiis
Board Chair

Brent Zorgdrager
Chair, Audit, Finance & Risk Committee

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Statement of Operations
For the year ended March 31, 2023

($000)	Note(s)	March 31, 2023	March 31, 2022
Revenue			
Assessments		$77,315	$75,672
Fees		29,053	27,628
Interest income		3,391	619
	20	**109,759**	**103,919**
Expenses			
Salaries and benefits	11, 13	72,988	68,703
Professional services		18,060	12,533
Technology		5,324	5,110
Accommodation		4,370	4,117
Amortization	5	3,373	3,275
Interest expense	5	1,460	1,403
Staff development		1,475	1,067
Other operating expenses		2,367	1,400
		109,417	97,608
Less: Recoveries	14	(3,755)	(3,845)
		105,662	**93,763**
Excess of revenue over expenses		**$4,097**	**$10,156**

See accompanying notes to the financial statements.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Statement of Changes in Net Assets
For the year ended March 31, 2023

($000)	**Note (s)**	**Internally Restricted Net Assets**	**Unrestricted Net Assets**	**March 31, 2023 Total**	**March 31, 2022 Total**
Net assets (deficit), the beginning of the year		$5,000	$2,554	$7,554	$(2,505)
Adjustment to opening accumulated surplus relating to Asset Retirement Obligation (ARO)	5	-	-	-	(97)
Excess of revenues over expenses	12	-	4,097	4,097	10,156
Net assets, end of year		**$5,000**	**$6,651**	**$11,651**	**$7,554**

See accompanying notes to the financial statements.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Statement of Cash Flows
For the year ended March 31, 2023

($000)	Note(s)	March 31, 2023	March 31, 2022
Cash flows from (used in) operating activities:			
Excess of revenue over expenses		$4,097	$10,156
Adjustments for non-cash expense items:			
Amortization of capital assets		3,373	3,275
Loss on disposal of capital assets		-	12
Interest expense		1,460	1,403
Bad debt expense		68	-
		8,998	14,846
Changes in non-cash working capital:			
Trade and other receivables		6,113	(1,498)
Prepaid expenses		(430)	(127)
Trade and other payables		3,783	(20,764)
Deferred revenue		1,643	4,976
Employee future benefits	11	(985)	(1,584)
Deferred lease inducements	7	(377)	(377)
Other long-term obligations		(48)	(1)
		18,697	(4,529)
Cash flows used in capital activities:			
Purchase of capital assets		(1,884)	(10,145)
		(1,884)	(10,145)
Cash flows used in financing activities:			
Proceeds from loan advances	9	-	3,000
Repayment of loan principal and interest		(3,618)	(3,356)
		(3,618)	(356)
Net increase (decrease) in cash position		**13,195**	**(15,030)**
Cash, beginning of year		77,015	92,045
Cash, end of year	3	**$90,210**	**$77,015**
Supplemental cash flow information			
Capital assets funded by Trade and other payables		**$(922)**	**$(8,264)**

See accompanying notes to the financial statements.

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 achieve specified statutory objectives, 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 financial services 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 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, R.S.O. 1990, Chapter I.8;*
- *Co-operative Corporations Act;*
- *Credit Unions and Caisses Populaires Act, 2020 (Credit Unions and Caisses Popularies Act, 2020 came into force on March 1, 2022, replacing the Credit Unions and Caisses Populaires Act, 1994);*
- *Loan and Trust Corporations Act;*
- *Mortgage Brokerages, Lenders and Administrators Act, 2006;*
- *Pension Benefits Act; and*
- *Financial Professionals Title Protection Act, 2019*.

In addition to the DIRF being controlled by FSRA, FSRA is also responsible for the administration of the Deposit Insurance Reserve Fund (DIRF) through the Credit Unions and Caisses Populaires Act, 2020 (CUCPA). The DIRF may only be used to pay credit union deposit insurance claims or for other authorized purposes specified in the CUCPA. Under the CUCPA section 224(4), the total liability of FSRA to insure credit union deposits through the DIRF or to fund other authorized purposes of the DIRF at any particular time is limited to the assets of the DIRF at that time.

In addition to the PBGF being controlled by FSRA, the Chief Executive Officer of FSRA is responsible for the administration of the Pension Benefit Guarantee Fund (PBGF) Through the *Pension Benefits Act*. The purpose of the PBGF is to guarantee the payment of pension benefits of certain defined benefit pension plans that are wound up under conditions specified in the Pension Benefits Act and regulations thereto. The total liability of the PBGF to guarantee pension benefits at any particular time is limited to the assets of the PBGF at that time, including any loans or grants received from the Province.

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). FSRA has elected to not consolidate controlled entities. Therefore, neither the DIRF's nor the PBGF's financial statements have been consolidated with FSRA's financial statements (see notes 18 and 19). The significant accounting policies used to prepare these statements and notes are summarized below.

(a) Revenue Recognition

Assessment revenues from the insurance, pension, credit union, and caisses populaires, financial planners and financial advisors, and the loan and trust sectors 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.

Revenues from administrative monetary penalties (penalties) and the settlement of enforcement proceedings (settlements) are deferred and recognized in revenue when used for the purposes specified (see Note 8). Penalties and settlements are set up as deferred revenue when they are invoiced. If the invoiced amounts are deemed uncollectible, they are removed from deferred revenue and adjusted directly against the allowance for doubtful debts.

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 on 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

Asset Retirement Obligations

FSRA recognizes asset retirement obligation (ARO) when the following criteria are met:
a) there is a legal obligation to incur retirement costs in relation to a tangible capital asset;
b) the past transaction or event giving rise to the liability has occurred;
c) it is expected that future economic benefits will be given up; and
d) a reasonable estimate of the amount can be made.
ARO is to be measured as at the date the legal obligation was incurred and must be re-evaluated annually.

(c) Financial Instruments

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

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

(d) Employee Benefits

Pension Costs

FSRA participates 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 of Ontario 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 the pension funds are financially viable and that any surpluses or unfunded liabilities arising from the statutory actuarial funding valuations are not assets or obligations of FSRA.

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 Province 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.

(e) Use of Estimates

In preparing the financial statements, management is required to make judgments, 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, asset retirement obligation, accrued liabilities, employees' future benefits, and allocation of costs between industry sectors.

3. CASH

Cash includes $387 (2022 - $158) in restricted funds from the collection of administrative monetary penalties and settlements (see Note 8) and $3,174 (2022 - $2,942) in funds held in the Authority's role as a provider of administrative and support services for various organizations (see Note 14).

4. TRADE AND OTHER RECEIVABLES

($000)	Note(s)	March 31, 2023	March 31, 2022
HST (Harmonized Sales Tax) recoverable		$ 4,457	$ 9,600
Trade and accrued receivables, net of allowance for doubtful debts		3,994	3,046
Due from Ministries of the Province of Ontario	15(a)	168	2,181
Administrative monetary penalties receivable, net of allowance for doubtful debts	8	680	653
		$ 9,299	**$ 15,480**

5. CAPITAL ASSETS

Capital assets consist of the following:

($000)	March 31, 2023			March 31, 2022
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Leasehold improvements	$ 11,882	$ 2,471	$ 9,411	$10,621
Asset Retirement Obligation	1,703	411	1,292	1,462
Software	4,649	3,639	1,010	1,929
Computer hardware	4,268	3,237	1,031	1,345
Office furniture and equipment	263	45	218	15
	$ 22,765	**$ 9,803**	**$ 12,962**	**$ 15,372**

Leasehold Improvements

Leasehold improvements for FSRA's premises at 25 Sheppard Avenue West are amortized over an initial term of 10 years.

ARO

FSRA entered into a lease agreement for office space at 25 Sheppard Avenue West, which commenced on November 1, 2020, and expires on October 31, 2030. Pursuant to the lease agreement, FSRA is obligated to eliminate non-standard leasehold improvements, non-standard equipment, trade fixtures, and cabling. In accordance with PS 3280, ARO, FSRA recognized the fair value of a liability for an ARO in the amount of $1,730 on April 1, 2021, with a corresponding amount included in capital assets on the balance sheets. The discount rate used corresponds to the borrowing rate at the beginning of the current fiscal year, which was April 1, 2022. The capital asset is depreciated on a straight-line basis over the term of the lease and the ARO liability is accreted over the term of the lease with corresponding credits recorded as ARO liabilities, respectively. Therefore, certain of the comparative figures, such as Capital assets, Other long-term obligations, Amortization, Interest expense, and Adjustment to opening accumulated surplus, have been adjusted to align with the implementation of PS 3280.

The following table describes the changes to the FSRA's ARO liability:

($000)	March 31, 2023	March 31, 2022
Asset retirement obligation at beginning of year	$ 1,798	-
Liabilities incurred	-	1,730
Accretion expense	70	68
Asset retirement obligation at end of year	$ 1,869	$ 1,798

6. TRADE AND OTHER PAYABLES

($000)	Note(s)	March 31, 2023	March 31, 2022
Accounts payable and accruals		$ 16,940	$ 13,388
Due to Infrastructure Ontario	15(c)	-	922
Current portion of deferred lease inducements	7	377	377
Current portion of employee benefits	11(b)	358	262
Due to Ministries of the Province of Ontario	15(a)	87	68
Due to Deposit Insurance Reserve Fund	15(b)	116	-
		$ 17,878	**$ 15,017**

7. DEFERRED LEASE INDUCEMENTS

FSRA entered into a lease agreement for office space at 25 Sheppard Avenue West, which commenced on November 1, 2020, and expires on October 31, 2030. The 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 amortized over the term of the lease. Total amortized lease inducements of $377 (2022 - $377) were recorded as a reduction of accommodation expenses during the year.

($000)	Note(s)	March 31, 2023	March 31, 2022
Balance, beginning of year		$ 3,236	3,613
Amortization to expense		(377)	(377)
Balance, end of year		2,859	3,236
Less: Current portion	6	(377)	(377)
		$ 2,482	**$ 2,859**

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.

Deferred revenue also includes amounts related to administrative monetary penalties and related settlements. Revenue from penalties and settlements may only be used for purposes specified by *Regulation 554/21 (effective August 3, 2021)*, which includes funding research or educational initiatives that enhance the knowledge of persons or entities carrying on business in the sectors FSRA regulates and have the goals of protecting consumers or pension plan beneficiaries, promoting the good administration of pension plans or improving compliance by persons carrying on business in the regulated sectors. These penalties are set up as deferred revenue when they are invoiced. If the invoiced amounts are deemed uncollectible, they are removed from deferred revenue and adjusted directly against the allowance for doubtful debts.

Changes in the deferred revenue balances during the current year are summarized as follows:

($000)	Balance, at beginning of year	Additions during year	Recognized during year	Reversal of uncollectible amounts	Balance, end of year
Fees:					
Mortgage brokers	$ 14,191	$ 19,480	$ (18,832)	$ -	$ 14,839
Insurance agents, adjusters, and corporations	7,475	8,239	(7,732)	-	7,982
Health service providers	2,828	3,364	(3,414)	-	2,778
Other	2,418	1,024	(742)	-	2,700
	26,912	**32,107**	**(30,720)**	**-**	**28,299**
Penalties and settlements:					
Insurance sector	180	347	(1)	(75)	451
Mortgage broker sector	631	139	(1)	(303)	466

Pension sector	-	150	-	-	150
	811	**636**	**(2)**	**(378)**	**1,067**
Total deferred revenue	**$ 27,723**	**$ 32,743**	**$ (30,722)**	**(378)**	**$ 29,366**

Deferred revenue has been separated into a current portion of $26,196 (2022 - $25,061) and a long-term portion of 3,170 (2022 - $2,662) totaling $29,366 (2022 - $27,723).

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 (Facilities 1, 2, 3, and 4) and four long-term loans (Term Loans 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.

Facilities 1, 2, 3, and 4 were drawn and replaced with their respective term loans in prior fiscal years. All four term loans are repayable in equal quarterly installments. Term Loan 1 matures on August 29, 2039, and Term Loans 2, 3, and 4 mature on April 1, 2039.

On March 30, 2022, FSRA drew $3.0 million under Facility 4. Facility 4 was repaid on April 1, 2022, with proceeds from Term loan 4 which was advanced on April 1, 2022. Term loan 4 also matures on April 1, 2039, and bears interest at 3.845% per annum. The loan is repayable in equal quarterly installments beginning July 2, 2022

The loan balances are summarized in the table below:

($000)	**Opening balance**	**Additions**	**Interest expense**	**Principal and Interest repayments**	**Ending balance**
Term loan 1 (interest rate 2.71%)	$ 36,853	$ -	$ 976	$ (2,646)	$ 35,183
Term loan 2 (interest rate 2.81%)	6,408	-	174	(467)	6,115
Term loan 3 (interest rate 2.99%)	4,389	-	127	(324)	4,192
Facility 4 (interest rate 3.845%)	3,000	-	-	(3,000)	-
Term loan 4 (interest rate 3.845%)	-	3,000	113	(180)	2,933
	$ 50,650	**$ 3,000**	**$ 1,390**	**$ (6,617)**	**$ 48,423**

The loan has been separated into a current portion of $3,683 (2022 - $3,623) and a long-term portion of $44,740 (2022 - $47,027).

10. CREDIT FACILITY AGREEMENT AND LETTER OF CREDIT

On December 19, 2022, FSRA entered into a six-month 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 term loan.

Any undrawn balance at the end of the 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 0.834 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 0.834 percentage points, compounded semi-annually.

No amounts have been drawn under this facility.

FSRA has also issued an irrevocable standby letter of credit for $1,740 (2022 - $1,740) in respect of the pension obligations described in Note 11(a). No amounts have been drawn under this letter of credit.

11. EMPLOYEE BENEFITS

(a) Pension Plan

FSRA's contribution to the PSPF and OPSEU-PF for the year was $5,124 (2022 - $4,950), which is included in salaries and benefits in the Statement of Operations.

(b) Employee Future Benefits

($000)	**Note(s)**	**March 31, 2023**	**March31, 2022**
DICO non-pension post-employment benefits		$ 1,398	$ 1,962
Legislated severance entitlements		674	834
DICO supplemental pension benefits		489	639
Other employee future benefits		131	146
Total employee future benefit liability		2,692	3,581
Less: Due within one year	6	(358)	(262)
		$ 2,334	**$ 3,319**

(i) DICO Non-Pension Post-Employment Benefits

On June 8, 2019, FSRA became the sponsor of retiree 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 $196 (2022 - $207). The plan is unfunded and requires no contributions from employees.

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

($000)	**March 31, 2023**	**March 31, 2022**
Accrued benefit obligation	$ 1,262	$ 1,536
Unamortized actuarial gains	136	426
Retirement benefit liability	**$ 1,398**	**$ 1,962**

The most recent actuarial report was prepared as at March 31, 2023. Unamortized actuarial gains are amortized on a straight-line basis over the expected average remaining service life of the related employee group. All employees eligible for benefits under this arrangement have now retired. As a result, the expected remaining service life of the employee group is 0 years (2022 – 0.00 years) and actuarial gains and losses will be fully amortized in the fiscal year following the related actuarial valuation.

The actuarial valuation is based on several 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 5.33% (2022 – 3.85%).

The retirement benefit gain includes the following components:

($000)	**March 31, 2023**	**March 31, 2022**
Current period benefit cost	$ 7	$ 2
Amortization of actuarial gains	(426)	(1,187)
Interest expense	57	61
Retirement benefit gain	**$ (362)**	**$ (1,124))**

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

(ii) Legislated Severance

The legislative severance portion of the employee's future benefits obligation was calculated using a discount rate of 5.33% (2022 – 3.85%) and estimated average years to retirement of 9.7 years (2022 – 10.4 years). These assumptions are management's best estimates.

A credit to expenses of $160 (2022 – a credit to expenses of $120) was recognized in relation to legislated severance and is included in salaries and benefits in the Statement of Operations.

(iii) DICO Supplemental Pension Benefits

On June 8, 2019, 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 $7 (2022 - $2) 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 include other future compensation entitlements earned. A credit to expenses of $15.9 (2022 – a charge to expenses of $30) was recognized in relation to other employees future benefits 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 $5,000 (2022 - $5,000) 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. Salaries and benefits expense includes $299 (2022 - $397) for the remuneration of members of the Board of Directors.

14. RECOVERIES

FSRA provides administrative and other support services to several governmental and non-governmental organizations and recovers the costs from these organizations in accordance with the memorandum of understanding or agreement signed with the respective organizations.

The recovery details are as follows:

($000)	**Note(s)**	**March 31, 2023**	**March 31, 2022**
Recoveries from unrelated parties:			
General Insurance Statistical Agency		$ 1,054	$ 982
Canadian Council of Insurance Regulators		588	498
Canadian Association of Pension Supervisory Authorities		341	373
Canadian Insurance Services Regulatory Organization		287	209
Mortgage Broker Regulators' Council of Canada		197	191
		2,467	**2,253**
Recoveries from related parties:			
Pension Benefits Guarantee Fund	15(b)	1,037	1,387
Province of Ontario Co-operative offering statements program	15(a)	168	122
Financial Services Tribunal	15(a)	83	83
		1,288	**1,592**
		$ 3,755	**$ 3,845**

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 upon 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) FSRA received a $661 (2022 - $1,916) assessment invoice from the Ministry of Finance for expenditures that it made in respect of the regulated sectors for the operation of Dispute Resolution Services and the Financial Services Tribunal. FSRA will recover this amount from the regulated sectors through the fiscal 2023-2024 assessments. The amount has been included in trade and other receivables in the Statement of Financial Position as at March 31, 2023.

(ii) Co-location, connectivity, and related charges in support of information technology services at the Guelph Data Centre and IT (Information Technology) user per seat costs. Expenses for these services of $376 (2022 - $762) have been included in technology costs in the Statement of Operations. Trade and other payables include $73 (2022 – $68) in respect of these expenses.

(iii) Provided administrative and other support services for the Province's co-operating offering statements program and the Financial Services Tribunal as described in Note 14. Trade and other receivables include $168 (2022 - $122) in respect of these services.

(iv) Collected and paid nil (2022 - $35) in administrative monetary penalties on behalf of the Ministry of Finance.

(v) Borrowed nil (2022 - $3,000) 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 $1,390 (2022 - $1,335).

(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).

(i) Pension Benefit Guarantee Fund

During the year FSRA recognized a recovery of $1,037 (2022 - $1,387) for administrative and other support services to the PBGF as described in Note 14.

(ii) Deposit Insurance Reserve Fund

During the year, the FSRA paid certain expenses on behalf of DIRF. As at March 31, 2023, trade and other payables include a net payable of $116 (2022 – trade and other receivable of $143) in respect of these expenses. In the prior year, FSRA refunded $26 to the DIRF representing the release of excess Deposit Insurance Corporation of Ontario pre-amalgamation expense accruals.

(c) Infrastructure Ontario (an Ontario Crown Agency)

During the prior years, FSRA engaged Infrastructure Ontario to oversee leasehold improvements to its new offices. The Authority incurred nil (2022 - $1,617) under this arrangement. This amount has been recognized as capital assets in the Statement of Financial Position. As at March 31, 2023, trade and other payables also include nil (2022 - $922) in respect of these expenses.

16. FINANCIAL INSTRUMENTS

FSRA's financial instruments are exposed to certain financial risks including credit risk, interest risk, and liquidity risk. There have been no significant changes in FSRA's risk exposures or FSRA's policies to mitigate risk.

Credit risk

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 as at March 31, 2023, is as follows:

($000)	0-30 days overdue	31-60 days overdue	61-90 days overdue	> 91days overdue	Total
HST recoverable	$ 448	$ 657	$ 445	$ 2,907	$ 4,457
Trade and accrued receivables	1,973	-	-	2,021	3,994
Due from Ministries of the Province of Ontario	168	-	-	-	168
Administrative monetary penalties	271	75	1	333	680
	$ 2,860	**$ 732**	**$ 446**	**$ 5,261**	**$ 9,299**

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

Interest rate risk

Interest rate risk is the risk that 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 (see Notes 9 and 10).

($000)

Liquidity risk

Liquidity risk is the risk that FSRA will not be able to meet its cash flow obligations. 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 as at March 31, 2023, mature within six months (2022 - six months).

17. COMMITMENTS CONTRACTS AND CONTINGENCIES

(a) Lease agreement

FSRA entered into a lease agreement for 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 office lease space are as follows for the years ending March 31:

2024	$ 4,648
2025	$ 4,752
2026	$ 4,925
2027	$ 5,128
2028	$ 5,245
Total	$ 24,698
Thereafter	$ 14,114

(b) PACE Savings and Credit Union Limited Secured Credit Facility

Pursuant to section 294 of the *Credit Unions and Caisses Populaires Act, 1994*, PACE Savings and Credit Union Limited (PACE) was placed under administration in September 2018 by FSRA's predecessor, the Deposit Insurance Corporate of Ontario, to protect the members from failed board governance and misconduct by certain former executives.

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

(c) PACE Purchase and Assumption Transaction with Alterna Savings & Credit Union Limited

On April 20, 2022, PACE, Alterna Savings and Credit Union (Alterna) and FSRA as administrator of PACE entered into a purchase and assumption (P&A) transaction for Alterna to acquire most of the assets and liabilities of PACE to enable Alterna to continue to operate PACE's core business. The P&A transaction closed on June 30, 2022 and transferred PACE's operating assets and liabilities to Alterna, with PACE retaining its other assets and liabilities (the 'Excluded Items'), including the claims and legal proceedings relating to the matters which caused the PACE administration (the "Recovery Litigation Claims"). As part of the transaction, FSRA in its capacity as administrator of the DIRF, provided a limited guarantee (the Guarantee) to Alterna in which it guarantees, certain payment obligations of PACE under the P&A agreement and other related agreements up to a maximum amount of $155 million.

The Guarantee includes PACE's payment obligations under a Loss Sharing Agreement executed when the transaction closed. Under this agreement PACE is required to make deficiency payments to Alterna for losses Alterna incurs on the retail and commercial loans it acquired from PACE as part of the transaction. The deficiency payments will be equal to 50% of Alterna's losses on retail loans and 100% of its losses on commercial loans, such losses being calculated after taking into account the loss provisions accrued by PACE and included in the calculation of the purchase price of such portfolio assets.

Deficiency payments for commercial loans will cover a period of up to five (5) years after the closing date of the P&A transaction. For retail loans with a fixed maturity date, deficiencies will cover a period of up to twelve (12) months after the maturity date of the loan period. For all other retail loans, the coverage period will be up to three (3) years after the closing date of the P&A transaction. The Guarantee also extends to any payments arising from PACE's representations and warranties under the P&A agreement.

As at March 31, 2023, no payments have been made by the DIRF under the Loss Sharing Agreement and no other obligations under the Guarantee have been materialized.

(d) Draw on the $500 million PACE Secured Credit Facility

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

In May 2022, FSRA made two advances totaling $25,000 to PACE under the secured credit agreement, to maintain PACE's business operations and facilitate the purchase and assumption (P&A) transaction with Alterna Savings and Credit Union Limited (Alterna). Both advances were funded directly from the DIRF. The advances bore interest at a rate of 2.93% and provided temporary liquidity support to PACE.

On May 30, 2022, Alterna, PACE, and FSRA signed a formal amendment to the purchase and assumption agreement requiring Alterna to repay the principal of the advances, and accrued interest when the P&A transaction closed.

These advances were repaid by Alterna, with interest, when the P&A transaction closed on June 30, 2022.

The credit facility expired on August 31, 2022. No amounts had been drawn against the facility as at August 31, 2022.

(e) Indemnifications provided as an administrator of the DIRF

On January 3, 2022, FSRA as an administrator of the DIRF, entered into an indemnification agreement with certain members of PACE management to retain such management to operate PACE and to assist with the purchase and assumption transaction described in Note 18(a). This indemnification became necessary due to the non-renewal of the existing PACE Directors and Officers insurance policy. The indemnification is a form of financial assistance to a credit union under administration in its continued operation, made pursuant to CUCPA and its predecessor Act. FSRA provided such indemnification as an administrator of PACE and as an administrator of the DIRF and FSRA is entitled to draw on the DIRF to fund any amounts due under the indemnity. The maximum amount of indemnity is $10,000.

As at March 31, 2023, no claims have been made and FSRA did not anticipate claims under this indemnification agreement (2022 - no claims).

(f) Wind-up of PACE Legal Entity

FSRA, in its role as administrator of PACE, is responsible for the final resolution of the PACE legal entity and expects such resolution to be completed through a winding-up, or other legal procedure, to end the corporate existence of PACE. The Excluded Items, including the Recovery Litigation Claims, the prepaid card business, and certain excluded liabilities, remained in the PACE legal entity after the closing of the P&A. The PACE legal entity is expected to be wound up after realizing its assets and distributing the proceeds therefrom to its creditors and capital providers in accordance with applicable law governing priorities. Costs associated with the PACE wind-up may, to the extent PACE has insufficient resources to pay its senior creditors and such costs, be borne by the DIRF.

PACE's investment shares, profit shares, and membership shares are part of the Excluded Items and remain an obligation of PACE if it has sufficient assets after paying higher-ranking claims, including the $30,892 deposit insurance advance receivable to the DIRF. These shares provided risk-bearing capital to PACE and are not insured by the DIRF and are not obligations of FSRA – as such, any losses to PACE members arising from owning these shares do not impact the DIRF or FSRA.

Notes to the Financial Statements
for the Year ended March 31, 2023
($000)

18. Deposit Insurance Reserve Fund (DIRF)

As defined by Public Sector Accounting Standards for Government Not-For-Profit Organizations, FSRA controls the DIRF. FSRA has selected the disclosure option in accordance with Section PS 4250.22. Therefore, the DIRF's financial statements have not been consolidated with FSRA's financial statements on a line-by-line basis. The DIRF may only be used to pay credit union deposit insurance claims or for other authorized purposes specified in the CUCPA. Under the CUCPA section 224(4), the total liability of FSRA to insure credit union deposits through the DIRF or to fund other authorized purposes of the DIRF at any particular time is limited to the assets of the DIRF at that time.

The financial summaries of the DIRF as at March 31, 2023, and March 31, 2022, and for the years then ended are as follows:

	March 31, 2023	**March 31, 2022**
Total assets	449,557	401,958
Total liabilities	(29,409)	(29,076)
Net assets	420,148	372,882
Revenue	49,062	37,994
Expenses	(1,772)	(29,162)
Excess of revenue over expenses	47,290	8,832
Fund surplus from operations, beginning of year	374,269	365,437
Fund surplus from operations, end of year	421,559	374,269
Cash flow from operating activities	46,353	11,641
Cash flow used in investing activities	(46,749)	(9,671)
Net cash (outflow) inflow	(396)	1,970

For the year ended March 31, 2023, there were no accounting policy differences used by FSRA that would have resulted in an adjustment to disclosures in these financial statements. Separate audited financial statements of the DIRF are available.

($000)

19. Pension Benefits Guarantee Fund (PBGF)

FSRA controls the assets of the PBGF by virtue of its legislated authority to appoint, direct, and supervise the CEO of FRSA, who is responsible for the administration of the PBGF and investment of its assets. FSRA has selected the disclosure option in accordance with Section PS 4250.22. Therefore, PBGF's financial statements have not been consolidated with FSRA's financial statements on a line-by-line basis.

The purpose of the PBGF is to guarantee the payment of pension benefits of certain defined benefit pension plans that are wound up under conditions specified in the Pension Benefits Act and regulations thereto. The total liability of the PBGF to guarantee pension benefits at any particular time is limited to the assets of the PBGF at that time, including any loans or grants received from the Province.

The financial summaries of the PBGF as at March 31, 2023, and March 31, 2022, and for the years then ended are as follows:

	March 31, 2023	March 31, 2022
Total assets	1,249,738	1,235,237
Total liabilities	(132,177)	(155,487)
Revenue	44,696	68,790
Expenses	(7,690)	(7,445)
Excess of revenue over expenses	37,006	61,345
Fund surplus from operations, beginning of year	1,094,779	1,033,434
Fund surplus from operations, end of year	1,131,785	1,094,779
Cash flows from operating activities	49,414	85,917
Cash flows used in investing activities	(38,574)	(74,842)
Cash flows used in financing activities	(11,000)	(11,000)
Net cash (outflow) inflow	(160)	75

For the year ended March 31, 2023, there were no accounting policy differences used by FSRA that would have resulted in an adjustment to disclosures in these financial statements. Separate audited financial statements of the PBGF are available.

20. OTHER INFORMATION

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

The following table summarizes revenue for each sector during the year ended March 31, 2023:

Sector ($000)	Insurance						Pensions (Fixed and Variable)	Credit Unions (Variable)	Mortgage Brokers (Fixed)	Loans & Trusts (Variable)	Financial Planner & Financial Advisor	Corporate	Total
Subsector	Auto Products	P&C Conduct	P&C Prudential Regulation	Life Conduct & Life Health	Health Service Providers (Fixed)	Total Insurance							
Actual Revenue													
Fee Assessment	16,301	8,748	1,958	7,110	-	34,117	24,984	17,109	-	126	978	-	77,315
Fees	-	1,207	-	5,985	3,533	10,725	15	1	18,060	2	190	-	28,992
Other Income	2	0	-	-	-	3	-	55	2	-	-	3,395	3,453
Total Revenue	**16,303**	**9,956**	**1,958**	**13,094**	**3,533**	**44,844**	**24,999**	**17,165**	**18,061**	**127**	**1,168**	**3,395**	**109,760**
Budgeted Revenue	**16,282**	**10,023**	**1,967**	**13,756**	**3,799**	**45,826**	**25,021**	**17,109**	**16,986**	**126**	**963**	**-**	**106,033**
Favourable / (Unfavourable) Variance	**21**	**(67)**	**(9)**	**(662)**	**(266)**	**(982)**	**(22)**	**56**	**1,075**	**1**	**205**	**3,395**	**3,727**

21. SUBSEQUENT EVENTS

a) KPMG as the Liquidator has informed the Court of a settlement regarding the litigation initiated by PACE in 2018 against its former President, CEO, directors, and other parties regarding the events that led to FSRA's administration of PACE and has sought approval for the settlement. The Court has approved an aggregate global settlement of $23.0 million on May 1, 2023, and the litigation is completely resolved against all parties. However, the estimated amount of the net assets that will be available in the PACE liquidation to repay the financial assistance funding received from the DIRF in F21-22 and F22-23 to FSRA can not be determined at this time."

b) The credit facility agreement with the Ontario Financing Authority, which was initially set for six months and is described in Note 10, is due to expire on June 19, 2023. However, on May 4, 2023, this non-revolving facility was renewed for another six months and will now expire on December 18, 2023, with all other terms and conditions remaining unchanged.