

**FINANCIAL SERVICES REGULATORY
AUTHORITY OF ONTARIO**

FINANCIAL STATEMENTS FOR THE YEAR ENDING MARCH 31, 2025

**Financial Services Regulatory
Authority of Ontario**

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Management's Responsibility for Financial Information

Management is responsible for the integrity, consistency, objectivity and reliability of the financial statements. These financial statements were prepared in accordance with Canadian public sector accounting standards, Management has exercised its judgement and made best estimates where appropriate, particularly when the transactions affecting the current accounting period cannot be finalized with certainty until future periods. Estimates and assumptions are based on historical experience, current conditions and various other assumptions believed to be reasonable in the circumstances.

Management is responsible for establishing and maintaining a system of internal controls designed to provide reasonable assurance that the financial records are relevant, reliable and accurate, and that assets are properly accounted for and safeguarded. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The Financial Services Regulatory Authority of Ontario's Board of Directors (the "Board") oversees Management's responsibilities for financial reporting through and Audit, Finance, and Risk Committee (the "AFRC"), which is composed entirely of independent directors. This Committee reviews our financial statements and recommends them to the Board for approval. The AFRC is responsible for reviewing FSRA's internal controls and advising the Board on auditing matters and financial reporting.

The Office of the Auditor General of Ontario (the "OAGO"), appointed by our Board on recommendations of the AFRC has audited the financial statements in accordance with Canadian generally accepted auditing standards, as stated in their Independent Auditor's Report. The Office of the OAGO has full and unrestricted access to the AFRC to discuss their audit and related findings.

Dexter John
Chief Executive Officer

Andrew Fung
Interim Executive Vice President - Corporate Services

Toronto, Ontario
June 24, 2025

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, 2025, and the statements of operations, changes in net assets, 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 Authority as at March 31, 2025, 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 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.

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 and 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
June 24, 2025

Shelley Spence, FCPA, FCA, LPA
Auditor General

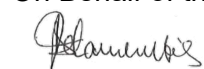
FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Statement of Financial Position As at March 31, 2025

(Thousands of dollars)	Note(s)	March 31, 2025	March 31, 2024
Assets			
Current assets			
Cash	3	\$30,284	\$87,532
Investments	4	52,370	-
Accounts receivable	5	6,638	8,435
Prepaid expenses		1,840	1,865
Total current assets		91,132	97,832
Capital assets	6	10,447	11,451
Total assets		\$101,579	\$109,283
 Liabilities and Net Assets			
Current liabilities			
Accounts payable and accrued liabilities	7	\$27,534	\$23,392
Unearned revenue	9	21,666	20,447
Loan payable	10	3,678	3,678
Total current liabilities		52,878	47,517
Deferred lease inducements	8	1,728	2,105
Unearned revenue	9	3,560	2,892
Loan payable	10	39,973	42,392
Employee future benefits	12	1,796	1,897
Other long-term obligations	6	4,560	3,986
Total liabilities		104,495	100,789
Net Assets			
Internally restricted	13	5,000	5,000
Unrestricted		(7,928)	3,494
Accumulated remeasurement gain	4	12	-
Total net assets		(2,916)	8,494
Total liabilities and net assets		\$101,579	\$109,283

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

On Behalf of the Board:



Joanne De Laurentiis
Board Chair



Rob Wellstood
Chair, Audit, Finance & Risk Committee

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Statement of Operations For the year ended March 31, 2025

(Thousands of dollars)	Note(s)	March 31, 2025	March 31, 2024
Revenues			
Assessments		\$83,956	\$78,859
Licence fees		30,035	28,999
Interest and investment income		4,562	5,700
Fines, penalties		164	-
		<u>118,717</u>	<u>113,558</u>
Expenses			
Salaries and benefits	12, 15	96,191	90,691
Professional services		18,023	18,647
Technology		7,925	6,456
Accommodation		4,131	4,014
Amortization of capital assets	6	2,439	3,046
Interest expense	6, 10	1,392	1,408
Staff development		1,477	1,496
Other expenses		3,110	2,288
Total expenses		<u>134,688</u>	<u>128,046</u>
Less: Recoveries	16	<u>(4,548)</u>	<u>(4,405)</u>
		<u>130,140</u>	<u>123,641</u>
Excess (deficiency) of revenues over expenses		<u><u>(\$11,423)</u></u>	<u><u>(\$10,083)</u></u>

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

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

**Statement of Changes in Net Assets
For the year ended March 31, 2025**

	Note(s)	Internally restricted	Unrestricted	March 31, 2025 Total	March 31, 2024 Total
<i>(Thousands of dollars)</i>					
Net assets, beginning of the year		\$5,000	\$3,494	\$8,494	\$18,577
Excess (deficiency) of revenues over expenses	13	-	(11,423)	(11,423)	(10,083)
Net assets, end of year (before remeasurement)		5,000	(7,928)	(2,928)	8,494
Accumulated Remeasurement Gain	4			12	-
Net assets, end of year		\$5,000	(\$7,928)	(\$2,916)	\$8,494

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

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Statement of Cash Flows
For the year ended March 31, 2025

(Thousands of dollars)	Note(s)	March 31, 2025	March 31, 2024
Cash flows from operating activities:			
(Deficiency)/Excess of revenues over expenses		(\$11,423)	(10,083)
Adjustments for non-cash items:			
Amortization of capital assets		2,439	3,046
Interest expense		1,258	1,332
Amortization of lease inducements	8	(377)	(377)
Accretion of asset retirement obligation		133	67
Bad debt expense		55	(140)
		<u>(7,915)</u>	<u>(6,155)</u>
Changes in non-cash working capital:			
(Increase) decrease in accounts receivables		1,742	1,004
(Increase) decrease in prepaid expenses		25	1,044
(Increase) decrease in accounts payable and accrued liabilities		4,142	5,514
(Increase) decrease in unearned revenue		1,887	899
Employee future benefits obligation	12	<u>(101)</u>	<u>(437)</u>
Net cash flows from (used in) operating activities		<u>(220)</u>	<u>1,869</u>
Cash flows from capital activities:			
Acquisition of tangible capital assets		<u>(994)</u>	<u>(869)</u>
Net cash flows (used in) capital activities		<u>(994)</u>	<u>(869)</u>
Cash flows from investing activities:			
Proceeds from sales and maturities of investments		-	-
Purchase of Investments		<u>(52,357)</u>	-
Net cash flows (used in) investing activities		<u>(52,357)</u>	-
Cash flows from financing activities:			
Repayment of loan principal and interest	10	<u>(3,678)</u>	<u>(3,678)</u>
Net cash flows (used in) financing activities		<u>(3,678)</u>	<u>(3,678)</u>
Net increase (decrease) in cash position		(57,248)	(2,678)
Cash, beginning of year		<u>87,532</u>	<u>90,210</u>
Cash, end of year	3	<u><u>30,284</u></u>	<u><u>87,532</u></u>

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

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

**Statement of Remeasurement Gains and Losses
For the year ended March 31, 2025**

(Thousands of dollars)	Note	March 31 2025	March 31 2024
Accumulated remeasurement gains and losses, beginning of year		\$-	\$-
Unrealized gains attributable to:			
Investments designated to fair value category	4	12	-
Accumulated remeasurement gains, end of year		\$12	\$-

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

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements

For the Year ended March 31, 2025

(Thousands of dollars)

1. Nature of operations

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. The Authority is a Crown agency within the meaning of the Crown Agency Act.

FSRA was created to achieve specified statutory objectives, which include improving consumer and pension plan beneficiary protections in Ontario and replaced 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 these organizations.

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 Populaires 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 Deposit Insurance Reserve Fund (the “DIRF”) being maintained by FSRA, FSRA is also responsible for the administration of the DIRF pursuant to the *Credit Unions and Caisses Populaires Act, 2020* (“CUCPA”). The DIRF can only be used to pay credit union deposit insurance claims or for other authorized purposes specified in the CUCPA. Under section 224(4) of the CUCPA, 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 Pension Benefit Guarantee Fund (the “PBGF”) being maintained by FSRA, the Chief Executive Officer of FSRA is responsible for the administration of PBGF pursuant to 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 of Ontario.

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

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the Year ended March 31, 2025 (Thousands of dollars)

2. Significant accounting policies

These financial statements are prepared in accordance with the CPA Canada Public Sector Handbook which sets out generally accepted accounting principles for government not-for-profit organizations in Canada. The Authority has chosen to use the standards for not-for-profit organizations that include Sections PS 4200 to PS 4270. The significant accounting policies are summarized below.

(a) Basis of presentation

These financial statements include the assets, liabilities and results of operations of the Authority for its activities. They do not include the assets, liabilities and results of operations of the DIRF and PBGF for which the Authority has chosen to disclose summarized information in notes 20 and 21.

(b) Measurement uncertainty

The preparation of financial statements requires Management to make estimates and assumptions that affect the reported amount of assets, liabilities, and the disclosure of contingent liabilities at the date of the financial statements as well as the reported amounts of revenue and expenses during the period.

Significant areas requiring the use of estimates include the allowance for doubtful debts, useful lives of capital assets, asset retirement obligations, accrued liabilities, pension and other employee future benefits, allocation of costs between industry sectors, revenue and unearned revenue recognition.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect on new information as it becomes available. By their nature, estimates are subject to measurement uncertainty. Therefore, actual results may differ materially from the estimates.

(c) Revenue recognition

- (i) Revenue from transactions with no performance obligations

Assessments

The Authority has the legislative authority to levy an annual assessment fee on entities prescribed in Ontario Regulation 11/1 of the FSRA Act. 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 and are allocated to prescribed sectors based on an internal policy or framework.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the Year ended March 31, 2025 (Thousands of dollars)

The Authority has determined that annual assessment fees do not contain any performance obligations, as there is no direct transfer of goods or services to payors. As a result, the Authority recognizes revenue from assessment fees upon approval of the budget and at the start of the related fiscal year and in an amount equal to the cash (or equivalents) that it expects to realize in the due course of operations.

Administrative monetary penalties

Funds received pursuant to administrative monetary penalties and settlements may only be used for purposes specified by Regulation 554/21 (effective August 3, 2021), under the FSRA Act, 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. Upon issuance of a final decision/order or settlement, FSRA generates an invoice and considers these funds to be restricted assets, which are initially recorded as unearned revenue when received or receivable and subsequently recognized as revenue when FSRA uses the funds for the aforementioned purposes. Invoiced amounts that are deemed uncollectible are removed from unearned revenue and adjusted directly against the allowance for doubtful debts.

- (ii) Revenue from transactions with performance obligations

Licence Fees

The Authority issues various licences, including those for insurance agents, insurance adjusters, mortgage brokers, mortgage brokerages, mortgage administrators, and mortgage agents. Revenue from licences is recognized upon issuance, which is the point-in-time when the payor obtains control and has full discretion to use the licence. Revenue from the issuance of a licence is recognized at the transaction price, which is the amount of cash consideration that the Authority receives in exchange for providing the licence.

- (iii) Interest and investment income

Interest income includes earnings from demand deposits held with chartered financial institutions and from interest-bearing investments, recognized using the effective interest rate method.

(d) Expenses

Expenses are recorded on an accrual basis. Expenses are recognized in the fiscal year when the events give rise to the expenses incurred and the resources are consumed.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the Year ended March 31, 2025 (Thousands of dollars)

(e) Financial Instruments

Financial assets and liabilities are recognized on the Authority's statement of financial position when the Agency becomes a party to the contractual provisions of the instrument.

All financial instruments should be assigned to one of the two measurement categories at initial recognition: fair value, or cost/amortized cost.

Financial assets	Measurement basis
Cash	Amortized cost
Investments	Fair value (Note 4)
Accounts receivable	Amortized cost

Financial liabilities	Measurement basis
Accounts payable and accrued liabilities	Amortized cost
Loan Payable	Amortized cost

(i) Financial instruments measured at cost or amortized cost

Financial assets and liabilities measured at cost or amortized cost are initially recognized at acquisition cost, including transaction costs that are directly attributable to the acquisition or issuance.

Financial assets measured at amortized cost are assessed for collectability at each reporting date. A valuation allowance is used to reflect financial assets at their net realizable value. Any gains or losses from changes in these allowances are recognized in the Statement of Operations.

Financial assets at amortized cost are subject to impairment. At each financial statement date, FSRA assesses financial assets to determine whether there is any objective evidence of impairment. When a decline is determined to be other than temporary, the carrying amount of the financial assets is reduced and the amount of impairment is recognized as a loss in the statement of operations and changes in net assets.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the Year ended March 31, 2025 (Thousands of dollars)

(ii) Financial instruments measured at fair value

When a financial instrument is in the fair value category, transaction costs are expensed upon initial recognition. Financial assets and liabilities at fair value are remeasured at their fair value at the end of each reporting period. Any unrealized gain or loss on investments is adjusted through the statement of remeasurement gains and losses. When an asset is sold, unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations and changes in net assets.

FSRA has designated its investments to the fair value category as it evaluates performance on a fair value basis, consistent with its investment strategy and risk management objectives.

Fair value measurements are classified using a fair value hierarchy based on the market observability of the valuation inputs 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.

(iii) Derecognition of financial instruments

FSRA derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the benefits and risks of ownership of the asset to another organization. FSRA derecognizes a financial liability or part of a financial liability when the obligation specified in the contract is discharged or cancelled or expires. On derecognition, the difference between the financial instrument's carrying amount and the sum of the consideration received and receivable is recognized in the statement of operations and changes in net assets.

(iv) Transaction costs

Transaction costs are incremental costs directly attributable to the acquisition or issuance of a financial instrument. These include brokerage fees, legal fees, and transfer taxes. They are capitalized for instruments measured at cost/amortized cost and expensed immediately for those measured at fair value.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the Year ended March 31, 2025 (Thousands of dollars)

(f) Capital assets

Capital assets are recorded at cost less accumulated amortization and accumulated impairment losses, if any. The historical costs of assets include the cost directly related to the acquisition, design, construction, development, improvement or betterment, as well as the estimated cost to settle liabilities for asset retirement obligations.

Amortization begins when capital assets are available for use (i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management). Assets are amortized on a straight-line basis based on the estimated useful lives of the assets as follows:

Office furniture and equipment	5 years
Leasehold improvements	10 years
Software	3 to 10 years
Computer hardware	3 to 6 years

(g) Asset retirement obligations

Asset retirement obligations are initially measured as of the date the legal obligation was incurred, based on Management's best estimate of the amount required to retire tangible capital assets. When the cash flows required to settle the asset retirement obligation are expected to occur over extended future periods, a present value technique is used to estimate the liability. The best estimate of the liability includes all costs directly attributable to asset retirement activities based on information available at year end.

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset. The asset retirement cost is amortized over the useful life of the related asset.

At each financial reporting date, the Agency reviews the carrying amount of the liability and recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to timing, amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset. The Agency continues to recognize the liability until settled or otherwise extinguished.

(h) Leases

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 Authority does not receive substantially all of the benefits of ownership, and therefore the office spaces meet the classification of an operating lease. The Authority recognizes the lease expenses straight-lined over the lease term.

Lease inducements, such as tenant allowances and rent-free periods, are amortized over the initial term of the lease, 10 years, and are recorded as a reduction to accommodations expense in the statement of operations.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the Year ended March 31, 2025 (Thousands of dollars)

(i) Employee benefits

Pension Plans

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. 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.

When benefits are provided to employees through a multi-employer defined benefit plan, each entity participating in the plan, other than the sponsoring entity, is required to follow the standards for defined contribution plans. As a result, the Authority recognizes an expense equal to the amount of required contributions provided for employees’ services rendered during the period. Any outstanding contributions are recognized as a liability in the statement of financial position

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.

FSRA Non-pension post-employment benefits

The cost of non-pension post-employment 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 post-employment benefits, other than pension plans, to provide extended health, dental, and life benefits to former employees and retirees of DICO who meet eligibility requirements. The cost of these future 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.

3. Cash

Cash includes \$2,978 (2024 - \$2,040) in restricted funds from the collection of Penalties and Settlements (see Note 9) and \$2,770 (2024 - \$3,034) in funds held in the Authority’s role as a provider of administrative and support services for various organizations (see Note 15).

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the Year ended March 31, 2025 (Thousands of dollars)

4. Investments

The FSRA investments consist of discount notes and government bonds.

	Fair value hierarchy	March 31 2025		March 31 2024	
		Fair value	Cost	Fair value	Cost
Discount notes	Level 1	\$47,363	\$47,363	\$-	\$-
Government bonds	Level 2	5,007	4,994	-	-
Total investments		\$52,370	\$52,357	\$-	\$-

No investments moved between hierarchy levels during the fiscal year.

Investment income of \$64 is reported on the Statement of Operations. As of March 31, 2025, unrealized gains of \$12 are reported on the Statement of Remeasurement Gains and Losses.

The discount notes had yields in the range of 2.64% to 2.67%. The government bonds had yields in the range of 2.61% to 2.69%.

5. Accounts receivable

	Note(s)	March 31 2025	March 31 2024
Harmonized Sales Tax recoverable		\$1,243	\$2,123
Accounts receivable		4,705	5,319
Due from Ministries of the Province of Ontario	17(a)	180	181
Administrative monetary penalties receivable	9	3,219	2,849
Accounts receivable, before allowance for doubtful accounts		9,347	\$10,471
Less: allowance for doubtful accounts		(2,709)	(2,036)
Accounts receivable		\$6,638	\$8,435

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the Year ended March 31, 2025 (Thousands of dollars)

6. Capital assets

Capital assets consist of the following:

	March 31 2025		March 31 2024	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Leasehold improvements	\$11,882	\$4,953	\$6,929	\$8,170
Asset retirement obligation	2,810	853	1,957	1,787
Software	4,649	4,649	0	130
Computer hardware	5,538	4,260	1,278	976
Office furniture and equipment	523	240	283	388
Capital assets	\$25,402	\$14,955	\$10,447	\$11,451

Leasehold improvements

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, with an option for two extension terms of 5 years each. Leasehold improvements for FSRA's office space are amortized over the lease initial term of 10 years.

Asset retirement obligation (ARO)

Pursuant to the lease agreement, FSRA is obligated to remove non-standard leasehold improvements, non-standard equipment, trade fixtures, and cabling. Initially on April 1, 2021, FSRA recognized an ARO of \$2,500.

On March 31, 2025, the ARO liability was revised; the total undiscounted expenditure increased to \$4,073 (2024 - \$ 3,620), calculated based on a new estimated cost per square foot from a third-party contractor for similar decommissioning activities. The estimate reflects an average cost of \$39.38 per square foot. An updated discount rate was used 4.43% (2024 - 4.99%) reflecting FSRA's borrowing rate as of March 31, 2025.

The capital asset is depreciated on a straight-line basis over the lease term, and the ARO liability is accreted over the term of the lease with corresponding credits recorded as ARO liabilities. The following table describes the changes to the FSRA's ARO liability:

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	March 31 2025	March 31 2024
Asset retirement obligation, beginning of year	\$2,608	\$1,869
Increase due to change in discount rate and amount of cash flows	441	666
Increase due to accretion expense	133	73
Asset retirement obligation, end of year	<u>\$3,182</u>	<u>\$2,608</u>

7. Accounts payable and accrued liabilities

	Note(s)	March 31 2025	March 31 2024
Accounts payable and accruals		\$26,782	\$22,663
Current portion of deferred lease inducements	8	377	377
Current portion of employee benefits	12(b)	366	319
Due to Ministries of the Province of Ontario	17(a)	9	27
Due to Deposit Insurance Reserve Fund	17(b)	-	6
		<u>\$27,534</u>	<u>\$23,392</u>

8. Deferred lease inducements

FSRA's office lease included a \$3,099 allowance for renovations and a four-month rent-free period valued at \$671. These amounts were recognized as deferred lease inducements in the statement of financial position.

	March 31 2025	March 31 2024
Deferred lease inducement, beginning of year	\$2,482	\$2,859
Amortization to accommodation expense	(377)	(377)
Deferred lease inducement, end of year	2,105	2,482
Less: Current portion	(377)	(377)
	<u>\$1,728</u>	<u>\$2,105</u>

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Notes to the Financial Statements For the Year ended March 31, 2025 (Thousands of dollars)

9. Unearned revenue

Unearned revenue represents unsatisfied performance relating to licence and fees, and amounts related to administrative monetary penalties and related settlements.

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

	Balance, as at April 1 2024	Received during year	Recognized during year	Uncollectible	Balance, end of March 31 2025
Licence fees:					
Mortgage brokers	\$14,300	\$19,910	(\$19,004)	-	\$15,206
Insurance agents, adjusters, and corporations	830	9,257	(9,295)	-	791
Health service providers	2,600	3,564	(3,311)	-	2,852
Other	2,717	1,160	(1,062)	-	2,816
	20,447	33,891	(32,673)		21,666
Penalties and Settlements:					
Insurance sector	1,602	447	(621)	(8)	1,421
Mortgage broker sector	762	936	(181)	(19)	1,497
Pension sector	528	200	(86)	-	641
	2,892	1,583	(888)	(27)	3,560
Total unearned revenue	\$23,339	\$35,474	(\$33,561)	(\$27)	\$25,226

Unearned revenue has been separated into a current portion of \$21,666 (2024 - \$20,447 after restatement) and a long-term portion of \$3,560 (2024 - \$2,892) totaling \$25,226 (2024 - \$23,339 after restatement).

Administrative monetary penalties

During the fiscal year, FSRA allocated funds received from administrative monetary penalties and settlements to four initiatives aligned with the purposes set out in Ontario Regulation 554/21. These programs focused on enhancing financial literacy and consumer protection, particularly for vulnerable or underserved populations. Funded initiatives included education and outreach efforts aimed at marginalized communities, vulnerable Canadians, and individuals with cognitive impairments.

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Notes to the Financial Statements For the Year ended March 31, 2025 (Thousands of dollars)

Allocation of used funds received from administrative monetary penalties and settlements:

Sector	Opening Balance	Collected	Used	Unused
Mortgage Brokers	\$692	\$436	\$56	\$1,072
Pension	423	147	32	538
Health Care Service Provider	15	-	1	14
Insurance – Auto Rates	600	50	41	609
Insurance – Life Conduct	230	360	33	557
Insurance – P&C Conduct	23	-	2	21
	\$1,983	\$993	\$164	\$2,812

Organizations that received Grants this fiscal year and their projects:

Name of Organization	Reason for grants approval/Projects
Vision of Hope Resource Center	Literacy program for marginalized community
Brain Injury Association of Waterloo-Wellington	CENTsable outreach and education initiative
Prosper Canada	Financial education for vulnerable Canadians
Brain Injury Society of Toronto	Financial vulnerability of individuals with cognitive impairments

10. Loan agreement

In August 2019 FSRA entered into an Amended and Restated Loan Agreement (the “Agreement”) with His Majesty the King 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. The loan payable is classified and measured at amortized cost in accordance with the Financial Instruments Standard (PS 3450). All four term loans bear fixed interest rates established at the inception of each loan and do not vary over the life of the loan.

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Notes to the Financial Statements For the Year ended March 31, 2025 (Thousands of dollars)

The loan balances as at year-end are summarized in the table below:

	Interest Rate	Opening balance	Interest expense	Principal and Interest repayments	Ending balance
Term loan 1	2.71%	\$33,468	\$883	(\$2,646)	\$31,706
Term loan 2	2.81%	5,814	157	(467)	5,504
Term loan 3	2.99%	3,988	115	(324)	3,779
Term loan 4	3.85%	2,800	103	(241)	2,662
		\$46,070	\$1,258	(\$3,678)	\$43,651

The loan has been separated into a current portion of \$3,678 (2024 - \$3,678) and a long-term portion of \$39,973 (2024 - \$42,392).

11. Credit facility agreement and letter of credit

On December 19, 2023, FSRA entered into a one-year credit facility agreement (the "Credit Facility") with the Ontario Financing Authority, with an option to extend twice for one year each. In the 2025 fiscal year the Credit Facility was extended to December 18, 2025. The Credit 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 DIRF. The Credit Facility includes a revolving loan with a maximum principal amount of \$2.0 billion.

Any undrawn balance at the end of the term will expire. Interest on the Credit Facility accrues daily on the outstanding amount at a rate equal to the three-month Ontario Treasury Bill rate plus 0.788 percentage points, compounded quarterly.

No amounts were drawn under the Credit Facility during this fiscal period.

FSRA also issued an irrevocable standby letter of credit for \$1,740 (2024 - \$1,740) in respect of the pension obligations described in Note 12(a). No amounts were drawn under this letter of credit.

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Notes to the Financial Statements For the Year ended March 31, 2025 (Thousands of dollars)

12. Employee benefits

(a) Pension plan

FSRA's contribution to the PSPF and OPSEU-PF for the year was \$7,215 (2024 - \$5,676), which is included in salaries and benefits in the Statement of Operations.

(b) Employee future benefits

	Notes	March 31 2025	March 31 2024
DICO non-pension post-employment benefits		\$1,116	\$1,082
Legislated severance entitlements		616	638
DICO supplemental pension benefits		318	410
Other employee future benefits		112	86
Total employee future benefit liability		2,162	2,216
Less: current portion	7	(366)	(319)
Non-current portion		\$1,796	\$1,897

(i) *Non-pension post-employment benefits – former DICO employees*

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 \$147 (2024 - \$244). The plan is unfunded and requires no contributions from employees.

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

	March 31 2025	March 31 2024
Accrued benefit obligation	\$1,326	\$1,204
Unamortized actuarial gains/(loss)	(210)	(122)
Retirement benefit liability	\$1,116	\$1,082

The most recent actuarial report was prepared as at March 31, 2025. Unamortized actuarial gains and losses 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 and there is therefore no remaining service life of the employee. Actuarial gains and losses will be fully amortized in the fiscal year following the related actuarial valuation.

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Notes to the Financial Statements For the Year ended March 31, 2025 (Thousands of dollars)

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 4.431% (2024 – 4.99%).

The retirement benefit expense includes the following components:

	March 31 2025	March 31 2024
Current period benefit cost	\$17	\$25
Amortization of actuarial gains	122	(136)
Interest expense	60	65
Retirement benefit expense	\$199	\$46

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

(ii) *Legislated severance*

Legislative severance portion of the employee's future benefits obligation was calculated using a discount rate of 4.43% (2024 – 4.99%) and estimated average years to retirement of 7.97 years (2024 – 8.6 years). These assumptions are management's best estimates. The legislative severance is an entitlement under the *Public Service Act of Ontario*. Due to the curtailment of the benefits in fiscal 2018, the benefits are no longer available and the vetted amounts as at fiscal 2018 are carried over.

A credit to expenses of \$23 (2024 – a credit to expenses of \$36) 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 ("SERP") that was established to provide pension benefits to certain former DICO employees for income in excess of registered pension limits. The SERP is closed and no longer available to current or future employees.

Interest expense of \$17 (2024 - \$25) was recorded in respect of this obligation and is included in salaries and benefits in the Statement of Operations.

As the SERP 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 debit to expenses of \$25 (2024 – a credit to expenses of \$44) was recognized in relation to other employees future benefits and is included in salaries and benefits in the Statement of Operations.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the Year ended March 31, 2025 (Thousands of dollars)

13. Internally restricted net assets

In accordance with FSRA *Rule 2019-001 Assessments and Fees*, FSRA has established a \$5,000 (2024 - \$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.

14. Other long-term obligations

As at March 31, 2025, FSRA's long-term obligations totaled \$4,560 (2024 - \$3,986). The increase is primarily due to changes in the Asset Retirement Obligation (ARO), which rose to \$3,182 following updated cost estimates.

Other balances include Unclaimed Deposits, Shares & Dividends of \$1,239 and Final Liquidation Cost Accrual of \$0.1, both unchanged from the prior year. These two balances originated from the former Deposit Insurance Corporation of Ontario (DICO) and were carried forward upon FSRA's assumption of responsibilities.

These obligations are non-current and recognized in accordance with PSAS.

15. Director's remuneration

The Board consists of part-time appointees and the amounts paid to the Directors are authorized in an Order in Council and in accordance with the requirements of the Agencies and Appointments Directive. Salaries and benefits expenses include \$281,000 (2024 - \$367,000) for the remuneration of members of the Board.

16. 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. Recoveries are recognized as reductions of expenses in the period in which the related reimbursable expenses are incurred.

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Notes to the Financial Statements For the Year ended March 31, 2025 (Thousands of dollars)

Details of recoveries are as follows:

	Note(s)	March 31 2025	March 31 2024
Recoveries from unrelated parties:			
General Insurance Statistical Agency		\$1,252	\$1,108
Canadian Council of Insurance Regulators		629	875
Canadian Association of Pension Supervisory Authorities		494	366
Canadian Insurance Services Regulatory Organization		340	282
Mortgage Broker Regulators' Council of Canada		300	270
		<u>3,015</u>	<u>2,901</u>
Recoveries from related parties:			
Pension Benefits Guarantee Fund	16(b)	1,353	1,238
Province of Ontario Co-operative offering statements program	16(a)	180	181
Financial Services Tribunal	16(a)	-	85
		<u>1,533</u>	<u>1,504</u>
		<u>\$4,548</u>	<u>\$4,405</u>

17. Related party transactions

Related parties of FSRA include the Government of Ontario ministries, agencies, funds administered by FSRA and all other entities subject to common control of the Province of Ontario, and the OFA. FSRA enters into transactions with these entities in the normal course of business. All related party transactions were measured at the exchange amount, which is the amount of consideration established and agreed upon by the related parties.

Transactions with related parties are outlined below.

(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 \$32 (2024 - \$148) 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 2025-2026 assessments. The amount has been included in accounts receivable in the Statement of Financial Position as at March 31, 2025.

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- (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 \$123 (2024 - \$111) have been included in technology costs in the Statement of Operations. Accounts payable and accrued liabilities include \$9 (2024 – \$27) in respect of these expenses.
- (iii) FSRA provided administrative and other support services for the Province of Ontario's co-operating offering statements program and the Financial Services Tribunal (see note 15). Accounts receivable include \$180 (2024 - \$181) in respect of these services.
- (iv) FSRA incurred interest expenses for borrowing in the amount of \$1,258 (2024 - \$1,325) under the Agreement with the Ministry of Finance (see Note 10).

(b) Funds administered by FSRA

The Chief Executive Officer of FSRA is responsible for the administration of the PBGF and FSRA is responsible for the administration of the DIRF.

(i) Pension Benefit Guarantee Fund

During the year ended March 31, 2025, FSRA recognized a recovery of \$1,353 (2024 - \$1,238) for administrative and other support services to the PBGF as described in note 15. In addition, the FSRA paid certain expenses on behalf of PBGF. As at March 31, 2025, Accounts receivable include a net receivable of \$105 (2024 – Accounts receivable of \$789) in respect of these expenses.

(ii) Deposit Insurance Reserve Fund

During the year ended March 31, 2025, the FSRA paid certain expenses on behalf of DIRF. As at March 31, 2025, accounts payable and accrued include a net payable of nil (2024 – accounts payable and accrued of nil) in respect of these expenses.

(c) Ontario Financial Authority (OFA)

The OFA is a related party in its capacity as the FSRA investment manager. FSRA's surplus funds were invested starting March 26, 2025. Therefore the amount of investment management fees paid to the OFA for fiscal 2025 is minimal (less than one thousand dollars).

18. Financial instruments risk management

FSRA's financial instruments are exposed to certain financial risks including credit risk, market risk, liquidity risk, and fair value sensitivity. In late fiscal 2024 - 2025, FSRA began using the OFA as its investment fund manager. While this change introduced a new structure for managing investment activities, there have been no significant changes to FSRA's overall risk

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Notes to the Financial Statements For the Year ended March 31, 2025 (Thousands of dollars)

exposures or its risk mitigation policies. FSRA continues to manage financial risks in accordance with its established investment policies and oversight processes.

The investment policies emphasize capital preservation, prudent risk-taking, and maintaining sufficient liquidity to meet operational and capital expenditure needs. Investments are limited to Canadian dollar-denominated debt instruments, primarily government bonds and money market securities, within specified credit quality and duration limits. Risk oversight is provided by the Board through the Audit, Finance and Risk Committee, with regular monitoring and reporting by Management.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Authority is exposed to credit risk on its cash, accounts receivable, and fixed-income securities. The credit risk associated with cash is low as the FSRA holds cash with chartered financial institutions in Canada. FSRA manages its credit risk by closely monitoring its receivable balances and maintains reserves for potential credit losses on accounts receivable. Investments are restricted to high-credit-quality, Canadian dollar-denominated debt instruments, in accordance with FSRA's Surplus Funds Investment Policy. There have been no significant changes from the previous year in the exposure to credit risk or the policies, procedures and methods used to measure the risk. FSRA's maximum exposure to credit risk is equal to the carrying amounts of cash, accounts receivable, and investments in the statement of financial position. The following table is an analysis of the age of receivables that are past due as at March 31, 2025, but not impaired:

	Number of days over due				Total	Total
	March 31 2025					
	0-30	31-60	61-90	> 90		
HST recoverable	\$397	\$846	\$-	\$-	\$1,243	\$2,123
Accounts receivable	2,498	-	-	2,135	4,633	5,283
Due from Ministries of the Province of Ontario	180	-	-	-	180	181
Administrative monetary penalties	282	2	124	174	582	848
Accounts receivable	\$3,357	\$848	\$124	\$2,309	\$6,638	\$8,435

The amounts presented are net of allowance for doubtful accounts for potential credit losses. As at March 31, 2025 and 2024 there were no financial assets that were individually determined to be impaired included in the carrying amount of accounts receivable.

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Notes to the Financial Statements For the Year ended March 31, 2025 (Thousands of dollars)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risk: price risk, interest rate risk and currency risk.

FSRA's exposure to market risk is limited to interest rate risk. FSRA does not hold equity instruments and all investments are in Canadian dollar-denominated fixed-income securities, so it is not subject to significant price or currency risk.

Interest rate risk is the risk that the fair value of an investment or liability will fluctuate due to changes in market interest rates. FSRA is subject to interest rate risk in two areas:

Investments: FSRA's fixed-income investments are exposed to interest rate fluctuations. To manage this, FSRA follows a conservative investment strategy through the Ontario Financing Authority (OFA), using a mix of short-duration money market instruments and a laddered government bond portfolio, as outlined in the Surplus Funds Investment Policy (see Note 4).

Loan Payable: FSRA is also subject to interest rate risk on its loan facilities. The interest rate on the non-revolving loan is based on the 90-day Ontario Treasury Bill rate, while the term loans have fixed rates for their full terms. As a result, FSRA is currently exposed to limited interest rate risk (see Notes 10 and 11).

Liquidity risk

Liquidity risk is the risk that FSRA will encounter difficulties in meeting obligations associated with financial liabilities that are to be settled by delivering cash or another financial asset. The Authority is primarily exposed in respect of accounts payable and accrued and loans payable. The Authority mitigates liquidity risk by establishing and holding an operating reserve (see Note 13) and by monitoring cash activities and expected outflow to ensure that it has sufficient resources readily available to meet its liabilities when due.

The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities:

	2025			
	Carrying amount	Less than 1 year	1-5 years	Thereafter
Accounts payable and accrued liabilities	\$27,534	\$27,534	\$-	\$-
Loan payable	43,651	3,678	14,711	34,681
Total	\$71,185	\$31,212	\$14,711	\$34,681

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Notes to the Financial Statements For the Year ended March 31, 2025 (Thousands of dollars)

	2024			
	Carrying amount	Less than 1 year	1-5 years	Thereafter
Accounts payable and accrued liabilities	\$23,392	\$23,392	\$-	\$-
Loan payable	46,070	3,678	14,711	38,359
Total	\$69,462	\$27,070	\$14,711	\$38,359

Fair value sensitivity

As at March 31, 2025, the fair value sensitivity of discount notes is \$237 for a 1.00% change in rates, and the fair value sensitivity of government bonds is \$105 for a 1.00% change in rates.

19. Commitments and Contingent Liabilities

(a) Lease agreement for office space

The minimum annual payments for the office lease space are as follows:

2026	\$4,925
2027	5,128
2028	5,245
2029	5,368
2030	5,496
Total	\$26,161
Thereafter	\$3,250

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

Pursuant to section 294 of the *CUCPA 1994*, PACE Savings & Credit Union Limited (“PACE”) was placed under Administration in September 2018 by FSRA’s predecessor, DICO, to protect members from failed board governance and misconduct by certain former executives. FSRA assumed the responsibility to administer PACE since its amalgamation with DICO in June 2019.

On April 20, 2022, PACE (acting through FSRA as its administrator), Alterna Savings and Credit Union Limited (“Alterna”), and FSRA as administrator of the DIRF, entered into a purchase and assumption transaction (the “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.

Under the terms of the agreement for the P&A Transaction, certain assets and liabilities were excluded from the P&A transaction (the “Excluded Items”) and remained with the PACE legal entity, including PACE’s investment shares, profit shares, membership shares, prepaid card business, and the claims and legal proceedings relating to the matters which caused the PACE administration (the “Recovery Litigation Claims”).

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Notes to the Financial Statements For the Year ended March 31, 2025 (Thousands of dollars)

As part of the P&A 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 Transaction and other related agreements up to a maximum amount of \$155 million.

The Guarantee includes PACE’s payment obligations under a Loss Sharing Agreement (the “Loss Sharing Agreement”) executed when the P&A 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 Transaction.

In the 2025 fiscal year, \$67 was paid by the DIRF under the Guarantee (2024 – \$252).

(c) Liquidation of PACE Legal Entity

On August 24, 2022, pursuant to an order of the Ontario Superior Court of Justice (the “Court”), the PACE legal entity was ordered to be wound up pursuant to section 240 of the *CUCPA 2020* and KPMG was appointed as liquidator to wind up the PACE legal entity, including realizing its assets and distributing the proceeds therefrom to its creditors and capital providers in accordance with applicable law governing priorities.

On September 22, 2023, the Court approved the PACE liquidation Claims Process Order, and KPMG, in its capacity as court-appointed liquidator of PACE, was authorized to conduct a claims process for the purpose of identifying and determining claims against PACE. FSRA filed its claims on November 22, 2023, for the financial assistance advances made from the DIRF to PACE and the DIRF payment under the P&A limited guarantee over fiscal years from 2022 to 2024 in the amount of \$31.1 million.

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 FSRA’s claims of \$31.1 million. 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.

Due to the ongoing PACE liquidation claims process which has yet to be finalized, the recoverable amount of the net assets that will be available in the PACE liquidation to repay the DIRF is undeterminable at this time.

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Notes to the Financial Statements For the Year ended March 31, 2025 (Thousands of dollars)

(d) PACE Class Action Claim

During fiscal 2024, a former PACE member (the “member”) holding Class A Profit Shares and Class B Special Shares filed a motion in the Ontario Superior Court of Justice seeking leave to issue a class action against FSRA and its CEO (the “Action”). The motion contained a draft statement of claim (the “Action”) which alleged that between October 25, 2018, and November 29, 2019, the member purchased a number of securities (“investment shares”) in the authorized capital of PACE while it was under the administration of FSRA, and the member did not receive an offering statement prior to the purchases. The member further alleged that other members also purchased investment shares of PACE between September 28, 2018, and August 24, 2022 (the “Class Period”), and were also not provided offering statements.

The motion was heard on July 2, 2024, and the Reasons for Decision were released on August 15, 2024 by the Court. The Court refused to grant leave to bring the Action as against the FSRA CEO but granted leave for the action to continue as against FSRA. The member subsequently issued a statement of claim as a class action on behalf of himself and other members who purchased investment shares during the Class Period.

FSRA filed a Statement of Defence to the Action on April 30, 2025. The Court has proposed a schedule for the member’s motion to certify the Action as a class proceeding and for FSRA’s motion for summary judgment seeking dismissal of the Action. These motions are anticipated to be heard sometime in late 2025.

(e) General contingency

In the normal course of operations, the Authority is subject to various claims and potential claims. Management has recorded its best estimate of the potential liability related to these claims where potential liability is likely and able to be estimated. In other cases, the ultimate outcome of the claims cannot be determined at this time.

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Notes to the Financial Statements For the Year ended March 31, 2025 (Thousands of dollars)

20. Deposit Insurance Reserve Fund (DIRF)

As defined by Public Sector Accounting Standards for Government Not-For-Profit Organizations, FSRA controls the DIRF, as it administers, manages, and disburses its funds under the authority of the CUCPA 2020. FSRA has elected to not consolidate controlled entities. 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 2020*. Under section 224(4) of the *CUCPA 2020*, 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, 2025, and March 31, 2024, and for the years then ended are as follows:

	March 31, 2025	March 31, 2024
Total assets	\$578,000	\$510,681
Total liabilities	(43)	(77)
Net assets	<u>577,957</u>	<u>510,604</u>
Revenue	65,676	61,669
Expenses	(67)	(252)
Excess of revenue over expenses	<u>65,609</u>	<u>61,417</u>
Fund surplus from operations, beginning of year	<u>511,298</u>	<u>449,881</u>
Fund surplus from operations, end of year	<u>576,907</u>	<u>511,298</u>
Cash flow from operating activities	62,821	58,573
Cash flow used in investing activities	(62,949)	(59,989)
Net cash (outflow) inflow	<u>(\$128)</u>	<u>(\$1,416)</u>

For the year ended March 31, 2025, 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.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the Year ended March 31, 2025 (Thousands of dollars)

21. 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 elected to not consolidate controlled entities. 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 of Ontario.

The financial summaries of the PBGF as at March 31, 2025, and March 31, 2024, and for the years then ended are as follows:

	March 31, 2025	March 31, 2024
Total assets	\$1,402,783	\$1,321,863
Total liabilities	(108,636)	(122,172)
Net assets	<u>1,294,147</u>	<u>1,199,691</u>
Revenue	70,374	81,955
Expenses	(3,305)	(3,753)
Excess of revenue over expenses	67,069	78,202
Fund surplus from operations, beginning of year	1,209,987	1,131,785
Fund surplus from operations, end of year	<u>1,277,056</u>	<u>1,209,987</u>
Cash flow from operating activities	21,873	48,523
Cash flow used in investing activities	(10,407)	(37,116)
Cash flow used in financing activities	(11,000)	(11,000)
Net cash (outflow) inflow	<u>\$466</u>	<u>\$407</u>

For the year ended March 31, 2025, 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.