FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

FINANCIAL STATEMENTS FOR THE YEAR ENDING MARCH 31, 2021

Financial Services Regulatory Authority of Ontario

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Management's Responsibility for Financial Information

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

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

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

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

Mark White
Chief Executive Officer

Stephen Power
Executive Vice President - Corporate Services

Randy Nanek
Chief Financial Officer

Toronto, Ontario
June 29, 2021

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

Independent Auditor's Report

To the Financial Services Regulatory Authority of Ontario

Opinion

I have audited the financial statements of the Financial Services Regulatory Authority of Ontario (the Authority), which comprise the statement of financial position as at March 31, 2021, and the statements of operations, changes in net deficit and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2021 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Authority in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other Matter

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

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

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

In preparing the financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related

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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.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Toronto, Ontario
June 29, 2021

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

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Statement of Financial Position
As at March 31, 2021

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

See accompanying notes to the financial statements.

Commitments, Contracts and Contingencies (Note 17)

On Behalf of the Board:

Board Chair

Chair, Audit & Finance Committee

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Statement of Operations
For the year ended March 31, 2021

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

See accompanying notes to the financial statements.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

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

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

See accompanying notes to the financial statements.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

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

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

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

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

FSRA regulates sectors subject to the following statues:

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Revenue Recognition

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

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

Interest income is recognized as earned.

(b) Capital Assets

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

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

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

(c) Financial Instruments

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

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

(d) Employee Benefits

Pension Costs

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

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

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

FSRA Non-Pension Post-Employment Benefits

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

DICO Non-Pension Post-Employment Benefits

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

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

Use of Estimates

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

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

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

3. CASH

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

4. TRADE AND OTHER RECEIVABLES

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

5. CAPITAL ASSETS

Capital assets consist of the following:

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

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

6. TRADE AND OTHER PAYABLES

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

7. DEFERRED LEASE INDUCEMENTS

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

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

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

8. DEFERRED REVENUE

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

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

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

9. LOAN AGREEMENT

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

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

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

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

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

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

10. CREDIT FACILITY AGREEMENT

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

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

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

No amounts have been drawn under this facility.

11. EMPLOYEE BENEFITS

(a) Pension Plan

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

(b) Employee Future Benefits

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

(i) DICO Non-Pension Post-Employment Benefits

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

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

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

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

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

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

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

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

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

(ii) Legislated Severance

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

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

(iii) DICO Supplemental Pension Benefits

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

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

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

(iv) Other Employee Future Benefits

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

12. INTERNALLY RESTRICTED NET ASSETS

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

13. DIRECTOR'S REMUNERATION

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

14. RECOVERIES

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

Details of these recoveries are as follows:

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

15. RELATED PARTY TRANSACTIONS

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

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

(a) Ministries of the Province of Ontario

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

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

(ii) In March 2021 FRSA received a $2,266 (2020 - $3,944) assessment invoice from the Ministry of Finance for expenditures that it made in respect of the regulated sectors for the operation of Dispute Resolution Services and the Financial Services Tribunal. The amount also includes expenditures that the Ministry of Finance made in respect of preparing FSRA to carry out its regulatory function.

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

(iii) Employees from the Ontario Public Sector were seconded to FSRA to support its start-up and IT activities. During the year, FSRA expensed $nil (2020 - $171) as salary and benefit costs and $807 (2020 - $1,380) as services costs in connection with these seconded employees.

(iv) Co-location, connectivity and related charges in support of information technology services at the Guelph Data Centre and IT user per seat costs. Expenses for these services of $681 (2020 - $671) have been included in technology costs in the Statement of Operations.

(v) On July 1, 2018, FSRA assumed the lease for 5160 Yonge Street from the Financial Services Commission of Ontario. During the 2019-2020 fiscal year the Province paid FSRA $979 in respect of this lease which was included as recoveries in the Statement of Operations. No such payments were received in the current fiscal year.

(vi) Provided administrative and other support services for the Province's co-operating offering statements program, Motor Vehicle Accident Claim Fund and the Financial Services Tribunal as described in Note 14. Trade and other receivables include $245 (2020 - $718) in respect of these services.

(vii) Collected administrative monetary penalties on behalf of the Ministry of Finance. At March 31, 2021 $494 (2020 - $nil) was included in trade and other payable in respect of money collected but not yet remitted to the Ministry of Finance.

(viii) Borrowed an additional $4,500 (2020 - $6,853) under the Loan Agreement with the Ministry of Finance described in Note 9. During the year total interest expense for borrowings under this agreement was of $1,260 (2020 - $969).

(ix) Recognized a $1,000 (2020 - $nil) recovery under an agreement with the Ministry of Finance which requires the Ministry to fund the legislated severance liability as described in Note 11(b)(ii).

(b) Funds Administered by FSRA

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

(i) Pension Benefit Guarantee Fund

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

(ii) Deposit Insurance Reserve Fund

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

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

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

(c) Infrastructure Ontario (an Ontario Crown Agency)

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

16. FINANCIAL INSTRUMENTS

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

Credit risk

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

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

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

Interest rate risk

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

Liquidity risk

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

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

17. COMMITMENTS CONTRACTS AND CONTINGENCIES

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

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

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

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

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

18. RESTRUCTURING TRANSACTIONS

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

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

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

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

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

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

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

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

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

(b) The Statement of Operations for the year ended March 31, 2020 includes both amounts incurred from FSRA's launch on June 8, 2019 to March 31, 2020 and amounts for initial administrative and operational costs related to start-up activities incurred prior to FSRA's launch. The split of fiscal 2029-2020 excess or revenue over expenses between these two periods is summarized as follows:

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

19. COMPARATIVE FIGURES

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

20. COVID 19 IMPACT

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

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

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

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

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

21. SUBSEQUENT EVENT

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

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

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

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

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

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

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

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

22. OTHER INFORMATION

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

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

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

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