FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

FINANCIAL STATEMENTS FOR THE YEAR ENDING MARCH 31, 2022

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 ("PSA-GNFPO"). The preparation of the financial statements involves the use of management's judgement and best estimates where appropriate.

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

The Financial Services Regulatory Authority of Ontario's Board of Directors is responsible for ensuring that management fulfils its responsibilities. The Board has appointed an audit 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 PSA-GNFPO. The auditor's report follows.

Mark White
Chief Executive Officer

Stephen Power
Executive Vice President - Corporate Services

Toronto, Ontario
July 13, 2022

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, 2022 and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2022, 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.

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.

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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
July 13, 2022

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

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Statement of Financial Position
As at March 31, 2022

($000)	Note(s)	March 31, 2022	March 31, 2021
ASSETS			
Current			
Cash	3	$ 77,015	$ 92,045
Trade and other receivables	4	15,480	13,982
Prepaid expenses		2,479	2,352
Total current assets		94,974	108,379
Capital assets	5	13,910	15,145
Total assets		**$ 108,884**	**$ 123,524**
LIABILITIES			
Current			
Trade and other payables	6	$ 15,017	$ 44,045
Deferred revenue	8	25,061	20,701
Loan payable	9	3,623	3,356
Total current liabilities		43,701	68,102
Loan payable	9	47,027	46,315
Employee future benefits	11	3,319	4,903
Deferred lease inducements	7	2,859	3,236
Deferred revenue	8	2,662	2,046
Other long term obligations		1,426	1,427
Total liabilities		100,994	126,029
NET ASSETS / (DEFICIT)			
Internally restricted net assets	12	5,000	5,000
Unrestricted net assets / (deficit)		2,890	(7,505)
Total net assets / (deficit)		7,890	(2,505)
Total liabilities and net assets / (deficit)		**$ 108,884**	**$ 123,524**

See accompanying notes to the financial statements.

Commitments, Contracts and Contingencies (Note 17)

On Behalf of the Board:

Joanne De Laurentiis
Board Chair

Brent Zorgdrager
Chair, Audit & Finance Committee

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Statement of Operations
For the year ended March 31, 2022

($000)	**Note(s)**	**March 31, 2022**	**March 31, 2021**
Revenue			
Assessments		$ 75,672	$ 72,928
Fees		27,628	24,191
Interest income		619	538
	20	**103,919**	**97,657**
Expenses			
Salaries and benefits	11, 13	68,703	69,267
Professional services		12,533	13,031
Technology		5,110	4,881
Accommodation		4,117	6,398
Amortization		3,104	1,917
Interest expense		1,335	1,260
Staff development		1,067	1,106
Other operating expenses		1,400	1,647
		97,369	99,507
Less: Recoveries	14	(3,845)	(4,832)
		93,524	**94,675**
Excess of revenue over expenses		**$ 10,395**	**$ 2,982**

See accompanying notes to the financial statements.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Statement of Changes in Net Assets
For the year ended March 31, 2022

($000)	Note(s)	Internally Restricted Net Assets	Unrestricted Net Assets / (Deficit)	March 31, 2022 Total	March 31, 2021 Total
Net assets / (deficit), beginning of year		$ 5,000	$ (7,505)	$ (2,505)	$ (5,487)
Excess of revenues over expenses	12	-	10,395	10,395	2,982
Net assets / (deficit), end of year		**$ 5,000**	**$ 2,890**	**$ 7,890**	**$ (2,505)**

See accompanying notes to the financial statements.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Statement of Cash Flows
For the year ended March 31, 2022

($000)	Note(s)	March 31, 2022	March 31, 2021
Cash flows from / (used in) operating activities:			
Excess of revenue over expenses		$ 10,395	$ 2,982
Adjustments for non-cash expense items:			
Amortization of capital assets		3,104	1,917
Loss on disposal of capital assets		12	132
Interest expense		1,335	1,260
		14,846	6,291
Changes in non-cash working capital:			
Trade and other receivables		(1,498)	(1,070)
Prepaid expenses		(127)	(393)
Trade and other payables		(20,764)	(4,602)
Deferred revenue		4,976	3,903
Employee future benefits	11	(1,584)	(1,090)
Deferred lease inducements	7	(377)	3,516
Other long term obligations		(1)	(2)
		(4,529)	6,553
Cash flows used in capital activities:			
Purchase of capital assets		(10,145)	(2,429)
		(10,145)	(2,429)
Cash flows from / (used in) financing activities:			
Proceeds from loan advances	9	3,000	4,500
Repayment of loan principal and interest		(3,356)	(2,995)
		(356)	1,505
Net (decrease) / increase in cash position		**(15,030)**	**5,629**
Cash, beginning of year		92,045	86,416
Cash, end of year	3	**$ 77,015**	**$ 92,045**
Supplemental cash flow information			
Capital assets funded by Trade and other payables		**$ (8,264)**	**$ 8,068**

See accompanying notes to the financial statements.

1. DESCRIPTION OF THE ORGANIZATION

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

FSRA was created to achieve specified statutory 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 financial services regulated sector statutes previously administered by those predecessors.

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

FSRA regulates sectors subject to the following statues:

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

Through the *Pension Benefits Act*, the Chief Executive Officer of FSRA is responsible for the administration of the Pension Benefit Guarantee Fund (PBGF). 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.

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

Under the *FSRA Act* any funds received by the PBGF or the DIRF and the assets of the PBGF and the DIRF are not part of the revenues, assets and investments of FSRA. As a result, the PBGF and DIRF are separate reporting entities with separately audited financial statements.

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 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.

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

Interest income is recognized as earned.

(b) Capital Assets

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

Amortization is provided on a straight-line basis based 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 cost.

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

(d) Employee Benefits

Pension Costs

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

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

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

FSRA Non-Pension Post-Employment Benefits

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

DICO Non-Pension Post-Employment Benefits

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

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

(e) Use of Estimates

In preparing the financial statements, management is required to make 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, employees' future benefits and allocation of costs between industry sectors.

3. CASH

Cash includes $158 (2021 - $nil) in restricted funds from the collection of administrative monetary penalties and settlements (see Note 8) and $2,942 (2021 - $2,161) in funds held in the Authority's role as a provider of administrative and support services for various organizations (see Note 14).

4. TRADE AND OTHER RECEIVABLES

($000)	**Note(s)**	**March 31, 2022**	**March 31, 2021**
HST recoverable		$ 9,600	$ 4,240
Trade and accrued receivables, net of allowance for doubtful debts		3,046	8,497
Due from Ministries of the Province of Ontario	15(a)	2,181	1,245
Administrative monetary penalties receivable, net of allowance for doubtful debts	8	653	-
		$ 15,480	**$ 13,982**

5. CAPITAL ASSETS

Capital assets consist of the following:

($000)	**March 31, 2022**			**March 31, 2021**
	Cost	**Accumulated Amortization**	**Net Book Value**	**Net Book Value**
Leasehold improvements	$ 11,847	$ 1,226	$ 10,621	$ 3,043
Software	4,649	2,720	1,929	2,857
Computer hardware	3,587	2,242	1,345	2,084
Office furniture and equipment	17	2	15	-
Construction in progress	-	-	-	7,161
	$ 20,100	**$ 6,190**	**$ 13,910**	**$ 15,145**

In the prior year capital assets included $7,161 in construction in progress costs for leasehold improvements at FSRA's new premises. Construction is now complete and all amounts have been transferred to leasehold improvements. 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)	Note(s)	March 31, 2022	March 31, 2021
Accounts payable and accruals		$ 13,388	$ 17,534
Due to Infrastructure Ontario	15(c)	922	9,186
Current portion of deferred lease inducements	7	377	377
Current portion of employee benefits	11(b)	262	1,925
Due to Ministries of the Province of Ontario	15(a)	68	14,931
Due to Deposit Insurance Reserve Fund	15(b)	-	92
		$ 15,017	**$ 44,045**

7. DEFERRED LEASE INDUCEMENTS

FSRA entered into a lease agreement for office space at 25 Sheppard Avenue West, which commenced on November 1, 2020, and expires on October 31, 2030. The lease included a $3,099 allowance for renovations and a four-month rent free period valued at $671. Both amounts have been set-up as deferred lease inducements and are amortized over the term of the lease. Total amortized lease inducements of $377 (2021 - $254) were recorded as a reduction of accommodation expense during the year.

($000)	Note(s)	March 31, 2022	March 31, 2021
Balance, beginning of year		$ 3,613	$ 97
Additions during the year		-	3,770
Amortization to expense		(377)	(254)
Balance, end of year		3,236	3,613
Less: Current portion	6	(377)	(377)
		$ 2,859	**$ 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.

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

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

($000)	Balance, at beginning of year	Additions during year	Recognized during year	Reversal of uncollectible amounts	Balance, end of year
Fees:					
Mortgage brokers	$ 13,343	$ 18,927	$ (18,079)	$ -	$ 14,191
Insurance agents, adjusters, and corporations	7,181	7,398	(7,104)	-	7,475
Health service providers	12	6,211	(3,395)	-	2,828
Other	2,211	877	(670)	-	2,418
	22,747	**33,413**	**(29,248)**	**-**	**26,912**
Penalties and settlements:					
Insurance sector	-	187	-	(7)	180
Mortgage broker sector	-	2,211	-	(1,580)	631
	-	**2,398**	**-**	**(1,587)**	**811**
Total deferred revenue	**$ 22,747**	**$ 35,811**	**$ (29,248)**	**(1,587)**	**$ 27,723**

Deferred revenue has been separated into a current portion of $25,061 (2021 - $20,701) and long-term portion of $2,662 (2021 - $2,046) totaling $27,723 (2021 - $22,747).

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.

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

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

The loan balances are summarized in the table below:

($000)	**Opening balance**	**Additions**	**Interest expense**	**Principal and Interest repayments**	**Ending balance**
Term loan 1 (interest rate 2.71%)	$ 38,478	$ -	$ 1,021	$ (2,646)	$ 36,853
Term loan 2 (interest rate 2.81%)	6,693	-	182	(467)	6,408
Term loan 3 (interest rate 2.99%)	4,500	-	132	(243)	4,389
Facility 4 (interest rate 3.845%)	-	3,000	-	-	3,000
	$ 49,671	**$ 3,000**	**$ 1,335**	**$ (3,356)**	**$ 50,650**

The loan has been separated into a current portion of $3,623 (2021 - $3,356) and long-term portion of $47,027 (2021 - $46,315)

10. CREDIT FACILITY AGREEMENT AND LETTER OF CREDIT

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

In December 2021 the non-revolving facility was extended for a further one-year term and will now expire on December 17, 2022. Any undrawn balance at the end of the term will expire. Interest on the non-revolving facility will accrue daily on the outstanding amount at a rate equal to the three-month Ontario Treasury Bill rate plus 0.782 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.

FSRA has also issued an irrevocable standby letter of credit for $1,740 (2021 - $1,740) in respect of the pension obligations described in Note 11(a). No amounts have been drawn under this letter of credit.

11. EMPLOYEE BENEFITS

(a) Pension Plan

FSRA's contribution to the PSPF and OPSEU-PF for the year was $4,950 (2021 - $4,483), which is included in salaries and benefits in the Statement of Operations.

(b) Employee Future Benefits

($000)	Note(s)	March 31, 2022	March31, 2021
DICO non-pension post employment benefits		$ 1,962	$ 3,292
Legislated severance entitlements		834	2,684
DICO supplemental pension benefits		639	735
Other employee future benefits		146	117
Total employee future benefit liability		3,581	6,828
Less: Due within one year	6	(262)	(1,925)
		$ 3,319	**$ 4,903**

(i) DICO Non-Pension Post-Employment Benefits

On June 8, 2019, FSRA became the sponsor of retiree benefits other than pensions for former employees of DICO. The plan provides extended health and dental as well as life insurance to eligible employees.

Total benefit payments to retirees during the year were $207 (2021 - $195). The plan is unfunded and requires no contributions from employees.

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

($000)	March 31, 2022	March 31, 2021
Accrued benefit obligation	$ 1,536	$ 2,105
Unamortized actuarial gains	426	1,187
Retirement benefit liability	**$ 1,962**	**$ 3,292**

The most recent actuarial report was prepared at March 31, 2022. Unamortized actuarial gains are amortized on a straight-line basis over the expected average remaining service life of the related employee group. All employees eligible for benefits under this arrangement have now retired. As a result, the expected remaining service life of the employee group is 0 years (2021 – 0.25 years) and actuarial gains and losses will be fully amortized in the fiscal year following the related actuarial valuation.

The actuarial valuation is based on several assumptions about future events, such as inflation rates, interest rates, medical inflation rates, salary increases, and employee turnover and mortality. The assumptions used reflect management's best estimates. The discount rate used to determine the accrued benefit obligation is 3.85% (2021 - 2.99%).

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

($000)	**March 31, 2022**	**March 31, 2021**
Current period benefit cost	$ 2	$ 29
Amortization of actuarial gains	(1,187)	(251)
Interest expense	61	89
Retirement benefit gain	**$ (1,124)**	**$ (133)**

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 3.85% (2021 - 2.99%) and estimated average years to retirement of 10.4 years (2021 – 11.4 years). These assumptions are management's best estimates.

A credit to expenses of $120 (2021 – a charge to expenses of $796) was recognized in relation to legislated severance and is included in salaries and benefits in the Statement of Operations. The expense for the prior year included a one-time charge for the settlement of a union grievance filed against the Crown in the Right of Ontario as represented by the Treasury Board Secretariat.

(iii) DICO Supplemental Pension Benefits

On June 8, 2019, FSRA assumed an obligation for a supplemental defined contribution pension plan that was established to provide pension benefits to certain former DICO employees for income in excess of registered pension limits.

Interest expense of $2 (2021 - $6) was recorded in respect of this obligation and is included in salaries and benefits in the Statement of Operations.

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

(iv) Other Employee Future Benefits

Other employee future benefits include other future compensation entitlements earned. The total cost for the year for all other employee future benefits is $30 (2021 - $20) and is included in salaries and benefits in the Statement of Operations.

12. INTERNALLY RESTRICTED NET ASSETS

In accordance with FSRA *Rule 2019-001 Assessments and Fees*, FSRA has established a $5,000 (2021 - $5,000) operating reserve. The primary purpose of the reserve is to fund FSRA's operations in the event of revenue shortfalls and unanticipated expenditures or to cover the discrepancy between the timing of revenue and expenses.

13. DIRECTOR'S REMUNERATION

The Board of Directors are part-time appointees and the amounts paid to the Directors are established in an Order in Council. Salaries and benefits expense includes $397 (2021 - $350) for the remuneration of members of the Board of Directors.

14. RECOVERIES

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

In the prior fiscal year, FSRA also recovered $191 in costs it incurred on behalf of a credit union under administration as permitted by section 295.1 of the *Credit Unions and Caisses Populaires Act, 1994.*

Details of these recoveries are as follows:

($000)	Note(s)	March 31, 2022	March 31, 2021
Recoveries from unrelated parties:			
General Insurance Statistical Agency		$ 982	$ 890
Canadian Council of Insurance Regulators		498	417
Canadian Association of Pension Supervisory Authorities		373	354
Canadian Insurance Services Regulatory Organization		209	188
Mortgage Broker Regulators' Council of Canada		191	189
Credit union under administration		-	191
		2,253	**2,229**
Recoveries from related parties:			
Pension Benefits Guarantee Fund	15(b)	1,387	924
Province of Ontario co-operative offering statements program	15(a)	122	182
Financial Services Tribunal	15(a)	83	99
Province of Ontario legislated severance settlement	15(a)	-	1,000
Motor Vehicle Accident Claims Fund	15(a)	-	398
		1,592	**2,603**
		$ 3,845	**$ 4,832**

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) FRSA received a $1,916 (2021 - $2,266) 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 2022-2023 assessments. The amount has been included in trade and other receivables in the Statement of Financial Position at March 31, 2022.

(ii) 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 $762 (2021 - $681) have been included in technology costs in the Statement of Operations. Trade and other payables include $68 (2021 – nil) in respect of these expenses.

(iii) Provided administrative and other support services for the Province's co-operating offering statements program and the Financial Services Tribunal as described in Note 14. Trade and other receivables include $122 (2021 - $245) in respect of these services.

(iv) Collected and paid $35 (2021 - $11) in administrative monetary penalties on behalf of the Ministry of Finance. At March 31, 2021, $494 was included in trade and other payable in respect of money collected but not yet remitted to the Ministry of Finance.

(v) Employees from the Ontario Public Sector were seconded to FSRA to support its start-up and IT activities. During the year, FSRA expensed $nil (2021 - $807) as services costs in connection with these seconded employees.

(vi) Borrowed an additional $3,000 (2021 - $4,500) 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 $1,335 (2021 - $1,260).

(vii) Recognized a $nil (2021 - $1,000) recovery under an agreement with the Ministry of Finance for legislated severance described in Note 11(b)(ii).

(viii) In fiscal 2019-2020 FSRA received $27,373 from the Ministry of Finance under an Asset and Liability Transfer Agreement. 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. At March 31, 2021 a remaining excess payment of $10,829 was included in trade and other payables in the Statement of Financial Position. This balance was settled during the current fiscal year and no amounts remain outstanding.

(b) Funds Administered by FSRA

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

(i) Pension Benefit Guarantee Fund

During the year FSRA recognized a recovery of $1,387 (2021 - $924) for administrative and other support services to the PBGF as described in Note 14.

(ii) Deposit Insurance Reserve Fund

During the year the FSRA paid certain expenses on behalf of DIRF. At March 31, 2022, trade and other receivables includes a net receivable of $143 (2021 – trade and other payable of $92) in respect of these expenses. In fiscal 2021-2022 FSRA refunded $26 (2021 - $nil) to the DIRF representing release of excess Deposit Insurance Corporation of Ontario pre-amalgamation expense accruals.

(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 $1,617 (2021 - $9,186) under this arrangement. This amount has been recognized as capital assets in the Statement of Financial Position. At March 31, 2022, trade and other payables also include $922 (2021 - $9,186) in respect of these expenses.

16. FINANCIAL INSTRUMENTS

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

Credit risk

Credit risk is the risk that FSRA will suffer financial loss due to a third party failing to meet its financial or contractual obligations to FSRA. The Authority is exposed to credit risk on its trade and other receivables balances. FSRA manages its credit risk by closely monitoring its receivable balances and maintains reserves for potential credit losses on trade receivables. FSRA's maximum exposure to credit risk related to trade and other receivables at March 31, 2022, is as follows:

($000)	0-30 days overdue	31-60 days overdue	61-90 days overdue	> 91days overdue	Total
HST recoverable	$ 1,639	$ -	$ -	$ 7,961	$ 9,600
Trade and accrued receivables	683	202	-	2,161	3,046
Due from Ministries of the Province of Ontario	1,990	-	-	191	2,181
Administrative monetary penalties	550	-	-	103	653
	$ 4,862	**$ 202**	**$ -**	**$ 10,416**	**$ 15,480**

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 (see Notes 9 and 10).

Liquidity risk

($000)

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

Trade and other payables at March 31, 2022, mature within six months (2021 - six months).

17. COMMITMENTS CONTRACTS AND CONTINGENCIES

(a) Lease agreement

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

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

2023	$ 4,548
2024	$ 4,648
2025	$ 4,752
2026	$ 4,925
2027	$ 5,128
Thereafter	$ 19,359

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

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

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

On April 28, 2021, and pursuant to FSRA's authority under section 262(1)(a)(i) of the *Credit Unions and Caisses Populaires Act, 1994*, FSRA as the administrator of the DIRF, entered into a credit agreement with PACE to support PACE's continued operations. The credit agreement provides PACE with a $500 million revolving secured loan facility to provide liquidity either when PACE's liquidity falls below $100 million or if PACE experiences a rapid decline in liquidity that could cause material financial or operational difficulties. The facility matures on August 31, 2022 and may be repaid early without premium or penalty. Interest will accrue daily on the principal amount outstanding at a rate of prime at the date of the advance plus 128 basis points and will be payable monthly in arrears. At March 31, 2022, no amounts had been drawn on the facility (refer to Note 18(b) Subsequent Events).

(c) Indemnifications provided as administrator of the DIRF

On January 3, 2022, FSRA as administrator of the DIRF, entered into an indemnification agreement with certain members of PACE management to retain such management to operate PACE and to assist with the purchase and assumption transaction described in Note 18(a). This indemnification became necessary due to the non-renewal of the existing PACE Directors and Officers insurance policy. The indemnification is a form of financial assistance to a credit union under administration in its continued operation, made pursuant to CUCPA and its predecessor Act. FSRA provided such indemnification as administrator of PACE and as administrator of the DIRF and FSRA is entitled to draw on the DIRF to fund any amounts due under the indemnity. The maximum amount of the indemnity is $10,000. There are no anticipated claims under this indemnification agreement.

18. SUBSEQUENT EVENTS

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

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

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

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

The Guarantee also covers PACE's obligation to pay Alterna for services it will deliver to PACE under a Transition Services Agreement signed at closing and any potential purchase price adjustments that PACE may have to pay subsequent to the date of closing.

FSRA's liability, solely as administrator of the DIRF, to Alterna under the Guarantee is limited to the assets of the DIRF. Under the Guarantee, the DIRF's total exposure to losses from deficiency payments and representations and warranties and other obligations is limited to $155 million.

The Guarantee will remain in effect until six (6) months after PACE's payment obligations under the Agreements are terminated.

(b) Draws on the $500 million PACE Secured Credit Facility

To maintain PACE's business operations and facilitate the P&A transaction, in May 2022, FSRA, in its capacity as administrator of the DIRF, made two advances totaling $25,000 which were made to PACE under the secured credit agreement described in Note 17 (b). Both advances were funded directly from the DIRF as the DIRF is the primary source for making advances to PACE under the secured credit facility. The advances bear interest at a rate of 2.93% and provided temporary liquidity support to PACE.

On May 30, 2022, Alterna, PACE and FSRA signed a formal amendment to the purchase and assumption agreement described in Note18(a) requiring Alterna to repay the principal of the advances, and accrued interest when the P&A transaction closes.

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

(c) Wind-up of PACE Legal Entity

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

PACE's investment shares, profit shares and membership shares are part of the Excluded Items and remain an obligation of PACE if it has sufficient assets after paying higher ranking claims, including the $29,120 deposit insurance advance receivable to the DIRF. These shares provided risk-bearing capital to PACE and are not insured by the DIRF and are not obligations of FSRA – as such, any losses to PACE members arising from owning these shares do not impact the DIRF or FSRA.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements
For the Year ended March 31, 2022
($000)

19. COMPARATIVE FIGURES

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

20. OTHER INFORMATION

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

The following table summarizes revenue for each sector during the year ended March 31, 2022:

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**	**Life Conduct & Life Health**	**Health Service Providers (Fixed)**	**Total Insurance**							
Actual Revenue													
Assessment	19,356	10,235	200	4,397	-	34,188	25,827	15,551	-	106	-	-	75,672
Fees	2	1,117	-	5,463	3,494	10,076	16	129	17,350	1	35	21	27,628
Interest Income	-	-	-	-	-	-	-	-	-	-	-	619	619
Total Revenue	**19,358**	**11,352**	**200**	**9,860**	**3,494**	**44,264**	**25,843**	**15,680**	**17,350**	**107**	**35**	**640**	**103,919**