FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

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

Financial Services Regulatory Authority of Ontario

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Ontario

Deposit Insurance Reserve Fund

Management's Responsibility for Financial Reporting

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

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

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

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

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

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 Deposit Insurance Reserve Fund (the Fund), which comprise the statement of financial position as at March 31, 2021 and the statements of operations and fund surplus, remeasurement gains and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

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

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

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Fund either intends to cease operations, or has no realistic alternative but to do so.

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

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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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Toronto, Ontario
June 29, 2021

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

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

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

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

See accompanying notes to the financial statements

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

Board Chair

DIRF Advisory Committee Chair

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

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

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

See accompanying notes to the financial statements

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

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

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

See accompanying notes to the financial statements

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

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

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

See accompanying notes to the financial statements

1. REPORTING ENTITY

Statutory authorities

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

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

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

Purpose and operation

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Financial instruments

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

- Cash and investments are recorded at fair value, with changes in fair value during the period recognized in the Statement of Re-Measurement Gains until realized. Fair value is determined from quoted prices for similar investments.

- Accounts receivable, accounts payable and accrued liabilities are valued at cost which approximate fair value given their short-term maturities.

- Fair value measurements are classified using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

    - Level 1 – unadjusted quoted market prices in active markets for identical assets or liabilities;
    - Level 2 – observable or corroborated inputs, other than Level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
    - Level 3 – unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

(b) Revenue recognition

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

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

Investment income is recognized as earned.

(c) Use of estimates and assumptions

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

(d) First-time PSAS-GNFPO adoption

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

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

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

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

3. INVESTMENTS

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

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

	March 31, 2021		March 31, 2020	
$'000	Fair Value	Cost	Fair Value	Cost
Money Market	291,839	291,822	252,979	252,901
Government Bond Laddered	65,384	64,816	65,445	64,388
Total Investments	**357,223**	**356,638**	**318,424**	**317,289**

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

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

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

4. PREMIUM RECEIVABLE AND PREMIUM REVENUE

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

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

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

5. DEFERRED PREMIUM REVENUE

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

Changes in deferred premium revenue balances are summarized as follows:

$'000	Fiscal Year 2020-2021	Fiscal Period 2019-2020
Balance, beginning of year/period	503	16,697
Received & receivable during year/period	59,439	1,805
Recognized during year/period	(34,374)	(17,999)
Balance, end of year/period	**25,568**	**503**

6. RELATED PARTY TRANSACTIONS

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

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

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

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

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

7. OTHER REVENUE AND OTHER EXPENSES

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

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

8. RISKS ARISING FROM FINANCIAL INSTRUMENTS

(a) Credit risk

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

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

(b) Liquidity risk

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

(c) Market risk

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

(d) Fair value sensitivity

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

9. CONTINGENCIES

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

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

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

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

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

10. RESTRUCTURING TRANSACTIONS

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

Statement of Financial Position	**DICO**	**DIRF**	**FSRA**
($'000)	**As at June 7, 2019**	**As at June 8, 2019**	**As at June 8, 2019**
ASSETS			
Current assets			
Cash and cash equivalents	1,388	1,388	-
Investments	215,352	215,352	-
Premiums receivable	79	59	20
Investment income receivable & prepaid expenses	976	880	96
Total current assets	**217,795**	**217,679**	**116**

Non-current assets			
Investments	113,648	113,648	-
Property, plant and equipment	146	-	146
Total non-current assets	**113,794**	**113,648**	**146**
Total Assets	**331,589**	**331,327**	**262**
LIABILITIES			
Current liabilities			
Payables and accruals	2,048	-	2,048
Deferred premium income	22,263	16,697	5,566
Total current liabilities	**24,311**	**16,697**	**7,614**
Non-current liabilities			
Payables and accruals	1,434	-	1,434
Employee benefits	4,676	-	4,676
Provision for deposit insurance losses	3,000	3,000	-
Total non-current liabilities	**9,110**	**3,000**	**6,110**
Total Liabilities	**33,421**	**19,697**	**13,724**
EQUITY			
Accumulated other comprehensive income	1,551	1,352	199
Deposit Insurance Reserve Fund	296,617	296,617	-
Total Equity	**298,168**	**297,969**	**199**
Total Liabilities and Equity	**331,589**	**317,666**	**13,923**

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

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

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

11. IMPACT OF THE ADOPTION OF PUBLIC SECTOR ACCOUNTING STANDARDS

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

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

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

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

The adjusted DIRF opening balance sheet is as follows:

Deposit Insurance Reserve Fund ($'000)	**Opening Balance Adjusted per PSAS June 8, 2019**
ASSETS	
Current	
Cash	1,388
Investments	328,122
Premium receivable	59
Investment income receivable	880
Other receivables	-
Total assets	**330,449**
LIABILITIES AND FUND SURPLUS	

Current	
Accounts payable and accrued liabilities	14,035
Deferred premium revenue	16,697
	30,732
Non-current	
General provision for losses	3,000
Total liabilities	33,732
Fund surplus from operation	296,243
Accumulated remeasurement gains	474
Fund surplus	296,717
Total liabilities and fund surplus	**330,449**

12. SUBSEQUENT EVENTS

Credit agreement between FSRA and PACE

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

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

13. COMPARATIVE INFORMATION

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