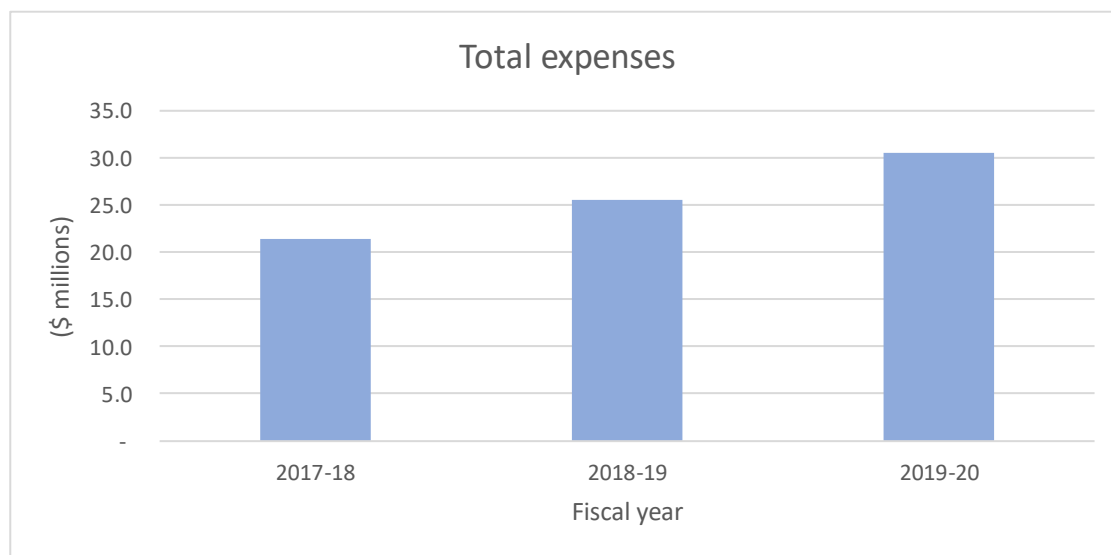


Financial Statements Highlights

The financial information presented in this report serves as a general overview of the Financial Consumer Agency of Canada's (FCAC) financial operations for the year ended March 31, 2020.

FCAC is a federal government agency that recovers its costs mainly through assessments against the financial entities it supervises¹. In addition to revenues from assessments, FCAC receives an annual statutory expenditure of a maximum of \$5,000,000 to support the financial literacy of Canadians.

FCAC's total expenses for fiscal year 2019-20 were \$30.6 million, an increase of \$5.0 million, or 19% compared to the previous fiscal year. This was primarily due to increases in personnel costs, information costs and professional services related to the implementation of new legislation, which created a stronger federal Financial Consumer Protection Framework (FCPF).

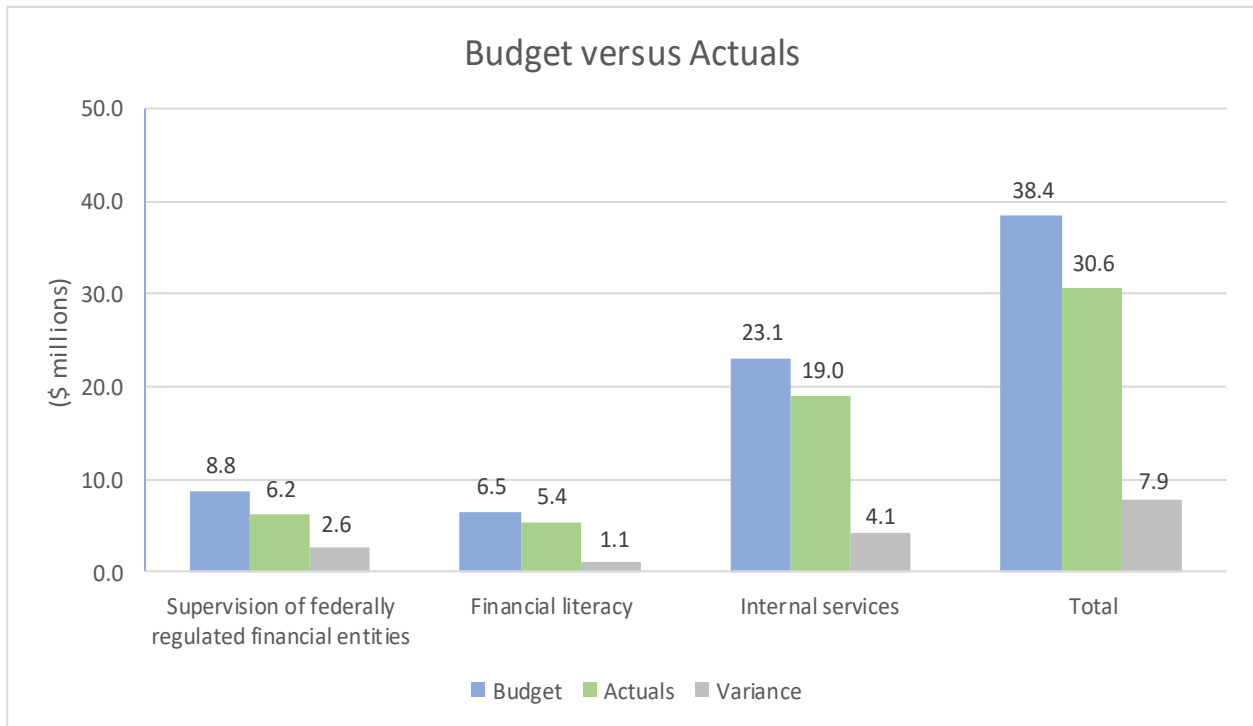


Personnel costs, FCAC's largest expense, rose by \$2.8 million, or 16%. The increase is a result of growth required to support the implementation of the new FCPF, a new supervision framework, and a more comprehensive approach to supervision and enforcement. Furthermore, FCAC completed the repatriation of human resources and finance functions that allowed the Agency to operate more efficiently and reduce costs. Information costs increased by \$0.7 million mainly due to its advertising campaign,

¹ These assessments place the burden of paying for financial sector regulation onto the financial industry directly, rather than the taxpayer, indirectly. Every assessment is final and conclusive and binding on the federally regulated financial entity against which it is made.

which focused primarily on home equity lines of credit (HELOCs). Professional services increased by \$0.4 million mainly as a result of expenses incurred for the modernization of the Agency’s business systems and processes. All other expenses, in total, increased by \$1.1 million.

2019-20 Performance Summary for Programs and Internal Services



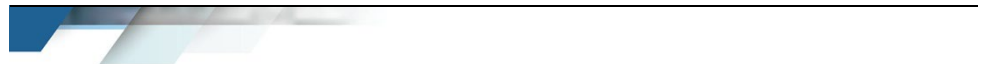
Note: Totals may not add due to rounding.


FCAC’s total expenses were \$7.9 million below budget primarily due to delays in staffing vacant position (\$6.2 million) in the Supervision and Promotion program as well as in Internal Services.




Financial Statements of the Financial Consumer Agency of Canada

March 31, 2020





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Statement of Management Responsibility Including Internal Control over Financial Reporting

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2020, and all information contained in these statements rests with the management of the Financial Consumer Agency of Canada (FCAC). These financial statements have been prepared by management in accordance with Canadian public sector accounting standards.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment, and gives due consideration to materiality. To fulfill its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of FCAC's financial transactions.

Management is also responsible for maintaining an effective system of internal control over financial reporting (ICFR) designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are properly authorized and recorded in accordance with the Financial Administration Act and other applicable legislation, regulations, authorities and policies.

Management seeks to ensure the objectivity and integrity of data in its financial statements through careful selection, training, and development of qualified staff; through an organizational structure that provides appropriate divisions of responsibility; through communication programs aimed at ensuring that regulations, policies, standards, and managerial authorities are understood throughout FCAC; and through conducting an annual assessment of the effectiveness of the system of internal control over financial reporting.

The system of ICFR is designed to mitigate risks to a reasonable level based on an on-going process to identify key risks, to assess effectiveness of associated key controls, and to make any necessary adjustments.

FCAC is subject to periodic Core Control Audits performed by the Office of the Comptroller General and uses the results of such audits to adhere to the Treasury Board Policy on Financial Management.

A Core Control Audit was performed in 2017-18 by the Office of the Comptroller General. The [Audit Report and related Management Action Plan](#) are posted on the Agency's website.

Deloitte LLP has audited the financial statements of FCAC and reports on their audit to the Minister of Finance. This report does not include an audit opinion on the annual assessment of the effectiveness of FCAC's internal controls over financial reporting.

Original signed by

Original signed by

Judith Robertson
Commissioner

Werner Liedtke
Chief Financial Officer

Ottawa, Canada
June 26, 2020

Independent Auditor's Report

To the Financial Consumer Agency of
Canada and the Minister of Finance

Opinion

We have audited the financial statements of the Financial Consumer Agency of Canada (the "Agency"), which comprise the statement of financial position as at March 31, 2020, and the statements of operations, changes in net debt and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards ("PSAS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Agency in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Annual Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PSAS, 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 Agency'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 management either intends to liquidate the Agency or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our 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 our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS 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 GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We 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 our 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 Agency'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 Agency's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Agency 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.

We 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 we identify during our audit.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
June 26, 2020

Financial Consumer Agency of Canada
Statement of financial position

As at March 31, 2020

(in Canadian dollars)

	Notes	March 31, 2020 \$	March 31, 2019 \$
Liabilities			
Trade and other payables	4 and 10	6,137,233	6,249,686
Unearned assessments	10	7,850,472	3,649,835
Employee benefits severance	6	210,709	224,666
Employee benefits sick leave	6	738,976	588,776
Total liabilities		14,937,390	10,712,963
Financial Assets			
Cash entitlement		13,473,983	9,036,996
Trade receivables, net	3	25,216	90,894
Other receivables	3	82,423	220,100
Total financial assets		13,581,622	9,347,990
Net Debt		1,355,768	1,364,973
Non-financial assets			
Tangible capital assets	5	1,175,056	1,277,687
Prepaid expenses		180,712	87,286
Total non-financial assets		1,355,768	1,364,973
Net financial position		—	—

Contractual obligations

8

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

Original signed by

Original signed by

Judith Robertson
Commissioner

Werner Liedtke
Chief Financial Officer

Financial Consumer Agency of Canada
Statement of operations
Year ended March 31, 2020
(in Canadian dollars)

	Notes	Budget 2019-20 \$	March 31, 2020 \$	March 31, 2019 \$
Expenses	9			
Supervision of federally regulated financial entities		8,804,416	6,167,967	5,094,821
Financial literacy		6,496,979	5,428,621	6,152,592
Internal services		23,111,352	18,965,868	14,335,303
Total expenses		38,412,747	30,562,456	25,582,716
Revenue				
Assessment		33,412,747	25,562,204	20,581,683
Other revenue		—	252	1,033
Total revenue		33,412,747	25,562,456	20,582,716
Net cost of operations before government funding and administrative monetary penalties		5,000,000	5,000,000	5,000,000
Less : government funding	4	(5,000,000)	(5,000,000)	(5,000,000)
Net cost of operations before administrative monetary penalties		—	—	—
Administrative monetary penalties	7	—	500,000	425,000
Administrative monetary penalties earned on behalf of the government	7	—	(500,000)	(425,000)
Net cost of operations		—	—	—

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

Financial Consumer Agency of Canada

Statement of changes in net debt

Year ended March 31, 2020

(in Canadian dollars)

		Budget 2019-20	March 31, 2020	March 31, 2019
	Notes	\$	\$	\$
Net cost of operations		—	—	—
Change due to tangible capital assets				
Acquisition of tangible capital assets	5	792,900	483,493	590,254
Amortization of tangible capital assets	5	(608,073)	(566,886)	(496,470)
Write-off of tangible capital assets	5	—	(19,238)	(17,036)
Total change due to tangible capital assets		184,827	(102,631)	76,748
Change due to prepaid expenses		—	93,426	(1,412)
Increase in net debt		184,827	(9,205)	75,336
Net debt, beginning of year		1,364,973	1,364,973	1,289,637
Net debt, end of year		1,549,800	1,355,768	1,364,973

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

Financial Consumer Agency of Canada

Statement of cash flow

Year ended March 31, 2020

(in Canadian dollars)

	Notes	March 31, 2020	March 31, 2019
		\$	\$
Cash flows from operating activities			
Cash receipts from financial entities and other government departments		36,947,995	29,773,809
Cash paid to suppliers and employees		(31,429,468)	(25,531,926)
Interest paid	10	(99,220)	(35,158)
Transfer of assets to other government departments		1,173	—
Non responsible administrative monetary penalties remitted to the consolidated revenue fund	7	(500,000)	(425,000)
Net cash provided by operating activities		4,920,480	3,781,725
Cash flows from capital activities			
Acquisition of tangible capital assets	5	(483,493)	(590,254)
Net cash used in capital activities		(483,493)	(590,254)
Cash flows from financing activities			
New borrowings	10	11,000,000	7,000,000
Repayments		(11,000,000)	(7,000,000)
Net cash provided by financing activities		—	—
Net increase in cash entitlement		4,436,987	3,191,471
Cash entitlement, beginning of year		9,036,996	5,845,525
Cash entitlement, end of year		13,473,983	9,036,996

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

Financial Consumer Agency of Canada

Notes to the financial statements

March 31, 2020

(In Canadian dollars)

1. Authority and objectives

The Financial Consumer Agency of Canada (FCAC or Agency) is the federal government regulatory agency mandated to supervise federally regulated financial entities to protect financial consumers and the public, and to strengthen the financial literacy of Canadians. The Agency was established by the *Financial Consumer Agency of Canada Act* (Act) on October 24, 2001 and is listed in Schedule I.1 of the Financial Administration Act. The Commissioner is the head of the Agency and reports to Parliament through the federal Minister of Finance.

FCAC supervises different types of entities that are part of Canada's financial sector, including banks, federal credit unions, federal insurance companies and federal trust and loan companies, external complaints bodies and payment card network operators (Regulated Entities).

The Agency's objects are set out in subsections 3(2) and (3) of the Act and include (i) the supervision of Regulated Entities for compliance with legislative obligations, codes of conduct and public commitments; (ii) the promotion of consumer awareness about the Regulated Entities' obligations; (iii) the monitoring and evaluation of trends and emerging issues that may impact financial consumers; and (iv) the strengthening of the financial literacy of Canadians.

Subsection 18(3) and 18(5.3) of the Act provides that the Agency's costs of operations are to be assessed to the Regulated Entities. Pursuant to subsection 13(2) of the Act, FCAC's operations are primarily funded through this process. However, FCAC also receives a statutory expenditure as authorized under subsection 13(3) of the Act.

FCAC's assessment revenues are calculated and charged in accordance with the *Financial Consumer Agency of Canada Assessment of Financial Institutions Regulations* and FCAC's financial assessment methodology of payment card network operators and external complaints bodies. These regulations outline the methodologies used to determine each institution's assessment.

The Agency manages its working capital requirements by borrowing funds from the Government of Canada under subsection 13(1) of the Act.

2. Summary of significant accounting policies

The financial statements of FCAC have been prepared in accordance with Public Sector Accounting Standards (PSAS) as issued by the Canadian Public Sector Accounting Board (PSAB). The accounting policies used in the financial statements are based on the PSAS applicable as at March 31, 2020.

The significant accounting policies of FCAC are set out below and are consistently applied to all periods presented:

Cash entitlement

FCAC does not have its own bank account. All of the financial transactions of the Agency are processed through the Consolidated Revenue Fund (CRF), a banking facility administered by the Receiver General for Canada. FCAC's cash entitlement represents the amount the Agency is entitled to withdraw from the CRF without further authority. This amount does not earn interest.

Financial Consumer Agency of Canada

Notes to the financial statements

March 31, 2020

(In Canadian dollars)

2. Summary of significant accounting policies (continued)

Financial instruments

The classification of financial instruments is determined by FCAC at initial recognition and depends on the purpose for which the financial assets were acquired or liabilities were incurred. All financial instruments are recognized initially at fair value. The fair value of financial instruments on initial recognition is based on the transaction price, which represents the fair value of the consideration given or received. Subsequent to initial recognition, financial instruments are measured as follows:

Classification	Accounting Treatment
Cash entitlement	Cash entitlement shall be measured at fair value. Gains and losses arising from changes in the fair value of a cash entitlement shall be recorded in Net cost of operations before government funding in FCAC's Statement of Operations.
Trade and other receivables and accrued assessments	Trade and other receivables and accrued assessments are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition at fair value, Trade and other receivables and accrued assessments are measured at amortized cost using the effective interest method, less impairment, if any. Any gain, loss or interest income is recorded in revenue or expenses depending on the nature of the asset that gave rise to the gain, loss or income.
Financial liabilities	Trade and other payables and unearned assessments are measured at amortized cost using the effective interest method, following initial recognition at fair value. Any gain, loss or interest expense is recorded in revenue or expenses depending on the nature of the financial liability that gave rise to the gain, loss or expense.

Impairment of financial assets

FCAC assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Financial Consumer Agency of Canada

Notes to the financial statements

March 31, 2020

(In Canadian dollars)

2. Summary of significant accounting policies (continued)

Impairment of financial assets (continued)

For financial assets carried at amortized cost FCAC first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If FCAC determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment. If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. The impairment assessment must be based on the best estimates available in light of past events, current conditions, and taking into account all circumstances known at the date of the preparation of the financial statements.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the Statement of Operations.

Tangible capital assets

Tangible capital assets are stated at historical cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Historical cost includes the cost of replacing parts of property, plant and equipment when incurred, if the recognition criteria are met. Repair and maintenance costs are recognized in the Statement of Operations as incurred.

Amortization is recorded using the straight-line method over the estimated useful lives of the assets as follows:

Assets	Useful Life
Furniture and fixtures	7 years
Leasehold improvements	lesser of useful life or remaining term of the lease
Informatics software	5 years
Office equipment	4 years
Informatics hardware	3 years

Internally developed and externally purchased software are capitalized as tangible capital assets. Software acquired separately is measured on initial recognition at cost. The cost of internally developed software consists of directly attributable costs necessary to create, produce, and prepare the software to be capable of operating in the manner intended by FCAC. Amortization of the assets begins when development is complete and the assets are available for use. Costs incurred during the pre-development or post-implementation stages are expensed in the period incurred.

Assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end, and adjusted prospectively if appropriate.

Financial Consumer Agency of Canada

Notes to the financial statements

March 31, 2020

(In Canadian dollars)

2. Summary of significant accounting policies (continued)

Impairment of non-financial assets

FCAC assesses at each reporting date whether there is any objective evidence that an asset may be impaired. When a non-financial asset no longer contributes to FCAC's ability to provide goods and services, or the value of future economic benefits associated with the non-financial asset is less than its net book value, the cost of the non-financial asset is reduced to reflect the decline in the asset's value. Any write-downs are reflected in the Statement of Operations in the period the decline is recognized.

Employee benefits

(a) Short-term benefits

Short-term benefits are recorded in the Statement of Operations when an employee has rendered the service. Unpaid short-term compensated leave that has vested at the reporting date are accrued at year-end and not discounted. FCAC contributes to the Government of Canada sponsored Public Service Health Care Plan and Dental Service Plan for employees. These contributions represent the total obligation of FCAC with respect to these plans.

(b) Pension benefits

Substantially all of the employees of FCAC are covered by the Public Service Pension Plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and FCAC to cover current service cost. Pursuant to legislation currently in place, FCAC has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent the total pension obligation of FCAC.

(c) Severance

On termination of employment, employees are entitled to certain benefits provided for under their conditions of employment through a severance benefits plan. The cost of these benefits is accrued as the employees render their services necessary to earn severance benefits and represents the only obligation of FCAC for severance benefits. The severance benefits are based upon the final salary of the employee.

The projected accrued benefit obligation is determined using a projected benefit method which incorporates management's best estimate of salary, retirement age and discount rate.

(d) Other benefits

The Government of Canada sponsors a variety of other benefit plans from which former employees may benefit upon retirement. The Public Service Health Care Plan and the Pensioners' Dental Service Plan are the two major plans available to FCAC retirees. These are defined benefit plans sponsored by the Government of Canada. Contributions are required by FCAC to cover current service cost. Pursuant to legislation currently in place, FCAC has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent the total obligation of FCAC with respect to these plans.

Financial Consumer Agency of Canada

Notes to the financial statements

March 31, 2020

(In Canadian dollars)

2. Summary of significant accounting policies (continued)

Employee benefits (continued)

(e) Sick leave

Employees are eligible to accumulate sick leave until retirement or termination. Unused sick leave is not eligible for payment on retirement or termination, nor can it be used as vacation. All sick leave is an accumulating non-vesting benefit. A liability is recorded for sick leave balances expected to be taken in excess of future allotments.

The cost of sick leave as well as the present value of the obligation is determined using an actuarial valuation.

Leases

Leases in which the benefits and risks of ownership related to the leased property are substantially retained by the lessor are classified as operating leases. FCAC records the costs associated with operating leases in the Statement of Operations in the period in which they are incurred. Any lease incentives received from the lessor are charged to the Statement of Operations on a straight-line basis over the period of the lease.

FCAC does not have the borrowing authority to enter into lease agreements that are classified as leased tangible capital assets. FCAC has established procedures to review all lease agreements and identify if the proposed terms and conditions would result in a transfer to FCAC of substantially all the benefits and risks incidental to ownership.

Government funding

Government funding, including statutory appropriations, is recognized in the period that the appropriation was authorized, and any eligibility criteria met.

Parliamentary appropriations for operating purposes and for the purchase of tangible capital assets are considered to be without stipulations restricting their use and are recognized as revenue when the appropriations are authorized.

Statutory appropriations that are deemed to have stipulations which meet the definition of a liability, restricting their use for a specific purpose, are recorded as deferred revenue and recognized as revenue as FCAC is required to expend funds for that specific purpose. The funding and the corresponding expense item are recognized at their gross amounts.

Revenue recognition

FCAC recognizes revenue so as to recover its expenses. Any amounts that have been billed for which costs have not been incurred are classified as unearned assessments on the Statement of Financial Position. Revenue is recorded in the accounting period in which it is earned (service provided) whether or not it has been billed or collected. At March 31 of each year, amounts may have been collected in advance of the incurrence of costs or provision of services, alternatively, amounts may not have been collected and are owed to FCAC. FCAC assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. FCAC has concluded that it is acting as a principal in all of its revenue arrangements.

Financial Consumer Agency of Canada

Notes to the financial statements

March 31, 2020

(In Canadian dollars)

2. Summary of significant accounting policies (continued)

Revenue recognition (continued)

Assessments – Revenue from assessments is recognized based on actual costs incurred. The assessments are charged to recover costs and all costs are considered recoverable.

Assessments are billed annually based on an estimate of the current fiscal year's costs of operations together with an adjustment for any differences between the previous year's assessed costs and actual. The assessment process is undertaken before December 31 in each year, in accordance with subsection 18(1) and 18(5.1) of the Act. As a result, at March 31 of each year, amounts may have been collected in advance of the incurrence of costs or, alternatively, funds may be owed to the Agency to fund its costs of operations.

The Commissioner may impose penalties for violations of consumer provisions or compliance agreement requirements. As of April 30, 2020, the maximum penalty for a violation increases from \$50,000 to \$1,000,000 where the violation is committed by a natural person, and from \$500,000 to \$10,000,000 where it is committed by a financial institution. Penalties are paid to the Receiver General for Canada and remitted to the CRF. These funds are not available to FCAC to spend and, as a result, the penalties paid do not reduce the amount that FCAC assesses industries in respect of its operating costs

Budget for the year ending March 31, 2020

The budget for the year ending March 31, 2020 was approved by the Commissioner in February 2019.

Significant accounting judgments, estimates and assumptions

The preparation of FCAC's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in which case, the impact will be recognized in the financial statements of a future fiscal period.

In the process of applying its accounting policies, management has made the following judgments which have the most significant effect on the amounts recognized in the financial statements:

- Lease classification;
- Administrative monetary penalties – FCAC as principal;
- Impairment of financial and non-financial assets;
- Estimated useful lives of tangible capital assets;
- The actuarial assumptions used to value sick leave and severance obligations;
- Likelihood of occurrence for contingent liabilities; and,
- Estimates for the allowance for doubtful accounts.

Financial Consumer Agency of Canada

Notes to the financial statements

March 31, 2020

(In Canadian dollars)

3. Trade and other receivables

The breakdown of all amounts owing to FCAC, by type, is as follows:

	Federally regulated financial entities	Other	Total March 31, 2020
	\$	\$	\$
Trade receivables	22,113	—	22,113
Trade receivables – related parties	—	3,103	3,103
Allowance for doubtful accounts	—	—	—
Trade receivables, net	22,113	3,103	25,216
Other			
Related parties	—	27,601	27,601
Other receivables	—	54,822	54,822
Total other	—	82,423	82,423
Total	22,113	85,526	107,639
% of Total exposure	20.5%	79.5%	100.0%

	Federally regulated financial entities	Other	Total March 31, 2019
	\$	\$	\$
Trade receivables	38,000	—	38,000
Trade receivables – related parties	—	52,894	52,894
Allowance for doubtful accounts	—	—	—
Trade receivables, net	38,000	52,894	90,894
Other			
Related parties	—	12,477	12,477
Other receivables	—	207,623	207,623
Total other	—	220,100	220,100
Total	38,000	272,994	310,994
% of Total exposure	12.2%	87.8%	100.0%

Financial Consumer Agency of Canada

Notes to the financial statements

March 31, 2020

(In Canadian dollars)

3. Trade and other receivables (continued)

FCAC records an allowance for doubtful accounts considering the age of an outstanding receivable and the likelihood of its collection. Provisions are also made where collection of the receivable is doubtful based on information gathered through collection efforts. An allowance is reversed once collection of the debt is successful or the amount is written off. Impairment losses on accounts receivable recognized during the year ended March 31, 2020, were \$ Nil (\$Nil in 2018-19). Recoveries during the same period totaled \$Nil (\$3,000 in 2018-19).

A trade receivable will be considered to be impaired and written off when FCAC is certain that collection will not occur and all requirements of the *Debt Write-Off Regulations, 1994* have been met. A total of \$Nil was written off during the year ended March 31, 2020 (\$Nil in 2018-19). During the year ended March 31, 2020, no interest was earned on impaired assets and none of the past due amounts were renegotiated. Those that are neither past due nor provided for or impaired are considered to be fully collectible.

As at March 31, 2020, the aging of trade receivables was as follows:

	Current	31-60	61-90	91-120	>120	Total
	\$	\$	\$	\$	\$	\$
March 31, 2020	1,103	2,000	—	—	22,113	25,216
March 31, 2019	52,894	38,000	—	—	—	90,894

All assessments receivable and accrued assessments are recoverable from federally regulated financial entities (includes banks, trust and loan companies, life insurance companies, property and casualty insurance companies, retail associations, payment card network operators and external complaint bodies). FCAC regulates over 350 financial entities and does not have a significant receivable from any individual financial entity.

Refer to Note 4 for terms and conditions relating to related party receivables, and refer to Note 10 b) for further information on credit risk applicable to FCAC.

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(In Canadian dollars)

4. Related party transactions

FCAC is related, in terms of common ownership, to all Government of Canada departments, agencies and crown corporations. FCAC enters into transactions with these entities in the normal course of business and on normal trade terms. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. During the year ended March 31, 2020, FCAC purchased goods and services for \$8,528,315 (\$7,209,979 in 2018-19) and recovered expenditures of \$585,812 (\$628,356 in 2018-19) from transactions with other government departments, agencies and crown corporations. FCAC had the following significant transactions:

Entity	Nature	2020	2020	2019	2019
		Expenditures	Payable	Expenditures	Payable
		\$	\$	\$	\$
Treasury Board Secretariat	Pension contributions and other employee benefits	4,039,018	340,767	3,352,735	172,140
Public Services and Procurement Canada	Accommodations translation services and other services	1,861,579	154,285	1,422,059	238,426

As at March 31, 2020, the amount of trade receivables and trade and other payables from these related parties was \$30,704 (March 31, 2019 - \$68,171) and \$592,738 (March 31, 2019 - \$602,431), respectively.

FCAC received a statutory expenditure of up to \$5,000,000 for the fiscal year ended March 31, 2020 (\$5,000,000 in 2018-19) to support the financial literacy of Canadians. During the year ended March 31, 2020, FCAC spent \$5,000,000 (\$5,000,000 in 2018-19) of this amount.

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March 31, 2020

(In Canadian dollars)

5. Tangible capital assets

	Balance at March 31, 2019	Additions	Transfer to in use	Disposals, write-offs and transfers of assets	2020 Total
	\$	\$	\$	\$	\$
Cost					
Leasehold improvements	922,463	—	—	(922,463)	—
Furniture and fixtures	1,013,638	22,115	—	(795,400)	240,353
Office equipment	30,851	—	—	—	30,851
Informatics hardware	963,633	386,311	—	(169,295)	1,180,649
Informatics software	1,458,482	—	257,488	(451,028)	1,264,942
Software under development	182,421	75,067	(257,488)	—	—
	4,571,488	483,493	—	(2,338,186)	2,716,795

	Balance at March 31, 2019	Amortization expense	Transfer to in use	Disposals, write-offs and transfers of assets	2020 Total
	\$	\$	\$	\$	\$
Accumulated amortization and impairment					
Leasehold improvements	922,463	—	—	(922,463)	—
Furniture and fixtures	892,368	31,703	—	(795,400)	128,671
Office equipment	30,851	—	—	—	30,851
Informatics hardware	473,744	295,310	—	(168,915)	600,139
Informatics software	974,375	239,873	—	(432,170)	782,078
	3,293,801	566,886	—	(2,318,948)	1,541,739

	2020	2019
	\$	\$
Net book value		
Leasehold improvements	—	—
Furniture and fixtures	111,682	121,270
Office equipment	—	—
Informatics hardware	580,510	489,889
Informatics software	482,864	484,107
Software under development	—	182,421
	1,175,056	1,277,687

None of the assets held have any restriction on title and none of the assets have been pledged as security for liabilities.

As at March 31, 2020, FCAC had \$194,981 (\$2,174,824 in 2018-2019) of capital assets at cost that were fully depreciated and still in use.

These assets are near the end of their useful life and their fair value is insignificant.

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6. Employee benefits

(a) Post-employment benefits

(i) Pension benefits

Substantially all of the employees of FCAC are covered by the Public Service Pension Plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and FCAC. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The general contribution rate effective at the end of the period was 10.06% (10.43% in 2018-19). Total contributions of \$1,601,330 (\$1,398,409 in 2018-19) were recognized as an expense in the current period.

The Government of Canada holds a statutory obligation for the payment of benefits relating to the Plan. Pension benefits generally accrue up to a maximum period of 35 years at an annual rate of two percent of pensionable service times the average of the best five consecutive years of earnings. The benefits are coordinated with Canada/Québec Pension Plan benefits and they are indexed to inflation.

(ii) Severance benefits

FCAC used to administer a severance benefits plan for its employees. On termination of employment, eligible employees were entitled to certain benefits provided for under their conditions of employment based on their years of service. The plan was substantially curtailed in 2013 and employees no longer accumulate years of service. FCAC's remaining liability in regards to this plan relates primarily to employees who chose to defer receipt of their entitlement until departure. Current service benefits costs relate to the cost of involuntary departures.

Information about FCAC's severance benefit plan is presented in the table below.

	March 31, 2020	March 31, 2019
	\$	\$
Accrued benefit obligation, beginning of year	207,556	262,755
Current service cost	21,715	20,603
Interest cost	3,638	5,682
Benefits paid	(34,901)	(24,810)
Actuarial gain	(46,485)	(56,674)
Accrued benefit obligation, end of year *	151,523	207,556
Unamortized net actuarial gain	(59,186)	(17,110)
Accrued benefit liability, end of year *	210,709	224,666
Net benefit plan cost		
Current service cost	21,715	20,603
Interest cost	3,638	5,682
Amortization of actuarial gain	(4,409)	(1,395)
Benefit cost	20,944	24,890

* The cost corresponding to annual changes in the accrued benefit liability is recovered from FCAC's various sources of revenue outlined in Note 2 i) to the financial statements. Amounts collected in excess of benefits paid are presented on the Statement of Financial Position under the heading of Cash entitlement.

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(In Canadian dollars)

6. Employee benefits (continued)

(a) Post-employment benefits (continued)

ii. Severance benefits (continued)

The most recent actuarial valuation for severance benefits was completed by an independent actuary as at March 31, 2020. FCAC measures its accrued benefit obligation for accounting purposes as at March 31 of each year.

The significant actuarial assumption adopted in measuring FCAC's accrued benefit obligation is a discount rate of 1.16% (1.81% in 2018-19). For measurement purposes, management's best estimate for the general salary increases to estimate the current service cost and the accrued benefit obligation as at March 31, 2020 is an annual economic increase of 2.00% for the plan years 2021, 2022 and 2023 (2018-19 – 2.00% for the plan years 2020 to 2022). Thereafter, an annual economic increase of 2% is assumed (2.00% in 2018-19). The average remaining service period of active employees covered by the benefit plan is 15 years (15 years in 2018-19).

Amounts for the current and previous year are as follows:

	Accrued benefit obligation \$	Actuarial gains recognized during the period \$
Employee benefits - severance		
March 31, 2020	151,523	(46,485)
March 31, 2019	207,556	(56,674)

(b) Other long-term benefits

(i) Sick leave

Information about FCAC's sick leave plan is presented in the table below:

	March 31, 2020 \$	March 31, 2019 \$
Accrued benefit obligation, beginning of year	1,165,957	958,137
Current service cost	168,640	138,981
Interest cost	22,197	21,748
Benefits used	(100,950)	(78,221)
Actuarial loss	340,576	125,312
Accrued benefit obligation, end of year *	1,596,420	1,165,957
Unamortized net actuarial loss	(857,444)	(577,181)
Accrued benefit liability, end of year *	738,976	588,776
Net benefit plan cost		
Current service cost	168,640	138,981
Interest cost	22,197	21,748
Amortization of actuarial loss	60,313	39,475
Benefit cost	251,150	200,204

*The cost corresponding to annual changes in the accrued benefit liability is recovered from FCAC's various sources of revenue outlined in Note 2 i) to the financial statements. Amounts collected in excess of benefits paid are presented on the Statement of Financial Position under the heading of Cash entitlement.

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6. Employee benefits (continued)

(b) Other long-term benefits (continued)

(i) Sick leave (continued)

The most recent actuarial valuation for sick leave benefits was completed by an independent actuary as at March 31, 2020. FCAC measures its accrued benefit obligation for accounting purposes as at March 31 of each year.

The significant actuarial assumption adopted in measuring FCAC's accrued benefit obligation is a discount rate of 1.18% (1.85% in 2018-19). For measurement purposes, management's best estimate for the general salary increases to estimate the current service cost and the accrued benefit obligation as at March 31, 2020 is an annual economic increase of 2% for the plan years 2021, 2022 and 2023 (2018-19 – 2.00% for the plan years 2020 to 2022). Thereafter, an annual economic increase of 2% is assumed (2.00% in 2018-19). The average remaining service period of active employees covered by the benefit plan is 15 years (15 years in 2018-19).

Amounts for the current and previous year are as follows:

	Accrued benefit obligation	Actuarial losses recognized during the period
	\$	\$
Employee benefits - sick leave	<u>1,596,420</u>	<u>340,576</u>
March 31, 2020	1,596,420	340,576
March 31, 2019	<u>1,165,957</u>	<u>125,312</u>

7. Administrative monetary penalties

Administrative monetary penalties collected by FCAC are remitted to the CRF. The funds are not available for use by FCAC and, as a result, the penalties do not reduce the amount that FCAC assesses the industry in respect of its operating costs.

In the year ended March 31, 2020, FCAC collected \$500,000 (\$425,000 in 2018-19) in administrative monetary penalties.

8. Contractual obligations

FCAC has entered into operating lease agreements for office space through Public Services and Procurement Canada. There are no restrictions placed upon FCAC when entering into this lease. The minimum aggregate annual payment is \$1,261,892 per year up to September 30, 2029.

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9. Expenses by major classification

The following table presents the expenses incurred by major classification.

	Budget	March 31,	March 31,
	2019-20	2020	2019
	\$	\$	\$
Personnel	26,202,713	20,008,472	17,188,079
Professional Services	7,313,521	4,726,728	4,303,959
Rental	2,043,238	1,645,760	1,284,156
Information	768,640	1,494,419	771,488
Machinery and Equipment	361,145	916,464	685,322
Amortization	608,073	566,886	496,470
Repairs and Maintenance	11,300	411,557	138,929
Travel	475,700	248,017	354,254
Transportation & Communication	368,117	246,830	206,246
Materials and Supplies	55,200	163,862	93,481
Interest	165,000	99,220	35,158
Other Expenditures	40,100	34,241	25,174
Total	38,412,747	30,562,456	25,582,716

10. Financial risk management

FCAC's financial liabilities include trade and other payables, and unearned assessments. The main purpose of these liabilities is to provide short-term financing for FCAC's operations. Financial assets include cash entitlement, accrued assessments, trade and other receivables.

FCAC is exposed to market risk, credit risk and liquidity risk in connection with financial instruments.

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk, and other price risk, such as equity risk. FCAC is exposed to currency risk on any amounts payable that are to be settled in a currency other than the Canadian dollar, and is exposed to interest rate risk as discussed below. FCAC is not exposed to other price risk.

- *Currency risk:* Currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. FCAC's exposure to the risk of changes in foreign exchange rates relates primarily to the Agency's operating activities (when expenses are denominated in a currency other than the Canadian dollar). FCAC manages its exposure to currency risk by structuring its contracts in Canadian dollars wherever possible. The majority of FCAC's transactions are denominated in Canadian dollars; consequently, FCAC's exposure to currency risk is insignificant.

There is no impact to revenue as all invoicing is done in Canadian dollars.

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March 31, 2020

(In Canadian dollars)

10. Financial risk management (continued)

(a) Market risk (continued)

- *Interest rate risk:* Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. FCAC's exposure to the risk of market interest rates relates primarily to FCAC's loans payable with floating interest rate as determined by the Department of Finance Canada. FCAC reduces its borrowings by effectively forecasting its required cash flows from assessments. FCAC is not authorized to enter into any financial arrangements in order to reduce its exposure to interest rate risk.

(b) Credit risk

Credit risk is the risk that the counterparty will not meet its obligations, resulting in a financial loss for FCAC. The maximum exposure FCAC has to credit risk as at March 31, 2020, is \$107,639 (March 31, 2019 - \$310,994), which is equal to the carrying value of its trade receivables and other receivables.

All federally regulated financial entities are required to register with FCAC and pay the assessments as established by FCAC. Any loss incurred by FCAC as a result of a counterparty not meeting its obligations is recorded in the year incurred and collected through assessments. All remaining receivables are with other government organizations, where there is minimal potential risk of loss. FCAC does not hold collateral as security.

(c) Liquidity risk

Liquidity risk is the risk that FCAC will encounter difficulty in meeting obligations associated with current and future financial liabilities. FCAC's objective is to maintain sufficient cash entitlement through collection of assessments or borrowing from the CRF in order to meet its operating requirements. FCAC manages liquidity risk through a detailed annual planning and billing process, which is structured to allow for sufficient liquidity from one billing period to the next. FCAC's objective is to accurately estimate its operating costs for the year in order to accurately estimate the assessments to be collected from federally regulated financial entities.

By March 31 of each year, the Commissioner must determine the total expenses incurred by the Agency during the preceding fiscal year for, or in connection with, the administration of the FCAC Act and the consumer provisions. The Commissioner then assesses each federally regulated financial entity a portion of these expenses, as determined by regulation or the financial assessment methodology of payment card network operators and external complaints bodies. To temporarily fund expenses until entities receive their final assessment, the Commissioner may, during each fiscal year, prepare an interim assessment against any financial entity, or request authority to borrow from the CRF. The Agency must seek the Minister of Finance's authority to borrow from the CRF for the next fiscal year, up to a predetermined limit. The authority to borrow from the CRF is granted under section 13 of the FCAC Act.

For the year ended March 31, 2020, the Minister has approved up to \$33,400,000 (\$25,100,000 in 2018-19). All amounts borrowed must be repaid within one year. The Agency pays interest on the funds borrowed as described under "Interest rate risk." During the year, FCAC used \$11,000,000 from the CRF and repaid the full amount by March 31, 2020. In the previous year, FCAC used \$7,000,000 from the CRF and repaid the full amount by March 31, 2019.

Refer to Note 1 for further information on FCAC's authority.

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(In Canadian dollars)

10. Financial risk management (continued)

The table below summarizes the maturity profile of FCAC's financial liabilities at March 31, 2020 and March 31, 2019, based on contractual undiscounted payments. When the counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which FCAC can be required to pay. When amounts are due in installments, each installment is allocated to the earliest period in which FCAC can be required to pay.

	On demand \$	Less than 3 months \$	3 to 12 months \$	1 to 5 years \$	Greater than 5 years \$	March 31, 2020 Total \$
Trade and other payables	967,384	4,035,837	1,134,012	—	—	6,137,233
Unearned assessments	—	—	7,850,472	—	—	7,850,472
Total	967,384	4,035,837	8,984,484	—	—	13,987,705

	On demand \$	Less than 3 months \$	3 to 12 months \$	1 to 5 years \$	Greater than 5 years \$	March 31, 2019 Total \$
Trade and other payables	764,796	4,565,871	919,019	—	—	6,249,686
Unearned assessments	—	—	3,649,835	—	—	3,649,835
Total	764,796	4,565,871	4,568,854	—	—	9,899,521

Balances due within 12 months equal their carrying amounts, as the impact of discounting is insignificant.

The liquidity of FCAC's financial assets is outlined in Note 3, "Trade and other receivables."