Department of Finance Canada
Financial Statements (Unaudited)

For the year ended March 31, 2023

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, 2023, and all information contained in these financial statements rests with the management of the Department of Finance Canada (the department). These financial statements have been prepared by management using the Government of Canada's accounting policies, which are based on 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 fulfil its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of the department's financial transactions. Financial information submitted in the preparation of the *Public Accounts of Canada*, and included in the department's *Departmental Results Report*, is consistent with these financial statements.

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 organizational arrangements that provide appropriate divisions of responsibility; through communication programs aimed at ensuring that regulations, policies, standards, and managerial authorities are understood throughout the department and through conducting an annual risk-based assessment of the effectiveness of the system of ICFR.

The system of ICFR is designed to mitigate risks to a reasonable level based on an ongoing process to identify key risks, to assess effectiveness of associated key controls, and to make any necessary adjustments. A risk-based assessment of the system of ICFR for the year ended March 31, 2023 was completed in accordance with the Treasury Board Policy on Financial Management and the results and action plans are summarized in the Annex.

The effectiveness and adequacy of the department's system of internal control is reviewed by the work of internal audit staff, who conduct periodic audits of different areas of the department's operations, and by the Departmental Audit Committee, which oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting.

The financial statements of the department have not been audited.

Nick Leswick, Interim Deputy Minister
Ottawa, Canada
September 7, 2023

Christopher Veilleux, Chief Financial Officer

Department of Finance Canada
Statement of Financial Position (unaudited)
As at March 31

(in thousands of dollars)	2023	2022
Liabilities		
Deposit liabilities (note 5)	1,158,080	1,882,973
Accounts payable and accrued liabilities (note 6)	2,812,199	3,539,485
Taxes payable under tax collection agreements (note 7)	5,247,479	26,189,035
Notes payable to international organizations (note 8)	90,568	83,774
Matured debt (note 9)	720,171	817,695
Unmatured debt (note 10)	1,259,730,485	1,244,347,810
Foreign exchange accounts liabilities (note 17)	44,150,823	42,251,337
Derivatives (note 11)	30,970,136	2,471,415
Long-term annuity liability (note 12)	1,697,211	1,791,259
Employee future benefits (note 13)	2,961	3,226
Total gross liabilities	**1,346,580,113**	**1,323,378,009**
Liabilities owed on behalf of government (note 14)	(90,568)	(83,774)
Total net liabilities	**1,346,489,545**	**1,323,294,235**
Financial assets		
Due from Consolidated Revenue Fund	5,969,594	4,705,668
Cash held as collateral (note 15)	2,400,724	505,807
Coin inventory	13,903	14,628
Accounts receivable (note 16)	407,317	180,393
Taxes receivable under tax collection agreements (note 7)	15,226,196	14,973,875
Foreign exchange accounts assets (note 17)	169,390,189	146,282,350
Derivatives (note 11)	3,232,002	4,974,369
Loans to Crown corporations (note 18)	85,925,521	73,636,770
Other loans receivable (note 19)	2,808,909	2,411,500
Investments and capital share subscriptions (note 20)	-	-
Total gross financial assets	**285,374,355**	**247,685,360**
Financial assets held on behalf of government (note 14)	(3,757,269)	(3,032,557)
Total net financial assets	**281,617,086**	**244,652,803**
Departmental net debt	**1,064,872,459**	**1,078,641,432**
Nonfinancial assets		
Tangible capital assets (note 24)	8,203	9,070
Prepaid expenses	4	4
Total nonfinancial assets	**8,207**	**9,074**
Departmental net financial position	**(1,064,864,252)**	**(1,078,632,358)**
Departmental net financial position is comprised of:		
Accumulated net cost of operations after government financing and transfers	(1,040,062,033)	(1,078,632,358)
Accumulated net remeasurement (losses) gains	(24,802,219)	-
Departmental net financial position	**(1,064,864,252)**	**(1,078,632,358)**

Contractual obligations (note 25); contingent liabilities (note 26)
The accompanying notes are an integral part of these financial statements.

Nick Leswick, Interim Deputy Minister
Ottawa, Canada. September 7, 2023.

Christopher Veilleux, Chief Financial Officer

Department of Finance Canada
Statement of Operations and Departmental Net Financial Position (unaudited)
For the Year Ended March 31

(in thousands of dollars)	2023 Planned results	2023	2022
Expenses			
Economic and Fiscal Policy	106,146,194	120,904,472	104,557,586
Internal Services	77,235	86,446	74,802
Total expenses	**106,223,429**	**120,990,918**	**104,632,388**
Revenues			
Investment income	1,755,983	2,670,254	1,250,500
Interest on bank deposits	261,131	416,675	271,510
Fees for risk exposure	138,415	126,447	147,387
Sale of domestic coinage	127,794	123,565	141,318
Net foreign currency gain	-	544,174	124,579
Other income	83,354	79,638	88,234
Revenues earned on behalf of government (note 29)	(2,366,677)	(3,960,728)	(2,023,509)
Total revenues	**-**	**25**	**19**
Net cost of operations before government funding and transfers	**106,223,429**	**120,990,893**	**104,632,369**
Government funding and transfers			
Net cash provided by (to) government		159,017,657	(11,937,409)
Change in due from Consolidated Revenue Fund		1,263,926	271,195
Services provided without charge by other government departments (note 27)		28,618	27,547
Net cost of operations after government funding and transfers		**(39,319,308)**	**116,271,036**
Accumulated net cost of operations after government funding and transfers - beginning of year		**(1,078,632,358)**	**(962,361,322)**
Impact of adopting new accounting standards on April 1, 2022 (note 3)			
Amortized cost measurement for real return bonds, adjusted for application of relevant CPI indices on all estimated future cash flows		(748,983)	-
Accumulated net cost of operations after government funding and transfers - beginning of year (adjusted)		**(1,079,381,341)**	**(962,361,322)**
Accumulated net cost of operations after government funding and transfers - end of year		**(1,040,062,033)**	**(1,078,632,358)**

Segmented information (note 28)

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

Department of Finance Canada
Statement of Remeasurement Gains and Losses (unaudited)
For the Year Ended March 31

(in thousands of dollars)	**2023**	**2022**
Accumulated remeasurement losses - beginning of year	**-**	**-**
Impact of adopting new accounting standards on April 1, 2022 (note 3)		
Remeasurement losses on derivatives	22,960,162	-
Accumulated remeasurement losses - beginning of year (adjusted)	**22,960,162**	**-**
Remeasurement (gains) losses arising during the year		
Derivatives	1,842,679	-
Remeasurement gains (losses) reclassified during the year to the Statement of Operations and Departmental Net Financial Position		
Derivatives	(622)	-
Net remeasurement losses	**1,842,057**	**-**
Accumulated remeasurement losses - end of year	**24,802,219**	**-**

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

Department of Finance Canada
Statement of Change in Departmental Net Debt (Unaudited)
For the Year Ended March 31

(in thousands of dollars)	**2023**	**2022**
Net cost of operations after government funding and transfers	**(39,319,308)**	**116,271,036**
Changes due to non-financial assets		
Tangible capital assets	(867)	(884)
Prepaid expenses	-	2
Total change due to non-financial assets	**(867)**	**(882)**
Net remeasurement losses	**1,842,057**	**-**
Net increase in departmental net debt	**(37,478,118)**	**116,270,154**
Departmental net debt beginning of year	**1,078,641,432**	**962,371,278**
Impact of adopting new accounting standards on April 1, 2022 (note 3)		
Accumulated remeasurement losses	22,960,162	-
Accumulated net cost of operations after government funding and transfers	748,983	-
Departmental net debt beginning of year (adjusted)	**1,102,350,577**	**962,371,278**
Departmental net debt end of year	**1,064,872,459**	**1,078,641,432**

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

Department of Finance Canada
Statement of Cash Flows (Unaudited)
For the Year Ended March 31

(in thousands of dollars)	2023	2022
Operating activities		
Net cost of operations before government funding and transfers	120,990,893	104,632,369
Non-cash items:		
Unrealized foreign exchange (losses) gains	(6,994,563)	2,199,304
Unrealized foreign exchange gains (losses) on the foreign exchange accounts	6,710,941	(3,333,126)
Effective interest	(9,706,868)	(3,414,082)
Long-term annuity liability		
Adjustment to the department's obligation	24,000	-
Net accretion of long-term annuity liability	(30,685)	(31,563)
Total long-term annuity liability	(6,685)	(31,563)
Services provided without charge by other government departments	(28,618)	(27,547)
Amortization of discounts on loans to Crown corporations	55,833	6,563
Amortization of discounts on other loans receivable	1,435	1,705
Amortization of tangible capital assets	(901)	(905)
Change in cash collateral pledged to and by counterparties	2,622,788	(1,802,144)
Other variations in Statement of Financial Position:		
Net increases (decreases) in assets	251,621	(2,235,521)
Net decreases (increases) in liabilities	21,666,129	(14,746,322)
Payment of long-term annuity liability	100,733	100,556
Cash used in operating activities	**135,662,738**	**81,349,287**
Capital investment activities		
Acquisition of tangible capital assets, net of proceeds of disposal	9	2
Cash used in capital investment activities	**9**	**2**
Investing activities		
Investments in foreign exchange accounts	47,905,781	57,734,620
Repayments from foreign exchange accounts	(33,534,971)	(41,160,989)
Issuance of loans to Crown corporations	62,443,267	61,012,560
Repayment of loans to Crown corporations	(50,210,349)	(53,874,397)
Issuance of other loans receivable	27,078	-
Repayment of other loans receivable	(2,290)	(153,903)
Cash used in (provided by) investing activities	**26,628,516**	**23,557,891**
Financing activities		
Net issuance of cross-currency swaps	1,037,831	410,864
Issuance of debt	(611,491,266)	(741,354,992)
Repayment of debt	607,179,829	624,099,539
Cash provided by financing activities	**(3,273,606)**	**(116,844,589)**
Net cash provided by (to) the Government of Canada	**159,017,657**	**(11,937,409)**

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

Notes to the Financial Statements (Unaudited)

1. Authority and objectives

The Department of Finance Canada (the department) is established under the *Financial Administration Act* as a department of the Government of Canada (the government).

The department is responsible for the overall stewardship of the Canadian economy. This includes preparing the annual federal budget, as well as advising the government on economic and fiscal matters, tax and tariff policy, social measures, security issues, financial stability and Canada's international commitments. The department plays an important central agency role, working with other departments to ensure that the government's agenda is carried out and that ministers are supported with high-quality analysis and advice.

The department's responsibilities include the following:

- preparing the federal budget and the Update of Economic and Fiscal Projections;
- developing tax and tariff policy and legislation;
- managing federal borrowing on financial markets;
- designing and administering major transfers of federal funds to the provinces and territories;
- developing financial sector policy and legislation;
- representing Canada in various international financial institutions and groups; and
- preparing the *Annual Financial Report of the Government of Canada* and, in cooperation with the Treasury Board of Canada Secretariat and the Receiver General for Canada, *the Public Accounts of Canada*.

To achieve its strategic outcome the department articulates its plans and priorities based on its core responsibility of Economic and Fiscal Policy, determined in accordance with the Departmental Results Framework, and its Internal Services functions.

Economic and Fiscal Policy: To develop the federal budget and *Economic and Fiscal Update*, as well as provide analysis and advice to the government on economic, fiscal and social policy; federal-provincial relations, including the transfer and taxation payments; the financial sector; tax policy; and international trade and finance.

Internal Services: Internal Services are those groups of related activities and resources that the federal government considers to be services in support of programs and/or required to meet the corporate obligations of an organization. Internal Services are comprised of the following 10 service categories: acquisition management, communications, financial management, human resources management, information management, information technology, legal, management and oversight, materiel management, and real property management.

2. Summary of significant accounting policies

These financial statements have been prepared using the government's accounting policies which are based on Canadian public sector accounting standards. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian public sector accounting standards.

Accounting policy changes

The department adopted new accounting standards issued by the Public Sector Accounting Board (PSAB) that became effective for the department on April 1, 2022, namely PS 3450 *Financial Instruments*, PS 2601 *Foreign Currency Translation*, PS 1201 *Financial Statement Presentation* and PS 3041 *Portfolio Investments*. As a result of these new standards, the department changed some accounting policies for financial instruments effective April 1, 2022. As the accounting policies were not applied retroactively to the amounts presented in the financial statements for the year ended March 31, 2022, the department is disclosing both its 2022 and 2023 accounting policies, where applicable, in this note. Refer to Note 3 for further information on the impact of the adoption of these new accounting standards.

Measurement basis

These financial statements have been prepared on a historical cost basis, except for the following:

- financial instruments, other than derivatives, are measured at cost or amortized cost; and
- effective April 1, 2022, derivatives are measured at fair value.

The department's significant accounting policies are as follows:

a) Parliamentary authorities

The department is financed by the government through parliamentary authorities. Financial reporting of authorities provided to the department does not parallel financial reporting under generally accepted accounting principles since authorities are primarily based on cash flow requirements. Consequently, items recognized in the *Statement of Operations and Departmental Net Financial Position* (Statement of Operations) and the *Statement of Financial Position* are not necessarily the same as those provided through authorities from the Parliament of Canada. Note 4 provides a reconciliation between these financial statements and the parliamentary authorities provided to the department.

The planned results presented in the *Statement of Operations* are the amounts reported in the *Future-oriented Statement of Operations* included in the *2022-23 Departmental Plan*.

b) Net cash provided (to) by government

The department operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by the department is deposited to the CRF, and all cash disbursements made by the department are paid from the CRF. The net cash provided (to) by government is the difference between all cash receipts and all cash disbursements, including transactions between departments of the government and with Crown corporations.

c) Due from Consolidated Revenue Fund

Amounts due from the CRF result from timing differences at year-end between when a transaction affects authorities and when it is processed through the CRF. Amounts due from the CRF represent the net amount of cash that the department is entitled to draw from the CRF without further authorities to discharge its liabilities.

d) Financial instruments

Classification and measurement

Commencing April 1, 2022, the department classifies its financial instruments according to their measurement bases, in the following categories: i) cost or amortized cost; and ii) fair value.

Financial instrument classification as at March 31, 2023 is summarized in the following table.

	Currency[1]	Classification / measurement	Carrying value
Financial liabilities			
Deposit liabilities	CAD / Foreign	Cost or amortized cost	1,158,080
Accounts payable and accrued liabilities	CAD	Cost or amortized cost	2,812,199
Foreign exchange accounts	Foreign	Cost or amortized cost	44,150,823
Matured debt	CAD	Cost or amortized cost	720,171
Unmatured debt			
Domestic debt	CAD	Cost or amortized cost	1,243,696,184
Foreign debt	Foreign	Cost or amortized cost	16,034,301
Long-term annuity liability	CAD	Cost or amortized cost	1,697,211
Notes payable to international organizations	Foreign	Cost or amortized cost	90,568
Derivatives			
Cross-currency swaps	CAD / Foreign	Fair value	4,632,809
Foreign exchange forward contracts	Foreign	Fair value	54,452
Indemnity agreements with the BOC	CAD	Fair value	26,282,875
Financial assets			
Cash held as collateral	CAD / Foreign	Cost or amortized cost	2,400,724
Accounts receivable	CAD	Cost or amortized cost	407,317
Foreign exchange accounts	Foreign	Cost or amortized cost	169,390,189
Loans to Crown corporations	CAD	Cost or amortized cost	85,925,521
Other loans receivables	CAD / Foreign	Cost or amortized cost	2,808,906
Derivatives			
Cross-currency swaps	CAD / Foreign	Fair value	3,228,316
Foreign exchange forward contracts	Foreign	Fair value	3,686
Indemnity agreements with the BOC	CAD	Fair value	-
Investments and capital share subscriptions	Foreign[2]	Cost or amortized cost	-

[1] Exchange gains and losses of financial instruments denominated in a foreign currency, including the exchange gain or loss component of changes in fair value, are recognized directly in the Statement of Operations.

[2] Investments and capital share subscriptions denominated in foreign currencies are non-monetary financial instruments carried at the historical exchange rate.

Recognition and derecognition

Financial assets and liabilities are recognized when the department becomes party to the contractual provisions of instruments.

Commencing April 1, 2022 and applied prospectively, purchases and sales of securities through a recognized exchange or securities market are recognized at the trade date. Prior to April 1, 2022, all purchases and sales of securities were recognized at the settlement date.

Commencing April 1, 2022 and applied prospectively, for financial instruments measured at cost or amortized cost, transaction costs are included in the carrying value upon initial recognition, while for instruments measured at fair value, transactions costs are expensed. Prior to April 1, 2022, all transaction costs were expensed as incurred.

The department derecognizes a financial liability, or parts thereof, when the liability is extinguished through payment of the obligation or the department is otherwise legally released from the liability.

Statement of Remeasurement Gains and Losses

Commencing April 1, 2022, the department’s financial statements contain a new statement, the Statement of Remeasurement Gains and Losses. The Statement of Remeasurement Gains and Losses records changes in the fair value of financial instruments classified in the fair value category until the instruments are derecognized. When instruments are derecognized, the accumulated remeasurement gains or losses are removed from the Statement of remeasurement gains and losses and reclassified to the Statement of Operations.

Effective interest method

Commencing April 1, 2022 and applied prospectively, interest revenue and interest expense are determined using the effective interest method. Prior to April 1, 2022, certain discounts and premiums were amortized on a straight-line basis over the life of the instrument, and certain discounts and premiums were amortized using the effective interest method.

The effective interest method (EIM) allocates interest revenue and expense over the life of the related instrument. Under the EIM, interest revenue and expense is calculated by applying the effective interest rate (EIR) to the carrying amount of the instrument. The EIR is the rate that exactly discounts the estimated future cash receipts or payments through the expected life of the instrument or, when appropriate, a shorter period to the net carrying amount of the instrument.

Fair value measurements

Fair value measurements for financial instruments in the fair value category are classified according to a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy classifies fair value measurements in one of three levels, as follows:

- Level 1: unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1, which are observable for the assets or liabilities either directly or indirectly (e.g., interest rates, credit spreads); and
- Level 3: unobservable inputs for the assets or liabilities that are not based on observable market data (e.g., market participant assumptions).

The department uses observable market inputs to measure fair value where such inputs exist. A financial instrument is classified based on the lowest level input that is considered significant to the fair value measurement.

e) Foreign currency transactions

Transactions involving foreign currencies are translated into Canadian dollars using rates of exchange in effect at the time of the transactions. Monetary assets and liabilities denominated in a foreign currency are translated into Canadian dollars using the rate of exchange in effect at the year-end date. Gains and losses resulting from foreign currency transactions are included in revenues or expenses in the Statement of Operations.

Commencing April 1, 2022, the department elects to recognize all exchange gains and losses resulting from foreign currency transactions in the Statement of Operations including those exchange gains and losses arising prior to settlement or derecognition. This elected treatment is consistent with the policy applied prior to April 1, 2022 for exchange gains and losses resulting from foreign currency transactions.

f) Revenues

- Revenues are reported on an accrual basis.
- Interest income
  - Commencing April 1, 2022 and applied prospectively, interest income is recognized using the effective interest method.
  - Prior to April 1, 2022, certain premiums and discounts were amortized on a straight-line basis over the life of the instrument, with other premiums and discounts being amortized using the effective interest method.
- Interest on bank deposits is recognized as revenue when earned.
- Investment income other than interest income is recognized as revenue in accordance with the terms and conditions of underlying agreements or relevant legislation, as applicable.
- Sales of domestic coinage are recognized in the period in which the sales occur.
- Net foreign currency gains are determined by reference to prevailing exchange rates at the time of the transaction and at the year-end date, as applicable, on foreign-currency denominated items.
- Fees for risk exposure are recognized when earned and are determined by reference to the terms of the guarantee program or underlying contract.
- Uncashed Receiver General cheques, warrants and bank account cheques for all departments and agencies are recognized as revenue of the department if they remain outstanding for 10 years after the date of issue.
- Unclaimed matured bonds are recognized as revenue if they remain unredeemed for 15 years after the date of call or maturity, whichever is earlier.
- Unclaimed bank balances are recognized as revenue when there has been no owner activity in relation to the balance for a period of 40 years for balances under $1,000, and for 100 years for balances over $1,000.
- Other revenues are accounted for in the period in which the underlying transaction or event that gave rise to the revenue takes place.
- Revenues earned on behalf of government are non-respendable revenues which are not available to discharge the department's liabilities. While the Deputy Minister of the department is expected to maintain accounting control, he has no authority regarding the disposition of non-respendable revenues. As a result, non-respendable revenues are presented as a reduction of the department's gross revenues.

g) Expenses

- Expenses are reported on an accrual basis.
- Interest and other costs
  - Commencing April 1, 2022 and applied prospectively, interest expense is recognized using the effective interest method (EIM). For debt classified as cost or amortized cost, transaction costs (including debt issuance costs), if any, are included net in the carrying amount at initial recognition and amortized to interest expense using the EIM. Debt servicing costs are expensed as incurred and presented in interest and other costs.
  - Prior to April 1, 2022, discounts and premiums on debt were amortized on a straight-line basis over the life of the debt. Debt issuance and servicing costs were recognized as expenses as incurred and presented in interest and other costs.
- Transfer payments are recorded as expenses when authorization for the payment exists and the recipient has met the eligibility criteria or the entitlements established therefore. In situations where payments do not form part of an existing program, transfer payments are recorded as expenses when enabling legislation or authorization for payment receives parliamentary approval prior to the completion of the financial statements.
- Operating expenses are recognized as incurred.
- The cost of domestic coinage sold is recognized in the period in which the related sale occurs.
- Net foreign currency losses are determined by reference to prevailing exchange rates at the time of the transaction and at the year-end date, as applicable, on foreign-currency denominated items.
- Vacation pay and compensatory leave are accrued as they are earned by employees under their respective terms of employment.
- Services provided without charge by other Government departments for accommodation, employer contributions to health and dental insurance plans and legal services are recorded as operating expenses at their estimated cost.
- Expenses include amortization of tangible capital assets used in operations, which are amortized on a straight-line basis over the estimated useful life of the assets.

h) Employee future benefits

Employee future benefits include pension benefits and severance benefits.

Pension benefits: Eligible employees participate in the Public Service Pension Plan (the plan), a multiemployer pension plan sponsored and administered by the government. The department's financial obligation with regard to the plan is limited to its contributions. The department's contributions to the plan are charged to expenses in the year incurred and represent the department's total obligation to the plan. Actuarial surpluses or deficiencies are recognized in the financial statements of the government, the plan sponsor.

Severance benefits: The accumulation of severance benefits for voluntary departures ceased for applicable employee groups. The remaining obligation for employees who did not withdraw benefits in cash is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the government as a whole.

i) Coin inventory

Coin inventory is valued at the lower of cost and net realizable value. Cost is determined using the average cost method.

j) Accounts receivable

Accounts receivable are stated at the lower of amortized cost and net recoverable value. A valuation allowance is recorded for accounts receivable where recovery is considered uncertain.

k) Foreign exchange accounts

Short-term deposits, marketable securities, and special drawing rights held in the foreign exchange accounts are recorded at amortized cost using the effective interest method. Commencing April 1, 2022 and applied prospectively, purchases and sales of securities are recognized at the trade date. Prior to April 1, 2022, purchases and sales of securities were recognized at the settlement date. Write-downs to reflect other than temporary impairment in the fair value of securities, if any, are included in the net foreign currency gain or loss in the Statement of Operations.

Subscriptions to, allocation of special drawing rights by, notes payable to, and loans receivable from the International Monetary Fund are recorded at cost.

l) Loans receivable

Loans receivable, including loans to Crown corporations and other loans receivable, are initially recorded at cost and, where applicable, are adjusted to reflect the concessionary terms of those loans made on a long-term, low interest, and/or interest-free basis. An allowance for valuation is used to reduce the carrying value of loans receivable to the amount that approximates their net recoverable value. The allowance is determined based on estimated probable losses that exist for the remaining portfolio.

Loans receivable are measured at amortized cost subsequent to initial recognition.

When the terms of a loan are concessionary, such as those provided with low or no interest, the loan is initially recorded at its estimated net present value, with an immediate loss recognized in the Statement of Operations. The resulting discount is amortized to revenue to reflect the change in the present value of loans outstanding.

m) Investments and capital share subscriptions

Investments and capital share subscriptions are recorded at cost, net of valuation allowances. Allowances are determined based on a combination of expected return and likelihood of capital recovery. Given their nature, investments in certain international institutions are not expected to generate direct financial returns, and hence are not expected to be recovered. In such cases, allowances for non-recovery are established against the investments.

n) Derivative financial instruments

Derivative financial instruments (derivatives) are financial contracts that derive their value from underlying changes in interest rates, foreign exchange rates, fair values or other specified financial measures. The derivatives to which the department is party include cross-currency swap agreements, foreign exchange forward contracts, and certain indemnity agreements between the department and the Bank of Canada under which the department will receive (reimburse) any gains (losses) the Bank incurs on dispositions of securities by the Bank under the Government of Canada Bond, Corporate Bond and Provincial Bond Purchase Programs (bond purchase programs).

Effective April 1, 2022, derivatives are measured at fair value in the Statement of Financial Position, with changes in fair value, except for any related exchange gain or loss components, recognized in the Statement of Remeasurement Gains and Losses. Exchange gains or losses are recognized in the Statement of Operations. When derivatives are derecognized, any cumulative gain or loss, other than that relating to foreign exchange, is transferred from the Statement of Remeasurement Gains and Losses to the Statement of Operations.

Prior to April 1, 2022, cross currency swap and foreign exchange forward contract derivatives were initially recorded in the Statement of Financial Position at cost and, at each reporting date, notional amounts denominated in foreign currencies were translated into Canadian dollars at the exchange rates in effect at that date, with the exchange gain or loss recognized in the Statement of Operations.

Prior to April 1, 2022, gains or losses under the bond purchase program indemnity derivatives were recognized in the Statement of Operations when the Bank of Canada realized gains or losses through the programs.

In the Statement of Operations, interest income and expense on cross-currency swaps are presented in interest on unmatured debt.

For cross-currency swaps where domestic debt has been converted into foreign debt, any exchange gains or losses are offset by the exchange gains or losses on foreign currency investments held by the Exchange Fund Account. For foreign exchange forward contracts, any exchange gains or losses are offset by the exchange gains or losses on loan balances with the International Monetary Fund.

Embedded derivatives

Effective April 1, 2022 and applied prospectively, embedded derivatives are recognized separately from host contracts and accounted for as derivatives assets or liabilities when all of the following conditions are met: (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (c) the combined instrument is not measured at fair value.

o) Tangible capital assets

All tangible capital assets and leasehold improvements having an initial cost of $10,000 or more are initially recorded in the Statement of Financial Position at their acquisition cost. The department does not capitalize intangibles; works of art and historical treasures that have cultural, aesthetic or historical value; assets located on reserves as defined in the *Indian Act*; and museum collections.

Amortization of tangible capital assets is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Asset class	Amortization period
Computer hardware	3 to 10 years
Informatics software	3 years
Leasehold improvements	Lesser of the remaining term of the lease or useful life of the improvement
Machinery and equipment	5 to 10 years
Motor vehicles	3 to 5 years

p) Debt

Debt is initially recognized in the Statement of Financial Position at the net proceeds received from issuance and, commencing April 1, 2022 and applied prospectively, net of transaction costs, which include debt issuance costs, if any. Prior to April 1, 2022, transaction costs were expensed as incurred.

Commencing April 1, 2022 and applied prospectively, resulting premiums and discounts are amortized using the effective interest method over the period to maturity. Prior to April 1, 2022, resulting premiums and discounts were amortized on a straight-line basis over the period to maturity.

For each series of real-return bonds issued, semi-annual interest and the principal payable upon maturity are indexed to the cumulative change in the consumer price index (CPI) for Canada relative to the CPI applicable to the original issue date of the series.

Commencing April 1, 2022 and applied prospectively, the estimated future cash flows of interest and principal are revised as at each reporting period using the latest available CPI applicable to each series. The carrying amount of the real-return bonds liability recognized in the Statement of Financial Position is adjusted to be the present value of the revised cash flows as at each reporting date, discounted using the effective interest rate. The resulting adjustment to the carrying amount of the liability is recognized as a gain or loss in interest on unmatured debt in the Statement of Operations.

Prior to April 1, 2022, the accrued interest and principal payable were adjusted as at each reporting date using the CPI indices applicable to each series as at those dates, with a corresponding gain or loss recognized in interest on unmatured debt in the Statement of Operations.

Debt that has reached its contractual maturity but which has not yet been repaid is reclassified at its face value from unmatured debt to matured debt.

Exchange or repurchase of debt

When a marketable bond is exchanged or repurchased, and the transaction results in an extinguishment of the debt, the difference between the carrying amount of the debt and the net consideration paid is recognized in the Statement of Operations.

An extinguishment occurs on the repurchase of bonds, or when there is an exchange of bonds with an existing bond holder and the terms of the original debt and the replacement debt are substantially different. Exchanged bonds are considered to have substantially different terms when the discounted present value of the cash flows under the new terms, including any amounts paid on the exchange and discounted using the average effective interest rate of the original debt, is at least 10% different from the discounted present value of the remaining cash flows of the original debt.

If an exchange of bonds with an existing bond holder does not result in an extinguishment, the carrying amount of the debt is adjusted for any amounts paid on the exchange, and the unamortized premiums or discounts relating to the original debt and arising on the exchange transaction are amortized over the remaining term to maturity of the replacement debt. Effective April 1, 2022 and applied prospectively, the effective interest method is used to amortize unamortized premiums or discounts; prior to April 2022 unamortized premiums and discounts were amortized on a straight-line basis.

q) Long-term annuity liability

The long-term annuity liability is measured at amortized cost in the Statement of Financial Position using the effective interest method. At initial recognition, the long-term annuity liability was measured as the present value of estimated future net cash flows, discounted using the applicable rates as at the date of initial recognition. Changes in estimated future cash flows adjust the long-term annuity liability by the present value of the changes, discounted using the original effective interest rate, with a corresponding adjustment recognized in the Statement of Operations. Interest expense from the accretion of the liability each period is recognized as an expense in the Statement of Operations. For presentation purposes, the adjustments in estimated future cash flows and interest expense are included in transfer payments expense in the segmented information note (note 28).

r) Collateral under cross-currency swap agreements

Where the government receives collateral from a swap counterparty in the form of cash, deposit liabilities are recognized in the Statement of Financial Position until the collateral is either returned to the counterparty or the counterparty defaults under the swap agreement. Collateral received by the government in the form of securities pledged by a counterparty are not recognized as assets. Collateral provided by the government in the form of cash is recorded as a separate asset, cash held as collateral, in the Statement of Financial Position. Where the government posts collateral in the form of securities, the securities remain recognized in the Statement of Financial Position.

s) Deposit liabilities

Deposits that are repayable on demand, and collateral in the form of cash received by the government under its cross-currency swap agreements, are recorded as deposit liabilities at cost.

t) Liabilities owed and financial assets held on behalf of government

Liabilities owed and financial assets held on behalf of government are presented in these financial statements as the Deputy Minister of the department must maintain accounting control over them. However, deductions are made for these items in arriving at the department's net liabilities and net financial assets in the Statement of Financial Position.

The classification of financial assets as being held on behalf of the government is determined based on the (i) availability of the assets to discharge the department's liabilities; and (ii) the ability to increase holdings of the assets without further authority from parliament. Financial assets that do not meet both of these criteria are considered to be held on behalf of the government. Certain liabilities that directly fund such assets are considered to be owed on behalf of the government.

u) Related party transactions

Related party transactions, other than inter-entity transactions, are recorded at the exchange amount.

Inter-entity transactions are transactions between entities under common control. Inter-entity transactions, other than restructuring transactions, are recorded on a gross basis and measured at the carrying amount, except for the following:

i) services provided or received on a recovery basis are recognized as revenues and expenses, respectively, on a gross basis and measured at the exchange amount; and

ii) certain services received on a without-charge basis are recognized as expenses at the estimated cost of the services received.

v) Contingent liabilities

Contingent liabilities are potential liabilities that may become actual liabilities when one or more future events occurs or fails to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

Provisions for liabilities arising under the terms of a loan guarantee program are established when it is likely that a payment will be made and an amount can be estimated.

w) Contingent assets

Contingent assets are possible assets which may become actual assets when one or more future events occurs or fails to occur. If the future confirming event is likely to occur, the contingent asset is disclosed in the notes to the financial statements.

x) Measurement uncertainty

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported and disclosed amounts of assets, liabilities, revenues and expenses. At the time of preparation of these statements, management believes these estimates and assumptions to be reasonable. The most significant items where estimates are used are contingent liabilities, valuation allowances for loans receivable, valuation allowances for investments and capital share subscriptions, discounts on loans receivable, accruals of taxes receivable and taxes payable under tax collection agreements, the liability for employee future benefits, the estimated future cash flows of the long-term annuity liability, and the fair value of financial instruments. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and any necessary adjustments are recognized or disclosed in the financial statements in the year they become known.

3. Adoption of new accounting standards

The department adopted the new accounting standards issued by the Public Sector Accounting Board (PSAB) that became effective for the department on April 1, 2022, namely PS 3450 *Financial Instruments*, PS 2601 *Foreign Currency Translation*, and PS 1201 *Financial Statement Presentation*. PS 3450 addresses the recognition and derecognition, classification, measurement and disclosure of financial instruments, while PS 2601 addresses the accounting for transactions that are denominated in a foreign currency. PS 1201 establishes general reporting principles for disclosure of information in the financial statements.

In accordance with PS 3450 and PS 2601, the financial statements of prior periods were not restated upon adoption of the standards. Rather, upon adoption of these standards on April 1, 2022:

- the department recognized and classified all financial assets and financial liabilities in accordance with PS 3450;
- the department introduced a new statement, the Statement of Remeasurement Gains and Losses, which records the remeasurement gains and losses for derivatives. Accumulated remeasurement gains and losses, along with accumulated net cost of operations after government funding and transfers, form the departmental net financial position;
- the department elected, commencing April 1, 2022 and applied prospectively, to recognize all exchange gains and losses resulting from foreign currency transactions in the Statement of Operations including those exchange gains and losses arising prior to settlement or derecognition. This elected treatment is consistent with the policy applied prior to April 1, 2022 for exchange gains and losses;
- for instruments classified as amortized cost, any unamortized discounts or premiums previously recognized as at March 31, 2022 were included in the instruments’ opening carrying amounts as at April 1, 2022;

- for instruments classified as fair value:
    - any difference between the instruments' opening fair value and previous carrying amounts as at March 31, 2022 was recognized as an adjustment to accumulated remeasurement gains and losses as at April 1, 2022, the beginning of the year ended March 31, 2023. The adjustment to accumulated remeasurement gains and losses as at April 1, 2022 is an accumulated loss of $23.0 billion;
    - changes in the fair values of these financial instruments subsequent to April 1, 2022, other than any component related to foreign exchange gains or losses, are recognized as remeasurement gains or losses in the Statement of remeasurement gains and losses until the instruments are derecognized. When instruments are derecognized, the accumulated remeasurement gains or losses are removed from the Statement of Remeasurement Gains and Losses and reclassified to the Statement of Operations; and
- the department adopted a prospective approach to identifying embedded derivatives in contracts.

In addition, upon adopting PS 3450 for real return bonds, the department adjusted the method used in the application of measuring the bonds at amortized cost, which resulted in a $749 million increase to the carrying amount of the bonds on April 1, 2022, and a corresponding $749 million decrease in accumulated net cost of operations after government funding and transfers.

a) Impacts of adopting new standards on departmental net financial position

The impacts of adopting PS 3450 and PS 2601 on April 1, 2022 are illustrated in the following table.

(in thousands of dollars)	Accumulated net cost of operations after government financing and transfers	Accumulated remeasurement losses	Departmental net financial position
Closing balance, March 31, 2022	**1,078,632,358**	**-**	**1,078,632,358**
Impact of adopting new accounting standards on April 1, 2022			
Real return bonds[1]	748,983	-	748,983
Derivatives measured at fair value[2]			
Bank of Canada bond purchase programs indemnity agreements	-	21,082,726	21,082,726
Cross-currency swaps	-	1,876,814	1,876,814
Foreign exchange forward contracts	-	622	622
Total impact of adopting new accounting standards on April 1, 2022	**748,983**	**22,960,162**	**23,709,145**
Opening balance, April 1, 2022 (adjusted)	**1,079,381,341**	**22,960,162**	**1,102,341,503**

[1] The adjustment for real return bonds is the cumulative impact to the amortized cost of the bonds, as at April 1, 2022, of adjusting the estimated future cash flows of the bonds by the applicable CPI indices as at that date.

[2] The adjustments for derivatives measured at fair value are the differences between the fair values of the derivatives (new basis of measurement) and the previous carrying amounts (prior measurement basis) as at April 1, 2022.

b) Reclassification for presentation purposes of certain items in the Statement of Financial Position as at March 31, 2022

While the application on April 1, 2022 of these new accounting policies does not result in the restatement of prior periods, the department has reclassified certain balances as at March 31, 2022, presented for comparative purposes. This reclassification enhances comparability between the presentation of certain financial statement items under the department's accounting policies applied in the 2023 fiscal year and those applied in the 2022 fiscal year. No changes to the departmental net financial position resulted from the reclassification of balances as at March 31, 2022, which are summarized in the following table.

(in thousands of dollars)	March 31, 2022 (as previously classified)	Reclassification adjustments	March 31, 2022 (as reclassified)
Liabilities			
Accounts payable and accrued liabilities	3,530,067	9,418 [1]	3,539,485
Interest payable	4,604,456	(4,604,456)[1]	-
Matured debt	505,738	311,957 [1]	817,695
Unmatured debt			
Interest payable reclass		4,419,490 [1]	
Swap derivatives reclass		2,246,686 [2]	
Total Unmatured debt	**1,237,681,634**	**6,666,176**	**1,244,347,810**
Foreign exchange accounts liabilities	-	42,251,337 [3]	42,251,337
Derivatives			
Swap derivatives reclass		2,468,006 [2]	
Foreign currency forward contract reclass		3,409 [4]	
Total Derivatives	**-**	**2,471,415**	**2,471,415**
Other liabilities	29,866,493	-	29,866,493
Total net liabilities	**1,276,188,388**	**47,105,847**	**1,323,294,235**
Financial assets			
Accounts receivable	300,252	(119,859)[4]	180,393
Foreign exchange accounts assets	104,031,013	42,251,337 [3]	146,282,350
Derivatives			
Interest payable reclass		136,409 [1]	
Swap derivatives reclass		4,714,692 [2]	
Foreign currency forward contract derivatives reclass		123,268 [4]	
Total Derivatives	**-**	**4,974,369**	**4,974,369**
Other financial assets	93,215,691	-	93,215,691
Total net financial assets	**197,546,956**	**47,105,847**	**244,652,803**
Total nonfinancial assets	**9,074**	**-**	**9,074**
Departmental net financial position	**1,078,632,358**	**-**	**1,078,632,358**

[1] Interest payable as at March 31, 2022 was reclassified from interest payable ($4,604 million) to unmatured debt ($4,419 million), matured debt ($312 million) accounts payable and accrued liabilities ($9 million) and derivative assets ($136 million).

[2] Swap derivatives as at March 31, 2022 were reclassified from a reduction of unmatured debt ($2,247 million) to derivatives liabilities ($2,468 million) and derivatives assets ($4,715 million).

[3] Obligations to the International Monetary Fund, consisting of notes payable and special drawing rights allocations, were reclassified from foreign exchange accounts assets (net) to foreign exchange accounts liabilities.

[4] Foreign currency forward contract derivatives as at March 31, 2022 were reclassified from accounts receivable ($120 million) to derivatives liabilities ($3 million) and derivatives assets ($123 million).

4. Parliamentary authorities

a) Authorities provided and used

The department receives most of its funding through annual parliamentary authorities. The authorities provided to and used by the department are presented in the following table.

(in thousands of dollars)	**2023**	**2022**
Authorities provided		
Voted authorities	**345,603**	**144,831**
Statutory authorities		
Transfer payments	84,882,219	82,865,117
Interest on unmatured debt	25,990,400	17,865,673
Other interest costs	5,597,930	5,122,311
Purchase of domestic coinage	87,251	84,598
Other	496,444	390,165
Total statutory authorities	**117,054,244**	**106,327,864**
Non-budgetary authorities		
Loans to Crown corporations	62,529,547	61,027,128
Loans to National Governments	4,850,000	-
Investment in Crown corporation	-	2,670,000
Loans to international organizations	786,748	581,497
Payments to other organizations	19,000	18,000
Total non-budgetary authorities	**68,185,295**	**64,296,625**
Total authorities provided	**185,585,142**	**170,769,320**
Less:		
Authorities available for future years	**(68,572)**	**(68,591)**
Lapsed authorities	**(16,284)**	**(16,052)**
Current year authorities used	**185,500,286**	**170,684,677**

b) Reconciliation of net cost of operations with authorities used

The department's net cost of operations before government funding and transfers in the Statement of Operations is reconciled with the current-year authorities used by the department in the following table.

(in thousands of dollars)	2023	2022
Net cost of operations before government funding and transfers	**120,990,893**	**104,632,369**
Adjustments for items affecting net cost of operations but not affecting authorities		
Transfer payment accruals		
Transfers to provinces and territories to address health care system pressures	(2,000,000)	(2,000,000)
Transfers to provinces and territories in relation to transit and housing, and for school ventilation improvement	-	(850,000)
Other transfer payment accruals	(593,009)	(40,705)
Total transfer payment accruals	(2,593,009)	(2,890,705)
Allowances for concessionary terms and valuation on loans, investments and advances	(4,995,441)	(33,200)
Services provided without charge by other government departments	(28,618)	(27,547)
Inventory charged to program expense	(725)	7,357
Amortization of tangible capital assets	(901)	(905)
Employee future benefits	265	414
Other expenses not being charged to authorities	(2,320)	(1,680)
Total items affecting net cost of operations but not affecting authorities	**(7,620,749)**	**(2,946,266)**
Adjustments for items not affecting net cost of operations but affecting authorities		
Advances to Crown corporations and agencies	62,548,547	61,045,128
Payment of prior year accruals		
To address health care system pressures and COVID-19 vaccine rollout	2,000,000	5,000,000
Federal-Provincial Fiscal Arrangements	-	85,626
Total payment of prior year accruals	2,000,000	5,085,626
Investment in Canada Enterprise Emergency Funding Corporation	-	2,670,000
Youth Allowance Recovery received in advance	575,544	(575,544)
Loans made to international organizations	786,748	360,654
Loans made to National Governments	4,850,000	-
Payments to the Canada Infrastructure Bank	384,450	210,950
Payments under the Hibernia Dividend Backed Annuity Agreement	100,733	100,556
Transfers to provinces and territories in relation to transit and housing, and for school ventilation improvement	850,000	-
Foreign exchange losses	13,195	73,855
Payment to the Canadian Commercial Corporation	-	13,000
Other	20,925	14,349
Total items not affecting net cost of operations but affecting authorities	**72,130,142**	**68,998,574**
Current year authorities used	**185,500,286**	**170,684,677**

5. Deposit liabilities

Deposit liabilities as at March 31 are presented in the following table.

(in thousands of dollars)	2023	2022
Deposit liabilities		
Canada Hibernia Holding Corporation[1]	104,984	102,255
Canada Eldor Inc.[2]	9,557	9,309
Collateral deposits[3]	1,043,539	1,771,409
Total deposit liabilities	**1,158,080**	**1,882,973**

[1] Canada Hibernia Holding Corporation (CHHC) deposit liabilities are demand deposits related to funds deposited to the CRF by CHHC to defray future decommissioning and abandonment costs that will be incurred upon closure of the Hibernia oil field. Abandonment is expected to occur by 2049 based on the useful lives of the assets. Interest accrues into the deposit balance at a rate equivalent to 90% of the bi-weekly 3-month treasury bill tender rate.

[2] Canada Eldor Inc. (CEI) deposit liabilities are demand deposits related to funds deposited to the CRF pursuant to subsection 129(1) of the *Financial Administration Act*. The funds will be used by CEI to pay for costs related to the decommissioning of former mine site properties in Saskatchewan and for retiree benefits of certain former employees. Interest accrues into the deposit balance at a rate equivalent to 90% of the bi-weekly 3-month treasury bill tender rate.

[3] Collateral deposits are cash received from counterparties as collateral under cross-currency swap agreements.

6. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities as at March 31 are presented in the following table.

(in thousands of dollars)		2023	2022
Accounts payable and accrued liabilities			
Accounts payable	external parties[1]	605,453	79,122
	other Government departments and agencies	30,231	14,160
Recoveries received in advance		-	575,544
Accrued liabilities[2]		2,176,515	2,870,659
Total accounts payable and accrued liabilities		**2,812,199**	**3,539,485**

[1] Accounts payable to external parties include $577 million payable for Fiscal Stabilization payments to the Province of Alberta (2022 - $52 million for transfer payments).

[2] Accrued liabilities as at March 31, 2023 include $2,000 million payable for transfer payments to provinces and territories, related to addressing immediate health care system pressures (2022 - $2,850 million payable for transfer payments to provinces and territories, of which $2,000 million is to address immediate health care system pressures, $750 million is to support municipalities facing municipal and other transit shortfalls and needs and to support housing supply and affordability, and $100 million for school ventilation improvement).

7. Taxes payable and receivable under tax collection agreements

The Canada Revenue Agency (CRA), an agency of the government, collects and administers personal income taxes, corporate taxes, harmonized sales tax, sales tax, goods and services tax, and cannabis excise duties on behalf of certain provinces, territories and Indigenous governments pursuant to various tax collection agreements. The department ultimately transfers the taxes collected directly to the participating provinces, territories and Indigenous governments in accordance with established payment schedules.

Taxes payable under tax collection agreements

Given that the government reports information on a fiscal year basis, while tax information is calculated on a calendar year basis, there can be transactions related to several tax years during any given fiscal year. Taxes payable therefore include amounts assessed, estimates of assessments based upon cash received, adjustments from reassessments, and adjustments relating to previous tax years payable to provincial, territorial and Indigenous governments.

The changes in taxes collectible and payable to provinces, territories and Indigenous governments under tax collection agreements during 2023 were as follows:

(in thousands of dollars)	March 31, 2022	Receipts and other credits	Payments and other charges	March 31, 2023
Taxes payable under tax collection agreements				
Corporate taxes	14,507,856	36,278,975	49,790,416	996,415
Personal income taxes	12,628,771	96,858,513	105,953,446	3,533,838
Harmonized Sales Tax	(1,216,771)	40,837,647	39,241,345	379,531
First Nations Goods and Services Tax	-	26,578	26,578	-
First Nations Sales Tax	-	6,422	6,422	-
Cannabis Excise Duties[1]	269,179	736,103	667,587	337,695
Total taxes payable under tax collection agreements	**26,189,035**	**174,744,238**	**195,685,794**	**5,247,479**

[1] The majority of the provinces and the 3 territories have entered into Coordinated Cannabis Taxation Agreements (CCTAs) with the government. Under the CCTAs, the Minister of Finance of Canada and the provincial/territorial ministers have agreed that excise duties on cannabis products (excluding the provincial sales tax adjustment) will be shared (75% provincial / 25% federal). Under the CCTAs, the federal portion of the cannabis duties is capped at $100 million per year for the first 24 months after implementation. The amount exceeding the cap is to be shared amongst participating provinces and territories based on their respective share of duties. A surplus was registered in the fiscal year 2020-21 and transitional payments were made to participating provinces and territories in the fiscal year ended March 31, 2022.

Taxes receivable under tax collection agreements

Taxes receivable under tax collection agreements include taxes collected or collectible by the CRA on behalf of provincial, territorial or Indigenous governments that have not yet been remitted to the department.

The changes in taxes receivable under tax collection agreements during 2023 were as follows:

(in thousands of dollars)	March 31, 2022	Receipts and other credits	Settlements with the CRA	March 31, 2023
Taxes receivable under tax collection agreements				
Corporate taxes	6,278,830	36,278,975	38,026,179	4,531,626
Personal income taxes	16,374,106	96,858,513	99,588,146	13,644,473
Harmonized Sales Tax	(7,653,293)	40,837,647	36,391,657	(3,207,303)
First Nations Goods and Services Tax	1,945	26,578	26,178	2,345
First Nations Sales Tax	527	6,422	6,374	575
Cannabis Excise Duties	212,872	736,103	455,234	493,741
Provincial benefit programs[1]	(241,112)	(6,681,657)	(6,683,508)	(239,261)
Total taxes receivable under tax collection agreements	**14,973,875**	**168,062,581**	**167,810,260**	**15,226,196**

[1] Provincial benefit programs include benefit amounts paid by the CRA directly to recipients on behalf of provincial governments. Transfers to the provincial governments are ultimately reduced by these amounts.

8. Notes payable to international organizations

Notes payable to international organizations are non-interest bearing demand notes issued in lieu of cash in respect of subscriptions and contributions. The notes may be presented for encashment according to the terms of the related agreements.

Notes payable to international organizations as at March 31 are presented in the following table.

(in thousands of dollars)	2023	2022
Notes payable to international organizations		
Asian Infrastructure Investment Bank	53,818	49,781
International Bank for Reconstruction and Development	32,414	29,982
Multilateral Investment Guarantee Agency	4,336	4,011
Total notes payable to international organizations	**90,568**	**83,774**

9. Matured debt

Matured debt consists of debt that has matured but has not yet been redeemed.

The balance of matured debt as at March 31 is presented in the following table.

(in thousands of dollars)	**2023**	**2022**
Matured debt		
Retail debt[1]	717,551	814,150
Marketable bonds[2]	2,620	3,545
Total matured debt	**720,171**	**817,695**

1 Matured retail debt matured between 2010 and 2021 (2022 - between 2010 and 2021).

2 Matured marketable bonds matured between 2009 and 2016 (2022 - between 2008 and 2016).

10. Unmatured debt

The department borrows mostly in the domestic market, but also borrows in international markets on behalf of the government.

Domestic debt

Domestic debt consists of treasury bills, marketable bonds and retail debt denominated in Canadian dollars.

Treasury bills consist of non-callable Government of Canada discount instruments. Treasury bills are issued with terms to maturity of 3 months, 6 months, or 12 months; the Government of Canada may also issue treasury bills with terms to maturity ranging from 1 day to 3 months for cash management purposes (cash management bills).

Domestic marketable bonds consist of non-callable Government of Canada bonds paying a fixed rate of interest semi-annually. As at March 31, 2023, outstanding domestic marketable bonds have remaining terms to maturity ranging from within 1 year to 42 years (2022 – within 1 year to 43 years). Certain marketable bonds (real return bonds) pay semi-annual interest based on a real rate of interest (interest payments are adjusted for changes in the consumer price index). At maturity real return bondholders will receive, in addition to a coupon interest payment, a final payment equal to the sum of the principal amount and the inflation compensation accrued from the original issue date.

Retail debt includes Canada Savings Bonds, which are redeemable on demand by the holder. As at March 31, 2023, all retail debt has reached maturity; consequently all unredeemed retail debt outstanding as at that date is included in matured debt.

Foreign debt

Foreign debt is issued by the government under its foreign currency borrowing program. Foreign debt consists of marketable bonds, and Canada bills.

Foreign marketable bonds are either issued in US dollars or euros to provide long-term foreign funds. As at March 31, 2023, outstanding foreign marketable bonds have remaining terms to maturity ranging from 2 years to 4 years (2022 - within 1 year to 5 years).

Canada bills are short-term certificates of indebtedness issued in the US money market. These discount instruments mature not more than 270 days from issuance.

Unmatured debt as at March 31 is presented in the following table.

(in thousands of dollars)			**2023**	**2022**
	Face value	**Unamortized (discounts) / premiums and accrued interest**	**Carrying value**	**Carrying value**
Unmatured debt				
Domestic debt				
Treasury bills[1]	201,800,000	(2,884,317)	198,915,683	186,896,276
Marketable bonds	969,951,920	2,937,018	972,888,938	976,252,854
Real-return marketable bonds	67,937,899[2]	3,953,664	71,891,563	66,725,697
Total domestic debt	**1,239,689,819**	**4,006,365**	**1,243,696,184**	**1,229,874,827**
Foreign debt				
Canada bills	2,473,385	(14,503)	2,458,882	2,572,756
Marketable bonds	13,515,500	59,919	13,575,419	11,900,227
Total foreign debt	**15,988,885**	**45,416**	**16,034,301**	**14,472,983**
Total unmatured debt	**1,255,678,704**	**4,051,781**	**1,259,730,485**	**1,244,347,810**
			Fair value	**Fair value**
Domestic debt			1,191,109,515	1,217,733,060
Foreign debt			15,238,143	14,114,271

[1] Treasury bills include $70.4 billion (2022 - $59.0 billion) in 3-month bills, $46.2 billion (2022 - $40.6 billion) in 6-month bills, and $85.2 billion (2022 - $87.8 billion) in 12-month bills.

[2] The face value of real-return marketable bonds as presented is the principal amount of the bonds adjusted for the inflation compensation accrued as at March 31, 2023 using the applicable CPI as at that date.

Contractual maturities of unmatured debt by currency, stated in terms of face value, are as follows:

	Face value		
(in thousands of dollars)	Canadian dollars	US dollars	Total
Contractual maturities of unmatured debt			
2024	354,416,232	2,473,385	356,889,617
2025	161,345,381	4,054,650	165,400,031
2026	129,233,858	4,730,425	133,964,283
2027	66,670,210	4,730,425	71,400,635
2028	49,860,841	-	49,860,841
2029 to 2065	478,163,297	-	478,163,297
Total contractual of unmatured debt	**1,239,689,819**	**15,988,885**	**1,255,678,704**

The average effective annual interest rates of unmatured debt as at March 31 are as follows:

	2023	2022
	%	%
Average effective annual interest rates of unmatured debt		
Treasury bills	4.28	0.60
Marketable bonds - domestic	1.90	1.52
Canada bills	4.64	0.33
Marketable bonds - foreign	1.83	1.42

11. Derivative financial instruments

Derivatives as at March 31 are presented in the following table.

	2023		2022
(in thousands of dollars)	Carrying amount (fair value)	Level in the fair value hierarchy[1]	Carrying amount[2]
Derivative financial instruments			
Liabilities			
Bank of Canada bond purchase programs indemnity agreements	26,282,875	2	-
Cross-currency swaps	4,632,809	2	2,468,006
Foreign exchange forward contracts	54,452	2	3,409
	30,970,136		**2,471,415**
Assets			
Bank of Canada bond purchase programs indemnity agreements	-	2	-
Cross-currency swaps	3,228,316	2	4,851,101
Foreign exchange forward contracts	3,686	2	123,268
	3,232,002		**4,974,369**

[1] Transfers may occur between fair value hierarchy levels as a result of changes in market activity or the availability of quoted market prices or observable inputs. There were no transfers of financial instruments between levels for the year ended March 31, 2023.

[2] At March 31, 2023, derivatives were measured at cost plus an adjustment to translate the notional amounts denominated in foreign currencies into Canadian dollars at the exchange rates in effect at that date.

Bank of Canada bond purchase program indemnity agreements

The department and the Bank of Canada have entered into indemnity agreements which are accounted for as derivatives. Under the terms of these agreements, the department has indemnified the Bank of Canada for any losses incurred by the Bank on the disposition of securities under the Bank's Government of Canada Bond, Provincial Bond and Corporate Bond purchase programs (bond purchase programs). The Bank of Canada will also pay to the department any realized gains it earns on the disposition of securities under the bond purchase programs. The bond purchase programs were introduced by the Bank of Canada during fiscal year 2020-21 to support the liquidity and proper functioning of debt markets during the COVID-19 pandemic. No consideration was paid by either party upon entering into the agreements.

The fair value of the bond purchase program indemnity agreement derivatives is calculated as the difference between the fair value and the amortized cost of the securities held by the Bank of Canada under the bond purchase programs as at March 31. The fair value is equivalent to the amount accruing to (from) the department under the derivatives if the securities were disposed of at their fair value by the Bank of Canada as at March 31. The department determines fair value using the prices of the bonds held by the Bank as at March 31, which are quoted market prices for identical bonds, and, of less significance, the Bank of Canada's amortized cost of the bonds. The department classifies the fair value measurement for the bond purchase program indemnity agreement derivatives as Level 2 in the fair value hierarchy.

Details of the securities held by the Bank of Canada under the bond purchase programs as at March 31 are presented in the following table.

	Securities held by the Bank of Canada under the bond purchase programs		
(in thousands of dollars)	**Bank of Canada amortized cost**	**Fair value**	**Fair value of Department of Finance indemnity agreement derivatives (net)**
Bond purchase program indemnity agreements			
As at March 31, 2023			
Government of Canada bonds	259,015,103	233,674,638	**(25,340,465)**
Provincial bonds	11,772,344	10,833,643	**(938,701)**
Corporate bonds	116,285	112,576	**(3,709)**
Total bond purchase program indemnity agreements	**270,903,732**	**244,620,857**	**(26,282,875)**
As at March 31, 2022			
Government of Canada bonds	319,519,590	299,320,528	**(20,199,062)**
Provincial bonds	15,129,416	14,249,228	**(880,188)**
Corporate bonds	158,770	155,294	**(3,476)**
Total bond purchase program indemnity agreements	**334,807,776**	**313,725,050**	**(21,082,726)**

The fair value of the indemnity agreement derivatives (net) relates to certain securities that are in a gain position and certain securities that are in a loss position, are presented in the following table.

	Fair value of Department of Finance indemnity agreement derivatives (net)		
	Relating to securities held by the Bank of Canada in:		
(in thousands of dollars)	**Gain position**	**Loss position**	**Fair value (net)**
Bond purchase program indemnity agreements			
As at March 31, 2023			
Government of Canada bonds	-	(25,340,465)	**(25,340,465)**
Provincial bonds	-	(938,701)	**(938,701)**
Corporate bonds	-	(3,709)	**(3,709)**
Total bond purchase program indemnity agreements	**-**	**(26,282,875)**	**(26,282,875)**
As at March 31, 2022			
Government of Canada bonds	-	(20,199,062)	**(20,199,062)**
Provincial bonds	-	(880,188)	**(880,188)**
Corporate bonds	89	(3,565)	**(3,476)**
Total bond purchase program indemnity agreements	**89**	**(21,082,815)**	**(21,082,726)**

As at March 31, 2023, the bonds held by the Bank of Canada that are subject to the indemnity agreements had the following maturity profile, stated in terms of the fair value of the associated indemnity derivative:

	Fair value			
(in thousands of dollars)	**Government of Canada bonds**	**Provincial bonds**	**Corporate bonds**	**Total**
Bond purchase program indemnity agreements				
Remaining term to maturity				
Within 1 year	50,331,844	1,581,080	58,734	51,971,658
1 to 3 years	76,227,571	3,096,033	53,842	79,377,446
3 to 5 years	19,453,389	2,007,834	-	21,461,223
5 to 10 years	43,179,044	4,148,696	-	47,327,740
Over 10 years	44,482,790	-	-	44,482,790
Total bond purchase program indemnity agreements	**233,674,638**	**10,833,643**	**112,576**	**244,620,857**

Losses paid and gains received by the department under the bond purchase program indemnity agreements in 2023 were negligible (2022 - negligible).

Cross-currency swaps

The government has entered into cross-currency swap agreements with various counterparties to facilitate the management of its debt structure. The terms and conditions of the swaps are established using International Swaps and Derivatives Association (ISDA) master agreements with each counterparty.

Cross-currency swaps are used primarily to fund foreign-denominated asset levels in the foreign exchange accounts. Government debt is issued at both fixed and variable interest rates and may be denominated in Canadian dollars, US dollars, euros or British pounds sterling. Using cross-currency swaps, Canadian dollar and foreign currency debt are converted into US dollars or other foreign currencies with either fixed interest rates or variable interest rates. As a normal practice, the government's swap positions are held to maturity.

At inception of a cross-currency swap, the department and the counterparty exchange amounts in different currencies on which interest, in the currencies exchanged, will be received and paid over the term of the swaps. In this exchange, the department pays to the counterparty an amount in one currency (generally the Canadian dollar) and receives from the counterparty an amount in another currency (generally either the US dollar, euro, Japanese yen or British pound sterling). Over the term of the swap, the department is entitled to receive interest in the currency paid to the counterparty at inception (generally the Canadian dollar) and is obligated to pay interest in the currency received from the counterparty at inception (generally either the US dollar, euro, Japanese yen or British pound sterling). The interest rates at which interest is to be received and paid are independent of each other and may be either fixed or variable. At maturity of a cross-currency swap, the department re-exchanges with the counterparty by paying the currency amount received at inception (generally either the US dollar, euro, Japanese yen or British pound sterling) and receiving the currency amount paid at inception (generally the Canadian dollar).

The fair value of cross-currency swaps represents the estimated amounts that the government would receive or pay if the contracts were terminated on March 31, based on market factors as at that date. The fair values are established by discounting the expected future cash flows of the swaps, calculated from the contractual or notional amounts and year-end market interest and exchange rates. A positive (negative) fair value indicates that the government would receive (make) a net payment if the agreements were terminated on March 31. Overall, the department classifies the fair value measurement for cross-currency swaps as level 2 in the fair value hierarchy.

The remaining terms to maturity of the cross-currency swaps outstanding as at March 31, 2023 range from within 1 year to 10 years (2022 - within 1 year to 10 years). The fair value of cross-currency swaps as at March 31, 2023, stated in terms of maturity date and currency of the payable-legs of the swaps, are as follows:

	Fair value					
	Receivable-leg currency	Payable-leg currency				
(in thousands of dollars)	**CAD**	**USD**	**Euro**	**Yen**	**Pound Sterling**	**Total**
Cross-currency swaps						
Year of maturity						
2024	(8,659,357)	7,026,592	511,992	2,119,037	139,877	1,138,141
2025	(7,282,400)	4,066,004	1,978,256	1,477,249	208,298	447,407
2026	(8,975,622)	2,888,569	259,395	808,603	4,048,408	(970,647)
2027	(12,227,084)	6,980,337	1,629,363	1,115,393	2,532,119	30,128
2028	(5,387,733)	3,582,115	1,721,896	-	-	(83,722)
2029 to 2033	(60,186,679)	46,973,187	8,572,608	3,308,212	2,175,858	843,186
Total cross-currency swaps	**(102,718,875)**	**71,516,804**	**14,673,510**	**8,828,494**	**9,104,560**	**1,404,493**

The notional amounts and weighted average rates for the payable and receivable legs of cross-currency swaps as at March 31, 2023 are presented in the following table.

	Payable-leg currency			
(in thousands of stated currency)	**USD**	**Euro**	**Yen**	**Pound Sterling**
Payable-legs				
Fixed-rate				
Total foreign-currency notional amount	(39,913,837)	(11,472,000)	(874,950,000)	(5,909,000)
Weighted average fixed rate	1.90%	0.12%	(0.63%)	1.39%
Variable-rate				
Total foreign-currency notional amount	(15,326,800)	-	-	-
Weighted average variable rate	4.82%	0%	0%	0%
Total				
Total foreign-currency notional amount	(55,240,637)	(11,472,000)	(874,950,000)	(5,909,000)
Weighted average rate	2.71%	0.12%	(0.63%)	1.39%
Receivable-legs (fixed-rate)				
Total Canadian-dollar notional amount	70,243,789	16,836,548	9,692,743	10,662,824
Weighted average rate	1.95%	1.67%	2.01%	1.77%

Foreign exchange forward contracts

In the foreign exchange accounts, the government funds certain to the International Monetary Fund (IMF), which are denominated in special drawing rights (SDRs) with US dollars or SDRs. Since the currency value of the SDR is based upon a basket of key international currencies (the US dollar, euro, Japanese yen, British pound sterling and Chinese renminbi), a foreign exchange mismatch results whereby fluctuations in the value of the loan assets are not equally offset by fluctuations in the value of the related funding liabilities. The government enters into forward contracts to hedge the resulting foreign exchange risk. Under the department's foreign exchange forward contracts, on a stated future date the department is entitled to receive from the counterparty a fixed amount of a foreign currency (generally US dollars), and is obligated to pay to the counterparty a fixed amount of another foreign currency (generally either euros, yen, pound sterling or renminbi).

The fair values of the foreign exchange forward contracts represent the estimated amounts that the government would receive or pay if the contracts were terminated on March 31, based on market factors as at that date. The fair values are established by discounting the expected future cash flows of the forward contracts, calculated from the contractual or notional amounts and year-end market interest and exchange rates. A positive (negative) fair value indicates that the Government would receive (make) a payment if the agreements were terminated on March 31.

The forward contracts outstanding had remaining terms to maturity of under 2 months as at March 31, 2023 (2022 - under 2 months).

The notional amount of the forward contracts outstanding as at March 31, 2022, are presented in the following table.

	Receivable (payable) notional amount				
(in thousands of stated currency)	**USD**	**Euro**	**Yen**	**Pound sterling**	**Renminbi**
Foreign-currency forward contracts					
USD receivable / euro payable	1,992,024	(1,856,286)			
USD receivable / yen payable	504,937		(66,804,546)		
USD receivable / pound sterling payable	483,484			(401,611)	
USD receivable / renminbi payable	799,384				(5,459,248)
Total foreign-currency forward contracts	**3,779,829**	**(1,856,286)**	**(66,804,546)**	**(401,611)**	**(5,459,248)**
Total foreign-currency forward contracts translated to Canadian dollars	**5,108,627**	**(2,720,815)**	**(680,097)**	**(669,624)**	**(1,073,541)**

12. Long-term annuity liability

The government and the province of Newfoundland and Labrador entered into the Hibernia Dividend Backed Annuity Agreement (HDBA) effective April 1, 2019. Under the HDBA, both parties are obligated to make certain payments through 2056. The department's obligation under the HDBA is to pay Newfoundland and Labrador each year a stated annual payment, which over the entire term of the HDBA total $3.3 billion, less the provincial taxes payable to Newfoundland and Labrador in respect of that year by Canada Hibernia Holding Corporation (CHHC). The government indirectly owns all of the issued and outstanding shares of CHHC through the Canada Development Investment Corporation (CDEV), a wholly-owned federal Crown corporation.

Newfoundland and Labrador is obligated under the HDBA to pay the Government of Canada 8 fixed annual payments of $100 million each, starting in 2045 and ending in 2052. At the government's discretion, the payments may be made by way of set-off against (i) the taxes payable to Newfoundland and Labrador under tax collection agreements; or (ii) the department's obligation otherwise payable.

Amounts recognized in the financial statements

The long-term annuity liability as at March 31 is presented in the following table.

(in thousands of dollars)	2023	2022
Long-term annuity liability		
Department of Finance obligation	2,173,890	2,258,673
Provincial obligation	(476,679)	(467,414)
Total long-term annuity liability	**1,697,211**	**1,791,259**

Interest expense of $40.0 million (2022 - $40.7 million) and interest revenue of $9.3 million (2022 - $9.1 million) were recognized in the Statement of Operations. In 2023, changes in the estimated future cash flows under the long-term annuity liability resulted in a decrease in the carrying value and corresponding reduction of expenses of $24.0 million (2022 - nil).

Contractual payments

The estimated contractual payments to be made (received) by the department under the long-term annuity arrangement are presented in the following table.

	Estimated contractual payments		
(in thousands of dollars)	Department of Finance obligation	Provincial obligation	Net
Long-term annuity liability			
2024	144,250	-	144,250
2025	183,660	-	183,660
2026	218,552	-	218,552
2027	201,614	-	201,614
2028	172,181	-	172,181
2029 to 2056	1,705,181	(800,000)	905,181
Total long-term annuity liability	**2,625,438**	**(800,000)**	**1,825,438**

13. Employee future benefits

a) Pension benefits

The department's employees participate in the public service pension plan (the plan), a defined benefit pension plan sponsored and administered by the government. Pension benefits accrue up to a maximum period of 35 years at a rate of 2% per year of pensionable service, times the average of the best 5 consecutive years of earnings. Benefits under the plan are integrated with Canada/Québec Pension Plan benefits and are indexed to inflation. The department's financial obligations with regard to the plan is limited to its contributions.

Employees and the department both make contributions to the plan. Employees who were existing plan members as at December 31, 2012 (group 1 employees) are subject to different *Public Service Superannuation Act* rules and contribution rates (employee and employer rates) than those who became plan members on or after January 1, 2013 (group 2 employees).

The expense related to the plan was $9.4 million (2022 - $9.0 million). For group 1 members, the expense represents approximately 1.02 times the employee contributions (2022 - 1.01) and, for group 2 members, approximately 1.00 times the employee contributions (2022 - 1.00 times).

b) Severance benefits

Severance benefits provided to the department's employees were previously based on an employee's eligibility, years of service and salary upon termination of employment. However, since 2011 the accumulation of severance benefits for voluntary departures progressively ceased for substantially all employees. Employees were given the option to be paid the full or partial value of benefits earned or to collect the full or remaining value of benefits upon departure from the public service. All settlements for immediate cash-out are complete. Severance benefits are unfunded and, consequently, the outstanding obligation will be paid from future authorities.

The changes in the obligation for severance benefits during the year were as follows:

(in thousands of dollars)	**2023**	**2022**
Accrued severance benefits obligation, beginning of year	**3,226**	**3,640**
Expense recognized	115	(260)
Benefits paid	(380)	(154)
Accrued severance benefits obligation, end of year	**2,961**	**3,226**

14. Liabilities owed and financial assets held on behalf of government

a) Liabilities owed on behalf of government

Notes payable to international organizations are used in lieu of cash to fund investments in those entities. Since the investments are considered to be financial assets held on behalf of government, the notes payable funding those investments are considered to be liabilities owed on behalf of the government.

b) Financial assets held on behalf of government

Financial assets held on behalf of government include amounts related to non-respendable revenues, such as accounts receivable, as well as other loans receivable and investments and capital share subscriptions which, if repaid, could not be used to discharge other liabilities. The liabilities owed and financial assets held on behalf of government as at March 31 are presented in the following table.

(in thousands of dollars)	2023	2022
Liabilities owed on behalf of government		
Notes payable to international organizations	90,568	83,774
Total liabilities owed on behalf of government	**90,568**	**83,774**
Financial assets held on behalf of government		
Accounts receivable	407,317	180,393
Foreign exchange accounts – accrued net revenue from the Exchange Fund Account	835,923	709,321
Other loans receivable	2,514,029	2,142,843
Investments and capital share subscriptions	-	-
Total financial assets held on behalf of government	**3,757,269**	**3,032,557**

15. Cash held as collateral

Cash held as collateral is cash deposited by the government as credit support under collateral agreements with financial institutions. Interest is received on the balance. As at March 31, 2023 the department had pledged total collateral of $2,400.7 million (2022 - $505.8 million) in the form of cash.

16. Accounts receivable

Accounts receivable as at March 31 are presented in the following table.

(in thousands of dollars)	2023	2022
Accounts receivable		
Accrued interest income – loans to Crown corporations	290,132	126,634
Accrued investment income	86,002	46,256
Receivables		
Other government departments and agencies	29,740	5,916
External parties	1,443	1,587
Total accounts receivable	**407,317**	**180,393**

17. Foreign exchange accounts

The foreign exchange accounts represent the largest component of the official international reserves of the government and consist of the following as at March 31, stated in terms of carrying value:

	Carrying value	
(in thousands of dollars)	2023	2022
Foreign exchange accounts		
Assets		
Investments held in the Exchange Fund Account		
Investments held in the Exchange Fund Account	147,588,146	125,981,188
Marketable securities pledged as collateral	442,006	408,627
Accrued net revenue payable to the CRF	835,923	709,321
Total investments held in the Exchange Fund Account (a)	148,866,075	127,099,136
Subscriptions to the International Monetary Fund (b)	20,043,064	19,051,525
Loans receivable from the International Monetary Fund		
New Arrangements to Borrow	67,453	131,689
Bilateral Borrowing Agreement	-	-
Resilience and Sustainability Trust	413,597	-
Total loans receivable from the International Monetary Fund (c)	481,050	131,689
Total foreign exchange accounts assets	**169,390,189**	**146,282,350**
Liabilities		
Notes payable to the International Monetary Fund (d)	(14,053,241)	(13,642,590)
Special drawing rights allocations (e)	(30,097,582)	(28,608,747)
Total foreign exchange accounts liabilities	**(44,150,823)**	**(42,251,337)**
Total foreign exchange accounts (net)	**125,239,366**	**104,031,013**

a) Investments held in Exchange Fund Account

The Exchange Fund Account (EFA) is operated pursuant to Section 19 of the *Currency Act*. Total advances to the EFA are limited to US$150 billion. The total investments held in the Exchange Fund Account as at March 31 are presented in the following table.

(in thousands of dollars)	**2023**	**2022**
Investments held in the Exchange Fund Account		
	Carrying value	
US dollar cash on deposit	8,306,047	4,595,661
US dollar marketable securities	73,073,744	63,690,155
Euro cash on deposit	630,211	386,699
Euro marketable securities	15,780,266	14,079,204
British pound sterling cash on deposit	160,466	353,468
British pound sterling marketable securities	10,033,705	8,121,709
Japanese yen cash on deposit	95,879	18,680
Japanese yen marketable securities	8,883,223	5,861,820
Special drawing rights (e)	31,768,084	29,991,740
Due from Broker	134,450	-
Total investments held in Exchange Fund Account	**148,866,075**	**127,099,136**
	Fair value[1]	
Total investments held in Exchange Fund Account	**142,371,328**	**124,236,884**

[1] The fair value measurements for the investments held in the EFA are classified as level 2 in the fair value hierarchy.

Collateral pledged

As part of its operations, the Exchange Fund Account is required to pledge collateral with respect to credit facilities granted by its European clearing house. Collateral pledged must have a fair value of a minimum of US$250 million, post a reduction applied to the value of an asset commensurate with its risk, in equivalent securities. As at March 31, 2023, the Exchange Fund Account had pledged collateral of marketable securities having a carrying value of $442 million and fair value of $438 million (2022 - carrying value of $409 million and fair value of $401 million).

b) Subscriptions to the International Monetary Fund

Subscriptions to the IMF consist of Canada’s subscription (“quota”) to the capital of the IMF, an organization of 190 member countries that operates in accordance with its Articles of Agreement.

The amount by which the sum of Canada’s subscriptions plus loans to the IMF under special facilities exceeds the IMF’s holdings of Canadian dollars represents the amount of foreign exchange which Canada is entitled to draw from the IMF on demand for balance of payments purposes. The subscription is expressed in terms of SDRs, a unit of account defined in terms of a “basket” of the following 5 currencies: the US dollar, euro, Japanese yen, British pound sterling and Chinese renminbi.

Canada has accumulated its subscriptions through settlements to the IMF in Canadian dollars, gold and SDRs. Annual maintenance of value payments are made to, or received from, the IMF when the Canadian dollar depreciates or appreciates against the SDR, in order to maintain the SDR value of the IMF's holdings of Canadian dollars.

Subscriptions to the IMF during 2023 increased by $991.5 million (2022 – decreased by $580.9 million) due to foreign exchange revaluation.

c) Loans receivable from the International Monetary Fund

Loans receivable from the IMF consist of interest-bearing loans made under Canada's multilateral and bilateral lending arrangements with the IMF. The purpose of these arrangements is to provide temporary resources to the IMF, which works to promote economic growth and safeguard the stability of the international monetary system.

There are 3 outstanding lending arrangements with the IMF outside of the quota system: the New Arrangements to Borrow (NAB), the temporary Bilateral Borrowing Agreement (BBA) and the Resilience and Sustainability Trust (RST). Collectively, the outstanding loans under multilateral and bilateral arrangements with the IMF cannot exceed SDR 13 billion or any other amount that may be fixed by the Governor in Council at any given time. Commitments under the NAB, BBA and RST fall within this limit.

Amounts advanced under these arrangements, other than the contribution of SDR 22.7 million to the RST reserve account, are considered part of the Official International Reserves of Canada.

The carrying value of loans receivable from the IMF changed during the years ended March 31 as described in the following table.

	Carrying value				
(in thousands of dollars)	Balance, beginning of year	Issuance of loans	Repayment of loans	Foreign exchange revaluation	Balance, end of year
Loans receivable from the International Monetary Fund (IMF)					
Year ended March 31, 2023					
New Arrangements to Borrow	131,689	-	(68,330)	4,094	67,453
Bilateral Borrowing Agreement	-	-	-	-	-
Resilience and Sustainability Trust	-	400,000	-	13,597	413,597
Total loans receivable from the IMF	**131,689**	**400,000**	**(68,330)**	**17,691**	**481,050**
Year ended March 31, 2022					
New Arrangements to Borrow	197,355	-	(61,762)	(3,904)	131,689
Bilateral Borrowing Agreement	-	-	-	-	-
Total loans receivable from the IMF	**197,355**	**-**	**(61,762)**	**(3,904)**	**131,689**

New Arrangements to Borrow (NAB)

Canada's current participation in the NAB is governed by the October 2020 NAB Decision, which took effect in January 2021 and remains in effect through the end of 2025. Canada's maximum commitment under the NAB as at March 31, 2023 is SDR 7,747.4 million or $14,085.5 million (2022 - SDR 7,747.4 million or $13,389.1 million). As at March 31, 2023, SDR 37.1 million or $67.5 million (2022 - SDR 76.2 million or $131.7 million) in lending has been provided by Canada to the IMF under the NAB. The maximum contribution not advanced as at March 31, 2023 is SDR 7,710.3 million or $14,018.0 million (2022 – SDR 7,671.2 million or $13,257.4 million).

Bilateral Borrowing Agreement (BBA)

Canada participates in the BBA, which future increases the financial resources the IMF can borrow from member countries. Canada's commitment under the BBA as at March 31, 2023 is SDR 3,532 million or $6,421.5 million (March 31, 2022 - SDR 3,532 or $6,104.0). As at March 31, 2023, no lending (2022 - nil) had been provided to the IMF under the BBA.

Resilience and Sustainability Trust (RST)

Canada entered into an agreement with the RST in September 2022 to lend SDRs to the RST, up to the equivalent of $2,000 million. Drawings upon the facility may be made by the RST through November 30, 2030. The RST helps low-income and vulnerable middle-income countries address longer-term challenges, such as those related to climate change and pandemic preparedness.

RST deposit account

Under the agreement, in October 2022 Canada deposited with the RST SDR 227.5 million, an amount equivalent to $400 million. The amount deposited by Canada earns interest, which is paid quarterly, and matures November 30, 2050. Further, Canada's deposit, and amounts so deposited by other contributors to the RST, are invested by the RST, with investment gains and losses being allocated to Canada's deposit on a pro-rata basis.

Contribution to RST reserve account

Also under the agreement, in October 2022 Canada made a contribution of SDR 22.7 million, an amount equivalent to $40 million, to the RST reserve account, which is meant to cover the RST's credit and liquidity risk, and administration costs. Canada's contribution to the RST reserve account does not earn interest, has no fixed maturity, and was recognized as a transfer payment expense.

d) Notes payable to the International Monetary Fund

Notes payable to the IMF are non-marketable, non-interest bearing notes issued by the government to the IMF. These notes are payable on demand and are subject to redemption or reissue, depending on the needs of the IMF for Canadian currency.

Canadian dollar holdings of the IMF include these notes and a small working balance (initially equal to one quarter of 1% of Canada's subscription) held on deposit at the Bank of Canada.

Notes payable to the IMF increased during 2023 by $410.7 million (2022 – decrease of $490.0 million) due to an increase of $1,047.9 million due to foreign exchange revaluation (2022 - $683.3 million) partially offset by $637.3 million in net repayments (2022 - $1,173.3 million).

e) Special drawing rights allocations

Special drawing rights allocations represent the SDRs allocated to Canada by the IMF. They represent a liability of Canada as circumstances could arise whereby Canada could be called upon to repay these allocations, in part or in total. The SDR is an international currency created by the IMF, and allocated to countries participating in its Special Drawing Rights Department.

As an asset, SDRs represent rights to purchase currencies of other countries participating in the IMF's Special Drawing Rights Department, as well as to make payments to the IMF itself. All SDRs allocated to Canada by the IMF have either been used to settle subscriptions in the IMF, or have been advanced to the Exchange Fund Account.

As at March 31, 2023, SDR allocations to Canada are SDR 16,554.0 million, which translated into Canadian dollars of $30,097.6 million at that date (March 31, 2022 - SDR 16,554.0 million or C$28,608.7 million), an increase of $1,488.9 million during the year (2022 - $17,944.5 million) due to foreign exchange revaluation (2022 - the IMF allocated to Canada SDRs of 10,565.9 million having a Canadian dollar value of $19,007.1 million, partially offset by a decrease due to foreign exchange revaluation of $1,062.6 million).

18. Loans to Crown corporations

Loans to Crown corporations as at March 31 are presented in the following table.

(in thousands of dollars)			**2023**	**2022**
	Face value	**Unamortized discounts**	**Carrying value**	**Carrying value**
Loans to Crown corporations				
Farm Credit Canada (FCC)	40,306,000	(37,735)	40,268,265	37,446,931
Business Development Bank of Canada (BDC)	26,865,500	(1,278)	26,864,222	20,071,614
Canada Mortgage and Housing Corporation (CMHC)	18,794,064	(1,030)	18,793,034	16,118,225
Total loans to Crown corporations	**85,965,564**	**(40,043)**	**85,925,521**	**73,636,770**
			Fair value	
Total loans to Crown corporations			**84,205,911**	**72,026,898**

The interest rates on loans to Crown corporations are presented in the following table, classified by term to maturity at inception (short-term or long-term) and type of interest rate (fixed or floating).

(in thousands of dollars or percentage as indicated)	March 31, 2023		March 31, 2022	
	Fixed interest rate	Floating interest rate	Fixed interest rate	Floating interest rate
Loans to Crown corporations				
Short-term loans				
Carrying value	2,654,676	19,699,500	2,827,685	14,287,000
Weighted average interest rate	4.03%	4.39%	0.64%	0.38%
Long-term loans				
Carrying value	49,659,388	13,952,000	40,336,682	16,195,000
Weighted average interest rate	1.84%	4.39%	1.16%	0.38%

The carrying value of loans to Crown corporations changed during the years ending March 31 as described in the following table.

	Carrying value				
(in thousands of dollars)	Beginning of year	Issuance of loans	Repayment of loans	Amortization of discounts	End of year
Loans to Crown corporations					
Year ended March 31, 2023					
FCC	37,446,931	13,246,498	(10,469,000)	43,835	40,268,264
BDC	20,071,614	37,994,436	(31,202,500)	672	26,864,222
CMHC	16,118,225	11,202,333	(8,538,849)	11,326	18,793,035
	73,636,770	**62,443,267**	**(50,210,349)**	**55,833**	**85,925,521**
Year ended March 31, 2022					
FCC	34,340,093	18,196,916	(15,095,500)	5,422	37,446,931
BDC	18,225,876	29,115,219	(27,270,000)	519	20,071,614
CMHC	13,926,075	13,700,425	(11,508,897)	622	16,118,225
	66,492,044	**61,012,560**	**(53,874,397)**	**6,563**	**73,636,770**

Contractual maturities of outstanding loans to Crown corporations, at face value, are as follows:

	Face value			
(in thousands of dollars)	FCC	BDC	CMHC	Total
Loans to Crown corporations				
2024	6,765,500	20,876,500	1,264,008	28,906,008
2025	6,077,500	2,222,000	639,131	8,938,631
2026	5,141,000	1,291,000	3,972,327	10,404,327
2027	4,335,000	567,000	367,012	5,269,012
2028	3,690,000	834,000	398,847	4,922,847
2029 and thereafter	14,297,000	1,075,000	12,152,739	27,524,739
Total loans to Crown corporations	**40,306,000**	**26,865,500**	**18,794,064**	**85,965,564**

19. Other loans receivable

Other loans receivable as at March 31 are presented in the following table.

(in thousands of dollars)			2023	2022
	Face value	Unamortized discounts	Carrying value	Carrying value
Other loans receivable				
Government business enterprises				
Canada Lands Company CLC Limited (Canada Lands) (a)	269,615	(2,870)	266,745	240,746
Parc Downsview Park Inc. (b)	43,000	(14,865)	28,135	27,911
Total government business enterprises	**312,615**	**(17,735)**	**294,880**	**268,657**
Provincial and territorial governments				
Federal-provincial (fed-prov) fiscal arrangements (c)	322,097	(18,950)	303,147	297,250
Winter Capital Projects Fund (d)	2,900	-	2,900	2,900
Municipal Development and Loan Board (e)	315	-	315	315
Total provincial and territorial governments	**325,312**	**(18,950)**	**306,362**	**300,465**
National government loans (f)	**4,880,891**	**(573,450)**	**4,307,441**	**-**
International and other				
International Monetary Fund (IMF) – Poverty Reduction and Growth Trust (PRGT) (g)	1,290,893	-	1,290,893	1,269,549
International Development Association (IDA) – concessional partner loan (h)	777,710	(107,180)	670,530	327,981
Orphan Well Association (i)	200,000	(15,655)	184,345	182,948
International Finance Corporation (IFC) – Catalyst Fund (j)	75,000	-	75,000	75,000
Canadian Commercial Bank (k)	42,202	-	42,202	42,202
Global Environment Facility (l)	10,000	-	10,000	10,000
Total international and other	**2,395,805**	**(122,835)**	**2,272,970**	**1,907,680**
Total other loans receivable before allowance for valuation	**7,914,623**	**(732,970)**	**7,181,653**	**2,476,802**
Allowance for valuation	-	(4,372,744)	(4,372,744)	(65,302)
Total other loans receivable	**7,914,623**	**(5,105,714)**	**2,808,909**	**2,411,500**

The currencies in which other loans receivable are denominated and the Canadian dollar equivalent as at March 31, 2023, stated in terms of face value, are presented in the following table.

(in thousands of stated currency)	Face value: Foreign currency amount	Face value: CAD equivalent
Other loans receivable		
Currency of denomination		
Special drawing rights	710,005	1,290,893
Canadian dollars	5,315,130	5,315,130
United States dollars	968,222	1,308,600
Total other loans receivable	**6,993,357**	**7,914,623**

The carrying value of other loans receivable changed during the years ending March 31 as described in the following tables.

(in thousands of dollars)	Carrying value: Beginning of year	Issuance of loans[1]	Repayment of loans	Discount amortization	Foreign exchange and other revaluation	End of year
Other loans receivable						
Year ended March 31, 2023						
Government business enterprises (GBE)						
Canada Lands (a)	240,746	27,078	(2,290)	1,211	-	266,745
Parc Downsview Park Inc. (b)	27,911	-	-	224	-	28,135
Total GBE	**268,657**	**27,078**	**(2,290)**	**1,435**	**-**	**294,880**
Provinces and territories						
Fed-prov fiscal arrangements (c)	297,250	35,562	(33,289)	3,624	-	303,147
Winter Capital Projects Fund (d)	2,900	-	-	-	-	2,900
Muni Dev & Loan Board (e)	315	-	-	-	-	315
Total provinces and territories	**300,465**	**35,562**	**(33,289)**	**3,624**	**-**	**306,362**
National government loans	**-**	**4,241,000**	**-**	**35,550**	**30,891**	**4,307,441**
International and other						
IMF – PRGT (g)	1,269,549	-	(42,943)	-	64,287	1,290,893
IDA – concessional partner loan (h)	327,981	307,749	-	3,520	31,280	670,530
Orphan Well Association (i)	182,948	-	-	1,397	-	184,345
IFC – Catalyst Fund (j)	75,000	-	-	-	-	75,000
Canadian Commercial Bank (k)	42,202	-	-	-	-	42,202
Global Environment Facility (l)	10,000	-	-	-	-	10,000
Total international and other	**1,907,680**	**307,749**	**(42,943)**	**4,917**	**95,567**	**2,272,970**
Total other loans receivable before allowance for valuation	**2,476,802**	**4,611,389**	**(78,522)**	**45,526**	**126,458**	**7,181,653**

1 Issuances of loans are stated net of discounts for concessionary terms, if any, recognized at inception. In the year ended March 31, 2023, total discounts for concessionary terms of $688 million were recognized for the loan to the IDA ($79 million discount) and Ukraine ($609 million discount).

(in thousands of dollars)	Carrying value Beginning of year	Issuance of loans[1]	Repayment of loans	Discount amortization	Foreign exchange and other revaluation	End of year
Other loans receivable						
Year ended March 31, 2022						
Government business enterprises (GBE)						
Canada Lands (a)	393,156	-	(153,903)	1,493	-	240,746
Parc Downsview Park Inc. (b)	27,699	-	-	212	-	27,911
Total GBE	**420,855**	**-**	**(153,903)**	**1,705**	**-**	**268,657**
Provinces and territories						
Fed-prov fiscal arrangements (c)	352,225	-	(60,375)	5,400	-	297,250
Winter Capital Projects Fund (d)	2,900	-	-	-	-	2,900
Muni Dev & Loan Board (e)	315	-	-	-	-	315
Total provinces and territories	**355,440**	**-**	**(60,375)**	**5,400**	**-**	**300,465**
International and other						
IMF – PRGT (g)	1,352,101	-	(43,680)	-	(38,872)	1,269,549
IDA – concessional partner loan (h)	-	327,654	-	1,300	(973)	327,981
Orphan Well Association (i)	181,563	-	-	1,385	-	182,948
IFC – Catalyst Fund (j)	75,000	-	-	-	-	75,000
Canadian Commercial Bank (k)	42,202	-	-	-	-	42,202
Global Environment Facility (l)	10,000	-	-	-	-	10,000
Total international and other	**1,660,866**	**327,654**	**(43,680)**	**2,685**	**(39,845)**	**1,907,680**
Total other loans receivable before allowance for valuation	**2,437,161**	**327,654**	**(257,958)**	**9,790**	**(39,845)**	**2,476,802**

[1] Issuances of loans are stated net of discounts for concessionary terms, if any, recognized at inception. In the year ended March 31, 2022, a discount for concessionary terms of $33 million was recognized for the loan to the IDA.

Government business enterprises

The Canada Lands Company CLC Limited and Parc Downsview Park Inc. are wholly-owned subsidiaries of the Canada Lands Company Limited, a self-financing federal Crown corporation incorporated under the *Canada Business Corporations Act*.

a) Canada Lands Company CLC Limited

Canada Lands Company CLC Limited has acquired an interest in a number of real properties from the government in consideration for the issuance of promissory notes, which bear no interest and are repayable from the proceeds of the sale of the properties in respect of which they were issued.

b) Parc Downsview Park Inc.

Parc Downsview Park Inc. owns a unique urban recreational green space located in Toronto, Ontario. The loan receivable from Parc Downsview Park Inc. is non-interest bearing and repayable in full on July 31, 2050.

Provincial and territorial governments

c) Federal-Provincial fiscal arrangements

Amounts receivable under federal-provincial fiscal arrangements represent net overpayments in respect of transfer payments to provinces under the *Constitutions Acts 1867 to 1982*, the *Federal-Provincial Arrangements Act,* and other statutory authorities. These loans are non-interest bearing and will be repaid by reducing transfer payments in subsequent years.

d) Winter Capital Projects Fund

Loans have been made to provinces, provincial agencies and municipalities to assist in the creation of employment. The loans bear interest at rates from 7.4% to 9.5% per year and are repayable either in annual installments over 5 to 20 years, or at maturity.

e) Municipal Development and Loan Board

Loans have been made to provinces and municipalities to augment or accelerate municipal capital works programs. The loans bear interest at rates from 5.25% to 5.38% per year and are repayable in annual or semiannual installments over 15 to 50 years.

National governments

f) National government loans

Loans of $4.85 billion to Ukraine were made by Canada under the *Bretton Woods and Related Agreements Act* and various Orders in Council. Of this amount, $4.35 billion was provided through a new Administered Account for Ukraine at the IMF and $0.5 billion was provided through bi-lateral loans.

These loans were provided on either Commercial Interest Reference Rates (CIRR) or concessional rates and have repayment terms ranging from 5 to 10 years.

International and other organizations

g) International Monetary Fund Poverty Reduction and Growth Trust

Canada has made loans denominated in SDR to the IMF’s Poverty Reduction and Growth Trust in order to provide assistance to qualifying low-income countries as authorized by the *Bretton Woods and Related Agreements Act* and various appropriation acts. The total revolving loan authority relating to the Poverty Reduction and Growth Trust is SDR 2.0 billion, as fixed by the Governor in Council pursuant to the *Bretton Woods and Related Agreements Act*.

h) International Development Association (IDA) – concessional partner loan

In connection with the 19th replenishment of the resources of the IDA, Canada provided a total loan of US$575.4 million under the IDA's concessional partner loan program. The loan bears interest at 1.2% per year. Loan principal is repayable in 40 equal semi-annual instalments beginning in 2027 and ending in 2047. At Canada's request and with agreement of the IDA, the loan may be converted into Canadian dollars, which would entail a modification to the interest rate, and would require the payment by Canada of a transaction fee and the reimbursement of any fees, costs or losses incurred by the IDA.

i) Orphan Well Association

Canada made an unconditionally repayable contribution of $200 million to the Alberta Oil and Gas Orphan Abandonment and Reclamation Association Canada (the Orphan Well Association) to support the association's efforts in cleaning up oil and gas properties. The contribution does not bear interest and is repayable in 16 equal quarterly instalments starting in 2032 and ending in 2035. Earlier repayment is permitted.

j) International Finance Corporation Catalyst Fund

Canada has provided financing for the IFC's Catalyst Fund, as authorized by the *Bretton Woods and Related Agreements Act* and various appropriation acts. The Catalyst Fund supports private sector engagement in climate change mitigation and adaptation activities through the provision of concessional and commercial financing arrangements.

k) Canadian Commercial Bank (CCB)

Canada has provided financial assistance in respect of the CCB as authorized by the *Canadian Commercial Bank Financial Assistance Act*. The amounts reported as other loans receivable represent the government's participation in the loan portfolio that was acquired from the CCB and the purchase of outstanding debentures from existing holders.

l) Global Environment Facility (GEF)

Canada has provided funding for developing countries in the areas of ozone, climate change biodiversity and international waters as authorized by the *Bretton Woods and Related Agreements Act* and various appropriation acts. Advances to the GEF are made in non-negotiable, non-interest bearing demand notes that are later encashed.

20. Investments and capital share subscriptions

Investments and capital share subscriptions as at March 31 are presented in the following table.

(in thousands of dollars)			2023	2022
	Face value	**Valuation allowances**	**Carrying value**	**Carrying value**
Investments and capital share subscriptions				
International Development Association (IDA)	14,696,934	(14,696,934)	-	-
International Bank for Reconstruction and Development (BRD)	805,062	(805,062)	-	-
International Finance Corporation (IFC)	325,644	(325,644)	-	-
European Bank for Reconstruction and Development (EBRD)	278,549	(278,549)	-	-
Asian Infrastructure Investment Bank (AIIB)	257,200	(257,200)	-	-
Multilateral Investment Guarantee Agency (MIGA)	13,827	(13,827)	-	-
Total investments and capital share subscriptions	**16,377,216**	**(16,377,216)**	**-**	**-**

Changes in the carrying value for investments and capital share subscriptions are as follows:

(in thousands of dollars)	**Carrying value, beginning of year**	**Purchases**	**Valuation allowances**	**Carrying value, end of year**
Investments and capital share subscriptions				
Year ended March 31, 2023				
IDA	-	911,436	(911,436)	-
Total year ended March 31, 2023	**-**	**911,436**	**(911,436)**	**-**
Year ended March 31, 2022				
IDA	-	423,240	(423,240)	-
IFC	-	220,843	(220,843)	-
Total year ended March 31, 2022	**-**	**644,083**	**(644,083)**	**-**

Certain capital share subscriptions have both a paid-in portion and a portion which is callable, as summarized in the following table. Only under certain circumstances, such as an investee's inability to otherwise meet its obligations, would the department be required to pay some or all of the callable portion.

		2023			2022		
(in thousands of stated currency)		**Paid-in**	**Callable**	**Total**	**Paid-in**	**Callable**	**Total**
Capital share subscriptions							
IDA	CAD	14,696,934	-	**14,696,934**	13,785,498	-	**13,785,498**
IBRD	USD	619,498	7,879,841	**8,499,339**	619,498	7,879,841	**8,499,339**
IFC							
Cumulative cash contributions	USD	257,280	-	**257,280**	257,280	-	**257,280**
Designated paid-in capital	USD	538,857	-	**538,857**	538,857	-	**538,857**
Total IFC	USD	796,137	-	**796,137**	796,137	-	**796,137**
EBRD	EUR	212,850	807,640	**1,020,490**	212,850	807,640	**1,020,490**
AIIB	USD	199,100	796,300	**995,400**	199,100	796,300	**995,400**
MIGA	USD	10,732	45,802	**56,534**	10,732	45,802	**56,534**

International Development Association (IDA)

Canada's contributions and subscriptions to the IDA (part of the World Bank Group) are authorized by the *Bretton Woods and Related Agreements Act* and various appropriation acts. The contributions and subscriptions to the IDA are used to lend funds to developing countries at highly favourable terms.

International Bank for Reconstruction and Development (IBRD)

Canada's subscription to the capital of the IBRD (part of the World Bank Group) is authorized by the *Bretton Woods and Related Agreements Act* and various appropriation acts. The IBRD provides loans, guarantees, risk management products and advisory services to middle-income and creditworthy low-income countries, and also coordinates responses to regional and global challenges.

International Finance Corporation (IFC)

Canada's subscription to the capital of the IFC (part of the World Bank Group) is authorized by the *Bretton Woods and Related Agreements Act* and various appropriation acts. The IFC works to further economic development by encouraging the growth of productive private enterprise, particularly in less developed areas.

European Bank for Reconstruction and Development (EBRD)

Canada's subscription to the capital of the EBRD is authorized by the *European Bank for Reconstruction and Development Agreement Act* and various appropriation acts. The EBRD provides financing for well-structured and financially robust projects of all sizes, with the objective of making economies more competitive, well governed, green, inclusive, resilient and integrated. Each payment to the EBRD is comprised of cash and a promissory note.

Asian Infrastructure Investment Bank (AIIB)

Canada is a member of the AIIB pursuant to the *Asian Infrastructure Investment Bank Agreement Act* and as noted in various appropriation acts. The AIIB invests in infrastructure and other productive sectors in Asia and promotes regional cooperation in addressing development challenges. Canada issued a note payable to the AIIB in consideration for its paid-in capital contribution.

Multilateral Investment Guarantee Agency (MIGA)

Canada's subscription to the capital of the MIGA (part of the World Bank Group) is authorized by the *Bretton Woods and Related Agreements Act* and various appropriation acts. The MIGA provides political risk insurance and credit enhancement for projects in developing countries covering all regions of the world.

21. Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The department is mainly exposed to credit risk through its loans to Crown corporations, other loans receivable, investments held in the Exchange Fund Account (EFA) and derivatives. The department is also exposed to credit risk through its loan guarantees and money market purchase program indemnity agreements.

For loans, the maximum exposure to credit risk is the principal and accrued interest amount outstanding, less any valuation allowances recognized. For investments held in the EFA, the department considers its maximum exposure to credit risk to be the carrying amount of the investments held. For swaps and foreign currency forward contracts, the department considers the maximum exposure to credit risk to be the positive net carrying amount of contracts, aggregated by counterparty. For the Bank of Canada purchase program indemnities, the maximum exposure to credit risk is considered to be, for bond purchase program indemnities (derivatives), the Bank of Canada's amortized cost, and for the money market purchase program indemnities (contingent liabilities), the principal and accrued interest outstanding of the subject securities as at March 31, 2023. The department considers the maximum exposure to credit risk for loan guarantees is the total amounts guaranteed, including any undrawn amounts subject to the guarantee.

The maximum exposure to credit risk as at March 31, 2023 is presented in the following table for the department's most significant exposures to credit risk.

(in thousands of dollars)	**Maximum exposure to credit risk**	**Carrying amount**
Assets		
Loans to Crown corporations	85,925,521	85,925,521
Other loans receivable	2,808,906	2,808,906
Total investments held in Exchange Fund Account	107,770,938	107,770,938
Liabilities		
Derivatives[1]		
Bank of Canada bond purchase program indemnity agreements	270,903,732	26,282,875
Cross-currency swaps and foreign exchange forward contracts	1,455,259	1,455,259
Contingent liabilities		
Mortgage or hypothecary insurance protection	261,211,159	-
Loan guarantees		
International Bank for Reconstruction and Development	159,483	-
European Bank for Reconstruction and Development	53,499	-
Bank of Canada - money market purchase program indemnity agreements	-	-
Contractual obligations		
Loan commitments	2,202,246	-

1 The amounts presented in the above table for derivatives combine the maximum exposure to credit risk for derivatives presented as assets and those presented as liabilities.

Loans to Crown corporations

The department considers the credit risk arising from loans to Crown corporations to be minimal. The Crown corporations to which the department has loaned funds are Canadian federal enterprise Crown corporation, whose long-term credit ratings are AAA.

Other loans receivable

The department has made loans to Canadian federal government business enterprises, provincial and territorial governments, national governments and international and other organizations. The department may assume credit risk related to other loans receivable to support various policy objectives of the Government of Canada. Valuation allowances for collectability are applied accordingly to reflect these accounts at their net recoverable value. In assessing the credit risk of other loans receivable, and establishing valuation allowances for collectability, the department considers the nature of the counterparty and the terms and conditions of the other loan. Of the total face value of $7,914.6 million outstanding as at March 31, 2023, unamortized discounts of $733.0 million and valuation allowances for collectability of $4,372.7 million were recognized.

Investments held in the Exchange Fund Account (EFA)

As specified in the Statement of Investment Policy for the Government of Canada governing the EFA, to help achieve the objective of preserving capital value, an entity must be deemed to have a credit rating of A- or higher to be eligible for investment in the EFA. As of March 31, 2023, the majority of EFA investments are given a rating of AA+ or higher by external credit rating agencies, as indicated in the following table. The external ratings are based on the second highest rating among those provided by Moody's Investors Service, Standard & Poor's (S&P), Fitch Ratings and Dominion Bond Rating Service.

(in thousands of dollars)	**Maximum exposure to credit risk**
Investments held in the Exchange Fund Accounts	
Credit rating	
AAA	36,100,452
AA+	52,020,332
AA	6,590,798
AA-	3,843,310
A+	332,823
A	8,883,223

Concentrations of credit risk occur when a significant proportion is invested in securities subject to credit risk with similar characteristics or subject to similar economic, political or other conditions. The EFA may hold fixed income securities of highly rated sovereigns, central banks, government-supported entities and supranational organizations. The EFA may also make deposits and execute other transactions, up to prescribed limits, with commercial financial institutions that meet the same rating criteria.

The following table presents the concentration of credit risk of the marketable securities held by the EFA as at March 31, 2023, by type of issuer and stated in terms of the carrying amount of the securities.

	Carrying value									
(in thousands of stated currency or percentage as indicated)	**USD**		**Euro**		**Yen**		**Pound sterling**		**Total**	
Marketable securities held by the Exchange Fund Account										
Sovereign	47,346,190	65%	4,533,308	29%	8,883,223	100%	3,610,501	36%	64,373,222	60%
Sub-sovereign	3,582,552	5%	1,205,922	8%	-	0%	620,865	6%	5,409,338	5%
Supranational	12,921,716	18%	5,107,192	32%	-	0%	4,346,897	43%	22,375,805	21%
Implicit agencies	9,223,287	12%	4,933,844	31%	-	0%	1,455,442	15%	15,612,573	14%
Total marketable securities held by the Exchange Fund Account	**73,073,745**	**100%**	**15,780,266**	**100%**	**8,883,223**	**100%**	**10,033,705**	**100%**	**107,770,938**	**100%**

Bank of Canada purchase program indemnity agreements

The credit ratings of the securities held by the Bank of Canada as at March 31, 2023 under its purchase program indemnity agreements and indemnified by the department are presented in the following table according to the associated maximum exposure to credit risk. The credit ratings are based on published Standard & Poor's credit ratings and standalone credit profiles.

(in thousands of dollars)	**Maximum exposure to credit risk**
Bank of Canada indemnity agreements	
Credit ratings of securities held by the Bank of Canada	
Derivatives - bond purchase programs	
AAA	259,015,103
AA- to AA+	10,472,184
A- to A+	1,355,005
BBB- to BBB+	61,440
Contingent liabilities – money market purchase programs	-

Cross-currency swaps and foreign exchange forward contracts

For cross-currency swaps and foreign exchange forward contracts, the department manages its exposure to credit risk by dealing with counterparties having acceptable credit ratings. Credit risk is also managed through collateral provisions in cross-currency swap and foreign exchange forward contracts. The government participates in a 2-way collateral program in accordance with Credit Support Annex (CSA) agreements for its cross-currency swap portfolio. Under the CSA agreements, the department and the counterparty are required to provide collateral, either in the form of securities or cash (CAD or USD), based on the terms and conditions of the agreements, such as when the fair value of a contract exceeds a minimum threshold. The collateral pledged to the government by a counterparty could be liquidated to mitigate credit losses in the event of that counterparty's default.

The following table presents the notional principal amounts of swap and foreign exchange forward contracts grouped by published S&P credit ratings and standalone credit profiles at year-end.

	Notional amount	
(in thousands of dollars)	**2023**	**2022**
Swap and foreign exchange forward contracts		
Credit rating		
A+	36,577,654	27,245,421
A	63,095,995	56,271,248
A-	15,705,454	10,769,067
Total swap and foreign exchange forward contracts[1]	**115,379,103**	**94,285,736**

[1] Swap notional amounts are stated in terms of the foreign payable-leg notional amounts outstanding, translated into Canadian dollars as at March 31.

Collateral pledged by the government and by counterparties under 2-way CSA agreements as at March 31, 2023 is presented in the following table.

	Nominal amount		Fair value	
(in thousands of dollars)	**Posted by Government of Canada**	**Posted by counterparties**	**Posted by Government of Canada**	**Posted by counterparties**
Cash	2,400,724	1,043,539	2,400,724	1,043,539
Securities	-	3,292,316	-	3,220,461
Total	**2,400,724**	**4,335,855**	**2,400,724**	**4,264,000**

The department does not have a significant concentration of credit risk with any individual institution and does not anticipate any counterparty credit loss with respect to its cross-currency swap and foreign exchange forward contracts.

22. 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.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The department is exposed to currency risk through fluctuations in foreign-denominated future cash flows, namely those related to investments in the Exchange Fund Account, foreign debt, loans to international organizations and derivatives including collateral.

Currency risk of Exchange Fund Account

Currency risk is managed using a strategy of matching the currency and the duration of the Exchange Fund Account assets and the related foreign currency borrowings of the government. As at March 31, 2023, the impact of exchange rate changes affecting the Exchange Fund Account assets and the liabilities funding the assets naturally offset each other, resulting in no significant impacts to the government's net debt. Assets related to the IMF are only partially matched by related foreign currency borrowings, as the assets are denominated in SDR; however, foreign exchange risks relating to loans to the IMF have been mitigated by entering into foreign exchange forward contracts.

The majority of the Exchange Fund Account foreign currency assets and liabilities are held in 4 currency portfolios: US dollar, euro, British pound sterling, and Japanese yen. The following table presents the net impact to the Exchange Fund Account, and the related foreign-denominated debt, cross-currency swaps and foreign exchange forward contracts of a 1% appreciation in the Canadian dollar as at March 31, as compared to the US dollar, euro, British pound sterling and the Japanese yen.

	(Loss) gain net impact of 1% appreciation in Canadian dollar against foreign currencies as at March 31	
(in thousands of dollars)	**2023**	**2022**
Foreign currency		
US dollar	(8,220)	(10,597)
Euro	3,589	146
British pound sterling	(3,486)	(316)
Japanese yen	(814)	(4,323)
Total foreign currency	**(8,931)**	**(15,090)**

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.

The department's exposure to interest rate risk principally arises from fluctuations in the fair value of the Bank of Canada bond purchase program indemnity derivatives and cross-currency swaps, and future cash flows related to variable-rate cross-currency swaps, loans to Crown corporation and assets held by the Exchange Fund Account, because of changes in market interest rates. Interest rate risk for the Exchange Fund Account is managed using a strategy of matching the duration of the assets with the related borrowings. Other interest-bearing assets and liabilities bear fixed rates of interest. Although subject to interest rate risk because the fair value of these instruments will be affected by changes in market interest rates, there is no impact on the consolidated financial statements as these financial instruments are measured at cost or amortized cost.

The table below shows the effect of an increase in interest rates of 100 basis points (bps) as at March 31, 2023.

(in thousands of dollars)	Net impact of +100 bps shift in interest rates
Derivatives[1]	
Bank of Canada bond purchase program indemnity agreements	(359,924)
Cross-currency swaps	(11,010)
Interest revenue	
Loans to Crown corporations with variable interest rates	14,773
Cross-currency swaps	(9,976)

[1] The net impact of a 100 basis point increase in interest rates on derivatives is the net impact on the fair value of derivative assets and liabilities as at the reporting date, which would be recognized in the Statement of Remeasurement Gains and Losses.

Inflation risk

The department is exposed to inflation risk through its real return bonds, as interest and principal payments are adjusted for changes in the consumer price index (CPI). If the CPI applicable to real return bonds were to increase by 5% at March 31, 2023, the carrying amount of the bonds as at that date would increase by $3,670.5 million, with the adjustment recognized immediately as an expense charge. Such a change would also increase annual interest expense by $75.9 million. A decrease in the CPI would have the opposite effect, by decreasing the carrying amount of the bonds, with the adjustment recognized immediately as income, and by decreasing annual interest expense.

23. Liquidity risk

Liquidity risk is the risk that a government will encounter difficulty in meeting obligations associated with financial liabilities.

To discharge its financial liabilities, the department may access, with the authority of parliament, the Consolidated Revenue Fund (CRF) of the Government of Canada (the aggregate of all public moneys that are one deposit at the credit of the government). The department also has the ability to borrow on behalf of the Government of Canada for its purposes and the government's requirements overall.

Authority to borrow

The Government of Canada has access to multiple active borrowing programs, including those in the domestic Canadian market and those in foreign currency markets. Through the *Borrowing Authority Act* ("BAA") and the *Financial Administration Act* ("FAA"), parliament authorizes the Minister of Finance to borrow money on behalf of His Majesty in right of Canada.

Subject to limited exceptions, borrowings undertaken by the Minister – together with amounts borrowed by agent Crown corporations and Canada Mortgage Bonds guaranteed by the Canada Mortgage and Housing Corporation – may not exceed the maximum amount specified in the BAA, which was $1,831,000 million for the period from April 1, 2022 to March 31, 2023 (for the period from May 6, 2021 to March 31, 2022 - $1,831,000 million; April 1, 2020 to May 5, 2021 - $1,168,000 million).

Debt management and liquidity strategy

In conjunction with the Bank of Canada, the department manages the government's unmatured debt and associated risks. The fundamental objectives of debt management are to raise stable and low-cost funding to meet the financial requirements of the Government of Canada and to maintain a well-functioning market for Government of Canada securities.

Liquidity risk for the Government of Canada is managed centrally. The core objective of the government's cash management is to ensure that the government has sufficient cash available, at all times, to meet its operating requirements. The government's overall liquidity levels are managed to normally cover at least one month of net projected cash flows, including coupon payments and debt refinancing needs. The one month requirement is a forward-looking measure that changes daily due to daily actual cash balances and new projected cash requirements.

The government holds liquid financial assets in the form of domestic cash deposits and foreign exchange reserves to promote investor confidence and safeguard its ability to meet payment obligations in situations where normal access to funding markets may be disrupted or delayed. Part of the government's liquid financial assets includes $20 billion in cash designated by the government for its prudential liquidity plan. Further, proceeds of the Government's foreign currency borrowings are held in the Exchange Fund Account to provide liquidity and provide funds needed to promote orderly conditions for the Canadian dollar in foreign exchange markets.

Maturity analysis of financial liabilities

The following table presents a maturity analysis of the department's financial liabilities. The balances in the table may not correspond to the balances in the Statement of Financial Position because the table presents estimated cash flows on an undiscounted basis.

(in thousands of dollars)	On demand	Within 90 days	3 to 12 months	1 to 5 years	More than 5 years	Total
Financial liabilities						
Deposit liabilities	1,158,080	-	-	-	-	**1,158,080**
Accounts payable and accrued liabilities	2,595,227	207,396	9,576	-	-	**2,812,199**
Notes payable to international organizations	90,568	-	-	-	-	**90,568**
Matured debt	720,171	-	-	-	-	**720,171**
Unmatured debt	-	154,946,885	220,629,151	475,416,834	590,425,916	**1,441,418,786**
Derivatives[1]	-	8,782,389	8,174,315	41,900,956	70,408,249	**129,265,909**
Long-term annuity liability	-	-	144,250	776,007	905,181	**1,825,438**
Total financial liabilities	**4,564,046**	**163,936,670**	**228,957,292**	**518,093,797**	**661,739,346**	**1,577,291,151**

[1] Maturities for undiscounted cash flows of derivative receivables consist of $8,242 million within 90 days, $7,546 million within 3 to 12 months, $42,020 million within 1 to 5 years, and $67,505 million in more than 5 years for a total of $125,313 million.

24. Tangible capital assets

The change in tangible capital assets during 2023 is presented in the following table.

(in thousands of dollars)	Informatics equipment	Informatics software	Leasehold improvements	Machinery and equipment	Motor vehicles	Total
Cost						
Balance, March 31, 2022	3,634	63	11,565	2,747	45	18,054
Acquisitions	63	-	-	-	-	63
Disposals and write-offs	-	-	-	-	(45)	(45)
Balance, March 31, 2023	**3,697**	**63**	**11,565**	**2,747**	**-**	**18,072**
Accumulated amortization						
Balance, March 31, 2022	3,250	63	3,534	2,129	8	8,984
Amortization	168	-	463	262	8	901
Disposals and write-offs	-	-	-	-	(16)	(16)
Balance, March 31, 2023	**3,418**	**63**	**3,997**	**2,391**	**-**	**9,869**
Net book value						
Balance, March 31, 2022	384	-	8,031	618	37	9,070
Net change	(105)	-	(463)	(262)	(37)	(867)
Balance, March 31, 2023	**279**	**-**	**7,568**	**356**	**-**	**8,203**

25. Contractual obligations

Contractual obligations are financial obligations of the government that will become liabilities when the terms of the related contracts or agreements for the acquisition of goods and services or the provision of transfer payments are met. The expected payments to be made under the department's significant contractual obligations that can be reasonably estimated are summarized as follows:

(in thousands of dollars)	2024	2025	2026	2027	2028	2029 and thereafter	Total
Contractual obligations							
Transfer payments							
International Development Association	518,066	517,596	66,970	81,760	83,340	531,530	1,799,262
African Development Fund	20,673	20,855	22,165	22,066	21,922	295,303	402,984
Total contractual obligations	**538,739**	**538,451**	**89,135**	**103,826**	**105,262**	**826,833**	**2,202,246**

26. Contingent liabilities

Contingent liabilities arise in the normal course of operations and their ultimate disposition is unknown. They are grouped into 3 categories as follows:

a) Callable share capital

The department has subscribed to callable share capital in certain international organizations. In the event of the capital being called, the likelihood of which is low, payments to these organizations would be required. Callable share capital as at March 31 is presented in the following table.

(in thousands of dollars)	**2023**	**2022**
Callable share capital		
International Bank for Reconstruction and Development	10,650,000	9,850,984
European Bank for Reconstruction and Development	1,183,782	1,117,016
Asian Infrastructure Investment Bank	1,076,239	995,494
Multilateral Investment Guarantee Agency	61,904	57,260
Total callable share capital	**12,971,925**	**12,020,754**

b) Loan guarantees

Mortgage or hypothecary insurance protection

The *Protection of Residential Mortgage or Hypothecary Insurance Act* (PRMHIA), which came into force on January 1, 2013, authorizes the Minister of Finance to provide protection in respect of certain mortgage or hypothecary insurance contracts written by approved mortgage insurers. As at March 31, 2023 there are two approved mortgage insurers under the PRMHIA: Sagen Mortgage Insurance Company Canada and Canada Guaranty Mortgage Insurance Company.

Under the PRMHIA, payments in respect of the guarantee would only be required if a winding-up order were made in respect of an approved mortgage insurer. Where this is the case, the Minister would honour lender claims for insured mortgages in default, subject to: (a) any proceeds the beneficiary has received from the underlying property or the insurer's liquidation, and (b) a deductible of 10% of the original principal amount of the insured mortgage.

As of March 31, 2023, the aggregate outstanding principal amount of loans that are guaranteed under the PRMHIA is estimated at $297.0 billion ($292.6 billion in 2022). Any payment by the Minister is subject to a deductible equal to 10% of the original principal amount of these loans, or $35.8 billion ($34.9 billion in 2022). No provision has been made in these accounts for payments under the guarantee.

International Bank for Reconstruction and Development (IBRD)

In 2017, pursuant to section 8.3(1) of the *Bretton Woods and Related Agreements Act*, the Minister of Finance, by order of the Governor in Council, authorized a partial loan guarantee in the amount of US$118 million to the IBRD in respect of a US$1,443.8 million loan entered into between the IBRD and the Republic of Iraq. Under this guarantee, the department would make payment to the IBRD in the event that the Republic of Iraq is more than 6 months late in meeting a scheduled interest or principal payment to the IBRD. The department would only be required to pay a pro-rata share of the loan repayment that is past due, up to the fixed aggregate amount of US$118 million (C$159.5 million translated at the March 31, 2023 exchange rate).

In the event that any portion of the guarantee is called, Canada would receive a claim from the IBRD against the Republic of Iraq and would have the option to pursue recovery. As at March 31, 2023, no losses are anticipated with respect to this guarantee and no provision has been made (2022 - no losses anticipated and no provision made).

European Bank for Reconstruction and Development (EBRD)

In October 2022, pursuant to paragraph 8.3(3)b of the Bretton Woods and Related Agreements Act, the Minister of Finance provided a partial loan guarantee in an amount up to €36.5 million to the EBRD in connection with EBRD's €300 million credit facility to Naftogaz, Ukraine's state owned oil and gas company. The EBRD's credit facility to Naftogaz also carries a full guarantee from the Government of Ukraine. Under the terms of the guarantee agreement, the Government of Canada has guaranteed a pro-rata share of any unpaid amounts by the borrower (interest and principal), up to a fixed aggregate amount of €36.5 million (C$53.5 million translated at the March 31, 2023 exchange rate).

The loan is structured as a revolving credit facility, with drawdown requests permitted from April to November of 2022 and 2023. Full repayment of any amounts drawn each year are due in February and March of the following year (2023 and 2024), in 50% repayment installments each month. The loan is a single currency, variable market-based interest rate loan, maturing in April 2024. As at March 31, 2023, no losses are anticipated with respect to this guarantee and no provision has been made.

c) Bank of Canada money market purchase program indemnity agreements

In addition to the bond purchase program indemnity agreements accounted for as derivatives, the department and the Bank of Canada have entered into indemnity agreements for the Bank’s Provincial Money Market and Commercial Paper Purchase Programs (money market purchase programs). These programs were introduced by the Bank of Canada to support the liquidity and proper functioning of debt markets during the COVID-19 pandemic. The Bank of Canada discontinued further purchases under the Provincial Money Market purchase program during 2021, and discontinued the Commercial Paper purchase program effective April 2, 2021. The programs can be restarted by the Bank of Canada if necessary.

Under the money market purchase program agreements, the department has indemnified the Bank of Canada for any losses incurred by the bank on the money market securities not being paid in full by the issuers. The department is not obligated to pay for any losses or entitled to any gains sustained by the Bank of Canada on the disposition of securities under the money market purchase programs. No consideration was paid by either party upon entering into the agreements.

There were no outstanding securities held by the Bank of Canada under the money market purchase programs as at March 31, 2023 (2022 – nil). No losses were paid by the department under the money market purchase program indemnity agreements in 2023 (2022 - nil).

27. Related party transactions

The department is related as a result of common ownership to all government departments, agencies, and Crown corporations. The department enters into transactions with these entities in the normal course of business and on normal trade terms. The department also receives common services without charge from other government departments as disclosed below. Related parties also include individuals who are members of key management personnel or close family members of those individuals, and entities controlled by, or under shared control of, a member of key management personnel or a close family member of that individual.

a) Common services received without charge from other government departments

The services received without charge from other government departments have been recorded as expenses in the Statement of Operations as follows:

(in thousands of dollars)	2023	2022
Services received without charge		
Accommodation	16,923	16,576
Employer’s contribution to the health and dental insurance plans	9,618	8,947
Legal services	2,077	2,024
Total services received without charge	**28,618**	**27,547**

The government has centralized some of its administrative activities for efficiency, cost-effectiveness and economic delivery of programs to the public. In certain cases, the government uses central agencies and common service organizations whereby one organization performs services for others without charge. The costs of these services, such as the payroll and cheque issuance services provided by Public Services and Procurement Canada (PSPC) and audit services provided by the Office of the Auditor General, are not included in the Statement of Operations.

b) Other transactions with related parties

Other transactions with related parties are summarized in the following table.

(in thousands of dollars)	**2023**	**2022**
Expenses - other government departments and agencies		
Interest on superannuation and other accounts	5,009,372	5,102,756
Contributions to employee benefit plans	14,314	13,310
Professional and special services	9,998	6,747
Information	370	478
Repair and maintenance	319	167
Rentals	231	269
Other expenses	283	1,015
Salaries and wages (recoveries)	(1,676)	(1,997)
Total expenses – other government departments and agencies	**5,033,211**	**5,122,745**
Revenues – other government departments and agencies	**450**	**46**

28. Segmented information

The department's segments include its core responsibility of Economic and Fiscal Policy and the Internal Services functions which support that responsibility. Segmented information is based on the same accounting policies described in the summary of significant accounting policies (note 2). The following table presents expenses and revenues for segments by major object of expense and type of revenue.

			Total	
(in thousands of dollars)	**Economic and Fiscal Policy**	**Internal Services**	**2023**	**2022**
Expenses				
Transfer payments				
Provinces and territories (a)	82,825,537	-	82,825,537	80,618,812
International organizations	1,811,589	-	1,811,589	559,373
National Governments	4,307,441	-	4,307,441	221,043
Non-profit organizations	(1,500)	-	(1,500)	4,251
Total transfer payments	**88,943,067**	**-**	**88,943,067**	**81,403,479**
Interest and other costs				
Interest on unmatured debt (b)	25,984,351	-	25,984,351	17,846,221
Interest on superannuation and other accounts (c)	5,597,930	-	5,597,930	5,122,311
Other interest and costs	6,042	-	6,042	19,439
Total interest and other costs	**31,588,323**	**-**	**31,588,323**	**22,987,971**
Operating expenses (d)	93,519	86,495	180,014	163,573
Other payments to provinces and territories	191,586	-	191,586	-
Cost of domestic coinage sold	87,976	-	87,976	77,241
Other expenses	1	(49)	(48)	124
Total expenses	**120,904,472**	**86,446**	**120,990,918**	**104,632,388**
Revenues				
Investment income				
Exchange Fund Account net revenues	835,923	-	835,923	709,321
Loans to Crown corporations - interest	1,646,553	-	1,646,553	525,254
Other interest	187,778	-	187,778	15,925
Total investment income	**2,670,254**	**-**	**2,670,254**	**1,250,500**
Interest on bank deposits	416,675	-	416,675	271,510
Fees for risk exposure	126,447	-	126,447	147,387
Sale of domestic coinage	123,565	-	123,565	141,318
Net foreign currency gain	544,182	(8)	544,174	124,579
Unclaimed cheques and other	79,613	25	79,638	88,234
Revenues earned on behalf of government	(3,960,736)	8	(3,960,728)	(2,023,509)
Total revenues	**-**	**25**	**25**	**19**
Net cost of operations	**120,904,472**	**86,421**	**120,990,893**	**104,632,369**

a) Transfer payments to provinces and territories

Transfer payments to provinces and territories are paid pursuant to the *Federal Provincial Fiscal Relations Act, Budget Implementation Acts* and other statutory authorities. Transfer payments to provinces and territories are presented in the following table.

(in thousands of dollars)	**2023**	**2022**
Transfer payments to provinces and territories		
Canada Health Transfer	45,140,657	43,132,955
Fiscal Equalization	22,544,994	20,955,226
Canada Social Transfer	15,938,157	15,473,939
Quebec Abatement	(7,409,645)	(6,256,531)
Territorial Financing	4,552,785	4,379,879
COVID-19 related transfers		
Support for the health care system through the Canada Health Transfer[1]	2,000,000	2,000,000
Support for municipal and other transit shortfalls and needs, and to support housing supply and availability	-	750,000
Safe Return to Class Fund	-	100,000
Total COVID-19 related transfers	2,000,000	2,850,000
Statutory Subsidies	42,639	42,639
Long-term annuity liability		
Interest expense	39,950	40,705
Adjustment to the department’s obligation	(24,000)	-
Total long-term annuity liability	15,950	40,705
Total transfer payments to provinces and territories	**82,825,537**	**80,618,812**

[1] The COVID-19 related transfer payments to support the health care system were effected through a top-up to the Canada Health Transfer, and are in addition to the amounts reported for the regular Canada Health Transfer.

b) Interest on unmatured debt

Interest on unmatured debt includes interest incurred, amortization of debt discounts/premiums and net interest on cross-currency and interest rate swaps. Interest on unmatured debt by class of debt is presented in the following table.

(in thousands of dollars)	**2023**	**2022**
Interest on domestic debt		
Treasury bills	4,534,320	469,760
Marketable bonds		
Marketable bonds (fixed rate nominal bonds)	16,064,484	12,810,682
Real return marketable bonds		
Current period interest expense	1,360,125	1,561,712
Consumer price index adjustments	4,007,889	3,347,183
Total real return marketable bonds	5,368,014	4,908,895
Total marketable bonds	21,432,498	17,719,577
Retail debt	-	1,293
Total interest on domestic debt	**25,966,818**	**18,190,630**
Interest on foreign debt		
Canada bills	61,824	2,542
Marketable bonds	286,742	254,215
Medium term notes	-	40
Total interest on foreign debt	**348,566**	**256,797**
Net interest on cross-currency swaps	**(331,033)**	**(601,206)**
Total interest on unmatured debt	**25,984,351**	**17,846,221**

c) Interest on superannuation and other accounts

The department funds interest on all interest bearing specified purpose accounts established by Government departments and agencies, including superannuation accounts and retirement compensation arrangement accounts established for the benefit of public service employees and members of the Royal Canadian Mounted Police and the Canadian Forces, the Canada Pension Plan Account, and other accounts. Interest on superannuation and other accounts is presented in the following table.

(in thousands of dollars)	2023	2022
Interest on superannuation and other accounts		
Superannuation accounts	4,746,355	4,860,517
Other specified purpose accounts	177,944	160,678
Retirement compensation arrangement accounts	77,048	80,781
Special drawing rights allocations	585,575	19,378
Canada Pension Plan Account	11,008	957
Total interest on superannuation and other accounts	**5,597,930**	**5,122,311**

d) Operating expenses

The following table presents details of operating expenses.

(in thousands of dollars)	2023	2022
Operating expenses		
Salaries and wages	109,029	96,836
Contributions to employee benefit plans	23,932	22,257
Accommodation	16,923	16,576
Professional and special services	17,943	12,221
Information services		
Advertising related to COVID-19	603	9,335
Other information services	3,958	1,371
Total information services	4,561	10,706
Rentals	1,787	1,541
Machinery and equipment	2,075	1,532
Amortization of tangible capital assets	901	905
Transportation and telecommunications	2,427	802
Repairs and maintenance	418	199
Other subsidies and payments	18	(2)
Total operating expenses	**180,014**	**163,573**

29. Revenues earned on behalf of government

Revenues earned on behalf of government represent revenues which the department cannot re-spend to fund other departmental activities. The following table presents details of revenues earned on behalf of government:

(in thousands of dollars)	2023	2022
Revenues earned on behalf of government		
Exchange Fund Account net revenues	835,923	709,321
Loans to Crown corporations - interest	1,646,553	525,254
Interest on bank deposits	416,675	271,510
Fees for risk exposure	126,447	147,387
Sale of domestic coinage	123,565	141,318
Net foreign currency gain	544,174	124,579
Unclaimed cheques and other	79,613	88,215
Other interest	187,778	15,925
Total revenues earned on behalf of government	**3,960,728**	**2,023,509**

30. Comparative information

Comparative figures have been reclassified where necessary to conform to the current year's presentation.

Department of Finance Canada

Annex to the *Statement of Management Responsibility Including Internal Control over Financial Reporting of the Department of Finance Canada for Fiscal Year 2022-23 (unaudited)*

1. INTRODUCTION

This document provides summary information on the measures taken by the Department of Finance Canada (the Department) to maintain an effective system of internal control over financial reporting (ICFR) as well as information on internal control management, assessment results and related action plans.

Detailed information on the Department's authority, mandate and program activities are available in the 2022-23 *Departmental Results Report* and the 2022-23 *Departmental Plan.*

2. DEPARTMENTAL SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING

2.1 Internal control management

The Department has a well-established governance and accountability structure to support departmental assessment efforts and oversight of its system of internal control.

A departmental internal control framework approved by the Deputy Minister and the Chief Financial Officer (CFO) is in place, which includes:

- Accountability structures relating to internal control management to support sound financial management, including clear roles and responsibilities for employees in their areas of responsibility for control management;
- On-going communication and training on statutory requirements, policies and procedures for sound financial management and control;
- A group dedicated to ICFR under the direction of the CFO with a primary focus on maintaining documentation in support of business processes and associated key risks and control points;
- A risk based internal audit plan which includes audits and reviews related to business processes assessed under the *Policy on Financial Management*;
- An *Office of Values and Ethics* to provide service and guidance on values and ethics issues, discuss ethical dilemmas in accordance with the *Values and Ethics Code for the Public Sector, Policy on Conflict of Interest and Post Employment.* In addition, the *Department of Finance Code of Conduct* underlines the need for employees to avoid, and if necessary, resolve conflicts of interest between their official duties and their personal interests. Mandatory annual reporting is an important feature of the code;
- A *Disclosure Protection Officer*, housed within the *Office of Values and Ethics*, to facilitate protected disclosures of wrongdoing in accordance with the *Public Servants Disclosure Protection Act*;
- Monitoring and regular updates on internal control management plus assessment results and action plans presented to the Departmental Audit Committee (DAC) and senior management; and

- Advice provided by the DAC to the Deputy Minister on the adequacy and functioning of the Department's risk management, control and governance frameworks and processes.

2.2 Service arrangements relevant to the financial statements

The Department relies on other organizations for the processing of certain transactions recorded in its financial statements.

Common-to-government arrangements:

- Public Services and Procurement Canada (PSPC) administers the central systems that support financial transaction activities (Standard Payment System (SPS), Government Banking System (GBS), and the Central Financial Management and Reporting System (CFMRS)), the payment and processing of salaries and the procurement of goods and services consistent with the Department's delegation of authority;
- Treasury Board of Canada Secretariat (TBS) provides the Department with information on public service insurance and centrally administers payment of the employer's share of contributions toward statutory employee benefit plans;
- The Department of Justice provides legal services to the Department; and
- Shared Services Canada (SSC) provides information technology (IT) infrastructure services. Effective January 2020, the SAP financial system transitioned to a Cloud environment, which is housed within TBS and managed by a third party.

Specific departmental arrangements:

- The Bank of Canada has shared responsibility with the Department for maintaining the financial records and accounts for the domestic debt of Canada and the Exchange Fund Account of Canada, for which the Bank acts as fiscal agent. These responsibilities include ensuring all related financial systems and processes are effectively designed and operating;
- Canada Revenue Agency (CRA) provides the financial information used by the Department to determine taxes receivable from CRA under tax collection agreements, including accrual-based methodologies to determine amounts receivable at year-end;
- TBS provides financial management and accounting services for operating expenses, managed through a shared-services arrangement; and
- TBS provides the Department and other departments with its SAP financial system platform through which its captures and reports on financial transactions. As the service provider, TBS is responsible for ensuring that IT-general controls over the SAP environment, including TBS infrastructure services, are designed and operating effectively. The Department retains responsibility of certain IT-general controls within the SAP environment, such as user access controls and segregation of duties.

3. DEPARTMENTAL ASSESSMENT RESULTS DURING FISCAL YEAR 2022-23

The key findings and significant adjustments required from the current year's assessment activities are summarized below.

New or significantly amended key controls: In the current year, there were no significantly amended key controls in existing processes, which required a reassessment.

COVID-19

The Department continued to monitor the COVID-19 expenditures in 2022-2023. As of April 1, 2023, TBS terminated their reporting requirements and, as a result, the Department is no longer tracking COVID-19 expenditures.

On-going monitoring of key controls:

The Department assesses the design and operational effectiveness[1] of its high-risk business processes on an annual basis as part of its rotational on-going monitoring of key controls. This means that key controls are tested on a rotational basis for medium and low-risk business processes.

The Department conducts walkthroughs throughout the fiscal year and selects transaction samples for testing. The testing validates that the controls in place are effective and operating as designed prior to the OAG pre-audit review. The extent of testing is determined by the frequency of the control being performed as well as the characteristics of the population. It also includes the expected size and frequency of misstatements for the population to be tested, and is based on the assessment of inherent risk, control risk and the detection risk related to the analytical procedures. The Department follows industry standards in determining the quantity of tests performed.

This year, the Department did not reassess the entity-level controls, as senior management is the primary source of these controls, the internal control group will perform a re-assessment of entity-level controls in 2023-2024.

[1] Design effectiveness refers to whether or not controls are in place and aligned and balanced with the risks they aim to mitigate. Operating effectiveness refers to testing undertaken to determine whether key controls have been functioning over a period of time. Testing is performed on a sample basis, using widely recognized sampling techniques and methodologies. In certain instances, judgment with respect to targeted testing is employed in areas that have certain risk profiles.

The Department completed the reassessment of the IT-general controls under departmental management and the following business processes:

Key control areas	Assessed level of financial reporting risk	Approach to assessment	Status
Transfer payments	High	Design and operational effectiveness	Completed as planned and no remedial actions required
Domestic debt	High	Design and operational effectiveness	Completed as planned and no remedial actions required
Crown borrowing	High	Design and operational effectiveness	Completed as planned and no remedial actions required
International organizations	High	Design and operational effectiveness	Completed as planned and no remedial actions required
Official International Reserves	High	Design and operational effectiveness	Completed as planned and no remedial actions required
Payroll and benefits	High	Design and operational effectiveness	Completed as planned and no remedial actions required
Domestic coinage	Medium	Design and operational effectiveness	Out of scope in 2022-2023
Operating expenses	Low	Operational effectiveness	Completed as planned and no remedial actions required

Based on the testing, the key controls that were tested have performed as intended.

Operating expenses

Since 2016, the Department uses analytics to assess accounting records and other financial data for anomalies from a compliance and/or process efficiency standpoint using an industry-standard data analytics software. In 2022-2023, we expanded our analytics by developing one for Payroll & Overtime (HR-to-Pay). In addition, we made improvements to the analysis by including data from the Financial Signing Authority database and expanded our segregation of duties review. The objective of the analysis is to detect operational, and compliance risk.

The following table summarizes the areas within operating expenditures that are analyzed and the frequency:

Operating Expense	Assessed level of financial reporting risk	Frequency
Acquisition Card	Low	Monthly
Material management contracts and amendments	Low	Quarterly
Payroll & Benefits (HR-to-Pay)	High	Semi-Annually

In 2022-2023, an additional control was added for the Individual Designated Travel Cards (IDTC). The usage of the IDTC is controlled and monitored by TBS Accounting Services. TBS Accounting Services obtains a report twice a month showing delinquent cards from the government travel system. Cardholders that appear on the report are contacted, to prevent the automatic suspension of the IDTC if payment is not made within 60 days of due date. Historically the volume of delinquencies is very low.

Service *arrangements relevant to the financial statements* - IT-General Controls

SAP environment: The service-provider (TBS) provides an annual CSAE 3416[2] report prepared by an external auditor on the state of internal controls in the shared SAP environment. In January 2020, the SAP financial system was upgraded and moved to a cloud environment, and the audit scope was expanded to assess controls over the cloud environment. This audit is important to ensure the Department can rely on the SAP system.

In 2022-2023, the CSAE 3416 report has been confirmed as unqualified. This result is significant for the Department’s reliance on the SAP system, following the adoption of the public sector accounting standards on financial instruments, effective April 1, 2022.

During the 2023-2024 fiscal year, the Department and the OAG will continue to follow-up with TBS in consideration of the importance for Finance to maintain reliance on the SAP system.

[2] The Canadian Standard on Assurance Engagements 3416 (CSAE 3416), Reporting on Controls at a Service Organization, provides the department with the assurance that the service-provider is maintaining effective and efficient internal controls related to financial, informational, or security reporting. This examination formally designated as CICA 5970 is the Canadian equivalent of the American Institute of CPAs (AICPA) SSAE 16 audit compliance standards.

4. DEPARTMENTAL MONITORING PLAN OF KEY CONTROLS

4.1 Monitoring plan for the next fiscal year and subsequent years

The Department's rotational on-going monitoring plan of key controls over the next three years is based on an annual validation of high-risk processes and controls as is shown in the following table:

Key Control Areas	Assessed level of financial reporting risk	2023-24	2024-25	2025-26
Transfer payments	High	X	X	X
Domestic debt	High	X	X	X
Crown borrowing	High	X	X	X
International organizations	High	X	X	X
Official International Reserves	High	X	X	X
Operating expenses	Low	X	X	X
Domestic coinage	Medium	-	X	-
Payroll & benefits	High	X	X	X