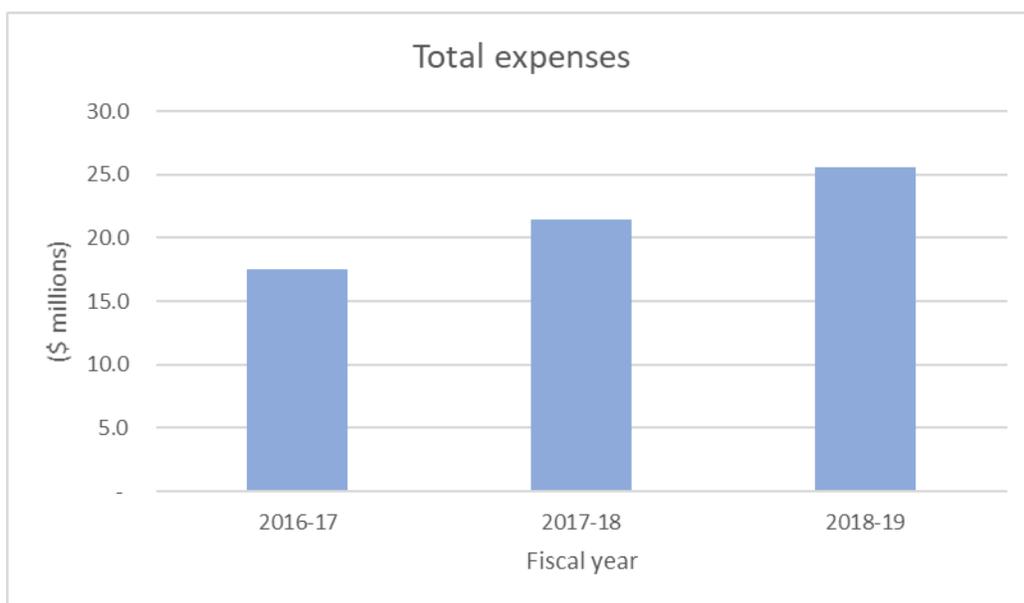


## Financial Statements Highlights

The financial information presented in this report serves as a general overview of the Financial Consumer Agency of Canada's (FCAC) financial operations for the year ended March 31, 2019.

FCAC is a federal government agency that recovers its costs mainly through assessments against the financial entities it supervises<sup>1</sup>. In addition to revenues from assessments, FCAC receives an annual statutory expenditure of a maximum of \$5,000,000 to support, collaborate and coordinate its activities and efforts with stakeholders to improve and strengthen the financial literacy of Canadians.

FCAC's total expenses for fiscal year 2018-19 were \$25.6 million, an increase of \$4.2 million, or 19% compared to the previous fiscal year. This was primarily due to increases in personnel costs and professional services.



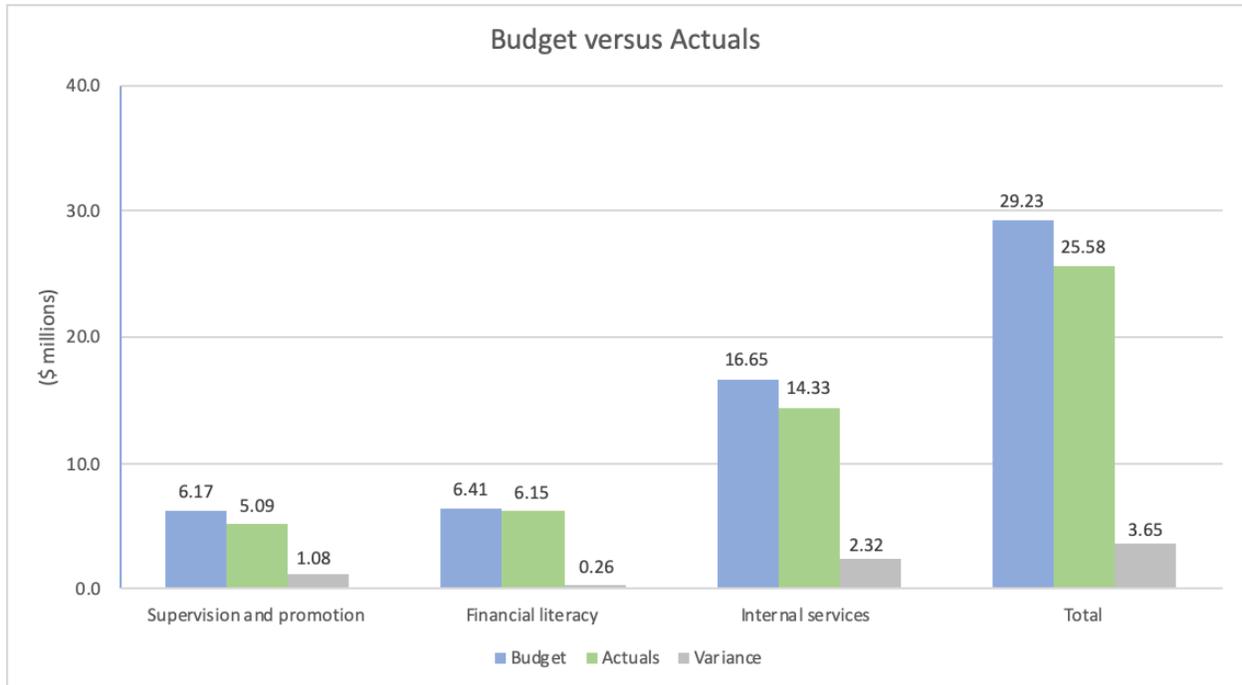
Personnel costs, FCAC's largest expense, rose by \$3.1 million, or 22%. The increase is a result of the creation of a new Enforcement Division and the addition of personnel to enhance the Agency's ability to monitor trends and emerging issues. The Agency also added new positions in Corporate Services to create in-house capacity for human resources and finance, allowing the Agency to operate more efficiently and reduce costs. Professional services costs rose by \$0.7M largely due to the implementation of a new supervision framework and the development of the Carrot rewards mobile

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

application that encourages users to adopt healthier lifestyle by offering them loyalty reward points in exchange for performing simple tasks. All other expenses, in total, increased by \$0.4M.

## 2018-19 Performance Summary for Programs and Internal Services



FCAC's total expenses were \$3.65 million below budgeted expenses primarily due to delays in staffing vacant position (\$3.04M) in the Supervision and Promotion program as well as in Internal Services.

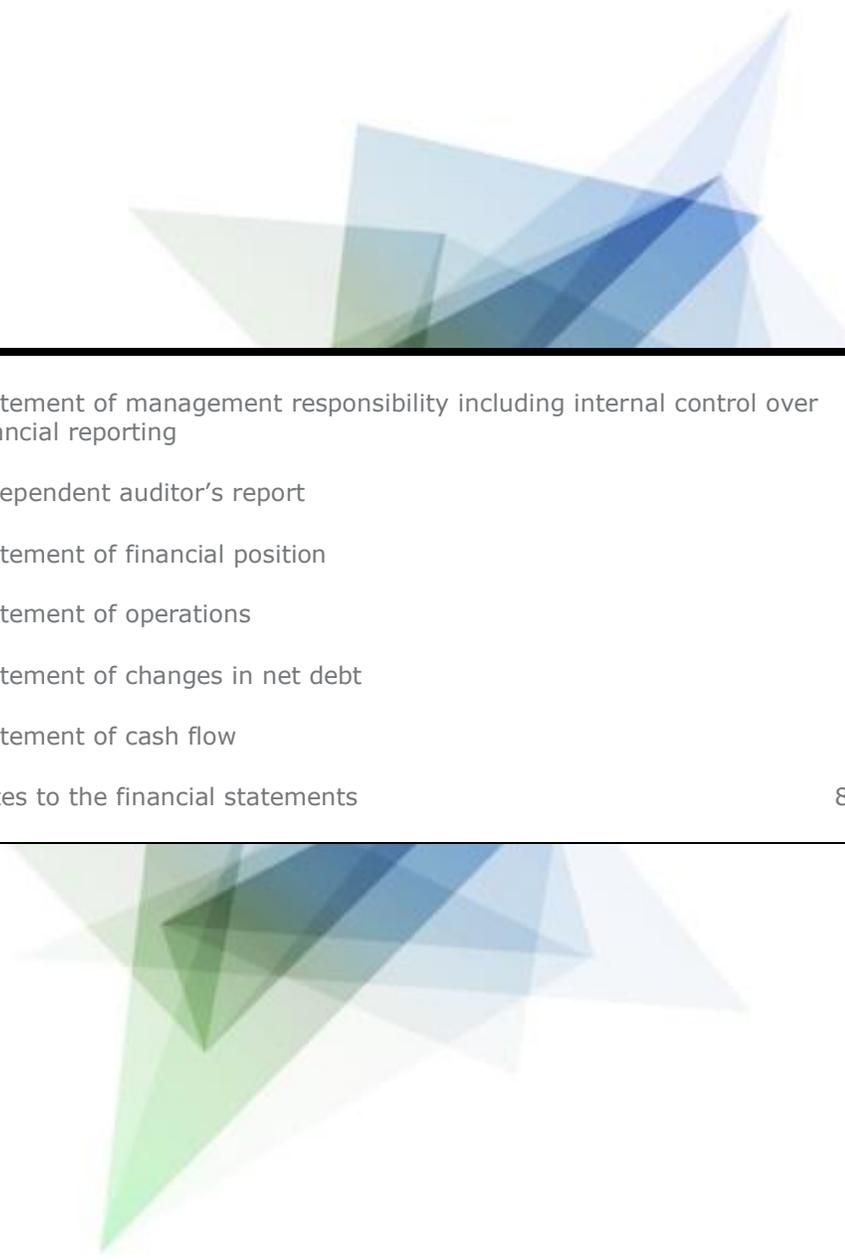


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# Financial Statements of the Financial Consumer Agency of Canada

March 31, 2019

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# Statement of Management Responsibility Including Internal Control over Financial Reporting

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2019, and all information contained in these statements rests with the management of the Financial Consumer Agency of Canada (FCAC). These financial statements have been prepared by management in accordance with Canadian public sector accounting standards.

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

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

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

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

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

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

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

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Werner Liedtke

Assistant Commissioner, Corporate Services and Chief Financial Officer  
Financial Consumer Agency of Canada

Ottawa, Canada  
June 19, 2019

## Independent Auditor's Report

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

### Opinion

We have audited the financial statements of the Financial Consumer Agency of Canada (the "Agency"), which comprise the statement of financial position as at March 31, 2019, and the statements of operations, changes in net debt and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards ("PSAS").

### Basis for Opinion

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

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

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

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

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

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Agency's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Agency to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

*Deloitte LLP*

Chartered Professional Accountants  
Licensed Public Accountants  
June 19, 2019

# Financial Consumer Agency of Canada

## Statement of financial position

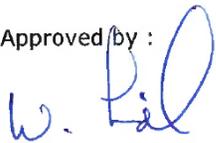
As at March 31, 2019

(in Canadian dollars)

		<b>March 31, 2019</b>	March 31, 2018
	Notes	\$	\$
<b>Liabilities</b>			
Trade and other payables	4 and 10	<b>6,249,686</b>	5,403,454
Unearned assessments	10	<b>3,649,835</b>	1,484,844
Employee benefits severance	6	<b>224,666</b>	224,586
Employee benefits sick leave	6	<b>588,776</b>	466,793
<b>Total liabilities</b>		<b>10,712,963</b>	7,579,677
<b>Financial Assets</b>			
Cash entitlement		<b>9,036,996</b>	5,845,525
Trade receivables, net	3	<b>90,894</b>	366,120
Other receivables	3	<b>220,100</b>	78,395
<b>Total financial assets</b>		<b>9,347,990</b>	6,290,040
<b>Net Debt</b>		<b>1,364,973</b>	1,289,637
<b>Non-financial assets</b>			
Tangible capital assets	5	<b>1,277,687</b>	1,200,939
Prepaid expenses		<b>87,286</b>	88,698
<b>Total non-financial assets</b>		<b>1,364,973</b>	1,289,637
<b>Net financial position</b>		<b>—</b>	<b>—</b>
Contractual obligations	8		

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

Approved by :



Werner Liedtke

Assistant Commissioner, Corporate Services and Chief Financial Officer

Financial Consumer Agency of Canada

# Financial Consumer Agency of Canada

## Statement of operations

As at March 31, 2019

(in Canadian dollars)

	Notes	Budget 2018-19 \$	March 31, 2019 \$	March 31, 2018 \$
<b>Expenses</b>	9			
Supervision and promotion		6,171,861	5,094,821	4,009,088
Financial literacy		6,407,635	6,152,592	5,744,102
Internal services		16,653,803	14,335,303	11,662,489
<b>Total expenses</b>		<b>29,233,299</b>	<b>25,582,716</b>	21,415,679
<b>Revenue</b>				
Assessment		24,233,299	20,581,683	16,352,989
Other revenue		—	1,033	5,218
<b>Total revenue</b>		<b>24,233,299</b>	<b>20,582,716</b>	16,358,207
<b>Net cost of operations before government funding and administrative monetary penalties</b>		<b>5,000,000</b>	<b>5,000,000</b>	5,057,472
Less : government funding	4	(5,000,000)	(5,000,000)	(5,000,000)
<b>Net cost of operations before administrative monetary penalties</b>		—	—	57,472
Administrative monetary penalties	7	—	425,000	580,000
Administrative monetary penalties earned on behalf of the government	7	—	(425,000)	(580,000)
<b>Net cost of operations</b>		—	—	57,472

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

## Financial Consumer Agency of Canada

### Statement of changes in net debt

As at March 31, 2019

(in Canadian dollars)

	Notes	Budget 2018-19 \$	March 31, 2019 \$	March 31, 2018 \$
<b>Net cost of operations</b>		—	—	57,472
<b>Change due to tangible capital assets</b>				
Acquisition of tangible capital assets	5	723,613	590,254	679,540
Amortization of tangible capital assets	5	(568,337)	(496,470)	(398,234)
Write-off of tangible capital assets	5	—	(17,036)	(84,529)
<b>Total change due to tangible capital assets</b>		<b>155,276</b>	<b>76,748</b>	196,777
<b>Change due to prepaid expenses</b>		—	(1,412)	86,648
<b>Increase in net debt</b>		<b>155,276</b>	<b>75,336</b>	340,897
<b>Net debt, beginning of year</b>		<b>1,289,637</b>	<b>1,289,637</b>	948,740
<b>Net debt, end of year</b>		<b>1,444,913</b>	<b>1,364,973</b>	1,289,637

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

# Financial Consumer Agency of Canada

## Statement of cash flow

As at March 31, 2019

(in Canadian dollars)

	Notes	March 31, 2019 \$	March 31, 2018 \$
<b>Cash flows from operating activities</b>			
Cash receipts from financial entities and other government departments		<b>29,773,809</b>	24,772,716
Cash paid to suppliers and employees		<b>(25,531,926)</b>	(20,049,006)
Interest paid	10	<b>(35,158)</b>	(43,167)
Non respensible administrative monetary penalties remitted to the consolidated revenue fund	7	<b>(425,000)</b>	(580,000)
<b>Net cash provided by operating activities</b>		<b>3,781,725</b>	4,100,543
<b>Cash flows from capital activities</b>			
Acquisition of tangible capital assets	5	<b>(590,254)</b>	(679,540)
<b>Net cash used in capital activities</b>		<b>(590,254)</b>	(679,540)
<b>Cash flows from financing activities</b>			
New borrowings	10	<b>7,000,000</b>	11,000,000
Repayments		<b>(7,000,000)</b>	(11,000,000)
<b>Net cash provided by financing activities</b>		<b>—</b>	—
<b>Net increase in cash entitlement</b>		<b>3,191,471</b>	3,421,003
<b>Cash entitlement, beginning of year</b>		<b>5,845,525</b>	2,424,522
<b>Cash entitlement, end of year</b>		<b>9,036,996</b>	5,845,525

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

# Financial Consumer Agency of Canada

## Notes to the financial statements

March 31, 2019

(In Canadian dollars)

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### 1. Authority and objectives

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

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

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

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

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

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

### 2. Summary of significant accounting policies

The financial statements of FCAC have been prepared in accordance with Public Sector Accounting Standards (PSAS) as issued by the Canadian Public Sector Accounting Board (PSAB). The accounting policies used in the financial statements are based on the PSAS applicable as at March 31, 2019.

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

#### *Cash entitlement*

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

## 2. Summary of significant accounting policies (continued)

### *Financial instruments*

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

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

### *Impairment of financial assets*

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

## 2. Summary of significant accounting policies (continued)

### *Impairment of financial assets (continued)*

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

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

### *Tangible capital assets*

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

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

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

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

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

## 2. Summary of significant accounting policies (continued)

### *Impairment of non-financial assets*

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

### *Employee benefits*

#### (a) Short-term benefits

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

#### (b) Pension benefits

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

#### (c) Severance

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

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

#### (d) Other benefits

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

## **2. Summary of significant accounting policies (continued)**

### *Employee benefits (continued)*

#### (e) Sick leave

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

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

### *Leases*

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

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

### *Government funding*

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

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

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

### *Revenue recognition*

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

## **2. Summary of significant accounting policies (continued)**

### *Revenue recognition (continued)*

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

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

The Commissioner may issue administrative monetary penalties when violations to consumer provisions occur. These penalties are imposed in cases where the Commissioner believes that there has been either a violation of the consumer provisions or non-compliance with any Compliance Agreement entered into pursuant to an act listed in Schedule 1 of the FCAC Act. The penalty amount may be as high as \$50,000 for an individual and \$500,000 for an institution. Penalties levied by FCAC are non-respondable and are to be remitted to the CRF. The funds are not available to FCAC and, as a result, the penalties do not reduce the amount that FCAC assesses the industry in respect of its operating costs.

### *Budget for the year ending March 31, 2019*

The budget for the year ending March 31, 2019 was approved by the Commissioner in February 2018.

### *Significant accounting judgments, estimates and assumptions*

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

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

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

### 3. Trade and other receivables

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

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

	Federally regulated financial entities	Other	Total March 31, 2018
	\$	\$	\$
Trade receivables	369,120	—	369,120
Allowance for doubtful accounts	(3,000)	—	(3,000)
<b>Trade receivables, net</b>	<b>366,120</b>	<b>—</b>	<b>366,120</b>
Other			
Related parties	—	7,591	7,591
Other receivables	—	70,804	70,804
<b>Total other</b>	<b>—</b>	<b>78,395</b>	<b>78,395</b>
<b>Total</b>	<b>366,120</b>	<b>78,395</b>	<b>444,515</b>
<b>% of Total exposure</b>	<b>82.4%</b>	<b>17.6%</b>	<b>100%</b>

### 3. Trade and other receivables (continued)

FCAC records an allowance for doubtful accounts considering the age of an outstanding receivable and the likelihood of its collection. Provisions are also made where collection of the receivable is doubtful based on information gathered through collection efforts. An allowance is reversed once collection of the debt is successful or the amount is written off. Impairment losses on accounts receivable recognized during the year ended March 31, 2019, were \$NIL (\$1,000 in 2018). Recoveries during the same period totaled \$3,000 (\$Nil in 2018).

A trade receivable will be considered to be impaired and written off when FCAC is certain that collection will not occur and all requirements of the *Debt Write-Off Regulations, 1994* have been met. A total of \$NIL was written off during the year ended March 31, 2019 (\$Nil in March 31, 2018). During the year ended March 31, 2019, no interest was earned on impaired assets and none of the past due amounts were renegotiated. Those that are neither past due nor provided for or impaired are considered to be fully collectible.

As at March 31, 2019, the aging of trade receivables was as follows:

	Current	31-60	61-90	91-120	>120	Total
	\$	\$	\$	\$	\$	\$
<b>March 31, 2019</b>	<b>52,894</b>	<b>38,000</b>	—	—	—	<b>90,894</b>
March 31, 2018	—	—	—	367,120	2,000	369,120

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

Refer to Note 4 for terms and conditions relating to related party receivables, and refer to Note 11 c) for further information on credit risk applicable to FCAC.

## Financial Consumer Agency of Canada

### Notes to the financial statements

March 31, 2019

(In Canadian dollars)

#### 4. Related party transactions

FCAC is related, in terms of common ownership, to all Government of Canada departments, agencies and crown corporations. FCAC enters into transactions with these entities in the normal course of business and on normal trade terms. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. During the year ended March 31, 2019, FCAC purchased goods and services for \$7,209,979 (\$6,264,197 in 2018) and recovered expenditures of \$628,356 (\$433,075 in 2018) from transactions with other government departments, agencies and crown corporations. FCAC had the following significant transactions:

Entity	Nature	2019 Expenditures \$	2019 Payable \$	2018 Expenditures \$	2018 Payable \$
Treasury Board Secretariat	Pension contributions and other employee benefits	3,352,735	172,140	2,765,228	194,605
Public Services and Procurement Canada	Accommodations translation services and other services	1,422,059	238,426	1,155,672	3,390

As at March 31, 2019, the amount of trade receivables and trade and other payables from these related parties was \$68,171 (\$7,591 on March 31, 2018) and \$602,431 (\$370,079 on March 31, 2018), respectively.

FCAC was granted a statutory expenditure of up to \$5,000,000 for the fiscal year ended March 31, 2019 (\$5,000,000 in 2018) to support, collaborate and coordinate its activities and efforts with stakeholders to improve and strengthen the financial literacy of Canadians. During the year ended March 31, 2019, FCAC spent \$5,000,000 (\$5,000,000 in 2018) of this amount.

## 5. Tangible capital assets

	Balance at March 31, 2018	Additions	Transfer to in use	Disposals, write-offs and transfers of assets	2019 Total
	\$	\$	\$	\$	\$
<b>Cost</b>					
Leasehold improvements	922,463	—	—	—	922,463
Furniture and fixtures	998,962	35,632	—	(20,956)	1,013,638
Office equipment	41,005	—	—	(10,154)	30,851
Informatics hardware	765,286	246,052	—	(47,705)	963,633
Informatics software	1,332,333	—	126,149	—	1,458,482
Software under development	—	308,570	(126,149)	—	182,421
	4,060,049	590,254	—	(78,815)	4,571,488
<b>Accumulated amortization and impairment</b>					
	Balance at March 31, 2018	Amortization expense	Transfer to in use	Disposals, write-offs and transfers of assets	2019 Total
	\$	\$	\$	\$	\$
Leasehold improvements	922,463	—	—	—	922,463
Furniture and fixtures	879,415	33,776	—	(20,823)	892,368
Office equipment	41,005	—	—	(10,154)	30,851
Informatics hardware	302,674	201,872	—	(30,802)	473,744
Informatics software	713,553	260,822	—	—	974,375
	2,859,110	496,470	—	(61,779)	3,293,801
<b>Net book value</b>					
				2019	2018
				\$	\$
Leasehold improvements				—	—
Furniture and fixtures				121,270	119,547
Office equipment				—	—
Informatics hardware				489,889	462,612
Informatics software				484,107	618,780
Software under development				182,421	—
				1,277,687	1,200,939

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

As at March 31, 2019, FCAC had \$2,174,824 (\$1,775,609 in 2018) of capital assets at cost that were fully depreciated and still in use.

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

# Financial Consumer Agency of Canada

## Notes to the financial statements

March 31, 2019

(In Canadian dollars)

### 6. Employee benefits

#### (a) Post-employment benefits

##### (i) Pension benefits

Substantially all of the employees of FCAC are covered by the Public Service Pension Plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and FCAC. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The general contribution rate effective at the end of the period was 10.43% (9.905% in 2018). Total contributions of \$1,398,409 (\$1,099,230 in 2018) were recognized as expense in the current period.

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

##### (ii) Severance benefits

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

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

	<b>March 31, 2019</b>	March 31, 2018
	\$	\$
<b>Accrued benefit obligation, beginning of year</b>	<b>262,755</b>	221,621
Current service cost	<b>20,603</b>	13,810
Interest cost	<b>5,682</b>	5,484
Benefits paid	<b>(24,810)</b>	—
Actuarial (gain)/loss	<b>(56,674)</b>	21,840
<b>Accrued benefit obligation, end of year *</b>	<b>207,556</b>	262,755
Unamortized net actuarial (gain)/loss	<b>(17,110)</b>	38,169
<b>Accrued benefit liability, end of year *</b>	<b>224,666</b>	224,586
<b>Net benefit plan cost</b>		
Current service cost	<b>20,603</b>	13,810
Interest cost	<b>5,682</b>	5,484
Amortization of actuarial (gain)/loss	<b>(1,395)</b>	2,549
<b>Benefit cost</b>	<b>24,890</b>	21,843

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

## 6. Employee benefits (continued)

The most recent actuarial valuation for severance benefits was completed by an independent actuary as at March 31, 2019. FCAC measures its accrued benefit obligation for accounting purposes as at March 31 of each year.

The significant actuarial assumption adopted in measuring FCAC's accrued benefit obligation is a discount rate of 1.81% (2.18% in 2018). For measurement purposes, management's best estimate for the general salary increases to estimate the current service cost and the accrued benefit obligation as at March 31, 2019 is an annual economic increase of 2.00% for the plan years 2020, 2021 and 2022 (2018 – 2.00% for the plan years 2019 to 2021). Thereafter, an annual economic increase of 2.00% is assumed (2.3% in 2018). The average remaining service period of active employees covered by the benefit plan is 15 years (16 years in 2018).

Amounts for the current and previous year are as follows:

	Accrued benefit obligation	Actuarial losses (gains) recognized during the period
	\$	\$
Employee benefits - severance		
<b>March 31, 2019</b>	<b>207,556</b>	<b>(56,674)</b>
March 31, 2018	262,755	21,840

### (b) Other long term benefits

#### i) Sick leave

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

	<b>March 31, 2019</b>	March 31, 2018
	\$	\$
<b>Accrued benefit obligation, beginning of year</b>	<b>958,137</b>	580,369
Current service cost	<b>138,981</b>	92,873
Interest cost	<b>21,748</b>	14,031
Benefits used	<b>(78,221)</b>	(84,345)
Actuarial loss/(gain)	<b>125,312</b>	355,209
<b>Accrued benefit obligation, end of year *</b>	<b>1,165,957</b>	958,137
Unamortized net actuarial loss	<b>(577,181)</b>	(491,344)
<b>Accrued benefit liability, end of year *</b>	<b>588,776</b>	466,793
<b>Net benefit plan cost</b>		
Current service cost	<b>138,981</b>	92,873
Interest cost	<b>21,748</b>	14,031
Amortization of actuarial loss	<b>39,475</b>	33,425
<b>Benefit cost</b>	<b>200,204</b>	140,356

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

## 6. Employee benefits (continued)

The most recent actuarial valuation for sick leave benefits was completed by an independent actuary as at March 31, 2019. FCAC measures its accrued benefit obligation for accounting purposes as at March 31 of each year.

The significant actuarial assumption adopted in measuring FCAC's accrued benefit obligation is a discount rate of 1.85% (2.2% in 2018). For measurement purposes, management's best estimate for the general salary increases to estimate the current service cost and the accrued benefit obligation as at March 31, 2019 is an annual economic increase of 2.00% for the plan years 2020, 2021 and 2022 (2018 – 2% for the plan years 2019 to 2021). Thereafter, an annual economic increase of 2% is assumed (2.3% in 2018). The average remaining service period of active employees covered by the benefit plan is 15 years (16 years in 2018).

Amounts for the current and previous year are as follows:

	Accrued benefit obligation	Actuarial losses (gains) recognized during the period
Employee benefits - sick leave	\$	\$
<b>March 31, 2019</b>	<b>1,165,957</b>	<b>125,312</b>
March 31, 2018	958,137	355,209

## 7. Administrative monetary penalties

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

In the year ended March 31, 2019, FCAC collected \$425,000 (\$580,000 in 2018) in administrative monetary penalties.

## 8. Contractual obligations

FCAC has entered into operating lease agreements for office space and office equipment through Public Services and Procurement Canada occupancy. There are no restrictions placed upon FCAC when entering into these leases. The minimum aggregate annual payments for fiscal year 2020 is \$650,643.

## 9. Expenses by major classification

The following table presents the expenses incurred by major classification.

	<b>Budget 2018-19</b>	<b>March 31, 2019</b>	March 31, 2018
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Personnel	<b>20,226,746</b>	<b>17,188,079</b>	14,061,788
Professional services	<b>4,954,301</b>	<b>4,303,959</b>	3,577,128
Rental	<b>1,493,397</b>	<b>1,284,156</b>	1,043,902
Information	<b>851,140</b>	<b>771,488</b>	1,091,574
Machinery and equipment	<b>243,031</b>	<b>685,322</b>	235,561
Amortization	<b>568,337</b>	<b>496,470</b>	398,234
Travel	<b>473,000</b>	<b>354,254</b>	510,275
Transportation & communication	<b>189,411</b>	<b>206,246</b>	186,967
Repairs and maintenance	<b>61,936</b>	<b>138,929</b>	75,804
Materials and supplies	<b>52,000</b>	<b>93,481</b>	68,357
Interest	<b>80,000</b>	<b>35,158</b>	43,167
Other expenditures	<b>40,000</b>	<b>25,174</b>	122,922
<b>Total</b>	<b>29,233,299</b>	<b>25,582,716</b>	21,415,679

## 10. Financial risk management

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

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

### (a) Market risk

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

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

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

## 10. Financial risk management (continued)

### (b) Interest rate risk

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

### (c) Credit risk

Credit risk is the risk that the counterparty will not meet its obligations under a financial instrument, resulting in a financial loss for FCAC. The maximum exposure FCAC has to credit risk as at March 31, 2019, is \$310,994 (\$444,515 March 31, 2018), which is equal to the carrying value of its trade receivables and other receivables.

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

### (d) Liquidity risk

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

FCAC's policy is to satisfy liabilities by the following means (in decreasing order of priority):

- Cash entitlement
- Borrowings from the CRF

## 10. Financial risk management (continued)

The table below summarizes the maturity profile of FCAC's financial liabilities at March 31, 2019 and March 31, 2018, based on contractual undiscounted payments. When the counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which FCAC can be required to pay. When amounts are due in installments, each installment is allocated to the earliest period in which FCAC can be required to pay.

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

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Greater than 5 years	March 31, 2018 Total
	\$	\$	\$	\$	\$	\$
Trade and other payables	740,688	3,967,726	695,040	—	—	5,403,454
Unearned assessments	—	—	1,484,844	—	—	1,484,844
<b>Total</b>	<b>740,688</b>	<b>3,967,726</b>	<b>2,179,884</b>	<b>—</b>	<b>—</b>	<b>6,888,298</b>

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

By March 31 of each year, the Commissioner must determine the total expenses incurred by the Agency during the preceding fiscal year for, or in connection with, the administration of the FCAC Act and the consumer provisions. The Commissioner then assesses each federally regulated financial entity a portion of these expenses, as determined by regulation or the financial assessment methodology of payment card network operators. Interim assessments are also possible. To temporarily fund expenses until entities are assessed, before March 31 of each year, the Agency must seek Ministerial authority to borrow from the CRF for the next fiscal year, up to a predetermined limit. The authority to borrow from the CRF is granted under section 13 of the FCAC Act. For the year ended March 31, 2019, the Minister has approved up to \$25,100,000 (\$14,500,000 in 2018). All amounts borrowed must be repaid within one year. The Agency pays interest on the funds borrowed as described under "Interest rate risk."

During the year, FCAC used \$7,000,000 from the CRF and repaid the full amount by March 31, 2019. In the previous year, FCAC used \$11,000,000 from the CRF and repaid the full amount by March 31, 2018.

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

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

## **11. Comparative figures**

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.