



Financial Consumer
Agency of Canada

Agence de la consommation
en matière financière du Canada

FINANCIAL CONSUMER AGENCY OF CANADA

FUTURE-ORIENTED STATEMENT OF OPERATIONS

For the years ending March 31, 2020 and 2021

April 2020

Cat. No.: FC2-5E-PDF

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Ce document est aussi disponible en français sous le titre ***État des résultats prospectif***.

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR THE FUTURE-ORIENTED STATEMENT OF OPERATIONS

Responsibility for the compilation, content and presentation of the Future-Oriented Statement of Operations and the accompanying notes for the years ending March 31, 2020 and 2021 rests with the Financial Consumer Agency of Canada's (FCAC, the Agency) management, including the appropriateness of the underlying assumptions. This Future-Oriented Statement of Operations has been prepared by management based on the best information available and assumptions adopted as at February 1, 2020, in accordance with Government of Canada's accounting policies and is based on Canadian public sector accounting standards.

The actual results achieved for the fiscal years covered in the accompanying Future-Oriented Statement of Operations will vary from the forecast information presented, and these variations may be material.

The Future-Oriented Statement of Operations has not been audited.

Judith Robertson
Commissioner

Werner Liedtke, CPA, CMA
Chief Financial Officer

Ottawa, Canada

February 20, 2020

FINANCIAL CONSUMER AGENCY OF CANADA

Future-Oriented Statement of Operations (unaudited)

For the year ending March 31

(in dollars)

	Forecast results 2019-20	Planned results 2020-21
Expenses		
Supervision and promotion	\$ 6,142,995	\$ 9,061,627
Financial literacy	5,391,946	6,844,238
Internal services	19,232,527	22,506,882
Total expenses	30,767,468	38,412,747
Revenues		
Assessments	25,767,217	33,412,747
Other revenues	251	-
Total revenues	25,767,468	33,412,747
Net cost of operations before government funding, transfers and administrative monetary penalties	(5,000,000)	(5,000,000)
Government funding	5,000,000	5,000,000
Net results of operations before administrative monetary penalties	-	-
Administrative monetary penalties collected	500,000	-
Administrative monetary penalties remitted	(500,000)	-
Net results of operations	\$ -	\$ -

The accompanying notes form an integral part of this Future-Oriented Statement of Operations.
Totals may not add due to rounding.

FINANCIAL CONSUMER AGENCY OF CANADA

Notes to the Future-Oriented Statement of Operations (unaudited)

For the year ending March 31

1. Methodology and significant assumptions

The Future-Oriented Statement of Operations has been prepared on the basis of the government priorities and the plans of the Agency as described in FCAC's 2020-21 Business Plan.

The information in the forecast results for the fiscal year 2019-20 is based on actual results as at September 30, 2019 and on forecasts for the remainder of the fiscal year. Forecasts have been made for the planned results for fiscal year 2020-21.

The significant assumptions are as follows:

- (a) Expenses and revenues, including the determination of amounts internal and external to the government, are based on historical experience and trends, as well as known new requirements.
- (b) FCAC's full-time equivalent (FTE) staffing level is forecast to increase by approximately sixty FTEs in the year ending March 31, 2021.
- (c) The employee benefit rate for 2019-20 and 2020-21 is estimated to be 24.5% and 24.0% of salaries respectively.
- (d) Salary economic adjustments for 2019-20 and 2020-21 represent FCAC's best estimates at the time this Future-Oriented Statement of Operations was prepared.
- (e) FCAC's funding model will not change over the planning period.

These assumptions are made as at February 1, 2020.

2. Variations and changes to the forecast financial information

Although every attempt has been made to forecast final results for the remainder of 2019-20 and for 2020-21, actual results achieved for both years are likely to differ from the forecast information presented, and this variation could be material.

In preparing this Future-Oriented Statement of Operations, FCAC has made estimates and assumptions about the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are based on past experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, and are continually evaluated.

Factors that could lead to material differences between the Future-Oriented Statement of Operations and the historical financial statements of operations include:

- (a) the timing of filling new and vacant positions;
- (b) the timing and amount of contracts put in place to support the Agency's many projects and initiatives;
- (c) implementation of new terms and conditions of employment;

FINANCIAL CONSUMER AGENCY OF CANADA

Notes to the Future-Oriented Statement of Operations (unaudited)

For the year ending March 31

2. Variations and changes to the forecast financial information (continued)

- (d) further changes to the operating budget to respond to supervisory and regulatory reforms and additional demands related to the mandate of the Agency;
- (e) fluctuations in the discount rate used to calculate actuarial gain/loss on the severance and sick leave liabilities;
- (f) changes in FCAC's responsibilities, as determined by the Minister of Finance or Parliament, and;
- (g) magnitude and timing of the workspace modernization project and IT Projects.

Once the Business Plan is presented and approved, FCAC will not be updating the forecasts for any changes in financial resources. Variances will be explained in the Annual Report.

3. Summary of significant accounting policies

The Future-Oriented Statement of Operations of FCAC has been prepared using the Government of Canada's accounting policies in effect for the fiscal year 2019-20, and is 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.

Significant accounting policies are as follows:

(a) Expenses

The Agency records expenses on an accrual basis.

Expenses are generally recorded when goods are received or services are rendered and include expenses related to personnel, professional services, rental, information, machinery and equipment, transportation, communication, materials and supplies, interest, as well as amortization of tangible capital assets. Provisions to reflect changes in the value of assets and liabilities, such as the provision for bad debts, as well as the utilization of prepaid expenses are also included in expenses.

Amortization is recorded using the straight-line method over the estimated useful lives of the assets.

Vacation pay and compensatory leave are accrued as the benefits are earned by employees under the terms and conditions of employment.

(b) Revenue recognition

FCAC recognizes revenue so as to recover its expenses. Revenue is recorded in the accounting period in which it is earned (service provided) whether or not it has been billed or collected. FCAC assesses

FINANCIAL CONSUMER AGENCY OF CANADA

Notes to the Future-Oriented Statement of Operations (unaudited)

For the year ending March 31

3. Summary of significant accounting policies (continued)

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.

Assessments:

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

(c) Administrative monetary penalties

The Commissioner may impose administrative monetary penalties for violations of consumer provisions or compliance agreement requirements. Penalties per violation may be as high as \$50,000 for an individual and \$500,000 for a financial entity. Any payment made by the federally regulated financial entities for penalties imposed is to be remitted to the Consolidated Revenue Fund. These funds are not available to FCAC to spend and, as a result, FCAC does not include them when it assesses the industry in respect of its operating costs.

4. Authorities

FCAC is a federal government agency that recovers its costs mainly through assessments against the financial entities it supervises. 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 has the authority to spend revenues received through the conduct of its operations as per section 13(2) of the FCAC Act, and to spend any funding available through the Minister of Finance per section 13(3).

Financial reporting of authorities provided to the Agency differs from financial reporting according to generally accepted accounting principles because authorities are based mainly on cash flow requirements. Items recognized in the Future-Oriented Statement of Operations in one year may be funded through FCAC's authorities in prior, current or future years. Accordingly, the department has different net cost of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

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Notes to the Future-Oriented Statement of Operations (unaudited)

For the year ending March 31

4. Authorities (continued)

a) Reconciliation of cost of operations to requested authorities (in dollars)

	Forecast results 2019-20	Planned results 2020-21
Cost of operations	\$ 30,767,468	\$ 38,412,747
Adjustment for items affecting the cost of operations but not affecting authorities:		
Amortization of tangible capital assets	(588,176)	(544,640)
Allowance for bad debt	-	-
Gain (loss) on disposal of tangible capital assets	-	-
Increase in employee future benefits	(204,979)	(207,811)
Adjustment for items not affecting the cost of operations but affecting authorities:		
Acquisition of tangible capital assets	367,987	3,036,112
Requested authorities forecasted to be used	\$ 30,342,300	\$ 40,696,408

b) Authorities requested (in dollars)

	Forecast results 2019-20	Planned results 2020-21
Authorities requested		
Payments under Section 13 of the Financial Consumer Agency of Canada Act	\$ 30,342,300	\$ 40,696,408
Total authorities requested	\$ 30,342,300	\$ 40,696,408

Totals may not add due to rounding.