ONTARIO FINANCING AUTHORITY

Audited Financial Statements
for the year ended March 31, 2020

Financial Statements

Responsibility for Financial Reporting

The accompanying Financial Statements of the OFA have been prepared in accordance with Canadian public sector accounting standards. The preparation of the Financial Statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The Financial Statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 19, 2020.

Management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. An internal audit function independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its findings to management and the Audit and Risk Management Committee of the Board.

The Board, through the Audit and Risk Management Committee, is responsible for ensuring management fulfils its responsibilities for financial reporting and internal controls. The Audit and Risk Management Committee meets quarterly with management and the internal auditors, and at least twice yearly with the external auditor, to deal with issues raised by them and to review the financial statements before recommending approval by the Board.

The Financial Statements have been audited by the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion on whether the Financial Statements are fairly presented in accordance with Canadian public sector accounting standards. The Auditor's Report, which appears on the following pages, outlines the scope of the Auditor's examination and opinion.

On behalf of management:

Gadi Mayman
Chief Executive Officer

Ken Kandeepan
Chief Financial and Risk Officer

Office of the Auditor General of Ontario
Bureau de la vérificatrice générale de l'Ontario

INDEPENDENT AUDITOR'S REPORT

To the Ontario Financing Authority

Opinion

I have audited the financial statements of the Ontario Financing Authority (the OFA), which comprise the statement of financial position as at March 31, 2020, and the statements of operations, change in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the OFA as at March 31, 2020, and the results of its operations, change in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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

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

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

Box 105, 15th Floor
20 Dundas Street West
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-326-3812

B.P. 105, 15e étage
20, rue Dundas ouest
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-326-3812

www.auditor.on.ca

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

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

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

Toronto, Ontario
June 19, 2020

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

ONTARIO FINANCING AUTHORITY

Statement of Financial Position

As at March 31, 2020

(in thousands of dollars)		**2020**		***2019***
FINANCIAL ASSETS				
Cash	$	35,528	$	*31,062*
Due from agencies & related parties (Note 6)(c)		2,544		*2,741*
Due from the Province of Ontario		2,698		*2,816*
		40,770		*36,619*
LIABILITIES				
Accounts payable and accrued liabilities		2,698		*2,816*
Due to the Province of Ontario		1,525		*1,435*
Deferred revenue (Note 3)		1,419		*1,282*
		5,642		*5,533*
Net financial assets		**35,128**		***31,086***
NON-FINANCIAL ASSETS				
Tangible capital assets (Note 2)		884		*868*
Prepaid expenses		535		*414*
		1,419		*1,282*
Accumulated surplus	$	**36,547**	$	***32,368***

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors:

Greg Orencsak
Chair

Gadi Mayman
Chief Executive Officer

ONTARIO FINANCING AUTHORITY

Statement of Operations

For the year ended March 31, 2020

(in thousands of dollars)	**2020 Budget**	**2020 Actual**	***2019 Actual***
REVENUE			
Cost recovery from the Province of Ontario (Note 4)	$ 22,114	$ 20,260	*$ 20,583*
Cost recovery from agencies & related parties (Note 6) (c)	5,097	5,257	*5,292*
Amortization of deferred capital contributions (Note 3)	652	611	*698*
Interest revenue (Note 5)	3,960	4,179	*5,382*
	31,823	30,307	*31,955*
EXPENSES			
Salaries, wages and benefits	23,319	22,233	*22,520*
Administrative and general	3,892	3,284	*3,355*
Amortization of tangible capital assets (Note 3)	652	611	*698*
	27,863	26,128	*26,573*
Annual surplus	3,960	4,179	*5,382*
Accumulated surplus at beginning of year	32,368	32,368	*26,986*
Accumulated surplus at end of year	$ 36,328	$ 36,547	*$ 32,368*

See accompanying notes to financial statements.

ONTARIO FINANCING AUTHORITY

Statement of Change in Net Financial Assets

For the year ended March 31, 2020

(in thousands of dollars)	**2020 Budget**	**2020 Actual**	***2019 Actual***
Annual surplus	$ 3,960	$ 4,179	*$ 5,382*
Acquisition of tangible capital assets (Note 3)	(795)	(627)	*(326)*
Amortization of tangible capital assets (Note 3)	652	611	*698*
Prepaid expenses	–	(121)	*(33)*
Change in net financial assets	3,817	4,042	*5,721*
Net financial assets at beginning of year	31,086	31,086	*25,365*
Net assets at end of year	$ 34,903	$ 35,128	*$ 31,086*

See accompanying notes to financial statements.

ONTARIO FINANCING AUTHORITY

Statement of Cash Flow

For the year ended March 31, 2020

(in thousands of dollars)		**2020**		***2019***
Operating transactions				
Annual surplus	$	4,179	*$*	*5,382*
Less: Items not affecting cash				
Amortization of tangible capital assets		611		*698*
Increase in prepaid expenses		(121)		*(33)*
(Decrease)/Increase in deferred revenue		137		*(339)*
Changes in non-cash working capital:				
(Decrease)/Increase in due from agencies & related parties		197		*(771)*
Decrease/(Increase) in due from the Province		118		*(640)*
(Decrease)/Increase in accounts payable		(118)		*640*
(Decrease)/Increase in recoveries due to the Province		90		*(2,202)*
Cash provided by operating transactions		5,093		*2,735*
Capital transaction				
Cash used to acquire tangible capital assets		(627)		*(326)*
Cash applied to capital transactions		(627)		*(326)*
Net change in cash		4,466		*2,409*
Cash at beginning of year		31,062		*28,653*
Cash at end of year	**$**	**35,528**	***$***	***31,062***

See accompanying notes to financial statements.

ONTARIO FINANCING AUTHORITY

Notes to Financial Statements

For the year ended March 31, 2020

BACKGROUND

The Ontario Financing Authority (the OFA) was established as an agency of the Crown on November 15, 1993 by the *Capital Investment Plan Act, 1993* (the Act). In accordance with the Act, the OFA:

- conducts borrowing, investment and financial risk management for the Province of Ontario (the Province);
- manages the Provincial debt;
- provides centralized financial services for the Province including banking and cash management;
- advises ministries, Crown agencies and other public bodies on financial policies and projects;
- assists Crown agencies and other public bodies to borrow and invest money;
- acts at the direction of the Province in lending to certain public bodies;
- invests on behalf of some public bodies;
- with Ontario Power Generation Inc. (OPG), manages the investment activities of OPG's Used Fuel Segregated Fund and Decommissioning Segregated Fund; and
- carries out the day-to-day operations of Ontario Electricity Financial Corporation (OEFC) and provides a broad range of financial services to Ontario Infrastructure and Lands Corporation (Infrastructure Ontario).

In addition, the OFA's objects include:

- providing such other financial services as are considered advantageous to the Province or any public body; and
- any additional objects as directed by the Lieutenant Governor in Council.

The Memorandum of Understanding between the OFA and the Minister of Finance is an administrative agreement that serves as an important governance tool for the OFA in delivering on its mandate and objectives.

The OFA is a corporation established under the laws of Ontario. The OFA is exempt from federal and provincial income taxes under paragraph 149(1) (d) of the *Income Tax Act* (Canada).

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting: These financial statements are prepared by management in accordance with Canadian Public Sector Accounting Standards for provincial reporting entities established by the Canadian Public Sector Accounting Board.

(b) Tangible Capital Assets: Tangible capital assets are stated at cost. Amortization is provided using the straight-line method over the estimated useful life of the assets, with a half-year provision

applied in both the year of acquisition and the year of disposal. The estimated useful life of the assets are as follows:

Furniture and equipment	5 years
Computer hardware	3 years
Leasehold improvements	Term of lease

Funding received from the Province for the acquisition of tangible capital assets is recorded as deferred revenue and amortized to cost recovery on the same basis as the tangible capital assets.

(c) Measurement Uncertainty: The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Items requiring the use of significant estimates include: useful life of tangible capital assets, accruals and the accrued benefit obligation. Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

(d) Accounts Payable and Accrued Liabilities: Accounts payable relate to normal business transactions with third-party vendors and are subject to standard commercial terms. Accrued liabilities relate to accruals for salaries and benefits.

(**e) Revenue and Expenses**: OFA is funded from the Consolidated Revenue Fund (CRF) as part of Treasury Program. OFA can charge fees subject to statutory and regulatory authority and it earns revenues from public bodies outside of the CRF; the OFA retains revenues earned from the interest rate spread on its loans to public bodies.

(f) Financial Instruments: The OFA's financial assets and liabilities are accounted for as follows:

- Cash is subject to an insignificant risk of change in value so carrying value approximates fair value; and

- Accounts receivable, due from agencies & related parties, due from the Province of Ontario, accounts payable, due to the Province of Ontario and deferred revenue are recorded at cost.

The OFA does not use derivative financial instruments on its own behalf.

(g) Related Party Transactions: Related party transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by related parties.

2. TANGIBLE CAPITAL ASSETS

Year ended March 31, 2020

	Computer Hardware	Leasehold Improvements	Furniture and Equipment	Total
(in thousands of dollars)				
Cost				
Opening balance, April 1, 2019	$ 13,974	$ 1,905	$ 1,213	$ 17,092
Additions	627	–	–	627
Disposals	–	–	–	–
Closing balance, March 31, 2020	14,601	1,905	1,213	17,719
Accumulated Depreciation				
Opening balance, April 1, 2019	13,240	1,857	1,127	16,224
Amortization	567	15	29	611
Disposals	–	–	–	–
Closing balance, March 31, 2020	13,807	1,872	1,156	16,835
Net Book Value, March 31, 2020	$794	$33	$57	$884

Year ended March 31, 2019

	Computer Hardware	Leasehold Improvements	Furniture and Equipment	Total
(in thousands of dollars)				
Cost				
Opening balance, April 1, 2018	$ 14,196	$ 1,893	$ 1,210	$ 17,299
Additions	311	12	3	326
Disposals	(533)	–	–	(533)
Closing balance, March 31, 2019	13,974	1,905	1,213	17,092
Accumulated Depreciation				
Opening balance, April 1, 2018	13,118	1,844	1,097	16,059
Amortization	655	13	30	698
Disposals	(533)	–	–	(533)
Closing balance, March 31, 2019	13,240	1,857	1,127	16,224
Net Book Value, March 31, 2019	$734	$48	$86	$868

3. DEFERRED REVENUE

Deferred revenue represents the unamortized portion of the cost recovered from the Province for the acquisition of tangible capital assets as well as prepaid expenses to be allocated over the period the resources are consumed.

(in thousands of dollars) Year ended March 31, 2020

	Tangible Capital Assets	Prepaid Expenses	Total
Balance, beginning of year	$ 868	$ 414	$ 1,282
Additions	627	690	1,317
Amortization	(611)	–	(611)
Expensed in the current year	–	(569)	(569)
Balance, end of year	$884	$535	$1,419

(in thousands of dollars) Year ended March 31, 2019

	Tangible Capital Assets	Prepaid Expenses	Total
Balance, beginning of year	$ 1,240	$ 381	$ 1,621
Additions	326	491	817
Amortization	(698)	–	(698)
Expensed in the current year	–	(458)	(458)
Balance, end of year	$ 868	$ 414	$ 1,282

Amortization of $611,000 (2019 – $698,000) represents the offset to the contributions received for the purchase of tangible capital assets. The $569,000 (2019 – $458,000) expensed represents the amount allocated to the current year expenses from the prepaid expenses.

4. DEBT AND INVESTMENT MANAGEMENT FOR THE PROVINCE

The OFA manages debt on behalf of the Province amounting to $378.8 billion, as at March 31, 2020 (2019 Actual – $368.6 billion) as per the interim projection published in the *March 2020 Economic and Fiscal Update*. The OFA also manages investments amounting to $68.1 billion as at March 31, 2020 (2019 – $64.9 billion), including $21.8 billion (2019 – $22.3 billion) under the joint management of funds owned by Ontario Power Generation Inc. (OPG) under the Ontario Nuclear Funds Agreement (ONFA). The Province, OPG and certain OPG subsidiaries entered into the agreement in March 2002 to set aside funds necessary to dispose of nuclear waste and used fuel and to decommission nuclear power stations. The agreement came into force on July 24, 2003.

Cost recovery from the Province for all debt management and investment activities for the year ended March 31, 2020 was $20.3 million (2019 – $20.6 million).

5. TRANSACTIONS WITH PUBLIC BODIES

The OFA provides financing to various public bodies on direction from the Province. As the OFA is directed by the Province to make these loans in furtherance of stated Provincial initiatives, and these loans are included in the Province's consolidated financial statements, these transactions are not reflected in these financial statements.

Funds for these loans are advanced to the OFA by the Province under credit facilities aggregating $21.9 billion expiring from 2036 to 2055. Principal repayments received from public bodies by the OFA are forwarded to the Province. The interest rates charged to public bodies is generally slightly higher than the rate charged by the Province on the advances to fund the loans (the spread).

The OFA will generally retain a portion of the spread in order to recover the administrative costs of managing these loans. The spread retained by the OFA includes a cost recovery component and, where applicable, a proxy commercial interest rate spread. The inclusion of the proxy commercial spread results in an interest rate equivalent to what would be charged on the loan by a commercial lender and reflects the relative risk associated with the loan. During the year ended March 31, 2020, $3.5 million in interest rate spread revenue was recognized (2019 – $4.8 million) of which $1.0 million is receivable at year end (2019 – $1.3 million). The OFA's total interest revenue of $4.2 million for the year also includes $0.7 million (2019 – $0.6 million) interest income earned on its bank balance.

Loans to Public Bodies by the Province:

As at March 31, 2020, the principal amounts receivable by the OFA on behalf of the Province represent long term and short term loans. During the year total interest received from these loans was $235.0 million (2019 – $252.6 million), of which $231.5 million (2019 – $247.8 million) was flowed to the Province after retaining OFA's interest spread of $3.5 million (2019 – $4.8 million).

These are related party transactions, with the exception of Corporation of the City of Windsor.

(in thousands of dollars)

	March 31, 2020	*March 31, 2019*
(i) Colleges of Applied Art and Technologies	$331,396	*$350,410*
(ii) Corporation of the City of Windsor	2,237	*6,315*
(iii) Hospitals	101,732	–
(iv) Independent Electricity System Operator	2,754	*16,595*
(v) Niagara Parks Commission	3,484	*3,858*
(vi) Ontario Cannabis Retail Corporation	81,405	*64,923*
(vii) Ontario Lottery and Gaming Corporation	32,325	*31,628*
(viii) Ontario Northland Transportation Commission	1,341	*6,730*
(ix) Royal Ontario Museum	23,534	*23,634*
(x) School Boards	4,786,301	*5,025,439*
Total	**$5,366,509**	***$5,529,532***

(i) Colleges of Applied Art and Technologies have been loaned $331.4 million (2019 – $350.4 million) for various campus projects including new and expanded student residences, computer equipment, parking facilities, and an energy saving capital project. These loans bear interest ranging from 1.32 per cent to 5.75 per cent and mature from 2019 to 2049.

(ii) The Corporation of the City of Windsor is a municipality within the meaning of the *Municipal Act, 2001*. The financing provided is for the acquisition, design and construction of the Windsor Justice Facility consisting of a provincial division courthouse and city police headquarters. This is a 20 year loan bearing interest at 6.41 per cent and maturing in March 2021. The outstanding balance is $2.2 million (2019 – $6.3 million).

(iii) Hospitals

Unity Health Toronto (created by the 2017 amalgamation of Providence Healthcare, St. Joseph's Health centre and St. Michael's Hospital), a charitable organization incorporated under the *Corporations Act* (Ontario) has been provided with a loan of $99.0 million (2019 – nil) for the purpose of providing long-term financing as funding for a portion of the shortfall between actuarial value of the assets in the hospital's legacy St. Michael's Hospital single employer pension plan (the SMHPP) and the actuarial value required to merge the SMHPP with the Healthcare of Ontario Pension Plan (HOOPP). The proceeds of this loan were used by Unity Health Toronto to pay down the shortfall to HOOPP. This loan bears an interest rate of 2.99 per cent and matures in 2049.

Arnprior Regional Health (ARH) has been provided a loan facility of $25.8 million for the purpose of financing a Long-term Care Redevelopment project. As of March 31, 2020 ARH has drawn $2.8 million (2019 – nil) from this facility bearing interest rate of 1.81 per cent.

(iv) The Independent Electricity System Operator (IESO), a corporation continued under Part II of the *Electricity Act, 1998*, had been provided a maximum $475 million credit facility under the amended revolving credit facility agreement on November 6, 2017 to primarily fund the Regulated Price Plan variance account prior to an amendment. On December 20, 2019, this agreement was amended again to increase the credit facility from $475 million to a maximum of $1,100 million. This credit facility has been extended until June 30, 2023. As at March 31, 2020, the IESO has drawn $2.8 million (2019-$16.6 million) for the Rural or Remote Electricity Rate Protection program bearing an interest rate at 1.55 percent.

Previously a separate agreement had been entered into between the OFA and the IESO on November 6, 2017. This credit facility was to expire on September 30, 2022. As a result of the Government's policy decisions on electricity funding, this credit facility was no longer required and under the amended agreement entered into between OFA and IESO on December 20, 2019, this credit facility is no longer required and was terminated on the same date.

(v) The Niagara Parks Commission, a Crown agency of the Province operating under the *Niagara Parks Act*, has been provided a loan of $3.5 million (2019 – $3.9 million) to finance additional capital costs incurred for the redevelopment of phase I of Table Rock House in Queen Victoria Park, Niagara Falls. The loan bears interest at 5.07 per cent and matures in April 2027.

(vi) The Ontario Cannabis Retail Corporation (OCRC), a Crown agency of the Province, operating under the *Ontario Cannabis Retail Corporation Act, 2017*, has been provided a loan facility of $150 million for the purpose of funding the set-up and operating costs. As of March 31, 2020 OCRC has drawn $81.4 million (2019 – $64.9 million) from this facility bearing interest rate ranging from of 2.28 per cent to 2.79 per cent.

(vii) The Ontario Lottery and Gaming Corporation (OLG), a Crown agency of the Province established under the *Ontario Lottery and Gaming Corporation Act, 1999*, has been provided loans totaling $32.3 million (2019 – $31.6 million) to fund several projects, these loans bear interest ranging from 1.23 per cent to 3.03 per cent and maturing between July 2020 and September 2022.

(viii) The Ontario Northland Transportation Commission (ONTC) is a Crown agency of the Province operating under the *Ontario Northland Transportation Commission Act*. ONTC's total borrowing of $1.3 million (2019 – $6.7 million) matures from April 2020 to January 2031 and bears interest rate of 4.90 per cent. The ONTC has also been provided a Revolving Credit Facility to a maximum amount of $5 million, maturing on October 30, 2020. As at March 31, 2020 ONTC has not drawn any funds from this facility (2019 – $5.0 million).

(ix) The Royal Ontario Museum (ROM), a Crown agency of the Province continued under the *Royal Ontario Museum Act*, has borrowed $23.5 million (2019 – $23.6 million) bearing a floating interest rate currently at 2.2 per cent. All outstanding loans are scheduled to be repaid by March 2027.

(x) School boards have been provided loans under various programs beginning in 2006. During the year ended March 31, 2020, school boards have made semi-annual blended payments of principal and interest, leaving the total outstanding amount at $4,786.3 million (2019 – $5,025.4 million). These loans bear interest ranging from 2.43 to 5.38 per cent and mature from 2020 to 2042. Since

April 1, 2017, the Ministry of Education introduced a new funding model which replaced the need for capital loans from the OFA. School Boards will however, continue to make interest and principal payments until all outstanding balances are paid off.

6. INVESTMENT AND DEBT MANAGEMENT FOR RELATED PARTY AGENCIES

a. The OFA provides investment management services to the following related party agencies. Fees are aimed at recovering OFA costs and are charged on the basis of either the market or par value of the assets under management based on a range of up to 0.20 per cent.

Northern Ontario Heritage Fund	Ontario Immigrant Investor Corporation
Ontario Capital Growth Corporation	Ontario Infrastructure and Lands Corporation
	Ontario Trillium Foundation

Investments managed on behalf of these entities totalled $2.1 billion at March 31, 2020 (2019 – $2.0 billion).

b. The OFA provides debt management services to the following related party agencies on a cost recovery basis:

Ontario Electricity Financial Corporation (OEFC)
The OFA provides financial services and advice on a cost recovery basis to OEFC and manages its debt portfolio of approximately $17.9 billion (2019 – $18.8 billion).

Ontario Infrastructure and Lands Corporation (Infrastructure Ontario)
The OFA provides borrowing and other financial services and advice on a cost recovery basis to Infrastructure Ontario and manages its debt of approximately $6.5 billion at March 31, 2020 (2019 – $6.3 billion) including loans from the Province, a provincial agency and third parties.

Metrolinx
The OFA provides services to Metrolinx with respect to its fuel commodity hedging program on a cost recovery basis.

Wataynikaneyap Power LP (Watay)
The OFA provides services as Administrative Agent for the Ontario Loan provided by the Ministry of Energy, Northern Development and Mines (ENDM) to Wataynikaneyap Power LP (Watay) for administrative fee of 10 basis points added to the applicable interest rate for each loan. The fee is remitted to the OFA by Watay at the same time it makes scheduled interest payments to ENDM.

c. The total costs recovered and receivables outstanding for related party agencies at March 31, 2020 are set out below:

(in thousands of dollars)

	March 31, 2020	*March 31, 2019*
Costs Recovered:		
OEFC	$3,972	*$4,076*
Infrastructure Ontario	695	*704*
Metrolinx	22	*26*
Wataynikaneyap Power LP	27	*–*
Investment Management	541	*486*
Total	$5,257	*$5,292*
Receivables:		
OEFC	$1,130	*$ 1,104*
Infrastructure Ontario	176	*173*
Other	88	*89*
Investment Management	146	*125*
Interest Rate Spread (Note 5)	1,004	*1,250*
Total	$2,544	*$ 2,741*

7. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The main risks that the OFA's financial instruments are exposed to are credit risk, liquidity risk and market risk. These risks are limited to the financial instruments reflected on the statement of financial position and do not extend to the financing provided to various public bodies, disclosed in note 5 to the financial statements.

Credit risk

Credit risk is the risk that the counterparty to a financial instrument may fail to discharge an obligation or commitment into which it has entered. This risk is minimal as all of the receivables are from the Province of Ontario and related parties such as the OEFC and Infrastructure Ontario.

Liquidity risk

Liquidity risk is the risk that the OFA will not be able to meet its cash flow obligations as they fall due. The OFA's exposure to liquidity risk is minimal as all operating and capital expenses are cost recovered primarily from the Province of Ontario.

Market risk

The market risk arises from the possibility that changes in market prices will affect the value of the financial instruments of the OFA. The OFA is not exposed to market risk.

8. FUTURE EMPLOYEE BENEFITS

(a) Pension Benefits

The OFA provides pension benefits to its full-time employees through participation in the Public Service Pension Plan (PSPP), which is a multi-employer defined benefit pension plan established by the Province of Ontario. The Ministry of Government and Consumer Services (MGCS) is responsible for funding the employer's contribution to the Pension Fund and accordingly, the OFA has no additional liability for these future costs. In addition, the cost of post-retirement, non-pension benefits is paid by MGCS and is not reported in these financial statements.

(b) Accrued Employee Benefits Obligation

The legislated severance entitlement upon retirement for the Association of Management, Administrative and Professional Crown Employees of Ontario (AMAPCEO), excluded employees, management-excluded employees and other Management employees who retire after January 1, 2016, will be paid based on the salary in effect on December 31, 2015.The legislated severance entitlement upon retirement for the Ontario Public Service Employee Union (OPSEU), excluded employees who retire after January 1, 2016, will be paid based on salary in effect on December 31, 2016.

For all other employees subject to terms set out in collective agreements who have completed five years of service, the OFA provides termination pay equal to one week's salary for each year of service up to a maximum of 50 percent of their annual salary.

The costs of these legislated severance entitlements earned by AMAPCEO and OPSEU, excluded employees, management excluded employees, management employees as at March 31, 2020 amounted to $3,486,000 (2019 – $3,554,000). In addition, the unused vacation entitlements earned by all employees as at March 31, 2020 amounted to $1,178,000 (2019 – $975,000).

On an ongoing basis, MGCS is responsible for funding the legislated severance entitlements, as well as unused vacation entitlements and accordingly no additional expense or liability is reported in these financial statements. Accrued employee benefits obligation is recorded at cost on the entitlements earned by employees up to March 31, 2020. A fair value estimate based on actuarial assumptions about when these benefits will actually be paid has not been made, as it is not expected that there would be a significant difference from the recorded amount. In December 2018, the Province extended and expanded a voluntary early departure program that provided enhanced severance to qualified employees. The additional severance costs as well as the vacation entitlements and other benefits relating to this program were accrued in 2018-19 and of that accrual $493,383 remains outstanding as at March 31, 2020.

9. COMMITMENTS AND CONTINGENCIES

Lease Commitment:

The OFA rents its premises under an operating lease which has been extended for until June 30, 2022, and the minimum base rental payments for the lease are as follows:

(in thousands of dollars)

	March 31, 2020
2021	1,029
2022	1,029
2023	257
Total	**$2,315**

OFA is committed to pay its proportionate share of realty taxes and operating expenses for the premises for the year ended March 31, 2020, which amounted to $1,104,395 (2019 – $1,178,155).

Committed Facilities:

At the direction of the Province, the OFA has committed to finance a number of public bodies for which funds have not yet been advanced. The details are as follows:

The Financial Services Regulatory authority of Ontario (FSRA) was established to replace the Financial Services Commission of Ontario (FSCO) and the Deposit Insurance Corporation of Ontario (DICO). On June 8, 2019 FSRA took over the regulatory functions of FSCO and DICO and accordingly the OFA's $400 million revolving credit facility to ensure FSRA's capacity to address systematic difficulties in the credit union system or the failure of large institutions that require resources above those in the Deposit Insurance Reserve Fund (DIRF) was assigned to FSRA. As of March 31, 2020, FSRA had not drawn any funds from this credit facility (2019 – nil). In the event any drawings, all principal and interest is required to be repaid by December 31, 2029. The DIRF as of March 31, 2020 is valued at approximately $331.3 million (2019 – $290.6 million).

Infrastructure Ontario is a Crown agency of the Province under the *Ontario Infrastructure and Lands Corporation Act, 2011* and has been provided a Revolving Credit Facility to a maximum amount of $100 million maturing on March 27, 2023. As of March 31, 2020 Infrastructure Ontario had not drawn any funds from this facility (2019 – nil).

In the event funds are advanced under the above facilities they will be disclosed under Note 5 – Transactions with Public Bodies.

Contingencies:

At March 31, 2020, there were no claims under which the OFA would be financially liable. The Province continues to guarantee the term deposits issued by the Province of Ontario Savings Office prior to 2003.

10. RELATED PARTY TRANSACTIONS

The Province of Ontario is a related party as it is the controlling entity of the OFA. The Ministry of Government and Consumer Services provides payroll and benefit services, and the Ministry of Finance provides internal audit services at no cost to the OFA. Infrastructure Ontario also negotiates lease renewals with the landlord on behalf of the OFA at no cost to the Agency.

In addition, related party transactions pertaining to:

- Debt and Investment Management for the Province are disclosed in Note 4;
- Transactions with Public Bodies are disclosed in Note 5; and
- Investment and Debt management for related party agencies are disclosed in Note 6.