ONTARIO FINANCING AUTHORITY

Audited Financial Statements
for the year ended March 31, 2023

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 23, 2023.

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 at least twice yearly with the external and internal auditors, 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

Muneeb Chaudhary
Chief Financial 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, 2023, and the statements of operations and accumulated surplus, 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, 2023, 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.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and my auditor's report thereon, in the OFA's 2023 Annual Report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of 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.

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 23, 2023

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

ONTARIO FINANCING AUTHORITY

Statement of Financial Position

As at March 31, 2023

(in thousands of dollars)	**2023**	***2022***
FINANCIAL ASSETS		
Cash	$ 9,310	*$ 8,823*
Due from agencies & related parties (Note 6)(c)	2,661	*2,831*
Due from the Province of Ontario	2,024	*1,759*
	13,995	*13,413*
LIABILITIES		
Accounts payable and accrued liabilities	2,024	*1,759*
Recoveries payable to the Province of Ontario	1,553	*1,532*
Deferred revenue (Note 3)	4,657	*1,916*
	8,234	*5,207*
Net financial assets	**5,761**	***8,206***
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 2)	4,185	*1,494*
Prepaid expenses	472	*422*
	4,657	*1,916*
Accumulated surplus	$ **10,418**	*$* ***10,122***

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 and Accumulated Surplus

For the year ended March 31, 2023

(in thousands of dollars)	**2023 Budget**	**2023 Actual**	***2022 Actual***
REVENUE			
Cost recovery from the Province of Ontario (Note 4)	$ 21,739	$ 20,627	*$ 20,136*
Cost recovery from agencies & related parties (Note 6) (c)	5,472	5,914	*5,719*
Amortization of deferred capital contributions (Note 3)	1,059	946	*571*
Interest revenue (Note 5)	3,441	4,096	*3,858*
	31,711	31,583	*30,284*
EXPENSES			
Salaries, wages and benefits	24,319	23,640	*22,665*
Administrative and general	2,892	2,901	*3,190*
Amortization of tangible capital assets (Note 2)	1,059	946	*571*
	28,270	27,487	*26,426*
Excess of revenue over expenses from operations	3,441	4,096	*3,858*
Payment of surplus funds to the Province of Ontario (Note 7)	-	(3,800)	*(4,200)*
Annual surplus (deficit)	3,441	296	*(342)*
Accumulated surplus at beginning of year	10,122	10,122	*10,464*
Accumulated surplus at end of year	$ 13,563	$ 10,418	*$ 10,122*

See accompanying notes to financial statements.

ONTARIO FINANCING AUTHORITY

Statement of Change in Net Financial Assets

For the year ended March 31, 2023

(in thousands of dollars)	**2023 Budget**	**2023 Actual**	***2022 Actual***
Annual surplus (deficit)	$ 3,441	$ 296	*$ (342)*
Acquisition of tangible capital assets (Note 2)	(3,790)	(3,637)	*(1,137)*
Amortization of tangible capital assets (Note 2)	1,059	946	*571*
Prepaid expenses	0	(50)	*(37)*
Change in net financial assets	710	(2,445)	*(945)*
Net financial assets at beginning of year	8,206	8,206	*9,151*
Net financial assets at end of year	$ 8,916	$ 5,761	*$ 8,206*

See accompanying notes to financial statements.

ONTARIO FINANCING AUTHORITY

Statement of Cash Flow

For the year ended March 31, 2023

(in thousands of dollars)		**2023**		***2022***
Operating transactions				
Annual surplus (deficit)	$	296	*$*	*(342)*
Less: Items not affecting cash				
Amortization of tangible capital assets		946		*571*
Increase in prepaid expenses		(50)		*(37)*
Increase in deferred revenue		2,741		*603*
Changes in non-cash working capital:				
(Increase)/decrease in due from agencies & related Parties		170		*(167)*
(Increase)/decrease in due from the Province of Ontario		(265)		*182*
Increase/(decrease) in accounts payable		265		*(182)*
Increase in recoveries payable to the Province of Ontario		21		*39*
Cash provided by operating transactions		4,124		*667*
Capital transaction				
Cash used to acquire tangible capital assets		(3,637)		*(1,137)*
Cash applied to capital transactions		(3,637)		*(1,137)*
Net change in cash		487		*(470)*
Cash at beginning of year		8,823		*9,293*
Cash at end of year	**$**	**9,310**	*$*	***8,823***

See accompanying notes to financial statements.

ONTARIO FINANCING AUTHORITY

Notes to Financial Statements

For the year ended March 31, 2023

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;
- manages the Province's key financial relationships with investors, financial institutions, rating agencies and public bodies;
- 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 the Ontario Nuclear Funds; and
- carries out the day-to-day operations of Ontario Electricity Financial Corporation and provides a broad range of financial services to 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

Assets under construction are not amortized until construction is complete and the assets are ready for their intended use.

Funding received from the Province for the acquisition of tangible capital assets is recorded as deferred revenue and amortized to cost recovery revenue 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 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: The OFA is funded from the Consolidated Revenue Fund (CRF) as part of the Treasury Program. The 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
- Due from agencies & related parties, due from the Province of Ontario, recoveries payable to the Province of Ontario, accounts payable, accrued liabilities 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, 2023

	Computer Hardware	Leasehold Improvements	Furniture and Equipment	Under Construction*	Total
(in thousands of dollars)					
Cost					
Opening balance, April 1, 2022	$ 14,439	$ 1,905	$ 1,213	722	$ 18,279
Additions	243	2,369	1,025	–	3,637
Capitalization on completion*	233	489	–	(722)	–
Disposals	(503)	(1,904)	(1,003)	–	(3,410)
Closing balance, March 31, 2023	14,412	2,859	1,235	–	18,506
Accumulated Depreciation					
Opening balance, April 1, 2022	13,681	1,900	1,204	–	16,785
Amortization	528	305	113	–	946
Disposals	(503)	(1,904)	(1,003)	–	(3,410)
Closing balance, March 31, 2023	13,706	301	314	–	14,321
Net Book Value, March 31, 2023	$706	$2,558	$921	–	$4,185

Year ended March 31, 2022

	Computer Hardware	Leasehold Improvements	Furniture and Equipment	Under Construction	Total
(in thousands of dollars)					
Cost					
Opening balance, April 1, 2021	$ 15,217	$ 1,905	$ 1,213	–	$ 18,335
Additions	415	–	–	–	415
Under construction *	–	–	–	722	722
Disposals	(1,193)	–	–	–	(1,193)
Closing balance, March 31, 2022	14,439	1,905	1,213	722	18,279
Accumulated Depreciation					
Opening balance, April 1, 2021	14,338	1,886	1,183	–	17,407
Amortization	536	14	21	–	571
Disposals	(1,193)	–	–	–	(1,193)
Closing balance, March 31, 2022	13,681	1,900	1,204	–	16,785
Net Book Value, March 31, 2022	$758	$5	$9	$722	$1,494

*On completion of the retrofit of OFA's leased office premise, $722,000 of tangible capital assets that were under construction were transferred to the depreciable asset category when they were ready for use.

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, 2023		
	Tangible Capital Assets	**Prepaid Expenses**	**Total**
Balance, beginning of year	$1,494	$422	$1,916
Additions	3,637	529	4,166
Amortization	(946)	_	(946)
Expensed in the current year	–	(479)	(479)
Balance, end of year	$4,185	$ 472	$4,657

(in thousands of dollars)	Year ended March 31, 2022		
	Tangible Capital Assets	**Prepaid Expenses**	**Total**
Balance, beginning of year	$ 928	$ 385	$ 1,313
Additions	1,137	483	1,620
Amortization	(571)	_	(571)
Expensed in the current year	–	(446)	(446)
Balance, end of year	$1,494	$422	$1,916

Amortization of $946,000 (2022 – $571,000) represents the offset to the contributions received for the purchase of tangible capital assets. The $479,000 (2022 – $446,000) 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 $435.6 billion, as at March 31, 2023 (2022 Actual – $433.6 billion) as per the interim projection published in the 2023 *Ontario Budget*. The OFA also manages investments amounting to $84.7 billion as at March 31, 2023 (2022 – $72.0 billion), including $27.9 billion (2022 – $27.3 billion) under the Ontario Nuclear Funds owned by Ontario Power Generation Inc. Those funds are jointly managed under the Ontario Nuclear Funds Agreement (ONFA), an agreement between the Province, OPG and certain OPG subsidiaries to set aside funds necessary for the long-term management of nuclear waste and used fuel and to decommission nuclear power stations.

Cost recovery from the Province for all debt management and investment activities for the year ended March 31, 2023 was $20.6 million (2022 – $20.1 million).

5. TRANSACTIONS WITH PUBLIC BODIES

The OFA provides financing to various public bodies on direction from the Province in furtherance of stated Provincial initiatives. These loans are included in the Province's consolidated financial statements and are not reflected in the OFA's financial statements.

Funds for these loans are advanced to the OFA by the Province under credit facilities aggregating to $14.8 billion expiring from 2036 to 2055. Of these credit facilities, $11.1 billion has been used to date for funding loans granted by the OFA to public bodies that are currently outstanding. Principal repayments received from public bodies by the OFA are forwarded to the Province. The interest rates charged to public bodies are generally slightly higher than the rate charged by the Province on the advances to fund the loans (the interest rate 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 reflecting the relative risk associated with the loan. During the year ended March 31, 2023, $3.7 million in interest rate spread revenue was recognized (2022 – $3.8 million) of which $1.1 million is receivable at year end (2022 – $1.3 million). The OFA's total interest revenue of $4.1 million for the year also includes $0.37 million (2022 – $0.07 million) interest income earned on its bank balance.

Loans to Public Bodies by the Province:

These are related party transactions.

(in thousands of dollars)

Borrower	March 31, 2023	March 31, 2022
(i) Colleges of Applied Arts and Technology	$340,374	$356,412
(ii) Hospitals	282,915	218,063
(iii) Liquor Control Board of Ontario	39,609	47,098
(iv) Niagara Parks Commission	23,096	27,868
(v) Ontario Cannabis Retail Corporation	59,307	66,878
(vi) Ontario Lottery and Gaming Corporation	41,936	54,420
(vii) Ontario Northland Transportation Commission	1,037	1,143
(viii) Royal Ontario Museum	23,234	23,334
(ix) School Boards	4,019,713	4,280,286
Total	**4,831,221**	**5,075,502**

As at March 31, 2023, 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 $208.9 million (2022 – $228.5 million), of which $205.2 million (2022 – $224.8 million) was flowed to the Province after retaining OFA's interest rate spread of $3.7 million (2022 – $3.8 million).

(i) Colleges of Applied Arts and Technology have been provided loans for various campus projects including college campus expansion, new and expanded student residences, computer equipment, parking facilities, and an energy saving capital project. As of March 31, 2023, the outstanding balance of the loans is $340.4 million (2022 - $356.4 million). These loans bear interest ranging from 2.15 per cent to 5.75 per cent and mature from 2024 to 2049.

(ii) Hospitals have been provided loans for various projects including funding for term-care development projects and implementation of new and/or upgraded health information system projects. As of March 31, 2023, the outstanding balance of the loans is $282.9 million (2022 - $218.1 million). These loans bear interest ranging from 0.89 per cent to 4.4 per cent and mature from 2023 to 2049.

(iii) Liquor Control Board of Ontario was provided a loan facility of $51.2 million to fund capital costs associated with relocating its head office. Total drawings under this facility amounting to $47.2 million was converted into a term loan on April 5, 2022. As of March 31, 2023, the outstanding balance is $39.6 million (2022 – $47.1 million). This loan bears an interest rate of 3.26 per cent and matures in 2025.

(iv) The Niagara Parks Commission (NPC) was provided a loan to finance additional capital costs incurred for the redevelopment of phase I of Table Rock House in Queen

Victoria Park, Niagara Falls. As of March 31, 2023, the outstanding balance of the loan is $2.2 million (2022 – $2.7 million). This loan bears interest at 5.07 per cent and matures in April 2027. In addition, in 2020, NPC was provided a construction loan facility of $25.0 million to redevelop the Canadian Niagara Power Generating Station as a visitor attraction. Total drawings under this facility amounting to $20.9 million was converted into a term loan on January 16, 2023. As of March 31, 2023, the outstanding balance is $20.9 million (2022 –$25.2 million). This loan bears an interest rate of 4.58 per cent and matures in 2033.

(v) The Ontario Cannabis Retail Corporation was provided a loan facility of $150 million for set-up and operating costs. As of March 31, 2023, the outstanding balance is $59.3 million (2022 – $66.9 million). This loan bears an interest rate of 2.79 per cent and matures in 2030.

(vi) The Ontario Lottery and Gaming Corporation (OLG) was provided with loans and a loan facility to fund several projects. As of March 31, 2023, the outstanding balance is $41.9 million (2022 – $54.4 million). One loan was fully repaid as of October 3, 2022, the remaining loan bears an interest rate of 1.64 per cent and matures in April 2026. Draws on the loan facility bear a floating rate of interest, which is currently at 5.06 per cent. In addition, in 2020, OLG was provided a maximum $300 million credit facility for operating and working capital requirements. The term of this credit facility ended on May 6, 2022 and the balance has been fully repaid (2022 – nil).

(vii) The Ontario Northland Transportation Commission (ONTC) was provided loans for various projects. As of March 31, 2023 the outstanding balance is $1.0 million (2022 – $1.1 million) bearing an interest rate of 4.90 per cent and maturing in 2031. In addition, in 2021 ONTC was provided a revolving credit facility to a maximum amount of $5.0 million maturing on April 30, 2024. As of March 31, 2023, ONTC has not drawn any funds from this facility (2022 – nil).

(viii) The Royal Ontario Museum (ROM) was provided a loan to fund the Renaissance ROM project. As of March 31, 2023, the outstanding balance of the loan is $23.2 million (2022 – $23.3 million). This loan bears a floating interest rate currently at 5.96 per cent matures on March 31, 2027.

(ix) From 2006 to 2017, loans were provided to school boards under various capital programs. During the year ended March 31, 2023, school boards made semi-annual blended payments of principal and interest, leaving the total outstanding amount at $4,019.7 million (2022 – $4,208.3 million). These loans bear interest ranging from 2.99 to 5.38 per cent and mature from 2024 to 2042.

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 Corporation	Ontario Immigrant Investor Corporation
Venture Ontario	Infrastructure Ontario
Financial Services Regulatory Authority of Ontario	Ontario Trillium Foundation

Investments managed on behalf of these entities totalled $2.0 billion at March 31, 2023 (2022 – $2.3 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 $13.6 billion as at March 31, 2023 (2022 – $14.8 billion).

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 $6.6 billion at March 31, 2023 (2022 – $6.8 billion) which includes 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 to Watay for administrative fee of 10 basis points of the loan approved. The fee is remitted to the OFA by Watay at the last business day of the same month that it makes scheduled interest payments to the Ministry of Energy.

c. The total costs recovered and receivables outstanding for related party agencies at March 31, 2023 are set out below:

(in thousands of dollars)

	March 31, 2023	*March 31, 2022*
Costs Recovered:		
OEFC	$4,145	*$4,117*
Infrastructure Ontario	478	*493*
Metrolinx	26	*20*
Watay	634	*480*
Investment Management	631	*609*
Total	$5,914	*$5,719*
Receivables:		
OEFC	$1,199	*$1,176*
Infrastructure Ontario	139	*141*
Metrolinx	30	*22*
Other	41	*26*
Investment Management	181	*174*
Interest Rate Spread (Note 5)	1,071	*1,292*
Total	$2,661	*$2,831*

7. PAYMENT OF SURPLUS FUNDS TO THE PROVINCE OF ONTARIO

Under section 16.4(1) of the *Financial Administration* Act, a public entity may pay into the Consolidated Revenue Fund any funds that it determines to be surplus to its current needs. In February 2023, the OFA's Board of Directors approved the payment of $3.8 million (2022– $4.2 million) to the Province of Ontario. The payment was made in February 2023.

8. 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 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.

9. FUTURE EMPLOYEE BENEFITS

(a) Pension Benefits

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

(b) Accrued Employee Benefits Obligation

Upon retirement, certain full-time employees, after five years of service, are eligible for severance entitlements equal to one week's salary for each year of eligible service up to a maximum of 50 percent of their annual salary. These severance entitlements are limited to years of eligible service as follows:

Employee Compensation Group	**Severance Eligibility Details**
Non-represented Management Compensation Plan and other non-represented employees	Entitlement limited to years of service accrued up to December 31, 2015 and based on salary in effect as of December 31, 2015
Senior Management Group employees	
Association of Management, Administrative and Professional Crown Employees of Ontario employees	
Non-represented Ontario Public Service Employees Union (excluded) employees	Entitlement limited to years of service accrued up to December 31, 2016 and based on salary in effect as of December 31, 2016
Non-represented Association of Law Officers of the Crown and Crown Counsel Management employees	Entitlement limited to years of service accrued up to December 31, 2004

As at March 31, 2023, the costs of these legislated severance entitlements owed to these eligible employees amounted to $3.0 million (2022 – $3.3 million).

As at March 31, 2023, the costs of unused vacation entitlements earned by all employees as at March 31, 2023 amounted to $2.0 million (2022 – $2.1 million).

On an ongoing basis, MPBSD 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.

10. COMMITMENTS AND CONTINGENCIES

Lease Commitment:

The OFA rents its premises under a five-year operating lease effective July 1, 2022. The minimum base rental payments for the leases are as follows:

(in thousands of dollars)

	March 31, 2023
2024	752
2025	794
2026	807
2027	807
2028	202
Total	**$3,362**

OFA is committed to pay its proportionate share of realty taxes and operating expenses for the premises for the year ended March 31, 2023, which amounted to $0.57 million (2022 – $1.0 million).

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) has been provided a non-revolving credit facility of $2.0 billion to address the risk of a significant liquidity event or a failure affecting one or more credit unions regulated by FSRA requiring financial support in addition to the Deposit Insurance Reserve Fund (DIRF). As of March 31, 2023, the DIRF is valued at approximately $420.1 million (2022 - $402.0 million) and FSRA has not drawn any funds from this credit facility (2022 - nil).

Infrastructure Ontario (IO) has been provided a revolving credit facility up to $100 million to finance project costs on an interim basis. The facility matured on March 27, 2023 but has been extended to March 27, 2028. As of March 31, 2023, IO has not drawn any funds from this facility (2022 – nil).

The Independent Electricity System Operator (IESO) has been provided a revolving credit facility up to $1,100 million, until June 30, 2023, to primarily fund the Regulated Price Plan variance account. Since the time the credit facility was provided, IESO has drawn funds from this credit facility and subsequently repaid all funds borrowed. As of March 31, 2023, the outstanding balance is nil (2022 - 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, 2023, 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.

11. RELATED PARTY TRANSACTIONS

The Province of Ontario is a related party as it is the controlling entity of the OFA. MPBSD provides payroll and benefit services. Infrastructure Ontario also negotiates lease renewals with the landlord on behalf of the OFA and recovers its cost from 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;
- Investment and Debt management for related party agencies are disclosed in Note 6; and
- Payment of surplus funds to the Province of Ontario in Note 7.