

AS AT AND FOR THE YEAR ENDED MARCH 31, 2023

BC Financial Services Authority Financial Statements

BCFSA

Classification: Protected A



MANAGEMENT REPORT FOR THE YEAR ENDED MARCH 31, 2023 ('000)

The financial statements of BC Financial Services Authority ("BCFSA") were prepared by management in accordance with the financial reporting framework disclosed in note 2 to the financial statements, and include amounts based upon management's best estimates and judgments. In management's opinion, the financial statements have been properly prepared within the framework of the accounting policies summarized in the financial statements and incorporate, within reasonable limits of materiality, all information available at May 10, 2023.

Management is responsible for the integrity of the financial statements and has established systems of internal control to provide reasonable assurance that assets are safeguarded, and that reliable financial information is available on a timely basis. These systems include formal written policies and procedures, careful selection and training of qualified personnel, and appropriate delegation of authority and segregation of responsibilities within BCFSA.

The Board of Directors has established an Audit and Finance Committee to provide oversight in the fulfillment by management of these responsibilities. The Audit and Finance Committee, comprising directors who are not employees, meets with management and external auditors regarding the proper discharge of management's responsibilities with respect to financial statement presentation, disclosure, and recommendations on internal control.

The financial statements have been examined by BDO Canada LLP, BCFSA's independent external auditors. The external auditors' responsibility is to express their opinion on whether the financial statements, present fairly, in all material respects, BCFSA's financial position, results of operations, changes in net financial assets (debt) and cash flows in accordance with Canadian public sector accounting standards. Their Auditor's Report, which follows, outlines the scope of their examination and their opinion.



Blair Morrison
Chief Executive Officer



David Sherwood
Chief Financial Officer

Vancouver, BC
May 10, 2023



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Independent Auditor's Report

To the Board of Directors of the BC Financial Services Authority

And to the Minister of Finance, British Columbia

Opinion

We have audited the financial statements of the BC Financial Services Authority ("BCFSA") which comprise the Statement of Financial Position as at March 31, 2023, and the Statements of Operations, Changes 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 our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of BCFSA as at March 31, 2023, and its results of operations, changes in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. 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 BCFSA 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 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 BCFSA'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 BCFSA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing BCFSA'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 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, 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 BCFSAs 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 BCFSAs 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 BCFSAs 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the BCFSAs to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of BCFSAs audit. We remain solely responsible for our audit opinion.

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.

BDO Canada LLP

Chartered Professional Accountants

Vancouver, British Columbia
May 11, 2023

STATEMENT OF FINANCIAL POSITION

	March 31, 2023	March 31, 2022
Financial Assets		
Cash and cash equivalents (note 3)	\$17,112	\$8,274
Investments (note 4)	15,000	15,447
Accounts receivable (note 5)	11,907	11,473
Due from government/other government organizations (note 6)	224	10,043
	44,243	45,237
Liabilities		
Accounts payable and accrued liabilities	3,947	6,067
Deferred revenue	1,887	1,240
Employee future benefits (note 7)	1,096	1,036
Due to government/other government organizations (note 6)	809	571
	7,739	8,914
Net financial assets	36,504	36,323
Non-financial assets		
Tangible capital assets (note 10)	21,475	17,840
Prepaid expenses	787	927
	22,262	18,767
Accumulated surplus	\$58,766	\$55,090
Commitments (note 11)		

Approved by the Board of Directors

 Chair

 Director

STATEMENT OF OPERATIONS

	Annual Budget (note 14)	March 31, 2023	March 31, 2022
Revenues			
Licensing, registration, and other fees	\$43,960	\$45,938	\$36,462
Education	7,956	8,567	6,386
Government grants	-	-	9,949
Recovery from government organizations (note 8)	10,512	9,353	9,197
Restructuring (note 15)	-	-	13,956
Other	961	2,139	907
	63,389	65,997	76,857
Expenses (note 12)			
Regulatory operations	53,115	53,007	41,056
CUDIC administration (note 8)	10,274	9,314	9,056
	63,389	62,321	50,112
Annual surplus	-	3,676	26,745
Accumulated surplus – Beginning of year	55,090	55,090	28,345
Accumulated surplus – End of year	\$55,090	\$58,766	\$55,090

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

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

	Annual Budget (note 14)	March 31, 2023	March 31, 2022
Annual surplus	–	\$3,676	\$26,745
Acquisition of tangible capital assets	(12,560)	(5,947)	(12,258)
Amortization of tangible capital assets	3,481	2,312	1,594
	(9,079)	41	16,081
Acquisition of prepaid expenses	(980)	(787)	(927)
Use of prepaid expenses	927	927	660
	(53)	140	(267)
Increase (decrease) in net financial assets	(9,132)	181	15,814
Net financial assets – Beginning of year	36,323	36,323	20,509
Net financial assets – End of year	\$27,191	\$36,504	\$36,323

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

STATEMENT OF CASH FLOWS

	March 31, 2023	March 31, 2022
Cash provided by (used in)		
Operating activities		
Annual surplus	\$3,676	\$26,745
Items not involving cash		
Amortization of tangible capital assets	2,312	1,594
Restructuring acquisition of tangible capital assets	-	(2,159)
	5,988	26,180
Changes in non-cash assets and liabilities		
Accounts receivable	(434)	1,242
Deferred revenue	647	-
Prepaid expenses	140	(267)
Accounts payable, accrued liabilities, and future employee benefits	(2,060)	5,489
Due to/from government/other government organizations	10,057	(9,834)
	8,350	(3,370)
Investment activities		
Change in investments, net	447	(15,447)
Capital activities		
Acquisition of tangible capital assets	(5,947)	(10,099)
Increase (decrease) in cash	8,838	(2,736)
Cash and cash equivalents – Beginning of year	8,274	11,010
Cash and cash equivalents – End of year	\$17,112	\$8,274

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

NOTES TO THE FINANCIAL STATEMENTS (TABULAR AMOUNTS IN '000)

1. Nature of operations

BC Financial Services Authority ("BCFSA") is a Vancouver-headquartered regulatory crown agency of the Province of British Columbia. As the regulator of British Columbia's financial services sector, BCFSA exercises the powers and performs duties under ten statutes. Its core regulatory accountabilities relate to credit unions, insurance and trust companies, mortgage brokers, pension plans, real estate services, real estate development marketing, and the administration of Credit Union Deposit Insurance Corporation of British Columbia ("CUDIC").

BCFSA was created effective June 4, 2019, pursuant to the *Financial Services Authority Act*. On November 1, 2019, BCFSA assumed the regulatory accountabilities of Financial Institutions Commission ("FICOM") which was originally established as part of the Ministry of Finance in 1989 to contribute to the safety and stability of the British Columbia financial sector.

The assets, liabilities, and accountabilities of Real Estate Council of British Columbia ("RECBC") and the Office of the Superintendent of Real Estate ("OSRE") were transferred to BCFSA under a restructuring on August 1, 2021 (note 15).

BCFSA is exempt from income taxes under the *Income Tax Act*.

2. Summary of significant accounting policies

Basis of accounting

These financial statements have been prepared in accordance with Canadian public sector accounting standards ("PSAS"), as issued by the Canadian Public Sector Accounting Board ("PSAB").

Revenue recognition

BCFSA recognizes revenue in accordance with PS 3400 – Revenue ("PS 3400"). Revenue from exchange transactions, or revenue based on performance obligations, is recognized when the performance obligation is satisfied. Revenue from the issuance of a license or registration is recognized at the point in time when the license or registration is issued. Unilateral revenue, or revenue without performance obligations, is recognized when the authority to claim or retain an inflow of economic resources exists and collection is reasonably certain. Revenue from an annual filing fee, which is payable for a given operating period, is recognized at the commencement of the operating period to which the fee relates. Course fees are recorded as revenue when the service is provided, the amount to be received can be reasonably estimated, and collection is reasonably assured. Administrative penalties are initially deferred and recognized as revenue when they are expended in accordance with the requirements set out in relevant legislation.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value.

Government transfers

Government transfers are recognized as revenue when the transfer is authorized, and any eligibility criteria have been met but is reduced by any stipulations that result in a liability. Amounts deferred as a result of stipulations are recognized in the period the stipulations are met.

Trusts

BCFSA administers the Credit Union Deposit Insurance Corporation of British Columbia ("CUDIC"), a related party of BCFSA that guarantees 100 per cent of deposits and non-equity shares (issued before January 1, 2020) of BCFSA authorized credit unions. BCFSA appoints the majority of the board members for the Real Estate Compensation Fund Corporation ("RECFC"). RECFC provides protection for members of the public who have entrusted real estate licensees (or unlicensed individuals related to the brokerage) with money that was either misappropriated or wrongfully converted, intentionally not paid over, or accounted for, or obtained by the fraud of a licensee or individual. Both CUDIC and RECFC meet the definition of a trust under administration and are not consolidated in BCFSA's financial statements.

Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement, or betterment of the assets. Cost includes overhead directly attributable to construction, development, and interest costs that are directly attributable to the acquisition or construction of the asset.

The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over their estimated useful lives as follows:

Furniture and equipment	5 years
Personal computer hardware	4 years
Computer servers and infrastructure hardware	5 years
Systems and software	2 – 10 years
Tenant improvements	Lease term

Tangible capital assets are written down when conditions indicate that they no longer contribute to BCFSA's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. Any write-downs are accounted for as expenses in the statement of operations as impairment losses. Impairments recorded are never reversed.

Employee future benefits

a) Retirement allowance

Liabilities are recorded for employee retirement allowance benefits as employees render services to earn the benefits. The actuarial determination of the accrued benefit obligations uses the projected benefit method prorated based on service.

The cumulative unrecognized actuarial gains and losses on retirement allowance benefits are amortized over the expected average remaining service period of active employees covered under the plan. The discount rate used to measure the obligations is based on the Municipal Finance Authority of British Columbia's cost of borrowing.

b) Defined contribution plans and multi-employer benefit plans

BCFSA and its employees contribute to the Public Service Pension Plan (the "Pension Plan"), a multi-employer defined benefit pension plan governed by the BC *Public Sector Pension Plans Act*. Defined contribution plan accounting is applied to multi-employer defined benefit plans and accordingly, contributions are expensed when they become payable.

Prepaid expenses

Prepaid expenses, which include rent and subscriptions for memberships, are expensed over the periods expected to benefit from them in the statement of operations.

Expenses

Expenses are recorded on an accrual basis. The cost of all goods consumed and services received during the year is expensed in the statement of operations.

Financial instruments

BCFSA's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and amounts due from/due to government and other government organizations. Financial instruments are initially recorded at fair market value and subsequently measured at cost.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

The fair values of the BCFSA's financial instruments generally approximate their carrying amounts due to their short terms to maturity.

Measurement uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements as well as the reported amounts of revenue and expenses during the reporting period.

Significant areas requiring the use of estimates include the valuation of accounts receivable, estimated useful lives of tangible capital assets, contingent liabilities, and future costs to settle employee benefit obligations.

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. Actual results could differ from the estimates.

Asset Retirement Obligation

BCFSA's has adopted PSAS 3280 effective March 31, 2023. There is no legal obligation associated with the retirement of a tangible capital asset to report.

3. Cash and cash equivalents

	March 31, 2023	March 31, 2022
Bank Deposits	\$17,112	\$8,274

4. Investments

	March 31, 2023	March 31, 2022
Guaranteed Investment Certificate 5.2%	\$15,000	\$-
Guaranteed Investment Certificate 1.2% - 1.7%	-	15,000
Guaranteed Investment Certificate 2.7% - 2.9%	-	447
	\$15,000	\$15,447

5. Accounts receivable

	March 31, 2023	March 31, 2022
Recoveries from CUDIC	\$1,248	\$915
Regulated Entities/Individuals	10,388	10,100
Penalties and Enforcement	859	890
Other	2	18
	12,497	11,923
Provision for uncollectible amounts	(590)	(450)
	\$11,907	\$11,473

6. Due to/from government and other government organizations

	March 31, 2023	March 31, 2022
Due From:		
Province of British Columbia	\$95	\$9,738
Federal Government of Canada	129	305
	224	10,043
Due To:		
Province of British Columbia	135	141
Federal Government of Canada	674	430
	\$809	\$571

7. Employee future benefits

a) Retirement allowance

Information about the BCFSA's retirement allowance is as follows:

	March 31, 2023	March 31, 2022
Accrued benefit obligation – Beginning of year	\$638	\$368
Transferred obligation	-	334
Current period benefit cost	61	33
Interest cost	24	10
Loss (gain) on accrued benefit obligation	-	(107)
Accrued benefit obligation – End of year	723	638
Unamortized actuarial gain	373	398
Liability – End of year	\$1,096	\$1,036

The significant actuarial assumptions adopted in measuring BCFSA's retirement allowance were as follows:

	March 31, 2023	March 31, 2022
At beginning of period		
Discount rate	3.70%	3.70%
Rate of compensation increase	3.00%	3.00%
Expected Average Remaining Service Life (years)	18	18

The most recent full actuarial valuation was prepared as of March 31, 2022, with the next full valuation expected to be prepared as of March 31, 2024.

b) Public Service Pension Plan

Employer contributions to the Pension Plan of \$3,051,533 were expensed during the period. Every three years, an actuarial valuation is performed to assess the financial position of the Pension Plan and the adequacy of funding. The most recent actuarial valuation for the Pension Plan at March 31, 2020, indicated a funding surplus of approximately \$2,667,000,000. The valuation does not attribute portions of the surplus to individual employers. The Pension Plan covers approximately 67,800 active members, of which approximately 320 were employees of BCFSA.

8. Inter-entity transactions

BCFSA administers the CUDIC, that guarantees 100 per cent of deposits and non-equity shares (issued before January 1, 2020) of BCFSA authorized credit unions. A Board Director of BCFSA is a Board Director of CUDIC. BCFSA has the ability to exercise control over CUDIC. BCFSA provides administrative services to CUDIC on a cost recovery basis.

RECFC provides protection for members of the public who have entrusted real estate licensees (or unlicensed individuals related to the brokerage) with money that was either misappropriated or wrongfully converted, intentionally not paid over, or accounted for, or obtained by the fraud of a licensee or individual. BCFSA appoints three of the five members of RECFC's Board of Directors. BCFSA collects fees on behalf of RECFC and recovers the costs incurred to collect these fees.

The following is a summary of revenue earned from inter-entity transactions:

	March 31, 2023	March 31, 2022
CUDIC	\$9,314	\$9,056
RECFC	39	28
Province of British Columbia	-	113
	\$9,353	\$9,197

As at March 31, 2023, BCFSA had amounts receivable from RECFC in the amount \$7,740.

9. Risk management

As a result of its financial instruments, BCFSA is exposed to credit risk and liquidity risk. A qualitative and quantitative analysis of those risks is provided below.

Credit risk

Credit risk is the risk of loss resulting from failure of an individual or group to honour their financial obligations. BCFSA's accounts receivable are due primarily from credit unions, pension plans, related entities, and insurance companies. To mitigate this risk, BCFSA periodically reviews the collectability of its accounts receivable and establishes a provision based on its best estimate of potentially uncollectible amounts. As at March 31, 2023, the amount of provision for losses was \$589,661 (note 5). BCFSA's cash, which is held at a Schedule I Canadian financial institution, was not exposed to significant credit risk.

Liquidity risk

Liquidity risk is the risk that BCFSA will not be able to meet its financial operating obligations as they become due. It is BCFSA's intention to meet its financial obligations through the collection of: current accounts receivable; cash on hand; and future licensing, registration, and other fee revenue.

BCFSA's principal source of revenue is from its licensing and registration accountabilities. All BCFSA's financial assets and liabilities mature within one year.

10. Tangible capital assets

March 31, 2023	Office Furniture	Information Technology Hardware	Systems and Software	Tenant Improvements	Total Assets
Cost					
Opening balance	\$395	\$1,269	\$15,167	\$2,338	\$19,169
Additions	66	121	4,736	1,024	5,947
Closing balance	461	1,390	19,903	3,362	25,116
Accumulated amortization					
Opening balance	116	329	845	39	1,329
Amortization	175	364	1,620	153	2,312
Closing balance	291	693	2,465	192	3,641
Net book value	\$170	\$697	\$17,438	\$3,170	\$21,475

March 31, 2022	Office Furniture	Information Technology Hardware	Systems and Software	Tenant Improvements	Total Assets
Cost					
Opening balance	\$-	\$507	\$6,404	\$715	\$7,626
Additions	395	762	8,763	2,338	12,258
Disposals	-	-	-	(715)	(715)
Closing balance	395	1,269	15,167	2,338	19,169
Accumulated amortization					
Opening balance	-	-	-	450	450
Amortization	116	329	845	304	1,594
Disposals	-	-	-	(715)	(715)
Closing balance	116	329	845	39	1,329
Net book value	\$279	\$940	\$14,322	\$2,299	\$17,840

11. Commitments

The aggregate minimum future annual rentals under operating leases and major contract commitments for the years ending March 31 are as follows:

	Rentals
2024	\$1,072
2025	1,105
2026	1,143
2027	1,184
2028 – 2035	9,896
	\$14,400

12. Expenses by type

The following is a summary of expenses by object:

	Year ended March 31, 2023	Year ended March 31, 2022
Compensation and benefits	\$41,005	\$32,694
Professional services	8,467	8,508
Office and administrative	10,537	7,316
Amortization	2,312	1,594
	\$62,321	\$50,112

13. Trust Assets

BCFSA acts as the administrator of CUDIC. The assets, liabilities, and operating results of CUDIC have not been included in the statement of financial position or in the statement of operations. As at March 31, 2023, the balances of CUDIC were as follows:

	March 31, 2023	March 31, 2022
Assets	\$860,534	\$810,706
Liabilities	1,782	1,428
Equity	\$858,752	\$809,278

The funds administered by the RECFC under *Real Estate Services Act* meet the definition of a trust under administration and were not included in the BCFSA financial statements. As at March 31, 2023, the balances of RECFC were as follows:

	March 31, 2023	March 31, 2022
Assets	\$23,700	\$22,733
Liabilities	898	919
Equity	\$22,802	\$21,814

14. Budgeted figures

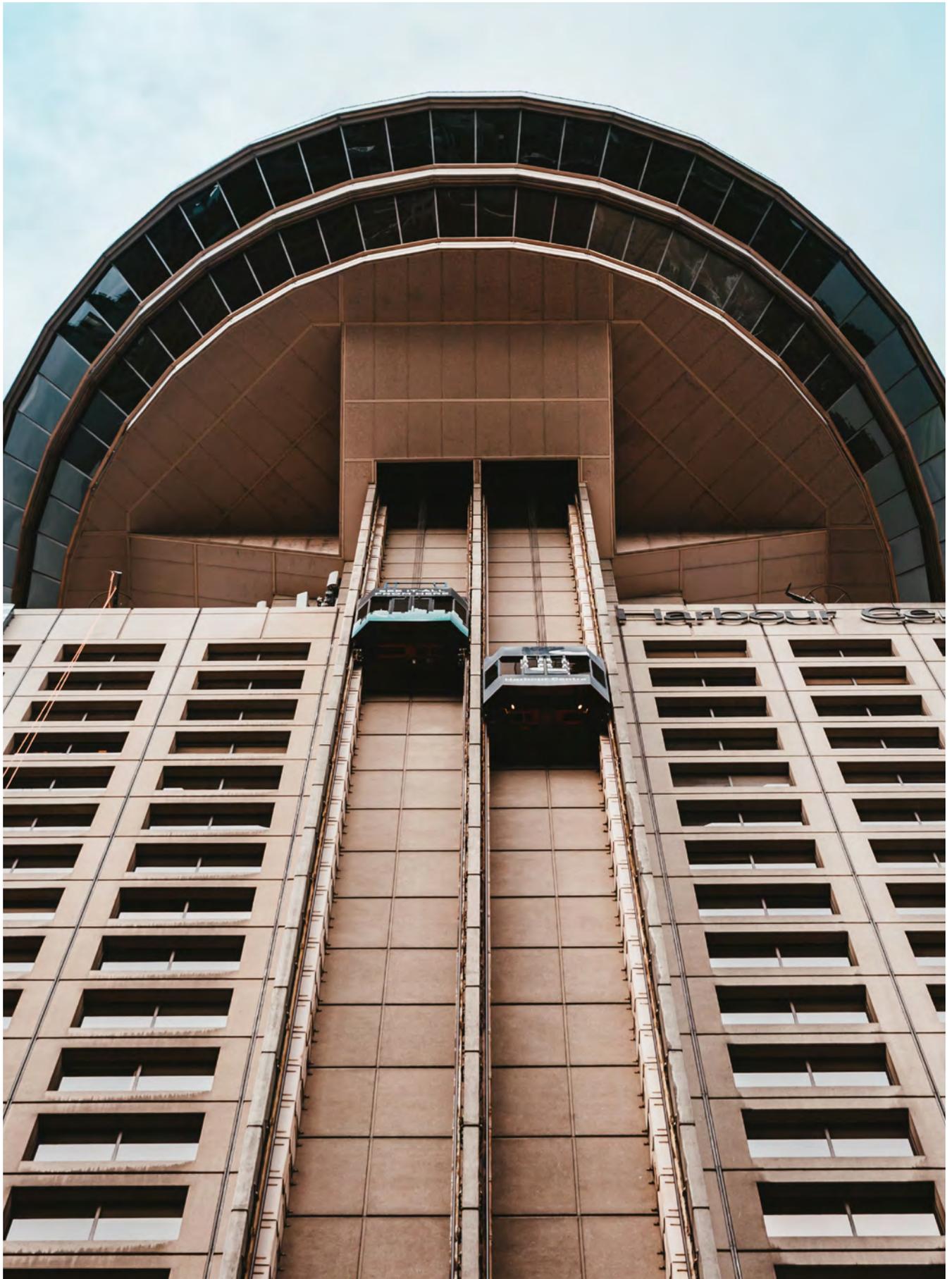
Budgeted figures have been provided for comparison purposes and are from the budgets approved by the Board of Directors of BCFSA on January 5, 2022.

15. Restructuring Transaction

The comparatives reflect the integration of RECBC and OSRE within BCFSA on August 1, 2021 (“Restructuring Date”). On the Restructuring Date, the assets, liabilities, regulatory authorities, and related operational responsibilities of RECBC and OSRE were transferred to BCFSA, and OSRE and RECBC ceased to exist. The net effect of the restructuring was recorded as revenue in the amount of \$13,955,959 on the statement of operations. The purpose of the integration was to create a single integrated regulator for B.C.’s financial services sector, which includes: credit unions, trust companies, insurance companies, mortgage brokers, pension plans, real estate services, and real estate development marketing. One of the goals of the integration was to simplify accountabilities and enhance regulatory oversight through more effective and efficient processes, investigations, and enforcements.

16. Comparative figures

Comparative figures have been adjusted to conform to changes in the current year presentation.





**BC Financial
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