

ALBERTA SECURITIES COMMISSION  
Interim Financial Statements and Management's Discussion and  
Analysis

For the Nine Months Ended December 31, 2021  
(unaudited)

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## ASC REPORTS FISCAL 2022 (F2022) THIRD QUARTER RESULTS

## STATEMENT OF FINANCIAL POSITION

<i>thousands of dollars</i>	At December 31, 2021 (unaudited)	At March 31, 2021
<b>Financial Assets</b>		
Cash	7,476	27,657
Accounts receivable	192	101
Investments	108,198	85,863
	<b>115,866</b>	<b>113,621</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	3,732	3,876
Lease inducements	972	1,158
Accrued pension liability	10,378	10,287
	<b>15,082</b>	<b>15,321</b>
<b>Net Financial Assets</b>	<b>100,784</b>	<b>98,300</b>
<b>Non-Financial Assets</b>		
Capital assets	3,337	3,960
Prepaid expenses	467	371
	<b>3,804</b>	<b>4,331</b>
<b>Accumulated Surplus</b>	<b>104,588</b>	<b>102,631</b>
Accumulated surplus is comprised of:		
Accumulated operating surplus	102,680	102,153
Accumulated remeasurement gains	1,908	478
	<b>104,588</b>	<b>102,631</b>

The accompanying notes and schedule are part of these financial statements.

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS  
(unaudited)

<i>thousands of dollars</i>	For the nine months ended December 31		
	2021	2021	2020
	Budget	Actual	Actual
<b>Operating Surplus (Deficit)</b>	<b>(11,695)</b>	<b>527</b>	<b>(878)</b>
Acquisition of capital assets	(432)	(221)	(198)
Amortization of capital assets	900	844	1,067
Prepayment of expenses		(802)	(701)
Reduction of prepaid expenses		706	553
Net remeasurement gains		1,430	6,318
Increase (Decrease) in net financial assets	(11,227)	2,484	6,161
Net financial assets, beginning of period	98,300	98,300	71,865
Net financial assets, end of period	<b>87,073</b>	<b>100,784</b>	<b>78,026</b>

The accompanying notes and schedule are part of these financial statements.

**STATEMENT OF OPERATIONS**  
**(unaudited)**

<i>thousands of dollars</i>	For the three months ended December 31			For the nine months ended December 31		
	2021	2021	2020	2021	2021	2020
	Budget	Actual	Actual	Budget	Actual	Actual
<b>Revenue</b>						
Fees and other	5,393	7,230	6,263	20,159	25,016	21,980
Investment income	474	1,807	1,696	1,546	6,293	5,526
Administrative penalties	25	18	31	68	89	84
Other enforcement receipts	112	3	66	325	20	1,374
Conference fees and other	33	-	1	34	-	1
	<b>6,037</b>	<b>9,058</b>	8,057	<b>22,132</b>	<b>31,418</b>	28,965
<b>Regulatory Expenses</b>						
Salaries and benefits	8,202	8,146	7,647	24,606	23,221	22,564
Premises	1,178	1,158	1,098	3,533	3,393	3,300
Administration	1,085	733	613	3,288	1,959	1,753
Amortization of capital assets	300	278	338	900	844	1,067
Professional services	330	340	191	988	835	637
Investment expense	56	87	59	169	372	172
Investor education	223	145	202	343	267	350
	<b>11,374</b>	<b>10,887</b>	10,148	<b>33,827</b>	<b>30,891</b>	29,843
<b>Operating Surplus (Deficit)</b>	<b>(5,337)</b>	<b>(1,829)</b>	(2,091)	<b>(11,695)</b>	<b>527</b>	(878)
Accumulated operating surplus, beginning of period	95,795	104,509	80,501	102,153	102,153	79,288
Accumulated operating surplus, end of period	90,458	102,680	78,410	90,458	102,680	78,410

The accompanying notes and schedule are part of these financial statements.

**STATEMENT OF REMEASUREMENT GAINS AND LOSSES**  
**(unaudited)**

<i>thousands of dollars</i>	For the three months ended December 31		For the nine months ended December 31	
	2021	2020	2021	2020
Accumulated remeasurement gains (losses), beginning of period	1,474	2,398	478	(2,363)
Unrealized gains on investments during the period	536	1,557	1,532	6,318
Amounts reclassified during the period to the Statement of Operations	(102)	-	(102)	-
Net remeasurement gains for the period	434	1,557	1,430	6,318
Accumulated remeasurement gains, end of period	1,908	3,955	1,908	3,955

The accompanying notes and schedule are part of these financial statements.

**STATEMENT OF CASH FLOWS**  
**(unaudited)**

<i>thousands of dollars</i>	For the three months ended December 31		For the nine months ended December 31	
	2021	2020	2021	2020
<b>Operating Transactions</b>				
Fees and other	7,207	6,119	24,648	21,863
Payments to and on behalf of employees	(7,426)	(7,240)	(22,676)	(22,343)
Payments to suppliers for goods and services	(2,387)	(2,090)	(7,040)	(6,315)
Administrative penalties	18	31	89	84
Other enforcement receipts	3	66	20	1,374
Investment income	8	6	16	80
Cash used in operating transactions	(2,577)	(3,108)	(4,943)	(5,257)
<b>Capital Transactions</b>				
Cash used to acquire capital assets	(65)	(34)	(238)	(440)
Cash used in capital transactions	(65)	(34)	(238)	(440)
<b>Investing Transactions</b>				
Purchases of investments	-	-	(15,000)	(15,000)
Cash used in investing transactions	-	-	(15,000)	(15,000)
<b>Decrease in cash</b>	<b>(2,642)</b>	<b>(3,142)</b>	<b>(20,181)</b>	<b>(20,697)</b>
<b>Cash, beginning of period</b>	<b>10,118</b>	<b>9,278</b>	<b>27,657</b>	<b>26,833</b>
<b>Cash, end of period</b>	<b>7,476</b>	<b>6,136</b>	<b>7,476</b>	<b>6,136</b>

The accompanying notes and schedule are part of these financial statements.

## Notes to the Interim Financial Statements

(in thousands of dollars unless otherwise noted)

### Note 1 Significant Accounting Policies

These interim financial statements have been prepared in accordance with Canadian public sector accounting standards. The accounting policies and methods of application adopted are consistent with those disclosed in note 2 of the Alberta Securities Commission's (ASC) annual audited financial statements for the year ended March 31, 2021. These interim financial statements do not contain all the disclosures required for annual financial statements and should be read in conjunction with the most recent annual audited financial statements.

### Note 2 Investments

The ASC's investments are independently managed by the Alberta Investment Management Corporation (AIMCo). AIMCo is a provincial corporation responsible to the Minister of Finance. AIMCo invests the ASC's assets in pooled investment funds in accordance with the investment policy approved by the ASC. The ASC does not participate in specific capital market investment decisions or transactions.

The following summarizes the ASC's investments.

<i>thousands of dollars</i>							
December 31, 2021							
				March 31, 2021			
Investments	Cost	Remeasurement Gains	Fair Value	%	Cost	Fair Value	%
Fixed-income securities	73,507	139	73,646	68.1	59,187	58,650	68.3
Global equities	24,545	1,329	25,874	23.9	19,530	20,469	23.8
Canadian equities	7,726	440	8,166	7.5	6,264	6,340	7.4
CCITF deposit	512	-	512	0.5	404	404	0.5
	<b>106,290</b>	<b>1,908</b>	<b>108,198</b>	<b>100.0</b>	<b>85,385</b>	<b>85,863</b>	<b>100.0</b>

CCITF (Consolidated Cash Investment Trust Fund) is an AIMCo managed demand deposit cash and cash equivalents withdrawal account.

### Note 3 Canadian Securities Administrators (CSA) National Systems

The CSA National Systems include the System for Electronic Document Analysis and Retrieval (SEDAR), the National Registration Database (NRD) and the System for Electronic Disclosure by Insiders (SEDI). These systems are administered under a CSA National Systems operations management and governance agreement (the Agreement). The Agreement empowers the ASC, jointly with three other CSA members, to manage the systems and to engage an external service provider to operate the systems. Though not expected to occur, as one of the agreement signatories, the ASC commits to pay 25.0 per cent of any shortfall from approved system operating costs that exceeds revenue. Any revenue in excess of system operating costs (surplus) is accumulated for future systems operations, including possible revenue shortfalls, fee adjustments and system enhancements. The surplus is not divisible; the CSA owns it as a group. As at December 31, 2021, the accumulated operating surplus totalled \$186.4 million (\$192.7 million at March 31, 2021). This was primarily made up of \$129.5 million of investments comprised of a notice account earning Bank of Canada overnight rate plus 0.5 per cent, guaranteed investment certificates ranging from one-to-three years earning from 1.1 to 2.7 per cent; \$49.8 million in intangible assets; and \$10.1 million in cash held by the Ontario Securities Commission (the Designated Principal Administrator) earning Prime rate less 1.85 per cent. In management's judgment, this arrangement is not an interest in a partnership and the ASC does not control or have significant influence over how the net assets are managed.

**Note 4 Budget for the year ending March 31, 2022**

The budget was approved by the Commission on December 9, 2020.

*thousands of dollars*

<b>Revenue</b>	
Fees and other	50,094
Investment income	2,200
Administrative penalties and other enforcement receipts	700
<b>Total revenue</b>	<b>52,994</b>
<b>Regulatory Expenses</b>	
Salaries and benefits	32,809
Premises	4,710
Administration	4,374
Professional services	1,837
Amortization of capital assets	1,200
Investor education	813
Investment expense	225
<b>Total regulatory expenses</b>	<b>45,968</b>
<b>Operating Surplus</b>	<b>7,026</b>

Quarterly budget allocations are determined as follows:

Revenues are prorated based on historical monthly cash receipt experience and anticipated changes in these patterns.

Enforcement receipts result from settlements and monetary orders (cost recoveries, disgorgements and administrative penalties). The budget amount reflects an estimate of cash receipts based on a historical average of annual enforcement receipts.

Expenses are generally amortized on a straight-line basis over twelve months except for certain expenses that have time specific forecasts such as IIROC registration fees and investor education expenses.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis (**MD&A**), prepared as of February 9, 2022, for the nine months ended December 31, 2021, should be read in conjunction with the annual MD&A and financial statements reported in the Alberta Securities Commission's (**ASC**) March 31, 2021 annual report, as well as the December 31, 2021 interim financial statements.

The ASC is the regulatory agency responsible for administering the province's securities laws. It is entrusted to foster a fair and efficient capital market in Alberta and to protect investors. As a member of the Canadian Securities Administrators, the ASC works to improve, coordinate and harmonize the regulation of Canada's capital markets.

Consistent with the previous quarter, COVID-19 did not adversely impact ASC's revenues for the third quarter of F2022. Nevertheless, due to the fifth wave of COVID-19 restrictions and remote work activities, the regulatory expenditures were lower than budget expectations. The ASC continues to prioritize the safety and well-being of the public and its employees by following all health and safety protocols.

### Comparison to prior year

For the three months ended December 31, 2021 (**Q3 F2022**) the ASC incurred an operating deficit of \$1.8 million compared to an operating deficit of \$2.1 million for the three months ended December 31, 2020 (**Q3 F2021**). For the nine months ended December 31, 2021 (**YTD F2022**) the ASC reported an operating surplus of \$527,000 compared to an operating deficit of \$878,000 for the nine months ended December 31, 2020.

Q3 F2022 revenue was \$1.0 million (12.4 per cent) higher than the prior year, primarily due to fees from increased distribution of securities sold in Alberta, registration revenue, annual financial statements filing fees and investment income.

YTD F2022 revenue was \$2.5 million (8.5 per cent) higher than the prior year, primarily due to fees from increased distribution of securities sold in Alberta, investment income, registration revenue and annual financial statements filing fees. This increase was partially offset by lower other enforcement receipts revenue.

Q3 F2022 regulatory expenses were higher by \$739,000 (7.3 per cent) compared to the prior year, primarily due to higher salaries and benefits, professional services and administration costs.

YTD F2022 regulatory expenses increased by \$1.0 million (3.5 per cent) compared to the prior year, primarily due to higher salaries and benefits, administration costs, investment expense and professional services. This increase was partially offset by lower amortization expense.

### Comparison to budget

The operating surplus for YTD F2022 was \$527,000 compared to a budgeted deficit of \$11.7 million.

Q3 F2022 revenue exceeded budget by \$3.0 million (50.0 per cent), primarily due to higher investment income, fees from increased distribution of securities sold in Alberta, annual financial statement filing fees and registration revenue. This increase was partially offset by lower other enforcement receipts revenue.

YTD F2022 revenue exceeded budget by \$9.3 million (42.0 per cent), primarily due to higher investment income, fees from increased distribution of securities sold in Alberta, annual financial statements filing fees and registration revenue. This increase was partially offset by lower other enforcement receipts revenue.

Q3 F2022 regulatory expenses were \$487,000 (4.3 per cent) lower than the budgeted regulatory expenses of \$11.4 million. This variance was primarily attributable to lower administration costs.

YTD F2022 regulatory expenses were \$2.9 million (8.7 per cent) lower than the budgeted regulatory expenses of \$33.8 million, primarily due to lower salaries and benefits on account of a higher employee vacancy rate, lower administration expenses, professional services and premises costs. This decrease was partially offset by higher investment expense.

**Cash flow and liquidity** – The majority of annual fee revenue is received in the fourth quarter of each fiscal year primarily due to annual registration renewals in January and annual financial statement filing fees from February to April, while expenses are incurred relatively evenly over the fiscal year. This timing difference typically results in negative operating cash flow for the first three quarters and positive cash flow in the fourth quarter. Consistent with this, there was a negative operating cash flow of \$4.9 million during the nine months ended December 31, 2021.

**Capital assets** – The fiscal 2022 capital budget is \$576,000, including \$421,000 for IT with the remainder for furniture replacements and leasehold improvements. The ASC incurred capital additions of \$221,000 during the nine months ended December 31, 2021, primarily relating to furniture and equipment and IT purchases.