

Management's Responsibility and Certification

Management is responsible for the integrity, consistency and reliability of the financial statements and other information presented in the annual report. The financial statements have been prepared by Management in accordance with Canadian generally accepted accounting principles.

We certify that we have reviewed the financial statements and other information contained in the annual report, and, based on our knowledge, they do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the statements and the annual report.

Based on our knowledge, the financial statements together with other financial information included in the annual report fairly present in all material respects the financial condition, results of operations and cash flows of the Ontario Securities Commission (the "OSC") as of the dates and for the periods presented. The preparation of financial statements involves transactions affecting the current period which cannot be finalized with certainty until future periods. Estimates and assumptions are based on historical experience and current conditions, and are believed to be reasonable.

We are responsible for establishing and maintaining internal control over financial reporting for the OSC. We have designed such internal control over financial reporting, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles.

We evaluated, or caused to be evaluated under our supervision, the effectiveness of the OSC's internal control over financial reporting at the financial year end and the OSC has disclosed in its annual MD&A our conclusion about the effectiveness of internal control over financial reporting at the financial year end based on that evaluation.

We have also disclosed in the MD&A any change in our internal control over financial reporting that occurred during the year that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

The Board of Directors ensures that management fulfills its responsibility for financial reporting and internal control. The financial statements have been reviewed by the Audit and Finance Committee and approved by the Board of Directors. The Auditor General's Report, which follows, outlines the scope of the Auditor's examination and opinion on the financial statements.



Howard I. Wetston, Q.C.
Chair and Chief Executive Officer



A. Kenneth Gibson, CA
Director, Corporate Services

May 24, 2011



Independent Auditor's Report

To the Ontario Securities Commission

I have audited the accompanying financial statements of the Ontario Securities Commission, which comprise the balance sheet as at March 31, 2011, and the statements of operations and operating surplus and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Opinion

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Ontario Securities Commission as at March 31, 2011 and the results of its operations, and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
May 24, 2011

Jim McCarter, FCA
Auditor General
Licensed Public Accountant

BALANCE SHEET
as at March 31

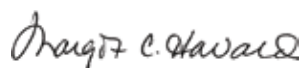
	2011	2010
ASSETS		
CURRENT		
Cash	\$ 26,503,743	\$ 35,592,848
Accounts receivable	2,151,928	1,046,029
Prepaid expenses	765,481	505,472
	29,421,152	37,144,349
FUNDS HELD PURSUANT TO DESIGNATED SETTLEMENTS AND ORDERS (Note 5)	43,603,984	43,495,838
FUNDS IN TRUST (Note 6)	64,880,151	49,135,268
RESERVE FUND ASSETS (Note 7)	20,000,000	20,000,000
PREMISES AND EQUIPMENT (Note 8)	3,691,175	5,351,254
	\$ 161,596,462	\$ 155,126,709
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 13,374,631	\$ 11,686,270
Current portion of obligation under capital leases (Note 13(b))	78,778	107,899
	13,453,409	11,794,169
NON-CURRENT		
Obligation under capital leases (Note 13(b))	1,631	88,522
Pension liabilities (Note 9(b))	1,883,446	1,747,190
	15,338,486	13,629,881
FUNDS HELD PURSUANT TO DESIGNATED SETTLEMENTS AND ORDERS (Note 5)	43,603,984	43,495,838
FUNDS IN TRUST (Note 6)	64,880,151	49,135,268
SURPLUS		
OPERATING		
General (Note 10)	17,675,597	28,767,478
Reserve (Note 7)	20,000,000	20,000,000
	37,675,597	48,767,478
CONTRIBUTED		
	98,244	98,244
	37,773,841	48,865,722
	\$ 161,596,462	\$ 155,126,709

Investor Education Fund (Note 15)
Commitments and Contingencies (Notes 11,13)
See accompanying Notes to Financial Statements.

ON BEHALF OF THE BOARD OF THE COMMISSION



Howard I. Wetston, Q.C.
Chair



Margot C. Howard
Chair, Audit and Finance Committee

May 24, 2011

STATEMENT OF OPERATIONS AND OPERATING SURPLUS
For the year ended March 31

	2011	2010
REVENUES		
Fees (Note 10)	\$ 72,566,666	\$ 60,928,330
Investment income	298,018	460,044
Miscellaneous	90,128	77,243
	72,954,812	61,465,617
EXPENSES		
Salaries and benefits (Note 14(d))	65,958,301	61,673,500
Occupancy (Note 13(a))	6,525,669	6,444,891
Administrative	6,195,206	6,567,220
Amortization	2,980,974	2,705,055
Professional services	2,648,338	2,465,416
Other	441,086	464,207
	84,749,574	80,320,289
Recoveries of enforcement costs (Note 12)	(702,881)	(870,397)
	84,046,693	79,449,892
DEFICIENCY OF REVENUES OVER EXPENSES	(11,091,881)	(17,984,275)
OPERATING SURPLUS, BEGINNING OF YEAR	48,767,478	78,751,753
LESS: Distribution to Province of Ontario (Note 14(b))	–	12,000,000
OPERATING SURPLUS, END OF YEAR	\$ 37,675,597	\$ 48,767,478
Represented by:		
General	\$ 17,675,597	\$ 28,767,478
Reserve	20,000,000	20,000,000
	\$ 37,675,597	\$ 48,767,478

See accompanying Notes to Financial Statements.

STATEMENT OF CASH FLOWS
For the year ended March 31

	2011	2010
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
Cash flows from operating activities		
Deficiency of revenues over expenses	\$ (11,091,881)	\$ (17,984,275)
Items not affecting cash		
Increase in pension liabilities	136,256	100,622
Loss on disposal of premises and equipment	–	1,683
Amortization	2,980,974	2,705,055
	(7,974,651)	(15,176,915)
Changes in non-cash working capital:		
Accounts receivable	(1,105,899)	458,845
Prepaid expenses	(260,009)	332,028
Accounts payable and accrued liabilities	1,688,361	(490,656)
	322,453	300,217
	(7,652,198)	(14,876,698)
Cash flows from financing activities		
Repayment of obligations under capital leases	(116,012)	(149,860)
	(116,012)	(149,860)
Cash flows from investing activities		
Purchase of premises and equipment (Note 8)	(1,320,895)	(1,372,927)
	(1,320,895)	(1,372,927)
NET DECREASE IN CASH POSITION	(9,089,105)	(16,399,485)
CASH POSITION, BEGINNING OF YEAR	35,592,848	51,992,333
CASH POSITION, END OF YEAR	\$ 26,503,743	\$ 35,592,848

See accompanying Notes to Financial Statements.

1. Nature of the Corporation

The Ontario Securities Commission (the “OSC”) is a corporation without share capital and is the regulatory body responsible for regulating the province’s capital markets. As a Crown corporation, the OSC is exempt from income taxes.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. These require that management make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenditures for the period. Actual amounts could differ from these estimates. Significant accounting policies followed in the preparation of these financial statements are:

a) Financial Instruments

Under Canadian generally accepted accounting principles, financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets, or other financial liabilities.

Under this standard, all financial instruments are required to be measured at fair value upon initial recognition except for financial assets classified as held-to-maturity, loans and receivables, and other financial liabilities which are measured at cost or amortized cost using the effective interest method, and certain related-party transactions. After initial recognition, financial assets initially measured at fair value continue to be recognized at fair value, with gains and losses recognized in net income in the period in which they arise.

The fair value of financial instruments is the amount of consideration that would be agreed upon between knowledgeable, willing parties who are under no compulsion to act.

The OSC has adopted the following classifications for financial assets and financial liabilities:

Held-for-trading

Cash, Funds held pursuant to designated settlements and orders, Funds in trust and Reserve fund assets are classified as held-for-trading and recorded at fair value.

Loans and receivables

Accounts receivable are classified as loans and receivables and are valued at cost, which approximates fair value given their short-term maturities.

Other financial liabilities

Accounts payable and accrued liabilities are classified as other financial liabilities and are valued at cost, which approximates fair value given their short-term maturities.

b) Premises and Equipment

Premises and equipment are recorded at cost less accumulated amortization. Amortization is calculated on a straight-line basis over the estimated useful lives of the assets, beginning in the fiscal year following acquisition, as follows:

Office furniture and equipment	5 to 10 years
Computer hardware and related applications	2 years
Leasehold improvements	over term of lease

March 31, 2011

c) Revenues

Fees are recognized when earned, which is normally upon receipt.

Participation fees are recognized when received because these fees represent the payment for the right to participate in the Ontario capital markets and are deemed to be earned upon receipt.

Activity fees represent the direct cost of OSC staff resources expended in undertaking certain activities requested of staff by market participants. Because the activities undertaken are normally completed in a relatively short period of time, activity fees are recognized when received.

Late filing fees in respect of insider trading reports are recognized on the 15th and at the end of each month and include fees related to all insider trading reports filed late in the preceding 15-day period.

Recoveries of enforcement costs are recorded as offsets to total expenses on the date a settlement is approved or an order issued by the OSC, unless management determines there is significant doubt as to ultimate collection, in which case recovery is recognized when cash is received.

d) Funds Held Pursuant To Designated Settlements and Orders

Funds held pursuant to designated settlements and orders are recorded when settlements are approved or orders made by the Commission, unless management determines there is significant doubt as to ultimate collection, in which case they are recognized when cash is received.

e) Employee Benefit Plans

The OSC provides pension benefits to its full-time employees through participation in Ontario's Public Service Pension Plan, which is a multi-employer defined benefit pension plan. This plan is accounted for as a defined contribution plan, as the OSC has insufficient information to apply defined benefit plan accounting to this pension plan.

The OSC also maintains unfunded supplemental pension plans for certain full-time Commission members as described in Note 9(b). The OSC accrues its obligations and the related costs under these unfunded supplemental pension plans. The transitional obligation and actuarial gains or losses are being amortized over the average remaining service period of active members, or over the life expectancy of inactive members, expected to receive benefits under these plans. The actuarial liability and the current service cost are determined by independent actuaries using the projected benefit method prorated on services and management's best estimate assumptions.

The costs of non-pension benefits for eligible pensioners are paid by the Government of Ontario and are not included in the Statement of Operations and Operating Surplus as described in Note 14(d).

3. Financial Instruments**Currency Risk:**

The OSC's exposure to currency risk is minimal as only a small number of transactions are in currencies other than Canadian dollars.

Interest Rate Risk:

The OSC's financial assets and liabilities are not exposed to significant interest rate risk due to their short-term nature. Cash balances earn interest at a rate of 1.75% below the prime rate (average for the year was 1.01%) and the Reserve fund earned interest at an average rate of 0.80%.

A 25 basis point change in the interest rate would impact the OSC's operating surplus as follows:

	Impact on operating surplus	
	25 basis point increase in rates	25 basis point decrease in rates
Cash balance	\$ 40,176	\$ (40,176)
Reserve Fund balance	43,468	(43,468)
	\$ 83,644	\$ (83,644)

March 31, 2011

Credit Risk:

The OSC is exposed to minimal credit risk related to Cash, Funds held pursuant to designated settlements and orders, Funds in trust, Reserve fund assets and accounts receivable.

The OSC's Cash, Funds held pursuant to designated settlements and orders, and Funds in trust are held in a Schedule 1 bank and Reserve fund assets are invested with the Ontario Financing Authority, an agency of the Government of Ontario. Together, these two counterparties hold approximately 99% of the OSC's financial assets; however, given the nature of these counterparties, it is management's opinion that exposure to concentration of credit risk is minimal.

The OSC's accounts receivable balance consists of a large number of debtors with individually immaterial outstanding balances, and amounts receivable from the Government of Canada for the recovery of the Harmonized Sales Tax paid during the year and from the Canadian Securities Transition Office for staff seconded to that office. Therefore, the OSC's exposure to concentration of credit risk is minimal. The OSC maintains an allowance for doubtful accounts. Therefore, the carrying amount of accounts receivable generally represents the maximum credit exposure. Collection efforts continue for accounts receivable balances, including those that are captured in the allowance for doubtful accounts.

The aging of accounts receivable from outstanding invoices issued is as follows:

	2011	2010
Current	\$ 1,260,248	\$ 578,632
Past due 31 to 60 days	726,266	296,124
Past due 61 to 90 days	76,178	69,940
Past due greater than 90 days	954,746	897,413
	\$ 3,017,438	\$ 1,842,109

Reconciliation of allowance for doubtful accounts:

	2011	2010
Opening balance	\$ 796,080	\$ 817,366
Current year provision	86,265	19,869
Write-off during the year	(16,835)	(41,155)
Closing balance	\$ 865,510	\$ 796,080

The accounts receivable balance of \$2,151,928 is the sum of the total receivable of \$3,017,438 less the allowance for doubtful accounts of \$865,510.

Liquidity Risk:

The OSC's exposure to liquidity risk is minimal as the OSC has a sufficient cash balance and reserve funds to settle all current liabilities. As at March 31, 2011, the OSC had a cash balance of \$26,503,743 to settle current liabilities of \$13,453,409.

4. Capital Disclosure

The OSC has established a \$20,000,000 reserve fund as described in Note 7(a), which it considers as capital. The primary objective of maintaining this capital is to fund OSC's operations in the event of revenue shortfalls or unanticipated expenditures.

The OSC maintains an investment policy whereby reserve funds are restricted to direct and guaranteed obligations of Canada and its provinces to protect the principal.

The OSC is not subject to any externally imposed capital requirements.

5. Funds Held Pursuant to Designated Settlements and Orders

The OSC has a number of settlement agreements and orders arising from enforcement proceedings where monies from these settlements and orders are to be set aside and allocated to such third parties as the OSC may determine. The accumulated funds are held in a segregated bank account and earn interest at the monthly average bank prime rate less 1.75%. A fair and appropriate use for these funds will be determined in accordance with applicable laws, court orders and in the public interest.

The balance at March 31, 2010 included a settlement for \$1,900,000, the allocation of which was subject to the approval of the responsible Minister as required under the provision of the *Securities Act* in effect at the time the settlement was approved. During the year, the Minister approved an allocation to the Ministry of Finance for financial literacy.

As at March 31, 2011, the accumulated balance is determined as follows:

	2011	2010
Opening balance	\$ 43,495,838	\$ 17,180,263
Settlements and Orders	4,527,223	29,842,804
Interest	449,785	125,771
Payments		
Investor Education Fund (Note 15(b)(i))	(2,968,862)	(3,370,000)
Ministry of Finance – Financial Literacy	(1,900,000)	–
Others	–	(283,000)
Closing balance	\$ 43,603,984	\$ 43,495,838
Represented by:		
Cash	\$ 42,860,235	\$ 43,392,254
Receivables	743,749	103,584
	\$ 43,603,984	\$ 43,495,838

6. Funds in Trust

The OSC is in receipt of payments from the operator of the System for Electronic Data Analysis and Retrieval (SEDAR), the National Registration Database (NRD), and the System for Electronic Disclosure by Insiders (SEDI) representing the accumulated surplus from the operations of SEDAR, NRD, and SEDI. The total accumulated funds as at March 31, 2011 were \$64,880,151 (2010 – \$49,135,268), representing total payments received to date of \$62,644,618 (2010 – \$46,907,190) and interest earned to date of \$2,873,542 (2010 – \$2,310,262), less payments issued to date totalling \$638,009 (2010 – \$82,184). These funds are held in trust by the OSC in accordance with agreements amongst the OSC, the Alberta Securities Commission, the British Columbia Securities Commission, and L'Autorité des marchés financiers. In the case of NRD, the Investment Industry Regulatory Organization of Canada is also a party to the applicable agreement. These funds shall be used to offset any shortfall in revenues from the systems, to develop or enhance the systems and to reduce fees charged to users of the systems. These funds are held in segregated bank accounts and earn interest at the monthly average bank prime rate less 1.75%.

The Canadian Securities Administrators (CSA) plan to redevelop these systems in a multi-year phased approach. Funding for this redevelopment program will come from accumulated surplus amounts. As at March 31, 2011, accumulated payments, related to the development or enhancement of the systems, totalled \$638,009 (2010 – \$82,184).

March 31, 2011

7. Reserve Fund Assets

- a) As part of the approval of its self-funded status, the OSC was allowed to establish a \$20.0 million reserve to be used as an operating contingency against revenue shortfalls or unanticipated expenditures.
- b) The prime investment consideration for the reserve is the protection of principal and the appropriate liquidity to meet cash flow needs. Interest earned on investments is credited to the operations of the OSC. The accumulated funds, at March 31, 2011, have been invested in Government of Ontario treasury bills with the Ontario Financing Authority, with maturity dates no later than October 19, 2011.

8. Premises and Equipment

	Cost	Accumulated Amortization	2011 Net Book Value	2010 Net Book Value
Office furniture	\$ 4,123,859	\$ 3,660,545	\$ 463,314	\$ 654,518
Office equipment	581,182	557,088	24,094	62,821
Computer hardware and related applications	15,664,187	13,998,391	1,665,796	2,080,565
Computer hardware and related applications held under capital leases	421,594	421,468	126	155,010
Leasehold improvements	9,957,150	8,419,305	1,537,845	2,398,340
	\$ 30,747,972	\$ 27,056,797	\$ 3,691,175	\$ 5,351,254

During the year, premises and equipment were acquired at an aggregate cost of \$1,320,895 (2010 – \$1,372,927), none of which were acquired by means of capital leases (2010 – \$0).

9. Pension Plans

- a) All eligible OSC employees must, and members may, participate in the Ontario Public Service Pension Plan. The OSC's contribution to the Public Service Pension Plan for the year ended March 31, 2011 was \$3,881,224 (2010 – \$3,713,737), which is included in salaries and benefits. The Province of Ontario is the sole sponsor of the Public Service Pension Plan. As the sponsor is responsible for ensuring that the pension funds are financially viable, any surpluses or unfunded liabilities arising from statutory actuarial funding valuations are not assets or obligations of the OSC.
- b) The OSC also has unfunded supplemental pension plans for the OSC's current and former Chairs and Vice-Chairs. They had an accrued benefit obligation (ABO) of \$2,021,767 at March 31, 2011 (2010 – \$1,782,872) and an accrued benefit liability (ABL) of \$1,883,446 (2010 – \$1,747,190). The difference between the ABO and the ABL represents the unamortized net actuarial loss of \$56,030 (2010 – \$35,682) and the amount of unamortized past service costs of \$82,291 (2010 – \$0). The OSC's expense related to the supplemental pension plans for the year was \$221,041 (2010 – \$197,519) and is included in salaries and benefits. Benefits totalling \$117,331 were paid during the year (2010 – \$96,897). The average remaining service lifetime of the active members covered by these plans ranges from 0.17 to 1.89 years at March 31, 2010 (2009 – 1.0 to 2.89 years); the 2010 figures were used for amortization purposes in fiscal 2011. The average life expectancy of the non-active members ranges from 15.16 to 31.40 years at March 31, 2010 (2009 – 15.90 to 32.35 years). The significant actuarial assumptions adopted at March 31, 2011 include a discount rate of 5% (2010 – 5.25%) on the ABO, 5.25% (2010 – 6.5%) on the benefit cost and a rate of compensation increase ranging from 0% to 2.1%, as applicable (2010 – 2.0% to 2.1%).

10. Fees

The OSC's fee structure is designed to generate fees that recover the OSC's cost of providing services to market participants. The fee structure is based on the concept of "participation fees" and "activity fees". Participation fees are based on the cost of a broad range of regulatory services that cannot be practically or easily attributed to individual activities or entities and are intended to serve as a proxy for the market participant's use of the Ontario capital markets. Activity fees represent the direct cost of OSC staff resources expended in undertaking certain activities requested of staff by market participants. Any general operating surpluses generated are normally returned to market participants by way of fees that are lower than otherwise required to recover costs, or direct refunds. The Commission revised its participation fees and activity fees effective April 5, 2010. The forecasted General Operating Surplus at March 31, 2010 was used to establish the revised participation fees rates.

Details of fees received for the year ended March 31, 2011 are as follows:

	2011	2010
Participation fees	\$ 58,403,578	\$ 49,068,114
Activity fees	11,777,063	9,828,324
Late filing fees	2,386,025	2,031,892
Total	\$ 72,566,666	\$ 60,928,330

11. Commitments and Contingencies

- a) The OSC has committed to paying its share of annual shortfalls resulting from the operations of SEDAR (45.1%), SEDI (25%) and NRD (36.07%), should they occur and accumulated surpluses are unavailable. The systems are operated by an external agency on behalf of the CSA under agreements dated as of August 1, 2004 for SEDAR, October 26, 2001 for SEDI and June 13, 2003 for NRD. The Alberta Securities Commission, the British Columbia Securities Commission, L'Autorité des marchés financiers, and the Investment Industry Regulatory Organization of Canada (in the case of NRD only) have also committed to paying specified percentages of any annual deficit in the systems.

In the current year, there were no deficits. As described in Note 6, the OSC is holding funds in trust that may be used to offset shortfalls in revenue in SEDAR, SEDI, and NRD. As at March 31, 2011, \$25,825,385 (2010 – \$22,394,935) of the total funds held in trust is available for SEDAR, \$10,396,081 (2010 – \$7,495,057) is available for SEDI, and \$28,118,685 (2010 – \$19,245,276) is available for NRD.

- b) The OSC is involved in various legal actions arising from the ordinary course and conduct of business. The outcome and ultimate disposition of these actions are not determinable at this time; however, management does not expect the outcome of any of these proceedings, individually or in aggregate, to have a material impact on the OSC's financial position. Settlements, if any, concerning these contingencies will be accounted for in the period in which the settlement occurs.

12. Recoveries of Enforcement Costs

In 2011, the OSC recorded \$702,881 (2010 – \$870,397) in recoveries of enforcement costs of which \$297,881 (2010 – \$741,198) was for internal resources and \$405,000 (2010 – \$129,199) was for external resources.

13. Lease Commitments

a) Operating Leases

The OSC has entered into operating lease agreements for equipment and office space and is committed to operating lease payments as follows:

2012	\$ 6,085,247
2013	\$ 2,538,141
2014	\$ 3,800

There are currently no lease commitments beyond 2014. The OSC premises lease expires in August 2012. The OSC must notify the landlord of its leasing intentions by August 2011.

b) Capital Leases

The OSC has entered into capital lease agreements for computer hardware and related applications. Leases that transfer substantially all of the benefits and risks of ownership of property to the OSC, or otherwise meet the criteria for capitalizing a lease under Canadian generally accepted accounting principles, are accounted for as capital leases. An asset is recorded at the time the capital lease is entered into, together with its related obligation to reflect its purchase and financing. The total interest expense recorded on the lease obligations for the year ended March 31, 2011 is \$7,053 (2010 – \$17,764). The following is a schedule of future minimum lease payments for the capital leases, which expire on or before April 30, 2012:

Year Ending March 31	
2012	\$ 80,577
2013	1,638
Total minimum lease payments	82,215
Less: Amount representing interest at 5%	1,806
Balance of the obligation	\$ 80,409

The total obligation under capital leases of \$80,409 consists of a current portion of \$78,778 and a non-current portion of \$1,631.

14. Transactions With The Province Of Ontario

In the course of normal operations, the OSC entered into transactions with the Province of Ontario as follows:

- a) The *Securities Act* states that when ordered to do so by the responsible Minister, the OSC shall remit to the Province of Ontario such surplus funds as determined by the Minister. In light of the fee model as described in Note 10 and the OSC's practice of setting fees periodically, the OSC is not required to make remittances of its surplus to the Consolidated Revenue Fund. Surpluses retained by the OSC are subject to appropriate terms and conditions to be agreed with the Ministry.
- b) During 2010, the OSC remitted \$12.0 million to the Ministry of Finance, representing the amount that was retained for the proposed merger with the Financial Services Commission of Ontario which has not proceeded.
- c) The OSC has a tri-party agreement with the Ontario Financing Authority to facilitate banking arrangements with a Schedule 1 bank.
- d) Costs of non-pension benefits for eligible pensioners are paid by the Government of Ontario and are not included in the Statement of Operations and Operating Surplus.

March 31, 2011

15. Investor Education Fund

- a) The Investor Education Fund (the "Fund") was incorporated by letters patent of Ontario dated August 3, 2000 as a non-profit corporation without share capital. The Fund is managed by an independent Board of Directors and its purpose is to increase knowledge and awareness among investors and potential investors and to support research and develop programs and partnerships which promote investor and financial education in schools and among adult learners. The OSC is the sole voting member of the Fund. The Fund is exempt from income taxes.

The Fund is not considered to be a subsidiary of the OSC and therefore has not been consolidated in the OSC's financial statements. Financial statements of the Fund are available on request.

Financial summaries of this unconsolidated entity as at March 31, 2011 and 2010 and for the two years ended March 31, 2011 are as follows:

	2011	2010
Financial Position		
Total assets	\$ 2,408,961	\$ 2,498,362
Less: Total liabilities	482,465	532,082
Total net assets	1,926,496	1,966,280
Less: Invested in premises and equipment	142,904	249,746
Available for Fund purposes	\$ 1,783,592	\$ 1,716,534
Results of Operations		
Total contributions and interest income	\$ 2,988,996	\$ 3,378,477
Total expenses	3,028,780	3,051,414
Excess/(Deficiency) of revenue over expenses	\$ (39,784)	\$ 327,063
Cash flows		
Cash flows from operating activities		
Cash receipts from the OSC	\$ 2,968,862	\$ 3,370,000
Cash receipts from third parties	178,106	202,422
Interest income received	19,133	8,812
Cash paid for initiatives and expenses	(3,339,727)	(2,725,925)
Cash paid for premises and equipment	(23,134)	(178,596)
Net increase (decrease) in cash position	(196,760)	676,713
Cash position, beginning of period	2,228,573	1,551,860
Cash position, end of period	\$ 2,031,813	\$ 2,228,573

- b) During the year, the OSC entered into transactions with the Fund as follows:
- i) The OSC paid \$2,968,862 to the Fund (2010 – \$3,370,000). These payments were from Funds held pursuant to designated settlements and orders, as described in Note 5.
 - ii) The OSC has a Management Services agreement with the Fund for the provision of administrative and management services, at cost.

For the period ended March 31, 2011, the OSC incurred costs totalling \$764,092 (2010 – \$703,456) for services related to the Fund. The total cost of these services has been charged to the Fund and, of this amount, \$160,928 is owing to the OSC as of March 31, 2011 (2010 – \$171,050).

16. Accounting Pronouncements

In 2008, the Canadian Accounting Standards Board confirmed that generally accepted accounting principles for publicly accountable enterprises will be international financial reporting standards (IFRS). The first year of implementation is to be the fiscal year commencing on or after January 1, 2011, but comparative figures will be required in the financial statements for the prior fiscal year. In October 2009, the Canadian Institute of Chartered Accountant's (CICA) Public Sector Accounting Board approved an amendment that would require government organizations, such as the OSC, to consider the needs of the users of their financial statements in determining whether standards in the CICA Public Sector Accounting Handbook or IFRS are the most appropriate basis of accounting to adopt. The OSC has chosen to adopt IFRS. The OSC's first annual IFRS financial statements will be for the year ending March 31, 2012 and will include the comparative period of 2011.