



	<b>REPORT No.: 2020-14AGM</b>
<b>MEETING DATE: APRIL 16, 2020</b>	<b>DATE PREPARED: APRIL 3, 2020</b>
<b>SUBJECT: 2019 AUDITED CONSOLIDATED FINANCIAL STATEMENTS</b>	

**RECOMMENDATION**

THAT with respect to Report No. 2020-14AGM (Corporate Services Division), we, The District of Thunder Bay Social Services Administration Board (TBDSSAB), approve the Audited Consolidated Financial Statements of TBDSSAB for the year ended December 31, 2019, as presented.

**REPORT SUMMARY**

To provide The District of Thunder Bay Social Services Administration Board (TBDSSAB or the Board) with the draft year 2019 Audited Consolidated Financial Statements of TBDSSAB for Board approval.

**BACKGROUND**

The consolidated financial statements of TBDSSAB, prepared by Administration, are audited by the Board's external auditors on an annual basis. The consolidated statements provide the financial position as at December 31, 2019, as well as the results of TBDSSAB's operations.

The consolidated financial statements have been prepared using generally accepted accounting principles for public sector organizations, as prescribed by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

The year 2019 draft Audited Consolidated Financial Statements were presented to the Audit Committee on April 2, 2020 for review and inquiry.

**COMMENTS**

The consolidated financial statements consist of a Consolidated Statement of Financial Position, Consolidated Statement of Re-measurement Gains and Losses, Consolidated Statement of Operations, Consolidated Statement of Changes in Net Assets (Debt), Consolidated Statement of Cash Flows, and Notes to the Consolidated Financial Statements. There are three schedules, providing additional detail, included after the Notes to the Consolidated Financial Statements.

The following discussion provides highlights of the most significant aspects of the consolidated financial statements.

### **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

The Consolidated Statement of Financial Position presents the financial condition of the organization as at December 31, 2019, with comparatives at December 31, 2018. The total financial assets controlled by TBDSSAB as at December 31, 2019, were \$42.0 million, with the majority of that being cash and cash equivalents (\$16.9 million), and marketable securities (\$20.8 million). The majority of the cash and cash equivalents, and marketable securities is represented by reserve funds of \$27.0 million.

Explanations of significant year-over-year variances in asset and liability lines are provided below:

- Cash and cash equivalents – increase of \$1.9 million is detailed in the Consolidated Statement of Cash Flows which presents the sources and uses of cash.
- Marketable securities – increase of \$1.2 million due to the increase in the overall investment portfolio.
- Accounts payable and accrued liabilities – decrease of \$0.5 million as there were several larger capital projects completed but not yet paid at the end of the prior year.
- Due to Province of Ontario – increase of \$1.0 million. In the prior year, there was a larger amount owing from the Ministry of Municipal Affairs and Housing for Investment in Affordable Housing (IAH), Social Housing Apartment Retrofit Program (SHARP) and Social Housing Apartment Improvement Program (SHAIP). These amounts were paid to TBDSSAB in 2019.
- Long-term debt – decrease of \$2.8 million representing principal repayments on housing portfolio mortgages, the loan for the TBDSSAB office headquarters, and the capital lease of computer equipment.
- Tangible capital assets – decrease of \$1.5 million representing annual amortization of capital assets (\$2.1 million), net disposals of capital assets (\$52,090), offset somewhat by capital asset additions of security camera equipment (\$253,258 including \$88,779 in Assets Under Construction), Demtrox equipment (\$164,881), and Kantech door swipe systems (\$196,495 included in Assets Under Construction).

### **CONSOLIDATED STATEMENT OF RE-MEASUREMENT GAINS AND LOSSES**

The Consolidated Statement of Re-measurement Gains and Losses details changes in the fair market value of portfolio investments and derivatives.

This statement shows a net re-measurement gain for the 2019 year of \$1,087,215 including amounts reclassified to the Statement of Operations resulting from disposition of investments. In 2019, through disposition of certain investments, previously unrealized

losses were realized against earned income (\$262,999). On this statement, the impact is presented as a reduction of unrealized losses.

The statement shows an accumulated unrealized gain of \$436,910 at December 31, 2019.

Administration has prepared Report No. 2020-16, Year 2019 Investment Portfolio Performance, which provides further detail regarding the TBDSSAB investment portfolio.

### **CONSOLIDATED STATEMENT OF OPERATIONS**

The Consolidated Statement of Operations details revenues earned and expenses incurred during the year. Generally, revenues in the form of Federal and Provincial grants are determined by applying various cost-sharing formulae to actual expenses.

For 2019, revenues exceeded expenses by \$2.9 million for the year. This amount includes income earned on unrestricted funds and reserve funds, expenses paid from reserve funds, and expenses accrued for future employee benefit obligations. Further detail regarding revenues and expenses is provided in the Schedule 1 section, below.

For both Municipal Levy and Provincial funding purposes, employee benefit obligations are recognized in the year paid, rather than accrued; acquisition of tangible capital assets is expensed in the year of purchase, with annual amortization not recognized; and expenses paid from reserve funds are not factored into the reconciliation.

After factoring out transactions related to reserve funds, the accrual of employee benefit obligations, and adjusting for tangible capital asset transactions, there is a surplus from operations of \$701,320. Included in this surplus is income earned on reserve funds of \$495,318, and a net program levy operating surplus of \$206,004 (see Report No. 2020-15, TBDSSAB 2019 Fourth Quarter Financial Report and Program Levy Operating Surplus Disposition contained in the Regular Board Agenda package).

### **CONSOLIDATED STATEMENT OF CASH FLOWS**

The Consolidated Statement of Cash Flows outlines the change in the cash position that occurred during the year, by sources and uses of cash and capital transactions. The cash balance at the beginning of the year was \$15.0 million. The annual surplus generated in 2019 added \$2.9 million, there was a significant increase in the amount due to the Province of Ontario (\$1.0 million), employee benefit obligation (\$0.1 million), and amortization on tangible capital assets was recorded (\$2.1 million). These additions to cash were somewhat offset by increases in prepaid expenses and various receivable amounts (\$0.1 million) and decreases in accounts payable and accrued liabilities (\$0.5 million), payable to participating municipalities and funded agencies (\$0.1 million) and deferred revenue (\$0.1 million). The result is additional cash provided by operating transactions, totaling \$5.3 million.

These increases were further offset by cash used in capital transactions (\$0.6 million), the increase in marketable securities (\$1.2 million), and the repayment of long-term debt

(\$2.7 million). The net re-measurement of unrealized gain discussed above adds \$1.1 million. Overall, the net increase in cash and cash equivalents during the 2019 year was \$1.9 million.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Notes to the Consolidated Financial Statements provide additional and detailed information to support the financial statements. They are intended to provide clarification and explanations of specific items within the financial statements.

Note 15 – Community Housing was expanded to include detail to support the Reaching Home Service Agreement between TBDSSAB and the Lakehead Social Planning Council.

The remaining notes, although updated for 2019, are consistent with previous years' Notes.

### SCHEDULES

There are three schedules provided with the financial statements, all of which are presented to comply with PSAB requirements.

Schedule 1 details the TBDSSAB revenues and expenses, by program, with the expenses by classification. This additional information is intended to assist users of the financial statements to better understand TBDSSAB's operations and to assist member municipalities with the completion of certain schedules of their Financial Information Returns.

- Corporate Management and Program Support revenues exceeded expenses by \$224,265 for the 2019 year. Corporate Management and Program Support expenses are allocated to programs based on the method approved during the annual budget process.
- Ontario Works' revenues exceeded expenses by \$199,192 for the 2019 year. OW Program Delivery Funding (PDF) was under budget due, primarily, to temporarily vacant staff positions throughout the year and various transactions recorded to comply with PSAB requirements.
- Child Care Program expenses exceeded revenues by \$8,126 for the 2019 year due to various transactions recorded to comply with PSAB requirements.
- Housing Program revenues exceeded expenses by \$3,080,223 for the 2019 year. This includes income earned on reserve funds (\$297,123) held by TBDSSAB. In 2019, there was a favourable variance in legacy social housing programs, due to prior year financial settlements with housing providers, and lower rent supplement payments to landlords, compared to budget. The remaining variance is due to various transactions recorded to comply with PSAB requirements.

- Other (Community Social Reinvestment Program (CSR)) expenses exceeded revenues by \$558,599, as this program was financed from the Levy Stabilization Reserve Fund.

Schedule 2 provides information regarding the Board’s tangible capital assets (TCA). The historical cost amount for each TCA class is shown, along with additions for the year, and the amortization amounts by asset class.

In 2019, TBDSSAB sold six social housing properties located in Thunder Bay. Schedule 2 reflects the accounting transactions related to the land and building disposals.

Amortization recorded in 2019 (\$2.1 million) has been adjusted to account for a calculation error in the prior year which resulted in 2018 Amortization being \$281,700 too high. In consultation with the Auditor, since the amount is considered immaterial overall, and would not have a meaningful impact on decision-making, the full correction was recorded in the 2019 year, rather than re-stating previous year’s results.

Schedule 3 identifies the components of the organization’s accumulated surplus. \$27 million, or 52%, of the accumulated surplus is held in various reserve funds to finance future projects and obligations. A portion of the surplus, \$26.0 million, represents the amount that has been invested in tangible capital assets, the majority of which are buildings and land, net of associated debt.

There is a consolidated general deficit amount of \$1,588,284. A breakdown of the general deficit is as follows:

	Total (\$)
Accumulated general deficit as at December 31, 2018	(1,948,032)
2019 operating surplus	2,936,955
2019 change in reserve funds	(2,449,923)
2019 change in tangible capital assets net of long-term debt	(1,214,499)
2019 change in unrealized re-measurement	1,087,215
<b>Accumulated general deficit as at December 31, 2019</b>	<b>(1,588,284)</b>

The TBDSSAB accumulated general deficit includes the 2019 program levy surplus of \$206,004, which is consistent with the budget and variance reporting format, and discussed in Report No. 2020-15, TBDSSAB 2019 Fourth Quarter Financial Report and Program Levy Operating Surplus Disposition, contained in the Regular Board Agenda package.

The table below, summarizes the difference between the consolidated financial statement surplus (based on PSAB standards) and the program levy operating surplus, which removes the PSAB adjustments, to arrive at the in-year program levy operating surplus:

	Total (\$)
2019 Consolidated Audited Financial Statement Surplus	2,936,955
2019 change related to employee benefit obligation	95,347
2019 change in the FMV of the SWAP load derivative	(59,376)
2019 change related to reserve funds	(3,188,087)
2019 capital expenditures (financed from reserve fund)	2,130,981
2019 change in tangible capital assets net of long-term debt	(1,214,498)
2019 income earned on reserve funds	(495,318)
<b>2019 Program Levy Operating Surplus</b>	<b>206,004</b>

**FINANCIAL IMPLICATIONS**



There are no direct financial implications associated with this report.

**CONCLUSION**

It is concluded that the draft Audited Consolidated Financial Statements for the year ended December 31, 2019, were presented to the Audit Committee on April 2, 2020, and it was the consensus of that Committee that the consolidated financial statements, as prepared by Administration, be presented to the Board for approval.

**REFERENCE MATERIALS ATTACHED**

Attachment #1 [Year 2019 Audited Consolidated Financial Statements of The District of Thunder Bay Social Services Administration Board \(draft\)](#)  
**(Distributed Separately – Not Included with Report)**

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<b>APPROVED / SIGNATURE:</b>	 Georgina Daniels, FCPA, FCA, Director - Corporate Services Division The District of Thunder Bay Social Services Administration Board
<b>SUBMITTED / SIGNATURE:</b>	 William (Bill) Bradica, Chief Administrative Officer The District of Thunder Bay Social Services Administration Board