



	REPORT No.: 2021-12AGM
MEETING DATE: APRIL 15, 2021	DATE PREPARED: MARCH 31, 2021
SUBJECT: 2020 AUDITED CONSOLIDATED FINANCIAL STATEMENTS	

RECOMMENDATION

THAT with respect to Report No. 2021-12AGM (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, 2020, as presented.

REPORT SUMMARY

To provide The District of Thunder Bay Social Services Administration Board (TBDSSAB or the Board) with the draft year 2020 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, 2020, 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 2020 draft Audited Consolidated Financial Statements were presented to the Audit Committee on March 31, 2021 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, 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, 2020, with comparatives at December 31, 2019. The total financial assets controlled by TBDSSAB as at December 31, 2020, were \$48.8 million, with the majority of that being cash and cash equivalents (\$22.9 million), and marketable securities (\$22.7 million). The majority of the cash and cash equivalents, and marketable securities is represented by reserve funds of \$28.3 million.

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

- Cash and cash equivalents – increase of \$6.0 million is detailed in the Consolidated Statement of Cash Flows which presents the sources and uses of cash.
- Marketable securities – increase of \$1.9 million due to the increase in the overall investment portfolio.
- Accounts receivable – decrease of \$1.1 million due to payment of insurance claims that were receivable at the end of the prior year.
- Due to Province of Ontario – increase of \$2.3 million. The amount due to the Ministry of Education is higher due the pandemic closure/re-opening period and related funding implications.
- Deferred revenue – increase of \$1.1 million due to Federal Safe Restart and Social Services Relief Funding allocations to be disbursed in 2021.
- Long-term debt – decrease of \$2.6 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 \$0.8 million representing annual amortization of capital assets (\$2.3 million), net disposals of capital assets (\$4,894), offset somewhat by capital asset additions of accessible units at Mclvor Court (\$922,150) security equipment (\$678,976 including \$285,274 from Assets Under Construction), and emergency generator equipment (\$275,432 including \$110,553 to 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 loss for the 2020 year of \$53,096 including amounts reclassified to the Statement of Operations resulting from disposition of investments. In 2020, through disposition of certain investments, previously unrealized gains were realized (\$218,984). On this statement, the impact is presented as a reduction of unrealized gains.

The statement shows an accumulated unrealized gain of \$383,814 at December 31, 2020.

Administration has prepared Report No. 2021-13, Year 2020 Investment Portfolio Performance, contained in the Regular Board Agenda package, 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 2020, revenues exceeded expenses by \$4.2 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 \$1,972,646. Included in this surplus is income earned on reserve funds of \$886,473, and a net program levy operating surplus of \$1,086,173 (see Report No. 2021-15, TBDSSAB 2020 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 \$16.9 million. The annual surplus generated in 2020 added \$4.2 million and there was a significant decrease in accounts receivable and prepaid expenses (\$1.2 million) and client benefit advances (\$0.1 million). Accounts payable and accrued liabilities increased (\$0.5 million), amounts due to participating municipalities and funded agencies (\$0.5 million) and the Province of Ontario (\$2.3 million) increased as did deferred revenue (\$1.1 million) and employee benefit obligations (\$0.1 million). Amortization on tangible capital assets was recorded (\$2.3 million). These additions to cash were slightly offset by an increase in HST receivable (\$0.1 million). The result is additional cash provided by operating transactions, totaling \$12.2 million.

These increases were further offset by cash used in capital transactions (\$1.6 million), the increase in marketable securities (\$1.9 million), the repayment of long-term debt (\$2.6 million), and the net re-measurement of unrealized loss discussed above (\$0.1 million). Overall, the net increase in cash and cash equivalents during the 2020 year was \$6.0 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 22 – COVID-19 was added to provide the reader with information concerning the financial impacts the pandemic has had on TBDSSAB operations.

The remaining notes, although updated for 2020, 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 \$278,071 for the 2020 year. Corporate Management and Program Support expenses are allocated to programs based on the method approved during the annual budget process.
- Integrated Social Services Program Support revenues equaled expenses for the 2020 year. Integrated Social Services Program Support expenses are allocated to programs based on the method approved during the annual budget process.
- Ontario Works' revenues exceeded expenses by \$281,101 for the 2020 year. OW Program Delivery Funding (PDF) expenses were under budget due, primarily, to various transactions recorded to comply with PSAB requirements.
- Child Care and Early Years Program revenues exceeded expenses by \$727,133 for the 2020 year due to lower expenditures for child care and EarlyON centres during the COVID-19 closure and re-opening periods.
- Community Housing and Homelessness Program revenues exceeded expenses by \$379,522 for the 2020 year. In 2020, there was a favourable variance in legacy social housing programs, due to prior year financial settlements with housing providers. The remaining variance is due to various transactions recorded to comply with PSAB requirements.

- Direct-Owned Community Housing Building Operations revenues exceeded expenses by \$2,767,661 for the 2020 year. This is due to PSAB requirements not considering financing from the Direct-Owned Housing Portfolio Capital 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.

Schedule 3 identifies the components of the organization’s accumulated surplus. \$28.3 million, or 51%, of the accumulated surplus is held in various reserve funds to finance future projects and obligations. A portion of the surplus, \$27.9 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 \$620,771. A breakdown of the general deficit is as follows:

	Total (\$)
Accumulated general deficit as at December 31, 2019	(1,588,284)
2020 operating surplus	4,227,484
2020 change in reserve funds	(1,358,068)
2020 change in tangible capital assets net of long-term debt	(1,850,447)
2020 change in unrealized re-measurement	(53,096)
Accumulated general deficit as at December 31, 2020	(622,411)

The TBDSSAB accumulated general deficit includes the 2020 program levy surplus of \$1,086,173, which is consistent with the budget and variance reporting format, and discussed in Report No. 2021-15, TBDSSAB 2020 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 (\$)
2020 Consolidated Audited Financial Statement Surplus	4,227,484
2020 change related to employee benefit obligation	103,820
2020 change in the FMV of the SWAP load derivative	(242,619)
2020 change related to reserve funds	(2,814,481)
2020 capital expenditures (financed from reserve fund)	2,342,885
2020 change in tangible capital assets net of long-term debt	(1,850,447)
2020 income earned on reserve funds	(886,473)
Distribution of 2019 program levy operating surplus	206,004
2020 Program Levy Operating Surplus	1,086,173

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, 2020, were presented to the Audit Committee on March 31, 2021, 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 2020 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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