



BOARD REPORT

REPORT No.: 2022-16AGM

MEETING DATE: APRIL 21, 2022

SUBJECT: 2021 AUDITED CONSOLIDATED FINANCIAL STATEMENTS

RECOMMENDATION

THAT with respect to Report No. 2022-16AGM (Corporate Services Division), we, The District of Thunder Bay Social Services Administration Board, approve the Audited Consolidated Financial Statements of TBDSSAB for the year ended December 31, 2021, as presented.

REPORT SUMMARY

To provide The District of Thunder Bay Social Services Administration Board (TBDSSAB or the Board) with the draft year 2021 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, 2021, 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 2021 draft Audited Consolidated Financial Statements were presented to the Audit Committee on March 29, 2022 for review and inquiry and are provided as Attachment #1.

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 (3) 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, 2021, with comparatives at December 31, 2020. The total financial assets controlled by TBDSSAB as at December 31, 2021, were \$48.1 million, with the majority of that being cash and cash equivalents (\$22.3 million), and marketable securities (\$22.5 million). The majority of the cash and cash equivalents, and marketable securities is represented by reserve funds of \$31.3 million.

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

Cash and cash equivalents – decrease of \$0.7 million is detailed in the Consolidated Statement of Cash Flows which presents the sources and uses of cash.

Accounts payable – decrease of \$1.4 million due to a significant amount of work completed at year-end but not paid by December 31 of the year.

Due to province – decrease of \$1.1 million due to recovery of prior year Ontario Works financial assistance cashflow advances and amounts owed to TBDSSAB related to various housing programs.

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 \$1.6 million representing annual amortization of capital assets (\$2.5 million), offset somewhat by capital asset additions of desktop computers and laptops (\$391,820) security equipment (\$134,054), emergency generator equipment (\$160,187 including \$110,553 from Assets Under Construction), and consulting costs related to the Bertrand Regeneration project (\$316,642 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 2021 year of \$61,164 including amounts reclassified to the Statement of Operations resulting from disposition of investments. In 2021, through disposition of certain investments, previously unrealized

gains were realized (\$196,250). On this statement, the impact is presented as a reduction of unrealized gains.

The statement shows an accumulated unrealized gain of \$322,650 at December 31, 2021.

Administration has prepared Report No. 2022-19, Year 2021 Investment Portfolio Performance, contained in the April 21, 2022 Regular Session 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 2021, revenues exceeded expenses by \$3.5 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 \$1,758,396. Included in this surplus is income earned on reserve funds of \$921,304, and a net program levy operating surplus of \$837,092 (see Report No. 2022-18, TBDSSAB 2021 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 \$22.9 million. The annual surplus generated in 2021 added \$3.5 million and there were decreases in client benefit advances (\$0.1 million) and HST receivable (\$0.1 million) and an increase in employee benefit obligations (\$0.1 million).

However, these sources of cash are offset by increases in accounts receivable (\$0.4 million), decreases in accounts payable and accrued liabilities (\$1.4 million), amounts due to participating municipalities and funded agencies (\$0.2 million), amounts due to the Province of Ontario (\$1.1 million), deferred revenue (\$0.4 million), as well as an increase in prepaid expenses (\$0.1 million).

Amortization on tangible capital assets, which is a non-cash charge to operations, was also recorded (\$2.5 million). The result is additional cash provided by operating transactions, totaling \$2.7 million.

These increases were offset by cash used in capital transactions (\$0.9 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 decrease in cash and cash equivalents during the 2022 year was \$0.7 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.

The notes, although updated for 2021, 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 \$378,504 (income earned on reserve funds and other revenue) for the 2021 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 2021 year. Integrated Social Services Program Support expenses are allocated to programs based on the method approved during the annual budget process.

Social Assistance revenues exceeded expenses by \$439,423 for the 2021 year. OW Program Delivery Funding (PDF) expenses were under budget due, primarily, to the impacts of Covid-19. The Ontario Works caseload has decreased since the start of the pandemic which has led to less employment assistance benefits being disbursed. Also, due to social distancing restrictions, the TBDSSAB Headquarters was closed for in-person employment training and other services for much of the year.

Child Care and Early Years' Program expenses exceeded revenue by \$19,836 for the 2021 year due to the prior year reconciliation with the Ministry of Education.

Community Housing and Homelessness Program revenues exceeded expenses by \$767,931 for the 2021 year. In 2021, there was a favourable variance in legacy social

housing programs due to prior year financial settlements with housing providers. Also, private market landlord rent supplement payments were lower than budget.

Direct-Owned Community Housing Building Operations revenues exceeded expenses by \$1,926,783 for the 2021 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. \$31.3 million, or 53%, of the accumulated surplus is held in various reserve funds to finance future projects and obligations. A portion of the surplus, \$28.9 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 \$1,216,798. A breakdown of the general deficit is as follows:

	Total (\$)
Accumulated general deficit as at December 31, 2020	(622,411)
2021 operating surplus	3,492,805
2021 change in reserve funds	(2,961,900)
2021 change in tangible capital assets net of long-term debt	(1,064,128)
2021 change in unrealized re-measurement	(61,164)
Accumulated general deficit as at December 31, 2021	(1,216,798)

The TBDSSAB accumulated general deficit includes the 2021 program levy surplus of \$837,092, which is consistent with the budget and variance reporting format, and discussed in Report No. 2022-18, TBDSSAB 2021 Fourth Quarter Financial Report and Program Levy Operating Surplus Disposition, contained in the April 21, 2022 Regular Session 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 (\$)
2021 Consolidated Audited Financial Statement Surplus	3,492,805
2021 change related to employee benefit obligation	95,497
2021 change in the FMV of the SWAP load derivative	188,648
2021 change related to reserve funds	(2,292,543)
2021 capital expenditures (financed from reserve fund)	1,338,117
2021 change in tangible capital assets net of long-term debt	(1,064,128)
2021 income earned on reserve funds	(921,304)
2021 Program Levy Operating Surplus	837,092

STRATEGIC PLAN IMPACT

This report relates to the Board's strategic direction of Financial Stewardship, with a focus on ensuring accountability of TBDSSAB resources.

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, 2021, were presented to the Audit Committee on March 29, 2022, 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

Attachment #1 [Year 2021 Audited Consolidated Financial Statements of The District of Thunder Bay Social Services Administration Board \(draft\)](#)
(Distributed Separately – Not Attached To Report)

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