



## BOARD REPORT

**REPORT No.:** 2023-15AGM  
**MEETING DATE:** APRIL 20, 2023  
**SUBJECT:** 2022 AUDITED CONSOLIDATED FINANCIAL STATEMENTS

---

### RECOMMENDATION

THAT with respect to Report No. 2023-15AGM (Corporate Services Division) we, The District of Thunder Bay Social Services Administration Board, approve the Audited Consolidated Financial Statements of The District of Thunder Bay Social Services Administration Board for the year ended December 31, 2022, as presented.

### REPORT SUMMARY

To provide The District of Thunder Bay Social Services Administration Board (TBDSSAB or the Board) with the draft year 2022 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, 2022, 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 2022 draft Audited Consolidated Financial Statements were presented to the Audit Committee on March 22, 2023, 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 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, 2022, with comparatives at December 31, 2021. The total financial assets controlled by TBDSSAB as at December 31, 2022, were \$52.6 million, with the majority of that being cash and cash equivalents (\$22.8 million), and marketable securities (\$25.7 million). The majority of the cash and cash equivalents, and marketable securities is represented by reserve funds of \$36.8 million.

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

- Marketable securities – increase of \$3.2 million due to the transfer of \$6.3 million into the portfolio investment account during 2022, partially offset by unrealized fair market value losses (\$2.4 million).
- Due to Province – increase of \$3.2 million due to current and prior year provincial funding advances not yet recovered by the Province.
- Deferred revenue – decrease of \$1.2 million due to the recognition of child care mitigation revenue in 2022 which was then transferred into the Early Years Reserve Fund.
- Long-term debt – decrease of \$2.9 million representing principal repayments on housing portfolio mortgages, the loan for TBDSSAB's office headquarters, and the capital lease of computer equipment.
- Tangible capital assets – decrease of \$2.0 million representing annual amortization of capital assets (\$2.4 million), offset somewhat by capital asset additions of mail folder/inserters (\$25,104), multifunction devices (\$178,935), security equipment (\$28,892), emergency generator equipment (\$13,280 to Assets Under Construction), and consulting costs related to the Bertrand Regeneration project (\$170,821 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 2022 year of \$2,052,445 including amounts reclassified to the Statement of Operations resulting from disposition of investments. In 2022, through disposition of certain investments, previously unrealized gains were realized (\$316,574). On this statement, the impact is presented as a reduction of unrealized gains.

The statement shows an accumulated unrealized loss of \$1,729,795 at December 31, 2022.

Administration has prepared Report No. 2023-18, Year 2022 Investment Portfolio Performance, contained in the April 20, 2023, Regular Session Board Agenda package, which provides further detail regarding TBDSSAB's 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 2022, revenues exceeded expenses by \$5.6 million for the year, and reflects the consolidation of all transactions across the organization.

The Municipal Levy and Provincial funding calculations do not consider PSAB reporting requirements, and as such, 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 the PSAB consolidation entries from the \$5.6 million financial statement PSAB surplus (i.e. transactions related to reserve funds, the accrual of employee benefit obligations, and adjusting for tangible capital asset transactions), there is a net program levy operating surplus of \$72,203 (see Report No. 2023-17, TBDSSAB 2022 Fourth Quarter Financial Report and Program Levy Operating Surplus Disposition, contained in the Regular Board Agenda package). The details of the reconciliation between the PSAB surplus and the net program levy operating surplus is provided in the Schedule 1 section below.

### **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 \$22.3 million.

The annual surplus generated in 2022 added \$5.6 million and there were increases in accounts payable and accrued liabilities (\$0.2 million), due to province (\$3.2 million), and employee benefits obligations (\$0.1 million).

However, these sources of cash are offset by increases in accounts receivable (\$0.6 million), client advances (\$0.1 million), interest receivable (\$0.1 million), and decreases in amounts due to participating municipalities and funded agencies (\$0.3 million), deferred revenue (\$1.2 million), as well as an increase in prepaid expenses (\$0.2 million).

Amortization on tangible capital assets, which is a non-cash charge to operations, was also recorded (\$2.4 million), offset somewhat by the gain on disposal of tangible capital assets (\$0.3 million).

The result is additional cash provided by operating transactions, totaling \$8.6 million.

These increases were mostly offset by cash used in capital transactions (\$0.1 million), an increase in investments (\$3.2 million), the repayment of long-term debt (\$2.9 million), and the net re-measurement of unrealized loss discussed above (\$2.1 million). Overall, the net increase in cash and cash equivalents during the 2022 year was \$0.5 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 2022, 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 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 \$493,264 (income earned on reserve funds and other revenue) for the 2022 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 2022 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 \$52,374 for the 2022 year. Ontario Works Program Delivery Funding expenses were slightly under budget due, primarily, to staff vacancies throughout the year.
- Child Care and Early Years' Program expenses exceeded revenue by \$3.7 million for the 2022 year due, primarily, to the recognition of child care mitigation funding which was subsequently transferred into the Early Years Reserve Fund.
- Community Housing revenues exceeded expenses by \$462,331 for the 2022 year. There was a favourable variance in legacy social housing programs due mainly to private market landlord rent supplement payments being lower than budget.
- Direct-Owned Community Housing Building Operations revenues exceeded expenses by \$908,096 for the 2022 year. This is due to Contributions to the Housing Portfolio Capital Reserve Fund not being recorded as expenses under PSAB financial reporting requirements.

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 and deductions for the year, and the amortization amounts by asset class.

Schedule 3 identifies the components of the organization's accumulated surplus:

- \$36.8 million, or 59%, of the accumulated surplus is held in various reserve funds to finance future projects and obligations;
- A portion of the surplus, \$29.8 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 \$4,049,592. A breakdown of the general deficit is as follows:

	<b>Total (\$)</b>
Accumulated general deficit as at December 31, 2021	(1,216,798)
2022 operating surplus	5,601,182
2022 change in reserve funds	(5,490,279)
2022 change in tangible capital assets net of long-term debt	(891,252)
2022 change in unrealized re-measurement	(2,052,445)
<b>Accumulated general deficit as at December 31, 2022</b>	<b>(4,049,592)</b>

TBDSSAB's accumulated general deficit includes the 2022 program levy surplus of \$72,203, which is consistent with the budget and variance reporting format, and discussed in Report No. 2023-17, TBDSSAB 2022 Fourth Quarter Financial Report and Program Levy Operating Surplus Disposition, contained in the April 20, 2023, 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:

	<b>Total (\$)</b>
2022 Consolidated Audited Financial Statement Surplus	5,601,182
2022 change related to employee benefit obligation	117,898
2022 change in the FMV of the SWAP load derivative	297,562
2022 change related to reserve funds	(5,421,204)
2022 capital expenditures (financed from reserve fund)	1,161,588
2022 change in tangible capital assets net of long-term debt	(891,252)
2022 income earned on reserve funds	(802,843)
Prior year surplus (used for Social Service Relief Fund capital)	9,272
<b>2022 Program Levy Operating Surplus</b>	<b>72,203</b>

## **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, 2022, were presented to the Audit Committee on March 22, 2023, 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 2022 Audited Consolidated Financial Statements of The District of Thunder Bay Social Services Administration Board \(draft\)](#)  
**Distributed Separately – Not Attached to Report**

PREPARED BY:	Keri Greaves, CPA, Manager, Finance
SIGNATURE	
APPROVED BY	Georgina Daniels, FCPA, FCA, Director, Corporate Services Division
SIGNATURE	
SUBMITTED BY:	William (Bill) Bradica, CPA, Chief Administrative Officer