



BOARD REPORT

REPORT No.: 2024-13AGM
MEETING DATE: APRIL 18, 2024
SUBJECT: 2023 AUDITED CONSOLIDATED FINANCIAL STATEMENTS

RECOMMENDATION

THAT with respect to Report No. 2024-13AGM (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, 2023, as presented.

REPORT SUMMARY

To provide The District of Thunder Bay Social Services Administration Board (TBDSSAB or the Board) with the draft year 2023 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, 2023, 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 2023 draft Audited Consolidated Financial Statements were presented to the Audit Committee on April 4, 2024, 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, 2023, with comparatives at December 31, 2022. The total financial assets controlled by TBDSSAB as at December 31, 2023, were \$55.7 million, with the majority of that being cash and cash equivalents (\$25.4 million), and marketable securities (\$26.1 million). The majority of the cash and cash equivalents, and marketable securities is represented by reserve funds of \$39.5 million.

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

- Payable to participating municipalities and funded agencies – increase of \$4.0 million due to amounts payable to Child Care operators, Community Housing providers, Homelessness Prevention program providers, and Social Services Relief Fund providers.
- Cash and cash equivalents – increase of \$2.6 million due to amounts being maintained for liquidity purposes coupled with a more favourable interest rate earned during the year.
- Due to Province – decrease of \$2.1 million due to current year provincial funding amounts not yet received from the Province.
- Deferred revenue – decrease of \$2.5 million due to recognizing Canada-Ontario Community Housing Initiative, and child care transitional grants during the year.
- Long-term debt – decrease of \$2.5 million representing reduction in principal repayments on housing portfolio mortgages, the loan for TBDSSAB's office headquarters, and the capital lease of computer equipment.
- Asset Retirement Obligations – included at \$13.7 million based on new Public Sector Accounting Board reporting requirements relative to legal obligations associated with certain asset conditions. This item is discussed further in the Notes section below.

- Tangible capital assets – decrease of \$2.2 million representing annual amortization of capital assets.

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 2023 year of \$1,331,834 including amounts reclassified to the Statement of Operations resulting from disposition of investments. In 2023, through disposition of certain investments, previously unrealized losses were realized (\$697,704). On this statement, the impact is presented as an increase of unrealized gains.

The statement shows an accumulated unrealized loss of \$397,961 at December 31, 2023.

Administration has prepared Report No. 2024-16, Year 2023 Investment Portfolio Performance, contained in the April 18, 2024, 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 2023, revenues exceeded expenses by \$1.9 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 \$1.9 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), the net program levy is in a balanced position (\$0) (see Report No. 2024-15, TBDSSAB 2023 Fourth Quarter Financial Report and Program Levy Operating Position, contained in the Regular Board Agenda package). The details of the reconciliation between the PSAB surplus and the net program levy operating position are 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 \$22.8 million.

The annual surplus generated in 2023 added a positive \$1.9 million to cash flows, along with an increase in Payable to Participating Municipalities and Funded Agencies (\$4.0 million), and an increase in Asset Retirement Obligation of \$0.7 million, offset by decreases in amounts Due to Province of Ontario (\$2.1 million), and Deferred Revenue (\$2.5 million).

Amortization on tangible capital assets, which is a non-cash charge to operations, was also recorded (\$2.2 million).

The result is additional cash provided by operating transactions, totaling \$4.2 million.

These increases were mostly offset by an increase in investments (\$0.5 million), the repayment of long-term debt (\$2.5 million), and the net re-measurement of unrealized gain discussed above (\$1.3 million). Overall, the net increase in cash and cash equivalents during the 2023 year was \$2.6 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.

New in 2023 is note disclosure relative to Asset Retirement Obligations (ARO), a new required PSAB reporting standard relative to legal obligations associated with certain in-scope conditions of tangible capital assets. Specifically, Note 2 provides details related to the accounting policy implications, and Note 11 provides information regarding the ARO associated with the new reporting requirements. Also new in 2023 is enhanced note disclosure for Financial Instruments, which is provided in Note 24.

The remaining notes, although updated for 2023, 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 \$541,582 (income earned on reserve funds and other revenue) for the 2023 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 2023 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 \$200,622 for the 2023 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 \$73,735 million for the 2023 year.
- Community Housing revenues exceeded expenses by \$328,658 for the 2023 year. There was a favourable variance primarily due to reduced usage of portable housing benefits.
- Direct-Owned Community Housing Building Operations revenues exceeded expenses by \$1,187,293 for the 2023 year. This is due to Contributions to the Housing Portfolio Capital Reserve Fund not being recorded as expenses under PSAB financial reporting requirements.
- Homelessness Prevention Programs expenses exceeded revenue by \$400,000 which was covered by prior year accumulated surpluses.

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. The related reporting requirements of the newly required ARO are also included in accordance with the new PSAB reporting requirements.

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

- \$39.5 million, or 74%, of the accumulated surplus is held in various reserve funds to finance future projects and obligations;
- \$30.4 million, represents the amount that has been invested in tangible capital assets, the majority of which are buildings and land, net of associated debt;
- \$16.8 relates to the consolidated general deficit; A breakdown of the general deficit is as follows:

	Total (\$)
Accumulated general deficit as at December 31, 2022 (as restated)	(17,035,077)
2023 operating surplus	1,859,687
2023 change in reserve funds	(2,707,618)
2023 change in tangible capital assets net of long-term debt	(215,572)
2023 change in unrealized re-measurement	1,331,833
Accumulated general deficit as at December 31, 2023	(16,766,747)

TBDSSAB's accumulated general deficit includes the 2023 program levy balanced to \$0, which is consistent with the budget and variance reporting format, and discussed in Report No. 2024-15, TBDSSAB 2023 Fourth Quarter Financial Report and Program Levy Operating Position, contained in the April 18, 2024, 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 position, which removes the PSAB adjustments, to arrive at the in-year program levy operating position:

	Total (\$)
2023 Consolidated Audited Financial Statement Surplus	1,859,687
2023 change related to employee benefit obligation	(46,891)
2023 change in the FMV of the SWAP load derivative	(63,481)
2023 change in ARO Accretion costs	705,112
2023 change related to reserve funds	(2,306,886)
2023 capital expenditures (financed from reserve fund)	1,028,469
2023 change in tangible capital assets net of long-term debt	(215,572)
2023 income earned on reserve funds	(1,360,438)
Prior year surplus (used for Social Service Relief Fund capital)	400,000
2023 Program Levy Operating Position	0

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, 2023, were presented to the Audit Committee on April 4, 2024, 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 2023 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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