

## Section I – Items for Board of Directors Action

**TO:** Chair and Members of the Executive Committee  
Friday, June 10, 2022 Meeting

**FROM:** Michael Tolensky, Chief Financial and Operating Officer

**RE:** **2021 AUDITED FINANCIAL STATEMENTS**  
Approval of Financial Statements

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### KEY ISSUE

The 2021 audited financial statements are recommended for approval.

### RECOMMENDATION:

**THE EXECUTIVE COMMITTEE RECOMMENDS THAT** the transfer of funds from surplus to unrestricted reserves in the amount of \$28,568,000 as outlined below and reflected in Note 8, “Accumulated Surplus” to the financial statements (Attachment 1) be approved;

**AND FURTHER THAT** the 2021 audited financial statements, as presented in Attachment 1 be approved, signed by the Chair and Secretary-Treasurer of Toronto and Region Conservation Authority (TRCA) and distributed to each member municipality and the Minister, in accordance with subsection 38(3) of the *Conservation Authorities Act*.

### BACKGROUND AND RATIONALE

The 2021 TRCA audited financial statements are presented for approval. The accounting firm KPMG LLP has completed its audit and has included within the financial statements an unqualified, independent auditor’s report. The audited financial statements are presented as Attachment 1 to the report. Representatives from KPMG LLP will be in attendance to present the auditor’s report on the 2021 financial statements.

### Auditor Communication on Audit Strategy and Results

Included as Attachment 2 is a report from KPMG LLP addressed to the Executive Committee, entitled, “Audit Findings Report”. This report addresses various matters, including the auditor’s approach to the audit, materiality and any adjustments.

### FINANCIAL DETAILS

#### Financial Statement Summary - Statement of Financial Position

- **Cash and Investments**

The cumulative balance of these two financial statement line items was higher than prior year, totaling \$61,413,000 (2020 - \$42,828,000), primarily driven by the increase to the organization’s unrestricted reserves.

## Item 7.1

- **Investments**

As of 2021 year-end, One Fund's Book Value increased to \$7,371,000 (2020 - \$7,201,000). The fair value of these investments exceeds their book value by \$22,000.

	December 2021 (BV)	December 2021 (FMV)	December 2020 (BV)	December 2020 (FMV)
Bond Portfolio	\$3,950,000	\$3,761,000	\$3,884,000	\$3,816,000
Canadian Corporate Bond Portfolio	2,853,000	2,773,000	2,799,000	2,840,000
Equity Portfolio	568,000	859,000	518,000	712,000
	\$7,371,000	\$7,393,000	\$7,201,000	\$7,368,000

Unrealized Gain	\$22,000	\$167,000
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Additionally, as of 2021 year end, the balance of funds with RBC Dominion Securities was \$8,629,000 (2020 - \$557,000). In January 2021, \$8M was reinvested from the High Interest Saving Account within the One Fund to RBC Dominion Securities, in accordance with the newly approved investment policy, with majority of the funds invested in fixed income securities. The fair value of these investments exceeds their book value by \$33,000.

- **Receivables**

The receivable balance has grown to \$54,812,000 from \$46,870,000 in the prior year, primarily due to the increase in the receivable by \$11,898,000 relating to TRCA's administrative office building. As of May 31, 2021, 90% of TRCA's short-term receivables balance outstanding at the end of the year has been collected.

- **Payables and Accrued Liabilities**

Payables and accrued liabilities increased to \$27,694,000 from \$24,149,000 in the prior year, which was primarily driven by the \$5.1M payable related to the Tompion land sale, which is expected to be paid in June 2022. Trade payables are released as per their respective due dates, therefore, as of May 31, 2021, 100% of the 2021 trade payables and related accrued liabilities have been paid.

- **Deferred Revenues**

Deferred revenues are \$44,565,000, which are similar to the prior year (2020 - \$45,314,000). The increase of the government funding aspect of this balance, as well as the decrease to the authority generated aspect of the balance pertains to timing of projects.

- **Non-revolving Credit Facility**

A draw of \$13,150,000 was made in December 2021 on the construction loan for the new administrative building. A corresponding receivable was recording to reflect TRCA's municipal partners committed future funding.

- **Derivative Financial Instrument**

The derivative financial instrument of \$6,403,000 (2020 - \$7,704,000) represents the Mark-to-Market valuation of the interest rate swap entered by TRCA. The value of the derivative financial instrument at a point in time and any gains or losses would only be realized when the instrument is sold, which is not TRCA's intention. Subsequent to year end, the value of the derivative financial instrument is a gain of \$400,000 as at May 31, 2022.

## Item 7.1

- **Tangible Capital Assets (TCA)**

In the current year, there were financial acquisitions of tangible capital assets totaling \$25,934,000 (2020 - \$18,146,000) and tangible capital assets contributions of \$408,000 (2020 - \$3,190,000) offset by amortization of \$8,135,000 (2020 - \$8,018,000) and disposals of \$1,025,000 (2020 - \$9,552,000), primarily related to disposal of vehicles, equipment, and 463 Guildwood Parkway demolition. Tangible capital asset activities resulted in a net increase of \$17,387,000 in 2021, primarily associated with the continued construction of TRCA's administrative office building.

### **Financial Statement Summary - Statement of Operations and Accumulated Surplus**

- **Revenue**

TRCA's revenue decreased slightly to \$160,159,000 from \$162,187,000 in the prior year, primarily driven by timing of projects related to contracted services activities with municipal partners.

- **Expenses**

TRCA's expenses decreased to \$132,844,000 from \$142,393,000 in the prior year, representing a 7% decrease. The expense reduction is driven by timing and delays in project work in water risk management and changes in scope of work for a number of contracted service trail infrastructure projects.

- **Accumulated Surplus**

TRCA's accumulated surplus increased by \$28,568,000 in the year, which includes the net surplus of \$27,315,000 noted above (the difference between revenue and expenses), plus the \$1,301,000 gain on the derivative financial instrument, less the \$48,000 net loss on disposal of tangible capital assets. This increase in accumulated surplus is mainly driven by the net acquisition of tangible capital assets of \$17,387,000 and the growth of unrestricted reserves of \$9,428,000.

- **Variance Explanation**

At the May 6, 2022, Executive Committee Meeting, the 2021 Year End Financial Report was approved, which explained variances based on unaudited financial information compiled by Finance.

	<b>May 6, 2022</b>	<b>Audited</b>	
	<b>Report</b>	<b>Financial</b>	<b>Difference</b>
		<b>Statements</b>	
Revenues	\$ 166,251,000	\$ 160,159,000	\$ 6,092,000
Expenses	155,465,000	132,844,000	22,621,000
Net Impact	\$ 10,786,000	\$ 27,315,000	\$ (16,529,000)

The variance in total revenues is primarily attributed to the removal of the Tompion land sale funds being removed from the financial statement line item (\$5.1M). The variance in total expenses is primarily due to the removal of the Tompion transactions, plus the completion of TRCA's annual tangible capital asset assessment.

## Item 7.1

### **Relationship to Building the Living City, the TRCA 2013-2022 Strategic Plan**

This report supports the following strategy set forth in the TRCA 2013-2022 Strategic Plan:

#### **Strategy 9 – Measure performance**

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**Date: June 7, 2021**

**Attachments: 2**

Attachment 1: 2021 TRCA Audited Financial Statements

Attachment 2: KPMG 2021 Audit Findings Report and Draft Management Representation Letter