

DRAFT #5
June 3, 2021

Financial Statements of

**TORONTO AND REGION
CONSERVATION AUTHORITY**

And Independent Auditors' Report thereon

Year ended December 31, 2020

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Toronto and Region Conservation Authority

Opinion

We have audited the financial statements of Toronto and Region Conservation Authority (the Entity), which comprise:

- the statement of financial position as at December 31, 2020
- the statement of operations and accumulated surplus for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2020, and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

DRAFT

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

TORONTO AND REGION CONSERVATION AUTHORITY***DRAFT*** Statement of Financial Position

(In thousands of dollars)

December 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Financial assets:		
Cash (note 2)	\$ 35,070	\$ 32,593
Investments (note 3)	7,758	10,003
Receivables (notes 4 and 14)	46,870	29,573
	<u>89,698</u>	<u>72,169</u>
Liabilities		
Financial liabilities:		
Payables and accrued liabilities (note 18)	24,149	16,663
Vacation pay entitlements	2,551	2,882
Deferred revenue (notes 2 and 5)	45,314	40,485
Derivative financial instrument (note 6)	7,704	3,100
	<u>79,718</u>	<u>63,130</u>
Net financial assets	9,980	9,039
Non-financial assets:		
Other assets	2,563	943
Tangible capital assets (note 7)	444,012	439,855
	<u>446,575</u>	<u>440,798</u>
Contingent liabilities and commitments (note 15)		
Contractual rights (note 17)		
Accumulated surplus (note 8)	<u>\$ 456,555</u>	<u>\$ 449,837</u>

See accompanying notes to financial statements.

On behalf of Toronto and Region Conservation Authority:

_____ Chair

_____ Secretary Treasurer

TORONTO AND REGION CONSERVATION AUTHORITY

DRAFT Statement of Operations and Accumulated Surplus

(In thousands of dollars)

Year ended December 31, 2020, with comparative information for 2019

	2020 Budget (note 16)	2020 Actual	2019 Actual
Revenue:			
Government funding (note 9)	\$ 164,883	\$ 132,328	\$ 100,991
Authority generated (notes 7, 10 and 14)	42,588	29,293	36,063
Investment income	730	566	956
	<u>208,201</u>	<u>162,187</u>	<u>138,010</u>
Expenses (notes 11 and 20):			
Watershed Studies and Strategies	2,903	2,033	3,805
Water Risk Management	95,402	71,404	46,554
Regional Biodiversity	16,454	14,362	16,261
Greenspace Securement and Management	8,322	3,657	4,087
Tourism and Recreation	26,494	16,174	19,581
Planning and Development Review	11,689	10,372	9,890
Education and Outreach	13,773	9,532	9,737
Sustainable Communities	10,135	6,721	8,464
Corporate Services	44,689	8,138	11,242
	<u>229,861</u>	<u>142,393</u>	<u>129,621</u>
Net surplus (deficit) before the undernoted	(21,660)	19,794	8,389
Unrealized loss on derivative financial instrument (note 6)	–	(4,604)	(3,100)
Net loss on disposal of tangible capital assets (note 7)	–	(8,472)	(30,972)
Net surplus (deficit)	(21,660)	6,718	(25,683)
Accumulated surplus, beginning of year	449,837	449,837	475,520
Accumulated surplus, end of year	<u>\$ 428,177</u>	<u>\$ 456,555</u>	<u>\$ 449,837</u>

See accompanying notes to financial statements.

TORONTO AND REGION CONSERVATION AUTHORITY

DRAFT Statement of Changes in Net Financial Assets

(In thousands of dollars)

Year ended December 31, 2020, with comparative information for 2019

	2020 Budget (note 16)	2020 Actual	2019 Actual
Net surplus (deficit)	\$ (21,660)	\$ 6,718	\$ (25,683)
Purchase of tangible capital assets	–	(18,146)	(8,665)
Contributed tangible capital assets (note 7)	–	(3,190)	(1,710)
Net loss on disposal of tangible capital assets (note 7)	–	8,472	30,972
Write-off of tangible capital assets	–	683	91
Proceeds on disposal of tangible capital assets	–	6	74
Amortization of tangible capital assets	8,494	8,018	8,080
Change in other assets	–	(1,620)	75
Increase (decrease) in net financial assets	(13,166)	941	3,234
Net financial assets, beginning of year	9,039	9,039	5,805
Net financial assets, end of year	\$ (4,127)	\$ 9,980	\$ 9,039

See accompanying notes to financial statements.

TORONTO AND REGION CONSERVATION AUTHORITY***DRAFT*** Statement of Cash Flows

(In thousands of dollars)

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Net surplus (deficit)	\$ 6,718	\$ (25,683)
Items not involving cash:		
Amortization of tangible capital assets	8,018	8,080
Accrued interest income on investments	(57)	(222)
Unrealized loss on derivative financial instrument	4,604	3,100
Net loss on disposal of tangible capital assets	8,472	30,972
Write-off of tangible capital assets	683	91
Contributed tangible capital assets	(3,190)	(1,710)
Change in non-cash operating working capital:		
Receivables	(17,297)	(4,728)
Other assets	(1,620)	75
Payables and accrued liabilities	7,486	(1,158)
Vacation pay entitlements	(331)	213
Deferred revenue	4,829	1,783
	<u>18,315</u>	<u>10,813</u>
Investing activities:		
Purchase of investments	(225)	(142)
Proceeds on maturity of investments	2,527	6,418
	<u>2,302</u>	<u>6,276</u>
Capital activities:		
Purchase of tangible capital assets	(18,146)	(8,665)
Proceeds on disposal of tangible capital assets	6	74
	<u>(18,140)</u>	<u>(8,591)</u>
Increase in cash	2,477	8,498
Cash, beginning of year	32,593	24,095
Cash, end of year	<u>\$ 35,070</u>	<u>\$ 32,593</u>

See accompanying notes to financial statements.

TORONTO AND REGION CONSERVATION AUTHORITY

DRAFT Notes to Financial Statements

(In thousands of dollars)

Year ended December 31, 2020

Toronto and Region Conservation Authority ("TRCA") delivers programs and services that further the conservation, restoration, development and management of natural resources other than gas, oil, coal and minerals. As the largest of the 36 provincial conservation authorities, TRCA's area of jurisdiction spans nine watersheds including those within the City of Toronto and areas in the Regional Municipalities of Durham, Peel and York (including lower tier municipalities), the Township of Adjala-Tosorontio and Town of Mono.

TRCA is incorporated under the Conservation Authorities Act, having commenced operations in 1957. TRCA is a registered charity under the Income Tax Act (Canada) and, as such, is exempt from income taxes.

1. Significant accounting policies:

The financial statements for TRCA are the responsibility of and prepared by management in accordance with the Chartered Professional Accountants of Canada Public Sector Accounting Handbook, that sets out generally accepted accounting principles for government not-for-profit organizations in Canada. The financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards, excluding Sections PS4200 and PS4270, with the following significant accounting policies:

(a) Basis of accounting:

The financial statements are prepared using an accrual basis of accounting which recognizes the effect of transactions and events in the period in which the transactions and events occur, regardless of whether there has been a receipt or payment of cash or its equivalent. Accrual accounting recognizes a liability until the obligation(s) or condition(s) underlying the liability is partly or wholly satisfied. Accrual accounting recognizes an asset until the future economic benefit underlying the asset is partly or wholly used or lost.

(b) Revenue recognition:

Government funding, which refers to all revenue received from municipal, provincial and federal sources, is recognized as revenue when payments are authorized and all eligibility criteria have been met, except when there is a stipulation that gives rise to a future obligation. In that case, the funding is recorded as deferred revenue and recognized as revenue as the stipulation is met.

TORONTO AND REGION CONSERVATION AUTHORITY

DRAFT Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended December 31, 2020

1. Significant accounting policies (continued):

Authority generated revenue, which refers to all revenue received from non-government sources, are recognized as revenue in the period in which the related services are performed. Amounts collected for services that have not yet been rendered are recorded as deferred revenue and recognized as revenue when the related services are performed. Donated tangible capital assets are recorded at fair market value, when fair market value can be reasonably estimated.

(c) Cash:

Cash consists of cash on hand, cashable guaranteed investment certificates, and all deposits in banks including interest bearing savings accounts.

(d) Investments:

Investments, which consist of non-cashable guaranteed investment certificates, bonds and a portfolio with the One Investment Program, are recorded at cost. Investment income, including interest and dividends, is recognized when earned. Any discount or premium arising on purchase is amortized over the period to maturity. If there is a permanent loss in value, an investment will be written down to recognize the loss. Any write-down would be included in the statement of operations and accumulated surplus.

(e) Other assets:

Other assets include inventory for resale and prepaid expenses. Merchandise, food and beverage inventory for resale is valued at the lower of cost and net realizable value. Nursery inventory is valued at the lower of cost and replacement value. Cost is determined on a first-in, first-out basis.

TORONTO AND REGION CONSERVATION AUTHORITY

DRAFT Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended December 31, 2020

1. Significant accounting policies (continued):

(f) Tangible capital assets:

Tangible capital assets are recorded at cost, which includes amounts directly attributable to acquisition, design, construction development, improvement or betterment of the assets. Costs include overhead directly attributable to construction and development as well as interest costs that are directly attributable to the acquisition or construction of the asset. The cost, less the residual value of the tangible capital assets, is amortized on a straight-line basis over the estimated useful lives as follows:

Assets	Years
Infrastructure	25 - 50
Buildings and building improvements	10 - 55
Land improvements	20 - 40
Machinery and equipment	5 - 20
Vehicles	6 - 25

Tangible capital assets are written down when conditions indicate they are no longer able to contribute to TRCA's ability to provide goods or services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations and accumulated surplus.

Contributed tangible capital assets are recorded at fair market value on the date of contribution, except in circumstances where fair market value cannot be reasonably determined, and a nominal value is recorded.

TRCA's collection of historical treasures, including artifacts and buildings, and works of art are not recognized in the financial statements.

(g) Vacation pay entitlements:

Vacation entitlements are accrued for as earned by employees. The liability for the accumulated vacation days represents management's best estimate as to TRCA's future liability.

TORONTO AND REGION CONSERVATION AUTHORITY

DRAFT Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended December 31, 2020

1. Significant accounting policies (continued):

(h) Contaminated sites:

Contaminated sites are the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceed an environmental standard. A liability for remediation of contaminated sites is recognized, net of any expected recoveries, when all of the following criteria are met: (a) an environmental standard exists; (b) contamination exceeds the environmental standard; (c) TRCA is directly responsible or accepts responsibility for the liability; (d) future economic benefits will be given up; and (e) a reasonable estimate of the liability can be made. Changes in this estimate are recorded in TRCA's statement of operations and accumulated surplus.

(i) Employee pension plan:

The cost of the multi-employer defined benefit pension plan is recognized as the required contributions for employees' services rendered in the year.

(j) Reserves:

TRCA may internally allocates its accumulated surplus to capital reserves to finance the cost of tangible capital assets, purchases, maintenance and related expenditures and operating reserves in order to ensure funds are available for financial relief in the event of a significant loss of revenues or other financial emergency for which no other source of funding is available. These reserve allocations are approved by TRCA's Board of Directors.

(k) Derivative financial instrument:

Derivative financial instruments are initially recorded and subsequently measured at fair value.

TORONTO AND REGION CONSERVATION AUTHORITY

DRAFT Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended December 31, 2020

1. Significant accounting policies (continued):

(l) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenue and expenses during the year. Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

(m) Adoption of accounting policy:

Effective January 1, 2019, TRCA adopted the following standard issued by PSAB:

PS3430, Restructuring Transactions

The adoption of this standard has not resulted in additional note disclosure.

2. Cash - CTC Source Protection Region:

The Credit Valley, Toronto and Region and Central Lake Ontario Source Protection Region ("CTC Source Protection Region") was established under the Clean Water Act of Ontario to ensure communities protect their drinking water supplies through prevention - by developing collaborative, watershed based source protection plans that are locally driven and based on science. The CTC Source Protection Region's jurisdiction includes the Credit Valley, Toronto and Region and Central Lake Ontario source protection areas, which are represented by the respective conservation authorities under the Clean Water Act. In the current year, the Ministry of the Environment, Conservation and Parks provided funding of \$308 (2019 - \$416) for source protection projects to TRCA, which delivers the management function on behalf of the CTC Source Protection Region. Interest income of \$3 (2019 - \$7) has been imputed on the unspent balance of the funds. Total funding of \$67 (2019 - \$192) is held in a separate bank account as of December 31, which is included on the statement of financial position as cash, with a corresponding deferred revenue balance.

TORONTO AND REGION CONSERVATION AUTHORITY**DRAFT** Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended December 31, 2020

3. Investments:

	2020	2019
The One Investment Program:		
Bond Portfolio	\$ 3,884	\$ 3,771
Universe Corporate Bond Portfolio	2,799	2,705
Equity Portfolio	518	500
Guaranteed investment certificates:		
Interest rates: 2.26% (2019 - 1.96% - 2.26%)		
Years of maturity: 2021 (2019 - 2020 - 2021)	557	1,905
Municipal bonds:		
Interest rates: nil (2019 - 1.58%)		
Years of maturity: nil (2019 - 2020)	-	592
Corporate bond:		
Interest rate: nil (2019 - 1.80%)		
Year of maturity: nil (2019 - 2022)	-	530
	\$ 7,758	\$ 10,003

The fair market value of the investments at December 31, 2020 is \$7,926 (2019 - \$9,950).

4. Receivables:

	2020	2019
Government funding:		
Municipal	\$ 26,684	\$ 14,642
Federal	4,071	2,249
Provincial	3,108	2,963
Authority generated:		
Trade	9,971	5,946
The Toronto and Region Conservation Foundation (note 14)	3,036	3,773
	\$ 46,870	\$ 29,573

TORONTO AND REGION CONSERVATION AUTHORITY

DRAFT Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended December 31, 2020

5. Deferred revenue:

	2020	2019
Government funding (a)	\$ 31,659	\$ 26,771
Authority generated (b)	13,655	13,714
	\$ 45,314	\$ 40,485

(a) Government funding:

	Balance, beginning of year	Funding received	Funding recognized	2020 Balance, end of year	2019 Balance, end of year
Municipal (note 6(a)):					
Capital levies	\$ 19,147	\$ 48,070	\$ (42,379)	\$ 24,838	\$ 19,147
Contract services	2,229	59,223	(58,821)	2,631	2,229
Grants	900	1,586	(1,266)	1,220	900
Provincial	1,154	5,690	(5,208)	1,636	1,154
Federal	432	4,836	(5,039)	229	432
Revenue sharing policy (i)	2,909	11	(1,815)	1,105	2,909
	\$ 26,771	\$ 119,416	\$ (114,528)	\$ 31,659	\$ 26,771

- (i) The proceeds on the sale of properties in the amount of nil (2019 - \$256) is attributed to the Province of Ontario (the "Province") and the member municipalities on the basis of their original contribution when the properties were acquired. The Ministry of Natural Resources and Forestry reserves the right to direct the purpose to which the Province's share of funds may be applied or to request a refund. The balance must always be maintained in proportion to the original contribution by the Province and TRCA, represented by the member municipalities. TRCA is permitted to withdraw the municipal share of the funds provided that the Province's corresponding share is either matched by other sources of funding or returned to the Province. Interest income of \$11 (2019 - \$99) has been included in funding received.

On May 8, 2018, the Ministry of Natural Resources and Forestry approved \$3,538 in funds to be treated as disposition proceeds from land sales associated with the Province's grants toward TRCA's administrative building construction project. In the current year, \$1,815 (2019 - \$1,723) of these funds were recognized as revenue.

TORONTO AND REGION CONSERVATION AUTHORITY

DRAFT Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended December 31, 2020

5. Deferred revenue (continued):

(b) Authority generated:

				2020	2019
	Balance, beginning of year	Funding received	Funding recognized	Balance, end of year	Balance, end of year
Cash in lieu and compensation	\$ 10,148	\$ 2,852	\$ (3,404)	\$ 9,596	\$ 10,148
Master environmental servicing	1,853	4,343	(4,520)	1,676	1,853
Contract services	1,174	1,440	(1,514)	1,100	1,174
Other	254	17,231	(16,839)	646	254
Event deposits	283	699	(347)	635	283
Property easements	2	49	(49)	2	2
	\$ 13,714	\$ 26,614	\$ (26,673)	\$ 13,655	\$ 13,714

6. Credit facility agreement and derivative financial instrument:

(a) On February 22, 2019, the Board of Directors authorized TRCA to enter into a \$54,000 unsecured, non-committed and non-revolving construction and term loan agreement to support the construction of TRCA's new administrative office building at 5 Shoreham Drive. The agreement was entered into on February 26, 2019 with a Canadian commercial bank and bears interest at the applicable Canada Bankers' Acceptances plus 0.74%, fixed rate by way of interest rate swap or prime rates, depending on the form of borrowing. All amounts drawn under the agreement will be available with a commitment period of up to 10 years from the date of initial drawdown. The construction loan will convert to the term loan on the earlier of substantial completion of the project and November 1, 2021. The principal amount of the term loan is to be repaid in full over a maximum of 30 years from the conversion date. Under the terms of the loan agreement, TRCA is required to comply with certain financial and non-financial covenants.

As at December 31, 2020, no funds have been drawn under the loan agreement (2019 - nil).

The municipal partners of TRCA, including the City of Toronto and the Regions of Durham, Peel and York have committed up to \$60,000 of funding for the project over the next 29 years, as approved by their individual Councils.

TORONTO AND REGION CONSERVATION AUTHORITY

DRAFT Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended December 31, 2020

6. Credit facility agreement and derivative financial instrument (continued):

- (b) In concurrence with the loan agreement, TRCA entered into an interest rate swap to forwards fix the interest payable at 3.658% on \$50,000 of the available \$54,000 facility.

At December 31, 2020, TRCA has an interest rate exchange agreement in the amount of \$50,000 (2019 - \$50,000) outstanding and maturing on January 1, 2047. The change in fair value of this contract at December 31, 2020 was an unrealized loss of \$4,604 (2019 - \$3,100) which has been recorded as a liability on the statement of financial position and unrealized loss on derivative financial instrument on the statement of operations and accumulated surplus. Subsequent to year-end on May 31, 2021, the fair value of this contract was \$3,568.

- (c) On October 6, 2020, TRCA obtained a letter of credit with a Canadian commercial bank to undertake certain work with the Department of Fisheries and Oceans, as required by Fisheries and Oceans Canada. The available amount of credit for this facility amounted to \$1,300 at a rate of 0.85%. On October 9, 2020, \$1,270 of this credit limit was applied to the Ashbridge's Bay Major Maintenance project, expiring on October 8, 2021.

On January 21, 2020, TRCA obtained a letter of credit with a Canadian commercial bank to undertake work with the City of Toronto. The available amount of credit for this facility amounted to \$1,402 at a rate of 0.85%. On March 4, 2020, \$1,402 of this credit limit was applied to the New Administrative Office project, expiring on March 3, 2021.

As at December 31, 2020, TRCA has existing letters of credit facilities in the amount of \$2,900 (2019 - \$2,900) available, with \$273 (2019 - \$273) applied to the Fishleigh Drive project; \$2,450 (2019 - \$2,450) applied to the Ashbridge's Bay Treatment Plant project and \$77 (2019 - \$77) applied to the Patterson Creek project, expiring on dates ranging from March 7, 2021 to June 12, 2021.

As at December 31, 2020, TRCA has a revolving demand facility with an overall limit of \$1,000 (2019 - \$1,000). The facility bears interest at the applicable bank prime rate minus 0.25% per annum or rates quoted by the bank at the time of issuance, depending on the form of the borrowing. TRCA had drawn nil (2019 - nil) under the facility as at December 31, 2020.

TORONTO AND REGION CONSERVATION AUTHORITY

DRAFT Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended December 31, 2020

7. Tangible capital assets:

2020 - Cost	Opening	Additions	Transfers	Disposals	Closing
Land	\$ 317,517	\$ 3,640	\$ 67	\$ (8,478)	\$ 312,746
Infrastructure	184,566	529	5,016	(316)	189,795
Buildings and building improvements	46,604	556	3,333	–	50,493
Land improvements	17,022	511	–	–	17,533
Machinery and equipment	8,068	437	–	–	8,505
Vehicles	5,749	771	–	(73)	6,447
Assets under construction	18,241	14,892	(8,416)	(685)	24,032
	\$ 597,767	\$ 21,336	\$ –	(9,552)	\$ 609,551

2020 - Accumulated amortization	Opening	Amortization - net	Disposals	Closing
Infrastructure	\$ 120,239	\$ 4,789	\$ (316)	\$ 124,712
Buildings and building improvements	22,820	1,556	–	24,376
Land improvements	7,453	548	–	8,001
Machinery and equipment	4,033	665	–	4,698
Vehicles	3,367	460	(75)	3,752
	\$ 157,912	\$ 8,018	\$ (391)	\$ 165,539

Net book value	2020	2019
Land	\$ 312,746	\$ 317,517
Infrastructure	65,083	64,327
Buildings and building improvements	26,117	23,784
Land improvements	9,532	9,569
Machinery and equipment	3,807	4,035
Vehicles	2,695	2,382
Assets under construction	24,032	18,241
	\$ 444,012	\$ 439,855

In the current year, TRCA transferred certain lands with a carrying value of \$8,472 (2019 - \$30,141) to Parks Canada for nominal consideration. The land transfers are reflected as a net loss on disposal of tangible capital assets in the statement of operations and accumulated surplus. Further, TRCA received from corporations and individual private owners \$3,190 (2019 - \$1,710) of contributed land and buildings within the Greenspace Securement and Management service area included, as part of authority generated revenue.

TORONTO AND REGION CONSERVATION AUTHORITY**DRAFT** Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended December 31, 2020

8. Accumulated surplus:

	2020	2019
Tangible capital assets	\$ 444,012	\$ 439,855
Unfunded vacation pay entitlements	(515)	(1,157)
Unrestricted reserves	20,762	14,239
Unrealized loss on derivative financial instrument	(7,704)	(3,100)
	\$ 456,555	\$ 449,837

9. Revenue - government funding:

	2020 Budget	2020 Actual	2019 Actual
Municipal:			
Capital levies	\$ 59,892	\$ 44,730	\$ 44,156
Contract services	69,066	58,821	30,783
Operating levies	15,448	15,448	14,828
Other	2,958	1,266	1,020
Provincial	4,949	7,024	7,056
Federal	12,570	5,039	3,148
	\$ 164,883	\$ 132,328	\$ 100,991

Municipal capital levies include \$3,648 (2019 - \$1,296) of funding recognized and receivable as at December 31, 2020.

10. Revenue - authority generated:

	2020 Budget	2020 Actual	2019 Actual
Watershed Studies and Strategies	\$ 43	\$ 32	\$ 828
Water Risk Management	1,234	1,244	1,232
Regional Biodiversity	4,863	3,476	3,024
Greenspace Securement and Management	6,147	6,383	5,963
Tourism and Recreation	14,052	6,827	9,925
Planning and Development Review	8,404	7,982	7,419
Education and Outreach	4,563	1,231	3,794
Sustainable Communities	2,383	906	2,180
Corporate Services	899	1,212	1,698
	\$ 42,588	\$ 29,293	\$ 36,063

TORONTO AND REGION CONSERVATION AUTHORITY

DRAFT Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended December 31, 2020

11. Expenses by object:

	2020 Budget	2020 Actual	2019 Actual
Compensation (note 13)	\$ 79,652	\$ 60,089	\$ 67,533
Contract services	120,926	55,341	43,074
Materials and supplies	27,434	17,444	9,004
Utilities	995	884	1,245
Property taxes	854	617	685
Amortization of tangible capital assets	–	8,018	8,080
	<u>\$ 229,861</u>	<u>\$ 142,393</u>	<u>\$ 129,621</u>

12. Public sector salary disclosure:

TRCA is subject to The Public Sector Salary Disclosure Act, 1996, due to funding received from the Province during the current year being in excess of \$1,000. Salaries and taxable benefits for the 81 employees (2019 - 73 employees) that have been paid by TRCA and reported to the Province in compliance with this legislation can be obtained from the Ministry of Finance or upon request from TRCA.

13. Employee pension plan:

TRCA makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), a multi-employer pension plan, on behalf of its qualifying full-time and part-time employees. The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service, pension formula and best 60 months of earnings. Employees and employers contribute equally to the plan.

As OMERS is a multi-employer defined benefit pension plan, any pension plan surpluses or deficits are a joint responsibility of all eligible organizations and their employees. As a result, TRCA does not recognize any share of the OMERS pension funding deficit of \$3,211,000 (2019 - \$3,397,000), as TRCA's portion of the amount is not determinable. TRCA's current service contributions to the OMERS pension plan in the amount of \$4,550 (2019 - \$4,698) are included as compensation expense in the current year.

TORONTO AND REGION CONSERVATION AUTHORITY

DRAFT Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended December 31, 2020

14. Toronto and Region Conservation Foundation:

Toronto and Region Conservation Foundation, formerly The Living City Foundation (the "Foundation"), is an independent, non-controlled registered charitable organization which has its own Board of Directors. As such, TRCA's financial statements do not include the activities of the Foundation.

In the current year, the Foundation contributed \$2,909 (2019 - \$3,397) to TRCA programs, which is included as part of authority generated revenue. As at December 31, 2020, the Foundation has an externally restricted fund balance of \$5,441 (2019 - \$4,176), which is to be used primarily for undertaking TRCA projects, and an operating fund surplus of \$331 (2019 - \$246). The receivable balance from the Foundation is non-interest bearing, unsecured and has no specified repayment terms.

15. Contingent liabilities and commitments:

(a) Legal actions and claims:

TRCA has received statements of claim as defendant under various legal actions resulting from its involvement in land purchases, fatalities, personal injuries and flooding on or adjacent to its properties. TRCA maintains insurance coverage against such risks and has notified its insurers of the legal actions and claims. It is not possible at this time to determine the outcome of these claims and, therefore, no provision has been made in these financial statements.

(b) Land expropriations:

TRCA has completed the acquisition of lands required to undertake various projects which includes acquiring lands under the Expropriations Act. A number of properties required for the Revised Project for the Etobicoke Motel Strip were obtained through expropriation from five owners. Funding was from the City of Etobicoke and the Municipality of Metropolitan Toronto (now collectively known as the City of Toronto) and the Province of Ontario. To date four of the expropriations have been settled in the amount of \$23,765 and the compensation has been paid during the 2008 to 2012 fiscal periods.

TORONTO AND REGION CONSERVATION AUTHORITY

DRAFT Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended December 31, 2020

15. Contingent liabilities and commitments (continued):

(c) Lease commitments:

TRCA is committed under various operating leases for office spaces over the next five years and thereafter, with minimum lease payments as follows:

2021	\$ 1,075
2022	259
2023	63
2024	16
2025	16
Thereafter	16
	\$ 1,445

(d) Loan guarantee:

TRCA and the City of Toronto have jointly and severally provided a loan guarantee in the amount of \$4,600 (2019 - \$4,600) to Evergreen for its financial institutional lender for the Don Valley Brick Works restoration project. As of December 31, 2020, Evergreen's outstanding loan balance is \$1,376 (2019 - \$1,720), and is repayable in monthly installments, with the final payment due on April 15, 2023.

16. Budget figures:

The budget in the statement of operations and accumulated surplus was approved on April 24, 2020.

17. Contractual rights:

As at December 31, 2020, TRCA estimates contractual rights of \$24,422 (2019 - \$20,152) will be earned in future years.

TORONTO AND REGION CONSERVATION AUTHORITY

DRAFT Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended December 31, 2020

18. Government assistance:

In 2020, the federal government launched the Canada Emergency Wage Subsidy program in response to the COVID-19 pandemic outlined in note 19. TRCA applied for \$1,497 (2019 - nil) and received \$473 (2019 - nil). Due to ongoing uncertainties with respect to TRCA's eligibility, TRCA has not recognized any revenue associated with this program and the funds received to date are included in payables and accrued liabilities.

19. Financial risks:

Market Risk

During the year, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian and Ontario governments, enacting emergency measures to combat the spread of the virus. These measures which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally and in Canada, resulting in an economic slowdown.

During the year, TRCA has experienced a reduction in authority generated revenue due to site closures. TRCA has closed administrative buildings and public lands (conservation parks, conversation areas and trails) in accordance with the guidance from public health organizations throughout the year. TRCA has also mandated work-from-home supported by technology and infrastructure to access servers from remote locations, for those who were able to do so. Management continues to closely monitor and manage the impact of COVID-19 to the operations of the TRCA.

TORONTO AND REGION CONSERVATION AUTHORITY

DRAFT Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended December 31, 2020

20. Segmented disclosures:

										2020	2019
	Watershed Studies and Strategies	Water Risk Management	Regional Biodiversity	Greenspace Securement and Management	Tourism and Recreation	Planning and Development	Education and Outreach	Sustainable Communities	Corporate Services	Total	Total
Revenue:											
Government funding	\$ 2,069	\$ 72,892	\$ 10,906	\$ 1,411	\$ 6,941	\$ 3,514	\$ 8,043	\$ 5,571	\$ 20,981	\$ 132,328	\$ 100,991
Authority generated	32	1,244	3,476	6,383	6,827	7,982	1,231	906	1,212	29,293	36,063
Investment income	–	3	–	2	–	–	3	–	558	566	956
	2,101	74,139	14,382	7,796	13,768	11,496	9,277	6,477	22,751	162,187	138,010
Expenses:											
Compensation	1,716	11,448	7,975	1,537	6,938	9,744	4,602	5,001	11,128	60,089	67,533
Contract services	232	38,496	3,202	478	2,670	204	3,954	485	5,620	55,341	43,074
Materials and supplies	11	13,304	1,581	162	912	163	245	128	938	17,444	9,004
Utilities	–	21	5	92	535	–	155	1	75	884	1,245
Property taxes	–	–	1	611	–	–	–	–	5	617	685
Amortization of tangible capital assets	1	2,196	101	282	3,364	2	215	443	1,414	8,018	8,080
Internal charges (recoveries)	73	5,939	1,497	495	1,755	259	361	663	(11,042)	–	–
	2,033	71,404	14,362	3,657	16,174	10,372	9,532	6,721	8,138	142,393	129,621
Net surplus (deficit) before the undernoted	68	2,735	20	4,139	(2,406)	1,124	(255)	(244)	14,613	19,794	8,389
Unrealized loss on derivative financial instrument	–	–	–	–	–	–	–	–	(4,604)	(4,604)	(3,100)
Net gain (loss) on disposal of tangible capital assets	–	–	–	(8,478)	–	–	–	–	6	(8,472)	(30,972)
Net surplus (deficit)	\$ 68	\$ 2,735	\$ 20	\$ (4,339)	\$ (2,406)	\$ 1,124	\$ (255)	\$ (244)	\$ 10,015	\$ 6,718	\$ (25,683)