



STAFF REPORT ACTION REQUIRED

2022 Audited Financial Statements – Toronto Public Library Board

Date: May 23, 2023
To: Toronto Public Library Board
From: City Librarian

SUMMARY

The purpose of this report is to present the draft Audited Financial Statements for the year ended December 31, 2022 to the Toronto Public Library Board for approval in order to meet legislative requirements.

The Audited Financial Statements are prepared annually as required by the [City of Toronto Act, 2006](#), Section 231. The draft Financial Statements, prepared by applying accounting standards of the Public Sector Accounting Board (PSAB), provide an annual overview of Toronto Public Library's (TPL's) financial results as at the end of the fiscal year. By applying technical PSAB rules, the financial results include surpluses (budget and actuals) and accumulated surpluses, which are only "paper surpluses", which result from apply certain accounting rules. The financial statements also confirm the financial results presented to the Board in the 2022 year-end Operating Budget Monitoring Report and Capital Budget Monitoring Report. These budget monitoring reports, presented to the Board throughout the year, are the primary tools which demonstrate how the Council-approved budgets are being managed and expended.

The auditors, KPMG LLP, have provided an unqualified opinion in the Independent Auditors' Report which means that the Financial Statements are presented fairly in all material respects.

RECOMMENDATIONS

The City Librarian recommends that the Toronto Public Library Board:

1. approves the 2022 draft Audited Financial Statements of the Toronto Public Library Board, appended as Attachment 1.

FINANCIAL IMPACT

This report presents the Toronto Public Library 2022 Audited Financial Statements. There is no financial impact resulting from this report.

These financial statements reflect the 2022 combined results of the spending of the operating and capital budgets in accordance with Canadian PSAB standards and result in surpluses (budget and actuals) and accumulated surpluses which are only "paper surpluses". The financial statements also confirm the financial results previously reported at the Board meeting on February 27, 2023: the [Operating Budget Monitoring Report – December 31, 2022](#) reported that the operating budget was essentially fully expended with a surplus of \$0.016 million which will be returned to the City; and the [Capital Budget Monitoring Report – December 31, 2022](#) reported that the capital spending totalled \$32.666 million or 73.4% of the adjusted gross cash flow budget of \$44.515 million, resulting in a final unspent net balance \$11.849 million.

The Director, Finance & Treasurer has reviewed this financial impact statement and agrees with it.

ISSUE BACKGROUND

At its meeting on December 5, 2022, the Library Board received for information the KPMG [Audit Plan for the Year Ending December 31, 2022](#), which outlined their approach to the audit.

The Financial Statements are a requirement of the [City of Toronto Act, 2006](#), Section 231 as part of the overall fiscal framework for the City and its agencies, boards and commissions. These financial statements present a particular view of the Library's financial results at the end of the fiscal year and indicate revenues, expenses and

funding for the year. The preparation, content and accuracy of the Financial Statements and all other information included in the financial report are the responsibility of management.

The Financial Statements have been prepared in accordance with Canadian public sector accounting standards (PSAS) for local governments as defined by the PSAB of the Chartered Professional Accountants of Canada.

These Financial Statements have been audited by KPMG whose role is to provide an independent opinion on the fair presentation of the Library's financial position and operating results, and to confirm that the statements are free from material misstatement. The external auditor's opinion is to provide comfort to third parties that the Financial Statements can be relied upon.

Financial Statements

The Financial Statements include the following individual statements:

1. Statement of Financial Position

Purpose is to summarize the assets (financial and non-financial), liabilities, net debt and accumulated surplus as at year-end.

The Statement of Financial Position is the municipal equivalent of the private sector's balance sheet. This statement focuses on the Library's assets (financial and non-financial) and liabilities. The difference between the liabilities and financial assets is the Library's net debt, which represents the net amount that must be financed from future budgets.

As a result of significant investment in tangible capital assets there is a large accumulated surplus. Although tangible capital asset balances are considerable, they do not provide liquidity and are not typically available for sale, the proceeds of which could be used for other purposes. It is for this purpose that tangible capital assets are not included in the calculation of net debt.

2. Statement of Operations and Accumulated Surplus

Purpose is to outline revenues, expenses, surplus for the year and accumulated surplus at year-end. This statement reflects the combined operations of the operating and capital funds for the Library and provides the calculation of the Library's accumulated surplus at year-end.

The Statement of Operations and Accumulated Surplus is considered to be the municipal equivalent to the private sector's Statement of Income and Retained Earnings.

The Statement of Operations and Accumulated Surplus provides a summary of revenues, expenses, and surplus throughout the reporting period and outlines the change in accumulated surplus.

PSAS legislation requires the operating and capital budgets as approved by Council be reflected in the Financial Statements and be adjusted for accrual-based accounting. The 2022 budget values presented in this statement have been adjusted to reflect the differences between amounts as budgeted at the City and Library on a modified "cash requirements" basis and amounts now recorded in these financial statements on an accrual basis. As described in Note 3 to the Financial Statements (Budget figures), the total approved operating and capital budgets for 2022 have been combined and reflected in the statement of operations and accumulated surplus. The budgets for acquisition of tangible capital assets, primarily comprised of expenditures of the capital budget and for library collections, are capitalized and therefore result in a budget surplus.

3. Statement of Changes in Net Debt

Purpose is to outline the changes in net debt as a result of annual operations and tangible capital asset transactions.

The Statement of Changes in Net Debt is unique to governments. This statement focuses on the debt of the Library, adjusting the annual surplus for the impact of tangible capital assets, mainly deducting the costs to acquire tangible capital assets and adding back amortization charged during the year.

4. Statement of Cash Flows

Purpose is to summarize the Library's cash position and changes during the year by outlining the Library's sources and uses of cash.

The Statement of Cash Flows summarizes the Library's cash position and changes during the year. It segregates the Library's sources (inflows) and uses (outlay) of cash into two sections: Operating activities, Investing activities.

The Notes to the Financial Statements provide further detail about the Library's financial results and are an integral part of the Financial Statements.

COMMENTS

As noted in Attachment 1, Independent Auditors' Report, the auditors provided an unqualified opinion on the Financial Statements. An unqualified opinion means that the Financial Statements are presented fairly in all material respects in accordance with PSAS for local governments. Representatives from KPMG will be in attendance at the Board meeting.

The draft Audited Financial Statements for the year ended December 31, 2022, Attachment 1b, provide details of the state of the Library's finances at the end of the fiscal year, and the revenues and expenses for the year ended December 31, 2022. The financial statements are considered draft until approved by the Library Board and normal outstanding matters, as detailed in a separate board report, Audit Findings Report - Year Ended December 31, 2022, are resolved.

Budget Monitoring Reports

At the Board meeting on February 27, 2023, the 2022 year-end results of spending the operating and capital budgets were presented for information. The [Operating Budget Monitoring Report - December 31, 2022](#) showed an operating surplus of \$0.016 million, which will be returned to the City and is reflected in the financial statements as payable to the City as shown in note 4(a) of the Audited Financial Statements and Table 4 of this report. The [Capital Budget Monitoring Report - December 31, 2022](#) showed a 73.4% expenditure rate of the adjusted gross capital budget. The unspent capital budget funding received is similarly reflected in the financial statements as payable to the City as shown in note 4(a) of the Audited Financial Statements and Table 4 of this report.

Budget Figures

Budget figures in the Audited Financial Statements are based on the 2022 original operating and capital budgets approved by City Council. However, in the Operating and Capital Budget Monitoring Reports, the Council-approved 2022 operating and capital budget figures also includes in-year Council-approved adjustments, if any.

Detailed Review of Statement of Financial Position

A detailed review of the Statement of Financial Position is provided in the following section:

Table 1: Statement of financial position variance (2022 vs. 2021)

	Actual 2022	Actual 2021	Increase / (Decrease)
Financial assets			
Cash and cash equivalents	7,609,332	11,332,605	(3,723,273)
Accounts receivable:			
City of Toronto (Table 2)	65,510,764	56,576,815	8,933,949
Other accounts receivable (Table 3)	5,381,499	3,048,531	2,332,968
	78,501,595	70,957,951	7,543,644
Liabilities			
Accounts payable:			
City of Toronto (Table 4)	18,189,291	10,710,545	7,478,746
Accounts payable and accrued liabilities (Table 5)	52,199,494	52,845,373	(645,879)
Deferred revenue	5,447,809	5,087,282	360,527
Employee benefits (Table 6)	79,431,988	81,335,761	(1,903,773)
	155,268,582	149,978,961	5,289,621
Net debt	(76,766,987)	(79,021,010)	2,254,023
Tangible capital assets (Table 8)	415,621,809	398,430,819	17,190,990
Accumulated surplus (Table 9)	338,854,822	319,409,809	19,445,013

Cash and cash equivalents (Note 2)

Cash and cash equivalents decrease by \$3.723 million to \$7.609 million [2021 – \$11.332 million], mainly due to an increase in receivable from the City for the remaining balance of 2022 operating budget funding to be received from the City in 2023.

Accounts receivable – City of Toronto (Note 4(a))

The breakdown of accounts receivable from the City at year-end with prior year comparatives is as follows:

Table 2: Accounts receivable from the City of Toronto

	2022	2021	Increase / (Decrease)
Approved City operating budget funding receivable	65,408,015	56,408,356	8,999,659
Rental receivable / Common maintenance costs	102,749	168,459	(65,710)
Accounts receivable from the City of Toronto	65,510,764	56,576,815	8,933,949

The \$65.510 million accounts receivable from the City in 2022 (2021 - \$56.576 million) is comprised predominantly of \$65.408 million which represents the portion of the operating budget which has been recognized, but not cash flowed from the City to TPL as at the year-end. In 2020, TPL received \$21.776 million under a Federal program in response to the pandemic, the Canada Emergency Wage Subsidy (CEWS), which has allowed for the deferral of some of the operating budget cash flow funding from the City. Subsequent to year-end, CRA completed an assessment and concluded all CEWS funding is to be repaid (see Table 5).

Other accounts receivable

The breakdown of other accounts receivable at year-end with prior year comparatives is as follows:

Table 3: Other accounts receivable

	2022	2021	Increase / (Decrease)
Canada Revenue Agency – HST rebate	2,872,490	2,110,177	762,313
Foundation receivable	1,019,268	671,947	347,321
Rental receivable	304,032	114,844	189,188
Other	1,185,709	151,562	1,034,147
Total Other accounts receivable	5,381,499	3,048,531	2,332,968

Other accounts receivable increased by \$2.332 million to \$5.381 million [2021 – \$3.048 million], mainly due to \$0.762 million increase in HST claims from CRA, which include an additional month of rebate and \$1.034 million in Other mainly due to \$0.889 million of a Landlord contribution for the renovation of the Maryvale branch.

Accounts payable – City of Toronto (Note 4(a))

The breakdown of accounts payable to the City of Toronto at year-end with prior year comparatives is as follows:

Table 4: Accounts payable to the City of Toronto

	2022	2021	Increase / (Decrease)
Operating budget surplus payable to City	16,153	5,019,845	(5,003,692)
Operating expenses	279,270	173,350	105,920
Ethenonnhawahstihnen capital project	3,606,422	1,369,717	2,236,705
Hydro charges payable	2,071,991	1,239,361	832,630
Unexpended capital advance	12,215,455	1,806,765	10,408,690
Other	-	1,101,507	(1,101,507)
Accounts payable to the City of Toronto	18,189,291	10,710,545	7,478,746

The \$18.189 million accounts payable to the City in 2022 (2021 - \$10.710 million) is comprised predominantly of \$12.215 million in unexpended capital advance which is the difference between capital cash flow funding received from the City vs. what was

expended. Ethennonnhawahstihnen' capital project is a multi-partner project managed by the City and the \$3.606 million represents Library's share of the cost to be paid to the City.

Accounts payable and accrued liabilities

The breakdown of other accounts payable and accrued liabilities at year-end with prior year comparatives is as follows:

Table 5: Accounts payable and accrued liabilities

	2022	2021	Increase / (Decrease)
Salaries and benefits payable	9,017,475	7,989,678	1,027,797
Accounts payable - CEWS	21,776,235	21,776,235	-
Accounts payable and accruals	19,418,085	18,562,872	855,213
Holdback payable on construction contracts	1,987,699	4,516,588	(2,528,889)
Total accounts payable and accrued liabilities	52,199,494	52,845,373	(645,879)

Accounts payable and accrued liabilities decreased by \$0.655 million mainly due to \$2.528 million decrease in holdback payable as a result of completion of three large construction contracts in 2022. Offset by \$1.027 million increase in salaries and benefits payable at year-end adjustment, mainly due to retiree entitlements and vacation accruals.

In 2020, TPL has received \$21.776 million under the CEWS Program. At December 31, 2022 and 2021, the \$21.776 million subsidy is reflected in accounts payable and accrued liabilities as TPL's eligibility for the CEWS funding was still being assessed by CRA. Subsequent to year-end, CRA completed their assessment and concluded all CEWS funding is to be repaid (Note 5).

Deferred revenue (Note 4(d))

Deferred revenue increased by \$0.360 million to \$5.447 million [2021 - \$5.087 million], primarily related to funding received from the TPL Foundation for specific programs, including Summer Reading Club, Social Services Team and Community Librarians, which are committed and will be expended in the following year.

Employee Benefit Liabilities (Note 6)

The Employee Benefits Liabilities obligation is an annual one-time entry, which is charged to accumulated surplus. It is not reflected in the budget monitoring reports.

The City has employed the services of LifeWorks, a third party valuation expert, to value the gross employee benefits liability (identified as 'employee benefits' in Note 6 of the Financial Statement). The most recent actuarial valuation was completed for the fiscal year ended December 31, 2021 for which the Library provided the necessary information on the composition of its workforce and benefits plans to the City. The next actuarial valuation for post-retirement and post-employment benefits is expected to be performed as at December 31, 2024.

At the end of 2022, the Library's gross employee benefits liability (identified as Accrued Benefit Obligation in Note 6) decreased by \$16.674 million to \$61.068 million [2021 - \$77.742 million]. The decrease in the liability is mainly due to an increase of the discount rate from 2.5% in 2021 to 4.4% in 2022. The discount rate is used to value the current cost of future benefit obligations. Whenever there is an increase in the discount rate it drives down the value of the accrued benefit obligation.

Table 6: Net employee benefits

	2022	2021	Increase / (Decrease)
Post-retirement benefits	36,634,741	48,216,396	(11,581,655)
Disabled employees' benefits	3,786,526	4,854,604	(1,068,078)
Income benefits	7,066,613	9,048,175	(1,981,562)
Sick leave benefits	11,056,038	13,699,110	(2,643,072)
WSIB	2,524,746	1,924,686	600,060
Employee Benefits/Accrued Benefit Obligation	61,068,664	77,742,971	(16,674,307)
Net unamortized actuarial gain	18,363,324	3,592,790	14,770,534
Total Net Employee Benefits	79,431,988	81,335,761	(1,903,773)

The net employee benefits liability decreased by \$1.903 million to \$79.431 million [2021 – \$81.335 million]. The components of the decrease are due to a \$16.674 million decrease in accrued benefit obligation offset by a \$14.770 million increase in the net unamortized actuarial gain calculated as follows:

Table 7: Net unamortized actuarial gain

	2022	2021
Unamortized (gain) loss – beginning of year	(3,592,790)	12,080,172
Amortization for year (A)	1,407,070	442,425
Actuarial gain (B)	(16,177,604)	(16,115,387)
Net unamortized gain – end of year (C)	(18,363,324)	(3,592,790)

Net actuarial gains and losses are amortized (A) over the expected average remaining service life of the employee group, which ranges from 12 to 16 years. The amortization of the net actuarial gain is \$1.407 million [2021 – \$0.442 million]. In 2022, the actuarial gain (B) is \$16.177 million [2021 – \$16.115 million gain].

The net unamortized actuarial gain (C) of \$18.363 million represents the remaining balance of annual actuarial gain that has not yet been fully amortized.

An unamortized actuarial gain balance is added to the gross employee benefits obligation and an unamortized actuarial loss balance is deducted. The annual unamortized actuarial gain / (loss) balance (C) is drawn down as the actuarial gain / (loss) becomes fully amortized.

Net Debt (Statement of Changes in Net Debt)

Net debt is calculated as liabilities (e.g. trade, employment payables and employee benefits) less financial assets (e.g. cash and cash equivalents and receivables), and represents the net amount that must be financed by future budgets.

The Library's net debt at year-end decreased by \$2.254 million to \$76.766 million [2021 – \$79.021 million]. This decrease in the Library's net debt is primarily due to the net overall decrease in employee benefits liability (Note 6).

While the City issues long-term debt to finance certain of its operations, none of the debt or associated financing costs are allocated to the Library.

Tangible Capital Assets (Notes 1 and 8)

Note 1 outlines the Library's significant accounting policies and provides an overview of the policy for recording tangible capital assets.

The breakdown of tangible capital assets at year-end with prior year comparatives (Note 8) is as follows:

Table 8: Tangible capital assets

	Cost 2022	Accumulated Amortization 2022	Net 2022	Net 2021
Land	15,376,262	-	15,376,262	15,376,262
Building and leasehold improvements	379,365,152	129,001,588	250,363,564	218,731,913
Furniture, fixtures and equipment	65,496,970	30,131,343	35,365,627	31,255,173
Vehicles	2,981,903	2,177,563	804,340	1,027,285
Library materials	124,915,055	61,498,127	63,416,928	62,506,086
Assets under construction	50,295,088	-	50,295,088	69,534,100
Total Tangible Capital Assets	638,430,430	222,808,621	415,621,809	398,430,819

The net value of the Library's tangible capital assets increased by \$17.191 million, mainly due to capital projects related primarily to Albert Campbell, North York Central, Ethennonnhawahstihnen', Maryvale and Wychwood renovations. During the year, asset additions totalled \$53.883 million, comprised of building improvements of \$20.065 million, furniture and equipment of \$12.201 million and library collections of \$21.617 million.

During the year, accumulated amortization of tangible capital assets increased \$7.736 million net to \$222.808 million [2021 – \$215.072 million].

Accumulated Surplus

The 2022 actual accumulated surplus as shown on the Statement of Financial Position is \$338.854 million. The accumulated surplus is an outcome of applying PSAS accounting and is comprised of the net book value of tangible capital assets, employee benefits liability and other liabilities less financial assets:

Table 9 – Accumulated surplus

	2022	2021
Purchase of Tangible Capital Assets	638,430,430	613,503,152
Accumulated amortization	(222,808,621)	(215,072,333)
Net book value of Tangible Capital Assets	415,621,809	398,430,819
Employee benefits liability	(79,431,988)	(81,335,761)
Other liabilities less financial assets	2,665,001	2,314,751
Accumulated Surplus – End of year (Table 1)	338,854,822	319,409,809

Annual Surplus

There are two annual surpluses for the year on the Statement of Operations and Accumulated Surplus (page 2 of Attachment 1b; breakdown shown in Table 10):

1. Budget Surplus for the year: \$35.381 million
2. PSAS Actual Surplus for the year: \$19.445 million

As described in Note 3, the audited budget on the financial statements is the sum of the approved 2022 operating and capital budgets, which have been adjusted for PSAS accounting, with a resulting budget surplus of \$35.381 million comprised of expenditures for the capital budget and library collections, less amortization. The budget surplus is compared to the PSAS actual surplus in the following chart:

Table 10: Annual surplus (budget vs. actual)

	Budget	PSAS Actual
Capital budget expenditure	50,625,218	32,265,258
Operating budget expenditure – Library materials	21,447,510	21,617,277
Tangible assets gross amount [a]	72,072,728	53,882,535
Amortization – Building and Equipment	(15,985,099)	(15,985,099)
Amortization – Library materials	(20,706,446)	(20,706,446)
Total amortization [b]	(36,691,545)	(36,691,545)
Tangible assets net book value [c = a + b]	35,381,183	17,190,990
Post-retirement and post-employment benefit expense	-	1,903,773
Other	-	350,250
Surplus for the year	35,381,183	19,445,013

The third surplus disclosed in Note 4 (a) is the \$0.016 million under spending of the approved operating budget as presented in the [Operating Budget Monitoring Report – December 31, 2022](#).

The reconciliation of the operating budget surplus returned to the City to the PSAS annual surplus is shown below:

Table 11: Reconciliation of Surplus for the year

	2022	2021
Operating Budget Surplus	16,153	5,019,845
Surplus Returned to the City	(16,153)	(5,019,845)
Balance	-	-
Increase / (Decrease) in unspent non-debt Capital and Library Material funding	350,250	(172,130)
Net decrease / (increase) in employee benefit liability (Table 1)	1,903,773	259,961
Subtotal: Change in net debt	2,254,023	87,831
Net increase in net book value of Tangible Capital Assets (Table 1)	17,190,990	20,541,332
PSAS Surplus for the year	19,445,013	20,629,163

Detailed Review of Statement of Operations and Accumulated Surplus

This statement reflects the combined operations of the operating and capital funds for the Library and provides the calculation of the Library's accumulated surplus at year end.

Revenues

The Library's primary source of funding comes from the City of Toronto (94.4%).

Table 12: Current year revenues and prior year comparatives

	2022 Actual as % of Total	2022 Budget	2022 Actual	Variance Favourable / (Unfavourable)	2021 Actual
City of Toronto	94.4	264,527,245	246,457,185	(18,070,060)	235,326,252
Province of Ontario	2.3	5,714,187	5,941,567	227,380	6,011,589
Federal government	0.0	-	98,390	98,390	257,843
Fines and user charges (Table 13)	0.6	2,098,547	1,511,359	(587,188)	743,936
Investment income	0.1	139,500	383,771	244,271	72,452
Donations and other grants/Foundation	1.3	1,922,800	3,484,642	1,561,842	2,280,565
Other income (Table 14)	1.2	2,656,250	3,075,767	419,517	2,018,836
Total Revenues	100.0	277,058,529	260,952,681	(16,105,848)	246,711,473

Revenues for 2022 totalled \$260.952 million [2021 – \$246.711 million], which is \$16.105 million less than budget, mainly due to \$18.070 million unfavourable revenue variance related to the capital budget, of which \$5.281 million was an adjustment to reduce the original council-approved preliminary carry-forward budget, \$2.114 million from a technical adjustment to reduce the original council approved 2022 budget for three projects that were overspent in 2021 and \$10.409 million of unexpended capital advance to be returned to the City in 2023. The unexpended capital advance was mainly due to a City request to pause capital spending of \$7.690 million as a result of uncertainties around funding from other levels of government. Partial offset of \$1.561 favourable variance are related to additional funding from the Foundation as designated to fund specific Library programs.

Fines and user charges primarily consists of printing/photocopying revenue, rental of theatres and community rooms, and payment for lost items. The breakdown at year-end with prior year comparatives is as follows:

Table 13: Fines and user charges

	Budget 2022	Actual 2022	Variance Favourable / (Unfavourable)	Actual 2021
Fines & Lost/Damaged Materials	300,429	368,752	68,323	216,666
Equipment & facility rentals	763,017	350,408	(412,609)	169,149
Printing / Photocopier receipts	915,609	684,780	(230,829)	276,085
Other charges	119,492	107,419	(12,073)	82,036
Fines and user charges	2,098,547	1,511,359	(587,188)	743,936

Fines and user charges for 2022 totalled \$1.511 million [2021 - \$0.743 million], which is \$0.587 million less than budget as public printing was impacted by COVID-19 primarily due to the closure of 44 branches at the beginning of 2022.

Other income consists primarily of tenant rentals and revenue from premium venue space rentals. The breakdown at year-end with prior year comparatives is as follows:

Table 14: Other income

	Budget 2022	Actual 2022	Variance Favourable / (Unfavourable)	Actual 2021
Tenant rentals	1,268,396	1,478,618	210,222	1,599,408
Premium venue space rentals	852,973	538,560	(314,413)	(10,540)
Sale of merchandise	135,599	36,795	(98,804)	776
Miscellaneous	399,282	1,021,794	622,512	429,192
Total Other Income	2,656,250	3,075,767	419,517	2,018,836

Other income for 2022, including revenue from venue and room rentals, totalled \$3.075 million [\$2.018 million], which is \$0.419 million less than budget as demand was impacted by COVID-19.

Miscellaneous income comprised mainly of \$0.899 million due from Landlord contribution for the renovation of the Maryvale branch.

Expenses

Staff costs accounted for the largest portion of expenses, at 67.0% of the total amount.

Table 15: Current year expenses and prior year comparatives

	2022 Actual as % of Total	2022 Budget	2022 Actual	Variance Favourable / (Unfavourable)	2021 Actual
Staff costs	67.0	163,142,428	161,711,800	1,430,628	152,657,851
Maintenance and supplies	10.1	21,748,928	24,369,738	(2,620,810)	21,284,263
Utility cost	3.7	10,126,744	9,031,110	1,095,634	9,120,616
Administration cost (Table 15)	2.0	5,545,765	4,906,829	638,936	3,169,293
Rental cost	1.5	3,654,676	3,653,805	871	3,259,528
Library materials	0.1	-	207,891	(207,891)	107,456
Transfers to City of Toronto and other	0.4	767,260	934,950	(167,690)	474,921
Amortization	15.2	36,691,545	36,691,545	-	36,008,382
Total Expenses	100.00	241,677,346	241,507,668	169,678	226,082,310

The 2022 budget represents the initial 2022 Council-approved budget on a PSAS basis (e.g. includes amortization) and does not include in-year budget adjustments.

In 2022, the total expenses were \$241.507 million [2021 - \$226.082 million], which is \$0.169 million less than budget. The favourable variance is primarily related to underspending in staff costs related to the impact of COVID-19 on library operations in the beginning of 2022.

Note that \$21.617 million of expenditure on library collections (see Table 10), which is part of the approved operating budget, is treated as an addition to tangible capital assets. The library materials shown in Table 15 represent only special collections expenditures.

Table 16: Administration cost

	Budget 2022	Actual 2022	Variance Favourable / (Unfavourable)	Actual 2021
Professional & other services	1,072,817	1,858,048	(785,231)	1,077,105
Training & mileage	1,069,219	583,873	485,346	820,972
Supplies & services	69,000	121,579	(52,579)	99,288
Programs, printing & advertising	3,334,729	2,343,329	991,400	1,171,928
Total Administration cost	5,545,765	4,906,829	638,936	3,169,293

Administration cost for 2022 totalled \$4.906 million [2021 – \$3.169 million], which is \$0.638 million lower than budget, and is primarily related to underspending in library programming, printing and advertising. The impact of COVID-19 and its variants on library operations in early 2022 resulted in lower than budgeted expenditures for library programming, print, advertisement and associated costs.

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SIGNATURE

Vickery Bowles
City Librarian

ATTACHMENTS

- Attachment 1: Draft Financial Statements of Toronto Public Library Board and Independent Auditors' Report Thereon – Year Ended December 31, 2022
- Attachment 1a: Independent Auditors' Report
- Attachment 1b: Toronto Public Library Board - Draft Financial Statements - December 31, 2022

DRAFT
May 4, 2023

Financial Statements of

**TORONTO PUBLIC LIBRARY
BOARD**

And Independent Auditor's Report thereon

Year ended December 31, 2022

INDEPENDENT AUDITOR'S REPORT

To the Members of Toronto Public Library Board

Opinion

We have audited the financial statements of Toronto Public Library Board (the Entity), which comprise:

- the statement of financial position as at December 31, 2022
- the statement of operations and accumulated surplus for the year then ended
- the statement of changes in net debt 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, 2022, and its results of operations, its remeasurement gains and losses, 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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's 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.

Auditor's 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 auditor's 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 auditor's 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 auditor's 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.

DRAFT

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

TORONTO PUBLIC LIBRARY BOARD

DRAFT Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
Assets		
Cash and cash equivalents (note 2)	\$ 7,609,332	\$ 11,332,605
Accounts receivable:		
City of Toronto (note 4(a))	65,510,764	56,576,815
Other accounts receivable	5,381,499	3,048,531
	<u>78,501,595</u>	<u>70,957,951</u>
Liabilities and Net Debt		
Accounts payable:		
City of Toronto (note 4(a))	18,189,291	10,710,545
Accounts payable and accrued liabilities (note 5)	52,199,494	52,845,373
Deferred revenue (note 4(d))	5,447,809	5,087,282
Employee benefits (note 6)	79,431,988	81,335,761
	<u>155,268,582</u>	<u>149,978,961</u>
Net debt	(76,766,987)	(79,021,010)
Non-financial assets:		
Tangible capital assets (note 8)	415,621,809	398,430,819
Commitments and contingencies (notes 6 and 9)		
Accumulated surplus	<u>\$ 338,854,822</u>	<u>\$ 319,409,809</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Toronto Public Library Board Chair

_____ City Librarian

TORONTO PUBLIC LIBRARY BOARD

DRAFT Statement of Operations and Accumulated Surplus

Year ended December 31, 2022, with comparative information for 2021

	Budget (note 3)	Actual 2022	Actual 2021
Revenue:			
City of Toronto (note 4(a))	\$ 264,527,245	\$ 246,457,185	\$ 235,326,252
Province of Ontario	5,714,187	5,941,567	6,011,589
Federal government	-	98,390	257,843
Fines and user charges	2,098,547	1,511,359	743,936
Investment income	139,500	383,771	72,452
Donations and other grants (note 4(a))	1,922,800	3,484,642	2,280,565
Other income	2,656,250	3,075,767	2,018,836
	<u>277,058,529</u>	<u>260,952,681</u>	<u>246,711,473</u>
Expenses:			
Staff	163,142,428	161,711,800	152,657,851
Maintenance and supplies	21,748,928	24,369,738	21,284,263
Utilities	10,126,744	9,031,110	9,120,616
Administration	5,545,765	4,906,829	3,169,293
Rental	3,654,676	3,653,805	3,259,528
Library materials	-	207,891	107,456
Transfers to City of Toronto and other (note 4)	767,260	934,950	474,921
Amortization of tangible capital assets	36,691,545	36,691,545	36,008,382
	<u>241,677,346</u>	<u>241,507,668</u>	<u>226,082,310</u>
Surplus for the year	35,381,183	19,445,013	20,629,163
Accumulated surplus, beginning of year	-	319,409,809	298,780,646
Accumulated surplus, end of year	<u>\$ 35,381,183</u>	<u>\$ 338,854,822</u>	<u>\$ 319,409,809</u>

See accompanying notes to financial statements.

TORONTO PUBLIC LIBRARY BOARD

DRAFT Statement of Changes in Net Debt

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Surplus for the year	\$ 19,445,013	\$ 20,629,163
Acquisition of capital assets	(53,882,535)	(56,549,714)
Amortization of tangible capital assets	36,691,545	36,008,382
Decrease in net debt	2,254,023	87,831
Net debt, beginning of year	(79,021,010)	(79,108,841)
Net debt, end of year	\$ (76,766,987)	\$ (79,021,010)

See accompanying notes to financial statements.

TORONTO PUBLIC LIBRARY BOARD

DRAFT Statement of Cash Flows

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
Surplus for the year	\$ 19,445,013	\$ 20,629,163
Items not involving cash:		
Amortization of tangible capital assets	36,691,545	36,008,382
Employee benefits expense	3,454,289	5,553,352
Change in non-cash operating items:		
Accounts receivable	(11,266,917)	(1,852,384)
Accounts payable and accrued liabilities	6,832,867	6,191,533
Deferred revenue	360,527	1,533,315
Payments for employee benefits	(5,358,062)	(5,813,313)
	50,159,262	62,250,048
Investing activities:		
Acquisition of tangible capital assets	(53,882,535)	(56,549,714)
Change in cash and cash equivalents	(3,723,273)	5,700,334
Cash and cash equivalents, beginning of year	11,332,605	5,632,271
Cash and cash equivalents, end of year	\$ 7,609,332	\$ 11,332,605

See accompanying notes to financial statements.

TORONTO PUBLIC LIBRARY BOARD

DRAFT Notes to Financial Statements

Year ended December 31, 2022

The Toronto Public Library Board (the "Board" or the "Library") is a local board of the City of Toronto (the "City") deemed to be a public library board established under the Public Libraries Act (Ontario) and is responsible for providing public library services that reflect the community's unique needs. The Public Libraries Act (Ontario) has also designated the Board as a special library service board to provide library resources and services to the Ontario library community.

The Board is not subject to income taxes under Section 149(1) of the Income Tax Act (Canada).

The Toronto Public Library Foundation (the "Foundation") has responsibility for most of the fundraising activities for the Library. Fundraising efforts of the Foundation are to benefit the Library. The Foundation's net assets, revenue and expenses are not included in these financial statements as the Board does not control the Foundation.

During 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Federal and Provincial 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.

In 2022, the pandemic had a financial and operational impact on the Library whereby the Library implemented operating restrictions in accordance with the guidance from public health organizations. Management continues to closely monitor and manage the impact of COVID-19 on the operations of the Library.

1. Significant accounting policies:

(a) Basis of accounting:

These financial statements have been prepared by management in accordance with Canadian public sector accounting standards ("PSAS") for local governments as defined by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies is as follows:

(b) Cash and cash equivalents:

Cash and cash equivalents include cash on deposit, money market funds and short-term securities with original terms to maturity of less than 90 days.

TORONTO PUBLIC LIBRARY BOARD

DRAFT Notes to Financial Statement (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(c) Employee benefits:

The Board has adopted the following policies with respect to employee benefit plans:

- (i) the Board makes contributions to the Ontario Municipal Employees' Retirement System plan ("OMERS"), a multi-employer pension plan, on behalf of most of its employees. OMERS 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 and rates of pay. Employees and employers contribute jointly to the plan. The Board's contributions to OMERS are expensed when contributions are due, as the plan is accounted for as a defined contribution plan;
- (ii) the costs of termination benefits and compensated absences are recognized when the event that obligates the Board occurs. Costs include projected future income payments, health-care continuation costs and fees paid to independent administrators of these plans, calculated on a present value basis;
- (iii) the costs of other employee benefits are actuarially determined using the projected benefits method pro-rated on service and management's best estimate of retirement ages of employees, salary escalation, expected health-care costs and plan investment performance;
- (iv) past service costs from plan amendments related to prior years' employee services are accounted for in the year of the plan amendment;
- (v) employee future benefit liabilities are discounted using the City's cost of borrowing;
- (vi) net actuarial gains and losses are amortized over the expected average remaining service life of the related employee group, which ranges from 12 to 16 years; and
- (vii) the effects of a gain or loss from settlements or curtailments are expensed in the year they occur.

TORONTO PUBLIC LIBRARY BOARD

DRAFT Notes to Financial Statement (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(d) Financial instruments:

PSAS allows the Library to classify its financial instruments as either fair value or amortized cost. Currently, the Library only classifies cash and cash equivalents at fair value. Financial instruments carried at amortized cost include accounts receivable and accounts payable. They are initially recognized at cost and subsequently carried at amortized cost, less any impairment losses on financial assets, except for contributions, which are initially recognized at fair value.

Write downs on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the write down recognized in the statement of operations and accumulated surplus.

(e) Tangible capital assets:

Tangible capital assets are non-financial assets that are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

Purchased tangible capital assets are recorded at cost. Contributed tangible capital assets are recorded at fair value at the date of contribution. The Board recognizes disposals when the tangible capital assets are considered fully amortized, which is at the end of the useful lives for capital assets and vehicles and at the end of the lease for leasehold improvements, or when the asset has been disposed of. Amortization is recognized on a straight-line basis over their estimated useful lives as follows:

Buildings	50 years
Leasehold improvements	Lesser of useful life and lease term
Furniture, fixtures and equipment	5 to 20 years
Vehicles	8 to 12 years
Library materials	6 years

Assets under construction are not amortized until the date of substantial completion.

TORONTO PUBLIC LIBRARY BOARD

DRAFT Notes to Financial Statement (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

Contributed rare books and other collections are expensed in the year received.

The cost of normal maintenance and repairs, which does not significantly enhance the service potential of tangible capital assets, is recognized as an expense in the year it has been incurred.

(f) Impairment of tangible capital assets:

The Board reviews the carrying amount, amortization and useful lives of its tangible capital assets regularly. If the capital asset no longer has any long-term service potential to the Board, the excess of the net carrying amount over any residual value is recognized as an expense in the statement of operations and accumulated surplus.

(g) Contributed materials and services:

Donated materials and services are not recorded in the financial statements except for special collections and works of art, which are measured at fair value. The special collections and works of art are not capitalized because reasonable estimate of future benefit cannot be made. During the year, there were contributions of special collections of \$223,039 (2021 - \$107,456) and works of art of \$717 (2021 - \$16,212), which have been recorded as revenue and expenses in the statement of operations and accumulated surplus.

(h) Revenue recognition:

Government transfers, which include municipal, provincial and federal grants, are recognized in the year in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made.

Donations and other grants are recognized as revenue when received or receivable if the amount to be received can be reasonably measured and collection is reasonably assured. Donations and other grants received that have restrictions are recognized as revenue to the extent the funds have been spent, with any unspent amounts recorded as deferred revenue, including funds received from the Foundation.

TORONTO PUBLIC LIBRARY BOARD

DRAFT Notes to Financial Statement (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

Revenue from user charges and other related services are recognized at the point of sale or when services have been provided and collection is reasonably assured. Investment income earned on available current funds is reported as revenue in the year earned.

(i) Materials and supplies:

Materials and supplies purchased for consumption in the Library's activities are reported as an expense on the statement of operations and accumulated surplus in the year of acquisition.

(j) Foreign currencies:

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rates of exchange in effect at the date of the statement of financial position. Revenue and expenses are translated at the rates prevailing at the time of the respective transaction.

(k) Use of estimates:

The preparation of the financial statements in accordance with PSAS requires management to make estimates and assumptions. The employee benefits liability and related costs charged to the statement of operations and accumulated surplus depend on certain actuarial and economic assumptions. These estimates and assumptions are based on the Board's best information and judgment and may differ significantly based on actual results.

TORONTO PUBLIC LIBRARY BOARD

DRAFT Notes to Financial Statement (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(l) Future accounting pronouncements:

The standards noted below were not in effect for the year ended December 31, 2022, therefore, have not been applied in preparing these financial statements. Management is currently assessing the impact of the following accounting standards updates on the future financial statements.

(i) PS 3450, Financial instruments ("PS 3450"):

PS 3450 applies to fiscal years beginning on or after January 1, 2023. PS 3450 establishes new standards on recognition, measurement and disclosure requirements for financial instruments and the presentation of associated gains and losses, as well as related consequential amendments.

(ii) PS 1201, Financial Statement Presentation ("PS 1201"):

PS 1201 applies to fiscal years beginning on or after January 1, 2023 and replaces PS 1200. This standard establishes general reporting principles and standards for the disclosure of information in government financial statements. The standard introduces the statement of remeasurement gains and losses, which reports changes in the values of financial assets and financial liabilities arising from their remeasurement at current exchange rates and/or fair value.

(iii) PS 3280, Asset Retirement Obligation ("PS 3280"):

PS 3280 applies to fiscal years beginning on or after January 1, 2023. This standard establishes how to account for and report a liability for asset retirement obligations.

(iv) PS 2601, Foreign Currency Translation ("PS 2601"):

PS 2601 applies for fiscal years beginning on or after January 1, 2023 and replaced PS 2600. This standard establishes how to account for and report transactions that are denominated in a foreign currency in government financial statements.

TORONTO PUBLIC LIBRARY BOARD

DRAFT Notes to Financial Statement (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(v) PS 3400, Revenue ("PS 3400"):

PS 3400 applies to fiscal years beginning on or after January 1, 2024. Earlier adoption is permitted. PS 3400 establishes standards on how to account for and report revenue. It sets out the recognition criteria for transactions with performance obligations, transactions with no performance obligations and, hybrid transactions.

(vi) Public Sector Guideline 8, Purchased Intangibles:

Public Sector Guideline 8, Purchased Intangibles, applies for fiscal years beginning on or after January 1, 2024. It allows public sector entities to recognize intangibles purchased through an exchange transaction.

(vii) Public Private Partnerships ("P3"):

This standard applies for fiscal years beginning on or after January 1, 2024. The new requirements relates to the recognition, measurement and classification of infrastructure procured through a public private partnership.

(viii) PS 3251, Employee Future Benefit Obligations ("PS 3251"):

PS 3251 applies to fiscal years on or after April 1, 2026 and should be applied retroactively. This standard would result in organizations recognizing the impact of revaluations of the net defined benefit liability or asset immediately on the statement of financial position. Organizations would also assess the funding status of their post-employment benefit plans to determine the appropriate rate for discounting post-employment benefit obligations.

2. Cash and cash equivalents:

Included in cash and cash equivalents is \$159,951 (2021 - \$198,329) of restricted amounts held in trust for employees eligible for the sabbatical leave program and \$324,549 (2021 - \$321,240) of an irrevocable standby letter of credit issued for a construction project.

TORONTO PUBLIC LIBRARY BOARD

DRAFT Notes to Financial Statement (continued)

Year ended December 31, 2022

3. Budget figures:

Budget data presented is based on the 2022 operating and capital budgets approved by the City's council. Adjustments to budgeted values were required to provide comparative budget values based on the PSAS basis of accounting. The following chart reconciles the approved budget with the budget figures as presented in the statement of operations and accumulated surplus.

	Budget
Revenue:	
Approved budgets:	
Operating	\$ 228,305,383
Capital	50,625,218
Less inter-budget transfers	<u>(1,872,072)</u>
	277,058,529
Expenses:	
Approved budgets:	
Operating	228,305,383
Capital	50,625,218
Less inter-budget transfers	<u>(1,872,072)</u>
	277,058,529
Adjustments:	
Tangible capital assets:	
Library materials, included in operating expenses	(21,447,510)
Building and equipment - capitalized	(50,625,218)
Amortization of tangible capital asset	<u>36,691,545</u>
	241,677,346
Adjusted annual budget surplus on PSAS basis	<u>\$ 35,381,183</u>

TORONTO PUBLIC LIBRARY BOARD

DRAFT Notes to Financial Statement (continued)

Year ended December 31, 2022

4. Related party balances and transactions:

(a) City of Toronto:

As part of the terms of the agreement between the Board and the City, the Board is funded by the City as approved in its operating and capital budgets on an annual basis. Any operating excess or deficiency and any unexpended capital project funding is to be transferred to or recovered from the City. In addition, in the normal course of operations, the Board incurs costs for various expenses payable to the City. Such transactions between the City and the Board are made at the agreed exchange amount. The Board also manages on behalf of the City the capital program for libraries. As a result, the Board will incur capital expenses that are recoverable from the City.

Accounts receivable from (payable to) the City consist of the following:

	2022	2021
Operating surplus payable	\$ (16,153)	\$ (5,019,845)
Operating and Capital expenses	(3,885,692)	(1,543,067)
Hydro charges	(2,071,991)	(1,239,361)
Unexpended capital advance	(12,215,455)	(1,806,765)
Other	–	(1,101,507)
Accounts payable to the City of Toronto	\$ (18,189,291)	\$ (10,710,545)

	2022	2021
City funding receivable	\$ 65,408,015	\$ 56,408,356
Rent receivable	102,749	168,459
Accounts receivable from the City of Toronto	\$ 65,510,764	\$ 56,576,815

Payments to the City that are included in the statement of operations and accumulated surplus consist of the following:

	2022	2021
Maintenance and supplies	\$ 1,811,957	\$ 332,274
Rental	668,355	617,508
Utilities	5,499,430	5,318,139
Other	226,688	175,649
	\$ 8,206,430	\$ 6,443,570

TORONTO PUBLIC LIBRARY BOARD

DRAFT Notes to Financial Statement (continued)

Year ended December 31, 2022

4. Related party balances and transactions (continued):

In addition, the City provided funding for capital purposes in the amount of \$173,186 (2021 - \$2,915,905). The Board received \$295,564 (2021 - \$626,928) from the City, consisting of \$295,514 (2021 - \$288,528) in rental income and \$50 (2021 - \$338,400) in miscellaneous income.

(b) Asset replacement reserve fund:

In 2022, the Board established the reserve fund with City Council approval. The City maintains the reserve fund on behalf of the Board.

The purpose of this fund is to support the Library's current strategic plan to modernize and transform its back office and public-facing systems and processes. To provide a stable and flexible funding for the annual replacement of information technology equipment for the Library. During the year, the Library made \$400,000 (2021 - nil) in contributions. Contributions are included in transfers to City of Toronto and other in the statement of operations and accumulated surplus.

There were no expenditures at the end of the year.

(c) Vehicle and equipment reserve fund:

The City maintains a reserve fund on behalf of the Board. The reserve fund was established by the City Council and is detailed in the City's municipal code.

The purpose of this fund is to provide funding to purchase or acquire any vehicles or equipment for the Library. The funding promotes efficiencies and provides budget stabilization by moderating large fluctuations in the annual replacement of vehicles and equipment. During the year, the Library made \$364,260 (2021 - \$234,840) in contributions to fund the purchase of vehicles. Contributions are included in transfers to City of Toronto and other in the statement of operations and accumulated surplus.

Expenditures of the fund amounted to \$844,672 during the year (2021 - nil) and proceeds from vehicle disposal amounted to \$36,394 (2021 - \$17,966). The balance of the vehicle and equipment reserve fund as at December 31, 2022 was \$1,022,861 (2021 - \$1,466,879).

TORONTO PUBLIC LIBRARY BOARD

DRAFT Notes to Financial Statement (continued)

Year ended December 31, 2022

4. Related party balances and transactions (continued):

(d) Toronto Public Library Foundation:

The Board benefits from the fundraising efforts of the Foundation. During the year, the Board received contributions of \$3,784,429 (2021 - \$3,716,839) from the Foundation. Contribution from the Foundation of \$4,884,048 (2021 - \$4,568,682) is included in deferred revenue. Of the \$4,568,682 (2021 - \$3,147,989) received and deferred from prior year, \$3,484,642 (2021 - \$2,296,146) has been recognized in donation revenue, while \$1,099,619 (2021 - \$851,843) is still being deferred. Included in other accounts receivable is \$1,019,271 (2021 - \$659,871) owing from the Foundation and other accounts payable is nil (2021 - \$12,076) owing to the Foundation.

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities is \$21,776,235 of the Canada Emergency Wage Subsidy ("CEWS") applied for and received by the Board in 2020. Subsequent to year end, Canada Revenue Agency ("CRA") completed their assessment of the Board's CEWS claims and concluded all funding previously received is to be repaid to the CRA.

6. Employee benefits:

The Board sponsors defined benefit plans providing pension and other retirement and post-employment benefits to most of its employees. The plans provide health, dental, life insurance, accidental death and dismemberment insurance and long-term disability benefits to certain employees.

Information about the Board's employee benefits, other than the multi-employer, defined benefit pension plan noted below, is as follows:

(a) Sick leave:

The Board's short-term disability plan for non-unionized employees provides salary protection to eligible employees who are absent from work due to short-term illnesses or non-compensative injuries for up to 26 weeks of coverage each calendar year and/or per injury or illness. Absences greater than 26 weeks' duration are covered under the Board's long-term disability plan.

TORONTO PUBLIC LIBRARY BOARD

DRAFT Notes to Financial Statement (continued)

Year ended December 31, 2022

6. Employee benefits (continued):

Under the sick leave benefit plan for unionized employees, all new permanent employees are enrolled in a short-term disability plan that does not include the accumulation of unused sick leave. The short-term disability plan provides coverage for up to 130 days in a calendar year. Prior to April 1, 2010, employees were credited with a maximum of 18 days' sick time per year. Unused sick leave could accumulate, and employees could become eligible for a cash payment, capped at one-half of unused sick time to a maximum of 130 days when they leave the Board's employment. Union employees, as of that date, were given the option of remaining on the sick leave plan of 18 days' sick time per year and the accumulation of unused sick time to a maximum of 130 days or moving to the short-term disability plan that does not include the accumulation of unused sick leave. The liability for the accumulated sick leave represents the extent to which sick leave benefits have vested and could then be taken in cash by employees on termination of employment.

(b) Workplace Safety Insurance Board ("WSIB"):

The Board is a Schedule 2 employer and, as such, pays the full cost of all medical and all other benefits for its employees who sustain injuries at the workplace plus the administration cost as determined by WSIB.

(c) Post-retirement and post-employment benefits:

The Board provides health, dental, life insurance and long-term disability benefits to certain employees.

The liability in relation to the above defined benefit plans has been noted, in aggregate, as follows:

	2022	2021
Accrued benefit obligation	\$ 61,068,664	\$ 77,742,971
Net unamortized actuarial gain (loss)	18,363,324	3,592,790
	<u>\$ 79,431,988</u>	<u>\$ 81,335,761</u>

TORONTO PUBLIC LIBRARY BOARD

DRAFT Notes to Financial Statement (continued)

Year ended December 31, 2022

6. Employee benefits (continued):

Components of the accrued benefit obligations are as follows:

	2022	2021
Post-retirement benefits	\$ 36,634,741	\$ 48,216,396
Disabled employees' benefits	3,786,526	4,854,604
Income benefits	7,066,613	9,048,175
Sick leave benefits	11,056,038	13,699,110
WSIB	2,524,746	1,924,686
	<u>\$ 61,068,664</u>	<u>\$ 77,742,971</u>

The continuity of the accrued benefit obligation is as follows:

	2022	2021
Balance, beginning of year	\$ 77,742,971	\$ 93,675,894
Current year's service cost	2,905,934	4,310,581
Interest cost	1,955,425	1,685,196
Benefits paid	(5,358,062)	(5,813,313)
Actuarial loss (gain)	(16,177,604)	(16,115,387)
Balance, end of year	<u>\$ 61,068,664</u>	<u>\$ 77,742,971</u>

The total expenses related to employee benefits other than those related to the multi-employer pension plan are included in staff costs in the statement of operations and accumulated surplus and include the following components:

	2022	2021
Current year's service cost	\$ 2,905,934	\$ 4,310,581
Amortization of net actuarial (gain)	(1,407,070)	(442,425)
Interest cost	1,955,425	1,685,196
	<u>\$ 3,454,289</u>	<u>\$ 5,553,352</u>

Due to the complexities in valuing the plans, actuarial valuations are conducted on a periodic basis. The most recent actuarial valuation was completed for the fiscal year ending December 31, 2021. The next actuarial valuation for post-retirement and post-employment benefits is expected to be performed as at December 31, 2024.

TORONTO PUBLIC LIBRARY BOARD

DRAFT Notes to Financial Statement (continued)

Year ended December 31, 2022

6. Employee benefits (continued):

The significant actuarial assumptions are as follows:

	2022	2021
	%	%
Accrued benefit obligation:		
Discount rate:		
Post-retirement	4.7	2.6
Disabled employees, income benefit	2.2	2.2
Sick leave	4.4	2.5
WSIB	4.3	2.4
Health-care inflation		
Hospital, dental care and other medical	3.0 - 5.0	3.0 - 5.0
Drugs	6.0	6.0
Rate of compensation increase	2.0	2.0

The Library makes contributions to OMERS, which is a multi-employer plan, on behalf of its staff. 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 and rates of pay. During the year, the Library contributed \$10,543,920 (2021 - \$10,195,389) to OMERS for current service. These costs are included in staff expenses on the statement of operations and accumulated surplus.

7. Lease commitments:

As at December 31, 2022, the Board is committed to the following annual operating lease payments for facilities:

2023	\$ 3,026,723
2024	2,754,204
2025	2,691,037
2026	2,387,408
2027	2,261,301
Thereafter	17,608,527
	<hr/>
	\$ 30,729,200

TORONTO PUBLIC LIBRARY BOARD

DRAFT Notes to Financial Statement (continued)

Year ended December 31, 2022

8. Tangible capital assets:

Tangible capital assets consist of the following:

2022	Cost	Accumulated amortization	Net book value
Land	\$ 15,376,262	\$ -	\$ 15,376,262
Buildings and leasehold improvements	379,365,152	129,001,588	250,363,564
Furniture, fixtures and equipment	65,496,970	30,131,343	35,365,627
Vehicles	2,981,903	2,177,563	804,340
Library materials	124,915,055	61,498,127	63,416,928
Assets under construction	50,295,088	-	50,295,088
	\$ 638,430,430	\$ 222,808,621	\$ 415,621,809

2021	Cost	Accumulated amortization	Net book value
Land	\$ 15,376,262	\$ -	\$ 15,376,262
Buildings and leasehold improvements	340,674,040	121,942,127	218,731,913
Furniture, fixtures and equipment	61,374,671	30,119,498	31,255,173
Vehicles	2,981,903	1,954,618	1,027,285
Library materials	123,562,176	61,056,090	62,506,086
Assets under construction	69,534,100	-	69,534,100
	\$ 613,503,152	\$ 215,072,333	\$ 398,430,819

During the year, there were capital additions in the amount of \$53,882,535 (2021 - \$56,549,714). Disposals for the year were \$28,955,257 (2021 - \$25,789,370), which included only fully amortized tangible capital assets for nil (2021 - nil) in proceeds.

9. Contingencies:

In the normal course of operations, the Board is subject to various arbitrations, litigations and claims. Where a potential liability is determinable, management believes the ultimate disposition of the matters will not materially exceed the amounts recorded in accounts payable and accrued liabilities. In other cases, the ultimate outcome of the claims cannot be determined at this time. Any additional losses related to claims will be recorded in the year when the liability can be estimated.

TORONTO PUBLIC LIBRARY BOARD

DRAFT Notes to Financial Statement (continued)

Year ended December 31, 2022

10. Risk management:

(a) Credit risk:

Credit risk is the risk of financial loss occurring as a result of default or insolvency of counterparty on its obligation to the Board. Accounts receivable are exposed to credit risk since there is a risk of counterparty default. The Board provides an allowance for doubtful accounts to absorb potential credit losses.

As at December 31, 2022, the harmonized sales tax recoverable amount represents \$2,872,490 (2021 - \$2,110,177) of the total of other accounts receivable balance.

The Board believes it has low exposure to credit risk.

(b) Liquidity risk:

Liquidity risk is the risk the Board will not be able to meet its financial obligations when they come due. All of the Board's accounts payable are due within the first six months of fiscal 2023. The Board believes it has low exposure to liquidity risk.

(c) Currency risk:

The Board is exposed to foreign currency risk between the Canadian dollar and foreign currency primarily because of its purchases in U.S. dollars. Financial instruments subject to foreign currency risk include cash and cash equivalents, accounts receivable and accounts payable.

The Board does not use derivative instruments to reduce its exposure to foreign currency risk.

The Board believes the exposure to currency risk is low given the low magnitude and volume of foreign currency transactions.