

Consolidated Financial Statements

City of Toronto Trust Funds

December 31, 2018

DRAFT

Independent Auditor's Report

PriceWaterhouseCoopers (PwC) signed and dated opinion to be inserted following City Council approval

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CITY OF TORONTO TRUST FUNDS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018
(In thousands dollars)

	2018	2017
Assets		
Cash	5,321	5,030
Accounts receivable	42	180
Due from City of Toronto (Note 3)	13,005	12,840
Investments (Note 4)	52,245	52,794
	<u>70,613</u>	<u>70,844</u>
TOTAL ASSETS	70,613	70,844
Liabilities		
Accounts payable	169	168
	<u>70,444</u>	<u>70,676</u>
Fund Balances	70,444	70,676
TOTAL LIABILITIES AND FUND BALANCES	70,613	70,844

The accompanying notes are an integral part of these consolidated financial statements.

CITY OF TORONTO TRUST FUNDS
CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In thousands dollars)

	2018	2017
Revenues		
Investment income	1,101	6,210
Contributions and other income	<u>4,840</u>	<u>9,521</u>
	5,941	15,731
Expenditures		
Expenditures	<u>6,173</u>	<u>11,817</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES FOR THE YEAR	(232)	3,914
FUND BALANCES, BEGINNING OF YEAR	<u>70,676</u>	<u>66,762</u>
FUND BALANCES, END OF YEAR	<u>70,444</u>	<u>70,676</u>

The accompanying notes are an integral part of these consolidated financial statements.

CITY OF TORONTO TRUST FUNDS
CONSOLIDATED STATEMENT OF CONTINUITY OF FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2018

(In thousands dollars)

	Balance January 1, 2018	Contributions	Investment Income	Expenditures	Balance December 31, 2018
Investments held in trust for:					
Toronto Atmospheric Fund	44,373	1,200	767	2,361	43,979
Keele Valley Site Post-Closure	7,573	-	34	-	7,607
Homes for the Aged Residents	6,303	3,492	73	3,641	6,227
Community Centre Development Levy Trust	5,010	-	111	-	5,121
Toronto Police Services Board Mounted Unit	1,816	-	7	-	1,823
Indemnity Deposit – Waterpark Place	1,108	-	25	-	1,133
Contract Aftercare Project	1,104	-	18	-	1,122
Community Services and Facilities	778	-	17	-	795
Regent Park Legacy Trust	720	-	16	-	736
Music Garden Trust Fund	615	-	8	9	614
Queen’s Quay Community Services	335	-	7	-	342
Lakeshore Pedestrian Bridge	255	-	6	-	261
Children’s Green House Trust	118	-	3	-	121
Green Lane Small Claims	113	-	3	-	116
Public Art Maintenance Trust	107	-	2	-	109
Toronto Police Services Board	92	147	-	162	77
Preservation Trust	55	-	1	-	56
Hugh Clydesdale	45	-	1	-	46
Michael Sansone	43	-	-	-	43
Tenant Displacement	28	-	1	-	29
90 Lisgar Street Trust	21	-	-	-	21
Municipal Elections Candidates' Surplus	-	1	-	-	1
Other Trust Funds	64	-	1	-	65
Total	70,676	4,840	1,101	6,173	70,444

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CITY OF TORONTO TRUST FUNDS
CONSOLIDATED STATEMENT OF CONTINUITY OF FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2017

(In thousands dollars)

	Balance January 1, 2017	Contributions	Investment Income	Expenditures	Balance December 31, 2017
Investments held in trust for:					
Toronto Atmospheric Fund	42,388	4,205	5,996	8,216	44,373
Keele Valley Site Post-Closure	7,552	-	21	-	7,573
Homes for the Aged Residents	6,279	3,233	65	3,274	6,303
Community Centre Development Levy Trust	4,941	-	69	-	5,010
Toronto Police Services Board Mounted Unit	-	1,806	10	-	1,816
Indemnity Deposit – Waterpark Place	1,105	-	3	-	1,108
Contract Aftercare Project	1,102	-	2	-	1,104
Community Services and Facilities	767	-	11	-	778
Regent Park Legacy Trust	713	-	10	3	720
Music Garden Trust Fund	615	-	9	9	615
Queen’s Quay Community Services	340	-	5	10	335
Lakeshore Pedestrian Bridge	254	-	1	-	255
Children’s Green House Trust	116	-	2	-	118
Green Lane Small Claims	111	-	2	-	113
Public Art Maintenance Trust	221	-	3	117	107
Toronto Police Services Board	3	277	-	188	92
Preservation Trust	54	-	1	-	55
Hugh Clydesdale	45	-	-	-	45
Michael Sansone	43	-	-	-	43
Tenant Displacement	28	-	-	-	28
90 Lisgar Street Trust	21	-	-	-	21
Municipal Elections Candidates' Surplus	-	-	-	-	-
Other Trust Funds	64	-	-	-	64
Total	66,762	9,521	6,210	11,817	70,676

The accompanying notes are an integral part of these consolidated financial statements

CITY OF TORONTO TRUST FUNDS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In thousands dollars)

The City of Toronto Consolidated Trust Funds (Trust Funds) consist of various trust funds administered by the City of Toronto. The Trust Funds are not subject to income taxes under Section 149 (1) of the Income Tax Act (Canada).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements include trust funds administered by the City as well as those within organizations that are accountable to the City. The Trust Funds' consolidated financial statements are the representation of management and have been prepared in accordance with Canadian public sector accounting standards, except that investments are recorded at fair value to reflect their ability to support the purpose for which they were created. The significant accounting policies are summarized below.

(i) Revenue recognition

The Trust Funds follow the restricted fund method of accounting for contributions. The City ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they were provided. For financial reporting purposes, the Trust Funds are all classified as "restricted" or "endowed" and are to be used only for the specific purposes as specified by each trust agreement.

Investment income includes dividends, interest and realized and unrealized gains and losses and is included in the consolidated statement of operations and changes in fund balances.

(ii) Financial instruments and investment income

Financial assets include cash, amounts due from the City of Toronto (Note 3) and investments (Note 4). Cash, accounts receivable, and due from City of Toronto amounts are recorded at amortized cost, which approximates fair value.

Investments consisting of government and corporate bonds, debentures and short-term instruments of various financial institutions are authorized investments pursuant to the provisions of the Municipal Act.

The Trust Funds' investment activities expose it to a range of financial risks, including market risk, and credit risk. The value of investments recorded in the consolidated financial statements is the fair value determined as follows:

CITY OF TORONTO TRUST FUNDS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018
(In thousands dollars)

[a] Short-term investments are comprised of money market instruments, such as bankers acceptances and are valued based on cost plus accrued income.

[b] Publicly traded bonds and debentures are determined based on the latest bid prices.

Transactions are recorded on a settlement date basis.

(iii) Expenditures

Expenditures are recognized on an accrual basis of accounting as incurred as a result of the receipt of goods or services and the creation of a legal obligation to pay.

Distributions, withdrawal from and management fees for investments held in trust for the Toronto Atmospheric Fund are recorded as expenditures in the period incurred in the consolidated statement of operations and changes in fund balances.

Transaction costs are expensed as incurred.

2. USE OF ESTIMATES

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of assets, liabilities and surplus at the reporting date and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. DUE FROM CITY OF TORONTO

As at December 31, 2018 the Trust Funds have amounts due from the City of Toronto of \$13,005 (2017 - \$12,840) for investment and banking transactions, since the City maintains bank accounts or holds investments on behalf of the Trust Funds. These amounts are non-interest bearing and are due on demand.

CITY OF TORONTO TRUST FUNDS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018
(In thousands dollars)

4. INVESTMENTS

Investments consist of the following:

	Fair value	Book value
2018		
Short-Term Investments	6,732	6,554
Mutual Fund Investments	45,513	29,106
Total	52,245	35,660

2017		
Short-Term Investments	6,898	6,867
Mutual Fund Investments	45,896	30,274
Total	52,794	37,141

	2018	2017
Weighted average yield	2.15%	1.93%
Range of maturity dates	2019-2020	2018-2019
Excess of fair value over book value (\$000)	16,585	15,653

5. FINANCIAL INSTRUMENTS

The Trust Funds are subject to market risk, credit risk and interest rate risk with respect to their investment portfolio. The Trust Funds' interest bearing investments are exposed to interest rate risk. The Trust Funds' investments are at risk due to fluctuations in market prices whether changes are caused by factors specific to the individual investment or factors affecting all securities traded in the market.

CITY OF TORONTO TRUST FUNDS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018
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Market risks include exposure arising from holdings of foreign currency denominated investments and equity prices. The Trust Funds' reporting currency is Canadian dollars. A decrease in the relative value of the Canadian dollar as compared to the US dollar will result in an increase to the Trust Funds' US dollar investments. An increase in the relative value of the Canadian dollar as compared to the US dollar will result in a decrease to the Trust Funds' US dollar investments. Equity price risk is the risk the fair value or future cash flows of an equity financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument, or its issuer, or factors affecting all similar financial instruments traded in the market. The Trust Funds manage risk by investing across a wide variety of asset classes and investment strategies.

The Trust Funds hold investments in fixed income securities issued by corporations and government entities and as such have fixed income credit risk. The Trust Funds mitigate this risk by limiting the investment portfolio to investments in BBB grade or higher.

6. CAPITAL MANAGEMENT

In managing capital, the Trust Funds focus on liquid resources available for reinvestment. The Trust Funds' objective is to have sufficient liquid resources to meet payout requirements. The need for sufficient liquid resources is considered in the investment process. As at December 31, 2018, the Trust Funds have met their objective of having sufficient liquid resources to meet their current requirements.

7. CONSOLIDATED STATEMENT OF CASH FLOWS

A separate consolidated statement of cash flows has not been presented since cash flows from operating, investing and financing activities are readily apparent from the other consolidated financial statements and notes.