

Financial Statements of

**TORONTO PUBLIC LIBRARY
BOARD**

And Independent Auditors' Report thereon

Year ended December 31, 2021



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INDEPENDENT AUDITORS' 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, 2021
- 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, 2021, 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 "***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.



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- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

May 24, 2022

TORONTO PUBLIC LIBRARY BOARD


Statement of Financial Position

December 31, 2021, with comparative information for 2020


	2021	2020
Assets		
Cash and cash equivalents (note 2)	\$ 11,332,605	\$ 5,632,271
Accounts receivable:		
City of Toronto (note 4(a))	56,576,815	54,564,023
Other accounts receivable	3,048,531	3,208,939
	<u>70,957,951</u>	<u>63,405,233</u>
Liabilities and Net Debt		
Accounts payable:		
City of Toronto (note 4(a))	10,710,545	7,333,740
Accounts payable and accrued liabilities	52,845,373	50,030,645
Deferred revenue (note 4(d))	5,087,282	3,553,967
Employee benefits (note 5)	81,335,761	81,595,722
	<u>149,978,961</u>	<u>142,514,074</u>
Net debt	(79,021,010)	(79,108,841)
Non-financial assets:		
Tangible capital assets (note 7)	398,430,819	377,889,487
Commitments and contingencies (notes 6 and 8)		
Accumulated surplus	<u>\$ 319,409,809</u>	<u>\$ 298,780,646</u>

See accompanying notes to financial statements.

On behalf of the Board:



Toronto Public Library Board Chair



City Librarian

TORONTO PUBLIC LIBRARY BOARD

Statement of Operations and Accumulated Surplus

Year ended December 31, 2021, with comparative information for 2020

	Budget (note 3)	Actual 2021	Actual 2020
Revenue:			
City of Toronto (note 4(a))	\$ 252,311,851	\$ 235,326,252	\$ 232,680,216
Province of Ontario	5,714,187	6,011,589	5,809,854
Federal government	–	257,843	131,038
Fines and user charges	1,262,284	743,936	1,040,258
Investment income	139,500	72,452	112,891
Donations and other grants (note 4(a))	1,922,800	2,280,565	2,426,083
Other income	3,056,223	2,018,836	2,520,822
	<u>264,406,845</u>	<u>246,711,473</u>	<u>244,721,162</u>
Expenses:			
Staff	158,217,949	152,657,851	149,778,587
Maintenance and supplies	19,762,542	21,284,263	20,406,533
Utilities	10,199,948	9,120,616	9,368,673
Administration	5,059,006	3,169,293	2,860,658
Rental	3,496,567	3,259,528	3,480,633
Library materials	–	107,456	11,519
Transfers to City of Toronto and other (note 4)	1,307,142	474,921	1,117,010
Amortization of tangible capital assets	36,008,382	36,008,382	35,688,341
	<u>234,051,536</u>	<u>226,082,310</u>	<u>222,711,954</u>
Surplus for the year	30,355,309	20,629,163	22,009,208
Accumulated surplus, beginning of year	–	298,780,646	276,771,438
Accumulated surplus, end of year	<u>\$ 30,355,309</u>	<u>\$ 319,409,809</u>	<u>\$ 298,780,646</u>

See accompanying notes to financial statements.

TORONTO PUBLIC LIBRARY BOARD

Statement of Changes in Net Debt

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Surplus for the year	\$ 20,629,163	\$ 22,009,208
Acquisition of capital assets	(56,549,714)	(56,547,668)
Amortization of tangible capital assets	36,008,382	35,688,341
Decrease in net debt	87,831	1,149,881
Net debt, beginning of year	(79,108,841)	(80,258,722)
Net debt, end of year	\$ (79,021,010)	\$ (79,108,841)

See accompanying notes to financial statements.

TORONTO PUBLIC LIBRARY BOARD

Statement of Cash Flows

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Surplus for the year	\$ 20,629,163	\$ 22,009,208
Items not involving cash:		
Amortization of tangible capital assets	36,008,382	35,688,341
Employee benefits expense	5,553,352	5,021,760
Change in non-cash operating items:		
Accounts receivable	(1,852,384)	(42,674,182)
Accounts payable and accrued liabilities	6,191,533	32,392,688
Deferred revenue	1,533,315	683,747
Payments for employee benefits	(5,813,313)	(5,521,676)
	62,250,048	47,599,886
Investing activities:		
Acquisition of tangible capital assets	(56,549,714)	(56,547,668)
Change in cash and cash equivalents	5,700,334	(8,947,782)
Cash and cash equivalents, beginning of year	5,632,271	14,580,053
Cash and cash equivalents, end of year	\$ 11,332,605	\$ 5,632,271

See accompanying notes to financial statements.

TORONTO PUBLIC LIBRARY BOARD

Notes to Financial Statement

Year ended December 31, 2021

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.

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 and also introduced a voluntary separation program for eligible employees. 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

Notes to Financial Statement (continued)

Year ended December 31, 2021

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

Notes to Financial Statement (continued)

Year ended December 31, 2021

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

Notes to Financial Statement (continued)

Year ended December 31, 2021

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 \$107,456 (2020 - \$11,519) and works of art of \$16,212 (2020 - \$17,450), 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

Notes to Financial Statement (continued)

Year ended December 31, 2021

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

Notes to Financial Statement (continued)

Year ended December 31, 2021

1. Significant accounting policies (continued):

(l) Future accounting pronouncements:

The standards noted below were not in effect for the year ended December 31, 2021, 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 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.

(iv) 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.

TORONTO PUBLIC LIBRARY BOARD

Notes to Financial Statement (continued)

Year ended December 31, 2021

1. Significant accounting policies (continued):

(v) 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.

(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 \$198,329 (2020 - \$308,759) of restricted amounts held in trust for employees eligible for the sabbatical leave program and \$321,240 (2020 - \$299,750) of an irrevocable standby letter of credit issued for a construction project.

TORONTO PUBLIC LIBRARY BOARD

Notes to Financial Statement (continued)

Year ended December 31, 2021

3. Budget figures:

Budget data presented is based on the 2021 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.

	<u>Budget</u>
Revenue:	
Approved budgets:	
Operating	\$ 221,576,307
Capital	44,916,181
Less inter-budget transfers	<u>(2,085,643)</u>
	264,406,845
Expenses:	
Approved budgets:	
Operating	221,576,307
Capital	44,916,181
Less inter-budget transfers	<u>(2,085,643)</u>
	264,406,845
Adjustments:	
Tangible capital assets:	
Library materials, included in operating expenses	(21,447,510)
Building and equipment - capitalized	(44,916,181)
Amortization of tangible capital asset	<u>36,008,382</u>
	234,051,536
<u>Adjusted annual budget surplus on PSAS basis</u>	<u>\$ 30,355,309</u>

TORONTO PUBLIC LIBRARY BOARD

Notes to Financial Statement (continued)

Year ended December 31, 2021

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:

	2021	2020
Operating surplus payable	\$ (5,019,845)	\$ (1,036,559)
Operating expense	(1,543,067)	(2,699,049)
Hydro charges	(1,239,361)	(960,919)
Unexpended capital advance	(1,806,765)	(2,637,213)
Other	(1,101,507)	–
Accounts payable to the City of Toronto	\$ (10,710,545)	\$ (7,333,740)

	2021	2020
City funding receivable	\$ 56,408,356	\$ 54,153,988
Rent receivable	168,459	272,531
Capital project funding receivable	–	137,504
Accounts receivable from the City of Toronto	\$ 56,576,815	\$ 54,564,023

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

	2021	2020
Maintenance and supplies	\$ 332,274	\$ 286,936
Rental	617,508	605,007
Utilities	5,318,139	5,445,150
Other	175,649	133,019
	\$ 6,443,570	\$ 6,470,112

TORONTO PUBLIC LIBRARY BOARD

Notes to Financial Statement (continued)

Year ended December 31, 2021

4. Related party balances and transactions (continued):

In addition, the City provided funding for capital purposes in the amount of \$2,915,905 (2020 - \$3,093,708). The Board received \$626,928 (2020 - \$651,290) from the City, consisting of \$288,528 (2020 - \$287,123) in rental income and \$338,400 (2020 - \$364,167) in miscellaneous income.

(b) Insurance fund:

In the past, the Board contributed to a fund held by the City that provided funding for vehicle, property and liability insurance claim payments and related legal and adjusting expenses. In 2021, the City centralized the insurance budget for most divisions and agencies including the Board. As a result, the budget funding was reduced by \$1,068,301 for insurance through an in-year budget adjustment and insurance expense, which is included in transfers to City of Toronto, was reduced by the same amount.

(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 \$234,840 (2020 - \$342,000) 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 nil during the year (2020 - \$4,446) and proceeds from vehicle disposal amounted to \$17,966 (2020 - \$40,171). The balance of the vehicle and equipment reserve fund as at December 31, 2021 was \$1,466,879 (2020 - \$1,214,073).

TORONTO PUBLIC LIBRARY BOARD

Notes to Financial Statement (continued)

Year ended December 31, 2021

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 \$3,716,839 (2020 - \$3,016,033) from the Foundation. Contribution from the Foundation of \$4,568,682 (2020 - \$3,147,989) is included in deferred revenue. Of the \$3,147,989 (2020 - \$2,556,844) received and deferred from prior year, \$2,296,146 (2020 - \$2,424,888) has been recognized in donation revenue, while \$851,843 (2020 - \$131,956) is still being deferred. Included in other accounts receivable is \$671,947 (2020 - \$383,034) owing from the Foundation and other accounts payable is \$12,076 (2020 - nil) owing to the Foundation.

5. 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

Notes to Financial Statement (continued)

Year ended December 31, 2021

5. 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:

	2021	2020
Accrued benefit obligation	\$ 77,742,971	\$ 93,675,894
Net unamortized actuarial gain (loss)	3,592,790	(12,080,172)
	<u>\$ 81,335,761</u>	<u>\$ 81,595,722</u>

TORONTO PUBLIC LIBRARY BOARD

Notes to Financial Statement (continued)

Year ended December 31, 2021

5. Employee benefits (continued):

Components of the accrued benefit obligations are as follows:

	2021	2020
Post-retirement benefits	\$ 48,216,396	\$ 60,108,215
Disables employees' benefits	4,854,604	6,078,022
Income benefits	9,048,175	9,959,259
Sick leave benefits	13,699,110	16,481,267
WSIB	1,924,686	1,049,131
	<u>\$ 77,742,971</u>	<u>\$ 93,675,894</u>

The continuity of the accrued benefit obligation is as follows:

	2021	2020
Balance, beginning of year	\$ 93,675,894	\$ 84,032,278
Current year's service cost	4,310,581	3,833,264
Interest cost	1,685,196	2,220,498
Benefits paid	(5,813,313)	(5,521,676)
Actuarial loss (gain)	(16,115,387)	9,111,530
Balance, end of year	<u>\$ 77,742,971</u>	<u>\$ 93,675,894</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:

	2021	2020
Current year's service cost	\$ 4,310,581	\$ 3,833,264
Amortization of net actuarial (gain)	(442,425)	(1,032,002)
Interest cost	1,685,196	2,220,498
	<u>\$ 5,553,352</u>	<u>\$ 5,021,760</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

Notes to Financial Statement (continued)

Year ended December 31, 2021

5. Employee benefits (continued):

The significant actuarial assumptions are as follows:

	2021	2020
	%	%
Accrued benefit obligation:		
Discount rate:		
Post-retirement	2.6	2.0
Disabled employees, income benefit	2.2	1.2
Sick leave	2.5	1.5
WSIB	2.4	2.0
Health-care inflation		
Hospital, dental care and other medical	3.0-5.0	3.0 - 5.5
Drugs	6.0	5.5
Rate of compensation increase	2.0	3.0

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 \$10,195,389 (2020 - \$10,590,202) to OMERS for current service. These costs are included in staff expenses on the statement of operations and accumulated surplus.

6. Lease commitments:

As at December 31, 2021, the Board is committed to the following annual operating lease payments for facilities:

2022	\$ 2,323,000
2023	1,424,000
2024	1,284,000
2025	1,194,000
2026	952,000
Thereafter	12,792,000
	<hr/>
	\$ 19,969,000

TORONTO PUBLIC LIBRARY BOARD

Notes to Financial Statement (continued)

Year ended December 31, 2021

7. Tangible capital assets:

Tangible capital assets consist of the following:

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
	<u>\$ 613,503,152</u>	<u>\$ 215,072,333</u>	<u>\$ 398,430,819</u>

2020	Cost	Accumulated amortization	Net book value
Land	\$ 15,376,262	\$ –	\$ 15,376,262
Buildings and leasehold improvements	336,544,945	114,937,449	221,607,496
Furniture, fixtures and equipment	61,302,719	28,672,869	32,629,850
Vehicles	2,981,903	1,713,418	1,268,485
Library materials	120,388,953	59,529,585	60,859,368
Assets under construction	46,148,026	–	46,148,026
	<u>\$ 582,742,808</u>	<u>\$ 204,853,321</u>	<u>\$ 377,889,487</u>

During the year, there were capital additions in the amount of \$56,549,714 (2020 - \$56,547,668). Disposals for the year were \$25,789,370 (2020 - \$26,448,773), which included only fully amortized tangible capital assets for nil (2020 - nil) in proceeds.

8. 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

Notes to Financial Statement (continued)

Year ended December 31, 2021

9. Risk management:

(a) Credit risk:

Credit risk is the risk of financial loss occurring as a result of default or insolvency of counter-party 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, 2021, the harmonized sales tax recoverability amount represents \$2,110,177 (2020 - \$2,396,456) 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 2022. 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.