

2022 Consolidated Trust Funds Financial Statements

December 31, 2022

Independent auditor's report

KPMG signed and dated opinion to be inserted following City Council approval

Consolidated statement of financial position

As at December 31, 2022 with comparatives to 2021

	2022	2021
Assets		
Cash	\$ 5,884	\$ 5,687
Accounts receivable	154	116
Due from the City of Toronto (Note 4)	13,608	13,311
Investments (Note 5, 7)	91,127	97,237
Total assets	110,773	116,351
Liabilities		
Accounts payable	158	170
Fund balances (Note 7)	110,615	116,181
Total liabilities and fund balances	\$ 110,773	\$ 116,351

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

Consolidated statement of operations and changes in fund balances

For the year ended December 31, 2022 with comparatives to 2021

	2022	2021
Revenues		
Investment (loss) income (Note 6, 7)	\$ (7,085)	\$ 8,320
Contributions and other income	14,960	18,875
Total revenues	7,875	27,195
Expenses		
Expenditures	13,441	16,831
(Deficiency) excess of revenues over expenditures for the year (Note 7)	(5,566)	10,364
Fund balances, beginning of year	116,181	105,817
Fund balances, end of year	\$ 110,615	\$ 116,181

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

Consolidated statement of continuity of fund balances

As at and for the year ended December 31, 2022

	Balance, beginning of year	Contributions	Investment (loss) income	Expenditures (recoveries)	Balance, end of year
Investments held in trust for:					
Toronto Atmospheric Fund	\$ 88,695	\$ 12,427	\$ (7,517)	\$ 10,610	\$ 82,995
Keele Valley Site Post-Closure	7,667	-	36	-	7,703
Homes for the Aged Residents	6,337	2,533	140	2,599	6,411
Community Centre Development Levy Trust	5,341	-	122	-	5,463
Toronto Police Services Board Mounted Unit	2,235	-	(158)	62	2,015
Indemnity Deposit – Waterpark Place	1,188	-	24	-	1,212
Contract Aftercare Project	1,168	-	24	-	1,192
Community Services and Facilities	828	-	19	-	847
Regent Park Legacy Trust	767	-	18	-	785
Music Garden Trust Fund	628	-	12	12	628
Queen’s Quay Community Services	359	-	7	-	366
Lakeshore Pedestrian Bridge	274	-	6	-	280
Children’s Green House Trust	128	-	3	-	131
Green Lane Small Claims	121	-	3	-	124
Toronto Police Services Board	100	-	167	169	98
Public Art Maintenance Trust	79	-	3	3	79
Preservation Trust	56	-	1	-	57
Hugh Clydesdale	49	-	1	-	50
Michael Sansone	44	-	1	-	45
Tenant Displacement	32	-	1	-	33
90 Lisgar Street Trust	23	-	1	-	24
Other Trust Funds	62	-	1	(14)	77
Total	\$ 116,181	\$ 14,960	\$ (7,085)	\$ 13,441	\$ 110,615

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

Consolidated statement of continuity of fund balances

As at and for the year ended December 31, 2021

	Balance, beginning of year	Contributions	Investment income (loss)	Expenditures	Balance, end of year
Investments held in trust for:					
Toronto Atmospheric Fund	\$ 78,410	\$ 16,203	\$ 7,976	\$ 13,894	\$ 88,695
Keele Valley Site Post-Closure	7,665	-	2	-	7,667
Homes for the Aged Residents	6,206	2,666	(26)	2,509	6,337
Community Centre Development Levy Trust	5,303	-	38	-	5,341
Toronto Police Services Board Mounted Unit	2,088	-	179	32	2,235
Indemnity Deposit – Waterpark Place	1,178	-	10	-	1,188
Contract Aftercare Project	1,157	-	11	-	1,168
Community Services and Facilities	822	-	6	-	828
Regent Park Legacy Trust	762	-	5	-	767
Music Garden Trust Fund	646	-	12	30	628
Queen’s Quay Community Services	355	-	4	-	359
Lakeshore Pedestrian Bridge	272	-	2	-	274
Municipal Elections Candidates' Surplus	220	6	-	225	1
Children’s Green House Trust	126	-	2	-	128
Green Lane Small Claims	120	-	1	-	121
Public Art Maintenance Trust	114	-	-	35	79
Toronto Police Services Board	112	-	94	106	100
Preservation Trust	56	-	-	-	56
Hugh Clydesdale	48	-	1	-	49
Michael Sansone	44	-	-	-	44
Tenant Displacement	31	-	1	-	32
90 Lisgar Street Trust	22	-	1	-	23
Other Trust Funds	60	-	1	-	61
Total	\$ 105,817	\$ 18,875	\$ 8,320	\$ 16,831	\$ 116,181

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

Notes to the consolidated financial statements

For the year ended December 31, 2022

1. Purpose of trust funds

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

2. 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 the Chartered Professional Accountants of Canada's 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.

a. 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" 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.

b. Financial instruments and investment income

Investments consisting of government and corporate bonds, equity funds, 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, liquidity risk, and credit risk. The value of investments recorded in the consolidated financial statements is the fair value determined as follows:

- i. Short-term investments are comprised of money market instruments, such as bankers acceptances and are valued based on cost plus accrued income, which approximates fair value.
- ii. Publicly traded bonds and debentures are determined based on the latest bid prices.

- iii. Equity Funds are valued based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

Transactions are recorded on a settlement date basis. Transaction costs are expensed as incurred.

c. Expenditures

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

Distributions, withdrawals 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.

3. Use of estimates

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

4. Due from the City of Toronto

As at December 31, 2022 the Trust Funds have amounts due from the City of Toronto of \$13,608 (2021 – \$13,311) 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.

5. Investments

Investments consist of the following:

	2022		2021	
	Fair value	Book value	Fair value	Book value
Short-term investments	\$ 6,418	\$ 6,355	\$ 6,599	\$ 6,650
Mutual fund investments	84,709	76,666	90,638	70,323
Total investments	\$ 91,127	\$ 83,021	\$ 97,237	\$ 76,973

	2022	2021
Weighted average rate of return	2.91%	1.78%
Range of maturity dates	2023-2034	2022-2034
Excess of fair value over book value	\$ 8,106	\$ 20,264

6. Investment (loss) income

	2022	2021
Investment income	\$ 2,770	\$ 7,859
Interest income	1,081	747
Unrealized loss on change in fair value (Note 7)	(10,936)	(286)
Total investment (loss) income	\$ (7,085)	\$ 8,320

7. Risk exposure

The Trust Funds are subject to market risk, credit risk, liquidity 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 market conditions affecting all securities traded in the market. Unrealized gains and/or losses accounting for the valuation changes between fair value and book value of investments are recognized as part of the Trust Funds' Consolidated Statement of Operations and Changes in Fund Balances.

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 that 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.

As at December 31, 2022, the change in fair value of the Trust Funds' investments, measured at amortized cost, resulted in a temporary decline in the market value but no permanent decline in the amortized cost value reported. At this fiscal year end, there is no permanent impairment due to the low-risk nature of the investments, the high credit ratings of the issuers, and the City's intention to hold these investments for their intended purpose. In order to identify and mitigate potential risks affecting the Trust Funds investments, the City will continue monitoring the value of its investments.

8. 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, 2022, the Trust Funds have met their objective of having sufficient liquid resources to meet their current requirements.

9. 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.