

Financial Statements of

**TORONTO PUBLIC LIBRARY
BOARD**

And Independent Auditor's Report thereon

Year ended December 31, 2023



KPMG LLP

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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, 2023
- 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, 2023, and its results of operations, 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.



Emphasis of Matter - Comparative Information

We draw attention to Note 2 to the financial statements, which explains that certain comparative information presented for the year ended December 31, 2022 has been restated.

Note 2 explains the reason for the restatement and also explains the adjustments that were applied to restate certain comparative information.

Our opinion is not modified in respect of this matter.

Other Matter - Comparative Information

As part of our audit of the financial statements for the year ended December 31, 2023, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended December 31, 2022. In our opinion, such adjustments are appropriate and have been properly applied.

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.



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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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

May 27, 2024

TORONTO PUBLIC LIBRARY BOARD

Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022
		(Restated - note 2)
Financial Assets		
Cash and cash equivalents (note 3)	\$ 11,518,067	\$ 7,609,332
Accounts receivable:		
City of Toronto (note 5(a))	39,041,347	65,510,764
Other accounts receivable	4,889,923	5,381,499
	55,449,337	78,501,595
Liabilities and Net Debt		
Accounts payable:		
City of Toronto (note 5(a))	12,080,617	18,189,291
Accounts payable and accrued liabilities (note 6)	37,808,736	52,199,494
Deferred revenue (note 5(d))	5,283,855	5,447,809
Employee benefits (note 7)	77,182,108	79,431,988
Asset retirement obligation (note 8)	10,886,669	10,886,669
	143,241,985	166,155,251
Net debt	(87,792,648)	(87,653,656)
Non-financial assets:		
Tangible capital assets (note 10)	437,401,957	416,459,788
Commitments and contingencies (notes 9 and 11)		
Accumulated surplus	\$ 349,609,309	\$ 328,806,132

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, 2023, with comparative information for 2022

	Budget (note 4)	Actual 2023	Actual 2022 (Restated - note 2)
Revenue:			
City of Toronto (note 5(a))	\$ 265,665,620	\$ 263,150,657	\$ 246,457,185
Province of Ontario	5,714,187	5,760,942	5,941,567
Federal government	—	128,727	98,390
Fines and user charges	2,519,812	1,893,022	1,511,359
Investment income	389,500	749,443	383,771
Donations and other grants (note 5(d))	2,511,800	4,444,155	3,484,642
Other income	4,841,044	2,570,839	3,075,767
	281,641,963	278,697,785	260,952,681
Expenses:			
Staff	168,999,017	174,801,023	161,711,800
Maintenance and supplies	23,310,644	25,555,820	24,369,738
Utilities	9,460,927	9,957,471	9,031,110
Administration	6,294,593	5,864,052	4,906,829
Rental	3,390,659	3,727,601	3,653,805
Library materials	—	123,140	207,891
Transfers to City of Toronto and other (note 5(b) and 5(c))	(506,000)	(1,391,073)	934,950
Amortization of tangible capital assets	39,256,574	39,256,574	36,844,831
	250,206,414	257,894,608	241,660,954
Surplus for the year	31,435,549	20,803,177	19,291,727
Accumulated surplus, beginning of year	—	328,806,132	309,514,405
Accumulated surplus, end of year	\$ 31,435,549	\$ 349,609,309	\$ 328,806,132

See accompanying notes to financial statements.

TORONTO PUBLIC LIBRARY BOARD

Statement of Changes in Net Debt

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
		(Restated - note 2)
Surplus for the year	\$ 20,803,177	\$ 19,291,727
Acquisition of capital assets	(60,198,743)	(53,882,535)
Amortization of tangible capital assets	39,256,574	36,844,831
(Increase) decrease in net debt	(138,992)	2,254,023
Net debt, beginning of year	(87,653,656)	(89,907,679)
Net debt, end of year	\$ (87,792,648)	\$ (87,653,656)

See accompanying notes to financial statements.

TORONTO PUBLIC LIBRARY BOARD

Statement of Cash Flows

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
		(Restated - note 2)
Cash provided by (used in):		
Operating activities:		
Surplus for the year	\$ 20,803,177	\$ 19,291,727
Items not involving cash:		
Amortization of tangible capital assets	39,256,574	36,844,831
Employee benefits expense	2,777,063	3,454,289
Change in non-cash operating items:		
Accounts receivable	26,960,993	(11,266,917)
Accounts payable and accrued liabilities	(20,499,432)	6,832,867
Deferred revenue	(163,954)	360,527
Payments for employee benefits	(5,026,943)	(5,358,062)
	64,107,478	50,159,262
Investing activities:		
Acquisition of tangible capital assets	(60,198,743)	(53,882,535)
Change in cash and cash equivalents	3,908,735	(3,723,273)
Cash and cash equivalents, beginning of year	7,609,332	11,332,605
Cash and cash equivalents, end of year	\$ 11,518,067	\$ 7,609,332

See accompanying notes to financial statements.

TORONTO PUBLIC LIBRARY BOARD

Notes to Financial Statements

Year ended December 31, 2023

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.

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.

(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;

TORONTO PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

- (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.

(d) Asset retirement obligations:

The Board recognizes the fair value of an asset retirement obligation ("ARO") when all of the following criteria has been met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

TORONTO PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

A liability for the removal of asbestos-containing materials in certain Library facilities has been recognized based on estimated expenses. In addition, liability for the exit costs related to leased Library facilities has also been recognized based on estimated expenses. Actual remediation costs incurred are charged against the ARO to the extent of the liability recorded. Differences between the actual remediation costs incurred and the associated liability recorded within the financial statements are recognized in the Statement of Operations when the remediation occurs. Assumptions used in the calculations are revised on an annual basis.

(e) 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.

(f) 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.

TORONTO PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

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.

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.

(g) 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.

(h) 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 \$137,420 (2022 - \$223,039) and works of art of \$21,781 (2022 - \$717), which have been recorded as revenue and expenses in the statement of operations and accumulated surplus.

TORONTO PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(i) 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.

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.

(j) 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.

(k) 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.

(l) 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 Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(m) Future accounting pronouncements:

The standards noted below were not in effect for the year ended December 31, 2023, 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 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.

(ii) 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.

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

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

(iv) 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.

TORONTO PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2023

2. Change in accounting policy:

On January 1, 2023, the Board adopted Public Accounting Standard PS 3280 – Asset Retirement Obligations. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets such as asbestos removal in certain Library facilities owned by the Board and exit costs for facilities leased by the Board. The standard was adopted on the modified retrospective basis at the date of adoption. Under the modified retrospective method, the assumptions used on initial recognition are those as of the date of adoption of the standard. On January 1, 2022, the Board recognized an asset retirement obligation relating to facilities owned by the Board that contain asbestos as well as exit costs for leased facilities. The owned buildings were originally built between 1907 to 1989. The liabilities were measured as of the date of construction of the building, when the liability was created. The owned buildings have an expected useful life of 50 years.

In accordance with the provisions of this new standard, the Board reflected the following adjustments at January 1, 2022:

- An asset retirement obligation of \$10,886,669 was recognized and consists of \$4,950,728 relating to buildings that are fully amortized, and \$5,935,941 relates to buildings that have a remaining useful life.
- An increase of \$5,935,941 to the buildings capital asset account, representing the estimate of the obligation for buildings that have not been fully amortized, and an accompanying increase of \$4,944,675 to accumulated amortization.
- A decrease of \$9,895,404 to accumulated surplus consists of \$4,950,728, which represents the estimate of the obligation for buildings that have been fully amortized, and \$4,944,676 represents the amortization expense for buildings that have not been fully amortized.

TORONTO PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2023

2. Change in accounting policy (continued):

The Board has not applied present value to asset retirement obligation and as a result there is no accretion expense to report.

	As previously Reported	ARO adjustments	2022 restated
Statement of financial position			
Liability for asset retirement obligation as at December 31, 2022	\$ —	\$ 10,886,669	\$ 10,886,669
Net debt as at December 31, 2022	(76,766,987)	(10,886,669)	(87,653,656)
Tangible capital assets as at December 31, 2022	415,621,809	837,979	416,459,788
Accumulated surplus as at December 31, 2022	338,854,822	(10,048,690)	328,806,132
Statement of operations and accumulated surplus			
Amortization of tangible capital assets for the year ended December 31, 2022	\$ 36,691,545	\$ 153,286	\$ 36,844,831
Surplus for the year ended December 31, 2022	19,445,013	(153,286)	19,291,727
Accumulated surplus as at January 1, 2022	319,409,809	(9,895,404)	309,514,405
Accumulated surplus as at December 31, 2022	338,854,822	(10,048,690)	328,806,132
Statement of changes in net debt			
Surplus for the year ended December 31, 2022	\$ 19,445,013	\$ (153,286)	\$ 19,291,727
Amortization of tangible capital assets for the year ended December 31, 2022	36,691,545	153,286	36,844,831
Net debt as at January 1, 2022	(79,021,010)	(10,886,669)	(89,907,679)
Net debt as at December 31, 2022	(76,766,987)	(10,886,669)	(87,653,656)
Statement of cash flows			
Surplus for the year ended December 31, 2022	\$ 19,445,013	\$ (153,286)	\$ 19,291,727
Amortization of tangible capital assets for the year ended December 31, 2022	36,691,545	153,286	36,844,831

TORONTO PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2023

3. Cash and cash equivalents:

Included in cash and cash equivalents is \$89,488 (2022 - \$159,951) of restricted amounts held in trust for employees eligible for the sabbatical leave program and \$340,146 (2022 - \$324,549) of an irrevocable standby letter of credit issued for a construction project.

4. Budget figures:

Budget data presented is based on the 2023 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	\$ 234,610,257
Capital	49,244,613
Less inter-budget transfers	(2,212,907)
	281,641,963
Expenses:	
Approved budgets:	
Operating	234,610,257
Capital	49,244,613
Less inter-budget transfers	(2,212,907)
	281,641,963
Adjustments:	
Tangible capital assets:	
Library materials, included in operating expenses	(21,447,510)
Building and equipment - capitalized	(49,244,613)
Amortization of tangible capital asset	39,256,574
	250,206,414
Adjusted annual budget surplus on PSAS basis	\$ 31,435,549

TORONTO PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2023

5. 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:

	2023	2022
Operating surplus payable	\$ –	\$ (16,153)
Operating and capital expenses	(170,696)	(3,885,692)
Hydro charges	(937,880)	(2,071,991)
Unexpended capital advance	(10,972,041)	(12,215,455)
Accounts payable to the City of Toronto	\$ (12,080,617)	\$ (18,189,291)

	2023	2022
City funding receivable	\$ 32,377,780	\$ 65,408,015
Operating deficit receivable	6,479,670	–
Rent receivable	183,897	102,749
Accounts receivable from the City of Toronto	\$ 39,041,347	\$ 65,510,764

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

	2023	2022
Maintenance and supplies	\$ 495,944	\$ 1,811,957
Rental	612,426	668,355
Utilities	5,832,503	5,499,430
Other	258,287	226,688
	\$ 7,199,160	\$ 8,206,430

TORONTO PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2023

5. Related party balances and transactions (continued):

In addition, the City provided funding for capital purposes in the amount of \$4,614,424 (2022 - \$173,186). The Board received \$293,429 (2022 - \$295,564) from the City, consisting of \$293,429 (2022 - \$295,514) in rental income and nil (2022 - \$50) 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 nil (2022 - \$400,000) 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 nil (2022 - \$364,260) 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. During the year, the Board acquired \$1,402,333 (2022 - nil) of vehicles through the fund and is included in tangible capital assets.

Expenditures of the fund amounted to \$561,818 during the year (2022 - \$844,672) and proceeds from vehicle disposal amounted to \$77,643 (2022 - \$36,394). The balance of the vehicle and equipment reserve fund as at December 31, 2023 was \$538,686 (2022 - \$1,022,861).

TORONTO PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2023

5. 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 \$4,288,553 (2022 - \$3,784,429) from the Foundation. Contribution from the Foundation of \$4,741,154 (2022 - \$4,884,048) is included in deferred revenue. Of the \$4,884,048 (2022 - \$4,568,682) received and deferred from prior year, \$4,444,155 (2022 - \$3,484,642) has been recognized in donation revenue, while \$452,601 (2022 - \$1,099,619) is still being deferred. Included in other accounts receivable is \$586,953 (2022 - \$1,019,271) owing from the Foundation and other accounts payable is \$94,378 (2022 - nil) owing to the Foundation.

6. Accounts payable and accrued liabilities:

In 2023, the accounts payable and accrued liabilities of \$21,776,235 for Canada Emergency Wage Subsidy was repaid to Canada Revenue Agency.

7. 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 Statements (continued)

Year ended December 31, 2023

7. 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:

	2023	2022
Accrued benefit obligation	\$ 64,079,864	\$ 61,068,664
Net unamortized actuarial gain	13,102,244	18,363,324
	<u>\$ 77,182,108</u>	<u>\$ 79,431,988</u>

TORONTO PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2023

7. Employee benefits (continued):

Components of the accrued benefit obligations are as follows:

	2023	2022
Post-retirement benefits	\$ 39,220,514	\$ 36,634,741
Disabled employees' benefits	3,509,562	3,786,526
Income benefits	6,407,309	7,066,613
Sick leave benefits	11,295,167	11,056,038
WSIB	3,647,312	2,524,746
	<u>\$ 64,079,864</u>	<u>\$ 61,068,664</u>

The continuity of the accrued benefit obligation is as follows:

	2023	2022
Balance, beginning of year	\$ 61,068,664	\$ 77,742,971
Current year's service cost	2,376,419	2,905,934
Interest cost	2,776,433	1,955,425
Benefits paid	(5,026,943)	(5,358,062)
Actuarial (gain) loss	2,885,291	(16,177,604)
Balance, end of year	<u>\$ 64,079,864</u>	<u>\$ 61,068,664</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:

	2023	2022
Current year's service cost	\$ 2,376,419	\$ 2,905,934
Amortization of net actuarial gain	(2,375,789)	(1,407,070)
Interest cost	2,776,433	1,955,425
	<u>\$ 2,777,063</u>	<u>\$ 3,454,289</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 Statements (continued)

Year ended December 31, 2023

7. Employee benefits (continued):

The significant actuarial assumptions are as follows:

	2023 %	2022 %
Accrued benefit obligation:		
Discount rate:		
Post-retirement	4.2	4.7
Disabled employees, income benefit	4.0	4.3
Sick leave	4.1	4.4
WSIB	4.0	4.3
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	3.0	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 \$12,130,082 (2022 - \$10,543,920) to OMERS for current service. These costs are included in staff expenses on the statement of operations and accumulated surplus.

TORONTO PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2023

8. Asset retirement obligation:

The Board has accrued for asset retirement obligations related to the legal requirement for the removal or remediation of asbestos-containing materials in certain facilities on properties owned and leased by the Board. The obligation is determined based on the estimated undiscounted cash flows that will be required in the future to remove or remediate the asbestos containing material in accordance with current legislation. The change in the estimated obligation during the year consists of the following:

	2023	2022
Balance, beginning of year	\$ 10,886,669	\$ —
Adjustment on adoption of PS 3280 asset retirement obligation standard	—	10,886,669
Opening balance, as restated	10,886,669	10,886,669
Less: obligations settled during the year	—	—
Total obligation at December 31	10,886,669	10,886,669
Add: obligations incurred during the year	—	—
Less: current portion reported in accounts payable and accrued liabilities	—	—
Balance, end of year	\$ 10,886,669	\$ 10,886,669

9. Lease commitments:

As at December 31, 2023, the Board is committed to the following annual operating lease payments for facilities:

2024	\$ 2,775,874
2025	2,654,972
2026	2,335,517
2027	2,148,040
2028	1,668,320
Thereafter	15,414,403
	\$ 26,997,126

TORONTO PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2023

10. Tangible capital assets:

Tangible capital assets consist of the following:

2023	Cost	Accumulated amortization	Net book value
Land	\$ 15,376,262	\$ —	\$ 15,376,262
Buildings and leasehold improvements	443,373,070	141,769,924	301,603,146
Furniture, fixtures and equipment	66,945,632	30,717,043	36,228,589
Vehicles	4,006,416	2,106,387	1,900,029
Library materials	126,137,188	62,159,220	63,977,968
Assets under construction	18,315,963	—	18,315,963
	\$ 674,154,531	\$ 236,752,574	\$ 437,401,957

2022	Cost	Accumulated amortization	Net book value
Land	\$ 15,376,262	\$ —	\$ 15,376,262
Buildings and leasehold improvements	385,301,093	134,099,550	251,201,543
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
	\$ 644,366,371	\$ 227,906,583	\$ 416,459,788

During the year, there were capital additions in the amount of \$60,198,743 (2022 - \$53,882,535). Disposals for the year were \$30,555,748 (2022 - \$28,955,257), which included only fully amortized tangible capital assets for nil (2022 - nil) in proceeds.

11. 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 Statements (continued)

Year ended December 31, 2023

12. 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, 2023, the harmonized sales tax recoverable amount represents \$3,604,831 (2022 - \$2,872,490) 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 2024. 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.