



REPORT TO

REGULAR BOARD

2019-20 DRAFT AUDITED FINANCIAL STATEMENTS

“I urge, then, first of all, that petitions, prayers, intercession and thanksgiving be made for all people— for kings and all those in authority, that we may live peaceful and quiet lives in all godliness and holiness.”

1 Timothy 2:1-2

Created, Draft	First Tabling	Review
October 28, 2020	November 17, 2020	November 19, 2020

D. Bilenduke, Senior Coordinator of Finance

P. De Cock, Comptroller of Business Services & Finance

RECOMMENDATION REPORT

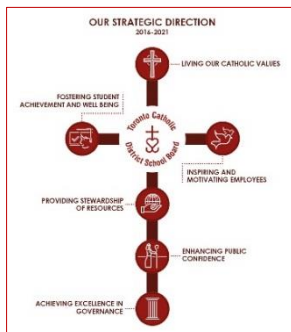
Vision:

At Toronto Catholic we transform the world through witness, faith, innovation and action.

Mission:

The Toronto Catholic District School Board is an inclusive learning community uniting home, parish and school and rooted in the love of Christ.

We educate students to grow in grace and knowledge to lead lives of faith, hope and charity.



Brendan Browne, PhD
Director of Education

D. Koenig
Associate Director
of Academic Affairs

L. Noronha
Associate Director of Facilities,
Business and Community
Development, and
Chief Financial Officer

A. EXECUTIVE SUMMARY

This report provides the Board of Trustees with the 2019-20 Draft Audited Financial Statements for approval. Deloitte LLP, Toronto Catholic District School Board's (TCDSB) external auditors, performed the audit and issued an unqualified audit report for the TCDSB as at August 31, 2020. The Financial Administration Act requires that the financial statements be prepared in accordance with the accounting principles determined by the relevant Ministry within the Province of Ontario.

The final unappropriated in-year surplus is \$20.7 million with an accumulated surplus of \$86.2 million at the end of fiscal year 2019/20. The actual financial results for 2019-20 are \$23.5 million higher than the budgeted deficit of \$2.8 million forecast in December 2019. The effects of the COVID-19 pandemic contributed significantly to the surplus.

The \$20.7 million surplus is net of the following reserve allowances. \$7.8 million of unspent 2019-20 school block funds and \$3.2 million of IT infrastructure funds carried forward to be used in the 2020/21 school year. \$1.3 million has also been reserved for the Board's Pastoral Plan.

The TCDSB has fulfilled the Multi-Year Recovery Plan mandate to maintain a 2% Accumulated Surplus of at least \$22M. During 2019/20 the Board passed *Strategic Reserve Policy F.M.09*. In July 2020, the Board passed a motion that any 2019/20 surplus be considered to address funding deficiencies related to return to classroom uncertainties.

The 2019/20 Draft Audited Financial Statements report was presented to the Audit Committee on November 17, 2020. The Committee recommended an amendment to the Strategic Reserve calculation which is presented in section **E5 - IMPLEMENTATION, STRATEGIC COMMUNICATIONS AND STAKEHOLDER ENGAGEMENT PLAN**.

The cumulative staff time required to prepare this report was 2 hours.

B. PURPOSE

1. Deloitte LLP have audited the attached draft financial statements for the fiscal year 2019-20 following their Audit Plan presented to and approved by the Audit Committee during the meeting held on September 30th 2020.
2. The Auditors gave an in-depth presentation of their findings to the Audit Committee and took questions from Committee members in a private setting.
3. Committee members were also provided the opportunity to question the Auditors without staff present.

C. BACKGROUND

As per Section 9 of Ontario Regulation 361(10), the Audit Committee reviews the draft annual financial statements prior to tabling before the Board of Trustees for final approval.

D. EVIDENCE/RESEARCH/ANALYSIS

1. *The in-year operating surplus for Ministry reporting purposes is \$20.7 million resulting in an accumulated surplus of \$86.2 million.* The operating surplus for 2019-20 is \$23.5 million more than the budgeted deficit of \$2.8 million. The year over year reconciliation of the in-year surplus/(deficit) follows in the table below:

In-Year Unappropriated Surplus/Deficit ('000's)

	2018/19 Actual	2019/20 Budget	2019/20 Actual
Revenue Variance to Budget	6,400	-2,867	-6,500
Expense Variance to Budget	19,013	0	33,550
In-Year Surplus/(Deficit)	25,413	-2,867	27,050
C/Y Changes to Appropriations	339	58	-6,327
Unappropriated In-Year Surplus/(Deficit)	25,752	-2,809	20,723

2. *All documents have been provided for, in the appendices, in accordance with the Education Act, Ministry guidelines and TCDSB Policies.* The 2019-20 Draft Audited Financial Statements for the TCDSB are attached to this report in Appendix A. It is important to note that the external auditors use the

2019-20 budget produced in June 2019 while, for purposes of variance analysis, the Board uses the Revised Estimates approved by the Board of Trustees in December 2019. The corresponding Education Finance Information System (EFIS) submission, Schedule 5, is attached as Appendix B and an analysis of the Public Sector Accounting Board (PSAB) surplus and the calculated Operating Surplus appears in Appendix C. The final 4th Quarter Financial Status Report appears as Appendix D.

3. ***The Financial Statements are calculated using two different accounting methodologies.*** The 2019-20 Draft Financial Statements report an in-year PSAB surplus of \$83.4M and an accumulated surplus of \$517.2M. PSAB accounting principles provide accounting treatments for land, buildings, fixed assets and deferred revenues through the Statement of Financial Position and the general accounting standards for the public sector do not. This explains why the accumulated surplus for PSAB purposes is \$517.2M and the accumulated surplus on a generally accepted accounting principle basis is \$103.3M.
4. ***Variations in both revenue and expenses produced a \$27.1M in-year surplus.*** A high-level analysis of the 2019-20 Operating Surplus Variance from budget follows in the table below, followed by explanations corresponding to the line number for each component on the next page.

i)	Increased GSN & Grant Revenue	\$1.5M
ii)	Decreased Miscellaneous Recoveries	(5.0)M
iii)	Unrealized Prior Period Benefits Recovery(ASO)	(3.0)M
	NET REVENUE DECREASE	(6.5)M
iv)	Decreased spending on Salaries & Benefits	27.5M
v)	Decreased spending on Supplies & Services	2.6M
vi)	Decreased spending on Transportation	3.5M
	NET EXPENSE DECREASE	33.6M
	SURPLUS AVAILABLE FOR COMPLIANCE	27.1M
vii)	Internally Appropriated Amounts	(6.3)M
	Total Variance of Forecast to Actual	20.7M

- i. The significant increases in Ministry Grants were \$8.9M for the 1% negotiated salary increase and \$3M for English as a Second Language

(ESL) funding. This was offset by the return of \$12.6M in strike savings and \$0.8M for transportation.

- ii. The Board suffered losses due to COVID-19 closures of day cares, after hours permits and employee paid parking.
 - iii. The Ministry of Education has approved the allocation to revenue of \$2.3M from the previous year's "Administrative Services Only" (ASO) surpluses in the Great West Life benefits account. The Board had expected to receive a one-time recovery of \$5.3M during the year.
 - iv. Salaries, Wages and Benefits experienced significant savings due to strike savings (\$12.6M), unfilled library and guidance positions (\$3.9M) and supply staff COVID-19 savings (\$9.1M). Most departments experienced positive salary variances due to COVID-19 but were offset by the unbudgeted 1% negotiated salary increase.
 - v. Many departments experienced supply savings due to the COVID-19 closure but were offset by the purchase requirements for Personal Protective Equipment (PPE), signage, etc. Utilities experienced a Board wide savings of \$2.1M due to COVID-19 shutdowns.
 - vi. The decrease in Transportation of \$3.5M is largely due to COVID-19, which includes \$1M of unused TTC tokens.
 - vii. Internally Appropriated Amounts – please refer to Appendix C for a complete breakdown.
5. ***Liability protection is maintained.*** As per previous Audit Committee reports and in consultation with Legal Counsel's reports to the Audit Committee, the Board has maintained a total accrual of \$6.9 million as an estimate for potential legal claims and grievance settlements.
6. ***School GSN budgets have been maintained.*** Unspent 2019-20 school block budgets (\$7.8M) and IT equipment (\$3.2M) have been carried forward in the 2020-21 budget.

E. IMPLEMENTATION, STRATEGIC COMMUNICATIONS AND STAKEHOLDER ENGAGEMENT PLAN

1. *During 2019-20 the Board of Trustees approved Strategic Reserve Policy F.M.09.* This policy is intended to establish consistent guidelines and standards, which will assist in the administration of reserve funds in a responsible, consistent, and equitable manner. Operating Reserves are determined by the Director of Education and the Chief Financial Officer after the fiscal year is closed and during the Revised Budget process. Trustees will have an opportunity at that time to approve or amend operating reserve allocations.

2. *The Board has a \$20.7M surplus available to distribute from 2019/20 activity.* An operating reserve totalling \$4.4M has been created for playgrounds and school block from the current year surplus. In addition, an unused operating surplus from 2019 of \$10.2M is available for re-allocation. The balance available for distribution is \$26.6M to be distributed as follows:

- Operating Contingency 50%
- IT Strategic Systems Reserve 35%
- IT Infrastructure Reserve 5%
- Administrative Facility Reserve 5%
- Student Equity Strategic Reserve 5%

3. *At the July 23, 2020 Board meeting the board of trustees passed the following motion:*

“Any estimate of projected surplus funds which may materialize from the 2019-2020 school year be presented to the Board in September 2020 (or as soon as readily available) to address possible deficiencies in curriculum delivery which may develop in a revised return to school in September 2020.”

The Board at the end of the 2019-20 year-end has an Accumulated Surplus “Available for Compliance” of \$103.3M and of this amount, 20.7M is the in-year surplus which is proposed to be allocated as follows:

Appropriations	2019 Accumulated Surplus	2020 In-Year Surplus	Reserve Balance
Surplus Available for Compliance	76,257,680	27,050,364	103,308,044

Internally Appropriated	10,793,304	6,327,318	17,120,622
Available; Unappropriated	65,464,376	20,723,046	86,187,422
20-21 Board approved Operating Reserves			
20-21 School Block Budgets		2,000,000	2,000,000
20-21 Playground Reserve	1,200,000	2,400,000	3,600,000
19-20 Trustee Strategic Reserve	54,800		54,800
<i>Unused 19-20 Operating Reserves</i>	10,240,000	-10,240,000	0
<i>Strategic Reserves</i>			
Operating Contingency	23,041,000	13,281,523	36,322,523
IT Strategic Systems Reserve	20,626,715	9,297,066	29,923,781
IT Infrastructure Reserve	5,119,797	1,328,152	6,447,949
Student Equity Reserve	2,591,031	1,328,153	3,919,184
Administrative Facilities Reserve	2,591,033	1,328,152	3,919,185
TOTAL UNAPPROPRIATED	65,464,376	20,723,046	86,187,422

4. ***Regarding fiscal 2020-21, a determination has been made to use the Operating Contingency Reserve to offset additional costs related to COVID-19.*** The Board will have at its disposal \$36.3M of operating contingency to be used for COVID-19 related expenditures. This is in addition to the \$11.1M that has been internally appropriated for school block and IT expenses. The Board has approved \$ 20.5M from the Operating Contingency Reserve to fund various COVID-19 related expenditures. Should these full expenditures materialize then the reserve balance would be \$15.8M by the end of the 2020-21 fiscal year.

5. ***The Audit Committee has recommended the following amendment to the Strategic Reserve allocation.*** “Given that enrolments have been lost, there is a significant possibility that there will be a drop in Grants for Student Needs (GSN), that the Audit Committee recommend to the Board that the surplus for 2019-2020 be held, to be used to cushion and provide time for any permanent spending reductions for 2021-2022 budget. This excludes the proposed allocation to the IT Infrastructure of \$1.4 million.” The \$10.2M unused

operating surplus from 2018-19 has been distributed as identified in point number two above. The amended Strategic Reserve allocation is as follows:

Appropriations	2019 Accumulated Surplus	2020 In- Year Surplus	Reserve Balance
Surplus Available for Compliance	76,257,680	27,050,364	103,308,044
Internally Appropriated	10,793,304	6,327,318	17,120,622
Available; Unappropriated	65,464,376	20,723,046	86,187,422
20-21 Board approved Operating Reserves			
20-21 Playground Reserve	1,200,000		1,200,000
19-20 Trustee Strategic Reserve	54,800		54,800
<i>Unused 19-20 Operating Reserves</i>	10,240,000	-10,240,000	0
<i>Strategic Reserves</i>			
Operating Contingency	23,041,000	24,514,894	47,555,894
IT Strategic Systems Reserve	20,626,715	3,584,000	24,210,715
IT Infrastructure Reserve	5,119,797	1,840,152	6,959,949
Student Equity Reserve	2,591,031	512,000	3,103,031
Administrative Facilities Reserve	2,591,033	512,000	3,103,033
TOTAL UNAPPROPRIATED	65,464,376	20,723,046	86,187,422

F. STAFF RECOMMENDATION

That the Board of Trustees approve the attached 2019-20 Draft Audited Financial Statements and the recommended appropriation of the accumulated surplus as amended by the Audit Committee appearing in Section E.5.