

Financial Statements of

**VANCOUVER PUBLIC
LIBRARY FOUNDATION**

And Independent Auditors' Report thereon

Year ended June 30, 2019

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Vancouver Public Library Foundation

Opinion

We have audited the financial statements of Vancouver Public Library Foundation (the "Entity"), which comprise:

- the statement of financial position as at June 30, 2019
- the statement of operations for the year then ended
- the statement of changes in net assets 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 June 30, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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 accounting standards for not-for-profit organizations, 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.

- 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.

Chartered Professional Accountants

Vancouver, Canada

September 23, 2019

VANCOUVER PUBLIC LIBRARY FOUNDATION

Statement of Financial Position

June 30, 2019, with comparative information for 2018

	2019	2018
		(Recast – note 10)
Assets		
Current assets:		
Cash	\$ 1,324,667	\$ 900,652
Investments (note 3)	65,522	43,799
Accounts receivable	5,850	788
Prepaid expenses	25,756	7,365
	<u>1,421,795</u>	<u>952,604</u>
Restricted cash and investments held for endowment (note 3)	1,810,097	1,735,439
	<u>\$ 3,231,892</u>	<u>\$ 2,688,043</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ -	\$ 443
Deferred investment income (note 5)	13,745	8,033
Deferred contributions (note 6)	941,630	403,747
Due to Vancouver Public Library (note 8)	2,469	1,250
	<u>957,844</u>	<u>413,473</u>
Net assets:		
Unrestricted:		
General fund	463,951	539,131
Endowment:		
Legacy endowment fund (note 7)	1,810,097	1,735,439
	<u>2,274,048</u>	<u>2,274,570</u>
	<u>\$ 3,231,892</u>	<u>\$ 2,688,043</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:

_____ Director

_____ Director

VANCOUVER PUBLIC LIBRARY FOUNDATION

Statement of Operations

Year ended June 30, 2019, with comparative information for 2018

	2019	2018
		(Recast – note 10)
Revenue:		
Donations and grants (note 8)	\$ 2,280,327	\$ 2,962,656
Investment income	34,491	36,903
	<u>2,314,818</u>	<u>2,999,559</u>
Expenses:		
Distribution for charitable purposes (note 8)	1,724,779	2,511,960
Administrative (note 8)	665,219	364,525
	<u>2,389,998</u>	<u>2,876,485</u>
Excess (deficiency) of revenue over expenses	<u>\$ (75,180)</u>	<u>\$ 123,074</u>

See accompanying notes to financial statements.

VANCOUVER PUBLIC LIBRARY FOUNDATION

Statement of Changes in Net Assets

Year ended June 30, 2019, with comparative information for 2018

	General Fund	Legacy Endowment Fund (note 7)	2019 Total	2018 Total (Recast – note 10)
Net assets, beginning of year (recast – note 10)	\$ 539,131	\$ 1,735,439	\$ 2,274,570	\$ 2,123,573
Excess (deficiency) of revenue over expenses	(75,180)	-	(75,180)	123,074
Endowment donations (note 7)	-	74,658	74,658	27,923
Net assets, end of year	\$ 463,951	\$ 1,810,097	\$ 2,274,048	\$ 2,274,570

See accompanying notes to financial statements.

VANCOUVER PUBLIC LIBRARY FOUNDATION

Statement of Cash Flows

Year ended June 30, 2019, with comparative information for 2018

	2019	2018
		(Recast – note 10)
Cash provided from (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ (75,180)	\$ 123,074
Item not involving cash:		
(Increase) decrease in accrued interest on investments	(11,199)	2,609
	(86,379)	125,683
Changes in non-cash working capital:		
Accounts receivable	(5,062)	5,467
Prepaid expenses	(18,391)	(6,259)
Accounts payable and accrued liabilities	(443)	(8,214)
Deferred investment income	5,712	(3,158)
Deferred contributions	537,883	(21,561)
Due to Vancouver Public Library	1,219	61
	434,539	92,019
Financing activities:		
Endowment donations received	74,658	27,923
Investing activities:		
(Increase) decrease in restricted cash held for endowment	(59,504)	12,320
Purchase of investments	(1,377,078)	(1,063,050)
Proceeds from disposal of investments	1,351,400	1,099,832
	(85,182)	49,102
Increase in cash	424,015	169,044
Cash, beginning of year	900,652	731,608
Cash, end of year	\$1,324,667	\$ 900,652

See accompanying notes to financial statements.

VANCOUVER PUBLIC LIBRARY FOUNDATION

Notes to Financial Statements

Year ended June 30, 2019

1. Nature of operations:

The Vancouver Public Library Foundation (the "Foundation") exists to raise monies for book acquisitions, equipment needs, and program development at Vancouver Public Library (the "Library").

The Foundation is incorporated under the Canada Not-For-Profit Corporations Act as a not-for-profit organization and is classified as a tax exempt not-for-profit organization and as a charity under the Income Tax Act (Canada) and, accordingly, is not subject to income taxes.

2. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

(a) Revenue recognition:

The Foundation follows the deferral method of accounting for contributions.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred or the restrictions are met.

Donations and contributions in-kind are recorded at fair value at the time of receipt when such value can be reasonably determined.

Legacy endowment contributions are recognized as direct increases in net assets. Investment income is recognized as general fund revenue in the period earned, unless the investment income earned on the endowment is restricted, in which case the amount is included in deferred investment income and recognized when the restrictions are met.

(b) Cash and restricted cash:

Cash consists of cash on hand and funds on deposit readily redeemable with maturity date within ninety days of acquisition, earning interest at the current prevailing rates.

Restricted cash relates to cash held for the Legacy endowment fund.

(c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value with any changes being recorded through the statement of operations. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Foundation has not elected to carry any such financial instruments at fair value.

2. Significant accounting policies (continued):

(c) Financial instruments (continued):

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets carried at cost or amortized cost are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. To the extent that impairment is determined, the carrying value of the instrument will be reduced. Impairment losses are reversed to the extent of any recovery in value, not exceeding the initial carrying value.

(d) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

3. Investments:

Investments consist of Guaranteed Investment Certificates ("GICs") with a total amortized cost plus accrued interest of \$1,804,316 (2018 - \$1,767,439) with yields of 1.45% to 2.90% and maturity dates from December 2019 to May 2020. Included in restricted cash and investments held for endowment is restricted cash of \$71,303 (2018 - \$11,799).

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of nil (2018 - \$181) for amounts payable for payroll related taxes.

5. Deferred investment income:

Deferred investment income represents investment income earned on endowments that is externally restricted by the donor for specific uses at the Library. Changes in deferred investment income are as follows:

	2019	2018
Balance, beginning of year	\$ 8,033	\$ 11,191
Add: restricted investment income	13,745	8,033
Less: amounts spent and recognized as revenue during the year	(8,033)	(11,191)
Balance, end of year	\$ 13,745	\$ 8,033

6. Deferred contributions:

Deferred contributions represent unspent donations externally restricted by the donor for specific uses at the Library. Changes in deferred contributions are as follows:

	2019	2018
Balance, beginning of year	\$ 403,747	\$ 425,307 (Recast – note 10)
Add restricted contributions received	1,884,903	2,390,222
Less amounts spent and recognized as revenue during the year	(1,347,020)	(2,411,782)
Balance, end of year	\$ 941,630	\$ 403,747

Included in deferred contributions are amounts restricted for the capital campaign of \$222,597 (2018 - \$85,973).

7. Legacy Endowment Fund:

Donations received in the current year in the amount of \$74,658 (2018 - \$27,923) were specified by the donors as legacy endowment contributions. Included in the legacy endowment fund is \$796,988 (2018 - \$796,988) that was internally restricted by the Board in prior years and recorded in the Legacy Fund.

	2019	2018
Alan MacDougall Fund	\$ 52,525	\$ 52,500
Canada Poetry Fund	90,000	90,000
Cheryl Hughes	20,150	18,400
Derek Lukin Johnston Legacy Fund	28,591	27,690
Duncan Fund	237,756	178,252
Isabel Grace McTavich Children's' Fund	34,100	34,100
Legacy Fund	880,957	870,404
Outreach Endowment	4,720	4,720
Stanley & Elsie Cha Fund	27,775	26,650
Winifred and Thomas Craig Fund	50,923	50,923
Yosef Wosk Judaic Legacy Fund	5,000	5,000
Geoffrey Rex DesBrisay Fund	376,800	376,800
Ting Ting Jiang Memorial Fund	800	-
	\$ 1,810,097	\$ 1,735,439

8. Related parties:

During the year, the Library, a party related through economic interest, transferred to the Foundation \$2,768 (2018 - \$60,645) in donations received on behalf of the Foundation. The Foundation also received a grant of \$75,000 from the Library in the current year (2018 - \$75,000). These amounts are included in donations and grant revenue in the statement of operations.

During the year, the Foundation distributed \$1,724,779 (2018 - \$2,511,960) to the Library. This amount is recorded as distribution for charitable purposes in the statement of operations.

During the year, the Foundation paid \$14,840 (2018 - \$1,887) to the Library for expenses incurred on behalf of the Foundation. Certain other administrative costs (including the use of furniture and equipment) of the Foundation are paid for by the Library, the total value of which is not determinable and is not reflected in the financial statements.

At June 30, 2019, \$2,469 was due to the Library (2018 - \$1,250) arising from transactions in the normal course of operations.

9. Financial instruments:

(a) Interest rate risk:

The Foundation has investments in fixed interest rate GICs. The Foundation believes that is not exposed to significant interest rate risk on these investments.

(b) Credit risk:

The Foundation manages its credit risk on GICs by holding these financial assets at various high credit quality Canadian financial institutions.

The Foundation believes that it is not exposed to significant currency or liquidity risk arising from its financial instruments. There has been no change to the risk exposures from the prior year.

10. Recast of comparative figures:

The Foundation determined that revenue was not recognized in prior years for certain externally restricted funds disbursed to the Library. As at and for the year ended June 30, 2018, the Foundation's deferred contributions was overstated by \$81,088, opening unrestricted net assets was understated by \$95,857, and donations and grants revenue was overstated by \$14,769. Accordingly, the comparative figures have been adjusted to reflect deferred contributions of \$403,707 and unrestricted net assets of \$539,131 as at June 30, 2018 and donations and grants revenue of \$2,962,656 for the year then ended.

