

Financial Statements of

**VANCOUVER PUBLIC
LIBRARY FOUNDATION**

And Independent Auditors' Report thereon

Year ended June 30, 2020



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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, 2020
- 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, 2020, 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
October 19, 2020

VANCOUVER PUBLIC LIBRARY FOUNDATION

Statement of Financial Position

June 30, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,890,900	\$ 1,324,667
Investments (note 3)	-	65,522
Accounts receivable	10,009	5,850
Prepaid expenses	5,827	25,756
	<u>1,906,736</u>	<u>1,421,795</u>
Restricted cash and investments held for endowment (note 3)	1,813,672	1,810,097
	<u>\$ 3,720,408</u>	<u>\$ 3,231,892</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 7,836	\$ -
Deferred investment income (note 5)	4,253	13,745
Deferred contributions (note 6)	1,605,446	941,630
Due to Vancouver Public Library (note 8)	23,028	2,469
	<u>1,640,563</u>	<u>957,844</u>
Net assets:		
Unrestricted:		
General fund	266,173	463,951
Endowment:		
Legacy endowment fund (note 7)	1,813,672	1,810,097
	<u>2,079,845</u>	<u>2,274,048</u>
Subsequent event (note 10)		
	<u>\$ 3,720,408</u>	<u>\$ 3,231,892</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:

_____ Director

_____ Director

DRAFT – SEPTEMBER 27, 2020

VANCOUVER PUBLIC LIBRARY FOUNDATION

Statement of Operations

Year ended June 30, 2020, with comparative information for 2019

	2020	2019
Revenue:		
Donations and grants (note 8)	\$ 1,771,597	\$ 2,280,327
Investment income	47,941	34,491
	<u>1,819,538</u>	<u>2,314,818</u>
Expenses:		
Distribution for charitable purposes (note 8)	1,328,685	1,724,779
Administrative (note 8)	688,631	665,219
	<u>2,017,316</u>	<u>2,389,998</u>
Deficiency of revenue over expenses	<u>\$ (197,778)</u>	<u>\$ (75,180)</u>

See accompanying notes to financial statements.

VANCOUVER PUBLIC LIBRARY FOUNDATION

Statement of Changes in Net Assets

Year ended June 30, 2020, with comparative information for 2019

	General Fund	Legacy Endowment Fund	2020 Total	2019 Total
		(note 7)		
Net assets, beginning of year	\$ 463,951	\$ 1,810,097	\$ 2,274,048	\$ 2,274,570
Deficiency of revenue over expenses	(197,778)	-	(197,778)	(75,180)
Endowment donations (note 7)	-	3,575	3,575	74,658
Net assets, end of year	\$ 266,173	\$ 1,813,672	\$ 2,079,845	\$ 2,274,048

See accompanying notes to financial statements.

VANCOUVER PUBLIC LIBRARY FOUNDATION

Statement of Cash Flows

Year ended June 30, 2020, with comparative information for 2019

	2020	2019
Cash provided from (used in):		
Operating activities:		
Deficiency of revenue over expenses	\$ (197,778)	\$ (75,180)
Item not involving cash:		
Change in accrued interest on investments	20,427	(11,199)
	(177,351)	(86,379)
Changes in non-cash working capital:		
Accounts receivable	(4,159)	(5,062)
Prepaid expenses	19,929	(18,391)
Accounts payable and accrued liabilities	7,836	(443)
Deferred investment income	(9,492)	5,712
Deferred contributions	663,816	537,883
Due to Vancouver Public Library	20,559	1,219
	521,138	434,539
Financing activities:		
Endowment donations received	3,575	74,658
Investing activities:		
Increase in restricted cash held for endowment	(83,268)	(59,504)
Purchase of investments	(1,652,290)	(1,377,078)
Proceeds from disposal of investments	1,777,078	1,351,400
	41,520	(85,182)
Increase in cash and cash equivalents	566,233	424,015
Cash and cash equivalents, beginning of year	1,324,667	900,652
Cash and cash equivalents, end of year	\$ 1,890,900	\$ 1,324,667

See accompanying notes to financial statements.

VANCOUVER PUBLIC LIBRARY FOUNDATION

Notes to Financial Statements

Year ended June 30, 2020

1. Nature of operations:

The Vancouver Public Library Foundation (the "Foundation") exists to raise monies for capital projects, book acquisitions, equipment needs, and program development at the 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 cash equivalents and restricted cash:

Cash and cash equivalents consists of cash on hand and highly liquid investments readily redeemable with term to maturity within ninety days of acquisition.

(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.

VANCOUVER PUBLIC LIBRARY FOUNDATION

Notes to Financial Statements (continued)

Year ended June 30, 2020

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 and restricted cash and investments:

Investments consist of Guaranteed Investment Certificates ("GICs") with a total amortized cost plus accrued interest of \$1,659,101 (2019 - \$1,804,316) with yields of 1.35% to 1.65% (2019 - 1.45% to 2.90%) and maturity dates from March to May 2021 (2019 - December 2019 to May 2020). Included in restricted cash and investments held for endowment is restricted cash and cash equivalents of \$154,571 (2019 - \$71,303).

4. Accounts payable and accrued liabilities:

There are nil (2019 – nil) government remittances payable included in accounts payable and accrued liabilities.

VANCOUVER PUBLIC LIBRARY FOUNDATION

Notes to Financial Statements (continued)

Year ended June 30, 2020

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:

	2020	2019
Balance, beginning of year	\$ 13,745	\$ 8,033
Add: restricted investment income earned	4,253	13,745
Less: amounts spent and recognized as revenue during the year	(13,745)	(8,033)
Balance, end of year	\$ 4,253	\$ 13,745

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:

	2020	2019
Balance, beginning of year	\$ 941,630	\$ 403,747
Add restricted contributions received	1,892,501	1,884,903
Less amounts spent and recognized as revenue during the year	(1,228,685)	(1,347,020)
Balance, end of year	\$ 1,605,446	\$ 941,630

Included in deferred contributions are amounts restricted for the capital campaign of \$1,580,635 (2019 - \$222,597).

VANCOUVER PUBLIC LIBRARY FOUNDATION

Notes to Financial Statements (continued)

Year ended June 30, 2020

7. Legacy Endowment Fund:

Donations received in the current year in the amount of \$3,575 (2019 - \$74,658) were specified by the donors as legacy endowment contributions. Included in the legacy endowment fund is \$796,988 (2019 - \$796,988) that was internally restricted by the Board in prior years and recorded in the Legacy Fund.

	2020	2019
Alan MacDougal Fund	\$ 52,525	\$ 52,525
Canada Poetry Fund	90,000	90,000
Cheryl Hughes	22,150	20,150
Derek Lukin Johnston Legacy Fund	29,041	28,591
Duncan Fund	237,756	237,756
Isabel Grace McTavich Children's' Fund	34,100	34,100
Legacy Fund	880,957	880,957
Outreach Endowment	4,720	4,720
Stanley & Elsie Cha Fund	28,900	27,775
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	800
	\$ 1,813,672	\$ 1,810,097

8. Related parties:

During the year ended June 30, 2020, the Library, a party related through economic interest, transferred to the Foundation \$2,640 (2019 - \$2,768) in donations received on behalf of the Foundation. The Foundation also received a grant of nil from the Library in the current year (2019 - \$75,000). These amounts are included in donations and grant revenue in the statement of operations.

During the year ended June 30, 2020, the Foundation distributed \$1,328,685 (2019 - \$1,724,779) to the Library. This amount is recorded as distribution for charitable purposes in the statement of operations.

During the year ended June 30, 2020, the Foundation paid \$23,199 (2019 - \$14,840) 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, 2020, \$23,028 was due to the Library (2019 - \$2,469) arising from transactions in the normal course of operations.

VANCOUVER PUBLIC LIBRARY FOUNDATION

Notes to Financial Statements (continued)

Year ended June 30, 2020

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 have been no significant changes to the risk exposures from 2019 other than the pervasive impact of COVID-19 as described in note 10.

10. Subsequent event:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The subsequent shutdowns globally, domestically, and locally have had a significant impact on jurisdictions and market sectors in which the Foundation operates. At the time of the approval of these financial statements, the Foundation has taken the following activities in response to the COVID-19 pandemic:

(a) Ensuring social distancing protocols are maintained for in-person meetings and limiting attendance to less than 50 people, and moving other events to virtual events; and

(b) Deployment of work from home protocols for Foundation employees that are able to do so.

The impact of the pandemic creates uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not predictable at this time.