

Financial Statements of

**VANCOUVER PUBLIC
LIBRARY FOUNDATION**

And Independent Auditor's Report thereon

Year ended June 30, 2023



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INDEPENDENT AUDITOR'S 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, 2023
- 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, 2023, 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 "***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.



Other Information

Management is responsible for the other information. Other information comprises the information, other than the financial statements and the auditor's report thereon, included in the 2023 Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditor's report thereon, included in the 2023 Annual Report as at the date of this auditor's report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

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.

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.

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, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a small upward tick at the end.

Chartered Professional Accountants

Vancouver, Canada
September 26, 2023

VANCOUVER PUBLIC LIBRARY FOUNDATION

Statement of Financial Position

June 30, 2023, with comparative information for 2022

	2023	2022
Assets		
Current assets:		
Cash	\$ 905,610	\$ 4,605,405
Investments (note 4)	4,399,248	265,770
Accounts receivable	6,201	4,788
Due from Vancouver Public Library (note 10)	7,066	728
Prepaid expenses	11,752	9,348
	<u>5,329,877</u>	<u>4,886,039</u>
Tangible capital assets (note 5)	9,264	6,379
Investments held for endowment (note 4)	1,819,887	1,818,344
	<u>\$ 7,159,028</u>	<u>\$ 6,710,762</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (notes 6 and 10)	\$ 346,234	\$ 15,103
Deferred investment income (note 7)	54,891	5,591
Deferred contributions (note 8)	2,905,217	3,198,766
	<u>3,306,342</u>	<u>3,219,460</u>
Net assets:		
Unrestricted:		
General fund	2,032,799	1,672,958
Endowment:		
Legacy endowment fund (note 9)	1,819,887	1,818,344
	<u>3,852,686</u>	<u>3,491,302</u>
	<u>\$ 7,159,028</u>	<u>\$ 6,710,762</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, 2023, with comparative information for 2022

	2023	2022
Revenue:		
Donations and grants	\$ 2,049,831	\$ 2,332,540
Investment income	120,185	23,944
	<u>2,170,016</u>	<u>2,356,484</u>
Expenses:		
Distribution for charitable purposes (note 10)	1,271,844	828,350
Administrative:		
Salaries and benefits	493,128	391,800
Government assistance (note 3)	-	(67,628)
Salaries and benefits, net of government assistance	<u>493,128</u>	<u>324,172</u>
Dues and subscriptions	-	1,915
Event expenses	34,889	617
Insurance	2,271	3,020
Legal and professional fees	34,817	24,654
Other expenses	21,389	26,844
Promotional expenses	18,078	48,162
Software and processing fees	3,039	4,589
Fundraising software	13,257	-
Merchant fees	21,171	28,998
Staff training	3,203	10,420
	<u>645,242</u>	<u>473,391</u>
	<u>1,917,086</u>	<u>1,301,741</u>
Excess of revenue over expenses before the undernoted	252,930	1,054,743
Change in fair value of investments	106,911	(12,094)
Excess of revenue over expenses	<u>\$ 359,841</u>	<u>\$ 1,042,649</u>

See accompanying notes to financial statements.

VANCOUVER PUBLIC LIBRARY FOUNDATION

Statement of Changes in Net Assets

Year ended June 30, 2023, with comparative information for 2022

	General Fund	Legacy Endowment Fund (note 9)	2023 Total	2022 Total
Net assets, beginning of year	\$ 1,672,958	\$ 1,818,344	\$ 3,491,302	\$ 2,447,156
Excess of revenue over expenses	359,841	-	359,841	1,042,649
Endowment donations (note 9)	-	1,543	1,543	1,497
Net assets, end of year	\$ 2,032,799	\$ 1,819,887	\$ 3,852,686	\$ 3,491,302

See accompanying notes to financial statements.

VANCOUVER PUBLIC LIBRARY FOUNDATION

Statement of Cash Flows

Year ended June 30, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 359,841	\$ 1,042,649
Items not involving cash:		
Change in fair value of investments	(106,911)	12,094
Change in accrued interest	(51,019)	813
Amortization of tangible capital assets	5,886	1,949
	207,797	1,057,505
Changes in non-cash working capital:		
Accounts receivable	(1,413)	32,499
Due from Vancouver Public Library	(6,338)	(455)
Prepaid expenses	(2,404)	2,312
Accounts payable and accrued liabilities	331,131	6,687
Deferred investment income	49,300	(6,049)
Deferred contributions	(293,549)	666,415
	284,524	1,758,914
Financing activities:		
Endowment donations received	1,543	1,497
Investing activities:		
Change in restricted cash held for endowment	-	138,879
Tangible capital assets additions	(8,771)	(8,328)
Purchase of investments	(7,463,091)	(2,100,413)
Proceeds from disposal/maturity of investments	3,486,000	1,681,360
	(3,985,862)	(288,502)
Increase (decrease) in cash	(3,699,795)	1,471,909
Cash, beginning of year	4,605,405	3,133,496
Cash, end of year	\$ 905,610	\$ 4,605,405

See accompanying notes to financial statements.

VANCOUVER PUBLIC LIBRARY FOUNDATION

Notes to Financial Statements

Year ended June 30, 2023

1. Nature of operations:

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. The Foundation is classified as a registered charity under the *Income Tax Act* (Canada) and, accordingly, is not subject to income taxes.

2. Significant accounting policies:

These 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.

Government assistance toward current expenses or revenues is included in the determination of excess revenue over expenses for the period. Government assistance toward current expenses is recorded as a reduction to the related expenditures, provided there is reasonable assurance that the Foundation has complied and will continue to comply with all the conditions.

(b) Cash and cash equivalents:

Cash and cash equivalents consist of cash on hand and highly liquid investments readily redeemable with term to maturity within 90-days of acquisition. The Foundation did not hold any cash equivalents as of June 30, 2023 and 2022.

VANCOUVER PUBLIC LIBRARY FOUNDATION

Notes to Financial Statements (continued)

Year ended June 30, 2023

2. Significant accounting policies (continued):

(c) Tangible capital assets:

Tangible capital assets additions are initially recorded at cost. Amortization is provided on a straight-line basis over the assets' estimated useful lives, with amortization taken in the year the assets are put into use, at the following rates:

Asset	Years
Office equipment	3 years

The Foundation reviews its tangible capital assets for impairment whenever events or changes in circumstances indicate that the asset no longer has or has reduced long-term service potential to the organization. If such condition exists, an impairment loss is measured at the amount by which the carrying amount of the asset exceeds its fair value or replacement cost.

(d) 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 elected to carry its investments except guaranteed investment certificates, at fair value.

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.

(e) 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.

VANCOUVER PUBLIC LIBRARY FOUNDATION

Notes to Financial Statements (continued)

Year ended June 30, 2023

3. Canada Emergency Wage Subsidy:

Due to the COVID-19 pandemic, the Canadian government introduced the Canada Emergency Wage Subsidy ("CEWS") to assist eligible organizations who had lost a certain percentage of their qualifying revenue. The Canadian government ended the program in October 2021. As such, no CEWS funding was received during the year ended June 30, 2023 (2022 - \$67,628).

4. Investments held for endowment:

The Foundation manages its investments in accordance with its investment policy and procedures as approved by the Board of Directors. Investments are comprised of the following:

	2023	2022
Investments held at fair value:		
Money market fund	\$ 63,611	\$ 1,140,392
International equity fund	388,616	144,631
Canadian equity fund	289,056	97,356
Bond fund	1,502,966	701,735
	<u>2,244,249</u>	<u>2,084,114</u>
Investments held at amortized cost:		
Guaranteed investment certificates ("GICs") (a)	3,974,886	-
Total investments	\$ 6,219,135	\$ 2,084,114

(a) As at March 31, 2023, GICs have rates between 4.10% and 6.04% and mature between August 24, 2023 and March 25, 2024.

Investments are classified into:

	2023	2022
Investments held for endowment	\$ 1,819,887	\$ 1,818,344
Unrestricted investments	4,399,248	265,770
	<u>\$ 6,219,135</u>	<u>\$ 2,084,114</u>

5. Tangible capital assets:

	2023		2022	
	Cost	Accumulated amortization	Net book value	Net book value
Office equipment	\$ 16,694	\$ 7,430	\$ 9,264	\$ 6,379

VANCOUVER PUBLIC LIBRARY FOUNDATION

Notes to Financial Statements (continued)

Year ended June 30, 2023

6. Accounts payable and accrued liabilities:

Included in account payable and accrued liabilities are government remittances payable of \$2,193 (2022 - \$15,103), for payroll related taxes.

7. 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:

	2023	2022
Balance, beginning of year	\$ 5,591	\$ 11,640
Add: restricted investment income earned	54,891	5,591
Less: amounts spent and recognized as revenue	(5,591)	(11,640)
Balance, end of year	\$ 54,891	\$ 5,591

8. Deferred contributions:

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

	2023	2022
Balance, beginning of year	\$ 3,198,766	\$ 2,532,351
Add restricted contributions received	655,795	1,314,062
Less amounts spent and recognized as revenue	(949,344)	(647,647)
Balance, end of year	\$ 2,905,217	\$ 3,198,766

Included in deferred contributions are amounts restricted for the capital campaign of \$2,777,778 (2022 - \$2,428,481).

VANCOUVER PUBLIC LIBRARY FOUNDATION

Notes to Financial Statements (continued)

Year ended June 30, 2023

9. Legacy Endowment Fund:

Donations received in the current year in the amount of \$1,543 (2022 - \$1,497) were specified by the donors as legacy endowment contributions. The Legacy Endowment Fund is comprised of the following:

	2023	2022
Alan MacDougal Fund	\$ 52,525	\$ 52,525
Canada Poetry Fund	90,000	90,000
Cheryl Hughes	27,190	25,647
Derek Lukin Johnston Legacy Fund	29,041	29,041
Duncan Fund	237,756	237,756
Isabel Grace McTavich Children's Fund	34,100	34,100
Legacy Fund (a)	881,007	881,007
Outreach Endowment	4,720	4,720
Stanley & Elsie Cha Fund	30,025	30,025
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
	<u>\$ 1,819,887</u>	<u>\$ 1,818,344</u>

(a) Included in the Legacy Fund is \$796,988 (2022 - \$796,988) that was internally restricted by the Board in prior years. The balance of \$84,019 (2022 - \$84,019) in the Legacy Fund relates to externally restricted endowment contributions received.

10. Related party transactions and balances:

During the year ended June 30, 2023, the Library, a party related through economic interest, transferred to the Foundation \$6,049 (2022 - \$2,639) in donations received by the Library on behalf of the Foundation. These amounts are included in donations and grants revenue in the statement of operations.

During the year ended June 30, 2023, the Foundation distributed \$1,271,844 (2022 - \$828,350) to the Library. This amount is recorded as distribution for charitable purposes in the statement of operations. Of this amount, \$322,500 (2022 - nil) is payable as of March 31, 2023, and is recorded in accounts payable and accrued liabilities in the statement of financial position.

During the year ended June 30, 2023, the Foundation paid \$289 (2022 - \$5,299) to the Library for expenses incurred by the Library on behalf of the Foundation. Certain other administrative costs (including personnel costs and the use of furniture and equipment) of the Foundation are paid for by the Library and not charged to the Foundation, the total value of which is not determinable and is not reflected in these financial statements.

VANCOUVER PUBLIC LIBRARY FOUNDATION

Notes to Financial Statements (continued)

Year ended June 30, 2023

10. Related party transactions and balances (continued):

The amount due from the Library as at June 30, 2023 of \$7,066 (2022 - \$728), relates to donations received by the Library on behalf of the Foundation to be provided to the Foundation.

Transactions with the Library arise in the normal course of operations and are measured at the exchange amount.

11. Financial instruments:

(a) Interest rate risk:

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates. The Foundation is exposed to interest rate risk on its bond fund.

The risks associated with investments are managed through the Foundation's investment policy and controls.

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Foundation manages its credit risk on investments and cash balances by holding these financial assets at high credit quality Canadian financial institutions. Substantially all of the Foundation's cash is held with one Canadian chartered bank.

(c) Market price risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates will affect the Foundation's income or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment. The Foundation manages its investment portfolio to earn investment income and invests as approved by the Board.

There was no significant change in risk exposure except for investments made by the Foundation during the year which are held at fair value. The Foundation believes that it is not exposed to significant currency or liquidity risk arising from its financial instruments.