

## **MANAGEMENT REPORT**

Date: November 28, 2017  
Author: Eric Smith  
Phone No.: 604-331-4018  
AGM Meeting Date: December 12, 2017

TO: VPL Foundation AGM  
FROM: Eric Smith, Treasurer  
SUBJECT: June 30, 2017 Audited Financial Statements

### **RECOMMENDATION**

- A. That the June 30, 2017 audited financial statements, as approved by the Board, be received for information by the Members.

### **POLICY**

The Canada Corporations Not-For-Profit Act requires that the annual audited Financial Statements be considered at the AGM. The audited statements are to be sent to the members not less than 21 days and not more than 60 days in advance of the AGM.

### **BACKGROUND**

The Board of Directors approved the June 30, 2017 audited statements at their November 6, 2017 meeting. These statements are attached.

### **DISCUSSION**

The cash balance is slightly higher than at June 30, 2016 due to receipt of capital campaign donations.

Investments consist of GICs. Five GICs matured, three were reinvested.

Deferred revenues from contributions relates to unspent donations where the donor specified what the money was to be spent on. These donations will be added to revenues when the funding is donated to the library and spent for the designated purpose. As per an audit recommendation donations to the library that

are unspent by the library prior to the Foundation's year end will be added back to deferred revenue. Unspent capital campaign donations have also been added to Deferred Contributions.

#### Statement of Operations:

Actual donations received to June 30, 2017 are \$3,195,114 (June \$1,483,395), excluding the \$75,000 from the library. There is a net transfer of \$292,369 from deferred revenue from contributions, and \$ 23,160 in Legacy endowment donations, bringing the total donation revenue on the financial statement to \$3,464,323.

Distributions to the library total \$2,962,958 (including \$2,647,572 related to the capital campaign). Salary and benefits total \$220,006 (2016 was \$234,492). Administrative expenditures of \$266,239 (2016 - \$137,329) include \$203,780 (2016 - \$117,279) of Capital campaign consulting costs. Also included in the administrative costs is \$ 30,095 related to the capital campaign launch.

#### CONCLUSION

The June 30, 2017 audited financial statements are presented to the Members for information.

Financial Statements of

**VANCOUVER PUBLIC  
LIBRARY FOUNDATION**

Year ended June 30, 2017



KPMG LLP  
Metro Tower I  
4710 Kingsway, Suite 2400  
Burnaby BC V5H 4M2  
Canada  
Telephone (604) 527-3600  
Fax (604) 527-3636

## INDEPENDENT AUDITORS' REPORT

To the Members of Vancouver Public Library Foundation

We have audited the financial statements of the Vancouver Public Library Foundation, which comprise the statement of financial position as at June 30, 2017, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Vancouver Public Library Foundation as at June 30, 2017 and its results of operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*KPMG LLP*

Chartered Professional Accountants

November 6, 2017  
Burnaby, Canada

# VANCOUVER PUBLIC LIBRARY FOUNDATION

## Statement of Financial Position

June 30, 2017, with comparative information for 2016

	2017	2016
<b>Assets</b>		
Current assets:		
Cash	\$ 731,608	\$ 575,166
Investments (note 3)	123,433	501,482
Accounts receivable	6,255	19,258
Prepaid expenses	1,106	-
Due from Vancouver Public Library (note 8)	-	5,345
	<u>862,402</u>	<u>1,101,251</u>
Restricted cash and investments held for endowment (note 3)	1,707,516	1,684,356
	<u>\$ 2,569,918</u>	<u>\$ 2,785,607</u>

## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 8,658	\$ 83,963
Deferred investment income (note 5)	11,191	5,446
Deferred contributions (note 6)	521,164	813,533
Due to Vancouver Public Library (note 8)	1,189	-
	<u>542,202</u>	<u>902,942</u>
Net assets:		
Unrestricted:		
General fund	320,200	198,309
Endowment:		
Legacy endowment fund (note 7)	1,707,516	1,684,356
	<u>2,027,716</u>	<u>1,882,665</u>
Commitments (note 9)		
	<u>\$ 2,569,918</u>	<u>\$ 2,785,607</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, 2017, with comparative information for 2016

	2017	2016
Revenue:		
Donations and grants (note 8)	\$ 3,539,323	\$ 626,298
Investment income	35,377	36,480
	<u>3,574,700</u>	<u>662,778</u>
Expenses:		
Distribution for charitable purposes (note 8)	2,964,619	299,546
Administrative	488,190	371,822
	<u>3,452,809</u>	<u>671,368</u>
Excess (deficiency) of revenue over expenses	<u>\$ 121,891</u>	<u>\$ (8,590)</u>

See accompanying notes to financial statements.

# VANCOUVER PUBLIC LIBRARY FOUNDATION

## Statement of Changes in Net Assets

Year ended June 30, 2017, with comparative information for 2016

	General Fund	Legacy Endowment Fund	2017 Total	2016 Total
Balance, beginning of year	\$ 198,309	\$ 1,684,356	\$ 1,882,665	\$ 1,490,012
Excess (deficiency) of revenue over expenses	121,891	-	121,891	(8,590)
Endowment donations (note 7)	-	23,160	23,160	401,243
Balance, end of year	\$ 320,200	\$ 1,707,516	\$ 2,027,716	\$ 1,882,665

See accompanying notes to financial statements.



# VANCOUVER PUBLIC LIBRARY FOUNDATION

## Statement of Cash Flows

Year ended June 30, 2017, with comparative information for 2016

	2017	2016
Cash provided from (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ 121,891	\$ (8,590)
Changes in non-cash working capital:		
Accrued interest on investments	3,859	(6,020)
Accounts receivable	13,003	(13,116)
Prepaid expenses	(1,106)	-
Accounts payable and accrued liabilities	(75,305)	71,522
Due from Vancouver Public Library	6,534	15,406
Deferred investment income	5,745	237
Deferred contributions	(292,369)	630,240
	(217,748)	689,679
Financing:		
Endowment donations received	23,160	401,243
Investments:		
Decrease (increase) in restricted cash held for endowment	39,892	(54,232)
Purchase of investments	(466,155)	(1,266,470)
Proceeds from disposal of investments	777,293	627,571
	351,030	(693,131)
Increase in cash	156,442	397,791
Cash, beginning of year	575,166	177,375
Cash, end of year	\$ 731,608	\$ 575,166

See accompanying notes to financial statements.

# VANCOUVER PUBLIC LIBRARY FOUNDATION

Notes to Financial Statements

Year ended June 30, 2017

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## 1. Operations:

The Vancouver Public Library Foundation (the "Foundation") is incorporated under the Canada Not-for-profit Corporations Act. The Foundation is registered as a public foundation under the Income Tax Act and, as such, is exempt from income taxes and able to issue charitable donation receipts. The purpose of the Foundation is to raise monies for book acquisitions, equipment needs, and program development at Vancouver Public Library (the "Library").

## 2. Significant accounting policies:

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies are as follows:

### (a) Revenue recognition:

The Foundation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred or the restrictions are met. Unrestricted contributions and investment income are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

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 the balance of the legacy endowment fund not included in investments.

# VANCOUVER PUBLIC LIBRARY FOUNDATION

Notes to Financial Statements (continued)

Year ended June 30, 2017

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## 2. Significant accounting policies (continued):

### (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.

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 with a total amortized cost of \$1,806,830 (2016 - \$2,121,827) with yields of 1.5% to 2% and maturity dates from December 2017 to December 2018. Included in restricted cash and investments is restricted cash of \$24,119 (2016 - \$64,011).

## 4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$8,467 (2016 - \$4,419), which includes amounts payable for payroll related taxes.

# VANCOUVER PUBLIC LIBRARY FOUNDATION

Notes to Financial Statements (continued)

Year ended June 30, 2017

## 5. Deferred investment income:

	2017	2016
Balance, beginning of year	\$ 5,446	\$ 5,209
Add: investment income	11,191	5,446
Less amounts spent and recognized as revenue during the year	(5,446)	(5,209)
Balance, end of year	\$ 11,191	\$ 5,446

## 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:

	2017	2016
Balance, beginning of year	\$ 813,533	\$ 183,293
Restricted contributions received	2,719,186	926,138
Amount spent and recognized as revenue in the year	(3,011,555)	(295,898)
Balance, end of year	\$ 521,164	\$ 813,533

Included in deferred contributions are amounts restricted for the capital campaign of \$102,135 (2016 – \$115,619).

## 7. Legacy Endowment Fund:

Donations received in the current year in the amount of \$23,160 (2016 - \$401,243) were specified by the donors as legacy endowment contributions. Included in the legacy endowment fund is \$796,988 (2016 - \$796,988) that has been internally restricted and recorded in the Legacy Fund.

	2017	2016
Alan MacDougal Fund	\$ 45,000	\$ 45,000
Canada Poetry Fund	90,000	90,000
Cheryl Hughes	16,650	14,800
Derek Lukin Johnston Legacy Fund	26,880	25,862
Duncan Fund	171,604	162,430
Isabel Grace McTavich Children's' Fund	34,100	34,100
Legacy Fund	860,304	850,371
Outreach Endowment	4,720	4,720
Stanley & Elsie Cha Fund	25,525	24,350
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
	\$ 1,707,516	\$ 1,684,356

# VANCOUVER PUBLIC LIBRARY FOUNDATION

Notes to Financial Statements (continued)

Year ended June 30, 2017

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## 8. Related parties:

During the year, the Library, a party related through common board members, transferred to the Foundation \$53,735 (2016 - \$43,991) in donations and other revenues received on behalf of the Foundation. The Foundation also received a grant of \$75,000 from the Library in the current year (2016 - \$174,385). At June 30, 2017, \$1,188 was due to the Library (2016 - due from \$5,345).

During the year, the Foundation distributed \$2,962,958 (2016 - \$297,961) to the Library. This amount is included as distribution for charitable purposes in the statement of operations.

During the year, the Foundation paid \$1,427 (2016 - \$2,012) 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.

## 9. Commitments:

The Foundation has entered into a contract for services. The amount committed for the year ending June 30, 2018 totals \$12,800 (June 30, 2017 - \$182,348).

## 10. Financial instruments:

### (a) Interest rate risk:

The Foundation is exposed to interest rate risk on its fixed interest rate financial instruments. Fixed interest rate instruments subject the Foundation to a fair value risk. The Foundation is exposed to this type of risk as a result of investments in Guaranteed Investment Certificates ("GICs").

### (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 foreign currency, credit, or liquidity risk arising from its financial instruments. There has been no change to the risk exposures from 2016.

