

THE CITY OF AIRDRIE LIBRARY BOARD

Financial Statements

December 31, 2020



Independent auditor's report

To the Trustees of The City of Airdrie Library Board

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The City of Airdrie Library Board (the Entity) as at December 31, 2020 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

What we have audited

The Entity's financial statements comprise:

- the statement of financial position as at December 31, 2020;
- the statement of operations and changes in fund balances for the year then ended;
- the statement of cash flows for the year then ended;
- the schedule of changes in fund balances for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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 report.

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

Independence

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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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 public sector accounting standards, 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 these 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.

We 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
April 26, 2021

The City of Airdrie Library Board
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For the Year Ended December 31, 2020

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The City of Airdrie Library Board
Statement of Financial Position
As at December 31, 2020

	Operating Fund	Capital Fund	2020	2019
ASSETS				
Current				
Cash	\$ 407,213	\$ 251,537	\$ 658,750	\$ 488,507
Accounts receivable	8,627	-	8,627	11,267
Due from Airdrie Mainstreet Square (Note 6)	3,627	-	3,627	-
Prepaid expenses	22	-	22	56
	419,489	251,537	671,026	499,830
Portfolio Investments (Note 4)	368,771	484,000	852,771	826,412
Capital Assets (Note 5)	-	467,562	467,562	523,637
	\$ 788,260	\$ 1,203,099	\$ 1,991,359	\$ 1,849,879
LIABILITIES AND FUND BALANCES				
Current Liabilities				
Accounts payable and accrued liabilities	\$ 111,775	\$ -	\$ 111,775	\$ 157,396
Due to the City of Airdrie (Note 6)	51,956	-	51,956	16,455
Due to Airdrie Mainstreet Square (Note 6)	-	-	-	6,881
	163,731	-	163,731	180,732
Fund balances				
Internally restricted (Note 7)	604,529	480,537	1,085,066	875,510
Externally restricted	-	255,000	255,000	250,000
Invested in capital assets	-	467,562	467,562	523,637
Unrestricted	20,000	-	20,000	20,000
	624,529	1,203,099	1,827,628	1,669,147
	\$ 788,260	\$ 1,203,099	\$ 1,991,359	\$ 1,849,879

Commitments (Note 6)

Approved on behalf of the Board:

Trustee:  _____
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Trustee:  _____
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The City of Airdrie Library Board
Statement of Operations and Changes in Fund Balances
For the Year Ended December 31, 2020

	Operating Budget	Operating Fund	Capital Fund	2020	2019
Revenue					
Grants					
City of Airdrie (Note 6)	\$ 2,167,180	\$ 2,167,180	\$ -	\$ 2,167,180	\$ 2,063,980
Alberta Library	343,223	343,223	-	343,223	343,223
Marigold Service	176,410	176,410	-	176,410	170,228
City of Airdrie: in-kind (Note 6)	70,000	70,000	-	70,000	50,000
Other	16,256	19,178	-	19,178	21,170
County	16,944	16,944	-	16,944	16,944
	2,790,013	2,792,935	-	2,792,935	2,665,545
Interest and miscellaneous	60,103	49,683	-	49,683	70,677
Fund development	50,070	33,965	-	33,965	59,854
Fines	52,200	27,191	-	27,191	50,292
Donations	15,245	16,330	-	16,330	19,384
Gifts-in-kind	2,250	11,615	-	11,615	4,952
Photocopy	18,500	8,209	-	8,209	18,040
Contributions	5,000	-	5,000	5,000	-
Other revenue	6,450	1,994	-	1,994	7,781
Book sales	8,500	1,772	-	1,772	7,152
	3,008,331	2,943,694	5,000	2,948,694	2,903,677
Expenses					
Salaries and employee benefits	2,076,666	1,824,913	-	1,824,913	1,926,621
Marigold service fees	326,905	317,538	-	317,538	306,410
Building maintenance and rent (Note 6)	329,180	312,042	-	312,042	338,389
Amortization	-	-	97,634	97,634	100,989
Professional fees	87,000	89,166	-	89,166	70,226
Advertising and promotion	33,405	36,446	-	36,446	35,976
Utilities	26,925	27,058	-	27,058	39,898
Materials	25,007	22,924	-	22,924	31,404
Office	26,811	21,265	-	21,265	22,919
IT and system support	20,562	15,977	-	15,977	12,168
Program	18,710	10,825	-	10,825	22,768
Bank charges	4,605	5,210	-	5,210	5,334
Training and travel	15,416	3,593	-	3,593	18,397
Insurance	1,535	2,307	-	2,307	1,535
Vehicle	1,854	2,059	-	2,059	2,504
Fund development	3,800	1,256	-	1,256	3,741
Facility Expansion	31,800	-	-	-	-
Loss on sale of assets	-	-	-	-	346
	3,030,181	2,692,579	97,634	2,790,213	2,939,625
Excess (deficiency) of revenue over expenses	(21,850)	251,115	(92,634)	158,481	(35,948)
Fund balances - beginning of year	1,669,147	519,501	1,149,646	1,669,147	1,705,095
Interfund transfers (Note 7)	-	(146,087)	146,087	-	-
Fund balances - end of year	\$ 1,647,297	\$ 624,529	\$ 1,203,099	\$ 1,827,628	\$ 1,669,147

The City of Airdrie Library Board
Statement of Cash Flows
For the Year Ended December 31, 2020

	2020	2019
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	\$ 158,481	\$ (35,948)
Non-cash transactions		
Amortization	97,634	100,989
Loss on sale of assets	-	346
Changes in non-cash working capital		
Accounts receivable	2,640	(2,108)
Due from Airdrie Mainstreet Square	(3,627)	-
Prepaid expenses	34	(56)
Accounts payable and accrued liabilities	(45,621)	21,458
Due to the City of Airdrie	35,501	197
Due to Airdrie Mainstreet Square	(6,881)	4,864
Deferred Revenue	-	(3,000)
	<u>238,161</u>	<u>86,742</u>
CAPITAL ACTIVITIES		
Purchase of capital assets	<u>(41,559)</u>	<u>(38,880)</u>
	<u>(41,559)</u>	<u>(38,880)</u>
INVESTING ACTIVITIES		
Net change in portfolio investments	<u>(26,359)</u>	<u>(20,934)</u>
Increase in cash	170,243	26,928
Cash, beginning of the year	<u>488,507</u>	461,579
Cash, end of the year	<u>\$ 658,750</u>	<u>\$ 488,507</u>

The City of Airdrie Library Board
Schedule 1 - Changes in Fund Balances
For the Year Ended December 31, 2020

	Operating Internally Restricted	Operating Unrestricted	Capital Internally Restricted	Capital Externally Restricted	Invested in Capital Assets	2020	2019
Fund balances - beginning of year	\$ 499,501	\$ 20,000	\$ 376,009	\$ 250,000	\$ 523,637	\$ 1,669,147	\$ 1,705,095
Excess (deficiency) of revenue over expenses	-	251,115	-	5,000	(97,634)	158,481	(35,948)
Interfund transfers <i>(Note 7)</i>	500	(42,059)	-	-	41,559	-	-
Board motion to split remaining 50/50 <i>(Note 7)</i>	104,528	(209,056)	104,528	-	-	-	-
Fund balances - end of year	\$ 604,529	\$ 20,000	\$ 480,537	\$ 255,000	\$ 467,562	\$ 1,827,628	\$ 1,669,147

The City of Airdrie Library Board
Notes to the Financial Statements
For the Year Ended December 31, 2020

1. NATURE OF THE ORGANIZATION

The City of Airdrie Library Board (the "Library") was established through a bylaw of the City of Airdrie and is constituted under The Libraries Act (2000) of The Province of Alberta (the "Province"). The Library, as a registered charity, is exempt from income tax and may issue receipts to donors for tax-deductible donations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards ("PSAS"), including accounting standards that apply to government not-for-profit organizations, and in management's opinion, have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

Financial statement presentation

The Library follows the PSA Handbook Section PS 1201 "Financial Statement Presentation", which includes a statement of re-measurement gains and losses. This statement reports amounts reclassified to the statement of operations upon de-recognition or settlement and other comprehensive income reported when an entity includes the result of its government business enterprises and government business partnerships in the summary of financial statements. There were no amounts to report on the statement of re-measurement gains and losses, and as a result this statement has not been included.

Fund balances

The Operating Fund reports the Library's operating and membership activities. The Capital Fund reports the assets, liabilities, revenue and expenses related to the funding of capital acquisitions and the development of the new library building.

Revenue recognition

The Library follows the restricted fund method of accounting for contributions.

Restricted contributions related to capital are reported as revenue of the Capital Fund when received or receivable. Other restricted contributions related to general operations are reported as revenue of the Operating Fund in the year in which the related expenses are incurred.

Unrestricted contributions are recognized as revenue in the Operating Fund when the amount received or receivable can be reasonably estimated and collection is reasonably assured.

Interest is recognized as revenue when earned. Fines, other revenue, donations, fund development, photocopy and book sales revenue is recognized as revenue when received.

Donated materials and services

Donated materials and services are not given accounting recognition in these financial statements when fair market value is not easily determined and the goods would not have been otherwise purchased. The Library has numerous volunteers who contribute many hours each year. Contributed volunteer services are not recognized in the financial statements because of the difficulty in determining their value.

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The City of Airdrie Library Board
Notes to the Financial Statements
For the Year Ended December 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (.../Continued)

Use of estimates

The preparation of financial statements in accordance with PSAS 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 reporting date and the reported amounts of revenues and expenses for the reporting period. Actual results could differ from these estimates.

Estimates are used primarily in the determination of the collectability of accounts receivable. The provisions against those balances are primarily assessed on historical collectability of the accounts with specific provisions for large outstanding balances deemed potentially uncollectible.

Cash

Cash consists of cash in bank and cash on hand.

Portfolio investments

Portfolio investments are recorded at amortized cost. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

Capital assets

Capital assets are stated at cost less accumulated amortization, which includes all amounts that are directly attributable to the acquisition, construction, development and betterment of the asset. Amortization is provided for on a straight-line basis at the following rates:

Leasehold improvements	20 years
Furniture and fixtures	10 years
Vehicles	10 years
Computer equipment	3 years

Amortization is charged daily from the date of purchase to the date of disposal.

Capital assets received as contributions are recorded at their fair value at the date of receipt and are recorded as revenue of the Capital Fund.

The Library reviews long-lived assets for impairment whenever events or changes in circumstance indicate that the asset no longer has long-term service potential to the Library. When the carrying amount exceeds the fair value of the capital asset, an impairment loss is recognized in an amount equal to the excess. Such impairments are not reversed.

Financial instruments

Financial assets and liabilities are recognized when the Library becomes a party to a financial instrument contract. Unrealized gains and losses from changes in the fair value of the financial assets and liabilities are recognized in the statement of re-measurement gains and losses. The Library's financial instruments are not recorded at fair value, and as a result, the statement of re-measurement gains and losses has not been included.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

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The City of Airdrie Library Board
Notes to the Financial Statements
For the Year Ended December 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (.../Continued)

Financial instruments (.../Continued)

For financial assets and liabilities measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense. Transaction costs are a component of cost for financial instruments measured using cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value.

The Library's financial assets and liabilities are all measured at cost or amortized cost and consist of cash, accounts receivable, due from Airdrie Mainstreet Square, portfolio investments, accounts payable and accrued liabilities, due to the City of Airdrie and due to Airdrie Mainstreet Square.

The Library is not exposed to significant credit, liquidity, or currency risks.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Library's interest rate exposure relates to the possibility that changes in interest rates will affect the value of fixed income investments held by the Library.

The Library minimizes these risks by investing in a portfolio comprised of high quality fixed income products that have typically demonstrated a low degree of risk or loss of principal value.

3. FUTURE ACCOUNTING POLICIES

PSAB recently announced the following accounting pronouncements:

PSAB Section 3280, Asset Retirement Obligations

This section is effective for fiscal years beginning on or after April 1, 2022 and provides guidance on accounting for asset retirement obligations.

PSAB Section 3400, Revenue

This section is effective for fiscal years beginning on or after April 1, 2023 and provides greater clarity on the difference between exchange and non-exchange transactions.

Management is currently in the process of assessing the impact of the adoption of these standards which is not known or reasonably estimable at this time.

4. PORTFOLIO INVESTMENTS

The composition of portfolio investments is as follows:

	2020		2019	
	Cost	Market Value	Cost	Market Value
Portfolio investments:				
Bonds				
Canadian government and corporate	\$ 798,480	\$ 815,076	\$ 816,053	\$ 822,217
Other				
Cash and money market funds	54,291	54,291	10,359	10,359
	\$ 852,771	\$ 869,367	\$ 826,412	\$ 832,576

The Canadian government and corporate bonds have effective interest rates of 1.82% to 6.63% with maturity dates from February 2021 to June 2108. Cash and money market funds have an effective interest rate of 0.90% and no corresponding maturity dates. Included in portfolio investments is a restricted amount of \$255,000 (2019: \$250,000) received and held exclusively for capital infrastructure projects.

The City of Airdrie Library Board
Notes to the Financial Statements
For the Year Ended December 31, 2020

5. CAPITAL ASSETS

Capital assets consist of the following:

	2020		
	Cost	Accumulated Amortization	Net Book Value
Leasehold improvements	\$ 983,962	\$ 645,230	\$ 338,732
Furniture and fixtures	254,093	170,543	83,550
Vehicles	24,050	11,491	12,559
Computer equipment	392,174	359,453	32,721
	\$ 1,654,279	\$ 1,186,717	\$ 467,562
	2019		
	Cost	Accumulated Amortization	Net Book Value
Leasehold improvements	\$ 975,215	\$ 596,391	\$ 378,824
Furniture and fixtures	245,594	152,992	92,602
Vehicles	24,050	9,086	14,964
Computer equipment	367,861	330,614	37,247
	\$ 1,612,720	\$ 1,089,083	\$ 523,637

6. RELATED PARTY TRANSACTIONS AND BALANCES

Grants

During 2020, the City of Airdrie provided \$2,167,180 (2019: \$2,063,980) in funding to partially cover operating and capital costs of the Library. In addition, grants in-kind of \$70,000 (2019: \$50,000) were also provided. Seventy-six percent of the Library's operating revenue is received from the City of Airdrie (2019: seventy-three percent).

Due to the City of Airdrie

The balance due to the City of Airdrie of \$51,956 (2019: \$16,455) is non-interest bearing, repayable on demand and unsecured.

Airdrie Mainstreet Square Real Estate Inc.

Both the Library and Airdrie Mainstreet Square Real Estate Inc. ("Mainstreet Square") are controlled by the City of Airdrie and are therefore related parties.

Transactions between the Library and Mainstreet Square are measured and recorded at agreed upon values.

The following summarizes the Library's related party transactions with Mainstreet Square:

	2020	2019
Payment to Mainstreet Square for the Library's share of common costs	\$ 82,763	\$ 88,820
Rent paid to Mainstreet Square	166,104	166,104
Balance due to Mainstreet Square	-	6,881
Balance due from Mainstreet Square	3,627	-

Commitments

The Library signed a 3 year lease in 2018 with Mainstreet Square. Rent is payable on a rate per square foot plus a proportionate share of common costs of the complex. Known rent commitments for the remainder of the lease are as follows:

2021	83,052
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The City of Airdrie Library Board
Notes to the Financial Statements
For the Year Ended December 31, 2020

7. INTERNALLY RESTRICTED FUND BALANCES

Interfund transfers

During the year, the Board of Directors transferred \$42,059 of the operating fund excess of revenue over expenses to various funds. Of this amount, \$500 was interally restricted to cover future expenses related to a future program. \$41,559 was used to fund capital expenditures.

Operating and capital fund

After interfund transfers of \$42,059, \$209,056 remains as unrestricted earnings in the operating fund. A minimum reserve of 50% of these earnings is internally restricted in the operating fund by the Board of Directors as a future operational reserve. The remaining 50% is internally restricted in the capital fund by the Board of Directors as a future capital reserve. In 2020 this amounted to \$104,528 (2019: \$15,831).

8. LOCAL AUTHORITIES PENSION PLAN

Employees of the Library are eligible for the Local Authorities Pension Plan ("LAPP"), which is covered by the Public Sector Pensions Plan Act. LAPP serves about 274,151 people and 420 employers. It is financed by employer and employee contributions and investment earnings of the LAPP fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

The Library is required to make current service contributions to LAPP of 9.39% of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 13.84% on pensionable salary above this amount.

Total current and past service contributions by the Library to LAPP in 2020 were \$104,376 (2019: \$101,220). Total current and past service contributions by the employees of the Library to LAPP in 2020 were \$94,548 (2019: \$91,404).

At December 31, 2019, LAPP disclosed an actuarial surplus of \$7.91 billion (2018: \$3.47 billion).

9. APEX SUPPLEMENTARY PENSION PLAN

The APEX supplementary pension plan, an Alberta Urban Municipality Association ("AUMA") sponsored defined benefit pension plan covered under the provisions of the Alberta Employment Pension Plans Act, commenced on January 1, 2003 and provides supplementary pension benefits to a prescribed class of employees. The plan supplements the LAPP.

Contributions are made by the prescribed class of employees and the Library. Employees and the Library are required to make current service contributions to APEX of 2.61% and 3.85% respectively of individual pensionable earnings up to \$154,611 (2019: \$151,278).

Total current service contributions by the Library to APEX were \$23,606 (2019: \$20,101). Total current service contributions by the employees of the Library were \$16,003 (2019: \$15,039).

The cost of post-retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of salary and benefit escalation and retirement age of employees. The costs of post-retirement benefits are fully funded.

The City of Airdrie Library Board
Notes to the Financial Statements
For the Year Ended December 31, 2020

10. CORONAVIRUS PANDEMIC (COVID-19)

In March 2020, the World Health Organization declared the COVID-19 outbreak a worldwide pandemic. This has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include restrictions on events and gatherings, the implementation of travel bans, quarantine periods and physical distancing, have caused material disruption to businesses globally, resulting in an economic slowdown. Governments and central banks have introduced significant monetary and fiscal relief programs designed to stabilize economic conditions. Public health orders and the current economic environment have and may continue to have significant adverse impacts on the Library.

Management has assessed the financial impact of COVID 19 at December 31, 2020, including its impact on the collectability of receivables, valuation of capital assets, valuation of investments and impact on revenues. The current economic challenges have resulted in reduced interest revenue, reduced revenue from fines, photocopy, and book sales. In 2020, the Library saw a decrease in revenue from sponsorship and fund development from the prior year.

COVID 19 may have the following impacts on future operations of the Library: decline in revenue due to repeated facility closures, and inability to hold in-person programming.

To mitigate any potential operational constraints associated with cash flow, management has laid off staff temporarily during facility closures, and, in some instances, permanently to better align staffing levels to current use. Lower wage costs are helping to address reductions in revenue when the library facility is closed.

The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Library is not known at this time. The Library will continue to monitor the impacts of the pandemic on the community it serves and its employees and continue to adjust to the volatile situation.

11. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.
