

THE CITY OF AIRDRIE LIBRARY BOARD

Financial Statements

December 31, 2015

The City of Airdrie Library Board
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For the Year Ended December 31, 2015

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April 26, 2016

Independent Auditor's Report

To the Directors of The City of Airdrie Library Board

We have audited the accompanying financial statements of The City of Airdrie Library Board, which comprise the statement of financial position as at December 31, 2015 and the statement of operations and changes in fund balances and statement of cash flows for the year then ended, and the related notes, which comprise 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 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.

Auditor's 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 the 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 the auditor's 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, the auditor considers 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 City of Airdrie Library Board as at December 31, 2015 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Other matters

Without modifying our opinion, we draw attention to the budget information displayed in the financial statements and the related disclosures. We were not engaged to report on the budget information, and as such, it is marked as unaudited.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

The City of Airdrie Library Board
Statement of Financial Position
As at December 31, 2015

	Operating Fund	Capital Fund	2015	2014
ASSETS				
Current				
Cash	\$ 481,887	\$ 429,171	\$ 911,058	\$ 543,386
Accounts receivable	2,954	-	2,954	8,174
	<u>484,841</u>	<u>429,171</u>	<u>914,012</u>	<u>551,560</u>
Capital (Note 3)	-	514,679	514,679	541,990
	<u>\$ 484,841</u>	<u>\$ 943,850</u>	<u>\$ 1,428,691</u>	<u>\$ 1,093,550</u>
LIABILITIES AND FUND BALANCES				
Current Liabilities				
Accounts payable and accrued liabilities	\$ 109,360	-	\$ 109,360	\$ 91,983
Due to the City of Airdrie (Note 4)	83,165	-	83,165	70,490
Deferred revenue	45,443	-	45,443	55,743
	<u>237,968</u>	<u>-</u>	<u>237,968</u>	<u>218,216</u>
Fund balances				
Internally restricted (Note 5)	227,143	174,971	402,114	313,613
Externally restricted	-	254,200	254,200	-
Invested in capital assets	-	514,679	514,679	541,990
Unrestricted	19,730	-	19,730	19,731
	<u>246,873</u>	<u>943,850</u>	<u>1,190,723</u>	<u>875,334</u>
	<u>\$ 484,841</u>	<u>\$ 943,850</u>	<u>\$ 1,428,691</u>	<u>\$ 1,093,550</u>

Commitments (Note 4)

Approved on behalf of the Board:

Director: _____

Director: _____

The City of Airdrie Library Board
Statement of Operations and Changes in Fund Balances
For the Year Ended December 31, 2015

	Operating Budget (unaudited)	Operating Fund	Capital Fund	2015	2014
Revenue					
Grants					
City of Airdrie: operating (Note 4)	\$ 1,553,492	\$ 1,553,492	\$ -	\$ 1,553,492	\$ 1,422,429
Alberta Library	217,030	304,645	-	304,645	217,030
Marigold Service	130,073	137,228	-	137,228	122,606
City of Airdrie: in-kind (Note 4)	35,000	35,000	-	35,000	35,000
County	16,912	16,912	-	16,912	16,912
Other	19,245	13,199	-	13,199	16,005
	1,971,752	2,060,476	-	2,060,476	1,829,982
Memberships	73,620	75,411	-	75,411	72,361
Fines	27,600	30,417	-	30,417	28,629
Fund development	38,500	65,743	-	65,743	4,845
Contributions	-	-	254,200	254,200	-
Other revenue	12,900	12,819	-	12,819	39,813
Interest and miscellaneous	27,620	24,131	-	24,131	24,067
Donations	12,550	13,352	-	13,352	11,463
Photocopy	12,000	11,353	-	11,353	10,090
Book sales	11,600	11,518	-	11,518	8,754
	2,188,142	2,305,220	254,200	2,559,420	2,030,004
Expenses					
Salaries and employee benefits	1,501,339	1,512,629	-	1,512,629	1,303,907
Building maintenance and rent (Note 4)	249,200	236,316	-	236,316	228,391
Marigold service fees	247,028	247,010	-	247,010	223,020
Amortization	-	-	69,893	69,893	67,521
Management fees	35,000	35,000	-	35,000	35,000
Materials	25,000	22,380	-	22,380	25,272
Office	26,155	30,663	-	30,663	24,144
Utilities	16,200	13,607	-	13,607	14,115
Advertising and promotion	12,471	11,834	-	11,834	11,956
Training and travel	11,755	12,240	-	12,240	8,988
Program	13,840	14,511	-	14,511	8,549
Professional fees	7,850	22,700	-	22,700	7,700
IT and system support	12,379	6,188	-	6,188	3,318
Insurance	2,575	1,659	-	1,659	2,340
Bank charges	2,750	1,954	-	1,954	2,274
Fund development	5,000	4,953	-	4,953	-
Facility Expansion	900	112	-	112	-
Loss on sale of assets	-	-	382	382	-
	2,169,442	2,173,756	70,275	2,244,031	1,966,495
Excess of revenue over expenses	18,700	131,464	183,925	315,389	63,509
Fund balances - beginning of year	148,925	195,706	679,628	875,334	811,825
Interfund transfer		(80,297)	80,297	-	-
Fund balances - end of year	\$ 167,625	\$ 246,873	\$ 943,850	\$ 1,190,723	\$ 875,334

The City of Airdrie Library Board
Statement of Cash Flows
For the Year Ended December 31, 2015

	2015	2014
OPERATING ACTIVITIES		
Excess of revenue over expenses from operations	\$ 131,464	\$ 131,030
Changes in non-cash working capital		
Accounts receivable	5,220	3,885
Accounts payable and accrued liabilities	17,377	(4,325)
Due to the City of Airdrie	12,675	(152,326)
Deferred revenue	(10,300)	22,429
	156,436	693
INVESTING ACTIVITIES		
Purchase of capital assets	(43,094)	(46,972)
Proceeds from sale of capital assets	130	-
	(42,964)	(46,972)
FINANCING ACTIVITIES		
Revenue in the capital fund restricted for capital assets	254,200	-
Increase (decrease) in cash	367,672	(46,279)
Cash, beginning of the year	543,386	589,665
Cash, end of the year	\$ 911,058	\$ 543,386

The City of Airdrie Library Board
Schedule 1 - Changes in Fund Balances
For the Year Ended December 31, 2015

	Operating Internally Restricted	Capital Internally Restricted	Capital Externally Restricted	Invested in Capital Assets	Operating Unrestricted	2015	2014
Fund balances - beginning of year	\$ 175,975	\$ 137,638	\$ -	\$ 541,990	\$ 19,731	\$ 875,334	\$ 811,825
Net income related changes			254,200	(70,275)	131,464	315,389	63,509
Interfund transfers	13,835			42,964	(56,799)	-	-
Board motion to split remaining 50/50	37,333	37,333			(74,666)	-	-
Fund balances - end of year	\$ 227,143	\$ 174,971	\$ 254,200	\$ 514,679	\$ 19,730	\$ 1,190,723	\$ 875,334

The City of Airdrie Library Board
Notes to the Financial Statements
For the Year Ended December 31, 2015

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. 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.

Membership revenue is recorded over the period of the membership. Fines, interest and miscellaneous, 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.

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The City of Airdrie Library Board
Notes to the Financial Statements
For the Year Ended December 31, 2015

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 represents cash in bank and on hand.

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
Computer equipment	3 years

Amortization is charged monthly in the year of acquisition as well as the year of disposal.

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.

Employee benefit 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 237,612 people and 423 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 11.39% of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 15.84% on pensionable salary above this amount.

Total current and past service contributions by the Library to LAPP in 2015 were \$92,512 (2014: \$80,340). Total current and past service contributions by the employees of the Library to LAPP in 2015 were \$84,745 (2014: \$73,674).

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The City of Airdrie Library Board
Notes to the Financial Statements
For the Year Ended December 31, 2015

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

Financial instruments

Financial assets and liabilities are recognized when the Library becomes a party to a financial instrument contract. The change in fair value of the items is recognized in the statement of re-measurement gains and losses until settlement. There were no changes in fair value of the Library's financial instruments, and as a result the statement of re-measurement gains and losses has not been included.

The Library's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities and due to the City of Airdrie.

The fair value of all financial instruments approximates their carrying values due to their short-term maturity.

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

3. CAPITAL ASSETS

Capital assets consist of the following:

	2015		
	Cost	Accumulated Amortization	Net Book Value
Leasehold improvements	\$ 811,106	\$ 419,351	\$ 391,755
Furniture and fixtures	198,070	98,728	99,342
Computer equipment	221,618	198,036	23,582
	\$ 1,230,794	\$ 716,115	\$ 514,679
	2014		
	Cost	Accumulated Amortization	Net Book Value
Leasehold improvements	\$ 805,406	\$ 379,064	\$ 426,342
Furniture and fixtures	174,593	81,919	92,674
Computer equipment	208,918	185,944	22,974
	\$ 1,188,917	\$ 646,927	\$ 541,990

4. RELATED PARTY TRANSACTIONS AND BALANCES

Grants

During 2015, the City of Airdrie provided \$1,553,492 (2014: \$1,422,429) in funding to partially cover operating costs of the Library. In addition, grants in-kind of \$35,000 (2014: \$35,000) were also provided. Sixty-two percent of the Library's operating revenue is received from the City of Airdrie (2014: seventy-two percent).

Due to the City of Airdrie

The balance due to the City of Airdrie of \$83,165 (2014: \$70,490) is non-interest bearing, repayable on demand and unsecured.

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The City of Airdrie Library Board
Notes to the Financial Statements
For the Year Ended December 31, 2015

4. RELATED PARTY TRANSACTIONS AND BALANCES (.../Continued)

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 at fair market value and accordingly have been measured and recorded at the exchange amount.

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

	2015	2014
Payment to Mainstreet Square for the Library's share of common costs	\$ 56,069	\$ 53,721
Rent paid to Mainstreet Square	135,624	135,624
Amounts receivable from Mainstreet Square	5,274	4,081

Commitments

The Library signed a ten year lease in 2006 with Mainstreet Square with a five year option to renew. 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:

2016	\$ 135,624
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5. INTERNALLY RESTRICTED FUND BALANCES

Operating fund

During the year, the Board of Directors internally restricted \$13,835 (2014: \$15,000) to cover future expenses relating to staff furniture and a program enhancement reserve.

A minimum reserve of 50% (2014: 50%) of the current year's unrestricted fund balance of \$74,666 (2014: \$84,058) is internally restricted in the operating fund by the Board of Directors as a future operational reserve. In 2015, this amounted to \$37,333 (2014: \$42,029).

Capital fund

During the year, \$42,964 (2014: \$46,972) was transferred from the operating fund to the capital fund to support capital expenditures. This amount is held in the invested in capital assets fund balance.

A minimum reserve of 50% (2014: 50%) of the current year's unrestricted fund balance of \$74,666 (2014: \$84,058) is internally restricted in the capital fund by the Board of Directors as a future capital reserve. In 2015, this amounted to \$37,333 (2014: \$42,029).

6. COMPARATIVE FIGURES

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