

THE CITY OF AIRDRIE LIBRARY BOARD

Financial Statements

December 31, 2013



April 29, 2014

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, 2013 and the statement of operations and fund balances and the cash flows for the year ended December 31, 2013 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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



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 as at December 31, 2013 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards for not-for-profit organisations.

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 Accountants

The City of Airdrie Library Board
Statement of Financial Position
As at December 31, 2013

	Operating Fund	Capital Fund	2013	2012
ASSETS				
Current				
Cash	\$ 494,056	\$ 95,609	\$ 589,665	\$ 391,545
Accounts receivable	12,059	-	12,059	10,344
	<u>506,115</u>	<u>95,609</u>	<u>601,724</u>	<u>401,889</u>
Capital (Note 4)	-	<u>562,539</u>	<u>562,539</u>	<u>634,996</u>
	<u>\$ 506,115</u>	<u>\$ 658,148</u>	<u>\$ 1,164,263</u>	<u>\$ 1,036,885</u>
LIABILITIES AND FUND BALANCES				
Current Liabilities				
Accounts payable and accrued liabilities	\$ 96,308	-	\$ 96,308	\$ 61,346
Due to the City of Airdrie (Note 5)	222,816	-	222,816	85,731
Deferred revenue	33,314	-	33,314	45,220
	<u>352,438</u>	<u>-</u>	<u>352,438</u>	<u>192,297</u>
Fund balances				
Internally restricted	118,946	95,609	214,555	196,232
Invested in capital assets	-	562,539	562,539	634,996
Unrestricted	34,731	-	34,731	13,360
	<u>153,677</u>	<u>658,148</u>	<u>811,825</u>	<u>844,588</u>
	<u>\$ 506,115</u>	<u>\$ 658,148</u>	<u>\$ 1,164,263</u>	<u>\$ 1,036,885</u>

Commitments (Note 5)

The City of Airdrie Library Board
Statement of Operations and Fund Balances
For the Year Ended December 31, 2013

	Operating Budget (unaudited)	Operating Fund	Capital Fund	2013	2012
Revenue					
Grants					
City of Airdrie: operating (Note 5)	\$ 1,269,828	\$ 1,269,828	\$ -	\$ 1,269,828	\$ 1,177,860
Alberta Library	217,030	217,030	-	217,030	217,030
Marigold Service	109,699	109,669	-	109,669	108,087
City of Airdrie: in-kind (Note 5)	35,000	35,000	-	35,000	35,000
Other	33,400	33,022	-	33,022	22,045
County	20,492	20,768	-	20,768	24,304
	1,685,449	1,685,317	-	1,685,317	1,584,326
Memberships	73,400	69,287	-	69,287	66,883
Fines	24,300	26,903	-	26,903	23,133
Interest and miscellaneous	19,250	20,615	-	20,615	15,944
Other revenue	16,850	14,890	-	14,890	18,124
Donations	14,400	14,722	-	14,722	13,028
Photocopy	7,300	8,109	-	8,109	6,695
Book sales	6,000	6,773	-	6,773	4,861
	1,846,949	1,846,616	-	1,846,616	1,732,994
Expenses					
Salaries and employee benefits	1,219,592	1,179,421	-	1,179,421	1,064,425
Building maintenance and rent (Note 5)	220,922	224,343	-	224,343	219,429
Marigold service fees	205,700	205,700	-	205,700	194,198
Amortization	-	-	76,546	76,546	91,667
Management fees	35,000	35,000	-	35,000	35,000
Materials	40,500	30,661	-	30,661	46,838
Facility Expansion Committee	30,600	30,291	-	30,291	699
Office	21,300	22,441	-	22,441	20,611
IT and system support	14,040	17,632	-	17,632	2,935
Utilities	18,770	15,288	-	15,288	15,026
Training and travel	13,210	12,222	-	12,222	10,352
Advertising and promotion	11,205	10,699	-	10,699	10,635
Professional fees	8,000	7,700	-	7,700	7,600
Program	8,615	6,769	-	6,769	7,736
Bank charges	3,500	2,525	-	2,525	2,218
Insurance	1,945	2,141	-	2,141	1,879
	1,852,899	1,802,833	76,546	1,879,379	1,731,248
Excess (deficiency) of revenue over expenses	(5,950)	43,783	(76,546)	(32,763)	1,746
Fund balances - beginning of year	125,725	125,725	718,863	844,588	842,842
Interfund transfer	5,950	(15,831)	15,831	-	-
Fund balances - end of year	\$ 125,725	\$ 153,677	\$ 658,148	\$ 811,825	\$ 844,588

The City of Airdrie Library Board
Statement of Cash Flows
For the Year Ended December 31, 2013

	2013	2012
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	\$ (32,763)	\$ 1,746
Non-cash transactions		
Amortization	76,546	91,667
Changes in non-cash working capital		
Accounts receivable	(1,715)	(1,724)
Accounts payable and accrued liabilities	34,962	(17,560)
Due to the City of Airdrie	137,085	53,823
Deferred revenue	(11,906)	14,261
	<u>202,209</u>	<u>142,213</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(4,089)	(23,799)
FINANCING ACTIVITIES		
Payments on long-term debt	-	(2,000)
Increase in cash	198,120	116,414
Cash, beginning of the year	391,545	275,131
Cash, end of the year	\$ 589,665	\$ 391,545

The City of Airdrie Library Board
Notes to the Financial Statements
For the Year Ended December 31, 2013

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:

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.

Interfund transfers

Interfund transfers of \$15,831 (2012: \$50,969) represent transfers from the Operating Fund to the Capital Fund to support current and future capital expenditures.

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, photocopy and book sales revenue is recognized as revenue when received.

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.

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The City of Airdrie Library Board
Notes to the Financial Statements
For the Year Ended December 31, 2013

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

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.

Cash and cash equivalents

Cash and cash equivalents represent cash 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 ("the Plan"), which is covered by the Public Sector Pensions Plan Act. The Plan serves about 206,000 people and 421 employers. It is financed by employer and employee contributions and investment earnings of the Plan 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 the Plan of 10.43% of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 14.47% on pensionable salary above this amount.

Financial instruments

The Library's financial instruments consist of cash and cash equivalents, 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.

The City of Airdrie Library Board
Notes to the Financial Statements
For the Year Ended December 31, 2013

3. CHANGES IN ACCOUNTING POLICIES

Financial statement presentation

On January 1, 2013, the Library adopted the PSA Handbook Section PS 1201 "Financial Statement Presentation", which replaced the existing Section PS 1200 standard. The new standard includes a statement of re-measurement gains and losses which will report 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. This accounting change had no impact on the Library's financial statements. As a result the statement of re-measurement gains and losses has not been included.

Financial instruments

On January 1, 2013, the Library adopted the PSA Handbook Section PS 3450 "Financial Instruments". The new standard provides guidance on the recognition, measurement and presentation and disclosure of financial instruments. Financial assets and liabilities are to be recognized when the entity 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. This accounting change had no impact on the Library's financial statements. As a result the statement of re-measurement gains and losses has not been included.

4. CAPITAL ASSETS

Capital assets consist of the following:

	2013		
	Cost	Accumulated Amortization	Net Book Value
Leasehold improvements	\$ 804,726	\$ 338,804	\$ 465,922
Furniture and fixtures	150,969	65,755	85,214
Computer equipment	186,250	174,847	11,403
	\$ 1,141,945	\$ 579,406	\$ 562,539

	2012		
	Cost	Accumulated Amortization	Net Book Value
Leasehold improvements	\$ 804,726	\$ 298,568	\$ 506,158
Furniture and fixtures	149,577	51,080	98,497
Computer equipment	183,554	153,213	30,341
	\$ 1,137,857	\$ 502,861	\$ 634,996

The City of Airdrie Library Board
Notes to the Financial Statements
For the Year Ended December 31, 2013

5. RELATED PARTY TRANSACTIONS AND BALANCES

Grants

During 2013, the City of Airdrie provided \$1,269,828 (2012: \$1,177,860) in funding to partially cover operating costs of the Library. In addition, grants in-kind of \$35,000 (2012: \$35,000) were also provided. Seventy-one percent of the Library's operating revenue is received from the City of Airdrie (2012: seventy percent).

Due to the City of Airdrie

The balance due to the City of Airdrie of \$222,816 (2012: \$85,731) 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 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:

	<u>2013</u>	<u>2012</u>
Payment to Mainstreet Square for the Library's share of common costs	\$ 52,348	\$ 52,625
Rent paid to Mainstreet Square	135,624	135,624
Accounts receivable from Mainstreet Square	3,947	3,271

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 next five years are as follows:

2014	\$ 135,624
2015	135,624
2016	135,624
2017	135,624
2018	135,624

6. COMPARATIVE FIGURES

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