



Agenda Document Number 7 Action (For Approval)

Subject: Audited Financial Statements for Fiscal Year Ended October 31, 2016
Prepared by: Pam Ryan, FOPL Treasurer
Prepared for: FOPL Board of Directors
Meeting of: January 13, 2017
Date of Preparation: January 5, 2017

Recommendation:

It is recommended that the Board:

- 1) Approve the draft Audited Financial Statements for the Federation of Ontario Public Libraries for the fiscal year ended October 31, 2016.
- 2) Post the approved and final Audited Financial Statements for the Federation of Ontario Public Libraries for the fiscal year ended October 31, 2016 on the members' only section of its website, when received from the Auditors.

Report:

The Federation is required to have an audit completed following the end of each fiscal year. Under the provisions of By-law Number 1, audited financial statements are received by the membership at the Annual General Meeting.

Geoff Crewe Chartered Accountant was appointed as auditors for the fiscal year ended October 31, 2016 and with the support of the Treasurer and Executive Director, has completed an audit of the Federation's financial statements. The draft Audited Financial Statements for the period are attached (Attachment 1). These statements reflect the assets, liabilities, revenues, expenditures and sources of revenue for the Federation.

Once approved by the Board, the final Audited Financial Statements are prepared by the Auditor and will be posted on the members' only section of the website and made available to members for the Annual General Meeting.

It is recommended that the Board approve the Audited Financial Statements for the fiscal year ended October 31, 2016 and their posting on the members' only section of the website.

Recommended by:

Pam Ryan, Treasurer

Attachment 1: Audited Financial Statements for Fiscal Year Ended October 31, 2016

Audited Financial Statements of

**FEDERATION OF ONTARIO PUBLIC
LIBRARIES / FÉDÉRATION DES
BIBLIOTHÈQUES PUBLIQUES
DE L'ONTARIO**

Year ended October 31, 2016

DRAFT

Independent Auditor's Report

To the Members

I have audited the accompanying financial statements of the Federation of Ontario Public Libraries / Fédération des Bibliothèques Publiques de l'Ontario, which comprise the statement of financial position as at October 31, 2016, and the statements of project fund, general fund, and cash flows for the year then ended, and 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Federation of Ontario Public Libraries / Fédération des Bibliothèques Publiques de l'Ontario as at October 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

Other matters

The budget figures for 2016 are presented only for the convenience of the members. They have not been audited and no opinion is expressed thereon. The 2015 financial statements, presented for comparative purposes, were audited by another professional accounting firm who expressed an unmodified opinion on those statements.

Toronto, Canada
/DATE

Geoff Crewe, CPA, CA
Licensed Public Accountant

FEDERATION OF ONTARIO PUBLIC LIBRARIES /
 FÉDÉRATION DES BIBLIOTHÈQUES PUBLIQUES DE L'ONTARIO

STATEMENT OF FINANCIAL POSITION

October 31, 2016, with comparative figures for 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets		
Cash	\$ 191,820	\$ 92,966
Investments (note 2)	42,680	153,317
Accounts receivable	1,500	-
Prepaid expenses	2,053	-
	<u>\$ 238,053</u>	<u>\$ 246,283</u>
LIABILITIES AND FUND BALANCES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 11,436	\$ 4,099
Deferred revenue (note 3)	37,283	35,000
Due to Chief Executives of Large Urban Public Libraries ("CELUPL")	951	2,025
	<u>49,670</u>	<u>41,124</u>
Fund balances		
Project fund	154,309	194,224
General fund	34,074	10,935
	<u>188,383</u>	<u>205,159</u>
	<u>\$ 238,053</u>	<u>\$ 246,283</u>

Approved on behalf of the Board of Directors:

 Director

 Director

See accompanying notes to financial statements.

FEDERATION OF ONTARIO PUBLIC LIBRARIES /
FÉDÉRATION DES BIBLIOTHÈQUES PUBLIQUES DE L'ONTARIO

STATEMENT OF PROJECT FUND

Year ended October 31, 2016, with comparative figures for 2015

	<u>2016</u>	<u>2015</u>
Revenue	\$ -	\$ -
Expenses - Open Media Desk Project (note 4)	<u>50,850</u>	<u>-</u>
Deficiency of revenue over expenses	(50,850)	-
Fund balance, beginning of year	194,224	137,993
Transfer from general fund	<u>10,935</u>	<u>56,231</u>
Fund balance, end of year	<u>\$ 154,309</u>	<u>\$ 194,224</u>

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See accompanying notes to financial statements.

FEDERATION OF ONTARIO PUBLIC LIBRARIES /
FÉDÉRATION DES BIBLIOTHÈQUES PUBLIQUES DE L'ONTARIO

STATEMENT OF GENERAL FUND

Year ended October 31, 2016, with comparative figures for 2015

	<u>Budget 2016</u>	<u>Actual 2016</u>	<u>Actual 2015</u>
Revenue			
Membership fees	\$ 210,000	\$ 217,667	\$ 209,233
Other	20	1,656	19
Interest	2,300	1,619	2,357
Grant (note 5)	-	-	15,000
	<u>212,320</u>	<u>220,942</u>	<u>226,609</u>
Expenses			
Payroll and contracted services	120,380	121,516	115,223
Other contract and professional services	45,600	32,002	74,467
General and administrative			
Meetings	15,007	14,223	10,843
Telecommunications	2,100	1,749	1,853
Materials and supplies	2,390	1,076	1,693
Bank charges	295	420	286
Furniture and equipment	500	-	228
Audit and accounting	6,340	12,656	6,328
IT and web services	2,382	1,236	2,362
Marketing and public relations	2,800	1,190	825
Insurance	1,566	800	1,566
	<u>199,360</u>	<u>186,868</u>	<u>215,674</u>
Excess of revenue over expenses	<u>\$ 12,960</u>	34,074	10,935
Fund balance, beginning of year		10,935	56,231
Transfer to project fund		<u>(10,935)</u>	<u>(56,231)</u>
Fund balance, end of year		<u>\$ 34,074</u>	<u>\$ 10,935</u>

See accompanying notes to financial statements.

FEDERATION OF ONTARIO PUBLIC LIBRARIES /
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STATEMENT OF CASH FLOWS

Year ended October 31, 2016, with comparative figures for 2015

	<u>2016</u>	<u>2015</u>
Cash provided by (used in)		
Operations		
Deficiency of revenue over expenses - Project fund	\$ (50,850)	\$ -
Excess of revenue over expenses - General fund	34,074	10,935
Changes in non-cash working capital items		
Increase in accounts receivable	(1,500)	-
Increase in prepaid expenses	(2,053)	-
Increase in accounts payable and accrued liabilities	7,337	2,889
Increase in deferred revenue	2,283	67
Decrease in balance due to CELUPL	(1,074)	(790)
	<u>(11,783)</u>	<u>13,101</u>
Investing		
Decrease (increase) in investments	110,637	(2,357)
Increase in cash	98,854	10,744
Cash, beginning of year	92,966	82,222
Cash, end of year	<u>\$ 191,820</u>	<u>\$ 92,966</u>

See accompanying notes to financial statements.

**FEDERATION OF ONTARIO PUBLIC LIBRARIES /
FÉDÉRATION DES BIBLIOTHÈQUES PUBLIQUES DE L'ONTARIO**

NOTES TO FINANCIAL STATEMENTS

Year ended October 31, 2016

PURPOSE OF THE FEDERATION

The Federation of Ontario Public Libraries / Fédération des Bibliothèques Publiques de l'Ontario is incorporated without share capital under the laws of the Province of Ontario and qualifies as a non-profit organization under the Income Tax Act (Canada). Its purpose is to support and further Ontario public libraries and the communities they serve by educating the public on the role of public libraries to governments and other public and private sector bodies.

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations (ASNPO) and include the following significant accounting policies:

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the recognition, measurement and disclosure of amounts reported in the financial statements and accompanying notes. The reported amounts and note disclosures are determined using management's best estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. Estimates are used in the determination of accrued liabilities. Actual results could differ from such estimates.

Financial instruments

Financial instruments, including cash, accounts receivable, investments, accounts payable and accrued liabilities, and due to CELUPL, are recorded at fair value on initial recognition and then subsequently at cost or amortized cost, unless management has elected to carry them at fair value. The Federation has not elected to carry any of its 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.

Financial assets are assessed for indicators of impairment annually at the year-end date. If there is an indicator of impairment, the Federation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized by selling the financial asset or the amount the Federation expects to realize by exercising its right to any collateral held to secure repayment of the asset. If events or circumstances change in a future period, an impairment loss can be reversed to the extent of the improvement, but not exceeding the initial carrying value.

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NOTES TO FINANCIAL STATEMENTS – continued

Year ended October 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue recognition

The Federation follows the restricted fund method of accounting for contributions whereby restricted contributions are recognized as revenue of the appropriate restricted fund, or as revenue of the General Fund in the period in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the General Fund in the period received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Membership fees are recognized as earned over the term of the membership. Membership terms are on a calendar year-basis. The portion of membership revenue relating to the two months beyond the fiscal year-end is recorded as deferred revenue.

Fund balances

In accounting for its operations, the Federation has established two funds. The purpose of each fund is as follows:

i) General fund:

The General fund accounts for the ongoing operations and administrative activities of the Federation.

ii) Project fund:

The Project fund accounts for expenditures for specific projects, which are determined and approved by the Board of Directors.

Contributed services

Individuals volunteer their time to assist in the Federation's activities. These services materially benefit the Federation, however a reasonable estimate of the time spent and its fair market value cannot be made. Accordingly, such contributed services are not recognized in the financial statements. The Federation is also dependent on the Toronto Public Library for office space, equipment, administrative and IT services for which no compensation is paid.

2. INVESTMENTS

Investments consist of one (2015 – three) chartered bank guaranteed investment certificate(s), which matures on December 29, 2016 and earns interest at 1.47% annually.

	<u>2016</u>	<u>2015</u>
Chartered bank guaranteed investment certificate(s)	\$ 42,016	\$ 151,596
Accrued interest	<u>664</u>	<u>1,721</u>
	<u>\$ 42,680</u>	<u>\$ 153,317</u>

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NOTES TO FINANCIAL STATEMENTS – continued

Year ended October 31, 2016

3. DEFERRED REVENUE

	Balance, Nov 1, 2015	Amount Received	Amount brought into income in 2016	Balance, Oct 31, 2016
Memberships	\$ 35,000	\$ 219,950	\$ 217,667	\$ 37,283

4. FEDERATION PROJECTS

During the year, the Federation approved \$100,000 (before tax) to fund the first year of the Open Media Desk marketing campaign. As of October 31, 2016, \$50,850 of expenses had been incurred in relation to this project.

5. ONTARIO MINISTRY GRANT

During fiscal 2015, the Federation received a grant from the Ontario Ministry of Tourism, Culture and Sport in the amount of \$15,000 to undertake an analysis of the Ontario Government's open data performance measures for all public libraries in the province from 2001 – 2013. Over a dozen major reports were released to members ranking their operational measures, with analysis and commentary. The Federation did not receive any grants during fiscal 2016.

6. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

Interest rate risk

The Federation is not exposed to the risk of changing interest rates as its investments earn interest at fixed rates. Cash represents amounts on deposit with financial institutions, earning interest at market rates. The Federation manages its exposure to the interest rate risk of its cash by maximizing the interest income earned on temporary excess funds while maintaining the minimum liquidity necessary to conduct operations on a day-to-day basis. Fluctuations in market rates of interest do not have a significant impact on the Federation's results of operations.

Credit risk

Credit risk arises from the possibility that a member will default on its financial obligations. The Federation minimizes this risk via regular review of unpaid accounts. There is no significant concentration of credit risk with any one member.

Credit risk associated with cash is minimized substantially by ensuring that it is held in a major financial institution, while investments are maintained in secure instruments such as guaranteed investment certificates.

Liquidity risk

Liquidity risk is the risk that the Federation will not be able to meet a demand for cash or fund its obligations as they come due. It also includes the risk of the Federation not being able to liquidate assets in a timely manner at a reasonable price. The Federation meets its liquidity requirements by preparing and monitoring an annual financial budget and maintaining its investments in highly liquid instruments.