

Audited Financial Statements of

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

Year ended October 31, 2019

DRAFT

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

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INDEPENDENT AUDITOR'S REPORT
To the Members

Opinion

I have audited the accompanying financial statements of Federation of Ontario Public Libraries (the Entity), which comprise the statement of financial position as at October 31, 2019, and the statements of project fund and changes in fund balances, general fund and changes in fund balances, and cash flows for the year then ended, and a summary of significant changes in accounting policies and other explanatory information.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Entity as at October 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Private Enterprises.

Other matters

The budget figures for 2019 are presented only for the convenience of the members. They have not been audited and no opinion is expressed thereon.

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Entity in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian Accounting Standards for Private Enterprises, 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.

Auditor's Responsibility for the Audit of the Financial Statements

My objective is 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in an 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- *Identify and assess the risk 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 my 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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.*
- *I 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 I identify during my audit.*

Toronto, Canada
Date/

BDCA Professional Corporation
Authorized to practise public accounting by the
Chartered Professional Accountants of Ontario

FEDERATION OF ONTARIO PUBLIC LIBRARIES /
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STATEMENT OF FINANCIAL POSITION

October 31, 2019, with comparative figures for 2018

| | <u>2019</u> | <u>2018</u> |
|--|-------------------|-------------------|
| ASSETS | | |
| Current assets | | |
| Cash (note 2) | \$ 185,244 | \$ 23,115 |
| Investments (note 3) | 91,228 | 158,384 |
| Prepaid expenses | <u>2,816</u> | <u>10,268</u> |
| | <u>\$ 279,288</u> | <u>\$ 191,767</u> |
| LIABILITIES AND FUND BALANCES | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | \$ 51,527 | \$ 33,757 |
| Deferred revenue (note 4) | <u>245,075</u> | <u>92,092</u> |
| | <u>296,602</u> | <u>125,849</u> |
| Fund balances | | |
| Project fund | (110,922) | (25,582) |
| General fund | <u>93,608</u> | <u>91,500</u> |
| | <u>(17,314)</u> | <u>65,918</u> |
| | <u>\$ 279,288</u> | <u>\$ 191,767</u> |

Approved on behalf of the Board of Directors:

 Director

 Director

**FEDERATION OF ONTARIO PUBLIC LIBRARIES /
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STATEMENT OF PROJECT FUND AND CHANGES IN FUND BALANCE

Year ended October 31, 2019, with comparative figures for 2018

| | <u>2019</u> | <u>2018</u> |
|--|----------------------------|---------------------------|
| Revenue | \$ - | \$ - |
| Expenses - Open Media Desk Project (note 5) | <u>85,340</u> | <u>86,383</u> |
| Deficiency of revenue over expenses | (85,340) | (86,383) |
| Fund balance, beginning of year | (25,582) | 60,801 |
| Transfer from general fund | <u>-</u> | <u>-</u> |
| Fund balance, end of year | <u><u>\$ (110,922)</u></u> | <u><u>\$ (25,582)</u></u> |

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FEDERATION OF ONTARIO PUBLIC LIBRARIES /
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STATEMENT OF GENERAL FUND AND CHANGES IN FUND BALANCE

Year ended October 31, 2019, with comparative figures for 2018

| | <u>Budget 2019</u> | <u>Actual 2019</u> | <u>Actual 2018</u> |
|--|------------------------|------------------------|------------------------|
| Revenue | | | |
| Membership fees | \$ 210,000 | \$ 232,067 | \$ 221,317 |
| Other | 1,500 | 1,849 | 500 |
| Interest | 2,000 | 2,844 | 2,407 |
| Grant (note 7) | <u>63,000</u> | <u>4,200</u> | <u>-</u> |
| | <u>276,500</u> | <u>240,960</u> | <u>224,224</u> |
| Expenses | | | |
| Payroll and contracted services | 125,380 | 146,749 | 124,557 |
| Other contract and professional services | 15,000 | 43,495 | 46,497 |
| General and administrative | | | |
| Meetings | 16,450 | 23,076 | 24,709 |
| Memberships | 3,000 | 3,584 | 5,000 |
| Telecommunications (note 6) | 2,200 | 1,486 | 3,595 |
| Materials and supplies | 2,250 | 2,727 | 2,394 |
| Bank charges | 1,650 | 2,031 | 1,350 |
| Audit and accounting | 6,000 | 6,327 | 6,327 |
| IT and web services | 3,500 | 3,619 | 3,140 |
| Insurance | 1,700 | 1,616 | 1,620 |
| Marketing and public relations | <u>5,000</u> | <u>4,142</u> | <u>3,166</u> |
| | <u>182,130</u> | <u>238,852</u> | <u>222,355</u> |
| Excess of revenue over expenses | <u>\$ 94,370</u> | 2,108 | 1,869 |
| Fund balance, beginning of year | | 91,500 | 89,631 |
| Transfer to project fund | | <u>-</u> | <u>-</u> |
| Fund balance, end of year | | <u>\$ 93,608</u> | <u>\$ 91,500</u> |

See accompanying notes to financial statements

**FEDERATION OF ONTARIO PUBLIC LIBRARIES /
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STATEMENT OF CASH FLOWS

Year ended October 31, 2019, with comparative figures for 2018

| | <u>2019</u> | <u>2018</u> |
|--|--------------------------|-------------------------|
| Cash provided by (used in) | | |
| Operations | | |
| Deficiency of revenue over expenses - Project fund | \$ (85,340) | \$ (86,383) |
| Excess of revenue over expenses - General fund | 2,108 | 1,869 |
| Change in non-cash working capital items | | |
| Decrease (increase) in prepaid expenses | 7,452 | (7,910) |
| Increase in accounts payable and accrued liabilities | 17,770 | 21,146 |
| Increase in deferred revenue | <u>152,983</u> | <u>55,317</u> |
| | 94,973 | (15,961) |
| Investing | | |
| Investment Proceeds | 158,080 | 153,580 |
| Investment Purchases | <u>(90,924)</u> | <u>(155,988)</u> |
| | <u>67,156</u> | <u>(2,408)</u> |
| Increase (Decrease) in cash | 162,129 | (18,369) |
| Cash, beginning of year | <u>23,115</u> | <u>41,484</u> |
| Cash, end of year | <u><u>\$ 185,244</u></u> | <u><u>\$ 23,115</u></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, 2019

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

Basis of accounting

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, investments, accounts payable and accrued liabilities 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 or 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, 2019

1. SIGNIFICANT ACCOUNTING POLICIES - continued

Tangible capital assets

The organization's policy is to expense tangible capital assets in the year acquired.

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. BANK CREDIT FACILITY

The Company has a \$30,000 overdraft facility, which is secured against the GIC, and bears interest at prime plus 1%. This facility is \$nil at October 31, 2019 (\$nil - 2018).

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NOTES TO FINANCIAL STATEMENTS - continued

Year ended October 31, 2019

3. INVESTMENTS

Investments consist of one chartered bank guaranteed investment certificate, which matures on July 30, 2020, earning interest at 1.33% annually.

| | <u>2019</u> | <u>2018</u> |
|--|------------------|-------------------|
| Chartered bank guaranteed investment certificate | \$ 90,925 | \$ 155,988 |
| Accrued interest | 303 | 2,396 |
| | <u>\$ 91,228</u> | <u>\$ 158,384</u> |

4. DEFERRED REVENUE

| | <u>Balance, Nov. 1, 2018</u> | <u>Amount Received</u> | <u>Amount brought into income in 2019</u> | <u>Balance, Oct. 31, 2019</u> |
|-------------|----------------------------------|----------------------------|---|-----------------------------------|
| Memberships | \$ 92,092 | \$ 385,050 | \$ 232,067 | \$ 245,075 |

5. FEDERATION PROJECTS

During fiscal year 2018, the Federation approved \$92,000 (before tax) to fund the third year of the Open Media Desk marketing campaign. As of October 31, 2019, \$311,880 of expenses had been incurred in relation to this project. The project was completed during fiscal 2019.

6. TANGIBLE CAPITAL ASSET

During the year, the organization purchased \$nil (2018 - \$1,500) of tangible capital assets.

7. GRANT

During fiscal 2019, the Ontario Trillium Foundation (OTF) approved a grant in the amount of \$70,000 for a research project which commenced prior to year-end. Of the \$70,000 approved, \$63,000 was received during fiscal 2019, while \$7,000 will be received in October 2020.

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NOTES TO FINANCIAL STATEMENTS - continued

Year ended October 31, 2019

8. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

Interest rate risk

The Federation is exposed to interest rate risk as the bank credit facility bears interest at variable rates. Cash represents amounts on deposit with financial institutions, earning interest at market rates. The Federation manages its exposure to its interest rate risk 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. The Federation does not have a 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.