

CALGARY PUBLIC LIBRARY FOUNDATION

Financial Statements

December 31, 2019

CALGARY PUBLIC LIBRARY FOUNDATION
Index to Financial Statements
For the Year Ended December 31, 2019

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Operations	4
Statement of Changes in Fund Balances	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 11



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INDEPENDENT AUDITOR'S REPORT

To the Members of Calgary Public Library Foundation :

Opinion

We have audited the financial statements of Calgary Public Library Foundation (the "Foundation"), which comprise the statement of financial position as at December 31, 2019, and the statement of operations, changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2019, 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.

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 are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Foundation'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 cease operations, or has no realistic alternative but to do so.

(continues)



Independent Auditor's Report to the Members of Calgary Public Library Foundation *(continued)*

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

Auditor's Responsibilities for the Audit of 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 Foundation'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 Foundation'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 Foundation 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.

BDO Canada LLP

Chartered Professional Accountants

Calgary, Alberta
May 12, 2020

CALGARY PUBLIC LIBRARY FOUNDATION
Statement of Financial Position
As at December 31, 2019

	General Fund	Donor Directed	2019 Total	2018 Total
Assets				
Current				
Cash and cash equivalents	\$ 1,414,263	\$ 4,889,732	\$ 6,303,995	\$ 3,891,816
Restricted cash (Note 3)	42,150	-	42,150	68,896
Investments (Note 4)	894,739	3,278,599	4,173,338	1,297,150
Accounts receivable	104,194	-	104,194	170,627
Goods and services tax refundable	35,499	-	35,499	29,987
Prepaid expenses	24,892	-	24,892	13,051
Inventory	22,901	-	22,901	35,366
	<u>2,538,638</u>	<u>8,168,331</u>	<u>10,706,969</u>	<u>5,506,893</u>
Endowments (Note 4)	-	222,191	222,191	182,892
Property and equipment (Note 5)	1,972	-	1,972	5,920
	<u>\$ 2,540,610</u>	<u>\$ 8,390,522</u>	<u>\$ 10,931,132</u>	<u>\$ 5,695,705</u>
Liabilities				
Current				
Accounts payable and accrued liabilities	\$ 93,305	\$ -	\$ 93,305	\$ 238,285
Deferred contributions				
Related to operations (Note 7)	42,150	-	42,150	68,896
	<u>135,455</u>	<u>-</u>	<u>135,455</u>	<u>307,181</u>
Net Assets				
Invested in property and equipment	1,972	-	1,972	5,920
Endowments (Note 4)	-	222,191	222,191	182,892
Restricted	-	8,168,331	8,168,331	3,200,338
Unrestricted (Note 4)	2,403,183	-	2,403,183	1,999,375
	<u>2,405,155</u>	<u>8,390,522</u>	<u>10,795,677</u>	<u>5,388,524</u>
	<u>\$ 2,540,610</u>	<u>\$ 8,390,522</u>	<u>\$ 10,931,132</u>	<u>\$ 5,695,705</u>

Approved on behalf of the Board:

Director: _____

Director: _____

CALGARY PUBLIC LIBRARY FOUNDATION
Statement of Operations
For the year ended December 31, 2019

	General Fund	Donor Directed	2019 Total	2018 Total
Revenue				
Donations	\$ 1,538,001	\$ 7,614,311	\$ 9,152,312	\$ 7,379,027
Special events	102,517	-	102,517	1,195,173
Gifts in kind	36,073	280,227	316,299	639,603
Operating funding from Calgary Public Library	400,000	-	400,000	500,649
Merchandise	73,307	466	73,773	66,905
Casino	68,896	-	68,896	4,057
Fundraising events	-	3,715	3,715	-
Amortization of deferred contributions related to property and equipment (Note 8)	-	-	-	101,336
Interest	85,620	100,254	185,874	101,471
Unrealized gain (loss) on investments	179,582	-	179,582	(61,574)
	2,483,996	7,998,973	10,482,969	9,926,647
Expenses				
Donation to Calgary Public Library Board (Note 6)	400,000	2,699,050	3,099,050	3,072,658
Salaries and employee benefits	1,060,321	-	1,060,321	1,194,208
Gifts in kind (Note 6)	36,073	280,227	316,299	639,603
Special events	25,892	-	25,892	531,876
Stewardship and cultivation	199,913	12,405	212,318	721,112
Administration	168,834	-	168,834	334,877
Marketing	72,898	-	72,898	233,909
Merchandise	53,558	-	53,558	50,112
Amortization (Note 5)	3,947	-	3,947	37,416
Bank charges	42,235	-	42,235	21,108
Board expenses	17,100	-	17,100	6,522
Insurance	3,366	-	3,366	3,769
Casino	-	-	-	2,261
	2,084,134	2,991,681	5,075,816	6,849,431
Excess of revenue over expenses	\$ 399,861	\$ 5,007,292	\$ 5,407,153	\$ 3,077,216

CALGARY PUBLIC LIBRARY FOUNDATION
Statement of Changes in Fund Balances
For The Year Ended December 31, 2019

	Invested in property and equipment	General Fund	Donor Directed		2019 Total	2018 Total
			General	Endowment		
Fund balances, beginning of year	\$ 5,919	\$ 1,999,375	\$ 3,200,338	\$ 182,892	\$ 5,388,524	\$ 2,311,308
Excess of revenue over expenses	-	399,861	4,967,993	39,299	5,407,153	3,077,216
Amortization of property and equipment	(3,947)	3,947	-	-	-	-
Fund balances, end of year	\$ 1,972	\$ 2,403,183	\$ 8,168,331	\$ 222,191	\$ 10,795,677	\$ 5,388,524

CALGARY PUBLIC LIBRARY FOUNDATION
Statement of Cash Flows
For the year ended December 31, 2019

	General Fund	Donor Directed	2019 Total	2018 Total
Operating activities				
Excess of revenue over expenses	\$ 399,861	\$ 5,007,292	\$ 5,407,153	\$ 3,077,216
Non-cash transactions:				
Amortization of property and equipment	3,947	-	3,947	37,416
Recognition of deferred contributions related to property and equipment (Note 8)	-	-	-	(101,336)
Unrealized gains (losses) on investments	(179,582)	-	(179,582)	61,574
Change in non-cash working capital:				
Accounts receivable	66,433	-	66,433	(77,063)
Goods and services tax refundable	(5,512)	-	(5,512)	(13,311)
Prepaid expenses	(11,841)	-	(11,841)	2,582
Inventory	12,465	-	12,465	11,016
Accounts payable and accrued liabilities	(144,980)	-	(144,980)	118,860
Deferred contributions related to operations	(26,746)	-	(26,746)	322
Cash flows from (used by) operating activities	<u>114,045</u>	<u>5,007,292</u>	<u>5,121,337</u>	<u>3,117,277</u>
Investing activities				
Purchase of investment (Note 4)	(156,220)	(2,579,684)	(2,735,904)	(1,284,406)
Disposal of property and equipment	-	-	-	82,422
Cash flows used by from investing activities	<u>(156,220)</u>	<u>(2,579,684)</u>	<u>(2,735,904)</u>	<u>(1,201,984)</u>
Increase (decrease) in cash and cash equivalents	(42,175)	2,427,608	2,385,433	1,915,291
Cash and cash equivalents, beginning of year	<u>1,456,438</u>	<u>2,504,274</u>	<u>3,960,712</u>	<u>2,045,422</u>
Cash and cash equivalents, end of year	\$ 1,414,263	\$ 4,931,882	\$ 6,346,145	\$ 3,960,712
Cash and cash equivalents consists of:				
Cash and cash equivalents	\$ 1,414,263	\$ 4,889,732	\$ 6,303,995	\$ 3,891,816
Restricted cash and cash equivalents	-	42,150	42,150	68,896
	<u>\$ 1,414,263</u>	<u>\$ 4,931,882</u>	<u>\$ 6,346,145</u>	<u>\$ 3,960,712</u>

1. Purpose of the organization

The Calgary Public Library Foundation (the "Foundation") was incorporated on March 1, 1999 under the Companies Act of Alberta and commenced operations in 2000. The Foundation is a registered charity for purposes of the Canada Income Tax Act, and as such is exempt from payment of income taxes.

The Calgary Public Library Foundation's sole purpose is to ensure through fundraising that the citizens of Calgary have the best public library in the world. Funds and in kind donations raised by the Foundation go directly to the Calgary Public Library (the "Library") and are used to enhance the Library's collections, programs and facilities.

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook, 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:

Revenue recognition

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

Unrestricted contributions are recognized as revenue of the general fund when received or receivable if the amounts to be received can be reasonably measured and ultimate collection is reasonably assured.

Restricted contributions by the contributor for specific use are recognized as revenue of the appropriate fund when received or receivable if the amounts to be received can be reasonably measured and ultimate collection is reasonably assured.

Restricted contributions for which no corresponding restricted fund are deferred and recognized as revenue in the year in which the related expenses are incurred. Where such contributions have been made for the purpose of equipment acquisition, the revenue is recognized on the same basis as the related asset is amortized.

Gifts-in-kind received are recorded when the fair market value is reasonably determinable at the date of contribution and when they would normally be purchased by and paid for by the Foundation.

Cash and cash equivalents

Cash consists of cash on hand and balances with banks; cash equivalents consist of short-term deposits with original maturities of less than three months.

Fund accounting

The Foundation uses the following funds to report its operations and financial position.

The General Fund accounts for current operations and programs and for the Foundation's general operation. Unrestricted contributions and contributions restricted for use in operations are reported in this fund.

In 2019, the Foundation decided to combine all restricted funds (previously Innovation Fund, Inspiration Fund, Information Fund and Imagination Fund) into one Donor Directed fund. The Donor Directed Fund accounts for operations, infrastructure and programs related to the rest of the Foundation's activities. Contributions restricted for such use are reported in this fund.

(Continued...)

2. Summary of significant accounting policies (Continued)

Property and equipment

Property and equipment are stated at cost less accumulated amortization. Amortization of property and equipment is recorded using the straight-line method over the estimated useful life of the assets at the following rates:

Computer equipment	3 years
Computer software	3 years
Furniture and equipment	5 years

Contributed services

The Foundation would not be able to carry out its activities without the services of volunteers. Because of the difficulty in determining the fair value of these and other volunteer services, contributed services are not recognized in the financial statements.

The Council of Champions purpose is to promote the Library and the Foundation on a regular basis. They meet as needed to gather information from the Foundation, network with each other and bring everyone up to date on their latest efforts of promoting the Library and Foundation. In 2019 this group of 29 volunteers (34 volunteers - 2018) contributed 174 hours (190 hours - 2018).

The Foundation's Board of Directors is also volunteer based. Members attend four meetings a year, plus the Annual General meeting. The Finance Committee members attend an extra five meetings each year. Board members frequently show their support by attending several events over the course of the year as well. In 2019, 12 Board members (12 Board members - 2018) contributed approximately 238 hours (290 hours - 2018).

Special Event volunteers are mature youth and adult volunteers who assist with various tasks such as phoning donors to thank them for their contribution, assisting with mailing receipts and with events such as Locked Library nights, Leadership breakfasts, opening and recognition events. In 2019, 101 volunteers (26 volunteers - 2018) contributed 1,083 hours (860 hours - 2018).

Financial instruments

The Foundation initially measures its financial assets and financial liabilities at fair value. In subsequent periods, investments and investments for endowment are reported at fair value, all other financial instruments are reported at amortized cost.

Financial assets measured at amortized cost consists of cash and cash equivalents and accounts receivable. Financial liabilities measured at amortized cost consist of accounts payable and accrued liabilities.

Measurement uncertainty

The preparation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenses during the reporting year. Actual results could differ from those estimates.

CALGARY PUBLIC LIBRARY FOUNDATION
Notes to Financial Statements
For the year ended December 31, 2019

3. Restricted cash

Restricted cash are funds that have been collected through casino and raffle proceeds and therefore externally restricted for specific use. The Foundation maintains a separate bank account for casino funds.

4. Investments

In 2017, the Foundation opened an investment account with The Calgary Foundation. Amounts invested with the Calgary Foundation include General and Donor Directed Funds as well as Endowment Funds which were set up over the past several years, either by the Foundation or at the request of donors. Endowment funds are to be held in perpetuity and income generated from the funds will be used for the Foundation's charitable purposes. The Foundation retains control over amounts invested with the Calgary Foundation.

	2019	2018
Balance - beginning of year	1,480,042	257,211
Contributions	2,721,356	1,250,000
Withdrawals	(70,884)	(10,102)
Investment income	119,747	55,497
Investment management fees	(34,314)	(10,782)
	4,215,948	1,541,823
Unrealized gain (loss)	179,582	(61,781)
Ending balance at end of the year at fair value	4,395,530	1,480,042

At December 31, 2019, funds invested included endowments of \$221,191 (2018 - \$182,892).

5. Property and equipment

	Cost		Accumulated Amortization		Net Book Value	
	2019	2018	2019	2018	2019	2018
Computer equipment	\$ 6,874	\$ 6,874	\$ 6,708	\$ 6,374	\$ 166	\$ 500
Computer software	2,500	2,500	2,500	2,500	-	-
Furniture and equipment	19,066	19,066	17,259	13,646	1,806	5,420
	\$ 28,440	\$ 28,440	\$ 26,467	\$ 22,520	\$ 1,972	\$ 5,920

CALGARY PUBLIC LIBRARY FOUNDATION
Notes to Financial Statements
For the year ended December 31, 2019

6. Related party transactions and subsequent events

The Foundation and the Calgary Public Library Board (the "Library Board") are related by below economic interests:

(a) Under the direction of the Operating Agreement dated February 8, 2019 between the Library Board and the Foundation, the Library Board provided core funding for the Foundation in the amount of \$400,000 in 2019 (\$500,000 - 2018). Under this agreement the Library also provides the Foundation with office space in the Central Library, commencing on November 19, 2018, at the rate of \$ 1 per year.

The Library Board also provided in kind donations relating to general operating and building and equipment expenses. Because of the difficulty in determining the fair value of these contributed materials and services, the amounts are not recognized in the financial statements.

The rent on this space will be paid as in kind donation from the library at the amount of \$21,648, which is included in both gift in kind revenue and expense. Based on the new agreement, the Library will provide base funding to the Foundation according to the following planned schedule:

2020	\$	300,000
2021	\$	200,000
2022	\$	100,000

(b) The Foundation provided monetary grants to the Library Board based on designations by its contributors, collected tickets and other gifts in kind. Donations made to the Library Board consist of the following:

	2019	2018
Gifts in kind	\$ 280,227	\$ 248,572
Monetary donations	3,099,050	3,072,658
	\$ 3,379,277	\$ 3,321,230

7. Deferred contributions related to operations

Deferred contributions related to operations consist of unspent externally restricted contributions out of casino proceeds and externally restricted raffle proceeds from a special event that are received in the current year, but related to subsequent operations. Changes in deferred contribution balances are as follows:

	2019	2018
Balance, beginning of year	\$ 68,896	\$ 68,574
Additions	42,150	72,612
Amount recognized as revenue during the year	(68,896)	(72,289)
Balance, end of year	\$ 42,150	\$ 68,896

8. Deferred contributions related to property and equipment

Deferred contributions related to property and equipment consist of gifts in kind from the Library. These are recognized as revenue on the same basis as the amortization of the underlying property and equipment. Changes in the deferred contributions related to property and equipment balance are as follows:

	2019	2018
Balance, beginning of year	\$ -	\$ 101,336
Additions	-	-
Amount recognized as revenue during the year	-	(101,336)
Balance, end of year	<u>\$ -</u>	<u>\$ -</u>

9. Financial instruments

The Foundation holds various forms of financial instruments. The nature of these instruments and the Foundation's operations exposes the Foundation to various risks. Except as disclosed elsewhere, the Foundation's financial instruments have the following risks:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The credit risks that the Foundation may be exposed to arise out of the investments in Calgary Foundation. Management mitigates credit risk through the implementation and monitoring of the Board of Director's investment policies and frequent review of the Foundation's investment portfolio.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Foundation is exposed to risk of changes in fair value of its investments. Management reviews these investments closely to ensure that the investments are made in accordance with the Foundation's investment policy.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in interest rates. In seeking to minimize the risks from interest rate fluctuations, the Foundation manages exposure through its normal operating and financing activities. The Foundation is exposed to interest rate risk primarily through its Calgary Foundation investments.

10. Subsequent events

Subsequent to year end, the impact of the COVID-19 virus in Canada and on the global economy increased significantly. This has had direct impact on the Foundations investments which are reported at fair value in these financial statements. As of March 31, 2020 the fair value of the foundations investment portfolio has decreased by \$267,834. The extent of any future impact on the Foundation's investments or operations as a result of the COVID-19 virus is unknown.
