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Salt Spring Island Public Library Association  
Financial Statements  
December 31, 2009

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Review Engagement Report

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J e a n E l w e l l , C h a r t e r e d A c c o u n t a n t

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## REVIEW ENGAGEMENT REPORT

I have reviewed the statements of financial position of Salt Spring Island Public Library Association as at December 31, 2009 and the statements of operations and changes in fund balances and cash flows for the year then ended. My review was made in accordance with Canadian generally accepted standards for review engagements and, accordingly, consisted primarily of enquiry, analytical procedures and discussion related to information supplied to me by the organization.

A review does not constitute an audit and, consequently, I do not express an audit opinion on these financial statements.

Based on my review, nothing has come to my attention that causes me to believe that these financial statements are not, in all material respects, in accordance with Canadian generally accepted accounting principles.



**Jean Elwell**  
**Chartered Accountant**

Salt Spring Island, British Columbia


March 29, 2010

SALT SPRING ISLAND PUBLIC LIBRARY ASSOCIATION  
STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2009

	General Fund	Capital Asset Fund	Building Fund (General)	Restricted Funds	Total 2009	Total 2008
<b>CURRENT ASSETS</b>						
Cash	\$ 33,343	\$ -	\$ -	\$ -	\$ 33,343	\$ 17,321
Term Deposits	95,000	-	28,000	27,521	150,521	242,454
Amounts held on behalf of ILF (Note 4)	-	-	-	-	-	62,256
Accounts receivable	6,059	-	106	39	6,204	9,806
Due from other funds	-	-	1,894	1,654	3,548	56,156
Prepaid expense	8,903	-	-	-	8,903	9,082
	143,305	-	30,000	29,214	202,519	397,075
<b>CAPITAL ASSETS (Note 5)</b>						
	-	291,346	-	-	291,346	154,129
	143,305	291,346	30,000	29,214	493,865	\$ 551,204
<b>CURRENT LIABILITIES</b>						
Accounts payable and accrued liabilities	10,555	-	-	-	10,555	13,532
Due to other funds	3,548	-	-	-	3,548	56,156
Payroll remittances payable	1,235	-	-	-	1,235	1,260
Due to ILF (Note 4)	-	-	-	-	-	62,256
	15,338	-	-	-	15,338	133,204
<b>FUND BALANCES (Notes 2 &amp; 6)</b>						
Unrestricted	127,967	-	-	-	127,967	73,703
Invested in capital assets	-	291,346	-	-	291,346	154,129
Internally restricted (Note 2)	-	-	30,000	-	30,000	150,000
Externally restricted (Notes 2 & 6)	-	-	-	29,214	29,214	40,168
	127,967	291,346	30,000	29,214	478,527	418,000
	\$ 143,305	\$ 291,346	\$ 30,000	\$ 29,214	\$ 493,865	\$ 551,204

APPROVED BY THE BOARD

 , Chair

 , Treasurer

Jean Elwell, Chartered Accountant

SALT SPRING ISLAND PUBLIC LIBRARY ASSOCIATION  
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2009

	General Fund	Capital Asset Fund	Building Fund (General)	Restricted Funds	Total 2009	Total 2008
<b>REVENUE</b>						
Local tax revenue	\$ 112,819	\$ -	\$ -	\$ -	\$ 112,819	\$ 111,365
Provincial government grants	62,153				62,153	50,279
Donations	21,058			8,643	29,701	63,248
Revenue from operations	18,910				18,910	21,225
Investment income	2,090		1,492	597	4,179	5,620
Rental income	-		14,817		14,817	15,513
	217,030	-	16,309	9,240	242,579	267,250
<b>EXPENSES</b>						
Amortization of capital assets		46,559			46,559	10,751
Collection acquisitions	20,880			4,095	24,975	68,834
Contract positions	20,577				20,577	21,426
Insurance	6,952		528		7,480	7,245
Operations and administration	25,469		808		26,277	30,672
Professional fees	1,800				1,800	14,089
Repairs and maintenance	4,454				4,454	11,410
Salaries and wages	79,053				79,053	60,213
Utilities and telephone	11,255		1,701		12,956	10,094
New building expenses (Note 10)	-		87,003		87,003	-
	170,440	46,559	90,040	4,095	311,134	234,734
<b>NET ORDINARY EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	46,590	(46,559)	(73,731)	5,145	(68,555)	32,516
<b>INTERFUND TRANSFERS</b>	7,674	54,694	(46,269)	(16,099)	-	-
Capitalization of Library collection	-	129,082	-	-	129,082	-
<b>FUND BALANCES, BEGINNING OF YEAR</b>	73,703	154,129	150,000	40,168	418,000	385,484
<b>FUND BALANCES, END OF YEAR</b>	\$ 127,967	\$ 291,346	\$ 30,000	\$ 29,214	\$ 478,527	\$ 418,000

Jean Elwell, Chartered Accountant

See Review Engagement Report dated March 29, 2010. The accompanying notes are an integral part of these financial statements.

SALT SPRING ISLAND PUBLIC LIBRARY ASSOCIATION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2009

	General Fund	Capital Asset Fund	Building Fund (General)	Restricted Funds	Total 2009	Total 2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Excess (deficiency) of revenues over expenses	\$ 46,590	\$ (46,559)	\$ (73,731)	\$ 5,145	\$ (68,555)	\$ 32,516
Adjustments for non-cash items						
- Amortization		46,559			46,559	10,751
Changes in non-cash working capital (Note 7)	(53,242)		54,704	(683)	779	15,600
<b>Cash flows from operating activities</b>	(6,652)	-	(19,027)	4,462	(21,217)	58,867
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Purchase of capital assets		(54,694)			(54,694)	(6,744)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Inter-fund transfers	7,674	54,694	(46,269)	(16,099)	-	-
<b>NET INCREASE (DECREASE) IN CASH</b>	1,022	-	(65,296)	(11,637)	(75,911)	52,123
<b>CASH, BEGINNING OF YEAR</b>	127,321	-	93,296	39,158	259,775	207,652
<b>CASH, END OF YEAR</b>	128,343	-	28,000	27,521	183,864	259,775
<b>CASH CONSISTS OF:</b>						
Cash	33,343	-	-	-	33,343	17,321
Term deposits	95,000		28,000	27,521	150,521	242,454
<b>\$</b>	<b>128,343</b>	<b>\$ -</b>	<b>\$ 28,000</b>	<b>\$ 27,521</b>	<b>\$ 183,864</b>	<b>\$ 259,775</b>

Jean Elwell, Chartered Accountant

See Review Engagement Report dated March 29, 2010. The accompanying notes are an integral part of these financial statements.

1. PURPOSE OF THE ORGANIZATION

Salt Spring Island Public Library Association is incorporated under the Library Act of British Columbia and is a registered charity under the Income Tax Act. It is therefore exempt from tax on its income.

The Association's objective is the operation of a public library to serve residents of Salt Spring Island. The Association maintains and operates the Mary Hawkins Memorial Library.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Fund accounting

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

The *General Fund* accounts for the Association's program delivery and administrative activity. This fund reports unrestricted resources and restricted operating funds.

The *Capital Asset Fund* reflects the investment in Capital Assets.

The *Don Kertland Memorial Fund* is an externally restricted fund established in 1985 for the purpose of receiving donations in memory of Don Kertland. Capital invested in this fund is retained along with one half of the annual interest earned; while the remaining annual interest may be expended at the discretion of the Association's Board.

The Board established a *Building Fund (General)* (initially named Replacement Capital Reserve Fund) in 1993 to provide funds for future expansion of the library. Moneys from the Building Fund are allocated at the discretion of the Board. This fund is internally restricted.

In 2008, the Board established a *Building Fund (Special)* for the purpose of aggregating donations that have restrictions, imposed by their donors, limiting their use to various aspects of the development of a new library. This fund is externally restricted.

Other Externally Restricted Funds are highlighted in Note 6.

b) Accrual basis of accounting

The financial statements have been prepared using the accrual basis of accounting. Revenues are recorded in the period which the transactions or events occurred that gave rise to the revenues. Expenditures are recorded in the period the goods and services are acquired.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

c) Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the Board to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the Board's best estimates, as additional information becomes available in the future.

d) Financial instruments

The fair market value of the accounts receivable, accounts payable and accrued liabilities approximate their carrying amount due to the relatively short periods to maturity of the instruments. The maximum credit risk exposure for all financial assets is the carrying value of that asset.

3. CONTRIBUTED SERVICES

Management estimates that volunteers contributed approximately 18,000 hours during the year to assist the Association in carrying out its activities. Because of the difficulty of determining their fair value, contributed services are not recognized in these financial statements.

4. ISLANDLINK LIBRARY FEDERATION

The Association is a founding member of the IslandLink Library Federation ("ILF") which has been formed under the Library Act. The Association agreed to hold and administer start-up funds for ILF received from the BC Government in both 2007 and 2008. The Association accounted for and transferred those funds to ILF during 2009.

5. CAPITAL ASSETS

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair market value at the date of contribution. Amortization is provided on a straight-line basis over the assets' estimated useful lives, as follows:

Buildings	30 years
Sidewalks & handrails	10 years
Furnishings & fixtures	4 years
Computer hardware & software	3 years
Library Collection	5 years

SALT SPRING ISLAND PUBLIC LIBRARY ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009

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Electronic media, paperbacks, periodicals and database subscriptions are expensed in the year of purchase. All other items in the library collection are amortized over 5 years. Capital assets which are fully amortized are not reflected in these figures.

5. CAPITAL ASSETS (CONT.)

	Cost	Accumulated Amortization	Net book value	
			2009	2008
Land	\$ 35,600	\$ —	\$ 35,600	\$ 35,600
Buildings	256,034	153,635	102,399	100,487
Sidewalks & handrails	2,524	1,983	541	601
Furnishings & fixtures	23,673	15,020	8,653	8,587
Computer hardware & software	95,439	78,746	16,693	8,853
Library collection	159,325	31,865	127,460	—
	<u>\$ 572,595</u>	<u>\$ 281,249</u>	<u>\$ 291,346</u>	<u>\$ 154,128</u>

6. EXTERNALLY RESTRICTED FUNDS

The following funds are administered in accordance with the terms imposed by the donors:

	2009	2008
Don Kertland Memorial Fund	\$ 15,169	\$ 14,957
BC Provincial Technology Grant	—	13,247
BC Provincial Equity Grant	—	75
Building Fund (Special)	12,497	11,889
Thriftys	1,548	—
TOTAL EXTERNALLY RESTRICTED FUNDS	<u>\$ 29,214</u>	<u>\$ 40,168</u>



7. SUPPLEMENTAL CASH FLOW INFORMATION

	2009	2008
Net changes in working capital balances		
Decrease (increase) in accounts receivable	\$ 3,602	\$ 18,051
Decrease (increase) in prepaid expenses	179	(1,118)
(Decrease) / increase in accounts payable	(2,977)	1,445
(Decrease) / increase in payroll remittances payable	(25)	(2,778)
	<u>\$ 779</u>	<u>\$ 15,600</u>
Cash received during the year in interest	<u>\$ 3,551</u>	<u>\$ 1,635</u>

8. LEASED PROPERTY

The Capital Regional District (the "CRD") holds property adjacent to the existing library for the purposes of the Salt Spring Island library service. The Association leases that property from the CRD at a nominal annual rent of \$10 for a five year term which expires February 28, 2011. The Association subleases the property to various parties who pay market rents for their premises.

9. CONTINGENT GOVERNMENT GRANT

In October 2009, the federal and provincial governments awarded the Association a \$4,550,984 grant for the development of a new library building under the terms of the *Building Canada Fund - Communities Component*. Grant approval was conditional on an Environmental Assessment Review, which has been completed and submitted to the granting agency but has not yet been accepted.

10. CONSTRUCTION, OWNERSHIP AND FINANCING OF NEW LIBRARY BUILDING

- a) The British Columbia *Library Act* prohibits the Association from constructing and owning a new building. In recognition of that limitation, the Association entered into an agreement with the CRD in 2006 which contemplates the construction and ownership of the new building by the CRD and its long term lease to the Association. The Association expects that it will enter into a further definitive agreement with the CRD which will specify the exact provisions of planning, construction, financing and operation of the building. The Association anticipates that such agreement will also provide that the Association's existing real estate assets will be transferred to the CRD and that the federal-provincial grant proceeds will be paid to the CRD to be applied to costs incurred by the CRD for the development of the new building.

10. CONSTRUCTION, OWNERSHIP AND FINANCING OF NEW LIBRARY BUILDING  
(cont)

- b) Additional financing of up to \$2,750,000 for the new library building has been authorized as a result of a successful referendum held in December 2009. The CRD will raise those funds from taxes levied against Salt Spring Island property owners and the CRD will use the funds for the development of the new building pursuant to the expected agreement referred to in a) above. During 2009 the Association paid for certain preliminary development and promotional work for the new building, including design fees, referendum related expenses and reimbursement for CRD staff time and costs.