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Salt Spring Island Public Library Association  
Financial Statements  
December 31, 2010

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Review Engagement Report

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Jean Elwell, Chartered Accountant

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1681 North Beach Road

Salt Spring Island, BC

V8K 1A8

Phone: (250) 538-0371

Fax: (250) 538-0372

E-mail: [jeiwell@saltspring.com](mailto:jeiwell@saltspring.com)

[www.jeanelwell.ca](http://www.jeanelwell.ca)

## REVIEW ENGAGEMENT REPORT

I have reviewed the statements of financial position of Salt Spring Island Public Library Association as at December 31, 2010 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 22, 2011

SALT SPRING ISLAND PUBLIC LIBRARY ASSOCIATION  
STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2010

	General Fund	Capital Asset Fund	Building Fund (General)	Restricted Funds	Total 2010	Total 2009
<b>CURRENT ASSETS</b>						
Cash	\$ 4,873	\$ -			\$ 4,873	\$ 33,343
Term Deposits	100,211		\$ 42,119	\$ 27,692	170,022	150,521
Short term investments	210,832				210,832	-
Accounts receivable	8,267		31,248	224	39,739	6,204
Due (to)/from other funds	34,354		(34,367)	13	-	-
Prepaid expense	7,428				7,428	8,903
	365,965	-	39,000	27,929	432,894	198,971
<b>CAPITAL ASSETS (Note 4)</b>		288,350			288,350	291,346
	365,965	288,350	39,000	27,929	721,244	\$ 490,317
<b>CURRENT LIABILITIES</b>						
Accounts payable and accrued liabilities	8,808				8,808	10,555
Government remittances payable	23				23	1,235
	8,831	-	-	-	8,831	11,790
<b>FUND BALANCES (Notes 2 &amp; 5)</b>						
Unrestricted	357,134				357,134	127,967
Invested in capital assets		288,350			288,350	291,346
Internally restricted (Note 2)			39,000		39,000	30,000
Externally restricted (Notes 2 & 5)				27,929	27,929	29,214
	357,134	288,350	39,000	27,929	712,413	478,527
	\$ 365,965	\$ 288,350	\$ 39,000	\$ 27,929	\$ 721,244	\$ 490,317

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, 2010

	General Fund	Capital Asset Fund	Building Fund (General)	Restricted Funds	Total 2010	Total 2009
<b>REVENUE</b>						
CRD grants	\$ 135,251	\$ -	\$ 31,248	\$ -	\$ 166,499	\$ 112,819
Provincial government grants	49,565				49,565	62,153
Donations	224,228			5,274	229,502	29,701
Revenue from operations	17,635				17,635	18,910
Investment income	3,205			263	3,468	4,179
Rental income	-		15,686		15,686	14,817
	<u>429,884</u>	<u>-</u>	<u>46,934</u>	<u>5,537</u>	<u>482,355</u>	<u>242,579</u>
<b>EXPENSES</b>						
Amortization of capital assets	-	45,657	-	-	45,657	46,559
Salaries and wages	87,551				87,551	79,053
Collection acquisitions	11,466			2,544	14,010	24,975
Contract positions	22,356				22,356	20,577
Operations and administration	23,888				23,888	24,261
Insurance	6,947				6,947	7,480
Training and development	522				522	191
Travel expenses	578				578	1,825
Professional fees	1,800				1,800	1,800
Utilities and services	11,818				11,818	12,956
Repairs and maintenance	5,247				5,247	4,454
Building project	-		22,780		22,780	87,003
Temporary facility	-		5,315		5,315	-
	<u>172,173</u>	<u>45,657</u>	<u>28,095</u>	<u>2,544</u>	<u>248,469</u>	<u>311,134</u>
<b>NET EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	<u>257,711</u>	<u>(45,657)</u>	<u>18,839</u>	<u>2,993</u>	<u>233,886</u>	<u>(68,555)</u>
<b>CAPITAL EXPENSES</b>	<u>(38,383)</u>	<u>42,661</u>	<u>-</u>	<u>(4,278)</u>	<u>-</u>	<u>-</u>
<b>INTER-FUND TRANSFERS</b>	<u>9,839</u>	<u>-</u>	<u>(9,839)</u>	<u>-</u>	<u>-</u>	<u>129,082</u>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>127,967</u>	<u>291,346</u>	<u>30,000</u>	<u>29,214</u>	<u>478,527</u>	<u>418,000</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 357,134</u>	<u>\$ 288,350</u>	<u>\$ 39,000</u>	<u>\$ 27,929</u>	<u>\$ 712,413</u>	<u>\$ 478,527</u>

Jean Elwell, Chartered Accountant

See Review Engagement Report dated March 22, 2011. 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, 2010

	General Fund	Capital Asset Fund	Building Fund (General)	Restricted Funds	Total 2010	Total 2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Excess (deficiency) of revenues over expenses	\$ 257,711	\$ (45,657)	\$ 18,839	\$ 2,993	\$ 233,886	\$ (68,555)
Adjustments for non-cash items						
- Amortization	-	45,657	-	-	45,657	46,559
Changes in non-cash working capital (Note 6)	(41,594)	-	5,119	1,456	(35,019)	779
<b>Cash flows from operating activities</b>	<b>216,117</b>	<b>-</b>	<b>23,958</b>	<b>4,449</b>	<b>244,524</b>	<b>(21,217)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Short term investments	(210,832)				(210,832)	
Capital assets	(38,383)			(4,278)	(42,661)	(54,694)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Inter-fund transfers	9,839		(9,839)		-	-
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(23,259)</b>	<b>-</b>	<b>14,119</b>	<b>171</b>	<b>(8,969)</b>	<b>(75,911)</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>128,343</b>	<b>-</b>	<b>28,000</b>	<b>27,521</b>	<b>183,864</b>	<b>259,775</b>
<b>CASH, END OF YEAR</b>	<b>105,084</b>	<b>-</b>	<b>42,119</b>	<b>27,692</b>	<b>174,895</b>	<b>183,864</b>
<b>CASH CONSISTS OF:</b>						
Cash	4,873	-	-	-	4,873	33,343
Term deposits	100,211	-	42,119	27,692	170,022	150,521
	<b>\$ 105,084</b>	<b>\$ -</b>	<b>\$ 42,119</b>	<b>\$ 27,692</b>	<b>\$ 174,895</b>	<b>\$ 183,864</b>

Jean Elwell, Chartered Accountant

See Review Engagement Report dated March 22, 2011. 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 5.

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 term deposits, short term investments, 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 20,000 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. 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

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.

4. CAPITAL ASSETS (cont)

	Opening Balance	Purchases	Accumulated Amortization	Net book value	
				2010	2009
Land	\$ 35,600		\$ –	\$ 35,600	\$ 35,600
Buildings	256,034		157,046	98,988	102,399
Sidewalks & handrails	2,524		2,037	487	541
Furnishings & fixtures	23,673	2,700	17,858	8,515	8,653
Computer hardware & software	95,439	2,780	85,172	13,047	16,693
Library collection	159,325	37,181	64,793	131,713	127,460
	<u>\$ 572,595</u>	<u>\$ 42,661</u>	<u>\$ 326,906</u>	<u>\$ 288,350</u>	<u>\$ 291,346</u>

5. EXTERNALLY RESTRICTED FUNDS

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

	2010	2009
Don Kertland Memorial Fund	\$ 15,281	\$ 15,169
Building Fund (Special)	12,648	12,497
Thriftys	<u>–</u>	<u>1,548</u>
TOTAL EXTERNALLY RESTRICTED FUNDS	<u>\$ 27,929</u>	<u>\$ 29,214</u>

6. SUPPLEMENTAL CASH FLOW INFORMATION

	2010	2009
Net changes in working capital balances		
Decrease (increase) in accounts receivable	\$ (33,535)	\$ 3,602
Decrease (increase) in prepaid expenses	1,475	179
(Decrease) / increase in accounts payable	(1,747)	(2,977)
(Decrease) / increase in government remittances payable	<u>(1,212)</u>	<u>(25)</u>
	<u>\$ (35,019)</u>	<u>\$ 779</u>
Cash received during the year in interest	<u>\$ 3,468</u>	<u>\$ 3,551</u>



7. LEASED PROPERTY

The Capital Regional District (the "CRD") holds property adjacent to the existing library which is intended to be used, with the existing library property, for the construction of a new library. The Association leased the adjacent property from the CRD at a nominal annual rent of \$10 for a five year term which expired February 28, 2011. Until that time, the Association sublet the property to various parties who paid market rents for their premises. The Association and the CRD have agreed to extend the lease until the beginning of construction.

8. GOVERNMENT GRANT

In October 2009, the federal and provincial governments announced a \$4,550,984 grant for the development of a new library building for Salt Spring Island under the terms of the *Building Canada Fund - Communities Component*. During 2010, the Association requested that the CRD be designated as the funding recipient and applicant under the Grant provisions. The CRD has now entered into an agreement with the federal and provincial governments to assume the obligations of the recipient of the Grant and to use the proceeds for reimbursement of costs incurred for the development of the new building (see Note 9).

9. 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 and the CRD are in the process of finalizing a further agreement which specifies the exact provisions of planning, construction, financing and operation of the building and also provides for the transfer of the Association's existing real estate assets to the CRD.
- 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 agreement referred to in a) above.