

SALT SPRING ISLAND PUBLIC LIBRARY ASSOCIATION

Financial Statements

Year Ended December 31, 2023

Draft for discussion purposes only

SALT SPRING ISLAND PUBLIC LIBRARY ASSOCIATION

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Year Ended December 31, 2023

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management is responsible for the preparation and fair presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates. The financial statements of Salt Spring Island Public Library Association have been prepared in accordance with Canadian public sector accounting standards (PSAS). When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. These statements include certain amounts based on management's estimates and judgments. Management has determined such amounts based on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board Members are neither management nor employees of the Association, are responsible for overseeing management in the performance of its financial reporting responsibilities, and ultimately responsible for reviewing and approving the financial statements.

The financial statements have been reviewed by McLean, Lizotte, Wheadon and Company, an independent practitioner appointed by the Association, in accordance with Canadian public sector accounting standards. The accompanying Independent Practitioner's Review Engagement Report outlines their responsibilities, the scope of their examination, and their opinion on the Association's financial statements.

Karen Hudson, Library Director

Richard Swann, Treasurer

Salt Spring Island, BC
February 28, 2024

INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To the Members of Salt Spring Island Public Library Association

We have reviewed the accompanying financial statements of Salt Spring Island Public Library Association (the organization) that comprise the statement of financial position as at December 31, 2023, and the statements of operations and accumulated surplus, changes in net financial assets 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 public sector accounting standards (PSAS), 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.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of Salt Spring Island Public Library Association as at December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with PSAS.

Salt Spring Island, British Columbia
March 5, 2024

MCLEAN, LIZOTTE, WHEADON AND COMPANY
Chartered Professional Accountants

SALT SPRING ISLAND PUBLIC LIBRARY ASSOCIATION

Statement of Financial Position

December 31, 2023

	2023	2022
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 398,680	\$ 324,208
Accounts receivable	21,006	14,926
Investments	561,115	467,687
Endowments (Note 3)	37,837	37,024
	<u>1,018,638</u>	<u>843,845</u>
LIABILITIES		
Accounts payable and accrued liabilities	21,182	17,221
Due to Government agencies	7,169	5,130
Deferred revenue and deposits	301,562	85,852
	<u>329,913</u>	<u>108,203</u>
NET FINANCIAL ASSETS	<u>688,725</u>	<u>735,642</u>
NON-FINANCIAL ASSETS		
Prepaid expenses	9,513	9,589
Tangible capital assets (Note 4)	338,314	294,960
	<u>347,827</u>	<u>304,549</u>
ACCUMULATED SURPLUS	<u>\$ 1,036,552</u>	<u>\$ 1,040,191</u>

ON BEHALF OF THE BOARD

Trustee

Trustee

SALT SPRING ISLAND PUBLIC LIBRARY ASSOCIATION

Statement of Operations and Accumulated Surplus

Year Ended December 31, 2023

	Budget	Total 2023	Total 2022
REVENUES			
CRD tax requisition	\$ 465,850	\$ 465,850	\$ 445,850
Other grants	53,002	137,399	35,141
Government transfers - provincial	62,125	112,181	83,899
Donations	48,281	59,527	63,456
Investment income	3,500	39,902	15,536
Operating revenue	24,600	32,383	25,038
Government transfers - federal	15,311	10,034	35,940
	<u>672,669</u>	<u>857,276</u>	<u>704,860</u>
EXPENSES			
Amortization	-	98,084	92,197
Building occupancy	99,877	100,602	93,135
Library materials	33,540	38,930	38,812
Salaries and wages	386,184	396,720	376,218
Supplies and services	163,363	226,579	133,775
	<u>682,964</u>	<u>860,915</u>	<u>734,137</u>
DEFICIT FROM OPERATIONS	(10,295)	(3,639)	(29,277)
OTHER INCOME (EXPENSES)			
Budget Contingency	(11,700)	-	-
	<u>(11,700)</u>	<u>-</u>	<u>-</u>
ANNUAL DEFICIT	(21,995)	(3,639)	(29,277)
ACCUMULATED SURPLUS - BEGINNING OF YEAR	<u>1,040,191</u>	<u>1,040,191</u>	<u>1,069,468</u>
ACCUMULATED SURPLUS - END OF YEAR	<u>\$ 1,018,196</u>	<u>\$ 1,036,552</u>	<u>\$ 1,040,191</u>

See notes to financial statements

SALT SPRING ISLAND PUBLIC LIBRARY ASSOCIATION
Statement of Changes in Net Financial Assets
Year Ended December 31, 2023

	Budget	2023	2022
ANNUAL DEFICIT	\$ (21,995)	\$ (3,639)	\$ (29,277)
Amortization of tangible capital assets	-	98,084	92,197
Additions to tangible capital assets	(97,343)	(141,437)	(93,635)
Decrease in prepaid expenses	-	75	257
	(97,343)	(43,278)	(1,181)
DECREASE IN NET FINANCIAL ASSETS	(119,338)	(46,917)	(30,458)
NET FINANCIAL ASSETS - BEGINNING OF YEAR	735,642	735,642	766,100
NET FINANCIAL ASSETS - END OF YEAR	\$ 616,304	\$ 688,725	\$ 735,642

See notes to financial statements

SALT SPRING ISLAND PUBLIC LIBRARY ASSOCIATION

Statement of Cash Flows

Year Ended December 31, 2023

	2023	2022
OPERATING ACTIVITIES		
Annual deficit	\$ (3,639)	\$ (29,277)
Item not affecting cash:		
Amortization of tangible capital assets	98,084	92,197
	<u>94,445</u>	<u>62,920</u>
Changes in non-cash working capital:		
Accounts receivable	(6,080)	102
Prepaid expenses	76	258
Accounts payable and accrued liabilities	3,960	3,999
Due to Government agencies	2,039	4,491
Deferred revenue and deposits	215,710	81,118
	<u>215,705</u>	<u>89,968</u>
Cash flow from operating activities	<u>310,150</u>	<u>152,888</u>
INVESTING ACTIVITIES		
Aquisition of tangible capital assets	(141,437)	(93,635)
Purchase of investments	(94,241)	(3,702)
Cash flow used by investing activities	<u>(235,678)</u>	<u>(97,337)</u>
INCREASE IN CASH FLOW	<u>74,472</u>	<u>55,551</u>
Cash - beginning of year	<u>324,208</u>	<u>268,657</u>
CASH - END OF YEAR	<u>\$ 398,680</u>	<u>\$ 324,208</u>

See notes to financial statements

SALT SPRING ISLAND PUBLIC LIBRARY ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2023

1. PURPOSE OF THE ORGANIZATION

Salt Spring Island Public Library Association (the "Library Association") is a not-for-profit organization Established under the Library Act of British Columbia. As a registered charity the Association is exempt from the payment of income tax under Section 149(1) of the Income Tax Act.

The Association operated the public library serving the residents of Salt Spring Island.

2. SIGNIFICANT ACCOUNTING POLICIES

Financial Statement presentation

The financial statements of the Association have been prepared in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada. Significant accounting policies adopted by the Association are as follows:

Reporting entity

The financial statements reflect the assets, liabilities, accumulated surplus, revenues and expenses of the Association. The Association does not control any external entities to be consolidated in the financial statements.

Basis of accounting

The Association follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand, term deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Investments

Investments are comprised of guaranteed income certificates and equity funds, recorded at cost. Investment income is reported as revenue in the period earned. When there is a loss in value other than a temporary decline, the investment is written down to recognize the loss.

Revenue recognition

The Association follows the deferral method of accounting.

Fines are recorded when received as a result of the difficulty in determining collectability.

Receipts that are restricted by legislation or by agreement with external parties are reported as deferred revenue. When qualifying expenses are incurred, deferred revenues are brought into revenue in equal amounts.

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SALT SPRING ISLAND PUBLIC LIBRARY ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2023

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Government transfers

Government transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made. Government transfers with stipulations are recognized as revenue when authorized and eligibility criteria have been met, except when and to the extent the transfer gives rise to an obligation that meets the definition of a liability.

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

I. Tangible capital assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributed to acquisition, construction, development or betterment of an asset. The cost, less residual value of the capital asset is amortized at the following rates, using the following methods:

Artwork	non-amortizable
Computer equipment	33% declining-balance method
Furniture and fixtures	25% declining-balance method
Library book collection	20% straight-line method

Electronic media, paperbacks, periodicals, and database subscriptions are expensed in the year of purchase.

The Association regularly reviews its tangible capital assets to eliminate obsolete items. Government grants are treated as a reduction of tangible capital assets cost.

Tangible capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

Use of estimates

Preparation of the financial statements in conformity with Canadian public sector accounting standards requires the Board to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates include assumptions used in estimating historical cost and useful lives of tangible capital assets and estimating provisions for accrued liabilities. Actual results could differ from these estimates and adjustments, if any, will be reflected in the period of settlement or upon a change in the estimate.

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SALT SPRING ISLAND PUBLIC LIBRARY ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2023

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

The Association's financial assets and liabilities are initially recognized at fair value. Financial assets include cash and cash equivalents and accounts receivable. The carrying amount of these financial instruments approximates their fair value because they are short-term in nature or because they bear interest at market rates.

Unless otherwise noted, it is management's opinion that the Association is not exposed to significant interest, liquidity or credit risk arising from these financial instruments.

3. ENDOWMENTS

Endowment records the accumulation of externally restricted and internally restricted contributions that are to be held in perpetuity. The income generated by the endowments is made available to the Association.

External restrictions refer to any conditions or specific uses that have been requested or required by the donor(s) in making a gift to the Library Association. Internal restrictions refer to those funds which the Board has earmarked for this specific purpose, where the donor(s) have not placed any restrictions on their use.

The Kertland Endowment fund represents externally restricted funds. The remaining general endowments represent externally restricted fund as per the Board's investment policy intended to be held in perpetuity.

Endowment funds are held with Investors Group Wealth Management and comprised of listed mutual funds. They are recorded at cost. When there is a loss in value other than a temporary decline, the investment is written down to recognize the loss.

	<u>2023</u>	<u>2022</u>
Kertland Endowment Fund	\$ 17,396	\$ 17,058
General Endowment Fund	<u>20,441</u>	<u>19,966</u>
	<u>\$ 37,837</u>	<u>\$ 37,024</u>

The market value of the endowment investments is \$39,228 (2022 - \$36,946).

SALT SPRING ISLAND PUBLIC LIBRARY ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2023

4. TANGIBLE CAPITAL ASSETS

<u>Cost</u>	2022 Balance	Additions	Disposals	2023 Balance
Artwork	\$ 63,722	\$ 24,526	\$ -	\$ 88,248
Books	708,610	47,938	-	756,548
Computer hardware and software	280,191	12,843	-	293,034
Furniture and equipment	436,430	41,912	-	478,342
Leasehold improvements	110,760	14,219	-	124,979
	\$ 1,599,713	\$ 141,438	\$ -	\$ 1,741,151

<u>Accumulated Amortization</u>	2022 Balance	Amortization	Accumulated Amortization on Disposals	2023 Balance
Books	\$ 617,256	\$ 46,015	\$ -	\$ 663,271
Computer hardware and software	244,222	16,108	-	260,330
Furniture and fixtures	399,316	19,757	-	419,073
Leasehold improvements	43,959	16,204	-	60,163
	\$ 1,304,753	\$ 98,084	\$ -	\$ 1,402,837

<u>Net book value</u>	2023	2022
Artwork	\$ 88,248	\$ 63,722
Books	93,277	91,354
Computer hardware and software	32,704	35,969
Furniture and equipment	59,269	37,114
Leasehold improvements	64,816	66,801
	\$ 338,314	\$ 294,960

5. DEFERRED REVENUE AND DEPOSITS

	2023	2022
Beginning balance	\$ 85,852	\$ 4,734
Funds received during the year	390,995	133,779
Funds recognized as revenue during the year	(175,285)	(52,661)
	\$ 301,562	\$ 85,852

During the year, the Library Association received funds of \$265,625 from the Ministry of Municipal Affairs for the fiscal years 2023 to 2025 as an enhancement grant. The unspent balance of this grant at December 31, 2023, recognized as deferred revenue is \$229,118.

SALT SPRING ISLAND PUBLIC LIBRARY ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2023

6. ACCUMULATED SURPLUS

Accumulated surplus is comprised of:

	2023	2022
General fund	\$ 84,152	\$ 28,030
Capital improvement fund	32,430	30,000
Endowment fund	38,231	37,442
Strategic initiative fund	204,442	217,003
Invested in tangible capital assets	338,314	294,960
Operating reserve fund	338,983	432,756
	-	-
	\$ 1,036,552	\$ 1,040,191

7. BUDGET

The unaudited budget figures presented in these financial statements are based on the operating budget approved by the Board November 15, 2022 and are presented for information purposes only.

8. ECONOMIC DEPENDENCE

The Association receives approximately 54% (2022 - 63%) of its revenues from the Capital Regional District (the "CRD"). Should this funding be cancelled or not renewed, management is of the opinion that continued viability of operations would not be assured.

9. PREMISES AND LEASE

The Library Act of British Columbia prohibits the Association from owning a building. The Association entered into an agreement in 2011 with the CRD specifying the provisions of planning, construction, financing, and operation of the building occupied by the Association and also agreed to transfer the Association's existing real estate assets to the CRD. The transfer took place in 2011 and the construction of the building has been completed.

The Association currently leases the building from the CRD at a rate of \$10 per year for a term of ten years ending March 31, 2033. The lease may then be renewed for four subsequent five-year terms at the same lease rate.

10. FINANCIAL INSTRUMENTS

The organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the organization's risk exposure and concentration as of December 31, 2023.

Market risk

(continues)

SALT SPRING ISLAND PUBLIC LIBRARY ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2023

10. FINANCIAL INSTRUMENTS (*continued*)

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. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk. The organization is mainly exposed to other price risk on the endowment investments.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The organization is exposed to other price risk through its investment in quoted shares.

Additional risk

Unless otherwise noted, it is management's opinion that the organization is not exposed to significant other price risks arising from these financial instruments.
