

Toronto Public Library Foundation

Financial Statements
December 31, 2014



May 28, 2015

Independent Auditor's Report

To the Directors of Toronto Public Library Foundation

We have audited the accompanying financial statements of Toronto Public Library Foundation, which comprise the statement of financial position as at December 31, 2014 and the statements of operations and changes in fund balances and cash flows for the year then ended, and the related notes, which comprise 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 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Toronto Public Library Foundation as at December 31, 2014 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto Public Library Foundation

Statement of Financial Position

As at December 31, 2014

	2014 \$	2013 \$
Assets		
Current assets		
Cash and cash equivalents	3,561,196	3,423,234
Short-term investments	-	781,272
Amounts receivable	35,457	17,007
Prepaid expenses	114,371	114,147
Inventory	40,174	38,313
Due from the Toronto Public Library Board (note 7)	-	3,002
Due from American Foundation for Toronto Public Library (note 7)	-	1,946
	<hr/>	<hr/>
	3,751,198	4,378,921
Tangible and intangible assets (note 4)	138,756	-
Investments (note 3)	<hr/>	<hr/>
	6,334,436	6,562,758
	<hr/>	<hr/>
	10,224,390	10,941,679
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	171,129	128,424
Due to the Toronto Public Library Board (note 7)	10,752	-
Due to American Foundation for Toronto Public Library (note 7)	2,858	-
Deferred revenue (note 8)	<hr/>	<hr/>
	154,150	232,200
	<hr/>	<hr/>
	338,889	360,624
Fund Balances		
General Fund	718,754	1,169,244
Restricted Fund (note 5)	3,608,769	4,092,317
Endowment Fund (note 6)	<hr/>	<hr/>
	5,557,978	5,319,494
	<hr/>	<hr/>
	9,885,501	10,581,055
	<hr/>	<hr/>
	10,224,390	10,941,679

Approved by the Board of Directors

Board Chair

President

The accompanying notes are an integral part of these financial statements.

Toronto Public Library Foundation

Statement of Operations and Changes in Fund Balances

For the year ended December 31, 2014

	General Fund		Restricted Fund		Endowment Fund		Total	
	2014 \$	2013 \$	2014 \$	2013 \$	2014 \$	2013 \$	2014 \$	2013 \$
Revenue								
Donations and sponsorships	1,227,853	1,137,354	2,150,499	2,760,229	224,569	62,557	3,602,921	3,960,140
Donations-in-kind	-	-	185,368	182,121	-	-	185,368	182,121
Investment income (loss)	89,007	79,134	(56,184)	(47,119)	-	-	32,823	32,015
	1,316,860	1,216,488	2,279,683	2,895,231	224,569	62,557	3,821,112	4,174,276
Expenses								
Professional fees	19,043	11,635	-	-	-	-	19,043	11,635
Development office	1,986,902	1,523,254	57,861	78,109	-	-	2,044,763	1,601,363
Grants and donations to the Toronto Public Library Board	185	5,489	2,801,972	7,223,564	-	-	2,802,157	7,229,053
Grants to others	-	-	154,869	193,914	-	-	154,869	193,914
Other	-	-	86,607	35,345	-	-	86,607	35,345
	2,006,130	1,540,378	3,101,309	7,530,932	-	-	5,107,439	9,071,310
Excess of revenue over expenses (expenses over revenue) before fair value change in investments								
	(689,270)	(323,890)	(821,626)	(4,635,701)	224,569	62,557	(1,286,327)	(4,897,034)
Fair value change in investments								
	12,061	27,688	578,712	938,026	-	-	590,773	965,714
Excess of revenue over expenses (expenses over revenue) for the year								
	(677,209)	(296,202)	(242,914)	(3,697,675)	224,569	62,557	(695,554)	(3,931,320)
Fund balances - Beginning of year								
	1,169,244	1,414,682	4,092,317	7,983,175	5,319,494	5,114,518	10,581,055	14,512,375
Transfers between funds								
	226,719	50,764	(240,634)	(193,183)	13,915	142,419	-	-
Fund balances - End of year								
	718,754	1,169,244	3,608,769	4,092,317	5,557,978	5,319,494	9,885,501	10,581,055

The accompanying notes are an integral part of these financial statements.

Toronto Public Library Foundation

Statement of Cash Flows

For the year ended December 31, 2014

	2014 \$	2013 \$
Cash provided by (used in)		
Operating activities		
Excess of expenses over revenue for the year	(695,554)	(3,931,320)
Adjustment for non-cash items		
Amortization of tangible and intangible assets	15,417	-
Fair value change in investments	(590,773)	(965,714)
Changes in non-cash working capital		
Inventory	(1,861)	2,721
Prepaid expenses	(224)	(19,413)
Amounts receivable	(18,450)	40,790
Accounts payable	42,705	(4,400)
Deferred revenue	(78,050)	33,700
Due to the Toronto Public Library Board	13,754	(3,099,736)
Due to American Foundation for Toronto Public Library	4,804	(16,893)
	<hr/>	<hr/>
	(1,308,232)	(7,960,265)
Capital activities		
Acquisition of tangible and intangible assets	<hr/>	-
	(154,173)	<hr/>
Investing activities		
Purchase of investments	(303,826)	(48,013)
Proceeds from sale of investments	<hr/>	5,584,891
	1,600,367	<hr/>
Increase (decrease) in cash and cash equivalents during the year	137,962	(2,423,387)
Cash and cash equivalents - Beginning of year	<hr/>	5,846,621
Cash and cash equivalents - End of year	<hr/>	3,423,234

The accompanying notes are an integral part of these financial statements.

Toronto Public Library Foundation

Notes to Financial Statements

December 31, 2014

1 Organization

The Toronto Public Library Foundation (the Foundation) was founded to raise funds for the Toronto Public Library (the Library), which would be used to enhance Library collections, programs, technology and facilities.

The Foundation is registered as a public foundation under Section 149(1)(f) of the Income Tax Act (Canada) and as such is exempt from income taxes and is able to issue donation receipts for income tax purposes.

2 Summary of significant accounting policies

The financial statements of the Foundation have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO). The significant accounting policies are summarized below:

Fund accounting

In order to ensure observance of the limitations and restrictions placed on the use of resources available to the Foundation, the accounts of the Foundation are maintained in accordance with the principles of fund accounting. Accordingly, resources are classified for accounting and reporting purposes into funds. These funds are held in accordance with the objectives specified by the donors or in accordance with the directives issued by the Board of Directors (the Board). Transfers between the funds are made when it is considered appropriate and authorized by the Board. To meet these objectives of financial reporting and stewardship over assets, certain interfund transfers are necessary to ensure the appropriate allocation of assets and liabilities to the respective funds. These interfund transfers are recorded in the statement of operations and changes in fund balances.

For financial reporting purposes, the accounts have been classified into the following funds:

- The General Fund reports unrestricted resources available for immediate purposes. The General Fund includes an allocation of funds from the Restricted Fund to cover costs associated with raising and administering the restricted donations in accordance with the Foundation's policy on donations and sponsorships.
- The Restricted Fund reports resources that are to be used for specific purposes as specified by the donor or by the Board.
- The Endowment Fund reports resources where either external or internal restrictions require that the principal must be maintained permanently.

Revenue recognition

The Foundation follows the restricted fund method of accounting for donations. Donations, grants and sponsorships for Library events are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Toronto Public Library Foundation

Notes to Financial Statements

December 31, 2014

Donor restricted donations for specific purposes are recognized as revenue of the Restricted Fund unless the capital is to be maintained permanently, in which case donations are recognized as revenue of the Endowment Fund.

Unrestricted donations 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.

Special events revenue is recorded in the fiscal year in which the event takes place. Revenue related to special events that take place subsequent to year-end is deferred.

Contributed materials and services

Contributed materials and services, which would otherwise be purchased, are recognized as donations-in-kind in these financial statements when the amounts are reasonably determinable based on fair value. Donations in-kind primarily represent books, advertising and printed materials.

Grants

Grants to the Library are recorded when authorized for payment by the Board.

Cash and cash equivalents

Cash and cash equivalents consist of cash and short-term investments with original maturities of less than 90 days. Cash equivalents and investments meeting the definition of cash equivalents that are held for investing rather than liquidity purposes are classified as long-term investments.

Inventory

Inventory is comprised of book bags and publications, a portion of which is held-for-sale and the remainder is provided free of charge. Inventory is recorded on a first-in, first-out basis, with inventory held-for-sale measured at the lower of cost and net realizable value, while inventory given away at no charge or nominal charge is recorded at the lower of cost and replacement cost.

Tangible and intangible assets

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

Tangible		
	Furniture, fixtures and equipment	5 years
Intangible		
	Software	5 years

Toronto Public Library Foundation

Notes to Financial Statements

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Impairment of long-lived assets

The Foundation reviews the carrying amount, amortization and useful lives of its long-lived assets regularly. If the long-lived asset no longer has any long-term service potential to the Foundation, the excess of the net carrying amount over any residual value is recognized as an expense in the statement of operations and changes in fund balances.

Investments and investment income

Investments comprising pooled investment funds and money market funds are recorded at fair value.

Investment income comprises dividends and interest income less management fees. Realized and unrealized gains (losses) for the year are recorded as fair value change in investments in the statement of operations and changes in fund balances in the fund corresponding to its required use.

Financial instruments and risk management

The Foundation utilizes various financial instruments, which are recorded at fair value on initial recognition. Financial instruments, other than investments, are subsequently measured at amortized cost, net of any provisions for impairment. Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment.

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 and financing costs incurred on acquisition, which are amortized on a straight-line basis.

The Foundation measures financial instruments as follows:

Cash and cash equivalents	fair value
Investments	fair value
Amounts receivable	amortized cost
Due from/to the Toronto Public Library Board	amortized cost
Accounts payable and accrued liabilities	amortized cost
Due to American Foundation for Toronto Public Library	amortized cost

Use of estimates

The preparation of financial statements in accordance with ASNPO requires management 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Toronto Public Library Foundation

Notes to Financial Statements

December 31, 2014

3 Investments

Investments consist of the following pooled investment funds:

	2014 \$	2013 \$
Bond	2,057,204	2,580,698
Canadian equity	2,134,797	2,371,038
US equity	1,229,275	912,680
International equity	913,160	698,342
	<hr/> <u>6,334,436</u>	<hr/> <u>6,562,758</u>

4 Tangible and intangible assets

Tangible and intangible assets consist of the following:

	Cost \$	Accumulated amortization \$	Net \$
Tangible			
Furniture, fixtures and equipment	54,101	5,410	48,691
Intangible			
Software	<hr/> 100,072	<hr/> 10,007	<hr/> 90,065
	<hr/> <u>154,173</u>	<hr/> <u>15,417</u>	<hr/> <u>138,756</u>

5 Restricted Fund

As at December 31, the Restricted Fund consists of the following:

	2014 \$	2013 \$
Internally restricted	577,947	464,030
Externally restricted	<hr/> 3,030,822	<hr/> 3,628,287
	<hr/> <u>3,608,769</u>	<hr/> <u>4,092,317</u>

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6 Endowment Fund

The Endowment Fund consists of the following:

	2014 \$	2013 \$
Externally endowed funds		
Income must be used for restricted purposes	2,912,826	2,683,257
Income for general purposes	85,025	85,025
Internally endowed funds		
Income must be used for restricted purposes	<u>2,560,127</u>	<u>2,551,212</u>
	<u>5,557,978</u>	<u>5,319,494</u>

In 2014, a total investment gain of \$496,264 (2013 - \$805,320) was earned on investments held in the Endowment Fund and reflected as part of the fair value change in investments in restricted fund.

7 Related party transactions

Pursuant to a Letter of Understanding between the Library and the Foundation, the Foundation has primary responsibility for fundraising on behalf of the Library. The Foundation is not controlled by the Library and the majority of the Foundation's directors are not appointed by the Library. The Library provides certain services at no charge to the Foundation including payroll administration, office space, furniture and equipment and the provision of utilities, cleaning, premises insurance and maintenance.

The American Foundation for the Toronto Public Library is an IRS tax-exempt 501(c)(3) non-profit corporation formed under the laws of the state of New York. The mission of the American Foundation for the Toronto Public Library is primarily to support the Toronto Public Library. The assets, liabilities, fund balances, revenues and expenses of the American Foundation are not included in these financial statements. Donations of US\$13,675 received during the year ended December 31, 2014 (2013 - US\$3,514) by the American Foundation are expected to be granted to the Foundation in fiscal 2014 on approval by the American Foundation's board of directors. During the year, donations of \$3,514 (2013 - \$33,998) were granted by the American Foundation's board of directors.

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8 Deferred revenue

A reconciliation of the deferred revenue balance is as follows:

	2014 \$	2013 \$
Opening balance	232,200	198,500
Amounts received during the year	154,150	232,200
Amounts recognized as revenue	<u>(232,200)</u>	<u>(198,500)</u>
Closing balance	154,150	232,200

9 Fund transfers

- a) During the year ended December 31, 2014, the Board approved an internal transfer of \$64,873 (2013 - \$201,094) from the General Fund to the Restricted Fund for the promotion of the Library's programs and collections. There were no internal transfers (2013 - \$105,541) from the General Fund to the Endowment Fund to leverage fund balances.
- b) The Board approved an internal transfer of \$291,592 (2013 - \$357,399) from the Restricted Fund to the General Fund for administration of the Friends funds and fundraising purposes, and an internal transfer of \$13,915 (2013 - \$1,686) from the Restricted Fund to the Endowment Fund to leverage fund balances.
- c) During the year ended December 31, 2014, there were no internal transfers (2013 - \$35,192) from the Endowment Fund to the Restricted Fund.

10 Life insurance

A planned giving program exists whereby the Foundation accepts insurance policies from individuals. The Foundation is the owner and beneficiary of policies totalling approximately \$200,000 (2013 - \$200,000).

No value has been reflected in these financial statements with respect to the policies. The insured value will be recognized as income when the cash is received by the Foundation.

11 Line of credit

The Foundation has available a line of credit to a maximum of \$45,000 bearing interest at 2% as at December 31, 2014. The line of credit is collateralized by a general security agreement, which represents a first charge on all of the Foundation's assets and undertakings. No amounts have been drawn on this facility as at December 31, 2014 (2013 - \$nil).

12 Financial instruments and risk management

The Foundation is subject to market risk, which includes interest rate, price and currency and credit risk with respect to its financial instruments. These risks are managed and monitored in accordance with the Foundation's investment policy.

Toronto Public Library Foundation

Notes to Financial Statements

December 31, 2014

Market risk

- Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of the securities held by pooled investment funds in which the Foundation has invested. The Foundation has formal policies and procedures that establish target asset mix, minimum credit ratings and varying terms of the securities held.

- Price risk

The Foundation is exposed to equity securities price risk through its investments in equity pooled investment funds. The Foundation mitigates this risk through controls to monitor and limit concentration levels.

- Currency risk

Currency risk is the risk to the Foundation's earnings that arises from fluctuations in foreign exchange rates on its investments and the degree of volatility of these rates. The Foundation is exposed to currency risk through its investment in international equity pooled investment funds.

Credit risk

Credit risk is the risk one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Foundation is exposed to credit risk primarily through its investments with various financial institutions. Management considers the credit risk to be low as the Foundation only places its investments with reputable and financially stable organizations.