

Toronto Public Library Foundation

Financial Statements
December 31, 2011



June 21, 2012

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, 2011 and the statement of operations and changes in fund balances 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 generally accepted accounting principles, 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 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, 2011 and the results of its operations and the changes in its fund balances for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

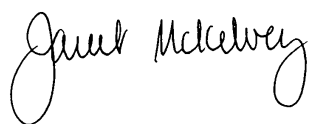
Toronto Public Library Foundation

Statement of Financial Position

As at December 31, 2011

	2011 \$	2010 \$
Assets		
Current assets		
Cash and cash equivalents	4,340,181	1,872,276
Short-term investments	5,415,528	6,728,615
Amounts receivable	43,089	22,054
Prepaid expenses	69,635	94,028
Inventory	43,465	53,765
Due from the Toronto Public Library Board (note 7)	-	5,164
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	9,911,898	8,775,902
Investments (note 3)	<hr/>	<hr/>
	7,999,178	9,170,118
	<hr/>	<hr/>
	17,911,076	17,946,020
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	177,094	49,204
Due to the Toronto Public Library Board (note 7)	1,317,944	-
Due to American Foundation for Toronto Public Library (note 7)	8,243	6,905
Deferred revenue	230,700	127,467
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	1,733,981	183,576
Fund Balances		
General Fund	1,341,370	944,768
Restricted Fund (note 4)	10,044,590	12,272,549
Endowment Fund (note 5)	4,791,135	4,545,127
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	16,177,095	17,762,444
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	17,911,076	17,946,020

Approved by the Board of Directors



Board Chair



President

Toronto Public Library Foundation
Statement of Operations and Changes in Fund Balances
For the year ended December 31, 2011

	General Fund		Restricted Fund		Endowment Fund		Total	
	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$
Revenue								
Donations and sponsorships	2,176,386	969,040	3,966,968	1,801,331	35,044	44,464	6,178,398	2,814,835
Donations-in-kind (note 6)	23,480	5,872	268,656	545,697	-	-	292,136	551,569
Investment income	84,737	111,989	136,906	718,387	-	-	221,643	830,376
	<u>2,284,603</u>	<u>1,086,901</u>	<u>4,372,530</u>	<u>3,065,415</u>	<u>35,044</u>	<u>44,464</u>	<u>6,692,177</u>	<u>4,196,780</u>
Expenses								
Professional fees	40,475	10,726	1,559	25,833	-	-	42,034	36,559
Development office	1,133,741	1,212,493	159,508	267,152	-	-	1,293,249	1,479,645
Grants and donations to the Toronto Public Library Board	3,229	2,499	6,743,573	6,140,714	-	-	6,746,802	6,143,213
Grants to others	-	-	94,974	120,605	-	-	94,974	120,605
Other	839	791	99,628	120,287	-	-	100,467	121,078
	<u>1,178,284</u>	<u>1,226,509</u>	<u>7,099,242</u>	<u>6,674,591</u>	<u>-</u>	<u>-</u>	<u>8,277,526</u>	<u>7,901,100</u>
Excess of revenue over expenses (expenses over revenue) for the year	1,106,319	(139,608)	(2,726,712)	(3,609,176)	35,044	44,464	(1,585,349)	(3,704,320)
Fund balances - Beginning of year	944,768	934,845	12,272,549	16,233,946	4,545,127	4,297,973	17,762,444	21,466,764
Transfers between funds	(709,717)	149,531	498,753	(352,221)	210,964	202,690	-	-
Fund balances - End of year	<u>1,341,370</u>	<u>944,768</u>	<u>10,044,590</u>	<u>12,272,549</u>	<u>4,791,135</u>	<u>4,545,127</u>	<u>16,177,095</u>	<u>17,762,444</u>

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

Toronto Public Library Foundation

Notes to Financial Statements

December 31, 2011

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 generally accepted accounting principles. 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, 2011

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 are deferred.

Grants

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

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.

Cash and cash equivalents

Cash and cash equivalents consist of cash and short-term investments with original maturities of less than 90 days. Cash and investments meeting the definition of cash and 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.

Investments and investment income

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

Investment income includes dividends, interest, and realized and unrealized gains (losses) for the year and is recorded in the statement of operations and changes in fund balances in the fund corresponding to its required use.

Toronto Public Library Foundation

Notes to Financial Statements

December 31, 2011

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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.

Financial instruments and risk management

Investments are classified as held-for-trading and are recorded at fair value. Transaction costs related to investments classified as held-for-trading are expensed as incurred. For certain of the Foundation's other financial instruments, including cash and cash equivalents, accounts receivable and due from related parties (which are classified as loans and receivables), accounts payable and accrued liabilities and due to related parties (which are classified as other liabilities), their carrying values approximate their fair values due to their short-term maturities.

3 Investments

Investments consist of the following:

	2011		2010	
	Cost \$	Fair value \$	Cost \$	Fair value \$
Pooled investment funds				
Bond	5,140,024	5,244,871	6,107,696	6,172,393
Canadian equity	1,477,139	1,474,400	1,435,445	1,643,283
US equity	627,138	739,440	644,338	776,949
International equity	698,750	540,467	661,042	577,493
	<u>7,943,051</u>	<u>7,999,178</u>	<u>8,848,521</u>	<u>9,170,118</u>

4 Restricted Fund

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

	2011 \$	2010 \$
Internally restricted	56,895	164,194
Externally restricted	9,987,695	12,108,355
	<u>10,044,590</u>	<u>12,272,549</u>

Toronto Public Library Foundation

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5 Endowment Fund

The Endowment Fund consists of the following:

	2011 \$	2010 \$
Externally endowed funds		
Income must be used for restricted purposes	2,451,322	2,481,672
Income for general purposes	85,026	83,975
Internally endowed funds		
Income must be used for restricted purposes	2,254,787	1,979,480
	<u>4,791,135</u>	<u>4,545,127</u>

In 2011, total investment loss of \$97,690 (2010 - income \$440,793) was earned on investments held in the Endowment Fund. Of this total: \$162,688 (2010 - \$148,869) was made available for spending and recorded as investment income of the Restricted Fund; \$3,229 (2010 - \$3,062) was made available for spending and recorded as investment income of the General Fund; and \$55,704 (2010 - \$51,022) was made available to cover administration expenses and recorded as investment income of the General Fund.

6 Donations-in-kind

During the year, the Foundation received donations-in-kind of \$292,136 (2010 - \$551,569), which primarily comprised books, advertising and printed materials.

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 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 Toronto Public Library (the American Foundation) is an organization independent of the Foundation incorporated in the State of New York for the sole purpose of allowing residents of the United States the opportunity to effectively donate to the Foundation and receive a receipt for US income tax purposes. The assets, liabilities, fund balances, revenues and expenses of the American Foundation are not included in these financial statements. Donations of US\$18,923 received during the year ended December 31, 2011 (2010 - US\$31,249) by the American Foundation are expected to be granted to the Foundation in fiscal 2012 on approval by the American Foundation's Board of Directors. During the year, donations of \$31,249 (2010 - \$8,147) were granted by the American Foundation's Board of Directors.

8 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 (2010 - \$200,000). The donors of these policies continue to fund the premiums on these policies.

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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.

9 Line of credit

The Foundation has available a line of credit to a maximum of \$35,000 bearing interest at 2% as at December 31, 2011. 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, 2011.

10 Statement of cash flows

A separate statement of cash flows has not been presented since cash flows from operating, investing and financing activities are readily apparent from the other financial statements.

11 Financial instruments and risk management

The Foundation is subject to market risk, foreign currency risk and interest rate price risk with respect to its investment portfolio. To manage these risks, the Foundation has established a target mix of investment types designed to achieve the optimal return within reasonable risk tolerances.

12 Capital management

The Foundation defines its capital as amounts comprising its fund balances. In managing capital, the Foundation focuses on liquid resources available for operations.

The Foundation's objective is to have sufficient liquid resources to safeguard its ability to continue as a going concern and to provide it with the flexibility to take advantage of opportunities that will advance its purposes.

The Foundation has internal control processes to ensure any external restrictions are met prior to the utilization of these resources and has been in compliance with these restrictions throughout the year.

The Foundation manages its fund balances structure by making adjustments to it in light of changes in economic conditions and the requirement for cash flows. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to budget.

As at December 31, 2011, the Foundation has met its objective of having sufficient liquid resources to meet its current obligations.

13 Comparative figures

Certain reclassifications have been made to the prior year's financial statements, where appropriate, to conform to the current year's financial statement presentation.