

Toronto Public Library Foundation

Financial Statements
**December 31, 2012, December 31, 2011
and January 1, 2011**



May 28, 2013

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 statements of financial position as at December 31, 2012, December 31, 2011 and January 1, 2011 and the statements of operations and changes in fund balances and cash flows for the years ended December 31, 2012 and December 31, 2011, 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 audits. We conducted our audits 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

**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, 2012, December 31, 2011 and January 1, 2011 and the results of its operations, changes in its fund balances and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

Comparative information

Without modifying our opinion, we draw attention to note 2 to the financial statements, which describes that Toronto Public Library Foundation adopted Canadian accounting standards for not-for-profit organizations on January 1, 2012 with a transition date of January 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statements of financial position as at December 31, 2011 and January 1, 2011 and the statements of operations and changes in fund balances and cash flows for the year ended December 31, 2011 and related disclosures.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants,

Toronto Public Library Foundation

Statements of Financial Positions

	December 31, 2012 \$	December 31, 2011 \$	January 1 2011 \$
Assets			
Current assets			
Cash and cash equivalents	5,846,621	4,340,181	1,872,276
Short-term investments	4,004,767	5,415,528	6,728,615
Amounts receivable	57,798	43,089	22,054
Prepaid expenses	94,734	69,635	94,028
Inventory	41,034	43,465	53,765
Due from the Toronto Public Library Board	-	-	5,164
	10,044,954	9,911,898	8,775,902
Investments (note 4)	7,910,426	7,999,178	9,170,118
	17,955,380	17,911,076	17,946,020
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	132,824	177,094	49,204
Due to the Toronto Public Library Board (note 8)	3,096,734	1,317,944	-
Due to American Foundation for Toronto Public Library (note 8)	14,947	8,243	6,905
Deferred revenue (note 9)	198,500	230,700	127,467
	3,443,005	1,733,981	183,576
Fund Balances			
General Fund	1,414,682	1,341,370	944,768
Restricted Fund (note 5)	7,983,175	10,044,590	12,272,549
Endowment Fund (note 6)	5,114,518	4,791,135	4,545,127
	14,512,375	16,177,095	17,762,444
	17,955,380	17,911,076	17,946,020

Approved by the Board of Directors



Board Chair



President

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

Toronto Public Library Foundation

Statements of Operations and Changes in Fund Balances

For the years ended December 31, 2012 and December 31, 2011

	General Fund		Restricted Fund		Endowment Fund		Total	
	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$
Revenue								
Donations and sponsorships	1,195,052	2,176,386	3,228,313	3,966,968	40,544	35,044	4,463,909	6,178,398
Donations-in-kind (note 7)	-	23,480	128,114	268,656	-	-	128,114	292,136
Investment income (expense)	77,883	51,756	(45,763)	(41,919)	-	-	32,120	9,837
	1,272,935	2,251,622	3,310,664	4,193,705	40,544	35,044	4,624,143	6,480,371
Expenses								
Professional fees	16,461	13,057	-	-	-	-	16,461	13,057
Development office	1,366,346	1,156,852	105,716	130,746	-	-	1,472,062	1,287,598
Grants and donations to the Toronto Public Library Board	8,968	3,229	5,190,758	6,743,573	-	-	5,199,726	6,746,802
Grants to others	-	-	123,320	94,974	-	-	123,320	94,974
Other	821	839	42,143	57,077	-	-	42,964	57,916
	1,392,596	1,173,977	5,461,937	7,026,370	-	-	6,854,533	8,200,347
Excess of revenue over expenses (expenses over revenue) before fair value change in investments	(119,661)	1,077,645	(2,151,273)	(2,832,665)	40,544	35,044	(2,230,390)	(1,719,976)
Fair value change in investments	16,937	28,674	548,733	105,953	-	-	565,670	134,627
Excess of revenue over expenses (expenses over revenue) for the year	(102,724)	1,106,319	(1,602,540)	(2,726,712)	40,544	35,044	(1,664,720)	(1,585,349)
Fund balances - Beginning of year	1,341,370	944,768	10,044,590	12,272,549	4,791,135	4,545,127	16,177,095	17,762,444
Transfers between funds	176,036	(709,717)	(458,875)	498,753	282,839	210,964	-	-
Fund balances - End of year	1,414,682	1,341,370	7,983,175	10,044,590	5,114,518	4,791,135	14,512,375	16,177,095

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

Toronto Public Library Foundation

Statements of Cash Flows

For the years ended December 31, 2012 and December 31, 2011

	2012 \$	2011 \$
Cash provided by (used in)		
Operating activities		
Excess of expenses over revenue for the year	(1,664,720)	(1,585,349)
Adjustment for non-cash item		
Fair value change in investments	(565,670)	(134,627)
Changes in non-cash working capital		
Inventory	2,431	10,300
Prepaid expenses	(25,099)	24,393
Amounts receivable	(14,709)	(21,035)
Accounts payable	(44,270)	127,890
Deferred revenue	(32,200)	103,233
Due to the Toronto Public Library Board	1,778,790	1,323,108
Due to American Foundation for Toronto Public Library	6,704	1,338
	<u>(558,743)</u>	<u>(150,749)</u>
Investing activities		
Purchase of investments	(454,815)	(1,071,967)
Proceeds from sale of investments	2,519,998	3,690,621
	<u>2,065,183</u>	<u>2,618,654</u>
Increase in cash and cash equivalents for the year	1,506,440	2,467,905
Cash and cash equivalents - Beginning of year	4,340,181	1,872,276
Cash and cash equivalents - End of year	<u>5,846,621</u>	<u>4,340,181</u>

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

Toronto Public Library Foundation

Notes to Financial Statements

December 31, 2012, December 31, 2011 and January 1, 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 Transition to Canadian accounting standards for not-for-profit organizations

Effective January 1, 2012, the Foundation elected to adopt Canadian accounting standards for not-for-profit organizations (ASNPO) as issued by the Canadian Accounting Standards Board. Subject to certain transition elections, the accounting policies selected under this framework have been applied consistently and retrospectively as if these policies had always been in effect. The Foundation has utilized the following transitional exemption on the adoption of ASNPO:

- In accordance with the ASNPO transitional provisions, the Foundation has elected to measure its investments at fair value, with subsequent changes in fair value to be recognized in the statements of operations.

There were no adjustments to the statements of financial position or the statements of operations and changes in fund balances and cash flows as a result of transitioning to ASNPO.

3 Summary of significant accounting policies

The financial statements of the Foundation have been prepared in accordance with 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 statements 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.

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- 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.

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.

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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 statements of operations and changes in fund balances in the fund corresponding to its required use.

Use of estimates

The preparation of financial statements in conformity 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.

Financial instruments and risk management

The Foundation utilizes various financial instruments which are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Foundation has elected to carry all its investments at fair value. 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

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4 Investments

Investments consist of the following:

	2012 \$	2011 \$
Pooled investment funds		
Bond	4,703,954	5,244,871
Canadian equity	1,906,273	1,474,400
US equity	764,676	739,440
International equity	535,523	540,467
	<hr/> 7,910,426	<hr/> 7,999,178

5 Restricted Fund

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

	2012 \$	2011 \$
Internally restricted	105,643	56,895
Externally restricted	7,877,532	9,987,695
	<hr/> 7,983,175	<hr/> 10,044,590

6 Endowment Fund

The Endowment Fund consists of the following:

	2012 \$	2011 \$
Externally endowed funds		
Income must be used for restricted purposes	2,603,934	2,451,322
Income for general purposes	85,025	85,026
Internally endowed funds		
Income must be used for restricted purposes	2,425,559	2,254,787
	<hr/> 5,114,518	<hr/> 4,791,135

In 2012, total investment gain of \$459,684 (2011 - loss of \$97,690) was earned on investments held in the Endowment Fund. Of this total: \$5,543 (2011 - \$162,688) was made available for spending and recorded as investment income of the Restricted Fund; \$3,053 (2011 - \$3,229) was made available for spending and recorded as investment income of the General Fund; and \$52,402 (2011 - \$55,704) was made available to cover administration expenses and recorded as investment income of the General Fund.

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7 Donations-in-kind

During the year, the Foundation received donations-in-kind of \$128,114 (2011 - \$292,136), which primarily comprised books, advertising and printed materials.

8 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\$21,100 received during the year ended December 31, 2012 (2011 - US\$18,923) by the American Foundation are expected to be granted to the Foundation in fiscal 2013 on approval by the American Foundation's board of directors. During the year, donations of \$18,923 (2011 - \$31,249) were granted by the American Foundation's board of directors.

9 Deferred revenue

A reconciliation of the deferred revenue balance is as follows:

	2012 \$	2011 \$
Opening balance	230,700	127,467
Amounts received during the year	198,500	230,700
Amounts recognized as revenue	(230,700)	(127,467)
Closing balance	<u>198,500</u>	<u>230,700</u>

10 Funds transfers

- a) During the year ended December 31, 2012, the board approved an internal transfer of \$181,931 (2011 - \$610,512) from the General Fund to the Restricted Fund for the promotion of the Library's programs and collections, and an internal transfer of \$nil (2011 - \$400,000) from the General Fund to the Endowment Fund to leverage fund balances.
- b) The board approved an internal transfer of \$357,967 (2011 - \$300,795) from the Restricted Fund to the General Fund for administration of the Friends funds and fundraising purposes, and internal transfer of \$18,653 (2011 - \$20,307) from the Restricted Fund to the Endowment Fund to leverage fund balances.

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- c) The board approved the transfer of a portion of the income on investments held for the Endowment Fund that were recorded in the Restricted Fund. An amount of \$264,186 was recorded as a transfer from the Restricted Fund to the Endowment Fund (2011 - \$209,343 from the Endowment Fund to the Restricted Fund).

11 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 (2011 - \$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.

12 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, 2012. 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, 2012.

13 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.

14 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.