

**Toronto Public Library
Foundation**

Financial Statements
December 31, 2013



July 4, 2014

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, 2013, 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.

*PricewaterhouseCoopers LLP
North American Centre, 5700 Yonge Street, Suite 1900, North York, Ontario, Canada M2M 4K7
T: +1 416 218 1500, F: +1 416 218 1499*



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, 2013 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, 2013

	2013 \$	2012 \$
Assets		
Current assets		
Cash and cash equivalents	3,423,234	5,846,621
Short-term investments	781,272	4,004,767
Amounts receivable	17,007	57,798
Prepayment	114,147	94,734
Inventory	38,313	41,034
Due from the Toronto Public Library Board (note 7)	3,002	-
Due from American Foundation for Toronto Public Library (note 7)	1,946	-
	<u>4,378,921</u>	<u>10,044,954</u>
Investments (note 3)	<u>6,562,758</u>	<u>7,910,426</u>
	<u>10,941,679</u>	<u>17,955,380</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	128,424	132,824
Due to the Toronto Public Library Board (note 7)	-	3,096,734
Due to American Foundation for Toronto Public Library (note 7)	-	14,947
Deferred revenue (note 8)	232,200	198,500
	<u>360,624</u>	<u>3,443,005</u>
Fund Balances		
General Fund	1,169,244	1,414,682
Restricted Fund (note 4)	4,092,317	7,983,175
Endowment Fund (note 5)	5,319,494	5,114,518
	<u>10,581,055</u>	<u>14,512,375</u>
	<u>10,941,679</u>	<u>17,955,380</u>

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, 2013

	General Fund		Restricted Fund		Endowment Fund		Total	
	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$
Revenue								
Donations and sponsorships	1,137,354	1,195,052	2,760,229	3,228,313	62,557	40,544	3,960,140	4,463,909
Donations-in-kind (note 6)	-	-	182,121	128,114	-	-	182,121	128,114
Investment income (expense)	79,134	77,883	(47,119)	(45,763)	-	-	32,015	32,120
	<u>1,216,488</u>	<u>1,272,935</u>	<u>2,895,231</u>	<u>3,310,664</u>	<u>62,557</u>	<u>40,544</u>	<u>4,174,276</u>	<u>4,624,143</u>
Expenses								
Professional fees	11,635	16,461	-	-	-	-	11,635	16,461
Development office	1,523,254	1,366,346	78,109	105,716	-	-	1,601,363	1,472,062
Grants and donations to the Toronto Public Library Board	5,489	8,968	7,223,564	5,190,758	-	-	7,229,053	5,199,726
Grants to others	-	-	193,914	123,320	-	-	193,914	123,320
Other	-	821	35,345	42,143	-	-	35,345	42,964
	<u>1,540,378</u>	<u>1,392,596</u>	<u>7,530,932</u>	<u>5,461,937</u>	<u>-</u>	<u>-</u>	<u>9,071,310</u>	<u>6,854,533</u>
Excess of revenue over expenses (expenses over revenue) before fair value change in investments	(323,890)	(119,661)	(4,635,701)	(2,151,273)	62,557	40,544	(4,897,034)	(2,230,390)
Fair value change in investments	27,688	16,937	938,026	548,733	-	-	965,714	565,670
Excess of revenue over expenses (expenses over revenue) for the year	(296,202)	(102,724)	(3,697,675)	(1,602,540)	62,557	40,544	(3,931,320)	(1,664,720)
Fund balances - Beginning 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
Transfers between funds	50,764	176,036	(193,183)	(458,875)	142,419	282,839	-	-
Fund balances - End of year	<u>1,169,244</u>	<u>1,414,682</u>	<u>4,092,317</u>	<u>7,983,175</u>	<u>5,319,494</u>	<u>5,114,518</u>	<u>10,581,055</u>	<u>14,512,375</u>

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, 2013

	2013 \$	2012 \$
Cash provided by (used in)		
Operating activities		
Excess of expenses over revenue for the year	(3,931,320)	(1,664,720)
Adjustment for non-cash item		
Fair value change in investments	(965,714)	(565,670)
Changes in non-cash working capital		
Inventory	2,721	2,431
Prepaid expenses	(19,413)	(25,099)
Amounts receivable	40,790	(14,709)
Accounts payable	(4,400)	(44,270)
Deferred revenue	33,700	(32,200)
Due to the Toronto Public Library Board	(3,099,736)	1,778,790
Due to American Foundation for Toronto Public Library	(16,893)	6,704
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	(7,960,265)	(558,743)
Investing activities		
Purchase of investments	(48,013)	(454,815)
Proceeds from sale of investments	5,584,891	2,519,998
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	5,536,878	2,065,183
Increase (decrease) in cash and cash equivalents during the year	(2,423,387)	1,506,440
Cash and cash equivalents - Beginning of year	5,846,621	4,340,181
Cash and cash equivalents - End of year	<hr/>	<hr/>
	3,423,234	5,846,621

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

Toronto Public Library Foundation

Notes to Financial Statements

December 31, 2013

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, 2013

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.

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.

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.

Toronto Public Library Foundation

Notes to Financial Statements

December 31, 2013

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

3 Investments

Investments consist of the following:

	2013 \$	2012 \$
Pooled investment funds		
Bond	2,580,698	4,703,954
Canadian equity	2,371,038	1,906,273
US equity	912,680	764,676
International equity	698,342	535,523
	<u>6,562,758</u>	<u>7,910,426</u>

4 Restricted Fund

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

	2013 \$	2012 \$
Internally restricted	464,030	105,643
Externally restricted	3,628,287	7,877,532
	<u>4,092,317</u>	<u>7,983,175</u>

Toronto Public Library Foundation

Notes to Financial Statements

December 31, 2013

5 Endowment Fund

The Endowment Fund consists of the following:

	2013 \$	2012 \$
Externally endowed funds		
Income must be used for restricted purposes	2,683,257	2,603,934
Income for general purposes	85,025	85,025
Internally endowed funds		
Income must be used for restricted purposes	2,551,212	2,425,559
	<u>5,319,494</u>	<u>5,114,518</u>

In 2013, a total investment gain of \$902,533 (2012 - \$459,684) was earned on investments held in the Endowment Fund. Of this total: \$138,023 (2012 - \$5,543) was made available for spending and recorded as investment income of the Restricted Fund; \$3,269 (2012 - \$3,053) was made available for spending and recorded as investment income of the General Fund; and \$62,644 (2012 - \$52,402) 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 \$182,121 (2012 - \$128,114), 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 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\$3,514 received during the year ended December 31, 2013 (2012 - US\$21,100) 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 \$33,998 (2012 - \$18,923) were granted by the American Foundation's board of directors.

Toronto Public Library Foundation

Notes to Financial Statements

December 31, 2013

8 Deferred revenue

A reconciliation of the deferred revenue balance is as follows:

	2013 \$	2012 \$
Opening balance	198,500	230,700
Amounts received during the year	232,200	198,500
Amounts recognized as revenue	(198,500)	(230,700)
	<hr/>	<hr/>
Closing balance	232,200	198,500

9 Fund transfers

- a) During the year ended December 31, 2013, the Board approved an internal transfer of \$201,094 (2012 - \$181,931) from the General Fund to the Restricted Fund for the promotion of the Library's programs and collections, and an internal transfer of \$105,541 (2012 - \$nil) from the General Fund to the Endowment Fund to leverage fund balances.
- b) The Board approved an internal transfer of \$357,399 (2012 - \$357,967) from the Restricted Fund to the General Fund for administration of the Friends funds and fundraising purposes, and internal transfer of \$1,686 (2012 - \$18,653) from the Restricted Fund to the Endowment Fund to leverage fund balances.
- 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 \$35,192 was recorded as a transfer from the Restricted Fund to the Endowment Fund (2012 - \$264,186 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 (2012 - \$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 \$40,000 bearing interest at 2% as at December 31, 2013. 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, 2013.

Toronto Public Library Foundation

Notes to Financial Statements

December 31, 2013

12 Financial instruments and risk management

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

Market risk

- Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of fixed income 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.