

**Toronto Public Library
Foundation**

Financial Statements
December 31, 2018



Independent auditor's report

To the Directors of Toronto Public Library Foundation

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Toronto Public Library Foundation (the Foundation) as at December 31, 2018 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.

What we have audited

The Foundation's financial statements comprise:

- the statement of financial position as at December 31, 2018;
 - the statement of operations and changes in fund balances;
 - the statement of cash flows for the year then ended; and
 - the notes to the financial statements, which include a summary of significant accounting policies.
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Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the 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.

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



In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
July 15, 2019

Toronto Public Library Foundation

Statement of Financial Position

As at December 31, 2018

	2018 \$	2017 \$
Assets		
Current assets		
Cash and cash equivalents	3,292,779	3,951,013
Amounts receivable	37,003	24,010
Prepaid expenses	19,862	16,995
	<u>3,349,644</u>	<u>3,992,018</u>
Tangible and intangible assets (note 4)	15,415	46,251
Investments (note 3)	<u>6,781,013</u>	<u>6,312,522</u>
	<u>10,146,072</u>	<u>10,350,791</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	172,884	300,996
Due to the Toronto Public Library Board (note 7)	219,124	85,452
Due to American Foundation for Toronto Public Library (note 7)	5,501	7,287
Deferred revenue	116,500	95,024
	<u>514,009</u>	<u>488,759</u>
Fund Balances		
General Fund	544,389	503,562
Restricted Fund (note 5)	3,256,928	3,713,080
Endowment Fund (note 6)	<u>5,830,746</u>	<u>5,645,390</u>
	<u>9,632,063</u>	<u>9,862,032</u>
	<u>10,146,072</u>	<u>10,350,791</u>

Approved by the Board of Directors



Board Chair



Treasurer

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, 2018

	General Fund		Restricted Fund		Endowment Fund		Total	
	2018 \$	2017 \$	2018 \$	2017 \$	2018 \$	2017 \$	2018 \$	2017 \$
Revenue								
Donations and sponsorships	1,731,369	2,331,470	3,950,290	2,383,530	40,445	24,895	5,722,104	4,739,895
Donations in-kind	-	-	244,998	182,779	-	-	244,998	182,779
Investment income (note 12)	160,745	121,455	488,887	529,692	-	-	649,632	651,147
	<u>1,892,114</u>	<u>2,452,925</u>	<u>4,684,175</u>	<u>3,096,001</u>	<u>40,445</u>	<u>24,895</u>	<u>6,616,734</u>	<u>5,573,821</u>
Expenses								
Professional fees	11,753	4,190	-	-	-	-	11,753	4,190
Development office	2,187,243	2,009,148	1,000	8,530	-	-	2,188,243	2,017,678
Grants and donations to the Toronto Public Library Board	-	-	4,036,116	2,947,813	-	-	4,036,116	2,947,813
Grants to others	100	100	19,337	17,000	-	-	19,437	17,100
Other	-	-	17,783	43,542	-	-	17,783	43,542
	<u>2,199,096</u>	<u>2,013,438</u>	<u>4,074,236</u>	<u>3,016,885</u>	<u>-</u>	<u>-</u>	<u>6,273,332</u>	<u>5,030,323</u>
Excess (deficiency) of revenue over expenses before fair value change in investments	(306,982)	439,487	609,939	79,116	40,445	24,895	343,402	543,498
Fair value change in investments	-	-	(573,371)	10,277	-	-	(573,371)	10,277
Excess (deficiency) of revenue over expenses for the year	(306,982)	439,487	36,568	89,393	40,445	24,895	(229,969)	553,775
Fund balances – Beginning of year	503,562	281,933	3,713,080	3,419,769	5,645,390	5,606,555	9,862,032	9,308,257
Transfers between funds (note 8)	347,809	(217,858)	(492,720)	203,918	144,911	13,940	-	-
Fund balances – End of year	<u>544,389</u>	<u>503,562</u>	<u>3,256,928</u>	<u>3,713,080</u>	<u>5,830,746</u>	<u>5,645,390</u>	<u>9,632,063</u>	<u>9,862,032</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, 2018

	2018 \$	2017 \$
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses for the year	(229,969)	553,775
Adjustment for non-cash items		
Amortization of tangible assets	10,821	10,821
Amortization of intangible assets	20,015	20,015
Fair value change in investments	573,371	(10,277)
Investment income reinvested	(557,474)	(591,461)
Changes in non-cash working capital		
Inventory	-	40,400
Prepaid expenses	(2,867)	(16,081)
Amounts receivable	(12,993)	(10,160)
Accounts payable and accrued liabilities	(128,112)	118,607
Deferred revenue	21,476	24
Due to the Toronto Public Library Board	133,672	(42,793)
Due to American Foundation for Toronto Public Library	(1,786)	10,942
	<u>(173,846)</u>	<u>83,812</u>
Investing activities		
Purchase of investments	(5,002,800)	-
Proceeds from sale of investments	4,518,412	-
	<u>(484,388)</u>	<u>-</u>
Change in cash and cash equivalents during the year	(658,234)	83,812
Cash and cash equivalents – Beginning of year	3,951,013	3,867,201
Cash and cash equivalents – End of year	3,292,779	3,951,013

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

Toronto Public Library Foundation

Notes to Financial Statements

December 31, 2018

1 Organization

Toronto Public Library Foundation (the Foundation) was founded to raise funds for the Toronto Public Library Board (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 have been prepared by management 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 donation allocation policy.
- 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 for a minimum period of 10 years.

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, 2018

Donor restricted donations for specific purposes are recognized as revenue of the Restricted Fund unless the capital is to be maintained for a minimum of 10 years, 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 the 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 90 days or less. 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.

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

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.

Toronto Public Library Foundation

Notes to Financial Statements

December 31, 2018

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
Accounts receivable	amortized cost
Due 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, 2018

3 Investments

Investments consist of the following pooled investment funds:

	2018 \$	2017 \$
Bonds	1,748,820	1,215,209
Canadian equity	793,667	1,291,422
US equity	955,682	1,739,261
International equity	3,160,849	2,066,630
Cash equivalents	121,995	-
	<hr/> 6,781,013	<hr/> 6,312,522

4 Tangible and intangible assets

Tangible and intangible assets consist of the following:

	2018		
	Cost \$	Accumulated amortization \$	Net \$
Tangible			
Furniture, fixtures and equipment	54,101	48,692	5,409
Intangible			
Software	100,072	90,066	10,006
	<hr/> 154,173	<hr/> 138,758	<hr/> 15,415
			<hr/> 2017
	Cost \$	Accumulated amortization \$	Net \$
Tangible			
Furniture, fixtures and equipment	54,101	37,871	16,230
Intangible			
Software	100,072	70,051	30,021
	<hr/> 154,173	<hr/> 107,922	<hr/> 46,251

Toronto Public Library Foundation

Notes to Financial Statements

December 31, 2018

5 Restricted Fund

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

	2018 \$	2017 \$
Internally restricted	613,060	1,189,706
Externally restricted	2,643,868	2,523,374
	<u>3,256,928</u>	<u>3,713,080</u>

6 Endowment Fund

The Endowment Fund consists of the following:

	2018 \$	2017 \$
Externally endowed funds		
Income must be used for restricted purposes	3,161,110	3,080,102
Internally endowed funds		
Income must be used for restricted purposes	2,669,636	2,565,288
	<u>5,830,746</u>	<u>5,645,390</u>

In 2018, a fair value loss of \$1,193 (2017 – gain of \$441,763) was incurred on investments held in the Endowment Fund and reflected as part of the fair value change in investments in the 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. As at December 31, 2018, an amount of \$219,124 (2017 – \$85,452) is due to the Library mainly related to grants owing.

American Foundation for the Toronto Public Library (American Foundation) is an Internal Revenue Service tax-exempt 501(c)(3) non-profit corporation formed under the laws of the State of New York. The mission of American Foundation is primarily to support the Toronto Public Library. The assets, liabilities, fund balances, revenues and expenses of American Foundation are not included in these financial statements. Donations of US\$14,659 received during the year ended December 31, 2018, (2017 – US\$18,272) by American Foundation are expected to be granted to the Foundation in fiscal 2019 on approval by American Foundation's board of directors. During the year, donations of US\$16,212 (2017 – US\$25,898) were granted by American Foundation's board of directors.

Toronto Public Library Foundation

Notes to Financial Statements

December 31, 2018

8 Fund transfers

During the year ended December 31, 2018, the Board approved an internal transfer of \$42,080 (2017 – \$445,501) from the General Fund to the Restricted Fund in support of the Library's programs.

The Board also approved an internal transfer of \$389,889 (2017 – \$227,643) from the Restricted Fund to the General Fund for administration of the Friends Funds and fundraising purposes, and an internal transfer of \$144,911 (2017 – \$13,940) from the Restricted Fund to the Endowment Fund.

9 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 (2017 – \$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.

10 Line of credit

The Foundation has available a line of credit to a maximum of \$70,000, bearing interest at 2%, as at December 31, 2018. 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, 2018 (2017 – \$nil).

11 Financial instruments and risk management

The Foundation is subject to market risk, which includes interest rate, price and currency 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 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.

Toronto Public Library Foundation

Notes to Financial Statements

December 31, 2018

- 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 those 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.

Currency risk

The Foundation is exposed to foreign currency risk between the Canadian dollar and foreign currency primarily because of its donations received in US dollars. Financial instruments subject to foreign currency risk include cash, accounts receivable and accounts payable and accrued liabilities.

The Foundation does not use derivative instruments to reduce its exposure to foreign currency risk.

The Foundation believes the exposure to currency risk is low given the low magnitude and volume of foreign currency transactions.

12 Comparative figures

Prior year comparative figures were reclassified to conform to the current year presentation. In particular, fair value change in investments in the statement of operations and changes in fund balances was decreased by \$591,461 and investment income was increased by the same amount. In addition, fair value change in investments in operating activities in the statement of cash flows was decreased by \$591,461 and investment income reinvested in operating activities was increased by the same amount.