

Financial Statements of

**THE TORONTO PUBLIC
LIBRARY FOUNDATION**

And Independent Auditor's Report thereon

Year ended December 31, 2023



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INDEPENDENT AUDITOR'S REPORT

To the Directors of The Toronto Public Library Foundation

Opinion

We have audited the financial statements of The Toronto Public Library Foundation (the Entity), which comprise:

- the statement of financial position as at December 31, 2023
- the statement of operations and changes in fund balances for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2023, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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 auditor's report.

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

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



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.

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 the 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 Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



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- 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 Entity'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 Entity 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.
- 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a small arrowhead pointing to the right.

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

June 6, 2024

THE TORONTO PUBLIC LIBRARY FOUNDATION

Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,787,846	\$ 4,417,422
Amounts receivable	52,005	15,982
Prepaid expenses	89,306	12,873
	<u>4,929,157</u>	<u>4,446,277</u>
Investments (note 2)	12,604,755	10,383,126
	<u>\$ 17,533,912</u>	<u>\$ 14,829,403</u>

Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities	\$ 515,630	\$ 280,831
Due to the Toronto Public Library Board (note 5)	492,575	1,019,271
Due to American Foundation for Toronto Public Library Board (note 5)	1,926	6,192
Deferred revenue	374,266	5,147
	<u>1,384,397</u>	<u>1,311,441</u>
Fund balances:		
General Fund	2,332,825	2,545,005
Restricted Fund (note 3)	4,948,092	3,300,969
Endowment Fund (note 4)	8,868,598	7,671,988
	<u>16,149,515</u>	<u>13,517,962</u>
	<u>\$ 17,533,912</u>	<u>\$ 14,829,403</u>

See accompanying notes to financial statements.

On behalf of the Board:



Board Chair



Treasurer

THE TORONTO PUBLIC LIBRARY FOUNDATION

Statement of Operations and Changes in Fund Balances

Year ended December 31, 2023, with comparative information for 2022

	General Fund		Restricted Fund		Endowment Fund		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
Revenue:								
Donations and sponsorship	\$ 3,622,498	\$ 2,478,325	\$ 4,737,772	\$ 3,501,088	\$ 99,369	\$ 395,832	\$ 8,459,639	\$ 6,375,245
Donations in-kind	4,405	4,405	139,177	211,392	–	–	143,582	215,797
Investment income	368,229	313,823	412,493	454,459	–	–	780,722	768,282
	3,995,132	2,796,553	5,289,442	4,166,939	99,369	395,832	9,383,943	7,359,324
Expenses:								
Administration	1,044,503	889,142	–	–	–	–	1,044,503	889,142
Fundraising	1,509,440	1,270,826	–	–	–	–	1,509,440	1,270,826
Charitable	552,234	378,487	10,000	6,000	–	–	562,234	384,487
Grants and donations to the Toronto Public Library Board	–	–	4,288,553	3,784,429	–	–	4,288,553	3,784,429
Grants to others	–	–	–	20,000	–	–	–	20,000
Other	–	–	22,307	23,576	–	–	22,307	23,576
	3,106,177	2,538,455	4,320,860	3,834,005	–	–	7,427,037	6,372,460
Excess of revenue over expenses before fair value change in investments	888,955	258,098	968,582	332,934	99,369	395,832	1,956,906	986,864
Fair value change in investments (note 2)	67,293	(5,034)	607,354	(1,630,191)	–	–	674,647	(1,635,225)
Excess (shortfall) of revenue over expenses	956,248	253,064	1,575,936	(1,297,257)	99,369	395,832	2,631,553	(648,361)
Fund balances, beginning of year	2,545,005	2,013,271	3,300,969	5,127,830	7,671,988	7,025,222	13,517,962	14,166,323
Interfund transfers (note 6)	(1,168,428)	278,670	71,187	(529,604)	1,097,241	250,934	–	–
Fund balances, end of year	\$ 2,332,825	\$ 2,545,005	\$ 4,948,092	\$ 3,300,969	\$ 8,868,598	\$ 7,671,988	\$ 16,149,515	\$ 13,517,962

See accompanying notes to financial statements.

THE TORONTO PUBLIC LIBRARY FOUNDATION

Statement of Cash Flows

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operating activities:		
Excess (shortfall) of revenue over expenses	\$ 2,631,553	\$ (648,361)
Items not involving cash:		
Fair value change in investments	(674,647)	1,635,225
Investment income reinvested	(546,982)	(668,913)
Change in non-cash operating working capital:		
Prepaid expenses	(76,433)	(6,118)
Amounts receivable	(36,023)	(1,893)
Accounts payable and accrued liabilities	234,799	(149,402)
Deferred revenue	369,119	(126,042)
Due to the Toronto Public Library Board	(526,696)	359,400
Due to American Foundation for Toronto Public Library Board	(4,266)	(2,282)
	<u>1,370,424</u>	<u>391,614</u>
Investing activities:		
Investment purchases	<u>(1,000,000)</u>	<u>(1,500,000)</u>
Increase (decrease) in cash and cash equivalents	370,424	(1,108,386)
Cash and cash equivalents, beginning of year	4,417,422	5,525,808
Cash and cash equivalents, end of year	<u>\$ 4,787,846</u>	<u>\$ 4,417,422</u>

See accompanying notes to financial statements.

THE TORONTO PUBLIC LIBRARY FOUNDATION

Notes to Financial Statements

Year ended December 31, 2023

The 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.

1. 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.

(a) 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:

- (i) The General Fund represents unrestricted resources available for immediate purposes to support the needs of the Foundation and Library that are not supported through restricted funds. The General Fund includes an allocation of funds from the Restricted Fund or Endowment Fund to cover costs associated with raising and administering the restricted resources in accordance with the Foundation's Donation Allocation policy.
- (ii) The Restricted Fund represents resources that are to be used for specific purposes as specified by the donor or by the Board.

THE TORONTO PUBLIC LIBRARY FOUNDATION

Notes to Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(iii) The Endowment Fund represents resources where either external or internal restrictions require that the principal must be maintained for a longer period of time, most commonly for a minimum of 10 years.

(b) Cash and cash equivalents:

Cash and cash equivalents consist of cash and short-term investments with original maturities of 91 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.

(c) Long-term investments and investment income:

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

Investment income comprises capital gains, 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.

The Foundation classifies its investments based on intention for use, rather than the composition and maturity dates of the underlying investments. Although the Foundation has the ability to liquidate a portion of the investments at any given time based on their composition, in substance management intends to hold the investments for a period greater than one year, to earn investment income.

Investments are held for earning investment income and are not held for operating purposes. The proceeds from the sale of investments may be reinvested to purchase additional investments to be held for the purpose of earning investment income.

THE TORONTO PUBLIC LIBRARY FOUNDATION

Notes to Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(d) Revenue recognition:

The Foundation follows the restricted fund method of accounting for revenue. 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 for the long-term, usually 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 and expenses are recorded in the fiscal year in which the event takes place. Revenue and expenses related to special events that take place subsequent to year-end are deferred.

(e) 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 and printed materials.

(f) Grants:

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

(g) 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.

THE TORONTO PUBLIC LIBRARY FOUNDATION

Notes to Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

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 to the Toronto Public Library Board	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Due to American Foundation for Toronto Public Library Board	Amortized cost

(h) Foreign currencies:

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rates of exchange in effect at the date of the statement of financial position. Revenue and expenses are translated at the rates prevailing at the time of the respective transaction.

(i) 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 year. Actual results could differ from those estimates.

THE TORONTO PUBLIC LIBRARY FOUNDATION

Notes to Financial Statements (continued)

Year ended December 31, 2023

2. Investments:

Investments, at fair value, consist of the following pooled investment funds:

	2023	2022
Bonds	\$ 2,741,377	\$ 2,204,807
Canadian equity	1,662,665	1,423,276
U.S. equity	2,494,719	2,012,137
International equity	4,958,515	4,201,670
Cash equivalents	747,479	541,236
	<u>\$ 12,604,755</u>	<u>\$ 10,383,126</u>

Included in 2023 investments is an unrealized gain of \$673,368 (2022 - unrealized loss of \$1,631,229).

3. Restricted Fund:

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

	2023	2022
Externally restricted	\$ 2,855,789	\$ 2,594,284
Internally restricted	2,092,303	706,685
	<u>\$ 4,948,092</u>	<u>\$ 3,300,969</u>

4. Endowment Fund:

The Endowment Fund consists of the following:

	2023	2022
Externally endowed funds:		
Income must be used for restricted purposes	\$ 4,424,853	\$ 4,186,623
Internally endowed funds:		
Income must be used for restricted purposes	3,390,673	3,386,709
Income can be used for any purpose	1,053,072	98,656
	<u>\$ 8,868,598</u>	<u>\$ 7,671,988</u>

THE TORONTO PUBLIC LIBRARY FOUNDATION

Notes to Financial Statements (continued)

Year ended December 31, 2023

4. Endowment Fund (continued):

In 2023, a total investment gain of \$1,046,632 was comprised of \$473,317 realized gain and \$573,315 unrealized gain (2022 - \$1,064,868 loss comprised of \$563,456 realized gains and \$1,628,324 unrealized loss) was generated from investments held in the Endowment Fund. The return on investments is allocated to the Restricted Fund per the Foundation's internal policies.

5. 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, 2023, an amount of \$492,575 (2022 - \$1,019,271) is due to the Library mainly related to grants owing.

American Foundation for 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 Board. The assets, liabilities, fund balances, revenue and expenses of American Foundation are not included in these financial statements. Donations of U.S. \$2,614 received during the year ended December 31, 2023 (2022 - U.S. \$7,419) by American Foundation are expected to be granted to the Foundation in fiscal 2024 on approval by American Foundation's Board of Directors. During the year, donations of U.S. \$7,419 (2022 - U.S. \$11,258) were granted by American Foundation's Board of Directors to the Foundation.

6. Interfund transfers:

During the year ended December 31, 2023, the Board approved an internal transfer of \$1,101,993 (2022 - \$30,000) from the General Fund to the Restricted Fund in support of the Library's programs, and an internal transfer of \$954,416 (2022 - \$98,656) from the General Fund to the Endowment Fund.

The Board also approved an internal transfer of \$887,981 (2022 - \$407,326) from the Restricted Fund to the General Fund for administration, fundraising and furthering charitable activities as well as the administration of the Friends Funds, and an internal transfer of \$142,826 (2022 - \$152,278) from the Restricted Fund to the Endowment Fund.

THE TORONTO PUBLIC LIBRARY FOUNDATION

Notes to Financial Statements (continued)

Year ended December 31, 2023

7. Life insurance:

A planned giving program exists whereby the Foundation accepts insurance policies from individuals. The Foundation is the owner and beneficiary of policies totaling approximately \$319,838 (2022 - \$318,764).

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

8. Line of credit:

The Foundation has available a line of credit to a maximum of \$600,000, bearing interest at prime +.75%, equivalent to 7.95% as at December 31, 2023. 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. As at December 31, 2023, \$111,088 (2022 - \$111,088) of this line of credit is restricted, therefore, the balance available is \$488,912 and no amounts has been drawn on this facility.

9. 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.

(a) Market risk:

(i) Interest rate risk:

Interest rate risk arises from the possibility that the 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.

(ii) 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.

THE TORONTO PUBLIC LIBRARY FOUNDATION

Notes to Financial Statements (continued)

Year ended December 31, 2023

9. Financial instruments and risk management (continued):

(iii) 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.

The Foundation is exposed to foreign currency risk between the Canadian dollar and foreign currency primarily because of its donations received in U.S. dollars. Financial instruments subject to foreign currency risk include cash, amounts 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.

(b) Credit risk:

Credit risk is the risk of financial loss occurring as a result of default or insolvency of a counter-party on its obligation to the Foundation. 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.

10. Comparative figures:

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.