

The Audited Financial Statements of:
WESTERN COUNTIES REGIONAL LIBRARY
Year ended March 31, 2020

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INDEPENDENT AUDITORS' REPORT

To the Chairman and Members of the Board of the Western Counties Regional Library:

Qualified Opinion

We have audited the accompanying financial statements of the Western Counties Regional Library, which are comprised of the statement of financial position as at March 31, 2020, the statements of operations, net assets, and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Western Counties Regional Library as at March 31, 2020 and its results of operations and cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

The Western Counties Regional Library provides a management service award which is payable to qualifying management employees upon retirement. The related expense and liability has been accrued by management. We were unable to obtain sufficient audit evidence over completeness of the management service award. Accordingly, our verification of the related expense and liability was limited to the amounts recorded in the records of the Library and we are not able to determine whether any adjustments might be necessary to salaries and benefits, any related effect on excess of revenue over expenditures, net assets, or management service award payable.

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 are independent of the Library in accordance with the ethical requirements that are relevant to our audit of the financial statements, 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 qualified opinion.

Other Information

Management is responsible for the other information. The other information comprises the Annual Report, but does not include the financial statement and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion section above, our verification of the management service award expense and liability are limited to the amounts recorded in the records of the Library. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

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 controls 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 Library'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 Library or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Library'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 auditors' 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 judgement 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 controls 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 Library'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 Library's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Library 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.

Yarmouth, Nova Scotia
June 4, 2020

White Perkins Associates
Chartered Professional Accountants

WESTERN COUNTIES REGIONAL LIBRARY
STATEMENT OF FINANCIAL POSITION as at March 31, 2020

	2020	2019
ASSETS		
CURRENT		
Cash	\$365,604	\$283,623
HST receivable	13,791	25,544
Due from Western Counties Regional Library Charitable Association (note 4)	7,674	27,623
Investments (note 5)	628,240	637,626
	1,015,309	974,416
EQUIPMENT (note 6)	23,552	30,762
	<u>\$1,038,861</u>	<u>\$1,005,178</u>
	2020	2019
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable for library materials committed	\$11,685	\$8,075
Accounts payable and accrued liabilities	10,593	38,725
Management service award payable (note 7)	81,509	91,097
Deferred revenue (note 8)	10,034	67,329
Total liabilities	113,821	205,226
NET ASSETS		
Capital	23,552	30,762
Internally restricted for library development (note 10)	901,488	769,190
	925,040	799,952
	<u>\$1,038,861</u>	<u>\$1,005,178</u>

Approved by:

Director: _____

Director: _____

Economic dependence (note 11)

Effect of COVID-19 (note 12)

Subsequent event (note 14)

WESTERN COUNTIES REGIONAL LIBRARY
STATEMENT OF OPERATIONS
Year ended March 31, 2020

	Operating	Library Development	2020	2019
REVENUE				
Provincial grants:				
Operating grant	\$1,071,122	\$ -	\$1,071,122	\$1,018,455
Acadian grant	101,845	-	101,845	101,845
Municipal grants	373,500	-	373,500	373,500
Investment income	-	14,864	14,864	19,148
Unrealized gain (loss) on investments	-	(10,428)	(10,428)	3,080
Fees and recoveries	20,172	-	20,172	19,880
Yarmouth Public Library and Museum (note 4)	25,550	-	25,550	24,010
Conference revenue	-	-	-	26,605
Miscellaneous grants (note 13)	33,120	-	33,120	58,872
Other income	5,217	-	5,217	23,698
	1,630,526	4,436	1,634,962	1,669,093
EXPENSES				
Salaries and benefits	1,094,365	5,880	1,100,245	1,185,637
Library materials	182,045	-	182,045	193,977
Vehicle operations	16,034	-	16,034	19,751
Office supplies	30,285	-	30,285	27,296
Telephone	2,080	-	2,080	2,167
Travel	20,802	-	20,802	24,136
Insurance	15,695	-	15,695	15,297
Interest and bank charges	3,416	-	3,416	3,369
Professional fees	9,465	-	9,465	9,750
Headquarters rent (note 4)	44,400	-	44,400	44,400
Postage	4,850	-	4,850	4,278
Author and program honourariums	406	-	406	-
Lease and service agreements	1,978	-	1,978	1,951
HST expense	6,474	-	6,474	11,549
Computer equipment and maintenance	33,707	-	33,707	49,923
Student wages and benefits	16,336	-	16,336	18,496
Program supplies	4,792	-	4,792	11,654
Conference expense	-	-	-	26,606
Miscellaneous	9,654	-	9,654	4,327
Depreciation of equipment	7,210	-	7,210	8,498
	1,503,994	5,880	1,509,874	1,663,062
EXCESS (DEFICIENCY) - revenue over expenses	\$126,532	(\$1,444)	\$125,088	\$6,031

WESTERN COUNTIES REGIONAL LIBRARY
STATEMENT OF CHANGES IN NET ASSETS
Year ended March 31, 2020

	Operating	Capital	Library Development	2020	2019
Net assets at beginning of year	\$ -	\$30,762	\$769,190	\$799,952	\$793,921
Excess (deficiency) - revenue over expenses	133,742	(7,210)	(1,444)	125,088	6,031
Interfund transfers	(133,742)	-	133,742	-	-
NET ASSETS AT END OF YEAR	\$ -	\$23,552	\$901,488	\$925,040	\$799,952

WESTERN COUNTIES REGIONAL LIBRARY
STATEMENT OF CASH FLOW
Year ended March 31, 2020

	2020	2019
CASH PROVIDED BY (USED FOR):		
OPERATIONS		
Excess - revenue over expenses	\$125,088	\$6,031
Add back items which do not involve the use of cash:		
Unrealized (gain) loss on equity investments	10,428	(3,080)
Depreciation of equipment	7,210	8,498
	<u>142,726</u>	<u>11,449</u>
Changes in non-cash working capital:		
HST receivable	11,753	(9,286)
Receivable from Western Counties Regional Library Charitable Association	19,949	(20,611)
Accounts payable for library materials committed	3,610	(547)
Accounts payable and accrued liabilities	(28,132)	28,526
Management service award payable	(9,587)	4,343
Deferred revenue	(57,295)	(26,038)
	<u>83,024</u>	<u>(12,164)</u>
INVESTING		
Additions to investments	(193,338)	(204,523)
Proceeds received on maturity of investments	192,295	187,458
	<u>(1,043)</u>	<u>(17,065)</u>
Increase (decrease) in cash flow	81,981	(29,229)
Cash position at beginning of year	<u>283,623</u>	<u>312,852</u>
CASH POSITION AT END OF YEAR	<u><u>\$365,604</u></u>	<u><u>\$283,623</u></u>

1. GENERAL

The Western Counties Regional Library operates public libraries in communities throughout Southwestern Nova Scotia. The Organization is a registered charity under the Canadian *Income Tax Act* and accordingly, is exempt from income taxes provided certain requirements are met under the *Act*.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Financial reporting framework

The financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

(b) Fund accounting

The Organization uses three funds to record its transactions:

(i) Operating Fund

Assets, liabilities, revenues, and expenses related to program delivery and administrative activities are reported through the Operating Fund.

(ii) Capital Fund

The Capital Fund includes the Organization's property and equipment assets and the related yearly depreciation expense of those assets. Property and equipment asset additions funded through operations are recorded in the Capital Fund under assets and charged to the Operating Fund through an interfund transfer.

(iii) Library Development Fund

The Library Development Fund comprises excess funds internally restricted by the Organization for the future development of the library. The annual excess or deficiency of revenue over expenses is transferred to the Library Development Fund through an interfund transfer. Annual charges for management service awards are accrued as an expense in the Library Development Fund. The corresponding liability established for future retirement benefits for management is a liability of this fund.

(c) Revenue recognition

The Organization follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions are recognized as revenue in the year in which the expenses are incurred. Restricted contributions received, but not yet taken into income, are carried on the Statement of Financial Position as Deferred Revenue. Externally restricted contributions received for property and equipment additions are deferred and amortized on the same basis as the related property and equipment is depreciated.

(d) Investments

Investments include both equity and fixed income investments. Equity investments are recorded at their published fair market value. Any unrealized holding gains and losses related to equity investments, being the difference between the cost and the fair market value, are included in the statement of operations. The fixed income investments are recorded at their amortized cost. If the market value of the fixed income investments becomes lower than cost and its decline in value is considered to be other than temporary, the investments are written down to the market value at that point in time. Premiums or discounts incurred at the time of purchasing fixed income investments are amortized over the term of the fixed income investments.

WESTERN COUNTIES REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENTS
Year ended March 31, 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Equipment

Equipment is recorded at cost. Contributed equipment is recorded at its fair value at the time of the contribution. Depreciation is provided on the declining balance basis at the following annual rates:

Motor vehicle	10 years
Equipment	45%
Phone system	10 years
Automation equipment	45%

(f) Library materials

The Organization does not record an inventory of library materials. When library materials are purchased, they are charged as an expense in the Operating Fund in the year of acquisition. Library materials for which purchase orders are outstanding at year end are charged to expense and recorded as accounts payable for library materials committed.

(g) Use of estimates

In preparing the Organization's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and reported amounts of revenue and expenses. Actual amounts could differ from these estimates. The carrying value of management service award payable and the estimated useful life of equipment represents management's best estimate.

3. FINANCIAL INSTRUMENTS

The Organization's financial instruments consist of cash, HST receivable, investments, accounts payable, and management service award payable. All financial instruments are initially recognized at fair value and subsequently measured at amortized cost, except for equity investments, which are measured at fair value. Changes in fair value are recognized in the statement of operations in the period incurred.

When financial assets are determined to be impaired, the carrying amount is reduced to the greater of the discounted future cash flows expected, or the proceeds that could be realized from the sale of the financial asset. Such impairments can be reversed if the value subsequently improves.

The financial instruments expose the Library to certain financial risks and uncertainties, including:

(a) Market risk

The Library's investments in mutual funds exposes the Library to price risks as these investments are subject to price changes in an open market due to market movements, global economic conditions, global markets, and changes to market rates of interest.

4. RELATED PARTY TRANSACTIONS

The Organization is related to the Western Counties Regional Library Charitable Association through a shared Board of Directors. In 1982, the Charitable Association was formed to assist in the work of the Library, and to receive gifts, bequests, donations, etc. on behalf of the Western Counties Regional Library.

WESTERN COUNTIES REGIONAL LIBRARY

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2020

4. RELATED PARTY TRANSACTIONS (continued)

2020

2019

Total revenues for the Charitable Association for 2020 were \$12,215 (2019 - \$53,660), expenses \$11,636 (2019 - \$31,957), assets \$436,897 (2019 - \$441,841), liabilities \$115,525 (2019 - \$122,048), net assets \$321,372 (2019 - \$319,793), cash flows from operating activities \$1,414 (2019 - \$42,908), cash flows from investing activities -\$19,702 (2019 - -\$16,592), and cash flows from financing activities nil (2019 - nil).

In addition to the Charitable Association, the Organization is also related to the following organizations through shared Board members:

Shelburne Library Building Association
Yarmouth Public Library and Museum

During the year, the Organization had the following transactions with its related parties:

Western Counties Regional Library Charitable Association

Donation included under miscellaneous grants	\$8,482	\$ -
Increase (decrease) in accounts receivable	(\$19,949)	\$20,611

Yarmouth Public Library and Museum

Recorded under Yarmouth Public Library and Museum revenue		
Grants received from Yarmouth Public Library and Museum Book Fund	\$10,000	\$10,000
Recovered salaries for janitorial services recorded under Yarmouth Public	15,550	14,010
	<u>\$25,550</u>	<u>\$24,010</u>
Headquarters rent expense	\$44,400	\$44,400

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The balance due on these transactions are detailed as follows:

Due from Western Counties Regional Library Charitable Association	<u>\$7,674</u>	<u>\$27,623</u>
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5. INVESTMENTS			Market	Carrying Value	
			2020	2020	2019
Fixed income	Rate	Date of Maturity			
RBC non-cashable GIC	1.60%	Oct 2019	\$ -	\$ -	\$77,043
RBC non-cashable GIC	Prime plus 0.001%	Jan 2021	28,549	28,549	-
RBC non-cashable GIC	1.20%	May 2019	-	-	37,212
RBC non-cashable GIC	2.10%	Apr 2020	41,195	41,195	-
RBC non-cashable GIC	2.10%	Apr 2020	40,081	40,081	-
RBC non-cashable GIC	Prime plus 0.001%	Oct 2020	40,974	40,974	-
RBC cashable GIC	0.50%	May 2019	-	-	49,954
RBC non-cashable GIC	1.65%	May 2020	37,659	37,659	-
RBC non-cashable GIC	1.65%	Jan 2020	-	-	28,086
			<u>188,458</u>	<u>188,458</u>	<u>192,295</u>
Mutual funds					
Canadian mutual funds			439,782	439,782	445,331
Total			<u>\$628,240</u>	<u>\$628,240</u>	<u>\$637,626</u>

WESTERN COUNTIES REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENTS
Year ended March 31, 2020

6. EQUIPMENT	2020		2019	
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Motor vehicle	\$55,007	\$36,366	\$18,641	\$23,673
Equipment	187,466	186,658	808	1,483
Phone system	5,994	2,995	2,999	3,598
Automation equipment	312,496	311,392	1,104	2,008
	<u>\$560,963</u>	<u>\$537,411</u>	<u>\$23,552</u>	<u>\$30,762</u>

7. POST EMPLOYMENT OBLIGATIONS

The Organization's employees are eligible for post employment benefits, which are dependent on whether the employee is a member of the Union or is management.

Union defined contribution pension plan

The Organization contributes to its unionized employees' pension plan, matching the defined contributions based on a percentage of the employee's wage. As at March 31, 2020 there were no required future contributions in respect to past service and all contributions required under the plan have been funded. Contributions to this plan for the year totalled \$26,897 (2019 - \$26,330).

Management defined contribution pension plan

The Organization contributed to a defined contribution pension plan for its management employees, matching the employee's contribution which is based on a percentage of the employee's wage. As at March 31, 2020 there were no required future contributions in respect to past service and all contributions required under the plan have been funded. Contributions to this plan for the year totalled \$21,906 (2019 - \$26,030).

Management service award benefit

The Organization also provides future retirement benefits to management through a management service award program. In order to be eligible for the Management Service Award, an employee must meet one of the following criteria: reach 55 years of age and have 15 years of service in management, or reach the age of 60 with 10 years of service in management. The amount of the award is based upon three months salary at the salary rate in effect upon the date of retirement. Eligible employees also receive three days of salary for each year they work beyond their required years of service to a maximum of five calendar months. The accrued benefit obligation as at March 31, 2020 was \$81,509 and the Organization has set aside \$81,055 at year-end to cover this liability. The economic assumptions used to calculate the liability represent the Organization's best estimates for expected rates for:

Inflation	2.0%
Salary increase rate	1.0%
Discount on accrued benefit obligation	3.03%
Expected long-term rate of return on assets	2.2%

WESTERN COUNTIES REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENTS
Year ended March 31, 2020

8. DEFERRED REVENUE	2020	Additions	Distributions	2019
Be Fit Kits	\$ -	\$ -	\$330	\$330
Summer reading club	700	285	-	415
Provincial library	-	-	52,667	52,667
Wellness grant	1,000	-	500	1,500
Technology grant	-	-	1,143	1,143
T'en souviens-tu quand	-	-	1,274	1,274
Kathryn Acker book fund	8,000	-	2,000	10,000
Donations for a particular purpose	334	334	-	-
	<u>\$10,034</u>	<u>\$619</u>	<u>\$57,914</u>	<u>\$67,329</u>

9. NET ASSETS - CAPITAL FUND	2020	2019
Fund balance at beginning of year	\$30,762	\$39,260
Excess (deficiency) - revenue over expenses	(7,210)	(8,498)
	<u>\$23,552</u>	<u>\$30,762</u>

10. NET ASSETS - LIBRARY DEVELOPMENT FUND	2020	2019
Fund balance at beginning of year	\$769,190	\$754,661
Excess (deficiency) - revenue over expenses	(1,444)	17,880
Interfund transfers		
Operating Fund excess - revenue over expenses internally restricted	133,742	(3,351)
	<u>\$901,488</u>	<u>\$769,190</u>

11. ECONOMIC DEPENDENCE

The Library's operations are funded primarily through grants from the Province of Nova Scotia and the eleven municipalities of Southwest Nova Scotia, which accounts for 89% of the Library's revenue. The Library's operations are dependent on continued support from these funders.

12. EFFECT OF COVID-19

Prior to year end, the COVID-19 pandemic caused a downturn in both the local and global economies. Due to this, all WCRL branches have been closed to the public since March 16, 2020, and an eventual reopening date has not been set. COVID-19 has also affected the WCRL Charitable Association, with its major fundraiser, the 2020 Adopt-A-Book Campaign, being postponed until further notice. As the Association typically donates the majority of funds raised from this event to the Library, this will affect the Library's ability to generate revenues consistent with prior periods. Further, when the Library resumes operations, additional cleaning protocols will require the acquisition of disinfecting supplies, which may be material. The effect of the events may affect the Library's ability to deliver future commitments.

WESTERN COUNTIES REGIONAL LIBRARY**NOTES TO FINANCIAL STATEMENTS**

Year ended March 31, 2020

13. ONE CARD NS	2020	2019
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Included in Miscellaneous grants for the year ended March 31, 2020 are receipts and disbursements received and made on behalf of another organization totalling \$241,680 for the feasibility of a provincial single card system for public libraries. These receipts and disbursements have been netted within Miscellaneous grants on the Statement of Operations. The receipts and disbursements are as follows:

REVENUE

Provincial grant	\$241,680	\$93,000
Regional libraries	-	12,499

EXPENDITURES

Feasibility study	(241,680)	(105,499)
	<u>\$ -</u>	<u>\$ -</u>

14. SUBSEQUENT EVENT

Subsequent to year end, the Board of Directors acquired a motor vehicle at a cost of \$36,785, which was funded through the Library Development Fund.