

The Audited Financial Statements of:
WESTERN COUNTIES REGIONAL LIBRARY
Year ended March 31, 2022

TABLE OF CONTENTS	Page
Auditors' Report	2-3
Statement of Financial Position	4
Statement of Operations	5
Statement of Changes in Net Assets	6
Statement of Cash Flow	7
Notes to Financial Statements	8-13

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, 2022, 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, 2022 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 9, 2022

White Perkins Associates
Chartered Professional Accountants


WESTERN COUNTIES REGIONAL LIBRARY
STATEMENT OF FINANCIAL POSITION as at March 31, 2022

	2022	2021
ASSETS		
CURRENT		
Cash	\$453,410	\$576,735
Prepaid expenses	500	-
HST receivable	18,554	15,876
Due from Western Counties Regional Library Charitable Association (note 4)	14,484	15,122
Investments (note 5)	870,906	661,115
	<u>1,357,854</u>	<u>1,268,848</u>
EQUIPMENT (note 6)	<u>167,630</u>	<u>113,380</u>
	<u>\$1,525,484</u>	<u>\$1,382,228</u>
	2022	2021
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable for library materials committed	\$21,885	\$29,353
Accounts payable and accrued liabilities	63,360	10,328
Management service award payable (note 7)	57,887	56,236
Deferred revenue (note 8)	13,030	75,697
	<u>156,162</u>	<u>171,614</u>
DEFERRED CAPITAL CONTRIBUTIONS (note 9)	25,993	-
Total liabilities	<u>182,155</u>	<u>171,614</u>
NET ASSETS		
Capital	141,637	113,380
Internally restricted for library development (note 11)	1,201,692	1,097,234
	<u>1,343,329</u>	<u>1,210,614</u>
	<u>\$1,525,484</u>	<u>\$1,382,228</u>

Approved by:

Director: _____

Director: _____

Economic dependence (note 12)

Commitments (note 13)

WESTERN COUNTIES REGIONAL LIBRARY

STATEMENT OF OPERATIONS

Year ended March 31, 2022

		Library		
	Operating	Development	2022	2021
REVENUE				
Provincial grants:				
Operating grant	\$1,222,500	\$ -	\$1,222,500	\$1,222,500
Acadian grant	138,000	-	138,000	138,000
Municipal grants	400,013	-	400,013	373,500
Investment income	-	22,261	22,261	8,739
Unrealized gain (loss) on investments	-	(36,469)	(36,469)	46,498
Fees and recoveries	9,905	-	9,905	7,124
Yarmouth Public Library and Museum (note 4)	26,297	-	26,297	25,401
Miscellaneous grants (note 4)	53,258	-	53,258	29,857
Other income	17,489	-	17,489	4,223
Amortization of deferred capital contributions	6,498	-	6,498	-
	1,873,960	(14,208)	1,859,752	1,855,842
EXPENSES				
Salaries and benefits (note 13)	1,221,824	1,651	1,223,475	1,138,352
Library materials	190,517	-	190,517	200,176
Vehicle operations	15,580	-	15,580	10,413
Supplies and consumables	31,045	-	31,045	27,517
Telephone and communications	4,223	-	4,223	5,313
Travel	3,074	-	3,074	8,115
Insurance	17,246	-	17,246	15,925
Interest and bank charges	3,459	-	3,459	3,325
Professional fees	24,360	-	24,360	8,225
Headquarters rent (note 4)	45,600	-	45,600	44,400
Postage	11,272	-	11,272	5,578
Lease and service agreements	1,786	-	1,786	1,733
HST expense	13,834	-	13,834	12,551
Computer equipment and maintenance	50,012	-	50,012	50,108
Grant expense	34,724	-	34,724	7,095
Programing	5,392	-	5,392	2,402
Training and educational development	5,175	-	5,175	-
Conference expense	718	-	718	-
Pandemic supplies	7,914	-	7,914	22,442
Miscellaneous	4,893	-	4,893	11,035
Depreciation of equipment	30,338	-	30,338	17,021
	1,722,986	1,651	1,724,637	1,591,726
Excess (deficiency) before undernoted	150,974	(15,859)	135,115	264,116
OTHER REVENUES (EXPENSES)				
Loss on disposition of asset	(2,400)	-	(2,400)	(2,349)
Temporary wage subsidy	-	-	-	23,807
	(2,400)	-	(2,400)	21,458
EXCESS (DEFICIENCY) - revenue over expenses	\$148,574	(\$15,859)	\$132,715	\$285,574

WESTERN COUNTIES REGIONAL LIBRARY
STATEMENT OF CHANGES IN NET ASSETS
Year ended March 31, 2022

	Operating	Capital	Library Development	2022	2021
Net assets at beginning of year	\$ -	\$113,380	\$1,097,234	\$1,210,614	\$925,040
Excess (deficiency) - revenue over expenses	148,574	-	(15,859)	132,715	285,574
Interfund transfers	(148,574)	28,257	120,317	-	-
NET ASSETS AT END OF YEAR	\$ -	\$141,637	\$1,201,692	\$1,343,329	\$1,210,614

WESTERN COUNTIES REGIONAL LIBRARY
STATEMENT OF CASH FLOW
Year ended March 31, 2022

	2022	2021
CASH PROVIDED BY (USED FOR):		
OPERATIONS		
Excess - revenue over expenses	\$132,715	\$285,574
Add back items which do not involve the use of cash:		
Unrealized (gain) loss on equity investments	36,469	(46,498)
Amortization of deferred capital contributions	(6,498)	-
Loss on disposition of asset	2,400	2,349
Depreciation of equipment	30,338	17,021
	<u>195,424</u>	<u>258,446</u>
Changes in non-cash working capital:		
Prepaid wages	(500)	-
HST receivable	(2,678)	(2,085)
Receivable from Western Counties Regional Library Charitable Association	638	(7,448)
Accounts payable for library materials committed	(7,468)	17,668
Accounts payable and accrued liabilities	53,032	(265)
Management service award payable	1,652	(25,275)
Deferred revenue	(62,667)	65,663
	<u>177,433</u>	<u>306,704</u>
FINANCING		
Additions to deferred contributions	32,491	-
	<u>32,491</u>	<u>-</u>
INVESTING		
Additions to investments	(414,544)	(174,834)
Proceeds received on maturity of investments	168,283	188,458
Purchase of equipment	(86,988)	(111,197)
Proceeds from sale of equipment	-	2,000
	<u>(333,249)</u>	<u>(95,573)</u>
Increase (decrease) in cash flow	(123,325)	211,131
Cash position at beginning of year	<u>576,735</u>	<u>365,604</u>
CASH POSITION AT END OF YEAR	<u><u>\$453,410</u></u>	<u><u>\$576,735</u></u>

1. GENERAL

The Western Counties Regional Library operates public libraries in communities throughout Southwestern Nova Scotia. The Library 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) Cash

Cash is comprised of cash on hand and cash on deposit.

(c) Fund accounting

The Library 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 Library's equipment assets and the related yearly depreciation expense of those assets. 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 Library 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.

(d) Revenue recognition

The Library 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 equipment additions are deferred and amortized on the same basis as the related equipment is depreciated.

(e) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) 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	6 years
Automation equipment	45%

(g) Library materials

The Library 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.

(h) Measurement uncertainty

In preparing the Library'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 Library'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 Library 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, 2022

4. RELATED PARTY TRANSACTIONS (continued)	2022	2021
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Total revenues for the Charitable Association for 2022 were \$3,746 (2021: \$49,782), expenses \$16,520 (2021: \$17,766), assets \$507,994 (2021: \$521,026), liabilities \$167,380 (2021: \$167,638), net assets \$340,614 (2021: \$353,388), cash flows from operating activities \$5,113 (2021: \$58,256), cash flows from investing activities -\$75,365 (2021: -\$38,357), and cash flows from financing activities nil (2021 - nil).

In addition to the Charitable Association, the Library is also related to the following Library's through shared Board members:

Shelburne Library Building Association
Yarmouth Public Library and Museum

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

Western Counties Regional Library Charitable Association

Donation included under miscellaneous grants	\$14,666	\$15,122
Increase (decrease) in accounts receivable	(\$638)	\$7,448

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	16,297	15,401
	<u>\$26,297</u>	<u>\$25,401</u>

Headquarters rent expense	\$45,600	\$44,400
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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>\$14,484</u>	<u>\$15,122</u>
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			Market	Carrying Value	
5. INVESTMENTS			2022	2022	2021
Fixed income	Rate	Date of Maturity			
RBC cashable GIC	0.75%	May 2021	\$ -	\$ -	\$38,280
RBC cashable GIC	0.35%	Apr 2022	28,851	28,851	-
RBC cashable GIC	0.80%	Apr 2021	-	-	41,624
RBC cashable GIC	0.35%	Jun 2022	9,068	9,068	-
RBC cashable GIC	0.35%	Apr 2022	49,820	49,820	-
RBC cashable GIC	0.35%	Apr 2022	10,343	10,343	-
RBC cashable GIC	0.80%	Apr 2021	-	-	28,622
RBC cashable GIC	0.75%	Jun 2021	-	-	9,000
RBC cashable GIC	0.80%	Apr 2021	-	-	40,496
RBC cashable GIC	0.80%	Apr 2021	-	-	10,261
			<u>98,082</u>	<u>98,082</u>	<u>168,283</u>

WESTERN COUNTIES REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENTS
Year ended March 31, 2022

	Market	Carrying Value	
5. INVESTMENTS (continued)	2022	2022	2021
Mutual funds			
Canadian mutual funds	772,824	772,824	492,832
Total	\$870,906	\$870,906	\$661,115

6. EQUIPMENT		2022	2021	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Motor vehicle	\$60,788	\$26,448	\$34,340	\$40,419
Equipment	187,466	187,232	234	435
Phone system	11,257	1,876	9,381	2,400
Automation equipment	359,860	331,108	28,752	38,498
Leasehold improvements	37,073	999	36,074	12,900
Website development	18,145	3,629	14,516	18,728
Logo and branding	19,650	1,310	18,340	-
Furniture and fixtures	32,491	6,498	25,993	-
	\$726,730	\$559,100	\$167,630	\$113,380

7. POST EMPLOYMENT OBLIGATIONS

The Library'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 Library contributes to its unionized employees' pension plan, matching the defined contributions based on a percentage of the employee's wage. As at March 31, 2022 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 \$28,264 (2021 - \$29,903).

Management defined contribution pension plan

The Library 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, 2022 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 \$22,809 (2021 - \$22,767).

Management service award benefit

The Library 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, 2022 was \$57,887 and the Library has set aside \$69,231 at year-end to cover this liability. The economic assumptions used to calculate the liability represent the Library's best estimates for expected rates for:

WESTERN COUNTIES REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENTS
Year ended March 31, 2022

7. POST EMPLOYMENT OBLIGATIONS (continued)

Inflation	2.0%
Salary increase rate	1.0%
Discount on accrued benefit obligation	3.66%
Expected long-term rate of return on assets	2.2%

8. DEFERRED REVENUE	2022	Additions	Distributions	2021
Summer reading club	\$ -	\$ -	\$383	\$383
Wellness grant	-	-	1,000	1,000
Community Technology Grant	3,101	-	26,279	29,380
Today & Tomorrow Grant	-	-	38,600	38,600
Making Noise Grant	5,929	5,929	-	-
Kathryn Acker book fund	4,000	-	2,000	6,000
Donations for a particular purpose	-	-	334	334
	<u>\$13,030</u>	<u>\$5,929</u>	<u>\$68,596</u>	<u>\$75,697</u>

9. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized portion of funding received for the purchase of equipment. The amortization of capital contributions is recorded as revenue in the statement of operations, and is calculated on the same basis as the related asset is depreciated. The changes in the deferred capital contributions balance are as follows:

Balance at beginning of year	\$ -	\$ -
Add capital contributions received during the year	32,491	-
Less amortization of deferred capital contributions	<u>6,498</u>	<u>-</u>
Balance at end of year	<u>\$25,993</u>	<u>\$ -</u>

10. NET ASSETS - CAPITAL FUND

Property and equipment, net of accumulated depreciation	\$167,630	\$113,380
Less amount funded through deferred capital contributions	<u>(25,993)</u>	<u>-</u>
	<u>\$141,637</u>	<u>\$113,380</u>

11. NET ASSETS - LIBRARY DEVELOPMENT FUND

Fund balance at beginning of year	\$1,097,234	\$901,488
Deficiency - revenue over expenses	15,859	49,342
Interfund transfers		
Equipment additions, net of sales, funded through the Library Development Fund	-	(106,849)
Operating Fund excess - revenue over expenses internally restricted	<u>148,574</u>	<u>253,253</u>
	<u>\$1,228,505</u>	<u>\$1,097,234</u>

12. 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 92% of the Library's revenue. The Library's operations are dependent on continued support from these funders.

13. COMMITMENTS

In December 2021, the Board approved the purchase of a Transit Connect vehicle to replace its current vehicle purchased in 2015, at a cost of \$44,420. A \$500 deposit has been paid toward the vehicle, which is expected to be delivered in August 2022. The purchase is being financed through the Library Development Fund.

In May 2022, negotiations with the Canadian Union of Public Employees (CUPE) Local 2530 resulted in a 3% raise for all of the Library's unionized staff, effective April 1, 2021, as well a new wage scale for unionized staff effective October 1, 2021. Wage increases for management staff were also approved by the board, effective April 1, 2021. This results in an additional annual commitment of approximately \$52,000. The total estimated liability of \$52,000 has been accrued in the financial statements, and will be retroactively paid to staff for the 2022 fiscal year during the 2023 fiscal year.