



Grant Thornton

Financial Statements

South Shore Regional Library Board

March 31, 2013

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# Independent auditor's report

To the Board of Directors  
of the South Shore Regional Library Board

We have audited the accompanying financial statements of South Shore Regional Library Board, which comprise the statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011 and the statement of operations, statement of cash flows and statement of changes in net assets for the years ended March 31, 2013 and March 31, 2012, and a summary of significant accounting policies and other explanatory information.

## **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles for not-for-profit organizations, and for such internal control as those charged with governance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by those charged with governance, as well as evaluating the overall presentation of the financial statements.

estimates made by those charged with governance, as well as evaluating the overall presentation of the financial statements.

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

**Basis for qualified opinion**

As is common with many not-for-profit organizations, the Board derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Board and we were not able to determine whether any adjustments might be necessary to donation revenue, excess of revenue over expenditures, assets and net assets.

**Qualified opinion**

In our opinion, except for the possible 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 South Shore Regional Library Board as at March 31, 2013, March 31, 2012 and April 1, 2011 and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian accounting standard for not-for-profit organizations.

*Grant Thornton LLP*

Bridgewater, Canada  
June 11, 2013

Chartered Accountants

# South Shore Regional Library Board

## Statement of Operations

Year Ended March 31

2013

2012

	Budget (Unaudited)	<b>Actual</b>	<b>Actual</b>
Revenue			
Appropriations from Governments (Note 5)	\$ 1,365,900	<b>\$ 1,365,904</b>	\$ 1,365,904
Fines and fees	2,500	<b>2,430</b>	2,436
Tax rebates	50	<b>237</b>	42
Book sales and adopt-a-book	17,300	<b>14,977</b>	24,106
Photocopying and laser printing	5,000	<b>4,598</b>	4,445
Interest income	2,500	<b>3,200</b>	2,324
Grants and miscellaneous	29,000	<b>44,876</b>	56,691
Other funding	127,000	<b>100,920</b>	33,670
Donations	6,030	<b>4,037</b>	4,827
Donated goods and services	2,000	<b>1,313</b>	2,016
	<u>1,557,280</u>	<u><b>1,542,492</b></u>	<u>1,496,461</u>
Expenditures			
Administration			
Salaries, wages and benefits	142,514	<b>142,136</b>	132,154
Pension charge amortization	-	<b>10,112</b>	9,230
Professional services	86,650	<b>13,044</b>	11,699
Supplies and service	28,088	<b>33,616</b>	33,701
Travel and training	8,350	<b>7,499</b>	7,813
Memberships	1,474	<b>1,670</b>	1,474
Headquarters expenses	78,500	<b>79,459</b>	78,168
Other expenses	800	<b>1,038</b>	801
	<u>346,376</u>	<u><b>288,574</b></u>	<u>275,040</u>
Support Services			
Salaries, wages and benefits	400,215	<b>358,269</b>	362,444
Supplies and service	28,000	<b>25,913</b>	44,648
Travel and training	10,500	<b>12,730</b>	8,991
Automation	17,400	<b>4,198</b>	18,252
	<u>456,115</u>	<u><b>401,110</b></u>	<u>434,335</u>
Public Services			
Salaries, wages and benefits	405,494	<b>433,190</b>	437,304
Library material	290,000	<b>247,939</b>	226,941
Supplies and service	15,525	<b>18,334</b>	19,157
Travel and training	6,800	<b>4,924</b>	6,694
Vehicle operation and new mobile bus	36,500	<b>67,538</b>	31,456
	<u>754,319</u>	<u><b>771,925</b></u>	<u>721,552</u>
Total expenditures	<u>1,556,810</u>	<u><b>1,461,609</b></u>	<u>1,430,927</u>
Excess of revenue over expenditures	<u>\$ 470</u>	<u><b>\$ 80,883</b></u>	<u>\$ 65,534</u>

See accompanying notes to the financial statements.

# **South Shore Regional Library Board** **Statement of Changes in Net Assets**

Year Ended March 31

**2013**

**2012**

	Budget (Unaudited)	<b>Actual</b>	<u>Actual</u>
Net debt, beginning of year	\$ -	\$ -	\$ -
Transfer from internally restricted reserve		<b>27,258</b>	
Transfer to internally restricted reserve	<u>-</u>	<u><b>(108,141)</b></u>	<u>(65,534)</u>
		<b>(80,883)</b>	<b>(65,534)</b>
Excess of revenue over expenditures	<u>470</u>	<u><b>80,883</b></u>	<u>65,534</u>
Net assets, end of year	<u>\$ 470</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the financial statements

# South Shore Regional Library Board

## Statement of Financial Position

March 31

2013

2012

April 1,

2011

### Assets

#### Current

Cash and cash equivalents			
Unrestricted	\$ 87,802	\$ 90,692	\$ 124,121
Internally restricted	156,235	75,351	9,818
Receivables - trade	1,787	6,289	5,763
- HST	23,701	19,095	15,364
Prepays	31,951	20,888	19,800
	<u>301,476</u>	<u>212,315</u>	<u>174,866</u>
Investments	35,305	34,818	-
Deferred charges (Note 4)	15,097	22,681	30,265
Capital assets (Note 6)	<u>849,693</u>	<u>820,668</u>	<u>814,761</u>
	<u>\$ 1,201,571</u>	<u>\$ 1,090,482</u>	<u>\$ 1,019,892</u>

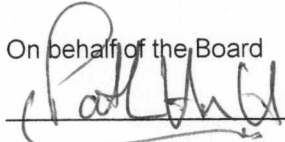
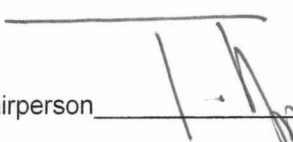
### Liabilities

Payables and accruals - trade	\$ 67,693	\$ 64,065	\$ 61,999
Retirement allowance liability (Note 4)	71,554	69,026	67,380
Current portion of long term debt	4,980	4,980	4,728
	<u>144,227</u>	<u>138,071</u>	<u>134,107</u>
Long term debt (Note 7)	51,416	56,392	61,206
	<u>195,643</u>	<u>194,463</u>	<u>195,313</u>

### Net Assets

Invested in capital assets (Page 7)	849,693	820,668	814,761
Internally restricted (Note 8)	156,235	75,351	9,818
	<u>1,005,928</u>	<u>896,019</u>	<u>824,579</u>
	<u>\$ 1,201,571</u>	<u>\$ 1,090,482</u>	<u>\$ 1,019,892</u>

Commitments (Note 10)

On behalf of the Board  Chairperson  Director

See accompanying notes to the financial statements.

# South Shore Regional Library Board

## Statement of Cash Flows

(Unaudited)

Year Ended March

2013

2012

Increase in cash and cash equivalents

### Operating

Excess of revenue over expenditures operating fund	\$ 80,883	\$ 65,534
Investment in capital assets	29,025	5,907
Amortization of capital assets	<u>245,774</u>	<u>242,076</u>
	<u>355,682</u>	<u>313,517</u>

Changes in non-cash operating working capital

Receivables	4,502	(526)
HST	(4,606)	(3,731)
Prepays	(11,062)	(1,089)
Deferred charge	7,584	7,584
Payables and accruals	3,628	2,066
Retirement allowance liability	<u>2,528</u>	<u>1,646</u>
	<u>358,256</u>	<u>319,467</u>

### Financing

Repayment of long term debt	<u>(4,976)</u>	<u>(4,562)</u>
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### Investing

Purchase of investments	(487)	(34,818)
Purchase of capital assets	<u>(274,799)</u>	<u>(247,983)</u>
	<u>(275,286)</u>	<u>(282,801)</u>

Net increase in cash and cash equivalents 77,994 32,104

Cash and cash equivalents

Beginning of year	<u>166,043</u>	<u>133,940</u>
End of year	<u>\$ 244,037</u>	<u>\$ 166,044</u>

See accompanying notes to the financial statements.



# **South Shore Regional Library Board** **Net Assets Invested in Capital Assets**

Year Ended March 31

**2013**

**2012**

Invested in capital assets, beginning of year	<b>\$ 820,668</b>	<b>\$ 814,761</b>
Add:		
Capital assets provided by revenue fund		
Library materials	<b>244,881</b>	226,941
Equipment	<b>29,918</b>	21,042
	<b><u>1,095,467</u></b>	<b><u>1,062,744</u></b>
Deduct:		
Depreciation		
Library materials	<b>201,871</b>	190,523
Equipment	<b>17,989</b>	14,545
Vehicle	<b>25,846</b>	36,924
Leasehold improvements	<b>68</b>	84
	<b><u>245,774</u></b>	<b><u>242,076</u></b>
Invested in capital assets, end of year	<b><u>\$ 849,693</u></b>	<b><u>\$ 820,668</u></b>

See accompanying notes to the financial statements

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# South Shore Regional Library Board

## Notes to the Financial Statements

March 31, 2013

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### 1. Status and nature of activities

The South Shore Regional Library Board operates public libraries in communities throughout Lunenburg County and Queens County Nova Scotia. The Library is registered as a charity with CRA under the income tax act and as a not-for-profit organization under the Societies Act of Nova Scotia.

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### 2. Significant accounting policies

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

#### Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits with original maturities of three months or less. Bank borrowings are considered to be financing activities.

#### Financial instruments

The Board considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. The Board accounts for the following as financial instruments:

- cash and cash equivalents
- trade and other receivables
- deferred charges

A financial asset or liability is recognized when the Board becomes party to contractual provisions of the instrument.

Financial assets or liabilities obtained in arm's length transactions are initially measured at their fair value. In the case of a financial asset or liability not being subsequently measured at fair value, the initial fair value will be adjusted for financing fees and transaction costs that are directly attributable to its origination, acquisition, issuance or assumption.

Financial assets and financial liabilities are subsequently measured according to the following methods:

<u>Financial instrument</u>	<u>Subsequent measurement</u>
Accounts receivable	Amortized cost
Deferred charges	Amortized cost

The Board removes financial liabilities, or a portion of, when the obligation is discharged, cancelled or expires.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. Previously recognized impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of the reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in net income.

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# South Shore Regional Library Board

## Notes to the Financial Statements

March 31, 2013

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### 2. Significant accounting policies (continued)

#### Revenue recognition

##### *Donations*

The Board follows the deferral method of accounting for donations. Under this method, donations restricted for future period expenses are deferred and are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

##### *Net investment income*

Investment transactions are recorded on the transaction date and resulting revenues are recognized using the accrual method of accounting.

Net investment income includes interest income and changes in fair value.

Interest income is recognized on a time apportionment basis and changes in fair value are recognized when they occur.

##### *Other Income*

Other revenues are recognized when the services or goods are received by the customer.

#### Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Capital assets funded by the operations are charged to expense in the year of purchase and recorded as an asset in the capital fund, with a credit to the investment in capital assets. Capital assets are amortized on the diminishing balance method at the following rates except for leasehold improvements which are depreciated on the straight line basis:

Library materials	25%
Equipment	20-30%
Vehicles	30%
Leasehold improvements	20%SL

When property and equipment is disposed of, the cost of the asset is written off against the investment in capital assets account.

#### Use of estimates

Management reviews the carrying amounts of items in the financial statements at each balance sheet date to assess the need for revisions. Many items in the preparation of these financial statements require management's best estimate based on assumptions that reflect the most probable set of economic conditions and planned courses of action.

These estimates are reviewed periodically and adjustments are made to net income as appropriate in the year they become known.

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## **South Shore Regional Library Board**

### **Notes to the Financial Statements**

March 31, 2013

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#### **2. Significant accounting policies (continued)**

##### **Library materials**

No inventory of library materials on hand has been taken. When library materials are purchased they are charged to expense in the year of acquisition, and inventory is not recorded. Library materials for which purchase orders are outstanding at the end of the year are charged to expense and set-up as accounts payable for library materials committed.

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#### **3. First-time adoption of Canadian accounting standards for not-for-profit organizations**

These financial statements are the first financial statements for which South Shore Regional Library has applied the Canadian accounting standards for not-for-profit organizations (ASNPO). The financial statements for the year ended March 31, 2013 were prepared in accordance with ASNPO. Comparative period information presented for the year ended March 31, 2012 and the opening statement of financial position as at April 1, 2011 were prepared in accordance with ASNPO and the provisions set out in Section 1501 First-time adoption for not-for-profit organizations.

The date of transition to ASNPO is April 1, 2011. The Board's transition from Canadian Generally Accepted Accounting Policies ("previous GAAP") to ASNPO has had no significant impact on the opening net assets as at April 1, 2011 or the statement of operations for year or the statement of cash flows for the year ended March 31, 2012.

As a result, the reconciliations and disclosures required by Section 1501 First-time adoption for not-for-profit organizations, for net assets at the transition date, the comparative period statement of operations and the statement of cash flows are not necessary and have not been presented in these financial statement notes.

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#### **4. Pension**

##### **Deferred charges**

A deferred charge has been recorded as an asset to reflect the pension cost. The related expense is being amortized over the estimated average remaining service life (EARSL) of 14 years, as calculated by management. As the Library does not have a mandatory retirement age, management has assumed a retirement age of 65 resulting in remaining service between 4 and 28 years. The annual pension charge is \$7,584. As at March 31, 2013 the unamortized balance is \$15,097.

##### **Retirement allowance liability**

A motion was passed on November 20, 2001 to supplement the retirement of employees based on their service between January 1, 1988 and January 1, 1998. A liability had been set up in the amount of \$106,100 based on an actuarial valuation of the liability. Annually this liability is decreased as employees retire and is increased to reflect pensionable salary increases. As at March 31, 2013 the balance is \$71,554 (2012-\$69,026).

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# South Shore Regional Library Board

## Notes to the Financial Statements

March 31, 2013

### 5. Appropriations from Governments

	<u>2013</u>	<u>2012</u>
Region of Queens Municipality	\$ 69,656	\$ 69,656
Municipality of the District of Chester	67,128	67,128
Municipality of the District of Lunenburg	156,024	156,024
Town of Bridgewater	49,504	49,504
Town of Lunenburg	14,456	14,456
Town of Mahone Bay	5,636	5,636
Province of Nova Scotia	989,500	989,500
Other Municipal Funding	<u>14,000</u>	<u>14,000</u>
	<u>\$ 1,365,904</u>	<u>\$ 1,365,904</u>

### 6. Capital assets

	<u>2013</u>	<u>2012</u>
	<u>Total</u>	<u>Total</u>
Balance, beginning of year	\$ 820,668	\$ 814,761
Additions	<u>274,799</u>	<u>247,983</u>
	929,925	1,062,744
Depreciation	<u>(201,871)</u>	<u>(242,076)</u>
Balance, end of year	<u>\$ 728,054</u>	<u>\$ 820,668</u>

### 7. Long term debt

	<u>2013</u>	<u>2012</u>
Prime plus 1.5% demand loan, payable in monthly instalments of \$415 principal plus interest. As security the Board has provided an assignment on specified equipment.	\$ 56,396	\$ 61,372
Less: amount payable within one year	<u>4,980</u>	<u>4,980</u>
	<u>\$ 51,416</u>	<u>\$ 56,392</u>

Principal repayments required over the next five years are as follows:

2014	\$ 4,980
2015	\$ 4,980
2016	\$ 4,980
2017	\$ 4,980
2018	\$ 4,980

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## **South Shore Regional Library Board**

### **Notes to the Financial Statements**

March 31, 2013

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#### **8. Internally restricted**

The Library passed a motion March 19, 2013 that accumulated surplus from fiscal year end 2012/2013 would be put into a short term reserve designated for new furnishings and equipment for the Library space at the Lunenburg County Lifestyle Centre.

The Library passed a motion March 15, 2012 that accumulated surplus from fiscal year end 2011/2012 would be put into a short term reserve designated for new furnishings and equipment for the Library space at the Lunenburg County Lifestyle Centre.

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#### **9. Pension plan**

The South Shore Regional Library currently makes contributions to a pension plan on behalf of employees who participate in the plan. The pension plan is a defined contribution plan and is administered by Sunlife Assurance Company Limited on behalf of the Library Board.

Pension plan contributions made by the Board for the current year are \$47,096 (2012 - \$46,656).

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#### **10. Commitments**

The Board signed a five year lease agreement commencing January 1, 2009 and expiring December 31, 2013. Lease payments are \$5,169 per month plus applicable taxes.

The Board intends to relocate to the Lunenburg County Lifestyle Centre prior to January 1, 2014. At this time no contract has been signed for specific lease terms.

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#### **11. Economic dependence**

The Board is dependent on the Province of Nova Scotia for the majority of its funding to provide Library services in Lunenburg and Queens County.

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#### **12. Financial instrument risks**

The Board's main financial instrument risk exposure is detailed as follows.

##### *Credit risk*

The Board has determined that the financial assets with credit risk exposure are accounts receivable since failure of any of these parties to fulfill their obligations could result in significant financial losses for the Board.

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#### **13. Comparative figures**

Certain of the 2012 comparative figures have been reclassified to conform to the presentation adopted for 2013.