



Grant Thornton

Financial Statements

South Shore Regional Library Board

March 31, 2014

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## Independent Auditor's Report

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To the Board of Directors of  
South Shore Regional Library Board

We have audited the accompanying financial statements of South Shore Regional Library Board, which comprise the statement of financial position as at March 31, 2014, and the statements of operations, changes in net assets, and cash flows for the year then ended, 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 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.

### *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 organization'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 organization's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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 audit opinion.

## Independent Auditor's Report (continued)

### *Basis for Qualified Opinion*

South Shore Regional Library Board derives a material amount of revenue from donations and fundraising activities. We were not able to obtain sufficient appropriate audit evidence about the completeness of the reported amounts for accounts receivable, donation and fundraising revenue, revenue in excess of expenditure and changes to net assets because there is no direct relationship between assets or services given up in exchange for amounts received or receivable. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

### *Qualified Opinion*

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of South Shore Regional Library Board as at March 31, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Bridgewater, Canada  
June 23, 2014

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script.

Chartered Accountants

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

Year ended March 31

	Invested in capital assets	Internally restricted	Unrestricted	Total 2014	Total 2013
Balance, beginning of year	\$ 849,693	\$ 156,235	\$ -	\$ 1,005,928	\$ 896,019
(Deficiency) excess of revenues over expenditures	-	-	(112,916)	(112,916)	80,883
Capital Assets provided by revenue fund	354,612	-	-	354,612	274,800
Transfer from internally restricted reserve	-	(156,235)	156,235	-	-
Amortization of capital assets	<u>(260,685)</u>	<u>-</u>	<u>-</u>	<u>(260,685)</u>	<u>(245,774)</u>
Balance, end of year	<u>\$ 943,620</u>	<u>\$ -</u>	<u>\$ 43,319</u>	<u>\$ 986,939</u>	<u>\$ 1,005,928</u>

See accompanying notes and schedules to the financial statements.



## South Shore Regional Library Board

### Statement of Operations

Year ended March 31	2014 Budget	2014 Actual	2013 Actual
<b>Revenues</b>			
Appropriations from government (Schedule 1)	\$ 1,365,814	<b>\$ 1,365,904</b>	\$ 1,365,904
Other revenue (Schedule 2)	<u>137,050</u>	<u><b>114,639</b></u>	<u>176,587</u>
	<u>1,502,864</u>	<u><b>1,480,543</b></u>	<u>1,542,491</u>
<b>Expenditures</b>			
Administration			
Salaries, wages and benefits	145,650	<b>152,137</b>	142,136
Pension charge amortization	-	<b>9,242</b>	10,112
Professional services	25,450	<b>13,585</b>	13,044
Supplies and service	29,850	<b>30,048</b>	33,616
Travel and training	10,100	<b>10,207</b>	7,499
Memberships	1,600	<b>1,998</b>	1,669
Headquarters expense	65,050	<b>50,637</b>	79,459
Other expenses	2,000	<b>4,737</b>	1,038
New location costs	-	<b>55,193</b>	-
	<u>279,700</u>	<u><b>327,784</b></u>	<u>288,573</u>
Support Services			
Salaries, wages and benefits	407,820	<b>404,351</b>	358,269
Supplies and service	23,000	<b>29,386</b>	25,913
Travel and training	8,500	<b>15,349</b>	12,730
Automation	<u>17,400</u>	<u><b>14,494</b></u>	<u>4,198</u>
	<u>456,720</u>	<u><b>463,580</b></u>	<u>401,110</u>
Public Services			
Salaries, wages and benefits	417,530	<b>417,585</b>	433,190
Library material	290,000	<b>252,754</b>	247,939
Supplies and service	15,525	<b>31,282</b>	18,334
Travel and training	6,400	<b>5,227</b>	4,924
Vehicle operation and new mobile bus	36,200	<b>43,971</b>	67,538
New location costs	-	<b>51,276</b>	-
	<u>765,655</u>	<u><b>802,095</b></u>	<u>771,925</u>
	<u>1,502,075</u>	<u><b>1,593,459</b></u>	<u>1,461,608</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 789</u>	<u><b>\$ (112,916)</b></u>	<u>\$ 80,883</u>

See accompanying notes and schedules to the financial statements.

# South Shore Regional Library Board

## Statement of Financial Position

March 31 2014 2013

### Assets

#### Current

Cash and cash equivalents		
Unrestricted	\$ 229,188	\$ 87,802
Internally restricted	49,766	156,235
Receivables	1,968	1,787
Harmonized sales tax receivable	26,376	23,701
Prepaid expenses	19,379	31,950

326,677 301,475

Investments	-	35,305
Deferred charges (Note 3)	7,513	15,097
Property, plant and equipment (Note 4)	943,620	849,693

\$ 1,277,810 \$ 1,201,570

### Liabilities

#### Current

Payables and accruals	\$ 77,836	\$ 67,692
Payable-LBANS	91,087	-
Retirement allowance liability (Note 3)	68,644	71,554
Unearned revenue	2,299	-
Current portion of long-term debt (Note 5)	4,980	4,980

244,846 144,226

Long-term debt (Note 5)	46,025	51,416
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290,871 195,642

### Fund balances

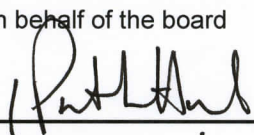
Invested in capital assets	943,620	849,694
Internally restricted	-	156,234
Unrestricted	43,319	-

986,939 1,005,928

\$ 1,277,810 \$ 1,201,570

Commitment (Note 6)

On behalf of the board

  
Member

  
Member

See accompanying notes and schedules to the financial statements.

# South Shore Regional Library Board

## Statement of Cash Flows

Year ended March 31	2014	2013
Increase (decrease) in cash and cash equivalents		
<b>Operating</b>		
(Deficiency) excess of revenues over expenditures	\$ (112,916)	\$ 80,883
Items not affecting cash		
Amortization of capital assets	260,685	245,774
Investment in capital assets	<u>93,927</u>	<u>29,025</u>
	241,696	355,682
Change in non-cash working capital items		
Receivables	(181)	4,502
Harmonized sales tax	(2,675)	(4,606)
Prepaid expenses	12,571	(11,062)
Payables and accruals	10,144	3,628
Retirement allowance liability (Note 3)	(2,910)	2,528
Unearned revenue	2,299	-
Deferred charge	7,584	7,584
Payables-LBANS	<u>91,087</u>	<u>-</u>
	<u>359,615</u>	<u>358,256</u>
<b>Financing</b>		
Repayment of long-term debt	<u>(5,391)</u>	<u>(4,976)</u>
<b>Investing</b>		
Purchase of investments	-	(487)
Proceeds on sale of investments	35,305	-
Purchase of property, plant and equipment	<u>(354,612)</u>	<u>(274,799)</u>
	<u>(319,307)</u>	<u>(275,286)</u>
Increase in cash and cash equivalents	34,917	77,994
<b>Cash</b>		
Beginning of year	<u>244,037</u>	<u>166,043</u>
End of year	<u>\$ 278,954</u>	<u>\$ 244,037</u>

See accompanying notes and schedules to the financial statements.



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# South Shore Regional Library Board

## Notes to the Financial Statements

March 31, 2014

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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 organization applies the Canadian accounting standards for not-for-profit enterprises.

**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 organization considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. The organization 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 organization 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 or liabilities obtained in related party transactions are measured in accordance with the accounting policy for related party transactions except for those transactions that are with a person or entity whose sole relationship with the organization is in the capacity of management in which case they are accounted for in accordance with financial instruments.

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

Financial instrument	Subsequent measurement
Cash and cash equivalents	Amortized cost
Accounts receivable	Amortized cost
Investments in publicly traded companies	Fair value (determined using closing prices)
Long-term debt	Amortized cost

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# South Shore Regional Library Board

## Notes to the Financial Statements

March 31, 2014

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### 2. Significant accounting policies (continued)

#### Financial instruments (continued)

The organization 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.

#### 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.

##### Other income

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

##### 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.

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# South Shore Regional Library Board

## Notes to the Financial Statements

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March 31, 2014

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

**Property, plant and equipment**

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated amortization and impairment losses.

Cost includes the purchase price and other acquisition costs such as brokers' commissions, installation costs including architectural, design and engineering fees, legal fees, survey costs, site preparation costs, freight charges, transportation insurance costs, duties, testing and preparation charges.

In addition, if the cost of the asset acquired other than through a business combination is different from its tax basis on acquisition, the asset's cost would be adjusted to reflect the related future income tax consequences.

Where constructed by the organization, the cost also includes direct construction or development costs, such as materials and labour, as well as overhead costs directly attributable to the construction or development activity.

The cost incurred to enhance the service potential of an item of property, plant and equipment (betterment) is also included in the cost of an asset.

For property, plant and equipment with a finite life, the cost of each item is amortized over its estimated life / useful life in a systematic manner appropriate to the nature of that item and its use by the organization. Accordingly, using the straight-line method, a fixed amount is periodically amortized into income over their respective life/useful life, which in total would be the greater of:

- (a) The cost less salvage value over the life of the asset; and
- (b) The cost less residual value over the useful life of the asset.

The amortization rates used for each class of property, plant and equipment are:

Library materials	25% Declining balance
Equipment	20% Declining balance
Computer equipment	30% Declining balance
Vehicles	30% Declining balance

Amortization of leasehold improvements is recorded over the remaining term of the lease plus the first renewal option.



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## **South Shore Regional Library Board**

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

March 31, 2014

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

##### **Use of estimates**

Management reviews the carrying amounts of items in the financial statements at each balance sheet date to assess the need for revision or any possibility of impairment. Many items in the preparation of these financial statements require management's best estimate. Management determines these estimates 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.

Items subject to significant management estimates include payables and retirement allowance liability.

##### **Library materials**

No inventory of library materials on hand has been taken. When library materials are purchased they are charged to expense in the general fund in the year of acquisition, and recorded as a contribution to investment in capital assets. 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. 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, 2014 the unamortized balance is \$7,513.

##### **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, 2014 the balance is \$68,644 (2013-\$71,554).

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## South Shore Regional Library Board

### Notes to the Financial Statements

March 31, 2014

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4. Property, plant and equipment	<u>2014</u>	<u>2013</u>
Library materials	\$ 762,467	\$ 728,054
Equipment	69,084	2,482
Computer equipment	69,636	58,577
Vehicles	42,216	60,309
Leasehold improvements	<u>217</u>	<u>271</u>
	<u>\$ 943,620</u>	<u>\$ 849,693</u>

Amortization for the year amounted to \$260,685 (2013 - \$245,774).

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5. Long-term debt	<u>2014</u>	<u>2013</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.	\$ 51,005	\$ 56,396
Less current portion	<u>4,980</u>	<u>4,980</u>
Due beyond one year	<u>\$ 46,025</u>	<u>\$ 51,416</u>
Estimated principal re-payments are as follows:		
2015	\$ 4,980	
2016	4,980	
2017	4,980	
2018	4,980	
2019	4,980	
Subsequent years	<u>26,105</u>	
	<u>\$ 51,005</u>	

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#### 6. Commitment

The Board has relocated to the Lunenburg County Lifestyle Centre. At this time no contract has been signed for specific lease terms.

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#### 7. Comparative figures

Certain comparative figures have been reclassified from those previously presented to conform to the presentation of the 2014 financial statements.

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## **South Shore Regional Library Board Notes to the Financial Statements**

March 31, 2014

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### **8. 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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### **9. Financial instruments**

The main risks the organization is exposed to through its financial instruments is credit risk.

#### **(a) Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The organization's main credit risks relate to its accounts receivable and notes receivable. The entity provides credit to its clients in the normal course of its operations.

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### **10. 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 \$47,791 (2013 - \$47,096).

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## South Shore Regional Library Board Schedules to the Financial Statements

Year ended March 31

### Schedule of appropriations from government

### Schedule 1

	2014 Budget	2014 Actual	2013 Actual
Province of Nova Scotia	\$ 989,500	\$ 989,500	\$ 989,500
Municipality of the District of Lunenburg	156,025	156,024	156,024
Region of Queens Municipality	69,565	69,656	69,656
Municipality of the District of Chester	67,128	67,128	67,128
Town of Bridgewater	49,504	49,504	49,504
Town of Lunenburg	14,456	14,456	14,456
Other municipal funding	14,000	14,000	14,000
Town of Mahone Bay	5,636	5,636	5,636
	<u>\$ 1,365,814</u>	<u>\$ 1,365,904</u>	<u>\$ 1,365,904</u>

### Schedule of other revenue

### Schedule 2

	2014 Budget	2014 Actual	2013 Actual
Grant and miscellaneous	\$ 57,800	\$ 54,479	\$ 44,876
Books sales and adopt-a-book	41,250	16,582	15,214
Other funding	21,500	31,584	100,920
Donations	5,500	3,588	4,037
Photocopying and laser printing	5,000	4,094	4,598
Interest income	3,500	2,843	3,200
Fines and fees	2,500	1,469	2,429
Donated goods and services	-	-	1,313
	<u>\$ 137,050</u>	<u>\$ 114,639</u>	<u>\$ 176,587</u>