



Grant Thornton

Financial Statements

South Shore Regional Library Board

March 31, 2017

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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, 2017, 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, 2017 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 19, 2017

Grant Thornton LLP

Chartered Professional Accountants
Licensed Public Accountants

South Shore Regional Library Board

Statement of Operations

Year ended March 31	2017 Budget (unaudited)	2017 Actual	2016 Actual
Revenues			
Appropriations from government (Schedule 1)	\$ 1,384,399	\$ 1,384,198	\$ 1,384,399
Other revenue (Schedule 2)	<u>63,835</u>	<u>72,520</u>	<u>103,375</u>
	<u>1,448,234</u>	<u>1,456,718</u>	<u>1,487,774</u>
Expenditures			
Administration			
Board, volunteer and staff recognition	5,000	2,945	3,515
Consultant	2,000	2,970	13,860
Dues and fees	1,900	1,600	1,351
Headquarters expense	43,000	42,360	81,144
Pension charge amortization	-	720	899
Professional services	11,900	10,998	11,198
Supplies and service	30,000	29,681	26,536
Travel and training	<u>8,700</u>	<u>13,891</u>	<u>8,744</u>
	<u>102,500</u>	<u>105,165</u>	<u>147,247</u>
Support services			
Automation	16,200	13,085	14,330
Supplies and service	25,000	29,371	22,365
Travel and training	<u>9,500</u>	<u>6,198</u>	<u>10,677</u>
	<u>50,700</u>	<u>48,654</u>	<u>47,372</u>
Public services			
Communications	9,000	6,857	8,629
Insurance	4,500	4,773	4,516
Library material	264,000	284,114	303,086
Supplies and service	22,650	26,565	28,339
Travel and training	6,000	7,952	6,574
Vehicle operation	<u>31,756</u>	<u>31,544</u>	<u>28,846</u>
	<u>337,906</u>	<u>361,805</u>	<u>379,990</u>
Wages and benefits	<u>915,706</u>	<u>916,513</u>	<u>953,128</u>
	<u>1,406,812</u>	<u>1,432,137</u>	<u>1,527,737</u>
Excess (deficiency) of revenues over expenditures	\$ <u>41,422</u>	\$ <u>24,581</u>	\$ <u>(39,963)</u>

See accompanying notes and schedules to the financial statements.

South Shore Regional Library Board

Statement of Changes in Net Assets

Year ended March 31

	Invested in capital assets	Internally restricted	Unrestricted	Total 2017	Total 2016
Balance, beginning of year	\$ 978,387	\$ 9,263	\$ 3,356	\$ 991,006	\$ 1,000,104
Excess (deficiency) of revenues over expenditures	-	-	24,581	24,581	(39,963)
Capital assets provided by operating fund	298,784	-	-	298,784	306,776
Amortization of capital assets	(282,408)	-	-	(282,408)	(275,911)
Balance, end of year	<u>\$ 994,763</u>	<u>\$ 9,263</u>	<u>\$ 27,937</u>	<u>\$ 1,031,963</u>	<u>\$ 991,006</u>

See accompanying notes and schedules to the financial statements.

South Shore Regional Library Board

Statement of Financial Position

March 31

2017

2016

Assets

Current

Cash and cash equivalents

Unrestricted

Internally restricted

Receivables

Prepaid expenses

Harmonized sales tax receivable

\$ 267,516	\$ 180,897
9,263	9,263
995	6,754
4,545	11,685
17,874	21,125

300,193	229,724
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Property and equipment (Note 3)

994,763	978,387
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\$ 1,294,956	\$ 1,208,111
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Liabilities

Current

Payables and accruals

Retirement allowance liability (Note 4)

Deferred revenue

Payable-LBANS

Current portion of rent payable (Note 5)

\$ 72,265	\$ 48,850
32,271	45,942
54,267	1,935
88,002	88,002
16,188	16,188

262,993	200,917
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Rent payable (Note 5)

-	16,188
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262,993	217,105
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Fund balances

Invested in capital assets

Internally restricted

Unrestricted

994,763	978,387
9,263	9,263
27,937	3,356

1,031,963	991,006
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\$ 1,294,956	\$ 1,208,111
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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	2017	2016
Increase (decrease) in cash and cash equivalents		
Operating		
Excess (deficiency) of revenues over expenditures	\$ 24,581	\$ (39,963)
Items not affecting cash		
Amortization of capital assets	282,408	275,911
Investment in capital assets	<u>16,376</u>	<u>30,865</u>
	323,365	266,813
Change in non-cash working capital items		
Receivables	5,759	(1,534)
Prepaid expenses	7,140	1,621
Harmonized sales tax	3,251	(2,171)
Payables and accruals	23,415	(22,471)
Retirement allowance liability (Note 4)	(13,671)	(12,314)
Deferred revenue	<u>52,332</u>	<u>1,935</u>
	401,591	231,879
Financing		
Repayment of rent payable	(16,188)	32,376
Investing		
Purchase of property and equipment	<u>(298,784)</u>	<u>(306,776)</u>
Increase (decrease) in cash	86,619	(42,521)
Cash and cash equivalents		
Beginning of year	<u>190,160</u>	<u>232,681</u>
End of year	<u>\$ 276,779</u>	<u>\$ 190,160</u>

See accompanying notes and schedules to the financial statements.

South Shore Regional Library Board

Notes to the Financial Statements

March 31, 2017

1. Status and nature of activities

The South Shore Regional Library Board operates South Shore 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*.

2. Significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

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

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

South Shore Regional Library Board

Notes to the Financial Statements

March 31, 2017

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

Contributions

The organization follows the deferral method of accounting for contributions. Under this method, contributions 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.

South Shore Regional Library Board

Notes to the Financial Statements

March 31, 2017

2. Significant accounting policies (continued)

Property and equipment

Each class of property 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.

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 and equipment (betterment) is also included in the cost of an asset.

For property 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 declining balance method, is periodically amortized into income over their respective life/useful life, which in total would be the great 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 and equipment are:

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

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

Pension expense and obligation

The organization offers a multiemployer defined benefit pension plan to employees under the Nova Scotia Public Service Superannuation Plan. Due to the nature of the plan, the organization does not have sufficient information to account for the plan as a defined benefit plan. Therefore the multiemployer defined benefit pension plan is accounted for in the same manner as a defined contribution plan. An expense is recorded in the period when the organization is obligated to make contributions for services rendered by the employee. Any unpaid contributions are included in payables and accruals on the balance sheet.

South Shore Regional Library Board

Notes to the Financial Statements

March 31, 2017

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.

3. Property and equipment

	<u>2017</u>	<u>2016</u>
Equipment	\$ 42,450	\$ 51,297
Vehicles	14,480	20,685
Leasehold improvements	112	140
Computer equipment	35,191	34,173
Library materials	<u>902,530</u>	<u>872,092</u>
	<u>\$ 994,763</u>	<u>\$ 978,387</u>

Amortization for the year amounted to \$282,408 (2016 - \$275,911).

South Shore Regional Library Board

Notes to the Financial Statements

March 31, 2017

4. Pension plans

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. There has been no recent actuarial valuation prepared. As at March 31, 2017, the balance is \$32,271 (2016 - \$45,942).

Defined contribution plan

The organization provided certain of its employees with a defined contribution pension until August 31, 2015, when it moved to a defined benefit plan. As of March 31, 2016, there were no required future contributions in respect of past service and all contributions required under the plan had been funded, except for as described below.

Under the plan, employees contributed 7% and the employer contributed 7% of earnings to the plan. During the fiscal year, the organization contributed \$Nil (2016 - \$19,251) toward this plan.

Defined benefit plan

On September 1, 2015, certain of the employees of the organization began to participate in a multiemployer pension plan sponsored by the Nova Scotia Public Service Superannuation Plan (NSPSSP). The plan is a defined benefit plan and the employees contribute 8.4% of earnings up to the Year's Maximum Pensionable Earnings ("YMPE") plus 10.9% of earnings in excess of the YMPE. Contributions cease once the member accrues 35 years of service. The employer matches the employee contributions plan at 8.4% plus 10.9% of earnings in excess of the YMPE. During the year, the organization contributed \$51,474 (2016 - \$30,913) toward this plan.

As of March 31, 2017, there were no required future contributions in respect of past service and all contributions required under the plan had been funded. The most recent actuarial valuation for funding purposes as of December 31, 2015, discloses a funding excess of \$44 million on a going-concern basis.

South Shore Regional Library Board

Notes to the Financial Statements

March 31, 2017

5. Rent payable	2017	2016
Rent payable	\$ 16,188	\$ 32,376
Less current portion	<u>16,188</u>	<u>16,188</u>
Due beyond one year	<u>\$ -</u>	<u>\$ 16,188</u>

A rental agreement was signed subsequent to year end resulting in additional rent owing for prior years. This amount will be repaid over a two-year period, amounts owing are non-interest bearing.

6. Commitment

The Board is located at the Lunenburg County Lifestyle Centre. The Board is committed to minimum annual rental payments of \$40,620 until November 30, 2023.

7. 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.

8. Financial instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

(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 organization provides credit to its clients in the normal course of its operations.

9. Comparative figures

Certain comparative figures have been reclassified from those previously presented to conform to the presentation of the 2017 financial statements.

South Shore Regional Library Board

Schedules to the Financial Statements

Year ended March 31

Schedule of appropriations from government

Schedule 1

	2017 Budget (unaudited)	2017 Actual	2016 Actual
Province of Nova Scotia	\$ 1,003,101	\$ 1,002,900	\$ 1,003,100
Municipality of the District of Chester	68,035	68,035	68,035
Municipality of the District of Lunenburg	158,134	158,134	158,134
Region of Queens Municipality	70,596	70,596	70,596
Town of Bridgewater	50,171	50,171	50,171
Town of Lunenburg	14,650	14,650	14,650
Town of Mahone Bay	5,712	5,712	5,713
Other municipal funding	14,000	14,000	14,000
	<u>\$ 1,384,399</u>	<u>\$ 1,384,198</u>	<u>\$ 1,384,399</u>

Schedule of other revenue

Schedule 2

	2017 Budget (unaudited)	2017 Actual	2016 Actual
Books sales and buy-a-book	\$ 12,200	\$ 13,500	\$ 14,698
Donated goods and services	-	5,408	2,816
Donations	10,000	5,124	6,463
Fines and fees	3,000	2,069	1,505
Grants and other income	28,500	37,686	67,667
Interest income	3,500	1,099	1,566
Other funding	1,600	1,958	4,069
Photocopying and laser printing	5,000	5,475	4,558
Tax rebates	35	201	33
	<u>\$ 63,835</u>	<u>\$ 72,520</u>	<u>\$ 103,375</u>