

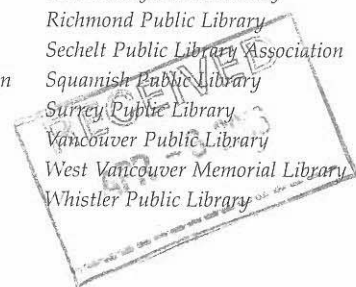


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West Vancouver Memorial Library
Whistler Public Library



April 5, 2016

TO: Administrators' Advisory Group

FROM: Rita Avigdor, Manager of Operations

RE: Audited Public Library InterLINK Financial Statements

Attached is a copy of the audited financial statements for Public Library InterLINK for the fiscal period ended December 31, 2015. InterLINK ended the 2015 fiscal year with an operating surplus of \$36,609.67 (showing as a rounded figure of \$36,610 on pg. 2 & 4 of the Audited Statements-Unrestricted net assets). Of this amount \$19,900.35 belongs to the Leadership Development Program as it is the unexpended portion of the \$65,000 that was transferred from Reserve funds in 2015 and will cover the final costs of the LLEAD Institute held in January 2016. Note 8 on pg. 9 of the Statements explains this. This leaves a **Net Surplus of \$16,709.32** (\$36,609.67 minus \$19,900.35).

Please be advised that the InterLINK Board of Directors approved the audited financial statements at their meeting held March 29, 2016. They also approved the recommendation that the 2015 operating surplus of \$16,709.32 be transferred as follows:

- \$16,709.32 – to be transferred to the General Reserve Fund

Sincerely yours,

A handwritten signature in cursive script, appearing to read 'Rita'.

Rita Avigdor,
Manager of Operations,
Public Library InterLINK
Phone: (604) 437-8441
Fax: (604) 437-8410
Email: rita.avigdor@interlinklibraries.ca
attach. (1)

INTERLINK FEDERATED PUBLIC
LIBRARY SYSTEM

FINANCIAL STATEMENTS

DECEMBER 31, 2015

INDEPENDENT AUDITOR'S REPORT

To the Directors of
InterLINK Federated Public Library System

We have audited the accompanying financial statements of InterLINK Federated Public Library System which comprise the statement of financial position as at December 31, 2015 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 judgement, 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 entity'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 entity'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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of InterLINK Federated Public Library System as at December 31, 2015 and the results of its operations, changes in net assets, and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Collins Barrow Vancouver

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
March 29, 2016

INTERLINK FEDERATED PUBLIC LIBRARY SYSTEM

STATEMENT OF FINANCIAL POSITION

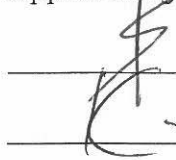
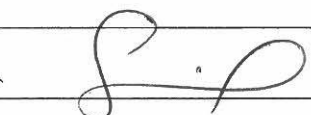
DECEMBER 31, 2015

	<u>ASSETS</u>	<u>2015</u>	<u>2014</u>
Current assets			
Cash and short-term deposits (note 3)		\$ 747,824	\$ 950,923
Accounts receivable		55,896	83,073
Prepaid expenses		<u>15,727</u>	<u>5,667</u>
		819,447	1,039,663
Capital assets (note 4)		<u>27,350</u>	<u>37,972</u>
		<u>\$ 846,797</u>	<u>\$ 1,077,635</u>

LIABILITIES AND NET ASSETS

Current liabilities			
Excess of outstanding cheques issued over funds on deposit		\$ ---	\$ 6,863
Accounts payable and accrued liabilities		68,745	96,142
Deferred revenue (note 6)		28,176	139,685
Payable to member libraries		<u>326,811</u>	<u>342,868</u>
		<u>423,732</u>	<u>585,558</u>
Net assets			
Net assets invested in capital assets		27,350	37,972
Net assets internally restricted (note 8)		359,105	400,763
Unrestricted net assets		<u>36,610</u>	<u>53,342</u>
		423,065	492,077
Commitments and contingent liabilities (note 9(b))		<u> </u>	<u> </u>
		<u>\$ 846,797</u>	<u>\$ 1,077,635</u>

Approved by the Directors:

 _____, Chair
 _____, Director

INTERLINK FEDERATED PUBLIC LIBRARY SYSTEM

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>2015</u>	<u>2014</u>
Revenues		
Membership levies	\$ 537,227	\$ 579,175
Grants/contributions from governments (note 5)	1,140,764	1,427,670
Interest and other	21,188	30,367
New to B.C. project administration fees	36,506	37,466
Contributions from net service borrowing libraries (note 7)	<u>85,716</u>	<u>89,458</u>
	<u>1,821,401</u>	<u>2,164,136</u>
Expenses		
Amortization	12,707	19,240
Audiobooks - library acquisition costs	118,861	119,779
Board/committees/membership	13,382	8,376
Children Services program	14,235	13,041
Consulting and strategic planning	26,897	---
Courier	41,786	47,685
Direct patron request study	4,100	69,167
Leadership development program	45,100	---
Office and miscellaneous	71,182	65,833
Professional fees	7,478	9,552
Public relations	2,935	4,222
Rent	23,929	23,709
Salaries and benefits	425,176	425,743
Teen Reading Club program	9,299	14,688
Virtual Reference program	---	9,634
New to B.C. project - Provincial	92,251	457,114
- Federal	447,890	369,933
Vehicle operation	<u>20,678</u>	<u>20,992</u>
	1,377,886	1,678,708
Transfers to member libraries and regional resource provider (note 7)	<u>512,527</u>	<u>532,326</u>
	<u>1,890,413</u>	<u>2,211,034</u>
Deficiency of revenues over expenses for the year	<u>\$ (69,012)</u>	<u>\$ (46,898)</u>

INTERLINK FEDERATED PUBLIC LIBRARY SYSTEM
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>2015</u>				<u>2014</u>
	<u>Invested in Capital Assets</u>	<u>Internally Restricted</u>	<u>Unrestricted</u>	<u>Total</u>	<u>Total</u>
Balance, beginning of the year	\$ 37,972	\$ 400,763	\$ 53,342	\$ 492,077	\$ 538,975
Deficiency of revenues over expenses for the year	(12,707)	---	(56,305)	(69,012)	(46,898)
Investment in capital assets	2,085	---	(2,085)	---	---
Internally imposed restrictions (note 8)	---	(41,658)	41,658	---	---
Balance, end of the year	<u>\$ 27,350</u>	<u>\$ 359,105</u>	<u>\$ 36,610</u>	<u>\$ 423,065</u>	<u>\$ 492,077</u>

INTERLINK FEDERATED PUBLIC LIBRARY SYSTEM
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>2015</u>	<u>2014</u>
Cash from (used in) operations		
Deficiency of revenues over expenses for the year	\$ (69,012)	\$ (46,898)
Item not involving cash		
Amortization	<u>12,707</u>	<u>19,240</u>
	(56,305)	(27,658)
Change in non-cash working capital items:		
Decrease in accounts receivable	27,177	3,101
Decrease (increase) in prepaid expenses	(10,060)	46
Decrease in accounts payable and accrued liabilities	(27,397)	(11,486)
Increase (decrease) in deferred revenue	(111,509)	73,946
Decrease in payable to member libraries	<u>(16,057)</u>	<u>(14,966)</u>
	<u>(194,151)</u>	<u>22,983</u>
Cash used in investing activities		
Capital asset additions	<u>(2,085)</u>	<u>---</u>
Increase (decrease) in cash and cash equivalents for the year	(196,236)	22,983
Cash and cash equivalents, beginning of the year	<u>944,060</u>	<u>921,077</u>
Cash and cash equivalents, end of the year	<u>\$ 747,824</u>	<u>\$ 944,060</u>
Cash and cash equivalents comprises:		
Cash and short-term deposits	\$ 747,824	\$ 950,923
Excess of outstanding cheques issued over funds on deposit	<u>---</u>	<u>(6,863)</u>
	<u>\$ 747,824</u>	<u>\$ 944,060</u>

INTERLINK FEDERATED PUBLIC LIBRARY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

1. General information

InterLINK Federated Public Library System ("InterLINK"), a not-for-profit organization, was incorporated under the provisions of the Library Act of British Columbia on April 1, 1994. As a registered charity under the Income Tax Act, InterLINK is exempt from federal and provincial income taxes. The primary purpose of InterLINK is to serve member libraries through the provision of open access to library services and the development and implementation of collaborative service efficiencies and enhancements.

InterLINK is dependent upon the grants/contributions from governments for a substantial portion of its revenue.

2. Summary of significant accounting policies

- a) Basis of presentation - InterLINK's accounting policies and its standards of financial disclosure are in accordance with Canadian accounting standards for not-for-profit organizations.
- b) Revenue recognition - InterLINK follows the deferral method of accounting for grants/contributions. Restricted grants/contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted grants/contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Membership levies and donations are recognized as revenue when they are received. Interest income is recognized as revenue when earned.

- c) Financial instruments - All financial instruments are measured at fair value on initial recognition. After initial recognition, financial instruments are measured at cost or amortized cost and consist of cash and short-term deposits, accounts receivable, accounts payable and payable to member libraries. Financial assets measured at cost or amortized cost are tested for impairment at the end of each year, and the amount of any write-down is recognized in the statement of operations. Previously recognized impairment losses may be reversed to the extent of the improvement and the amount of the reversal is recognized in the statement of operations. A reversal may be recorded provided it is no greater than the amount that had been previously reported as a reduction in the asset.
- d) Audiobooks - InterLINK maintains audiobooks for its member libraries. Audiobook acquisitions are charged to operations as incurred.
- e) Cash and cash equivalents – Cash and cash equivalents include cash, cash on account and cashable guaranteed investment certificates, net of excess of outstanding cheques over funds on deposit.
- f) Capital assets - Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair market value at the date of contribution. Amortization is calculated by the straight-line method over the estimated useful lives of the assets:

Computers and equipment	5 years
Furniture and fixtures	10 years
Leasehold improvements	term of the lease
Vehicle	5 years

INTERLINK FEDERATED PUBLIC LIBRARY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

2. Summary of significant accounting policies - continued

f) Capital assets - continued

A capital asset is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized in the statement of operations when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the capital asset exceeds its fair value. An impairment loss is not reversed if the fair value of the capital asset subsequently increases.

g) Expenses - Expenses are recorded when incurred on an accrual basis.

h) Contributed services - Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

i) Use of estimates - The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. Significant areas requiring the use of management estimates relate to the determination of useful lives of capital assets for purposes of calculating amortization and the amount payable to member libraries.

3. Cash and short-term deposits

	<u>2015</u>	<u>2014</u>
Cash	\$ 147,201	\$ 300
Cashable guaranteed investment certificate with interest at the rate of 1.00% per annum		
- Bank of Nova Scotia, due April 11, 2016	600,623	---
Cashable guaranteed investment certificates with interest at the rate of 1.18% per annum		
- National Trust Company, due April 10, 2015	---	600,623
- Montreal Trust Company of Canada, due April 23, 2015, but redeemed on January 5, 2015	---	350,000
	<u>\$ 747,824</u>	<u>\$ 950,923</u>

INTERLINK FEDERATED PUBLIC LIBRARY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

4. Capital assets

	<u>2015</u>			<u>2014</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
Computers and equipment	\$ 59,666	\$ 53,524	\$ 6,142	\$ 5,600
Furniture and fixtures	18,399	18,115	284	557
Leasehold improvements	56,060	35,136	20,924	31,815
Vehicle	68,081	68,081	---	---
	<u>\$ 202,206</u>	<u>\$ 174,856</u>	<u>\$ 27,350</u>	<u>\$ 37,972</u>

5. Grants/contributions from governments

	<u>2015</u>	<u>2014</u>
Provincial grants received during the year		
Operating grant	\$ 600,623	\$ 600,623
New to B.C. project	---	500,000
Add: Unexpended portion of the grant, beginning of the year	108,625	65,739
Less: Unexpended portion of the grant, end of the year	<u>(16,374)</u>	<u>(108,625)</u>
	<u>92,251</u>	<u>457,114</u>
	<u>\$ 692,874</u>	<u>\$ 1,057,737</u>
Federal contributions received and receivable during the year		
New to B.C. project	\$ 428,632	\$ 400,993
Add: Unexpended portion of the contribution, beginning of the year	31,060	---
Less: Unexpended portion of the contribution, end of the year	<u>(11,802)</u>	<u>(31,060)</u>
	<u>\$ 447,890</u>	<u>\$ 369,933</u>
Total grants/contributions from governments	<u>\$ 1,140,764</u>	<u>\$ 1,427,670</u>

6. Deferred revenue

	<u>2015</u>	<u>2014</u>
Externally restricted (note 5)		
Provincial government grant	\$ 16,374	\$ 108,625
Federal government contribution	<u>11,802</u>	<u>31,060</u>
	<u>\$ 28,176</u>	<u>\$ 139,685</u>

INTERLINK FEDERATED PUBLIC LIBRARY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

7. Contributions from net service borrowing libraries and transfers to member libraries and regional resource provider

InterLINK transfers funds to net service provider libraries based on their provision of circulation and reference services to non-residents. InterLINK intends to make transfers in 2016 of \$408,514 to net service provider libraries with respect to 2015 activities. \$326,811 of this amount is included in current liabilities at December 31, 2015 representing a portion of the amount of the provincial government operating grant received in 2015. The remaining \$81,703 will be funded in 2016 from contributions from net service borrowing libraries. InterLINK is committed to pay \$100,000 to the regional resource provider which will be funded by levies to members in 2016.

8. Net assets internally restricted

The board of directors has allocated amounts between unrestricted and internally restricted net assets, as follows:

	<u>2015</u>	<u>2014</u>
Unrestricted net assets to restricted net assets		
Program reserve	\$ 53,342	\$ ---
Project reserve	---	17,989
	<u>53,342</u>	<u>17,989</u>
Internally restricted net assets to unrestricted net assets		
Program reserve	85,000	81,000
Project reserve	<u>10,000</u>	<u>---</u>
	<u>95,000</u>	<u>81,000</u>
Net changes in internally restricted balances	(41,658)	(63,011)
Internally restricted balances, beginning of the year	<u>400,763</u>	<u>463,774</u>
Internally restricted balances, end of the year	<u>\$ 359,105</u>	<u>\$ 400,763</u>

\$65,000 of the \$85,000 allocated from the program reserve to unrestricted net assets during the year is to be used for the leadership development program expenses. \$45,100 was expended to December 31, 2015 and the remaining \$19,900 is to be expended in 2016 and is included in unrestricted net assets at December 31, 2015.

The internally restricted amounts are not available for other purposes without approval of the board of directors.

The board of directors approved transfers in 2016 of up to \$35,000 from the general reserve and \$18,000 from the audiobook reserve to unrestricted net assets.

INTERLINK FEDERATED PUBLIC LIBRARY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

9. Other information

a) Financial instruments risks

The main risks InterLINK's financial instruments are exposed to are credit risk, interest rate risk and liquidity risk, each of which is discussed below.

- i) Credit risk - The financial instruments that potentially subject InterLINK to a significant concentration of credit risk consist primarily of cash and short-term deposits and accounts receivable. InterLINK mitigates its exposure to credit loss related to cash and short-term deposits by dealing with major financial institutions and mitigates its exposure to credit loss related to its accounts receivable by extending credit only to its member libraries.
- ii) Interest rate risk - InterLINK is exposed to interest rate price risk from its interest bearing asset (note 3). InterLINK manages its exposure to interest rate risk by investing in fixed interest, short-term, low risk investments.
- iii) Liquidity risk - Liquidity risk relates to the risk InterLINK will encounter difficulty in meeting its obligations associated with financial liabilities. Its financial liabilities consist of accounts payable and accrued liabilities, and payable to member libraries. Management closely monitors cash flow requirements to ensure that it has sufficient cash available to meet operational and financial obligations.

b) Commitments and contingent liabilities

Under the terms of an office operating lease which expires May 31, 2017, InterLINK is committed to make the following payments:

Year ending December 31, 2016	\$ 15,667
2017	<u>6,593</u>
	<u>\$ 22,260</u>

Furthermore, InterLINK is required to pay its share of certain operating expenses incurred by the lessor of InterLINK's premises. InterLINK has an option to renew the lease for a further term of five years.

Certain employees accumulate sick leave entitlement on a monthly basis, but they can only use this entitlement for paid time off under certain circumstances. No provision has been recorded relating to any potential future obligations to the employees as the related cost, if any, is not determinable.

INTERLINK FEDERATED PUBLIC LIBRARY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

9. Other information - continued

b) Commitments and contingent liabilities - continued

Included in accounts payable and accrued liabilities at December 31, 2015 is \$27,748 (2014 – \$26,400) and in salaries and benefits for the year ended December 31, 2015 is \$1,348 (2014 – \$26,400) of employee future benefits approved during the year.

See note 7.

c) Employee pensions

Certain employees of InterLINK are members of a multi-employer defined benefit pension plan. InterLINK's contributions are not segregated in a separate account. A contribution rate is established periodically to ensure that the pension plan assets are adequate to cover the pension plan's future benefit payments. Salaries and benefits expense includes \$35,705 (2014 - \$29,946) of contributions by InterLINK to the pension plan.

INTERLINK FEDERATED PUBLIC LIBRARY SYSTEM
SCHEDULE OF INTERNALLY RESTRICTED NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Internally Restricted Balances, January 1, 2015	Allocations, net to Unrestricted Net Assets	Internally Restricted Balances, December 31, 2015
Audiobooks reserve	\$ 81,932	\$ ---	\$ 81,932
Equipment and furnishings reserve	17,226	---	17,226
General reserve	74,659	---	74,659
Internet reserve	30,000	---	30,000
Program reserve	61,591	(31,658)	29,933
Project reserve	62,603	(10,000)	52,603
Vehicle replacement reserve	<u>72,752</u>	<u>---</u>	<u>72,752</u>
	<u>\$ 400,763</u>	<u>\$ (41,658)</u>	<u>\$ 359,105</u>