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## *Joining Libraries Together*

Bowen Island Public Library  
Burnaby Public Library  
Coquitlam Public Library  
Fraser Valley Regional Library  
Gibsons & District Public Library Association  
Lillooet Area Library Association  
New Westminster Public Library  
North Vancouver City Library  
North Vancouver District Public Library

Pemberton & District Public Library Association  
Port Moody Public Library  
Richmond Public Library  
Sechelt Public Library Association  
Squamish Public Library  
Surrey Libraries  
Vancouver Public Library  
West Vancouver Memorial Library  
Whistler Public Library

April 10, 2018

**TO: InterLINK Board Chairs**  
**FROM: Allie Douglas, InterLINK Office Manager**  
**RE: Audited Public Library InterLINK Financial Statements**

Attached is your library's signed copy of the audited financial statements for Public Library InterLINK for the fiscal period ended December 31, 2017. These statements were approved during the April 3, 2018 Board Meeting.

Please let us know if you have any questions.

Allie Douglas  
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Public Library InterLINK  
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Public Library InterLINK  
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INTERLINK FEDERATED PUBLIC  
LIBRARY SYSTEM

FINANCIAL STATEMENTS

DECEMBER 31, 2017

## 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, 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 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, 2017 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  
April 3, 2018

INTERLINK FEDERATED PUBLIC LIBRARY SYSTEM

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2017

	<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
Current assets			
Cash and short-term deposits (note 3)	\$	666,348	\$ 668,737
Accounts receivable		48,897	41,516
Prepaid expenses		<u>9,084</u>	<u>18,257</u>
		724,329	728,510
Capital assets (note 4)		<u>3,159</u>	<u>14,636</u>
	\$	<u>727,488</u>	\$ <u>743,146</u>

LIABILITIES AND NET ASSETS

Current liabilities			
Accounts payable and accrued liabilities	\$	66,233	\$ 47,840
Deferred revenue (note 6)		20,295	837
Payable to member libraries		<u>304,921</u>	<u>322,531</u>
		<u>391,449</u>	<u>371,208</u>
Net assets			
Net assets invested in capital assets		3,159	14,636
Net assets internally restricted (note 9)		287,814	287,814
Unrestricted net assets		<u>45,066</u>	<u>69,488</u>
		336,039	371,938
Commitments and contingent liabilities (note 10(b))		<u>                    </u>	<u>                    </u>
	\$	<u>727,488</u>	\$ <u>743,146</u>

Approved by the Directors:

\_\_\_\_\_, Chair

\_\_\_\_\_, Director

INTERLINK FEDERATED PUBLIC LIBRARY SYSTEM

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
Revenues		
Membership levies	\$ 545,900	\$ 537,250
Grants/contributions from governments (note 5)	1,075,628	1,060,827
Interest and other	32,197	14,715
New to B.C. project administration fees	29,089	28,244
Project LLEAD	44,800	36,105
Contributions from net service borrowing libraries (note 7)	<u>80,633</u>	<u>81,703</u>
	<u>1,808,247</u>	<u>1,758,844</u>
Expenses		
Amortization	11,477	12,714
Audiobooks - library acquisition costs	103,167	118,035
Board/committees/membership	12,363	8,097
Consulting and strategic planning	1,976	8,436
Courier	41,949	42,574
Interlibrary loan – Canadian Hosting	35,000	36,584
Office and miscellaneous	69,196	86,372
Professional fees	10,945	7,665
Project LLEAD	91,884	68,710
Public relations	790	---
Rent	24,863	24,365
Salaries and benefits	411,547	398,535
Teen Engagement	---	1,994
New to B.C. project - Provincial	837	15,537
- Federal	476,477	446,949
Vehicle operation	16,589	23,628
Youth services committee	<u>16,652</u>	<u>5,542</u>
	1,325,712	1,305,737
Transfers to member libraries and regional resource provider (note 7)	485,556	504,234
Transfer surplus funds to member libraries (note 8)	<u>32,878</u>	<u>---</u>
	<u>518,434</u>	<u>504,234</u>
	<u>1,844,146</u>	<u>1,809,971</u>
Deficiency of revenues over expenses for the year	<u>\$ (35,899)</u>	<u>\$ (51,127)</u>

INTERLINK FEDERATED PUBLIC LIBRARY SYSTEM  
STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>				<u>2016</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	\$ 14,636	\$ 287,814	\$ 69,488	\$ 371,938	\$ 423,065
Deficiency of revenues over expenses for the year	<u>(11,477)</u>	<u>---</u>	<u>(24,422)</u>	<u>(35,899)</u>	<u>(51,127)</u>
Balance, end of the year	<u>\$ 3,159</u>	<u>\$ 287,814</u>	<u>\$ 45,066</u>	<u>\$ 336,039</u>	<u>\$ 371,938</u>

INTERLINK FEDERATED PUBLIC LIBRARY SYSTEM

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
Cash from (used in) operations		
Deficiency of revenues over expenses for the year	\$ (35,899)	\$ (51,127)
Item not involving cash		
Amortization	<u>11,477</u>	<u>12,714</u>
	(24,422)	(38,413)
Change in non-cash working capital items:		
Decrease (increase) in accounts receivable	(7,381)	14,380
Decrease (increase) in prepaid expenses	9,173	(2,530)
Increase (decrease) in accounts payable and accrued liabilities	18,393	(20,905)
Increase (decrease) in deferred revenue	19,458	(27,339)
Decrease in payable to member libraries	<u>(17,610)</u>	<u>(4,280)</u>
Decrease in cash and cash equivalents for the year	(2,389)	(79,087)
Cash and cash equivalents, beginning of the year	<u>668,737</u>	<u>747,824</u>
Cash and cash equivalents, end of the year	<u>\$ 666,348</u>	<u>\$ 668,737</u>

# INTERLINK FEDERATED PUBLIC LIBRARY SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

### 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 and other 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 any 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, 2017

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 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.

j) Foreign currency translation – Monetary assets and liabilities which are denominated in foreign currencies are translated in Canadian dollars using the exchange rate in effect at the year end date. Other assets and liabilities are translated at rates in effect at the date the assets were acquired and the liabilities were incurred. Revenues and expenses are translated at the rates of exchange in effect at their transaction dates. For the years presented, there are no material foreign exchange gains or losses affecting the statement of operations.

3. Cash and short-term deposits

	<u>2017</u>	<u>2016</u>
Cash, net of outstanding cheques and deposits	\$ 62,732	\$ 300
Cashable guaranteed investment certificates with interest at the rates of 0.58% and 0.68% (2016 – 0.70% and 0.72%) per annum		
- Bank of Nova Scotia, due February 17, 2018	302,406	600,623
- Bank of Nova Scotia, due February 17, 2018	100,594	100,000
- Bank of Nova Scotia, due June 21, 2018	100,308	---
- Bank of Nova Scotia, due June 21, 2018	100,308	---
Excess of outstanding cheques issued over funds on deposit	---	(32,186)
	<u>\$ 666,348</u>	<u>\$ 668,737</u>

INTERLINK FEDERATED PUBLIC LIBRARY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

4. Capital assets

	<u>2017</u>			<u>2016</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>	
Computers and equipment	\$ 59,666	\$ 56,851	\$ 2,815	\$ 4,461	
Furniture and fixtures	18,399	18,399	---	142	
Leasehold improvements	56,060	55,716	344	10,033	
Vehicle	<u>68,081</u>	<u>68,081</u>	<u>---</u>	<u>---</u>	
	<u>\$ 202,206</u>	<u>\$ 199,047</u>	<u>\$ 3,159</u>	<u>\$ 14,636</u>	

5. Grants/contributions from governments

	<u>2017</u>	<u>2016</u>
Provincial grants received during the year	\$ 600,623	\$ 600,623
Operating grant		
Project LLEAD	7,000	---
Add: Unexpended portion of the grant, beginning of the year	---	---
Less: Unexpended portion of the grant, end of the year	(7,000)	---
New to BC Project		
Add: Unexpended portion of the grant, beginning of the year	837	16,374
Less: Unexpended portion of the grant, end of the year	<u>---</u>	<u>(837)</u>
	<u>837</u>	<u>15,537</u>
	<u>\$ 601,460</u>	<u>\$ 616,160</u>
Federal contributions received during the year		
New to B.C. project	\$ 474,168	\$ 432,865
Add: Unexpended portion of the contribution, beginning of the year	<u>---</u>	<u>11,802</u>
	<u>\$ 474,168</u>	<u>\$ 444,667</u>
Total grants/contributions from governments	<u>\$ 1,075,628</u>	<u>\$ 1,060,827</u>

6. Deferred revenue

	<u>2017</u>	<u>2016</u>
Externally restricted (note 5)		
Provincial government grant for New to BC Project	\$ ---	\$ 837
Provincial government grant for Project LLEAD	7,000	---
Registrations and sponsorships for Project LLEAD	<u>13,295</u>	<u>---</u>
	<u>\$ 20,295</u>	<u>\$ 837</u>

INTERLINK FEDERATED PUBLIC LIBRARY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

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 of their service areas. InterLINK intends to make transfers in 2018 of \$381,151 to net service provider libraries with respect to 2017 activities. \$304,921 of this amount is included in current liabilities at December 31, 2017 representing a portion of the amount of the operating revenue received in 2017. The remaining \$76,230 will be funded in 2018 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 2018.

8. Transfer surplus funds to member libraries

During the year, a surplus in an amount of \$32,878 was determined to be in excess of all reserve funds' approved cap amount. Pursuant to InterLINK's Financial Control / Oversight policy, this underlying amount was returned to the member libraries.

9. Net assets internally restricted

The breakdown of the internally restricted net asset amounts allocated by the board of directors is as follows:

Capital assets reserve	\$ 87,814
Operating reserve	125,000
Project reserve	<u>75,000</u>
	<u>\$ 287,814</u>

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

10. 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.

INTERLINK FEDERATED PUBLIC LIBRARY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

10. Other information – continued

a) Financial instruments risks – continued

- ii) Interest rate risk - InterLINK is exposed to interest rate price risk from its interest bearing assets (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

InterLINK has a long term operating lease with respect to its premises. Under the lease, InterLINK is required to pay a base rent plus certain operating expenses incurred by the lessor of InterLINK's premises and contains a renewal option for a further term of five years. Future minimum lease payments as at year end are as follows:

Year ending December 31, 2018	\$	16,571
2019		16,571
2020		16,571
2021		16,571
2022		<u>8,286</u>
	\$	<u>74,570</u>

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.

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 \$33,558 (2016 - \$33,718) of contributions by InterLINK to the pension plan.