

INTERLINK FEDERATED PUBLIC LIBRARY  
SYSTEM

FINANCIAL STATEMENTS

DECEMBER 31, 2018



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## INDEPENDENT AUDITOR'S REPORT

To the Directors of InterLINK Federated Public Library System

### *Opinion*

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We have audited the accompanying financial statements of InterLINK Federated Public Library System which comprise the statement of financial position as at December 31, 2018 and the statement of operations, statement of changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of InterLINK Federated Public Library System as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the InterLINK Federated Public Library System in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the ability of InterLINK Federated Public Library System to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the InterLINK Federated Public Library System or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing InterLINK Federated Public Library System's financial reporting process.

### *Auditor's Responsibility for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Our responsibility is to express an opinion on these financial statements based on our audit. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 InterLINK Federated Public Library System's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of InterLINK Federated Public Library System to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the InterLINK Federated Public Library System to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Baker Tilly WM LLP*

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada  
March 27, 2019



INTERLINK FEDERATED PUBLIC LIBRARY SYSTEM

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
Revenues		
Membership levies	\$ 545,900	\$ 545,900
Grants/contributions from governments (note 5)	1,070,248	1,075,628
Interest and other	35,128	32,197
New to B.C. project administration fees	28,343	29,089
Project LLEAD	1,000	44,800
Contributions from net service borrowing libraries (note 7)	<u>76,230</u>	<u>80,633</u>
	<u>1,756,849</u>	<u>1,808,247</u>
Expenses		
Amortization	10,323	11,477
Audiobooks - library acquisition costs	101,918	108,329
Board/committees/membership	16,337	12,363
Consulting and strategic planning	256	1,976
Courier	51,743	41,884
Interlibrary loan – Canadian Hosting	43,636	40,511
Office and miscellaneous	64,262	57,395
Professional fees	8,308	10,945
Project LLEAD (recovery)	(4,107)	91,884
Public relations	---	790
Rent	25,185	24,863
Salaries and benefits	425,672	411,547
New to B.C. project - Provincial	---	837
- Federal	467,929	476,477
Vehicle operation	24,996	17,782
Youth services committee	<u>16,891</u>	<u>16,652</u>
	1,253,349	1,325,712
Transfers to member libraries and regional resource provider (note 7)	489,433	485,556
Transfer surplus funds to member libraries (note 8)	---	32,878
Gain on disposal of a capital asset	<u>(5,000)</u>	<u>---</u>
	<u>484,433</u>	<u>518,434</u>
	<u>1,737,782</u>	<u>1,844,146</u>
Excess (deficiency) of revenues over expenses for the year	<u>\$ 19,067</u>	<u>\$ (35,899)</u>

See accompanying notes to the financial statements.

INTERLINK FEDERATED PUBLIC LIBRARY SYSTEM  
STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>				<u>2017</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	\$ 3,159	\$ 287,814	\$ 45,066	\$ 336,039	\$ 371,938
Investment in capital assets – vehicle (note 9)	86,791	(70,000)	(16,791)	---	---
Excess (deficiency) of revenues over expenses for the year	<u>(10,323)</u>	---	<u>29,390</u>	<u>19,067</u>	<u>(35,899)</u>
Balance, end of the year	<u>\$ 79,627</u>	<u>\$ 217,814</u>	<u>\$ 57,665</u>	<u>\$ 355,106</u>	<u>\$ 336,039</u>

INTERLINK FEDERATED PUBLIC LIBRARY SYSTEM

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
Cash from (used in) operations		
Excess (deficiency) of revenues over expenses for the year	\$ 19,067	\$ (35,899)
Item not involving cash:		
Amortization	10,323	11,477
Gain on disposal of capital assets	<u>(5,000)</u>	<u>---</u>
	24,390	(24,422)
Change in non-cash working capital items:		
Decrease (increase) in accounts receivable	4,423	(7,381)
Decrease (increase) in prepaid expenses	(5,485)	9,173
Increase (decrease) in accounts payable and accrued liabilities	(34,267)	18,393
Increase (decrease) in deferred revenue	(13,295)	19,458
Increase (decrease) in payable to member libraries	<u>8,280</u>	<u>(17,610)</u>
	(15,954)	(2,389)
Cash used in investment activities – capital asset additions, net	<u>(81,791)</u>	<u>---</u>
Decrease in cash and cash equivalents for the year	(97,745)	(2,389)
Cash and cash equivalents, beginning of the year	<u>666,348</u>	<u>668,737</u>
Cash and cash equivalents, end of the year	<u>\$ 568,603</u>	<u>\$ 666,348</u>

INTERLINK FEDERATED PUBLIC LIBRARY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

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

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.



INTERLINK FEDERATED PUBLIC LIBRARY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

2. Summary of significant accounting policies – continued

- 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>2018</u>	<u>2017</u>
Cash, net of outstanding cheques and deposits	\$ 162,986	\$ 62,732
Cashable guaranteed investment certificates with interest at the rate of 2.50% (2017 – 0.58% and 0.68%) per annum		
- Bank of Nova Scotia, due February 17, 2018	---	302,406
- Bank of Nova Scotia, due February 17, 2018	---	100,594
- Bank of Nova Scotia, due June 21, 2018	---	100,308
- Bank of Nova Scotia, due June 21, 2018	---	100,308
- Bank of Nova Scotia, due August 24, 2019	101,521	---
- Bank of Nova Scotia, due August 24, 2019	101,521	---
- Bank of Nova Scotia, due August 24, 2019	101,521	---
- Bank of Nova Scotia, due October 31, 2019	<u>101,054</u>	<u>---</u>
	<u>\$ 568,603</u>	<u>\$ 666,348</u>

4. Capital assets

	<u>2018</u>			<u>2017</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
Computers and equipment	\$ 59,666	\$ 58,151	\$ 1,515	\$ 2,815
Furniture and fixtures	18,399	18,399	---	---
Leasehold improvements	56,060	56,060	---	344
Vehicle	<u>86,791</u>	<u>8,679</u>	<u>78,112</u>	<u>---</u>
	<u>\$ 220,916</u>	<u>\$ 141,289</u>	<u>\$ 79,627</u>	<u>\$ 3,159</u>

INTERLINK FEDERATED PUBLIC LIBRARY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

5. Grants/contributions from governments

	<u>2018</u>	<u>2017</u>
Provincial grants received during the year		
Operating grant	\$ <u>601,000</u>	\$ <u>600,623</u>
Project LLEAD	---	7,000
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	<u>---</u>	<u>837</u>
	<u>---</u>	<u>837</u>
	<u>\$ 601,000</u>	<u>\$ 601,460</u>
Federal contributions received during the year		
New to B.C. project	\$ <u>469,248</u>	\$ <u>474,168</u>
Total grants/contributions from governments	<u>\$ 1,070,248</u>	<u>\$ 1,075,628</u>

6. Deferred revenue

	<u>2018</u>	<u>2017</u>
Externally restricted (note 5)		
Provincial government grant for Project LLEAD	7,000	7,000
Registrations and sponsorships for Project LLEAD	<u>---</u>	<u>13,295</u>
	<u>\$ 7,000</u>	<u>\$ 20,295</u>

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 2019 of \$391,501 to net service provider libraries with respect to 2018 activities. \$313,201 of this amount is included in current liabilities at December 31, 2018 representing a portion of the amount of the operating revenue received in 2018. The remaining \$78,300 will be funded in 2019 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 2019.

8. Transfer surplus funds to member libraries

In 2017, 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.

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9. Net assets internally restricted

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

	<u>2018</u>	<u>2017</u>
Capital assets reserve	\$ 87,814	\$ 87,814
Capital assets reserve invested in capital assets – vehicle	<u>(70,000)</u>	<u>---</u>
	17,814	87,814
Operating reserve	125,000	125,000
Project reserve	<u>75,000</u>	<u>75,000</u>
	<u>\$ 217,814</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.
- 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.

INTERLINK FEDERATED PUBLIC LIBRARY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

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10. Other information – continued

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,	2019	\$	16,571
	2020		16,571
	2021		16,571
	2022		<u>8,286</u>
		\$	<u>57,999</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 \$34,933 (2017 - \$33,558) of contributions by InterLINK to the pension plan.

11. Comparative figures

Certain comparative amounts have been reclassified to conform to the current year's presentation.