

Audited Financial Statements of

**CANADIAN URBAN LIBRARIES COUNCIL
(CULC) / CONSEIL DES
BIBLIOTHÈQUES URBAINES DU
CANADA**

Year ended December 31, 2019

DRAFT

CANADIAN URBAN LIBRARIES COUNCIL (CULC) /
CONSEIL DES BIBLIOTHÈQUES URBAINES DU CANADA

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INDEPENDENT AUDITOR'S REPORT

To the Members of Canadian Urban Libraries Council

Opinion

I have audited the accompanying financial statements of Canadian Urban Libraries Council (CULC) / Conseil des Bibliothèques Urbaines du Canada (the Entity), which comprise the statement of financial position as at December 31, 2019, and the statements of revenue, expenditures and changes in net assets and cash flows for the year then ended and notes to the financial statements including a summary of significant accounting policies.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Private Enterprises.

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Entity in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian Accounting Standards for Private Enterprises, 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 Entity's ability 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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

My objective is 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 my 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. 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risk 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 the Entity'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 Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Entity 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.
- I communicated 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 I identify during my audit.

Toronto, Canada
Date/

BDCA Professional Corporation
Authorized to practise public accounting by the
Chartered Professional Accountants of Ontario

**CANADIAN URBAN LIBRARIES COUNCIL (CULC) /
CONSEIL DES BIBLIOTHÈQUES URBAINES DU CANADA**

STATEMENT OF FINANCIAL POSITION

As at December 31, 2019

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets		
Cash	\$ 57,920	\$ 80,181
Short-term Investment (note 2)	175,501	250,368
Accounts receivable	72,781	75,214
HST recoverable	25,601	5,663
Prepaid expenses	32,456	-
	<u>\$ 364,259</u>	<u>\$ 411,426</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 36,138	\$ 43,016
Deferred revenue - (notes 3, 6)	<u>63,284</u>	<u>36,756</u>
	99,422	79,772
Net assets		
General operating	170,597	237,414
Contributed surplus (note 4)	<u>94,240</u>	<u>94,240</u>
	<u>264,837</u>	<u>331,654</u>
Commitments (note 8)		
	<u>\$ 364,259</u>	<u>\$ 411,426</u>

Approved on behalf of the Board of Directors:

Director

Director

See accompanying notes to financial statements

**CANADIAN URBAN LIBRARIES COUNCIL (CULC) /
CONSEIL DES BIBLIOTHÈQUES URBAINES DU CANADA**

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN NET ASSETS

Year ended December 31, 2019, with comparative figures for 2018

	<u>Actual 2019</u>	<u>Actual 2018</u>
Revenue		
Membership fees	\$ 192,137	\$ 180,477
Subscription fees - Key Performance Indicators	33,650	46,620
Membership fees - CFLA (note 5)	60,000	60,000
PLL income (notes 3, 6)	39,888	23,122
Interest	1,900	3,747
Other revenue	<u>1,346</u>	<u>1,746</u>
	<u>328,921</u>	<u>315,712</u>
Expenses		
Contracted services (note 7)	243,401	162,549
Memberships - CFLA (note 5)	60,000	60,000
Catering and travel	28,931	19,971
Key Performance Indicators	20,226	18,468
PLL (note 6)	12,236	8,024
Professional fees	9,424	8,964
Memberships and external relations	7,404	7,290
Translation and interpretation	4,940	315
Rent (note 7)	4,200	3,900
Administration	2,516	1,935
Telephone	1,564	1,536
Insurance	702	650
Bad debts	194	16,111
Training	<u>-</u>	<u>594</u>
	<u>395,738</u>	<u>310,307</u>
Excess (deficiency) of revenue over expenses	(66,817)	5,405
General operating net assets, beginning of year	<u>237,414</u>	<u>232,009</u>
General operating net assets, end of year	<u>\$ 170,597</u>	<u>\$ 237,414</u>

See accompanying notes to financial statements

**CANADIAN URBAN LIBRARIES COUNCIL (CULC) /
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STATEMENT OF CASH FLOWS

Year ended December 31, 2019, with comparative figures for 2018

	<u>2019</u>	<u>2018</u>
Cash provided by (used in)		
Operations		
Excess (deficiency) of revenue over expenses	\$ (66,817)	\$ 5,405
Changes in non-cash working capital items		
Decrease (increase) in accounts receivable	2,433	(18,606)
Decrease (increase) in HST recoverable	(19,938)	14,189
Decrease (increase) in prepaid expenses	(32,456)	1,999
Increase (decrease) in accounts payable and accrued liabilities	(6,878)	26,606
Increase in deferred revenue	<u>26,528</u>	<u>36,756</u>
	<u>(97,128)</u>	<u>66,349</u>
Investing		
Decrease (increase) in short-term investment	<u>74,867</u>	<u>(250,368)</u>
Decrease in cash	(22,261)	(184,019)
Cash, beginning of year	<u>80,181</u>	<u>264,200</u>
Cash, end of year	<u>\$ 57,920</u>	<u>\$ 80,181</u>

See accompanying notes to financial statements

CANADIAN URBAN LIBRARIES COUNCIL (CULC) / CONSEIL DES BIBLIOTHÈQUES URBAINES DU CANADA

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2019

PURPOSE OF THE ORGANIZATION

Canadian Urban Libraries Council (CULC) / Conseil des Bibliothèques Urbaines du Canada was incorporated on November 27, 2007 pursuant to Part II of the Canada Corporations Act. Its purpose is to work collaboratively to build vibrant urban communities by strengthening the capacity of Canadian's urban libraries. As a not-for-profit organization, it is exempt from income tax under the Income Tax Act (Canada).

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements were prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations (ASNPO) and include the following significant accounting policies:

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the recognition, measurement and disclosure of amounts reported in the financial statements and accompanying notes. The reported amounts and note disclosures are determined using management's best estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. Estimates are used in the determination of accrued liabilities. Actual results could differ from such estimates.

Financial instruments

Financial instruments, including cash, short-term investment, accounts receivable, and accounts payable and accrued liabilities, are recorded at fair value on initial recognition and then subsequently at cost or amortized cost, unless management has elected to carry them at fair value. CULC has not elected to carry any of its financial instruments at fair value and all are currently carried at cost.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred or acquisition and financing costs.

Financial assets are assessed for indicators of impairment annually at the year-end date. If there is an indicator of impairment, the Organization determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized by selling the financial asset or the amount the Organization expects to realize by exercising its right to any collateral held to secure repayment of the asset. If events or circumstances change in a future period, an impairment loss can be reversed to the extent of the improvement, but not exceeding the initial carrying value.

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NOTES TO FINANCIAL STATEMENTS - continued

Year ended December 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition

Membership and subscription fees are based on the calendar year and accounted for by the deferral method, whereby they are recognized as earned over the term of the membership/subscription. Fees received in advance are recorded as deferred revenue.

Public Library Leaders ("PLL") revenue is recognized as the related expenses are incurred over the term of the program, which normally extends over 18 months.

All other revenue is recognized if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributed services

Individuals volunteer their time to assist in the Organization's activities. These services materially benefit the Organization, however a reasonable estimate of the time spent and its fair value cannot be made. Accordingly, such contributed services are not recognized in the financial statements.

2. SHORT-TERM INVESTMENTS

	<u>2019</u>	<u>2018</u>
Chartered bank guaranteed investment certificate	\$ 175,000	\$ 250,000
Accrued interest	501	368
	<u>\$ 175,501</u>	<u>\$ 250,368</u>

The guaranteed investment certificate ("GIC") outstanding as of December 31, 2019, earned interest at 1.8% per annum and matured on Feb 12, 2020.

3. DEFERRED REVENUE

	<u>Balance, Jan 1, 2019</u>	<u>Amount Received</u>	<u>Amount brought into income in 2019</u>	<u>Balance, Dec 31, 2019</u>
Memberships - PLL	\$ 36,756	\$ 10,531	\$ 39,888	\$ 7,399
Study Tour	-	55,885	-	55,885
Total	<u>\$ 36,756</u>	<u>\$ 66,416</u>	<u>\$ 39,888</u>	<u>\$ 63,284</u>

CANADIAN URBAN LIBRARIES COUNCIL (CULC) / CONSEIL DES BIBLIOTHÈQUES URBAINES DU CANADA

NOTES TO FINANCIAL STATEMENTS - continued

Year ended December 31, 2019

4. CONTRIBUTED SURPLUS

Contributed surplus represents the value of net assets, remaining from the activities of the predecessor Canadian Urban Libraries Council (unincorporated), transferred to CULC.

5. MEMBERSHIP FEES - CFLA

The Canadian Library Association ("CLA") was dissolved in June 2016 and the Canadian Federation of Library Associations ("CFLA") has since replaced it. CULC administers and remits the payment of membership fees from its' members to the CFLA.

6. PUBLIC LIBRARY LEADERS INCOME

During autumn of 2018, the fourth cohort of the PLL program began. The program consists of 6 sessions that are delivered over an 18 month term, the first of which was delivered during 2018, the second through fifth will be delivered during 2019, and the last session will be delivered in 2020.

7. RELATED PARTY TRANSACTIONS

The following expenses were incurred with Gap. Point. Reach. Inc., a company whose principal shareholder is CULC's Executive Director.

	<u>2019</u>	<u>2018</u>
Contracted services	\$ 130,884	\$ 130,884
Rent	4,200	3,900
	<u>\$ 135,084</u>	<u>\$ 134,784</u>

These transactions were recorded at the exchange amount, which is the amount agreed upon between the parties.

8. COMMITMENTS

The Organization entered into contracts with professional services firms during 2019 to manage government communications and other relations for the period February 15, 2019 to March 31, 2020. Future minimum payments for these contracts before applicable taxes are as follows:

<u>Year</u>	<u>Total</u>
2020	\$ 25,500

**CANADIAN URBAN LIBRARIES COUNCIL (CULC) /
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NOTES TO FINANCIAL STATEMENTS - continued

Year ended December 31, 2019

9. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

Interest rate risk

The Organization is not exposed to the risk of changing interest rates as its investment earns interest at a fixed rate. Cash represents amounts on deposit with financial institutions, earning interest at market rates. The Organization manages its exposure by maximizing the interest income earned on temporary excess funds while maintaining the minimum liquidity necessary to conduct operations on a day-to-day basis. Fluctuations in market rates of interest do not have a significant impact on The Organization's results of operations.

Credit risk

Credit risk arises from the possibility that a member will default on its financial obligations. The Organization minimizes this risk by regularly reviewing unpaid accounts. There is no significant concentration of credit risk with any one member.

Credit risk associated with cash is minimized substantially by holding it in a major financial institution, while investments are maintained in secure instruments such as guaranteed investment certificates.

Liquidity risk

Liquidity risk is the risk that the Organization will not be able to meet a demand for cash or fund its obligations as they come due. It also includes the risk of the Organization not being able to liquidate assets in a timely manner at a reasonable price. The Organization meets its liquidity requirements by preparing and monitoring an annual financial budget and maintaining its investments in highly liquid instruments.