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West Vancouver Memorial Library

Whistler Public Library

April 22, 2021

TO: InterLINK Board Chairs via InterLINK Library Directors

FROM: Allie Douglas, InterLINK Manager of Operations

RE: Audited Public Library InterLINK Financial Statements

Attached is your library's signed electronic copy of the audited financial statements for Public Library InterLINK for the fiscal period ended December 31, 2020. These statements were approved during the April 6, 2021 Board Meeting. If your library requires a hard copy of these statements, please let us know and we will send one as soon as we can arrange physical signing by our Board Chair and Treasurer.

Please let us know if you have any questions.

Allie Douglas
Manager of Operations,
Public Library InterLINK
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Michael Burris
Executive Director
Public Library InterLINK
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INTERLINK FEDERATED PUBLIC LIBRARY
SYSTEM

FINANCIAL STATEMENTS

DECEMBER 31, 2020

INDEPENDENT AUDITOR'S REPORT

To the Directors of InterLINK Federated Public Library System

Opinion

We have audited the accompanying financial statements of InterLINK Federated Public Library System which comprise the statement of financial position as at December 31, 2020 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, 2020, and its results of operations 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 Responsibilities 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. 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 skepticism throughout the audit. We also:

- 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 auditor's 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 29, 2021

INTERLINK FEDERATED PUBLIC LIBRARY SYSTEM

STATEMENT OF FINANCIAL POSITION


DECEMBER 31, 2020

	<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
Current assets			
Cash		\$ 90,579	\$ 47,521
Short-term deposits (note 3)		604,848	616,475
Accounts receivable (note 9b)		59,495	51,263
Prepaid expenses		<u>28,895</u>	<u>10,090</u>
		783,817	725,349
Capital assets (note 4)		<u>44,354</u>	<u>61,852</u>
		<u>\$ 828,171</u>	<u>\$ 787,201</u>

LIABILITIES AND NET ASSETS

Current liabilities			
Accounts payable and accrued liabilities		\$ 63,345	\$ 50,347
Deferred revenue (note 6)		27,273	106,108
Payable to member libraries (note 7 and 9(b))		<u>146,254</u>	<u>314,776</u>
		<u>236,872</u>	<u>471,231</u>
Net assets			
Net assets invested in capital assets		44,354	61,852
Net assets internally restricted (note 8)		227,881	220,881
Unrestricted net assets		<u>319,064</u>	<u>33,237</u>
		591,299	315,970
Commitments and contingent liabilities (note 9(c))			
		<u>\$ 828,171</u>	<u>\$ 787,201</u>

Approved by the Directors:


_____, Chair


_____, Director

INTERLINK FEDERATED PUBLIC LIBRARY SYSTEM

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>2020</u>	<u>2019</u>
Revenues		
Membership levies	\$ 543,625	\$ 530,620
Grants/contributions from governments (note 5)	1,004,597	1,013,037
New to B.C. project administration fees	24,556	24,046
Project LLEAD	25,188	49,255
Contributions from net service borrowing libraries (note 7)	78,694	78,300
Other	<u>48,280</u>	<u>24,783</u>
	<u>1,724,940</u>	<u>1,720,041</u>
Expenses		
Amortization	17,498	17,775
Audiobooks – library acquisition costs	90,487	110,406
Board/committees/membership	4,201	13,710
Consulting and strategic planning	---	16,425
Courier	37,998	53,546
Resource sharing – Canadian Hosting	17,870	26,661
Office and miscellaneous	73,548	59,150
Professional fees	8,200	9,598
Project LLEAD	25,188	49,255
Rent	27,217	27,290
Salaries and benefits	402,403	436,163
New to B.C. project – Federal	403,597	412,037
Vehicle operation	8,999	15,553
Youth services committee	<u>7,457</u>	<u>18,532</u>
	1,124,663	1,266,101
Transfers to member libraries and regional resource provider (note 7)	<u>324,948</u>	<u>493,076</u>
	<u>1,449,611</u>	<u>1,759,177</u>
Excess (deficiency) of revenues over expenses for the year	<u>\$ 275,329</u>	<u>\$ (39,136)</u>

INTERLINK FEDERATED PUBLIC LIBRARY SYSTEM

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>2020</u>				<u>2019</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	\$ 61,852	\$ 220,881	\$ 33,237	\$ 315,970	\$ 355,106
Transfers between internally restricted and unrestricted (note 8)	---	7,000	(7,000)	---	---
Excess (deficiency) of revenues over expenses for the year	<u>(17,498)</u>	<u>---</u>	<u>292,827</u>	<u>275,329</u>	<u>(39,136)</u>
Balance, end of the year	<u>\$ 44,354</u>	<u>\$ 227,881</u>	<u>\$ 319,064</u>	<u>\$ 591,299</u>	<u>\$ 315,970</u>

INTERLINK FEDERATED PUBLIC LIBRARY SYSTEM
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>2020</u>	<u>2019</u>
Cash from operations		
Excess (deficiency) of revenues over expenses for the year	\$ 275,329	\$ (39,136)
Items not involving cash:		
Amortization	<u>17,498</u>	<u>17,775</u>
	292,827	(21,361)
Change in non-cash working capital items:		
Decrease (increase) in accounts receivable	(8,232)	(6,789)
Decrease (increase) in prepaid expenses	(18,805)	4,479
Increase (decrease) in accounts payable and accrued liabilities	12,998	18,381
Increase (decrease) in deferred revenue	(78,835)	99,108
Increase in payable to member libraries	<u>(168,522)</u>	<u>1,575</u>
	<u>31,431</u>	<u>95,393</u>
Cash from (used in) investment activities		
Short-term deposits	<u>11,627</u>	<u>(201,858)</u>
Increase (decrease) in cash and cash equivalents for the year	43,058	(115,465)
Cash, beginning of the year	<u>47,521</u>	<u>162,986</u>
Cash, end of the year	<u>\$ 90,579</u>	<u>\$ 47,521</u>

INTERLINK FEDERATED PUBLIC LIBRARY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

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) Capital assets - Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair 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, 2020

2. Summary of significant accounting policies – continued

- f) Expenses - Expenses are recorded when incurred on an accrual basis.
- g) Contributed services - Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.
- h) 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.
- i) 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. Short-term deposits

	<u>2020</u>	<u>2019</u>
Cashable guaranteed investment certificates with interest at the rate of 1.10% (2019 – 2.50%) per annum		
- Bank of Nova Scotia, due July 11, 2020	---	101,815
- Bank of Nova Scotia, due July 11, 2020	---	101,815
- Bank of Nova Scotia, due July 11, 2020	---	101,815
- Bank of Nova Scotia, due July 11, 2020	---	101,815
- Bank of Nova Scotia, due October 19, 2020	---	108,502
- Bank of Nova Scotia, due November 24, 2020	---	100,713
- Bank of Nova Scotia, due April 8, 2021	100,808	---
- Bank of Nova Scotia, due April 8, 2021	100,808	---
- Bank of Nova Scotia, due April 8, 2021	100,808	---
- Bank of Nova Scotia, due April 8, 2021	100,808	---
- Bank of Nova Scotia, due April 8, 2021	100,808	---
- Bank of Nova Scotia, due April 8, 2021	100,808	---
	<u>100,808</u>	<u>---</u>
	<u>\$ 604,848</u>	<u>\$ 616,475</u>

4. Capital assets

	<u>2020</u>			<u>2019</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
Computers and equipment	\$ 59,666	\$ 58,708	\$ 958	\$ 1,098
Furniture and fixtures	18,399	18,399	---	---
Leasehold improvements	56,060	56,060	---	---
Vehicle	86,791	43,395	43,396	60,754
	<u>\$ 220,916</u>	<u>\$ 176,562</u>	<u>\$ 44,354</u>	<u>\$ 61,852</u>

INTERLINK FEDERATED PUBLIC LIBRARY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

5. Grants/contributions from governments

	<u>2020</u>	<u>2019</u>
Provincial grants received during the year		
Operating grant	\$ 601,000	601,000
Federal contributions received during the year		
New to BC Project	403,597	412,037
Total grants/contributions from governments	<u>\$ 1,004,597</u>	<u>\$ 1,013,037</u>

6. Deferred revenue

	<u>2020</u>	<u>2019</u>
Externally restricted		
Provincial government grant for Project LLEAD	6,597	7,000
Federal contributions for New to BC Project	18,679	80,326
Registrations and sponsorships for Project LLEAD	1,997	18,782
	<u>\$ 27,273</u>	<u>\$ 106,108</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 transferred \$393,470 to net service provider libraries in 2020 for 2019 activities. InterLINK intends to make transfers in 2021 of \$182,818 to net service provider libraries with respect to 2020 activities. \$146,254 of this amount is included in current liabilities at December 31, 2020 representing a portion of the amount of the operating revenue received in 2020. The remaining \$36,564 is expected to be funded in 2021 from contributions from net service borrowing libraries. InterLINK paid \$100,000 to the regional resource provider which was funded by levies to members in 2020. InterLINK is committed to pay \$66,667 to the regional resource provider which is expected to be funded by levies to members in 2021.

	<u>2020</u>	<u>2019</u>
Payments made to member libraries	393,470	391,501
Payment made to regional service provider	100,000	100,000
Total cash transfers to member libraries	493,470	491,501
Increase (decrease) in accrued amount payable to member libraries	(168,522)	1,575
Total transfers to member libraries and regional service provider	<u>\$ 324,948</u>	<u>\$ 493,076</u>

INTERLINK FEDERATED PUBLIC LIBRARY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

8. Net assets internally restricted

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

	<u>2020</u>	<u>2019</u>
Capital assets reserve	\$ 36,881	\$ 17,814
Transfer from unrestricted net assets to restricted net assets	<u>7,000</u>	<u>19,067</u>
	<u>43,881</u>	<u>36,881</u>
Operating reserve	<u>125,000</u>	<u>125,000</u>
Project reserve	59,000	75,000
Transfers from restricted net assets to unrestricted net assets	<u>---</u>	<u>(16,000)</u>
	<u>59,000</u>	<u>59,000</u>
	<u>\$ 227,881</u>	<u>\$ 220,881</u>

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

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 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) Related party transactions

The amounts due to member libraries are unsecured, non-interest bearing, have no set repayment terms and recorded at the exchange amounts as agreed by the parties.

Included in accounts receivable is amounts due from member libraries of \$4,289 (2019 - \$31,224).

INTERLINK FEDERATED PUBLIC LIBRARY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

9. Other information - continued

c) 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,	2021	\$	16,571
	2022		<u>8,286</u>
		\$	<u><u>24,857</u></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.

d) 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 \$34,386 (2019 - \$36,727) of contributions by InterLINK to the pension plan.

10. Impact of COVID-19

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. While the COVID-19 pandemic has had a material but not threatening impact on InterLINK's operations in the current year, the potential economic effects within InterLINK's environment and in the global markets due to the possible disruption in supply chains, and measures being introduced at various levels of government to curtail the spread of the virus (such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing) could have a greater material impact on the InterLINK's future operations and financial results.

InterLINK cannot estimate the length and gravity of the COVID-19 pandemic. InterLINK is continually monitoring and assessing new information and recommendations from health and government authorities as it becomes available, and will continue to respond accordingly.