



# FINANCIAL REPORT 2018







Photo Credit: Calgary Library



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## Independent Auditor's Report

To the Members of  
The Calgary Public Library Board

### Opinion

We have audited the financial statements of Calgary Public Library Board (the "Library"), which comprise the statement of financial position as at December 31, 2018, and the statements of operations and accumulated surplus, cash flows, and change in net financial liabilities for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Library as at December 31, 2018, and the results of its operations, its cash flows and change in its net financial liabilities for the year then ended in accordance with Canadian public sector accounting standards ("PSAS").

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 Library 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 PSAS, 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 Library'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 Library or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Library'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 GAAS 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 GAAS, 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 the Library'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 Library's ability 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 Library 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.

*Deloitte LLP*

Chartered Professional Accountants  
March 27, 2019  
Calgary, Alberta



THE CALGARY PUBLIC LIBRARY BOARD


Statement of Financial Position

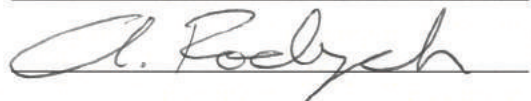
As at December 31, 2018

	2018 \$	2017 \$
<b>FINANCIAL ASSETS</b>		
Cash	4,330,411	3,373,198
Accounts receivable (Note 3)	1,619,302	1,813,133
	<u>5,949,713</u>	<u>5,186,331</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 4)	5,588,976	4,893,644
Deferred revenues and tenant deposits (Note 5)	783,271	349,771
	<u>6,372,247</u>	<u>5,243,415</u>
<b>NET FINANCIAL LIABILITIES</b>	<u>(422,534)</u>	<u>(57,084)</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 6, Schedule 1)	52,151,488	53,343,492
Inventory	47,170	36,095
Prepaid assets (Note 7)	1,568,943	2,020,845
Deposits	17,000	17,000
	<u>53,784,601</u>	<u>55,417,432</u>
<b>ACCUMULATED SURPLUS</b> (Note 8)	<u>53,362,067</u>	<u>55,360,348</u>

The notes to the Financial Statements are an integral part of the Financial Statements.

On behalf of the Board

 Member

 Member

THE CALGARY PUBLIC LIBRARY BOARD  
Statement of Operations and Accumulated Surplus  
As at December 31, 2018

	Budget \$	2018 \$	2017 \$
<b>REVENUES</b>			
City of Calgary (Schedule 2)	51,374,720	51,935,423	47,263,020
Province of Alberta (Schedule 2)	6,864,917	6,916,513	6,867,587
Federal Government (Schedule 2)	187,062	189,057	204,638
Fines	1,081,625	1,034,818	1,105,944
Investment and other revenue	601,287	735,001	663,035
Grants and sponsorships (Note 14)	2,194,825	3,041,992	3,000,952
	62,304,436	63,852,804	59,105,176
<b>EXPENSES</b>			
Salaries and employee benefits	39,234,459	38,896,621	38,020,325
Collections	4,336,500	4,267,244	4,080,890
Building and equipment	7,073,631	6,644,353	7,073,631
General operating	8,895,706	8,867,784	7,042,800
Amortization	6,900,000	6,847,260	6,905,471
Occupancy costs	1,248,782	1,338,140	1,094,562
	67,689,078	66,861,402	64,217,679
<b>DEFICIENCY OF REVENUES OVER EXPENSES - BEFORE OTHER</b>	(5,384,642)	(3,008,598)	(5,112,503)
<b>OTHER</b>			
Write off of tangible capital assets	-	(3,150,430)	-
Government transfers for capital (Schedule 2)	3,023,000	4,160,747	5,174,879
<b>(DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES</b>	2,361,642	(1,998,281)	62,376
<b>ACCUMULATED SURPLUS</b> , beginning of year		55,360,348	55,297,972
<b>ACCUMULATED SURPLUS</b> , end of year		53,362,067	55,360,348

The notes to the Financial Statements are an integral part of the Financial Statements.

THE CALGARY PUBLIC LIBRARY BOARD

Statement of Cash Flows

As at December 31, 2018

	2018 \$	2017 \$
<b>OPERATING</b>		
(Deficiency) Excess of revenues over expenses	(1,998,281)	62,376
Non-cash charges to operations		
Amortization	6,847,260	6,905,471
Write off of tangible capital assets	3,150,430	-
Adjustments of tangible capital assets	-	6,534
Change in non-cash working capital (Note 11)	1,763,490	1,681,193
Cash provided by operating transactions	9,762,899	8,655,574
<b>CAPITAL</b>		
Acquisition of tangible capital assets (Schedule 1)	(8,805,686)	(6,882,566)
Cash used in capital transactions	(8,805,686)	(6,882,566)
<b>INCREASE IN CASH</b>	957,213	1,773,008
<b>CASH, beginning of year</b>	3,373,198	1,600,190
<b>CASH, end of year</b>	4,330,411	3,373,198



THE CALGARY PUBLIC LIBRARY BOARD  
Statement of Change in Net Financial Liabilities  
As at December 31, 2018

	2018 \$	2017 \$
<b>(DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES</b>	(1,998,281)	62,376
Amortization of tangible capital assets	6,847,260	6,905,471
Change in inventory, prepaid assets and deposits	440,827	358,735
Acquisition of tangible capital assets (Schedule 1)	(8,805,686)	(6,882,566)
Write off of tangible capital assets	3,150,430	-
Adjustments of tangible capital assets	-	6,534
<b>INCREASE (DECREASE) IN NET FINANCIAL (LIABILITIES) ASSETS</b>	(365,450)	450,550
<b>NET FINANCIAL LIABILITIES</b> , beginning of year	(57,084)	(507,634)
<b>NET FINANCIAL LIABILITIES</b> , end of year	(422,534)	(57,084)

THE CALGARY PUBLIC LIBRARY BOARD  
 Schedule of Tangible Capital Assets  
 Schedule 1  
 As at December 31, 2018

	Materials	Buildings	IT Equipment	Furniture & Equipment	Work In Progress	Vehicles	2018 \$	2017 \$
<b>COST:</b>								
BALANCE, BEGINNING OF YEAR	35,672,150	51,420,696	5,924,805	3,817,322	1,947,141	1,371,514	<b>100,153,628</b>	98,953,312
Acquisition of tangible capital assets	4,351,337	250,014	45,485	569,117	3,285,940	303,793	<b>8,805,686</b>	6,882,566
Asset transfers	-	3,927,551	-	-	(3,927,551)	-	-	-
Disposal of tangible capital assets	(3,992,718)	(9,896,325)	(587,974)	(721,550)	-	(23,279)	<b>(15,221,846)</b>	(5,675,716)
Adjustments of tangible capital assets	-	-	-	-	-	-	-	(6,534)
BALANCE, END OF YEAR	<u>36,030,769</u>	<u>45,701,936</u>	<u>5,382,319</u>	<u>3,664,889</u>	<u>1,305,530</u>	<u>1,652,028</u>	<b><u>93,737,468</u></b>	<u>100,153,628</u>
<b>ACCUMULATED AMORTIZATION:</b>								
BALANCE, BEGINNING OF YEAR	18,266,429	23,200,117	3,228,145	1,505,623	-	609,822	<b>46,810,136</b>	45,580,381
Annual amortization	3,585,146	2,125,442	775,151	195,136	-	166,385	<b>6,847,260</b>	6,905,471
Asset transfers	-	-	-	-	-	-	-	-
Accumulated amortization on disposals	(3,992,718)	(7,219,507)	(575,503)	(261,379)	-	(22,309)	<b>(12,071,416)*</b>	(5,675,716)
BALANCE, END OF YEAR	<u>17,858,857</u>	<u>18,106,052</u>	<u>3,427,793</u>	<u>1,439,380</u>	<u>-</u>	<u>753,898</u>	<b><u>41,585,980</u></b>	<u>46,810,136</u>
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<u>18,171,912</u>	<u>27,595,884</u>	<u>1,954,523</u>	<u>2,225,509</u>	<u>1,305,530</u>	<u>898,130</u>	<b><u>52,151,488</u></b>	<u>53,343,492</u>
2017 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>17,405,721</u>	<u>28,220,579</u>	<u>2,696,660</u>	<u>2,311,699</u>	<u>1,947,141</u>	<u>761,692</u>	<u>53,343,492</u>	

\* At the end of the life assumed all assets were disposed.

THE CALGARY PUBLIC LIBRARY BOARD  
 Schedule of Government Transfers  
 Schedule 2  
 As at December 31, 2018

	Budget \$	2018 \$	2017 \$
<b>TRANSFERS FOR OPERATING:</b>			
City of Calgary	51,374,720	51,874,814	47,233,447
City of Calgary Insurance Proceeds	-	60,609	29,573
Provincial Government	6,864,917	6,916,513	6,867,587
Federal Government (Note 1)	187,062	189,057	204,638
	58,426,699	59,040,993	54,335,245
<b>TRANSFERS FOR CAPITAL:</b>			
City of Calgary	3,023,000	4,160,747	5,174,879
<b>TOTAL GOVERNMENT TRANSFERS</b>	61,449,699	63,201,740	59,510,124



## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 1018

The Calgary Public Library Board (the "Library") is constituted under the Libraries Act of the Province of Alberta. It operates a system of nineteen community libraries and the Central Library in The City of Calgary (The City).

### 1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared by management in accordance with Canadian Public Sector Accounting Standards ("PSAS"). The Library's significant accounting policies are:

#### Basis of Accounting

- i) The financial statements are prepared using the accrual basis of accounting.
- ii) Revenues are accounted for in the period in which the transactions or events occurred that gave rise to the revenues are reliably measured and reasonably estimated.
- iii) Donated materials and services are recognized at fair value when a fair value can be reasonably estimated and when the materials and services are used in the normal course of the organization's operations and would otherwise have been purchased.
- iv) A substantial number of volunteers have made significant contributions of their time to the Library's program and supporting services. The value of this contributed time is not reflected in these financial statements.
- v) Insurance proceeds are recognized when received.
- vi) Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. These funds are accounted for as deferred revenue until used for the purpose specified. Revenue is recognized in the period when the related expenses are incurred and any eligibility criteria have been met and reasonable estimate of the amounts can be made.
- vii) Expenses are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.

### **Financial Instruments**

The Library's financial instruments, which include cash, accounts receivable, accounts payable and accrued liabilities, approximate their fair values due to their short-term nature. At December 31, 2018 and 2017 the Library had no outstanding debt.

### **Use of Estimates**

The preparation of financial statements in conformity with PSAS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the reporting period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates. Significant estimates include the estimates of useful lives and potential impairment of tangible capital assets, and accrued liabilities.

### **Non-Financial Assets**

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the deficiency of revenues over expenses, provides the change in net financial assets for the year.

### **Deferred Revenue**

Deferred revenue represents amounts received from third parties for a specified operating purpose. These amounts include sponsorships, which are restricted until used for the purpose intended. Deferred revenues are recognized as revenue in the period when the related expenses are incurred to reflect the completion of the Library's performance obligations.

### **New Accounting Standards In Effect**

The Library has adopted the following standards with an effective date of January 1, 2018: PS 2200 Related Party Disclosures, PS 3210 Assets, PS 3320 Contingent Assets, PS 3380 Contractual Rights, PS 3420 Inter-entity Transactions. The adoption of the new standards resulted in additional note disclosures in the financial statements.

PS 2200 Related Party Disclosures, a new standard defining related parties and establishing guidance on disclosure requirements for related party transactions (see note 12).

PS 3210 Assets, a new standard providing guidance for applying the definition of assets and establishing disclosure requirements for assets. The adoption of this standard did not have an impact on the financial statements.

PS 3320 Contingent Assets, a new standard defining and establishing guidance on disclosure requirements for contingent assets. The adoption of this standard did not have an impact on the financial statements.

PS 3380 Contractual Rights, a new standard defining and establishing a guidance on disclosure requirements for contractual rights (see note 9).

PS 3420 Inter-Entity Transactions, a new standard defining and establishing guidance on the accounting and disclosure requirements for inter-entity transactions. The Library does not have any unallocated or nominal value inter-entity transactions as such this standard did not have a material impact on the financial statements. All inter-entity transactions have been disclosed in accordance with the guidance established in PS 2200 (see note 12).

### **Future Accounting Pronouncements**

The following new accounting standards were issued by the Public Sector Accounting Board (PSAB). The Library continues to assess the impacts of the standards.

Effective for fiscal years beginning on or after April 1, 2018

PS 3430 - Restructuring Transactions establishes how to record assets, liabilities, revenues, and expenses related to restructuring transactions as well as disclosure requirements for the recipient and transferor.

Effective for fiscal years beginning on or after April 1, 2021

PS 3250 Asset Retirement Obligations provides guidance on how to account for and report liabilities for retirement of tangible capital assets.

Effective for fiscal years beginning on or after April 1, 2022

Section PS 3400, Revenue which provides guidance on the recognition of revenue that distinguishes between revenue that arises from transactions that include performance obligations and from transactions that do not have performance obligations.



### **Accumulated Surplus/Deficit**

Accumulated surplus/deficit represents the Library's net economic resources. It is an amount by which all assets (financial and non-financial) exceed liabilities. An accumulated surplus indicates that the Library has net resources (financial and physical) that can be used to provide future services. An accumulated deficit means that liabilities are greater than assets.

The accumulated surplus includes restricted funds which have been designated for the replacement and upgrade of the Library's automated systems, facility refurbishment and major renovations, and the construction of new facilities. Note 8 provides a listing of all restricted and unrestricted amounts that form the accumulated surplus.

### **Tangible Capital Assets**

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

<b>Major Category</b>	<b>Years</b>
Materials	10
Buildings	
Buildings	10 - 75
Leasehold Improvements	5 - 25
Furniture and Equipment	5 - 25
IT Equipment	5 - 10
Vehicles	7 - 10

The Library does not hold title to any of the buildings that are included in the schedule of capital assets. Legal title of these buildings is held with The City. The Library is the steward of the assets and has control over these assets. As such the value of these assets is recorded in these financial statements in the Library's role as steward, but not as title owner.

Work in progress represents assets which are not available for use and therefore are not subject to amortization.

Tangible capital assets are written down when there is permanent and measurable impairment in its tangible capital asset value and the tangible capital asset still exists.

### **Cultural and Historical Tangible Capital Assets**

The local history collection is not recorded as a tangible capital asset but is disclosed (Note 6).

### **Inventory**

Supplies held for consumption are recorded at the lower of cost and net replacement value.

### Prepaid assets

Subscriptions, software annual maintenance contracts, and occupancy are recorded as prepaid assets and are recognized as an expense over the corresponding period of the service provided (Note 7).

### Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred. The Library did not have capital leases during the reporting period.

## 2. CREDIT FACILITY

The Library has an unsecured revolving credit facility to a maximum of \$4,500,000. The interest rate on the facility fluctuates with the Royal Bank's prime rate per annum. The purpose of the credit facility is to ensure cash flow timing does not affect normal Library operations. It is not intended to be used as debt to fund additional Library operations. At December 31, 2018, the balance of the facility was \$nil (2017 – \$nil).

## 3. ACCOUNTS RECEIVABLE

Accounts receivable is comprised of the following:

	2018 \$	2017 \$
City of Calgary - Life Cycle Recovery	730,367	1,435,509
Calgary Municipal Land Corporation	458,948	29,804
GST recovery	324,801	255,258
Other	105,186	92,562
<b>TOTAL</b>	<b>1,619,302</b>	<b>1,813,133</b>

#### 4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

	2018 \$	2017 \$
Accounts payable - Items invoiced not paid/goods received not invoiced	1,547,522	1,475,679
Salary and non-salary accruals	2,206,834	1,598,655
Employee vacation pay accrual	1,135,539	1,112,264
Benefit & salary deduction payables, net	699,081	707,046
<b>TOTAL</b>	<b>5,588,976</b>	<b>4,893,644</b>

#### 5. DEFERRED REVENUES AND TENANT DEPOSITS

Deferred revenues are comprised of the funds noted below, the use of which are externally restricted. These funds are recognized as revenue in the period they are used for the purpose specified.

	December 31, 2017 \$	Inflows \$	Revenue Earned \$	December 31, 2018 \$
Program & Project agreements	326,000	784,650	(351,000)	759,650
Tenant deposit	23,771	15	(165)	23,621
<b>Ending balance</b>	<b>349,771</b>	<b>784,665</b>	<b>(351,165)</b>	<b>783,271</b>



**6. TANGIBLE CAPITAL ASSETS (Schedule 1)**

Category (Net Book Value)	2018 \$	2017 \$
Materials	18,171,912	17,405,721
Buildings	27,595,884	28,220,579
IT Equipment	1,954,523	2,696,660
Furniture and Equipment	2,225,509	2,311,699
Work in Progress	1,305,530	1,947,141
Vehicles	898,130	761,692
TOTAL	52,151,488	53,343,492

The Calgary Public Library maintains a local history collection that is on permanent display on the fourth floor of the Central Library. The collection is not recorded as a tangible capital asset in the financial statements and is not amortized.

In 2018, the Library transferred the old Central Library building to The City. The Library wrote off \$3,150,434 remaining net book value from the old Central Library.

**7. PREPAID ASSETS**

Prepaid assets are comprised of the following:

	2018 \$	2017 \$
Occupancy	73,186	51,052
Software annual maintenance contracts	755,255	1,115,846
Subscriptions	715,719	605,525
New Central Library Play Space	-	200,000
General	24,783	48,422
TOTAL	1,568,943	2,020,845

## 8. ACCUMULATED SURPLUS

Accumulated surplus consists of restricted and unrestricted amounts and equity in tangible capital assets as follows:

	2018 \$	2017 \$
Unrestricted surplus	807,226	386,230
Restricted surplus	403,353	1,630,626
Equity in tangible capital assets	52,151,488	53,343,492
<b>TOTAL</b>	<b>53,362,067</b>	<b>55,360,348</b>

Equity in tangible capital assets consists of the following items:

	2018 \$	2017 \$
Tangible capital assets (Schedule 1)	93,737,468	100,153,628
Accumulated amortization (Schedule 1)	(41,585,980)	(46,810,136)
<b>TOTAL</b>	<b>52,151,488</b>	<b>53,343,492</b>

## 9. CONTRACTUAL RIGHTS

Contractual rights are rights of the Library to economic resources arising from contracts or agreements that will result in both assets and revenues in the future when the terms of those contracts or agreements are met. The Library currently holds an agreement for Immigrant Settlement Services with The Federal Government of Canada. The Library will receive payments for claims on eligible costs that are incurred. Also included in contractual rights is the rent revenue for the retail space at the Central Library.

Estimated amounts that will be received or receivable for each of the next five years and thereafter are as follows:

	Year \$	Retail Space Rent \$	Immigrant Settlement Services \$
	2019	110,313	148,189
	2020	110,313	34,542
	2021	110,313	-
	2022	110,313	-
	Thereafter through to 2027	82,735	-
<b>TOTAL</b>		<b>523,987</b>	<b>182,731</b>

**10. COMMITMENTS**

Minimum lease payments for Library locations and equipment under operating leases in future years are as follows:

Year	\$
2019	987,000
2020	909,000
2021	880,000
2022	827,000
2023	664,000
Thereafter through to 2028	2,176,000
<b>TOTAL</b>	<b>6,443,000</b>

The Library is committed to an electricity fixed price contract to June 30, 2021 and a natural gas fix price contract to August 31, 2021. The Library has also entered a fixed price thermal energy services agreement for the new Central Library until August 31, 2037. Capital commitments for major capital projects amount to \$841,911 at December 31, 2018 (\$1,174,191 at December 31, 2017). Operating commitments amount to \$885,981 at December 31, 2018 (\$345,686 at December 31, 2017).

**11. CHANGE IN NON-CASH WORKING CAPITAL**

The change in non-cash working capital consists of the following items:

	2018 \$	2017 \$	Change \$
Accounts receivable	1,619,302	1,813,133	193,831
Accounts payable and accrued liabilities	5,588,976	4,893,644	695,332
Deferred revenues	783,271	349,771	433,500
Inventory	47,170	36,095	(11,075)
Prepaid assets	1,568,943	2,020,845	451,902
Deposits	17,000	17,000	-
<b>Change in non-cash working capital</b>			<b>1,763,490</b>

## 12. INTER-ENTITY TRANSACTIONS

- i) Related party transactions include transactions with entities outside the reporting entity where a member of the Library's key management personnel, or their spouse or dependent, is key management personnel of the counterparty to a transaction with the Library. As key management personnel, they govern or share the power for the ongoing financial and operating decisions of that counterparty.

Key management personnel of the Library are those individuals having authority and responsibility for planning, directing and controlling the activities of the Library. The Library has controls in place to ensure that the key management personnel do not enter into transactions with related parties. For 2018 there were no material transactions between related parties which occurred at a value different from that which would have been arrived at if the parties were unrelated.

- ii) The Library conducts transactions with The City of Calgary in the normal course of business: Accounts receivable from The City at December 31, 2018 is \$730,367 (2017 - \$1,444,246). Accounts payable and accrued liabilities is \$155,708 (2017 - \$72,937)
- iii) During 2018, the Library recovered new Central Library expenses in the amount of \$1,265,829 (2017 - \$nil) from CMLC. The CMLC also reimbursed \$72,756 (2017 - \$nil) for new Central Library opening costs to the Library, which is included in grants and sponsorships. The expense for the same amount is included in general operating. The Library paid \$461,448 (2017 - \$nil) to the CMLC for a play structure at the new Central Library, which is considered a furniture addition. The Library also paid \$65,600 (2017 - \$29,804) for building and maintenance expenses to the CMLC. As at December 31, 2018 accounts receivable included \$458,948 (2017 - \$29,804) due from CMCL, and accounts payable included \$11,600 (2017 - \$200,000) due to CMLC.
- iv) Effective October 1, 2016, the Library signed a lease agreement with the CMLC for the use of the Hillier Block Building. CMLC donated the value of the lease as an in-kind donation to the Library. The fair market value of the in-kind donation is \$102,000 (2017 - \$102,000) included in grants and sponsorships and the expense of the same amount is included in occupancy. Included in deposits at December 31, 2018 is the damage deposit of \$17,000 (carried over from 2017) for the Hillier Block Building.
- v) The City of Calgary provides space to the Library under many occupancy models. During 2016 a new arrangement for managing multi use facilities constructed by The City of Calgary came into existence. The Library will be included in many of these new complexes. Prior to occupancy, The City of Calgary (The Landlord) enters into a leasing agreement with a third party (Lessee) to manage and operate the entire facility. The Lessee then enters into a separate sublease, as the Sublandlord, with each of the occupants. The sublease contains many of the obligations of the original lease. One of these conditions is the establishment of an asset management reserve fund to be held and used by the Sublandlord to meet common area systems life cycle maintenance needs as they arise. As the reserve is depleted each tenant will be required to replenish the fund, using the formula of the original contribution. The Library (Sublessee) expenses the amount (as building and equipment expense) in the year of payment because the sublease stipulates that any remaining funds at the expiry date or the earlier termination of the sublease will be the property of The City of Calgary. However, the funds will remain intact for many years until life cycle needs start and the actual building expense is incurred. The following table describes the amounts that were contributed by the Library (as Sublessee) to the asset management reserve fund and the balance being held in the fund at the end of the year.

Location	Sublandlord	Sublease Commencing Year	Sublease Term (Years)	Opening Balance January 1, 2018	Amount Contributed	Amount Withdrawn	Balance Remaining December 31, 2018
					\$	\$	\$
Quarry Park Recreation Facility	YMCA	2016	25	96,200	-	-	96,200

These transactions are recorded at the exchange amount, which represents the amount agreed to by both parties.

During 2018 The City of Calgary (The Landlord) entered into an operating lease agreement with the Library (Lessee) to manage and operate the new Central Library. The annual base rent is ten dollars plus GST for the first twenty-five years. There is an option for an extension of term of fifty years under the same conditions. All operating costs are the sole responsibility of the Library.

### 13. LOCAL AUTHORITIES PENSION PLAN

The Library participates in the Local Authorities Pension Plan (LAPP). This pension plan is a multi-employer defined benefit pension plan that provides pensions for the Library's participating employees, based on years of service and earnings.

The pension expense recorded in these financial statements as salaries and employee benefits expense represents the Library's annual contributions of \$2,081,392 in 2018 (2017 - \$2,332,052). All full-time staff employed by the Library are members of the LAPP after a qualification period.

The LAPP is currently in a surplus position of \$4.84 billion in 2017 an increase from a deficit position of \$(0.6) billion in 2016. The surplus applies to the entire plan and the Library's portion of the surplus cannot be determined. The 2017 information is provided as most recent information was not available at the time of preparing the financial statements.

LAPP consists of over 259,714 active members. The City of Calgary's active plan membership represents approximately 5.3% of which the Library portion is approximately 0.1% as at December 31, 2018.



#### 14. CALGARY PUBLIC LIBRARY FOUNDATION

The Calgary Public Library Foundation (the "Foundation") financial statements are not consolidated with the Library as the Foundation is an unrelated independent organization. The Foundation was established in 1999, and operationalized in 2000. It is a stand-alone charity registered with the federal and provincial governments. The purpose of the Foundation is:

- To raise funds for the Library, a registered charity; and
- To assist the Library in providing the highest possible level and quality of service to the customers of the Library.

During fiscal 2018, the Foundation donated \$3,300,886 (2017 - \$3,212,588) to the Library, of which \$759,650 is included in deferred revenues, and \$2,541,236 is included in grants and sponsorships revenue. The amount also includes an in-kind donation of \$233,859 (2017 - \$253,023), relating to arts and culture passes. The related expense is recorded in general operating expenses. At December 31, 2018, the Library contributed \$500,000 (2017 - \$500,000) to the Foundation. This is included in the Library's financial statements in general operating expenses. The Library will commit \$400,000 to the Foundation in 2019. The Library also contributed an in-kind donation of \$166,403 (2017 - \$195,076) to the Foundation relating to occupancy costs, building and equipment, and general operating expenses for the Hillier Block Building.



Photo Credit: Calgary Library