

Financial Statements of

**THE CAMBRIDGE PUBLIC
LIBRARY BOARD**

(Operating as "Idea Exchange")

And Independent Auditors' Report thereon

Year ended December 31, 2020



KPMG LLP
115 King Street South
2nd Floor
Waterloo ON N2J 5A3
Canada
Tel 519 747-8800
Fax 519 747-8830

INDEPENDENT AUDITORS' REPORT

To the Board Members, Members of Council, Inhabitants and Ratepayers of
The Corporation of The City of Cambridge

Opinion

We have audited the financial statements of The Cambridge Public Library Board (operating as "Idea Exchange") (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2020
- the statement of operations for the year then ended
- the statement of changes in fund balances for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at December 31, 2020 and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector 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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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.



Page 2

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 public sector 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 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 Entity's financial reporting process.

Auditors' 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 auditors' 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 the 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.



Page 3

- 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' 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.
- 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada

April 28, 2021

THE CAMBRIDGE PUBLIC LIBRARY BOARD

(Operating as "Idea Exchange")
Statement of Financial Position

December 31, 2020, with comparative information for 2019

	Library	Gallery	2020 Total	2019 Total
Assets				
Current assets:				
Cash	\$ 964,456	\$ -	\$ 964,456	\$ 649,633
Accounts receivable	60,713	-	60,713	70,674
Interfund receivable (payable)	(190,448)	190,448	-	-
Receivable from the City of Cambridge	-	-	-	81,147
Prepaid expenses	187,478	-	187,478	158,546
	1,022,199	190,448	1,212,647	960,000
Investments (note 5)	421,155	330,589	751,744	741,041
Capital assets (note 6)	1,622,102	8,552	1,630,654	1,886,902
	\$ 3,065,456	\$ 529,589	\$ 3,595,045	\$ 3,587,943

Liabilities and Fund Balances

Current liabilities:				
Accounts payable and accrued liabilities	\$ 500,396	\$ 12,660	\$ 513,056	\$ 475,965
Payable to the City of Cambridge	189,518	-	189,518	-
Deferred revenue (note 7)	359,260	176,054	535,314	511,707
	1,049,174	188,714	1,237,888	987,672
Deferred capital contributions (note 8)	776,504	688	777,192	884,551
Post-employment benefits (note 9)	1,714,840	-	1,714,840	1,684,137
	3,540,518	189,402	3,729,920	3,556,360

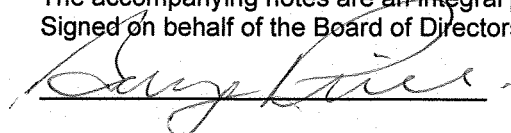
Fund balances:

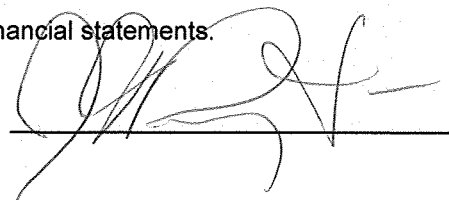
Invested in capital assets	1,622,102	8,552	1,630,654	1,886,902
Internally restricted – post-employment benefits	(1,714,840)	-	(1,714,840)	(1,684,137)
Internally restricted – capital projects	94,049	327,435	421,484	410,932
Unrestricted	(476,373)	4,200	(472,173)	(582,114)
	(475,062)	340,187	(134,875)	31,583

Subsequent events (note 11)

	\$ 3,065,456	\$ 529,589	\$ 3,595,045	\$ 3,587,943
--	--------------	------------	--------------	--------------

The accompanying notes are an integral part of these financial statements.
Signed on behalf of the Board of Directors:





THE CAMBRIDGE PUBLIC LIBRARY BOARD

(Operating as "Idea Exchange")
Statement of Operations

Year ended December 31, 2020, with comparative information for 2019

	Library	Gallery	2020 Total	2019 Total
Revenue:				
City of Cambridge operating grant	\$ 6,884,330	\$ 416,670	\$ 7,301,000	\$ 7,428,500
Federal and provincial support grants (note 2)	161,464	138,106	299,570	296,124
Contracts and rental	231,121	–	231,121	275,582
Fines, fees and sundry	55,513	841	56,354	163,660
Other grants	3,300	4,128	7,428	49,555
Endowment and investment income	9,722	16,635	26,357	35,681
Donations and fundraising	3,915	89	4,004	21,004
Amortization of deferred capital contributions	345,142	172	345,314	326,450
	<u>7,694,507</u>	<u>576,641</u>	<u>8,271,148</u>	<u>8,596,556</u>
Expenses:				
Personnel	5,509,431	384,443	5,893,874	6,225,426
Amortization of capital assets	768,330	3,106	771,436	803,626
Digital services	236,319	–	236,319	231,695
Building and equipment	341,456	71	341,527	326,434
Collections	345,765	1,924	347,689	321,450
Administrative	105,735	109,566	215,301	304,784
Utilities	203,607	–	203,607	246,553
Programming	54,153	70,041	124,194	167,851
Purchased services	120,744	–	120,744	139,580
Grant expenses	2,125	1,290	3,415	13,235
Fundraising expenses	–	–	–	7,778
	<u>7,687,665</u>	<u>570,441</u>	<u>8,258,106</u>	<u>8,788,412</u>
Other expense (income):				
Contribution from City of Cambridge reserves	(64,800)	–	(64,800)	(234,000)
Contribution to City of Cambridge reserves	238,100	6,200	244,300	33,100
	<u>173,300</u>	<u>6,200</u>	<u>179,500</u>	<u>(200,900)</u>
(Deficiency) excess of revenue over expenses	\$ (166,458)	\$ –	\$ (166,458)	\$ 9,044

The accompanying notes are an integral part of these financial statements.

THE CAMBRIDGE PUBLIC LIBRARY BOARD

(Operating as "Idea Exchange")
Statement of Changes in Fund Balances

Year ended December 31, 2020, with comparative information for 2019

	Unrestricted Library	Unrestricted Gallery	Internally restricted -post- employment benefits	Internally restricted - projects Library	Internally restricted - projects Gallery	Invested in capital assets Library	Invested in capital assets Gallery	2020	2019
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Fund balance, beginning of year	(589,034)	6,920	(1,684,137)	87,598	323,334	1,876,969	9,933	31,583	22,539
Excess (deficiency) of revenue over expenses	601,872	3,106	—	—	—	(768,330)	(3,106)	(166,458)	9,044
Interfund transfers	(6,451)	(4,101)	—	6,451	4,101	—	—	—	—
Remeasurement of post-employment benefits	30,703	—	(30,703)	—	—	—	—	—	—
Investment in capital assets	(513,463)	(1,725)	—	—	—	513,463	1,725	—	—
Fund balance, end of year	(476,373)	4,200	(1,714,840)	94,049	327,435	1,622,102	8,552	(134,875)	31,583

The accompanying notes are an integral part of these financial statements.

THE CAMBRIDGE PUBLIC LIBRARY BOARD

(Operating as "Idea Exchange")
Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019

	Library	Gallery	2020 Total	2019 Total
Cash provided by (used in):				
Operating activities:				
Excess of revenue over expenses	\$ (166,458)	\$ —	\$ (166,458)	\$ 9,044
Items not involving cash				
Post-employment benefits expense	30,703	—	30,703	34,861
Amortization of capital assets	768,330	3,106	771,436	803,626
Amortization of deferred capital contributions	(345,142)	(172)	(345,314)	(326,450)
Changes in non-cash working capital:				
Accounts receivable	9,961	—	9,961	12,182
Receivable from the City of Cambridge	270,667	—	270,667	72,332
Interfund receivable	4,289	(4,289)	—	—
Accounts payable and accrued liabilities	55,895	(18,806)	37,089	(346,046)
Deferred revenue	(2,182)	25,789	23,607	(59,987)
Prepaid expenses	(29,131)	198	(28,933)	29,695
	596,932	5,826	602,758	229,257
Investing activities:				
Change in investments	(6,601)	(4,101)	(10,702)	61,816
Purchase of capital assets	(513,463)	(1,725)	(515,188)	(806,560)
	(520,064)	(5,826)	(525,890)	(744,744)
Financing activities:				
Deferred capital contributions received	237,955	—	237,955	323,941
Increase (decrease) in cash	314,823	—	314,823	(191,546)
Cash, beginning of year	649,633	—	649,633	841,179
Cash, end of year	\$ 964,456	\$ —	\$ 964,456	\$ 649,633

The accompanying notes are an integral part of these financial statements.

THE CAMBRIDGE PUBLIC LIBRARY BOARD

(Operating as "Idea Exchange")
Notes to Financial Statements

Year ended December 31, 2020

The Cambridge Public Library Board operating as Idea Exchange (the "Board") was incorporated as a not-for-profit organization, without share capital, under the laws of Ontario. It is a registered charity and a local board of the Corporation of the City of Cambridge (the "City") and is dependent on the City for a significant portion of its operating and capital funding.

The Board supports and inspires the community in the exploration of reading, arts, innovation and learning.

The financial statements of the Board are the representation of management and have been prepared in accordance with Canadian generally accepted accounting principles for local governments, as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada, including the 4200 standards for government not-for-profit organizations. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgments. The following is a summary of the significant accounting policies followed in the preparation of these financial statements.

1. Significant accounting policies:

(a) Fund accounting

The Board uses fund accounting in these financial statements. The purpose of each fund is as follows:

- Library Fund: to account for all revenues and expenditures related to the administration and operation of the library.
- Gallery Fund: to account for all revenues and expenditures related to the operation of the gallery.

(b) Revenue recognition:

The Board receives revenue from a variety of sources and applies the following recognition policies:

- i) Grants and contributions received for operating expenses are recognized as revenue in the year in which the related expenses are incurred.
- ii) Fee and fine revenue is recognized when the cash is collected.
- iii) Revenue from donations without donor specifications and fundraising events is recognized when the cash is collected
- iv) Endowment and investment income are recognized as revenue in the period earned.

(c) Investments:

Investments are recorded at the lower of cost or market value. When the investments incur a loss in value that is other than temporary, the investments are written down to their fair value and the loss is recognized in the statement of operations.

THE CAMBRIDGE PUBLIC LIBRARY BOARD

(Operating as "Idea Exchange")
Notes to Financial Statements

Year ended December 31, 2020

1. Significant accounting policies (continued):

(d) Capital assets:

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

Asset	Rate
Library collections	3 – 5 years
Furniture and equipment	10 years
Computer hardware and software	5 years

(e) Deferred revenue:

Deferred revenue represents donations, grants and user charges and fees which have been received but for which the related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed and/or expenditures are incurred.

(f) Collections of literary materials and artwork:

The Board's collection of literary materials and artwork are preserved and held for public education and research. The Board's collection of artwork is paid for through funds acquired by private fundraising and special purpose grants.

The Board has elected not to record its artwork in the statement of financial position. Gallery acquisitions are recorded as expenditures in the period they are incurred.

(g) Pension plan:

The contributions to the Ontario Municipal Employers Retirement System ("OMERS"), a multi-employer defined benefit pension plan, are expensed when contributions are due.

(h) Employee future benefits:

The Board provides certain employee benefits which will require funding in future periods. These benefits include life insurance, extended health and dental benefits for retirees.

The costs of post-retirement benefits are actuarially determined using the projected benefits method prorated on service and management's best estimate of retirement ages of employees, salary escalation, expected health care costs and plan investment performance. Liabilities are actuarially determined using discount rates that are consistent with the market rates of high-quality debt instruments. Any gains or losses from changes in assumptions or experience are amortized over the average remaining service period for active employees.

THE CAMBRIDGE PUBLIC LIBRARY BOARD

(Operating as "Idea Exchange")
Notes to Financial Statements

Year ended December 31, 2020

1. Significant accounting policies (continued):

(i) Use of estimates:

The preparation of financial statements in conformity with Canadian public sector 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 revenue and expenses during the period. Significant items subject to such estimates and assumptions include allocations of revenue and expenses between funds and the carrying amounts of obligations related to employee future benefits. Actual results could differ from those estimates.

2. Federal and provincial support grants:

	Library	Gallery	2020 Total	2019 Total
Canada Council support grant	\$ –	\$ 77,000	\$ 77,000	\$ 72,000
Ontario Arts Council support grant	–	61,106	61,106	62,660
Provincial annual operating grant	161,464	–	161,464	161,464
Total	\$ 161,464	\$ 138,106	\$ 299,570	\$ 296,124

3. Gallery acquisitions:

Funding for capital acquisitions for the Gallery is provided through a combination of funds raised by the Gallery Fundraising Committee, special purpose grants received from various government sources and private donations received from Gallery supporters. In 2020, \$nil in art acquisition expenditures were made (2019 - \$nil).

4. Idea Exchange Arts Endowment Fund:

The Gallery has established the Idea Exchange Arts Endowment Fund at the Ontario Arts Foundation under the terms of the Arts Endowment Fund (AEF) Program. The AEF is a program of the Government of Ontario through the Ministry of Tourism, Culture and Recreation, administered by the Ontario Arts Foundation. Income from the fund will be used for Gallery operating purposes. During 2020, \$12,534 received from the fund was recognized in donations, fundraising, endowment and interest income (2019 - \$12,677). The investments in the fund are not recorded in these financial statements. Market value of the fund as at December 31, 2020 is \$301,670 (2019 - \$295,677).

THE CAMBRIDGE PUBLIC LIBRARY BOARD

(Operating as "Idea Exchange")
Notes to Financial Statements (continued)

Year ended December 31, 2020

5. Investments:

Investments consist of amounts held with the Cambridge and North Dumfries Community Foundation and the City of Cambridge as follows:

	2020 Cost	2020 Market Value	2019 Cost	2019 Market Value
Cash and cash equivalents	\$ 391,738	\$ 391,738	\$ 48,694	\$ 48,694
Fixed income	240,006	263,854	572,347	588,301
Canadian equities	42,000	54,520	46,000	55,174
Global equities	78,000	101,252	74,000	88,757
Total	\$ 751,744	\$ 811,364	\$ 741,041	\$ 780,926

6. Capital assets:

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Library collection	\$ 2,159,214	\$ 1,400,396	\$ 758,818	\$ 884,753
Furniture and equipment	701,106	274,901	426,205	465,436
Computer hardware and software	1,223,296	777,665	445,631	536,713
Total	\$ 4,083,616	\$ 2,452,962	\$ 1,630,654	\$ 1,886,902

7. Deferred revenue:

Deferred revenue consists of the following:

	Library	Gallery	2020 Total	2019 Total
Donations	\$ 327,105	\$ 3,155	\$ 330,260	\$ 330,111
Grants	10,810	172,667	183,477	157,412
Contract revenue	12,629	–	12,629	12,629
Programming revenue	8,716	232	8,948	11,555
Total	\$ 359,260	\$ 176,054	\$ 535,314	\$ 511,707

THE CAMBRIDGE PUBLIC LIBRARY BOARD

(Operating as "Idea Exchange")

Notes to Financial Statements (continued)

Year ended December 31, 2020

8. Deferred capital contributions:

Deferred contributions represent restricted contributions with which capital assets have been purchased.

The changes in the deferred capital contributions balance during the year are as follows:

	2020 Total	2019 Total
Balance, beginning of year	\$ 884,551	\$ 887,060
Contributions received during the year	237,955	323,941
Amounts amortized to revenue	(345,314)	(326,450)
Balance, end of year	\$ 777,192	\$ 884,551

9. Post-employment benefits:

The Board provides certain employee benefits which will require funding in future periods. An actuarial estimate of future liabilities has been completed as of December 31, 2020 and forms the basis for the estimated liability reported in these financial statements.

The significant actuarial assumptions adopted in measuring the accrued benefit obligations for the post-retirement benefit entitlements at December 31, 2020 are as follows:

	2020	2019
Discount rate	3.00%	4.00%
Future inflation rates	1.75%	1.75%
Future dental premium rates escalation	3.75%	3.75%
Future health care premium rates	6.08%, declining to 3.75% by 2027	6.42%, declining to 3.75% by 2027

Information about the Board's benefit plan is as follows:

	2020	2019
Accrued benefit obligation:		
Balance, beginning of year	\$ 1,684,137	\$ 1,649,276
Current service cost	29,592	27,896
Interest cost	66,647	65,361
Benefit payments	(65,536)	(58,396)
Actuarial loss	35,999	—
Balance, end of year	1,750,839	—
Unamortized actuarial loss	(35,999)	—
	\$ 1,714,840	\$ 1,684,137

THE CAMBRIDGE PUBLIC LIBRARY BOARD

(Operating as "Idea Exchange")

Notes to Financial Statements (continued)

Year ended December 31, 2020

10. Pension plan:

The Board makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employee contributions are matched by the Board. Contributions were required on account of current service in 2020 amounting to \$414,629 (2019 - \$409,626).

The latest available report for the OMERS plan was as at December 31, 2020. At that time the plan reported a \$3.2 billion actuarial deficit, based on actuarial liabilities of \$113 billion and actuarial assets of \$109.8 billion. Ongoing adequacy of the current contribution rates will need to be monitored and may lead to increased future funding requirements. As at December 31, 2020, the Board has no obligation under the past service provisions of the OMERS agreement.

11. Impact of COVID-19 pandemic:

On March 11, 2020, the World Health Organization declared the Coronavirus COVID-19 (COVID-19) outbreak a pandemic. This has resulted in significant financial, market and societal impacts in Canada and around the world.

(a) Current year transactions:

At the time of approval of these financial statements, the Board has experienced the following in relation to the pandemic:

- limiting in-person activities affecting rental, programming, fundraising, photocopying and fine revenue;
- investment in personal protective equipment, work area modifications and building changes required to ensure safety of staff and the public; and
- investment in infrastructure to support mandatory working from home requirements for those able to do so.

Financial statements are required to be adjusted for events occurring between the date of the financial statements and the date of the auditors' report which provide additional evidence relating to conditions that existed as at year end. Management completed this assessment and did not identify any such adjustment.

(b) Subsequent events related to COVID-19:

The ultimate duration and magnitude of the COVID-19 pandemic's impact on the Board's operations and financial position is not known at this time. There remains uncertainty over the extent of in-person activities and services for the upcoming year.

These impacts could include a decline in future cash flows, changes to the value of assets and liabilities, and the use of accumulated surplus to sustain operations. An estimate of the financial effect of the pandemic on the Board is not practicable at this time.