

Financial Statements of

**THE CAMBRIDGE PUBLIC
LIBRARY BOARD**

(Operating as "Idea Exchange")

And Independent Auditors' Report thereon

Year ended December 31, 2021



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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, 2021
- the statement of operations and accumulated surplus for the year then ended
- the statement of changes in net financial assets 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, 2021 and its results of operations and accumulated surplus, its cash flows in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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.



Emphasis of Matter – Comparative Information

We draw attention to Note 11 in the financial statements which describes that the Entity adopted Canadian public sector accounting standards without section 4200 standards for government not-for-profit organizations. These standards were applied retrospectively by management to the comparative information presented in these financial statements.

Our opinion is not modified in respect of this matter.

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 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.

- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada

April 29, 2022

THE CAMBRIDGE PUBLIC LIBRARY BOARD

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

December 31, 2021, with comparative information for 2020

	2021	2020 (Restated, note 11)
Financial assets		
Cash	\$ 804,822	\$ 964,456
Accounts receivable	84,231	60,713
Receivable from the City of Cambridge	47,348	-
Investments (note 5)	766,445	751,744
Total financial assets	1,702,846	1,776,913
Liabilities		
Accounts payable and accrued liabilities	474,202	513,056
Payable to the City of Cambridge	-	189,518
Deferred revenue (note 7)	449,597	535,314
Post-employment benefits (note 8)	1,721,942	1,714,840
Total liabilities	2,645,741	2,952,728
Net debt	(942,895)	(1,175,815)
Non-financial assets		
Tangible capital assets (note 6)	1,407,050	1,630,654
Prepaid expenses	210,482	187,478
	1,617,532	1,818,132
Impact of COVID-19 pandemic (note 12)		
Accumulated surplus (note 10)	\$ 674,637	\$ 642,317

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

Signed on behalf of the Board of Directors:



Director



Director

THE CAMBRIDGE PUBLIC LIBRARY BOARD

(Operating as "Idea Exchange")
Statement of Operations

Year ended December 31, 2021, with comparative information for 2020

	Budget	Library	Gallery	2021 Total	2020 Total (Restated, note 11)
Revenue:					
City of Cambridge operating grant	\$ 7,626,000	\$ 7,049,692	\$ 446,308	\$ 7,496,000	\$ 7,301,000
Federal and provincial support grants (note 2)	299,500	161,464	140,106	301,570	299,570
Contracts and rental	238,800	224,944	–	224,944	231,121
Fines, fees and sundry	95,200	50,536	–	50,536	56,354
Other grants	5,000	26,034	7,383	33,417	7,428
Endowment and investment income	35,000	4,599	16,050	20,649	26,357
Donations and fundraising	–	4,546	–	4,546	4,004
Total revenue	8,299,500	7,521,815	609,847	8,131,662	7,925,834
Expenses:					
Personnel	6,343,900	5,502,220	403,722	5,905,942	5,893,874
Amortization of capital assets	–	674,796	3,106	677,902	771,436
Digital services	284,500	258,057	–	258,057	236,319
Building and equipment	288,800	351,821	221	352,042	341,527
Collections	773,250	317,886	9,183	327,069	347,689
Administrative	276,700	129,595	103,457	233,052	215,301
Utilities	255,000	195,906	–	195,906	203,606
Programming	163,350	63,773	81,542	145,315	124,194
Purchased services	172,500	132,253	–	132,253	120,744
Grant expenses	–	3,225	2,416	5,641	3,415
Total expenses	8,558,000	7,629,532	603,647	8,233,179	8,258,105
	(258,500)	(107,717)	6,200	(101,517)	(332,271)
Other expense (income):					
Contribution from City of Cambridge reserves	(175,800)	(175,800)	–	(175,800)	(64,800)
Contribution to City of Cambridge reserves	24,300	188,100	6,200	194,300	244,300
City of Cambridge capital contributions	(107,000)	(152,337)	–	(152,337)	(237,955)
	(258,500)	(140,037)	6,200	(133,837)	(58,455)
Annual surplus (deficit)	–	32,320	–	32,320	(273,816)
Accumulated surplus, beginning of year	642,317	301,442	340,875	642,317	916,133
Accumulated surplus, end of year	\$ 642,317	\$ 333,762	\$ 340,875	\$ 674,637	\$ 642,317

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

THE CAMBRIDGE PUBLIC LIBRARY BOARD

(Operating as "Idea Exchange")

Statement of Change in Net Financial Assets

Year ended December 31, 2021, with comparative information for 2020

	2021	2020 (Restated, note 11)
Excess (deficiency) of expenses over revenue	\$ 32,320	\$ (273,816)
Acquisition of tangible capital assets	(454,298)	(515,188)
Amortization of tangible capital assets	677,902	771,436
	255,924	(17,568)
Change in prepaid expenses	(23,004)	(28,932)
Change in net financial assets	232,920	(46,500)
Net debt, beginning of year	(1,175,815)	(1,129,315)
Net debt, end of year	\$ (942,895)	\$ (1,175,815)

See accompanying notes to financial statements.

THE CAMBRIDGE PUBLIC LIBRARY BOARD

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

Year ended December 31, 2021, with comparative information for 2020

	2021	2020 (Restated, note 11)
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ 32,320	\$ (273,817)
Items not involving cash		
Post-employment benefits expense	7,102	30,703
Amortization of capital assets	677,902	771,436
Changes in non-cash working capital:		
Accounts receivable	(23,519)	9,961
Receivable from the City of Cambridge	(236,866)	270,665
Accounts payable and accrued liabilities	(38,854)	37,091
Deferred revenue	(85,717)	23,607
Prepaid expenses	(23,004)	(28,932)
Cash provided by operating activities	309,364	840,714
Investing activities:		
Change in investments	(14,701)	(10,703)
Purchase of capital assets	(454,297)	(515,188)
	(468,998)	(525,891)
Increase (decrease) in cash	(159,634)	314,823
Cash, beginning of year	964,456	649,633
Cash, end of year	\$ 804,822	\$ 964,456

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, 2021

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 operates two segments being Library operations ("Library") and Gallery operations ("Gallery").

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

1. Significant accounting policies:

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. 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.

(a) Accrual basis of accounting:

The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(b) Revenue recognition:

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

- i) Grants and contributions received are recognized as revenue in the year in which the related expenditures 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, 2021

1. Significant accounting policies (continued):

(d) Tangible Capital assets:

Tangible 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 tangible 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 or expenditures are not incurred. 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 expenses 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 recorded as expenses 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, 2021

1. Significant accounting policies (continued):

(i) Use of estimates:

The preparation of financial statements in conformity with Canadian public sector accounting standards 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 the carrying amount of obligations related to employee future benefits. Actual results could differ from those estimates.

2. Federal and provincial support grants:

	Library	Gallery	2021 Total	2020 Total
Canada Council support grant	\$ –	\$ 79,000	\$ 79,000	\$ 77,000
Ontario Arts Council support grant	–	61,106	61,106	61,106
Provincial annual operating grant	161,464	–	161,464	161,464
Total	\$ 161,464	\$ 140,106	\$ 301,570	\$ 299,570

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 2021, \$nil in art acquisition expenditures were made (2020 - \$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 2021, \$14,456 received from the fund was recognized in donations, fundraising, endowment and interest income (2020 - \$12,534). The investments in the fund are not recorded in these financial statements. Market value of the fund as at December 31, 2021 is \$337,236 (2020 - \$301,670).

THE CAMBRIDGE PUBLIC LIBRARY BOARD

(Operating as "Idea Exchange")

Notes to Financial Statements (continued)

Year ended December 31, 2021

5. Investments:

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

	2021 Cost	2021 Market Value	2020 Cost	2020 Market Value
Cash and cash equivalents	\$ 2,394	\$ 2,394	\$ 391,738	\$ 391,738
Fixed income	642,051	675,652	240,006	263,854
Canadian equities	48,000	68,676	42,000	54,520
Global equities	74,000	105,876	78,000	101,252
Total	\$ 766,445	\$ 852,598	\$ 751,744	\$ 811,364

6. Tangible capital assets:

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
Library collection	\$ 1,980,890	\$ 1,265,744	\$ 715,146	\$ 758,818
Furniture and equipment	697,714	325,027	372,687	426,205
Computer hardware and software	973,717	654,500	319,217	445,631
Total	\$ 3,652,321	\$ 2,245,271	\$ 1,407,050	\$ 1,630,654

7. Deferred revenue:

Deferred revenue consists of the following:

	Library	Gallery	2021 Total	2020 Total
Donations	\$ 336,858	\$ 3,155	\$ 340,013	\$ 330,260
Grants	10,549	82,139	92,688	183,477
Contract revenue	12,628	—	12,628	12,629
Programming revenue	4,036	232	4,268	8,948
Total	\$ 364,071	\$ 85,526	\$ 449,597	\$ 535,314

THE CAMBRIDGE PUBLIC LIBRARY BOARD

(Operating as "Idea Exchange")

Notes to Financial Statements (continued)

Year ended December 31, 2021

8. 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, 2021 are as follows:

	2021	2020
Discount rate	3.00%	3.00%
Future inflation rates	1.75%	1.75%
Future dental premium rates escalation	3.75%	3.75%
Future health care premium rates	5.75%, declining to 3.75% by 2027	6.08%, declining to 3.75% by 2027

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

	2021	2020
Accrued benefit obligation:		
Balance, beginning of year	\$ 1,750,839	\$ 1,684,137
Current service cost	18,706	29,592
Interest cost	51,813	66,647
Benefit payments	(66,186)	(65,536)
Actuarial loss	—	35,999
Balance, end of year	1,755,172	1,750,839
Unamortized actuarial loss	(33,230)	(35,999)
	\$ 1,721,942	\$ 1,714,840

Post-employment benefit expenses included in total expenditures consist of the following:

	2021	2020
Current service cost	\$ 18,706	\$ 29,592
Interest cost	51,813	66,647
Amortization of actuarial loss	2,769	—
	\$ 73,288	\$ 96,239

The actuarial loss is amortized on a straight-line basis over 13 years, which represents the expected average remaining service life of the employee group.

THE CAMBRIDGE PUBLIC LIBRARY BOARD

(Operating as "Idea Exchange")

Notes to Financial Statements (continued)

Year ended December 31, 2021

9. 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 2021 amounting to \$415,492 (2020 - \$414,629).

The latest available report for the OMERS plan was as at December 31, 2021. At that time the plan reported a \$3.1 billion actuarial deficit, based on actuarial liabilities of \$120.8 billion and actuarial assets of \$117.7 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, 2021, the Board has no obligation under the past service provisions of the OMERS agreement.

10. Accumulated surplus:

The accumulated surplus consists of surplus and reserve funds as follows:

	2021	2020
Invested in tangible capital assets	\$ 1,407,050	\$ 1,630,654
Internally restricted donations and fundraising	426,432	421,484
Unfunded employee benefits, future benefit liability	(1,721,942)	(1,714,840)
General	563,097	305,019
	<u>\$ 674,637</u>	<u>\$ 642,317</u>

Subsequent to year-end, the Board approved a \$259,000 transfer to the library material reserve held at the City.

THE CAMBRIDGE PUBLIC LIBRARY BOARD

(Operating as "Idea Exchange")

Notes to Financial Statements (continued)

Year ended December 31, 2021

11. First-time adoption of Canadian public sector accounting standards

During the year ended December 31, 2021, the Board applied Canadian generally accepted accounting principles for local governments without the 4200 standards for government not-for-profit organizations for the first time. The Board's date of transition was January 1, 2020. As a result, the comparative figures have been restated. There were adjustments to the opening accumulated surplus balance that were determined by management. These amounts have all been applied retrospectively with a revision of the 2020 Financial Statements. The description of the adjustments are discussed below:

- a) Fund accounting presentation has been discontinued
- b) Amounts previously recorded as deferred capital contributions have been recognized as revenue.

	2020
Accumulated surplus January 1, 2020 as previously stated	\$ 31,583
Deficiency of revenue over expenses as previously stated	(166,458)
Amortization of deferred capital contributions as previously stated	(345,314)
Capital contributions recognized as revenue	237,955
Reversal of deferred capital contributions as previously stated	884,551
Accumulated surplus December 31, 2020, restated	\$ 642,317

12. 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.

THE CAMBRIDGE PUBLIC LIBRARY BOARD

(Operating as "Idea Exchange")

Notes to Financial Statements (continued)

Year ended December 31, 2021

12. Impact of COVID-19 pandemic (continued):

(a) Current year transactions (continued):

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.

THE CAMBRIDGE PUBLIC LIBRARY BOARD

(Operating as "Idea Exchange")

Schedule of Gallery assets, liabilities, and net assets

Year ended December 31, 2021

	2021	2020
Current assets	\$ 113,738	\$ 190,448
Tangible capital assets	5,446	8,552
Other assets	332,184	330,589
Total assets	\$ 451,368	\$ 529,589
Current liabilities	\$ 110,493	\$ 188,714
Unrestricted net assets	6,400	4,888
Invested in tangible capital assets	5,446	8,552
Internally restricted funds	329,029	327,435
Total net assets	340,875	340,875
Total liabilities and net assets	\$ 451,368	\$ 529,589