Financial Statements for Library Workers

EVERYTHING YOU WANTED TO KNOW BUT WERE AFRAID TO ASK

British Columbia Library Association

Shape of the Day

- Introduction
- Importance of Auditor’s Report
- Purpose of each statement
- Deep dive into each financial statement
- Common accounting terms
- Questions

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Background

- KPMG
- Financial accounting software company
- Board treasurer
- School treasurer
- BCLA treasurer

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Independent Auditors Report

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INDEPENDENT AUDITORS' REPORT

**TO THE MEMBERS OF
BRITISH COLUMBIA LIBRARY ASSOCIATION**

We have audited the statement of financial position of the British Columbia Library Association ("the Association") as at December 31, 2024, the statements of operations, changes in net assets, and cash flows for the year ended December 31, 2024, and a summary of significant accounting policies and other explanatory information.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2024, and the results of its operations, changes in net assets and cash flows for the year in accordance with Canadian accounting standards for not-for-profit organizations.

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Independent Auditors Report

- Required by BC Library Act that all public libraries must be audited by an independent auditor
- Auditors determine if the financial statements are presented "fairly"
- Auditors have a "materiality threshold" and errors found that individually total less than that number are considered immaterial and not worth changing
- Materiality is determined by a number of factors but the biggest are the assets and revenues of the organization

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Purpose of Each Statement

- Statement of Financial Position – assets, liabilities and equity of the organization
- Statement of Operations – revenues and expenses
- Statement of Changes in Net Financial Assets – ties the previous financial statements together
- Statement of Cash Flows – how cash increased or decreased each year
- Notes to the Financial Statements – the details behind the financial statements

British Columbia Library Association

Statement of Financial Position

	DECEMBER 31, 2024	2023
ASSETS		
CURRENT		
CASH AND CASH EQUIVALENTS	$ 274,674	$ 460,277
TERM DEPOSITS	1,162,361	304,445
ACCOUNTS RECEIVABLE	17,188	18,076
SALES TAX RECOVERABLE	3,198	1,514
PREPAID EXPENSES	15,082	16,560
	1,472,503	800,872
TERM DEPOSITS	592,918	1,343,291
CAPITAL ASSETS	-	3,342
	$ 2,065,421	$ 2,147,505
LIABILITIES		
CURRENT		
ACCOUNTS PAYABLE	$ 43,818	$ 43,800
PAYROLL LIABILITIES	2,032	-
DEFERRED REVENUE (NOTE 5)	45,330	33,065
DEFERRED CONTRIBUTIONS (NOTE 8)	1,324,258	1,486,342
	1,415,438	1,563,207
NET ASSETS		
INVESTED IN CAPITAL ASSETS	-	3,342
INTERNALLY RESTRICTED (NOTE 7)	126,812	135,450
RESTRICTED SPECIAL PURPOSE FUNDS	21,979	21,090

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Statement of Financial Position

- Financial position at a point in time – generally the end of your fiscal year, which is most often than not, on December 31st
- Usually with a comparison to the previous year
- Financial Assets – cash, investments, accounts receivable – what you can easily convert into cash
- Libraries that are very closely integrated with their municipality all have cash held within the municipality – "due from"
- Liabilities – accrued salaries, accounts payable – what you are often required to pay out within the next year
- Non-Financial Assets – capital assets, prepaid expenses
- Accumulated surplus or deficit – what you have accumulated ove the years of running operations

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Statement of Operations

	YEAR ENDED DECEMBER 31 2024	2023
REVENUES		
ADMINISTRATION FEES AND OTHER	$ 40,062	$ 38,561
CONFERENCES	240,173	231,173
DONATIONS	220	-
ENDOWMENT FUND (NOTE 6)	31,298	29,299
EXTERNAL PROGRAMS	68,180	69,972
FUNDRAISING	5,443	6,167
GRANTS	113,875	100,000
INTEREST	133,448	42,487
MEMBERSHIP	68,070	59,171
PARTNERSHIP JOB POSTINGS	71,551	79,239
PROFESSIONAL DEVELOPMENT INSTITUTE	5,661	1,090
	777,981	657,159
EXPENDITURES		
AMORTIZATION	3,342	1,359
AWARDS, SCHOLARSHIPS, AND PROGRAM DEVELOPMENT	-	264
COMMITTEES, EXECUTIVE, AND LAISION	14,792	9,858
CONFERENCES	171,522	149,741
EXTERNAL PROGRAMS	145,748	135,754
OFFICE, COMPUTER, AND RENT	34,085	34,878
PARTNERSHIP JOB POSTINGS	38,199	45,578
PROFESSIONAL DEVELOPMENT INSTITUTE	5,162	1,090
PROFESSIONAL FEES	12,304	11,992
SALARIES AND BENEFITS (NOTE 4)	241,734	220,246
	666,888	610,760
NET REVENUES FOR THE YEAR	$ 111,093	$ 46,399

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Statement of Operations

- Previously known as an Income Statement or Profit or Loss Statement
- Lists all the sources of revenues and expenses in an organization over the course of a period of time, generally a 12-month period
- Net result is your operating loss or surplus
- Usually shown with the expected budget for the year, approved by the Board of Directors

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Statement of Changes in Net Financial Assets

	INVESTED IN CAPITAL ASSETS	INTERNALLY RESTRICTED	RESTRICTED SPECIAL PURPOSE FUNDS (SCHEDULE)	UNRESTRICTED	TOTAL
BALANCE - DECEMBER 31, 2022	$ 4,701	$ 147,415	$ 19,677	$ 377,271	$ 549,064
TRANSACTIONS FOR THE YEAR					
NET REVENUE (EXPENDITURES) FOR THE YEAR	(1,359)	200	413	47,145	46,399
RESTRICTED FUNDS RECEIVED	-	569	1,000	-	1,569
INTERNALLY RESTRICTED EXPENDITURES	-	(12,734)	-	-	(12,734)
	(1,359)	(11,965)	1,413	47,145	35,234
BALANCE - DECEMBER 31, 2023	3,342	135,450	21,090	424,416	584,298
TRANSACTIONS FOR THE YEAR					
NET REVENUE (EXPENDITURES) FOR THE YEAR	(3,342)	217	442	113,776	111,093
TRANSFER TO INTERALLY RESTRICTED	-	37,000	-	(37,000)	-
RESTRICTED FUNDS RECEIVED	-	-	1,000	-	1,000
INTERNALLY RESTRICTED EXPENDITURES	-	(45,855)	(553)	-	(46,408)
	(3,342)	(8,638)	889	76,776	65,685
BALANCE - DECEMBER 31, 2024	$ -	$ 126,812	$ 21,979	$ 501,192	$ 649,983

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Statement of Changes in Net Financial Assets

- The difference between the library's operating surplus/deficit and the actual change in its financial assets and liabilities.
- Again, generally for a year
- Bridges gap between the first 2 statements – Financial Position and Operations.
- Details what happened to capital assets – acquisitions, amortization, disposals – including gains or losses on sales of assets.
- There is usually a section for prepaid expenses – expenses that are paid annually like insurance.

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Statement of Cash Flows

	YEAR ENDED DECEMBER 31, 2024	2023
CASH PROVIDED (USED) BY		
OPERATING ACTIVITIES		
NET REVENUES FOR THE YEAR	$ 111,093	$ 46,399
ITEM NOT AFFECTING CASH		
AMORTIZATION	3,342	1,359
	114,435	47,758
CHANGE IN NON-CASH WORKING CAPITAL ITEMS		
ACCOUNTS RECEIVABLE	888	(10,002)
SALES TAXES RECOVERABLE	(1,684)	149
PREPAID EXPENSES	1,478	16,073
ACCOUNTS PAYABLE	18	(4,072)
PAYROLL TAXES PAYABLE	2,032	-
DEFERRED REVENUE	12,265	(599)
DEFERRED CONTRIBUTIONS	(162,084)	458,046
INTERNALLY RESTRICTED ASSETS	(45,408)	(11,165)
	(78,060)	496,188
INVESTING ACTIVITIES		
TERM DEPOSITS	(107,543)	(839,986)
CHANGE IN CASH AND CASH EQUIVALENTS FOR THE YEAR	(185,603)	(343,798)
CASH AND CASH EQUIVALENTS BEGINNING OF THE YEAR	460,277	804,075
CASH AND CASH EQUIVALENTS END OF THE YEAR	$ 274,674	$ 460,277

Statement of Cash Flows

- Explains how an organization gets and uses cash throughout the year
- You start with the surplus or deficit for the year and add back It is the reconciliation of the starting Cash position vs the ending Cash position.
- Generally, broken down by Operating, Capital, Financing and Investing activities.

British Columbia Library Association

Notes to Financial Statements

BRITISH COLUMBIA LIBRARY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2024

1. PURPOSE AND OPERATIONS OF THE ASSOCIATION

The British Columbia Library Association (“the Association”), a not-for-profit voluntary organization, was incorporated under the Societies Act of British Columbia on January 15, 1948. The purposes of the Association are to promote and foster the role of libraries and library workers in British Columbia through advocacy, education, and leadership; to provide opportunities to expand knowledge and skills through conferences, continuing education, publications, and association work; and to participate in formal liaisons with provincial, national, and international organizations.

The Association is dependent upon the Government of British Columbia for a substantial portion of its revenue, which is received in the form of grants to be used for specified purposes.

As a registered charity under the Income Tax Act, the Association is a not-for-profit entity and, as such, is exempt from income tax.

2. SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

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Notes to Financial Statements

- Explain the assumptions made by the people who prepared the financial statements.
- They explain accounting policies used throughout the statements
- They provide more detail for individual items – you will see reference to particular notes on many different financial statement items
- They are meant to provide a more fulsome understanding and clarity of the financial statements

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Common Accounting Terms

- Accounting period -the period you are recognizing revenues or expenses. Usually monthly, quarterly or annually
- Accounts payable – money owed to vendors or staff
- Accounts receivable – money owed from others
- Accumulated Surplus/Deficit – the accumulation of the surpluses and deficits since the library began operations
- Accrual Accounting – when you record revenue or expenses when you earn them. Almost all companies record this way

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Common Accounting Terms

- Asset – what you own – cash, investments, vehicles, buildings, library collection
- Budget – what you expect to receive or spend over a specific period of time
- Capital commitments – when you enter a multi-year contract to pay a certain amount but not all of it has been paid to date
- Cash accounting – when you record revenue or expenses when you pay them
- Cash equivalents – short-term assets that are easily turned into cash – like GICs, term deposits, stocks

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Common Accounting Terms

- Deferred Revenue – revenue that is received before it is earned.
- Depreciation or Amortization – reduction in the value of a capital asset over time
- Employee future benefits – the expected cost of accrued sick leave and retirement benefits.
- GAAP – generally accepted accounting principles – the rules and procedures used to record and prepare financial statements

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Common Accounting Terms

- Liability – amounts that you owe to someone else, such as salaries to staff and supplies to vendors
- Restricted vs Unrestricted Reserves – funds that have limits on what they can be used for vs funds that you can use for anything
- Revenue – income that you receive. For libraries, most often, municipal and provincial grants, donations, fines and fees.
- Tangible vs intangible capital assets – tangible assets are physical assets – buildings, vehicle, etc. Intangible assets are things like trademarks, goodwill. FVRL records ebooks and eaudiobooks as intangible assets as they are owned over a multi-year contract.

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Questions??

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