

**PROVINCIAL INFORMATION AND
LIBRARY RESOURCES BOARD**

FINANCIAL STATEMENTS

MARCH 31, 2019

Management's Report

Management's Responsibility for the Provincial Information and Library Resources Board Financial Statements

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

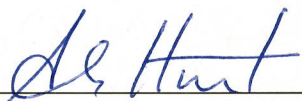
Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that transactions are properly authorized, assets are safeguarded and liabilities are recognized.

Management is also responsible for ensuring that transactions comply with relevant policies and authorities and are properly recorded to produce timely and reliable financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews internal financial information on a quarterly basis and external audited financial statements yearly.

The Auditor General conducts an independent audit of the annual financial statements of the Provincial Information and Library Resources Board, in accordance with Canadian generally accepted auditing standards, in order to express an opinion thereon. The Auditor General has full and free access to financial management of the Provincial Information and Library Resources Board.

On behalf of the Provincial Information and Library Resources Board.



Mr. Andrew Hunt, CPA, CGA
Executive Director



**AUDITOR
GENERAL**
of Newfoundland and Labrador

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Provincial Information and Library
Resources Board
Stephenville, Newfoundland and Labrador

Opinion

I have audited the financial statements of the Provincial Information and Library Resources Board (the Board), which comprise the statement of financial position as at March 31, 2019, and the statements of operations, remeasurement gains and losses, change in net financial assets (debt), and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Board in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and my auditor's report thereon. The annual report is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I will not express any form of assurance conclusion thereon.

Independent Auditor's Report (cont.)

In connection with my audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. When I read the annual report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance.

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 Board'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 Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 Board's internal control.

Independent Auditor's Report (cont.)

- 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 Board's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Board 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.

I 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 I identify during my audit.



JULIA MULLALEY, CPA, CA
Auditor General

July 8, 2019
St. John's, Newfoundland and Labrador

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD
NOTES TO FINANCIAL STATEMENTS
March 31, 2019

1. Nature of operations

The Provincial Information and Library Resources Board (the Board) operates under the authority of the *Public Libraries Act*. The purpose of the Board is to operate the public libraries in the Province. A majority of the members of the Board are appointed by the Lieutenant-Governor in Council. The Board reports to the Minister of Education and Early Childhood Development.

The reporting entity for the purpose of these financial statements is the Board's head office and divisional offices. These financial statements include expenditures for grants made to local libraries under the jurisdiction of the three divisional library boards detailed in the Schedule to the financial statements. Funds raised by local libraries are not reflected in these financial statements.

The Board is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

2. Summary of significant accounting policies

(a) Basis of accounting

The Board is classified as an Other Government Organization as defined by Canadian public sector accounting standards (CPSAS). These financial statements have been prepared by the Board's management in accordance with CPSAS for provincial reporting entities established by the Canadian Public Sector Accounting Board (PSAB). Outlined below are the significant accounting policies followed.

(b) Financial instruments

The Board's financial instruments recognized in the statement of financial position consist of cash, accounts receivable, due from Province, portfolio investments, accounts payable and accrued liabilities, and obligation under capital lease. The Board generally recognizes a financial instrument when it enters into a contract which creates a financial asset or financial liability. Financial assets and financial liabilities are initially measured at cost, which is the fair value at the time of acquisition.

The Board subsequently measures all of its financial assets and financial liabilities at cost or amortized cost, except for portfolio investments in equity instruments that are quoted in an active market, which are measured at fair value. Financial assets measured at cost include cash, accounts receivable and due from Province. Financial liabilities measured at cost include accounts payable and accrued liabilities. Financial liabilities measured at amortized cost include obligation under capital lease.

The carrying values of cash, accounts receivable, due from Province and accounts payable and accrued liabilities approximate current fair value due to their nature and the short-term maturity associated with these instruments. The carrying value of obligation under capital lease is considered to approximate market value.

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD
NOTES TO FINANCIAL STATEMENTS
March 31, 2019

2. Summary of significant accounting policies (cont.)

(b) Financial instruments (cont.)

The Board uses the quoted market price as at the fiscal year end to measure the fair value of its portfolio investments. Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations.

Interest and dividends attributable to financial instruments are reported in the statement of operations.

(c) Cash

Cash includes cash in bank.

(d) Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

Capital lease obligations are recorded at the present value of the minimum lease payments excluding executor costs (e.g. insurance, maintenance costs, etc.). The discount rate used to determine the present value of the lease payments is the lower of the Board's rate for incremental borrowing or the interest rate implicit in the lease. Note 10 provides a schedule of repayments and amount of interest on the leases.

The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	40 years
Building improvements	10 years
Furniture and equipment	10 years
Motor vehicles	5 years
Computer equipment	3 years
Software	5 years
Assets under capital lease	10 years

**PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD
STATEMENT OF FINANCIAL POSITION**

As at March 31

2019

2018

FINANCIAL ASSETS

Cash	\$ 2,500,266	\$ 3,462,110
Accounts receivable (Note 4)	47,223	43,531
Due from Province	902,200	-
Portfolio investments (Note 5)	86,149	88,783
	3,535,838	3,594,424

LIABILITIES

Accounts payable and accrued liabilities (Note 6)	718,022	650,871
Employee future benefits (Note 7)	883,198	2,015,596
Deferred revenue (Note 8)	731,617	905,673
Obligation under capital lease (Note 10)	11,554	15,630
	2,344,391	3,587,770

Net financial assets 1,191,447 6,654

NON-FINANCIAL ASSETS

Inventories held for use	54,217	58,149
Prepaid expenses	150,791	163,901
Tangible capital assets (Note 11)	1,383,263	1,596,745
	1,588,271	1,818,795

Accumulated surplus \$ 2,779,718 \$ 1,825,449

Accumulated surplus is comprised of:

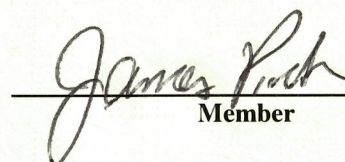
Accumulated operating surplus	\$ 2,717,061	\$ 1,760,158
Accumulated remeasurement gains	62,657	65,291
	\$ 2,779,718	\$ 1,825,449

Contractual obligations (Note 9)
Trusts under administration (Note 12)

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

Signed on behalf of the Board:


Chairperson


Member

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD
STATEMENT OF OPERATIONS
For the Year Ended March 31

	2019 Budget	2019 Actual	2018 Actual
(Note 14)			
REVENUE			
Province of Newfoundland and Labrador			
Operating grant	\$ 10,942,500	\$ 12,002,419	\$ 11,160,700
Capital grant	220,000	220,000	120,000
Early Literacy Program	-	146,469	138,636
Kinderstart Literacy Program	-	935	42,573
Horizon Trainer	-	81,207	-
Multi-Lingual Books Project	-	3,000	-
Eastern Health - Clarenville Project	-	738	-
Miscellaneous	67,000	80,148	62,626
Fines and lost library materials	55,500	55,398	55,261
Interest	39,000	87,456	51,007
Gain on disposal of tangible capital assets	-	2,000	1,800
Sun Life Musical Instrument Lending Program	-	27,770	-
Dividend revenue	-	3,272	2,987
TD summer reading program	-	16,161	4,781
	11,324,000	12,726,973	11,640,371
EXPENSES (Note 17)			
Administration	2,186,862	2,295,479	2,366,403
Amortization	-	354,372	370,266
Early Literacy Program	-	146,469	138,636
Kinderstart Literacy Program	-	935	42,573
Horizon Trainer	-	81,207	-
Multi-Lingual Book Project	-	3,000	-
Library Collection	1,562,225	1,604,532	1,637,504
Library Operations	7,263,784	6,904,438	6,755,165
Public Computer Access	343,883	334,969	250,617
Sun Life Musical Instrument Lending Program	-	27,770	-
Eastern Health - Clarenville Project	-	738	-
TD Summer Reading Program	-	16,161	4,781
	11,356,754	11,770,070	11,565,945
Annual operating surplus (deficit)	(32,754)	956,903	74,426
Accumulated operating surplus, beginning of year	1,760,158	1,760,158	1,685,732
Accumulated operating surplus, end of year	\$ 1,727,404	\$ 2,717,061	\$ 1,760,158

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

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD
STATEMENT OF REMEASUREMENT GAINS AND LOSSES
For the Year Ended March 31

2019

2018

Accumulated remeasurement gains, beginning of year	\$ 65,291	\$ 58,226
Unrealized gains (losses) attributable to:		
Portfolio investments	(2,634)	7,065
Accumulated remeasurement gains, end of year	\$ 62,657	\$ 65,291

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

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (DEBT)
For the Year Ended March 31

	2019 Budget	2019 Actual	2018 Actual
(Note 14)			
<u>Annual operating surplus (deficit)</u>	\$ (32,754)	\$ 956,903	\$ 74,426
Changes in other non-financial assets			
Use of prepaid expenses	-	163,901	182,327
Acquisition of prepaid expenses	-	(150,791)	(163,901)
<u>Net use of inventories held for use</u>	-	3,932	7,546
	-	17,042	25,972
Changes in tangible capital assets			
Acquisition of tangible capital assets	-	(140,890)	(157,466)
Net book value of tangible capital asset disposals	-	-	-
<u>Amortization of tangible capital assets</u>	-	354,372	370,266
	-	213,482	212,800
<u>Effect of remeasurement gains for the year</u>	-	(2,634)	7,065
Change in net financial assets (debt)	(32,754)	1,184,793	320,263
Net financial assets (debt), beginning of year	6,654	6,654	(313,609)
Net financial assets (debt), end of year	\$ (26,100)	\$ 1,191,447	\$ 6,654

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

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD
STATEMENT OF CASH FLOWS
For the Year Ended March 31

2019

2018

Operating transactions

Annual operating surplus	\$ 956,903	\$ 74,426
Adjustment for non-cash items		
Amortization	354,372	370,266
Gain on disposal of tangible capital assets	(2,000)	(1,800)
	1,309,275	442,892
Change in non-cash operating items		
Accounts receivable	(3,692)	4,930
Due from the Province	(902,200)	-
Accounts payable and accrued liabilities	67,151	(17,686)
Employee future benefits	(1,132,398)	(84,857)
Deferred revenue	(174,056)	(51,540)
Inventories held for use	3,932	7,546
Prepaid expenses	13,110	18,426
Cash (applied to) provided from operating transactions	(818,878)	319,711

Capital transactions

Acquisition of tangible capital assets	(140,890)	(157,466)
Proceeds from disposal of tangible capital assets	2,000	1,800
Cash applied to capital transactions	(138,890)	(155,666)

Financing transactions

Repayments of obligations under capital lease	(4,076)	(4,078)
Cash applied to financing transactions	(4,076)	(4,078)
(Decrease) increase in cash	(961,844)	159,967
Cash, beginning of year	3,462,110	3,302,143
Cash, end of year	\$ 2,500,266	\$ 3,462,110

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

**PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD
SCHEDULE OF OPERATING GRANTS TO LOCAL LIBRARIES**

For the Year Ended March 31

2019

2018

Eastern Division

Arnold's Cove	\$ 6,387	\$ 6,194
Bay Roberts	74,837	74,953
Bell Island	852	986
Bonavista	4,858	4,172
Brigus	8,403	8,058
Burin	875	1,607
Carbonear	41,248	40,294
Catalina	4,478	5,334
Clareville	19,031	20,885
Conception Bay South	11,192	11,434
Fortune	753	485
Fox Harbour	5,309	5,245
Garnish	704	612
Grand Bank	10,563	11,416
Harbour Grace	11,196	12,637
Holyrood	6,576	6,394
Marystown	894	550
Mount Pearl	16,924	16,747
Old Perlican	3,119	3,114
Placentia	23,435	24,719
Pouch Cove	1,702	1,766
St. Brides	7,832	7,669
St. Lawrence	801	735
Southern Harbour	2,112	2,923
Torbay	25,350	19,653
Trepassey	10,082	7,545
Victoria	901	495
Whitbourne	3,659	3,247
Winterton	761	1,553
	304,834	301,422

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD
SCHEDULE OF OPERATING GRANTS TO LOCAL LIBRARIES (cont.)

For the Year Ended March 31

2019

2018

Central Division

Baie Verte	6,294	6,111
Bishop's Falls	116,964	1,154
Botwood	10,015	9,678
Buchans	707	749
Carmanville	863	983
Centerville	797	868
Change Islands	1,243	447
Fogo	754	864
Gambo	10,533	9,883
Gander	42,406	38,674
Gaultois	2,822	2,954
Glenwood	1,568	1,357
Glovertown	1,238	758
Grand Falls-Windsor	6,804	9,633
Greenspond	4,758	4,093
Harbour Breton	1,130	970
Hare Bay	898	703
Harry's Harbour	5,292	5,497
Hermitage	1,696	728
King's Point	4,737	3,922
LaScie	4,155	3,433
Lewisporte	10,196	8,181
Lumsden	715	616
Musgrave Harbour	837	1,934
Norris Arm	2,845	1,790
Point Leamington	1,184	868
Robert's Arm	4,552	6,489
St. Albans	1,023	1,077
Seal Cove	1,206	850
Springdale	972	2,001
Summerford	2,032	1,992
Twillingate	1,006	1,044
Wesleyville	682	531
	252,924	130,832

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD
SCHEDULE OF OPERATING GRANTS TO LOCAL LIBRARIES (cont.)

For the Year Ended March 31

2019

2018

**Western Newfoundland -
 Labrador Division**

Bay St. George South	2,203	2,071
Burgeo	872	750
Cape St. George	810	716
Cartwright	530	513
Codroy Valley	549	535
Cormack	2,383	1,637
Corner Brook	207,105	206,653
Cow Head	7,291	6,222
Daniel's Harbour	1,427	1,408
Deer Lake	18,761	22,807
Happy Valley	1,703	2,529
Labrador City	16,881	16,641
L'Anse au Loup	1,493	720
Lark Harbour	550	882
Lourdes	1,057	811
Norris Point	3,469	3,844
Pasadena	3,725	2,008
Port au Port	1,244	699
Port aux Basques	15,996	17,608
Port Saunders	6,339	5,265
Ramea	573	612
Rocky Harbour	783	463
St. Anthony	2,189	1,891
St. George's	1,127	1,879
Sops Arm	1,019	901
Stephenville	37,253	31,420
Stephenville Crossing	2,414	1,405
Wabush	2,387	2,249
Woody Point	5,010	4,571
	347,143	339,710
	\$ 904,901	\$ 771,964

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD
NOTES TO FINANCIAL STATEMENTS
March 31, 2019

2. Summary of significant accounting policies (cont.)

(d) Tangible capital assets (cont.)

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Board's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations.

Contributed tangible capital assets are recorded as revenue at their fair market value on the date of donation, except in circumstances where fair value cannot be reasonably determined, which are then recognized at nominal value. Transfers of tangible capital assets from related parties are recorded at carrying value.

(e) Inventories held for use

Inventories held for use include office supplies and postage, and are recorded at the lower of historical cost and replacement cost.

(f) Prepaid expenses

Prepaid expenses include subscriptions, insurance and licenses, and are charged to expenses over the periods expected to benefit from it.

(g) Employee future benefits

Employee future benefits include severance pay and accumulating non-vesting sick leave benefits.

- (i) Severance is accounted for on an accrual basis and is calculated based upon years of service and salary levels at the cessation of the plans.
- (ii) The cost of accumulating non-vesting sick leave benefits is actuarially determined using management's best estimates of long-term inflation rates, compensation increases, discount rate and remaining service life.

Under the *Public Libraries Act*, certain employees of the Board are subject to the *Public Services Pensions Act, 1991*. Employee contributions are matched by the Board and remitted to Provident¹⁰ from which pensions will be paid to employees when they retire. This plan is a multi-employer defined benefit plan, providing a pension on retirement based on the member's age at retirement, length of service and the average of their best six years of earnings for service on or after January 1, 2015, and, for service before January 1, 2015, the higher of the average of the frozen best 5 years of earnings up to January 1, 2015, or the average of the best 6 years of earnings for all service.

Employee future benefits expenses are included with salaries and benefits in the Board's financial statements.

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD
NOTES TO FINANCIAL STATEMENTS
March 31, 2019

2. Summary of significant accounting policies (cont.)

(h) Revenues

Revenues are recorded on an accrual basis in the period in which the transactions or events which gave rise to the revenues occurred. When the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable, revenues are recorded when received.

Dividend revenue on portfolio investments is recognized when the dividend is declared.

Government transfers (Province of Newfoundland and Labrador grants) are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation related to the liabilities are settled.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose.

(i) Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is recorded as an expense in that year.

Transfers include operating grants to local libraries. These transfers are recorded as expenses when the transfer is authorized and eligibility criteria have been met by the recipient.

(j) Measurement uncertainty

The preparation of financial statements in conformity with CPSAS requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include the expected future life of tangible capital assets and the probability of future sick leave benefits utilized by employees.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD
NOTES TO FINANCIAL STATEMENTS
March 31, 2019

3. Change in accounting policy

On April 1, 2018, the Board adopted *PS 3430 Restructuring Transactions*. This is a new standard on how to account for and report restructuring transactions by both transferors and recipients of assets and/or liabilities. This accounting change had no impact on the financial statements.

4. Accounts receivable

	<u>2019</u>	<u>2018</u>
Federal Government		
Harmonized Sales Tax	\$ 27,539	\$ 25,290
Other	19,684	18,241
	<u>\$ 47,223</u>	<u>\$ 43,531</u>

There is no allowance for doubtful accounts since all amounts are considered collectible.

5. Portfolio investments

Portfolio investments consist of 1,678 shares of Sun Life Financial Services of Canada Inc. which were given to the Board as a result of the demutualization of Sun Life Assurance Company of Canada. The carrying value of the shares is equal to their market price at the time of transfer to the Board.

	<u>Market Value</u>		<u>Carrying Value</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Investments held directly				
Sun Life Financial Services				
of Canada - 1,678 shares	\$ 86,149	\$ 88,783	\$ 23,492	\$ 23,492

6. Accounts payable and accrued liabilities

	<u>2019</u>	<u>2018</u>
Accounts payable	\$ 128,973	\$ 121,608
Accrued salaries and benefits	589,049	529,263
	<u>\$ 718,022</u>	<u>\$ 650,871</u>

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD
NOTES TO FINANCIAL STATEMENTS
March 31, 2019

7. Employee future benefits

Employee future benefits consists of:

	<u>2019</u>	<u>2018</u>
Severance pay (a)	\$ 265,641	\$ 1,372,555
Accumulating non-vesting sick leave benefit liability (b)	617,557	643,041
	<u>\$ 883,198</u>	<u>\$ 2,015,596</u>

(a) Severance pay

Severance pay consists of the severance pay liability related to the following employees:

	<u>2019</u>	<u>2018</u>
Employees with 9 or more years of service	\$ 235,039	\$ 1,140,487
Employees with less than 9 years of service	30,602	232,068
	<u>\$ 265,641</u>	<u>\$ 1,372,555</u>

(b) Accumulating non-vesting sick leave benefit liability

	<u>2019</u>	<u>2018</u>
Accrued accumulating non-vesting sick leave benefit obligation, end of year	\$ 472,320	\$ 435,591
Unamortized actuarial gain , end of year	145,237	207,450
Accumulating non-vesting sick leave benefit liability, end of year	<u>\$ 617,557</u>	<u>\$ 643,041</u>

(c) Change in accumulating non-vesting sick leave benefit liability

	<u>2019</u>	<u>2018</u>
Current year benefit cost	\$ 41,468	\$ 36,450
Interest on accrued benefit obligation	15,206	15,736
Amortization of actuarial gains	(18,762)	(22,337)
Accumulating non vesting sick leave benefit expense	<u>37,912</u>	<u>29,849</u>
Benefit payments	(63,396)	(66,428)
Change in accumulating non-vesting sick leave benefit liability	<u>\$ (25,484)</u>	<u>\$ (36,579)</u>

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD
NOTES TO FINANCIAL STATEMENTS
March 31, 2019

7. Employee future benefits (cont.)

(d) Employee future benefits

(i) Severance pay

Employees of the Board as at March 31, 2018, as represented by the Canadian Union of Public Employees (CUPE), were entitled to severance pay. No further severance will accrue for these employees after March 31, 2018.

Executives, managers, and non-management/non-union employees of the Board were entitled to severance pay. No further severance will accrue for these employees after May 31, 2018.

CUPE employees who had at least one year of eligible service as at March 31, 2018 and executives, managers, and non-management/non-union employees who had at least one year of eligible service as at May 31, 2018 had the option of receiving their severance entitlement during the fiscal year ended March 31, 2019, or deferring it to a later date.

The severance liability as at March 31, 2019 represents severance owing to employees who deferred receiving their severance entitlement.

(ii) Accumulating non-vesting sick leave benefits

All unionized employees hired before May 4, 2004, are credited with 2 days per month and all unionized employees hired thereafter are credited with 1 day per month for use as paid absences in the year due to illness. Employees are allowed to accumulate unused sick day credits each year, up to the allowable maximum provided in their respective employment agreement. Accumulated credits may be used in future years to the extent that the employee's illness exceeds the current year's allocation of credits. The use of accumulated sick days for sick leave compensation ceases on termination of employment. The benefit costs and liabilities related to the plan are included in the financial statements. For the year ended March 31, 2019, a sick leave liability was calculated for 193 employees.

The accrued benefit obligation for accumulating non-vesting sick leave benefits for the year ended March 31, 2019, is based on an actuarial extrapolation for accounting purposes to March 31, 2019 (valuation date as of March 31, 2018).

The actuarial extrapolation is based on assumptions about future events. The economic assumptions used in this extrapolation are the Board's best estimates of compensation increases of 3.75% per annum and discount rate of 3.05%. Other assumptions used in the extrapolation include estimates of expected termination rates, utilization rates and mortality rates.

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD
NOTES TO FINANCIAL STATEMENTS
March 31, 2019

7. Employee future benefits (cont.)

(d) Employee future benefits (cont.)

(ii) Accumulating non-vesting sick leave benefits (cont.)

Actuarial assumptions are reviewed and assessed on a regular basis to ensure that the accounting assumptions take into account various changing conditions and reflect the Board's best estimate of expectations over the long term.

Experience gains or losses are amortized over 13 years, which is the estimated average remaining service life of active employees. The amortization amount will be included as an expense in the financial statements commencing in the year subsequent to the year in which the experience gain or loss arose.

(iii) Pension contributions

The Board and its employees contribute to the Public Service Pension Plan in accordance with the *Public Service Pensions Act, 1991* (the *Act*). The plan is administered by Provident¹⁰, including payment of pension benefits to employees to whom the *Act* applies.

The plan provides a pension to employees based on their age at retirement, length of service and rates of pay. The maximum contribution rate for eligible employees was 11.85% (2018 - 11.85%). The Board's contributions equal the employees' contributions to the plan. Total Public Service Pension Plan expense for the Board for the year ended March 31, 2019, was \$403,511 (2018 - \$396,051).

Employees who do not qualify to participate in the Public Service Pension Plan (for example, part-time employees) participate in the Government Money Purchase Pension Plan (GMPP). The GMPP is a defined contribution plan which was established under the *Government Money Purchase Pension Plan Act*. Employees are required to contribute 5% of regular earnings which is matched by the Board. Employees may make additional voluntary contributions, however, the maximum amount for all contributions may not exceed the lesser of 18% of an employee's earnings and the maximum amount allowed as specified under the *Income Tax Act*. Total GMPP expense for the Board for the year ended March 31, 2019, was \$107,701 (2018 - \$112,487).

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD
NOTES TO FINANCIAL STATEMENTS
March 31, 2019

8. Deferred revenue

Deferred revenues are set aside for specific purposes as required either by legislation, regulation or agreement. As at March 31, 2019, the Board reported the following:

	Balance at beginning of year	Receipts during year	Transferred to revenue	Balance at end of year
Provincial source revenue	\$ 870,382	\$ 62,223	\$ 332,348	\$ 600,257
Other source revenue	35,291	155,072	59,003	131,360
	<u>\$ 905,673</u>	<u>\$ 217,295</u>	<u>\$ 391,351</u>	<u>\$ 731,617</u>

Deferred revenue relates to grants received for specific programs such as literacy initiatives, library automation, musical instrument lending and library book purchases, and renovations to local libraries which have not yet been spent for these purposes by the Board. These amounts will be recognized as revenue when the specific program expenses are incurred or the capital equipment is acquired.

9. Contractual obligations

The Board has entered into lease agreements for postal equipment and various rental properties throughout the Province. Future minimum lease payments are as follows:

2020	\$ 472,043
2021	450,955
2022	408,474
2023	197,670
2024	197,670
Thereafter	<u>1,466,049</u>
	<u>\$ 3,192,861</u>

10. Obligation under capital lease

The Board acquired office furniture under the terms of a lease agreement ending January 31, 2022. There is no interest under the terms of the agreement and the Board will assume ownership at the end of the 10 year term.

	<u>2019</u>	<u>2018</u>
Obligation under capital lease	<u>\$ 11,554</u>	<u>\$ 15,630</u>

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD
NOTES TO FINANCIAL STATEMENTS
March 31, 2019

10. Obligation under capital lease (cont.)

Payments under this obligation for the next 3 years are as follows:

2020	\$ 4,078
2021	4,078
2022	3,398
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<u>Total minimum lease payments</u>	<u>\$ 11,554</u>

11. Tangible capital assets

Original Cost

	Balance March 31, 2018	Additions	Disposals	Balance March 31, 2019
Land	\$ 285,907	\$ -	\$ -	\$ 285,907
Buildings	1,758,867	-	-	1,758,867
Building improvements	2,183,997	39,040	-	2,223,037
Furniture and equipment	1,892,805	17,601	34,370	1,876,036
Motor vehicles	225,675	-	22,468	203,207
Computer equipment	1,125,131	84,249	95,607	1,113,773
Software	168,688	-	-	168,688
Assets under capital lease	40,777	-	-	40,777
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	\$ 7,681,847	\$ 140,890	\$ 152,445	\$ 7,670,292
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PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD
NOTES TO FINANCIAL STATEMENTS
March 31, 2019

11. Tangible capital assets (cont.)

Accumulated Amortization

	Balance March 31, 2018	Amortization	Disposals	Balance March 31, 2019	Net book value March 31, 2019	Net book value March 31, 2018
Land	\$ -	\$ -	\$ -	\$ -	\$ 285,907	\$ 285,907
Buildings	1,418,247	30,619	-	1,448,866	310,001	340,620
Building improvements	1,661,683	132,875	-	1,794,558	428,479	522,314
Furniture and equipment	1,585,702	89,858	34,370	1,641,190	234,846	307,103
Motor vehicles	172,456	17,465	22,468	167,453	35,754	53,219
Computer equipment	1,049,780	79,477	95,607	1,033,650	80,123	75,351
Software	168,688	-	-	168,688	-	-
Assets under capital lease	28,546	4,078	-	32,624	8,153	12,231
	\$ 6,085,102	\$ 354,372	\$ 152,445	\$ 6,287,029	\$ 1,383,263	\$ 1,596,745

12. Trusts under administration

Trust funds administered by the Board have not been included in the financial statements as expenditures of these funds are not controlled by the Board. The balances of funds held in trust are as follows:

	<u>2019</u>	<u>2018</u>
Local libraries - deposits	\$ 139,007	\$ 119,798
Provincial Territorial Public Library Council	75,200	83,200
	\$ 214,207	\$ 202,998

Funds raised by some local libraries have been deposited with the Board to cover the cost of wages for additional opening hours and for the purchase of books, periodicals and computers. The balance on deposit at March 31, 2019 consists of cash of \$34,028 (2018 - \$28,518), and 8,793 shares (2018 - 4,649 shares) of various Investor Group Mutual Funds held in trust for the St. John's Public Library Board which were donated to the Board. The carrying value of the mutual funds is recognized at \$104,979 (2018 - \$91,280), as determined by the average cost at the time the shares were acquired by the Board. The fair market value of these shares at March 31, 2019 was \$135,395 (2018 - \$130,016).

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD
NOTES TO FINANCIAL STATEMENTS
March 31, 2019

12. Trusts under administration (cont.)

The Provincial/Territorial Public Library Council is a national public library group comprising the provincial/territorial public library directors or senior policy advisors whose mandate is to facilitate the coordination of cross-jurisdictional public-library initiatives and to act as a point of contact with national library organizations and the Federal government. The membership fees are paid annually into an account for operational support and special projects. The group has established guidelines regarding funding expenditures.

13. Related party transactions

Province of Newfoundland and Labrador

The Board receives grant funding from the Province of Newfoundland and Labrador. During the year, the Board received grants totaling \$12,174,643 (2018 - \$11,375,300). The Board recognized \$12,454,030 (2018 - \$11,461,909) in revenue from the Province of Newfoundland and Labrador.

Eastern Regional Health Authority

During the year, the Board received grants totaling \$10,000 (2018 - \$nil) from the Eastern Regional Health Authority. The Board recognized \$738 (2018 - \$nil) in revenue from the Eastern Regional Health Authority.

14. Budget

The Board's budget is prepared on a cash basis. The 2019 budget expenses exceeded the Board's budgeted revenues and the expected difference would be funded from cash surpluses carried forward from prior years.

15. Donated acquisitions

Donated acquisitions include gifts of artwork, books, periodicals, DVDs and other library resources that the Board has received. Donated acquisitions are not reflected in the Board's financial statements.

During the year, the Board issued receipts for non-cash donations of \$140,953 (2018 - \$146,117). Tax receipts are issued to the donor based on established rates per policy or an appraised value.

During the year, the Board entered into an agreement with Sun Life Assurance Company of Canada (Sun Life) to establish a musical instrument lending program. In accordance with the agreement, Sun Life donated 150 instruments and accessories, and a display case with a total value of \$43,577. A tax receipt was not required to be issued due to the nature of the donation.

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD
NOTES TO FINANCIAL STATEMENTS
March 31, 2019

16. Financial risk management

The Board recognizes the importance of managing risks and this includes policies, procedures and oversight designed to reduce risks identified to an appropriate threshold. The Board is exposed to credit risk, liquidity risk and market risk through its financial instruments. There was no significant change in the Board's exposure to these risks or its processes for managing these risks from the prior year.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Board's main credit risk relates to cash, accounts receivable and due from Province. The Board's maximum exposure to credit risk is the carrying amounts of these financial instruments. The Board is not exposed to significant credit risk with its cash because this financial instrument is held with a chartered bank. The Board is not exposed to significant credit risk related to its accounts receivable and due from the Province as it has policies and procedures for the monitoring and collection of its accounts receivable so as to mitigate potential credit losses. Any estimated impairment of these accounts receivable has been provided for through a provision for doubtful accounts. At the present time there is no provision for doubtful accounts as all amounts are considered collectible.

Liquidity risk

Liquidity risk is the risk that the Board will be unable to meet its contractual obligations and financial liabilities. The Board manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient resources available to meet its contractual obligations and financial liabilities. The Board's exposure to liquidity risk relates mainly to its accounts payable and accrued liabilities, obligation under capital lease and contractual obligations. The future minimum payments required from the Board in relation to its contractual obligations and obligation under capital lease are outlined in Notes 9 and 10 respectively.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency (foreign exchange) risk, interest rate risk and other price risk. The Board is not exposed to significant foreign exchange risk. The Board is not exposed to interest rate risk on its obligation under capital lease because it is non-interest bearing. In addition, the Board is not exposed to significant interest rate risk related to cash because of its nature.

The Board is exposed to other price risk on its portfolio investments (equity investments) as the investments are quoted in an active market in which share pricing can fluctuate. The Board's maximum other price risk is limited to the fair value of the shares as at March 31, 2019. As the Board's investment consists of 1,678 shares, any price fluctuation of \$1 to the quoted market price will result in an unrecognized gain or loss of \$1,678 for the Board.

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD
NOTES TO FINANCIAL STATEMENTS
March 31, 2019

17. Expenses by Object

	2019 <u>Budget</u> (Note 14)	2019 <u>Actual</u>	2018 <u>Actual</u>
Amortization	\$ -	\$ 354,372	\$ 370,266
Books and Periodicals	902,500	935,508	942,087
Computerization of Libraries	355,000	270,232	311,896
Conference and Workshops	75,000	61,080	23,510
Freight and Postage	58,750	35,538	32,099
Library Operations (Grants)	769,605	904,901	771,964
Insurance	78,630	76,152	74,037
Miscellaneous	-	826	1,133
Office and Library Supplies	129,903	106,048	123,573
Professional Fees	65,600	25,641	21,499
Rental of Premises	360,669	356,590	356,590
Repairs and Maintenance	22,000	27,872	11,557
Salaries and Benefits	8,355,997	8,447,633	8,327,422
Telephone	60,600	50,873	52,357
Travel	122,500	116,804	145,955
	<u>\$ 11,356,754</u>	<u>\$11,770,070</u>	<u>\$ 11,565,945</u>

18. Non-financial assets

The recognition and measurement of non-financial assets is based on their service potential. These assets will not provide resources to discharge liabilities of the Board. For non-financial assets, the future economic benefit consists of their capacity to render service to further the Board's objectives.

19. Comparative figures

Certain comparative figures have been reclassified to conform to current year's presentation.