

**PROVINCIAL INFORMATION AND
LIBRARY RESOURCES BOARD**

FINANCIAL STATEMENTS

MARCH 31, 2016

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 periodically and external audited financial statements yearly.

The Auditor General conducts an independent audit of the annual financial statements of the 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

Report on the Financial Statements

I have audited the accompanying financial statements of the Provincial Information and Library Resources Board which comprise the statement of financial position as at March 31, 2016, the statements of operations, remeasurement gains and losses, change in net debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Independent Auditor's Report (cont.)

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Provincial Information and Library Resources Board as at March 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink, appearing to read 'T. Paddon', with a long horizontal flourish extending to the right.

TERRY PADDON, CPA, CA
Auditor General

July 14, 2016
St. John's, Newfoundland and Labrador

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD

STATEMENT OF FINANCIAL POSITION

March 31

2016

2015

FINANCIAL ASSETS

Cash	\$ 3,257,231	\$ 3,237,290
Accounts receivable (Note 3)	65,159	61,420
Due from the Province	296,165	127,925
Portfolio investments (Note 4)	70,308	65,492
	3,688,863	3,492,127

LIABILITIES

Accounts payable and accrued liabilities (Note 5)	674,021	823,232
Employee future benefits (Note 6)	2,136,903	2,162,445
Deferred revenue (Note 7)	1,336,695	1,540,480
Obligation under capital lease (Note 9)	23,786	27,864
	4,171,405	4,554,021

Net debt (482,542) (1,061,894)

NON-FINANCIAL ASSETS

Inventories held for use	81,872	80,121
Prepaid expenses	199,480	171,235
Tangible capital assets (Note 10)	1,992,677	2,004,136
	2,274,029	2,255,492

Accumulated surplus \$ 1,791,487 \$ 1,193,598

Accumulated surplus is comprised of:

Accumulated operating surplus	\$ 1,744,671	\$ 1,151,598
Accumulated remeasurement gains	46,816	42,000
	\$ 1,791,487	\$ 1,193,598

Contractual obligations (Note 8)
Trusts under administration (Note 11)

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

	2016 Budget	2016 Actual	2015 Actual
	(Note 13)		
REVENUE			
Province of Newfoundland and Labrador			
Operating grant	\$ 10,882,100	\$ 11,140,065	\$ 10,025,825
Capital grant	317,405	365,200	322,595
Early Literacy Program	-	142,620	309,518
Kinderstart Literacy Program	-	32,465	60,005
Miscellaneous	65,000	67,041	68,592
Fines and lost library materials	55,500	55,981	55,585
Interest	34,000	34,928	43,903
Gain on disposal of tangible capital assets	-	6,163	-
Dividend revenue	-	2,584	2,416
	11,354,005	11,847,047	10,888,439
EXPENSES (Note 16)			
Administration	2,585,648	2,379,051	2,192,743
Amortization	-	417,289	375,604
Early Literacy	-	142,620	302,371
Kinderstart	-	32,704	60,005
Library Collection	1,666,813	1,443,284	1,435,223
Library Operations	6,963,347	6,574,555	6,163,700
Public Computer Access	314,113	264,471	250,021
	11,529,921	11,253,974	10,779,667
Annual operating (deficit) surplus	(175,916)	593,073	108,772
Accumulated operating surplus, beginning of year	1,151,598	1,151,598	1,042,826
Accumulated operating surplus, end of year	\$ 975,682	\$ 1,744,671	\$ 1,151,598

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

2016

2015

Accumulated remeasurement gains, beginning of year	\$ 42,000	\$ 40,742
Unrealized gains attributable to:		
<u>Portfolio investments</u>	<u>4,816</u>	<u>1,258</u>
<u>Accumulated remeasurement gains, end of year</u>	<u>\$ 46,816</u>	<u>\$ 42,000</u>

*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 DEBT
For the Year Ended March 31

	2016 Budget	2016 Actual	2015 Actual
	(Note 13)		
<u>Annual operating surplus (deficit)</u>	\$ (175,916)	\$ 593,073	\$ 108,772
Changes in other non-financial assets			
Use of prepaid expenses	-	171,235	158,769
Acquisition of prepaid expenses	-	(199,480)	(171,235)
Net (acquisition) use of inventories held for use	-	(1,751)	7,158
	-	(29,996)	(5,308)
Changes in tangible capital assets			
Acquisition of tangible capital assets	-	(406,233)	(158,905)
Gain on disposal of tangible capital assets	-	(6,163)	-
Proceeds from disposal of tangible capital assets	-	6,566	-
Amortization of tangible capital assets	-	417,289	375,604
	-	11,459	216,699
<u>Effect of remeasurement gains for the year</u>	-	4,816	1,258
(Increase) decrease in net debt	(175,916)	579,352	321,421
<u>Net debt, beginning of year</u>	(1,061,894)	(1,061,894)	(1,383,315)
<u>Net debt, end of year</u>	\$ (1,237,810)	\$ (482,542)	\$ (1,061,894)

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

2016

2015

Operating transactions

Annual operating surplus	\$ 593,073	\$ 108,772
Adjustment for non-cash items		
Amortization	417,289	375,604
Gain on disposal of tangible capital assets	(6,163)	-
	1,004,199	484,376
Change in non-cash operating items		
Accounts receivable	(3,739)	4,250
Due from the Province	(168,240)	108,775
Accounts payable and accrued liabilities	(149,211)	(35,956)
Employee future benefits	(25,542)	(9,310)
Deferred revenue	(203,785)	(270,417)
Inventories held for use	(1,751)	7,158
Prepaid expenses	(28,245)	(12,466)
Cash provided from operating transactions	423,686	276,410
Capital transactions		
Acquisition of tangible capital assets	(406,233)	(158,905)
Proceeds from disposal of tangible capital assets	6,566	-
Cash applied to capital transactions	(399,667)	(158,905)
Financing transactions		
Repayments of obligations under capital lease	(4,078)	(4,078)
Cash applied to financing transactions	(4,078)	(4,078)
Increase in cash	19,941	113,427
Cash, beginning of year	3,237,290	3,123,863
Cash, end of year	\$ 3,257,231	\$ 3,237,290

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

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD
NOTES TO FINANCIAL STATEMENTS
March 31, 2016

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. 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 the 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 the 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 the 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, 2016

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 9 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
NOTES TO FINANCIAL STATEMENTS
March 31, 2016

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 current salary levels.
- (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*, the employees of the Board are subject to the *Public Services Pensions Act, 1991*. Employee contributions are matched by the Board and remitted to the Public Service Pension Plan Corporation 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, 2016

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, the probability of future severance payments made to employees with less than nine years of service 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, 2016

3. Accounts receivable

	<u>2016</u>	<u>2015</u>
Federal Government		
Harmonized Sales Tax	\$ 29,804	\$ 37,304
Other	35,355	24,116
	<u>\$ 65,159</u>	<u>\$ 61,420</u>

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

4. 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>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Investments held directly				
Sun Life Financial Services of Canada - 1,678 shares	\$ 70,308	\$ 65,492	\$ 23,492	\$ 23,492

5. Accounts payable and accrued liabilities

	<u>2016</u>	<u>2015</u>
Accounts payable	\$ 87,932	\$ 114,297
Accrued salaries and benefits	586,089	708,935
	<u>\$ 674,021</u>	<u>\$ 823,232</u>

6. Employee future benefits

Employee future benefits consists of:

	<u>2016</u>	<u>2015</u>
Severance pay (a)	\$ 1,422,070	\$ 1,416,153
Accumulating non-vesting sick leave benefit liability (b)	714,833	746,292
	<u>\$ 2,136,903</u>	<u>\$ 2,162,445</u>

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD
NOTES TO FINANCIAL STATEMENTS
March 31, 2016

6. Employee future benefits (cont.)

(a) Severance pay

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

	<u>2016</u>	<u>2015</u>
Employees with 9 or more years of service	\$ 1,254,861	\$ 1,250,543
Employees with less than 9 years of service	167,209	165,610
	<u>\$ 1,422,070</u>	<u>\$ 1,416,153</u>

(b) Accumulating non-vesting sick leave benefit liability

	<u>2016</u>	<u>2015</u>
Accrued accumulating non-vesting sick leave benefit obligation, end of year	\$ 453,187	\$ 793,770
Unamortized actuarial gain (loss), end of year	261,646	(47,478)
Accumulating non-vesting sick leave benefit liability, end of year	<u>\$ 714,833</u>	<u>\$ 746,292</u>

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

	<u>2016</u>	<u>2015</u>
Current year benefit cost	\$ 37,123	\$ 81,819
Interest on accrued benefit obligation	13,950	28,924
Amortization of actuarial (gain) losses	(19,917)	1,564
Accumulating non-vesting sick leave benefit expense	<u>31,156</u>	<u>112,307</u>
Benefit payments	<u>(62,615)</u>	<u>(119,876)</u>
Change in accumulating non-vesting sick leave benefit liability	<u>\$ (31,459)</u>	<u>\$ (7,569)</u>

6. Employee future benefits (cont.)

(d) Employee future benefits

i. Severance pay

Severance is accounted for on an accrual basis and is calculated based upon years of service and current salary levels. The right to be paid severance vests with employees with nine years of continuous service, and accordingly a liability has been recorded by the Board for these employees. For employees with less than nine years of continuous service, the Board has made a provision in the accounts for the payment of severance which is based upon the Board's best estimate of the probability of having to pay severance to the employees and current salary levels. In determining the best estimate of the probability that employees would be paid severance, the Board considered the rate of employee turnover. Employees with prior service with the Government of Newfoundland and Labrador or a Crown corporation or agency may be considered for severance provided the previous employer followed the same or an equivalent severance policy. Severance is payable when the employee ceases employment with the Board provided no severance has been paid by Government or another Crown corporation or agency for the same period and the employee has at least nine years of continuous service.

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, 2016, a sick leave liability was calculated for 191 employees.

The accrued benefit obligation for accumulating non-vesting sick leave benefits for the year ended March 31, 2016, is based on an actuarial extrapolation for accounting purposes to March 31, 2016 (valuation date as of March 31, 2015).

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 3.7%. 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, 2016

6. 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 12 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 the Public Service Pension Plan Corporation, 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% (2015 - 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, 2016, was \$364,895 (2015 - \$281,474).

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, 2016, was \$123,326 (2015 - \$111,496).

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD
NOTES TO FINANCIAL STATEMENTS
March 31, 2016

7. Deferred revenue

Deferred revenues are set aside for specific purposes as required either by legislation, regulation or agreement. As at March 31, 2016, the Board reported the following:

	Balance at beginning of year	Receipts during year	Transferred to revenue	Balance at end of year
Provincial source revenue	\$ 1,534,158	\$ 222,600	\$ 420,285	\$ 1,336,473
Other source revenue	6,322	-	6,100	222
	\$ 1,540,480	\$ 222,600	\$ 426,385	\$ 1,336,695

Deferred revenue relates to grants received for specific programs such as literacy initiatives 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.

8. 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:

2017	\$ 676,454
2018	584,348
2019	531,613
2020	454,134
2021	454,134
Thereafter	<u>2,306,306</u>
	<u>\$ 5,006,989</u>

9. 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>2016</u>	<u>2015</u>
Obligation under capital lease	\$ 23,786	\$ 27,864

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD
NOTES TO FINANCIAL STATEMENTS
March 31, 2016

9. Obligation under capital lease (cont.)

Payments under this obligation for the next 6 years are as follows:

2017	\$ 4,078
2018	4,078
2019	4,078
2020	4,078
2021 - 2022	7,474
Total minimum lease payments	\$ 23,786

10. Tangible capital assets

Original Cost

	Balance March 31, 2015	Additions	Disposals	Balance March 31, 2016
Land	\$ 285,907	\$ -	\$ -	\$ 285,907
Buildings	1,758,867	-	-	1,758,867
Building improvements	1,798,174	271,183	-	2,069,357
Furniture and equipment	1,842,969	29,644	14,634	1,857,979
Motor vehicles	206,809	19,176	22,719	203,266
Computer equipment	1,290,213	86,230	55,599	1,320,844
Software	168,688	-	-	168,688
Assets under capital lease	40,777	-	-	40,777
	\$ 7,392,404	\$ 406,233	\$ 92,952	\$ 7,705,685

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD
NOTES TO FINANCIAL STATEMENTS
March 31, 2016

10. Tangible capital assets (cont.)

Accumulated Amortization

	Balance March 31, 2015	Amortization	Disposals	Balance March 31, 2016	Net book value March 31, 2016	Net book value March 31, 2015
Land	\$ -	\$ -	\$ -	\$ -	\$ 285,907	\$ 285,907
Buildings	1,319,480	34,074	-	1,353,554	405,313	439,387
Building improvements	1,131,077	194,704	-	1,325,781	743,576	667,097
Furniture and equipment	1,316,076	102,949	14,231	1,404,794	453,185	526,893
Motor vehicles	201,621	9,023	22,719	187,925	15,341	5,188
Computer equipment	1,235,014	72,461	55,599	1,251,876	68,968	55,199
Software	168,688	-	-	168,688	-	-
Assets under capital lease	16,312	4,078	-	20,390	20,387	24,465
	\$ 5,388,268	\$ 417,289	\$ 92,549	\$ 5,713,008	\$ 1,992,677	\$ 2,004,136

11. 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>2016</u>	<u>2015</u>
Local libraries - deposits	\$ 109,167	\$ 107,160
Provincial Territorial Public Library Council	75,000	66,960
	\$ 184,167	\$ 174,120

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, 2016 consists of cash of \$23,863 (2015 - \$24,780), and 4,451 shares (2015 - 4,261 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 \$85,304 (2015 - \$82,380), 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, 2016 was \$109,249 (2015 - \$113,686).

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11. 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.

12. Related party transactions

Province of Newfoundland and Labrador

- (a) The Board receives grant funding from the Province of Newfoundland and Labrador. During the year, the Board received grants totaling \$11,186,500 (2015 - \$10,446,325). The Board recognized \$11,680,350 (2015 - \$10,717,943) in revenue from the Province of Newfoundland and Labrador.
- (b) As at March 31 2016, the Board was owed \$296,165 (2015 - \$127,925) from the Province of Newfoundland and Labrador.

13. Budget

The Board's budget is prepared on a cash basis. The 2016 budget expenses exceeded the Board's budgeted revenues and the expected difference would be funded from cash surpluses carried forward from prior years.

14. Donated acquisitions

Donated acquisitions are gifts of artwork, books, periodicals, DVDs and other library resources that the Board has received, and for which a tax receipt has been issued to the donor based on established rates per policy or an appraised value. Donated acquisitions are not reflected in the Board's financial statements. During the year, the Board issued receipts for non-cash donations of \$207,690 (2015 - \$203,120).

15. 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.

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15. Financial risk management (cont.)

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 the 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 with the amount due from the Province because of its nature. The Board is not exposed to significant credit risk related to its accounts receivable 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 8 and 9 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, 2016. 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

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16. Expenses by Object

	<u>2016</u> <u>Budget</u>	<u>2016</u> <u>Actual</u>	<u>2015</u> <u>Actual</u>
	(Note 13)		
Amortization	\$ -	\$ 417,289	\$ 375,604
Books and Periodicals	900,000	877,369	893,213
Computerization of Libraries	365,000	271,383	269,249
Conference and Workshops	60,000	4,125	33,439
Early Literacy Program	-	142,620	299,465
Freight and Postage	58,750	37,025	37,203
Library Operations (Grants)	949,925	716,463	758,391
Insurance	75,665	75,124	75,039
Kinderstart Literacy Program	-	32,704	60,005
Miscellaneous	-	1,375	2,160
Office and Library Supplies	116,935	98,431	111,014
Professional Fees	7,833	13,159	28,536
Rental of Premises	360,669	356,590	356,590
Repairs and Maintenance	22,000	21,820	15,200
Salaries and Benefits	8,458,769	8,027,290	7,322,247
Telephone	60,600	56,120	54,195
Travel	93,775	105,087	88,117
	<u>\$ 11,529,921</u>	<u>\$ 11,253,974</u>	<u>\$ 10,779,667</u>

17. 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.

18. Comparative figures

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

19. Subsequent event

On June 29, 2016, the Department of Education and Early Childhood Development authorized the Board to use \$281,904 in Provincial funding that, as at March 31, 2016, had been received and reported as deferred revenue for special purposes. The funds will be used during the 2016-17 fiscal year for continued operations of the public libraries.