



⇒ 2024

**CONSOLIDATED
FINANCIAL
STATEMENTS**



December 31, 2024

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Consolidated Financial Statements

Vancouver Island Regional Library

December 31, 2024

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Independent Auditors' Report

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To the Members of the Board of the Vancouver Island Regional Library

Opinion

We have audited the consolidated financial statements of Vancouver Island Regional Library (the "Library"), which comprise the consolidated statement of financial position as at December 31, 2024, and the consolidated statements of operations and accumulated surplus, changes in net debt and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Vancouver Island Regional Library as at December 31, 2024, 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

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Library in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Library'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 Library or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association 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.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Victoria, Canada
May 10, 2025

Doane Grant Thornton LLP
Chartered Professional Accountants

Vancouver Island Regional Library
Consolidated Statement of Financial Position
As at December 31

	2024	2023
Financial Assets		
Cash and cash equivalents (Note 3)	\$ 5,560,608	\$ 1,770,508
Accounts receivable (Note 4)	212,897	977,804
Deposits (Note 19)	8,265	8,265
	<u>5,781,770</u>	<u>2,756,577</u>
Liabilities		
Trade accounts payable	1,190,229	701,878
Wages payable	523,532	856,759
Accumulated sick payable (Note 10)	659,742	628,326
Deferred revenue (Note 15)	230,216	319,928
Accrued retirement obligation (Note 8)	744,065	715,443
Obligations under capital leases	251,608	-
Long-term debt (Note 17)	20,788,003	21,670,712
	<u>24,387,395</u>	<u>24,893,046</u>
Net Debt	<u>18,605,625</u>	<u>22,136,469</u>
Non-Financial Assets		
Tangible capital assets (Note 5 & Schedule 3)	38,612,837	37,373,125
Prepaid expenses	450,798	802,543
	<u>39,063,635</u>	<u>38,175,668</u>
Accumulated Surplus (Note 14)	<u>\$ 20,458,010</u>	<u>\$ 16,039,199</u>

Commitments (Note 11)

On behalf of the board


 Chair of the Board


 Executive Director

Vancouver Island Regional Library

Consolidated Statement of Operations and Accumulated Surplus

Year Ended December 31

	2024 Budget (Note 12)	2024 Actual	2023 Actual
Revenues			
Municipal levies	\$ 22,467,139	\$ 22,467,139	\$ 18,918,289
Regional district levies	10,049,827	10,049,919	8,583,487
Government and other grants (Note 6)	1,358,218	1,509,954	3,085,269
Fines and other income	75,000	210,845	351,005
Interest earned	40,000	199,508	117,582
Rental income	-	2,701	-
	<u>33,990,184</u>	<u>34,440,066</u>	<u>31,055,632</u>
Expenses			
Wages and benefits (Schedule 1)	19,388,105	17,855,814	17,900,930
Amortization expense	4,454,792	4,454,792	4,519,360
Branch costs	4,183,691	4,473,062	4,156,988
Administration costs (Schedule 2)	2,998,499	3,237,587	3,204,231
Retirement benefit obligation	50,000	-	5,959
	<u>31,075,088</u>	<u>30,021,255</u>	<u>29,787,468</u>
Annual surplus	2,915,096	4,418,811	1,268,164
Accumulated surplus, beginning of year	<u>16,090,784</u>	<u>16,039,199</u>	<u>14,822,620</u>
Accumulated surplus, end of year.	<u>\$ 19,005,880</u>	<u>\$ 20,458,010</u>	<u>\$ 16,090,784</u>

See accompanying notes to the consolidated financial statements

Vancouver Island Regional Library
Consolidated Statement of Changes in Net Debt
As at December 31

	Budget (Note 12)	2024 Actual	2023 Actual
Annual surplus (deficit)	\$ 2,915,096	\$ 4,418,811	\$ 1,268,164
Acquisition of tangible capital assets	(6,089,000)	(5,694,506)	(3,824,474)
Amortization of capital assets	<u>4,454,792</u>	<u>4,454,792</u>	4,519,360
	<u>1,280,888</u>	<u>3,179,097</u>	<u>1,963,050</u>
Acquisition of prepaid expenses	-	(1,119,660)	(802,543)
Use of prepaid expenses	-	<u>1,471,408</u>	784,812
	<u>-</u>	<u>351,748</u>	<u>(17,731)</u>
Decrease (increase) in net debt	1,280,888	3,530,845	1,945,319
Net debt, beginning of year	<u>(22,136,469)</u>	<u>(22,136,469)</u>	<u>(24,081,788)</u>
Net debt, end of year	<u><u>\$(20,855,581)</u></u>	<u><u>\$(18,605,625)</u></u>	<u><u>\$(22,136,469)</u></u>

See accompanying notes to the consolidated financial statements

Vancouver Island Regional Library

Consolidated Statement of Cash Flows

For the year ended December 31

	2024	2023
Cash Provided (Used):		
Operating Activities		
Annual surplus	\$ 4,418,811	\$ 1,268,164
Amortization expense	4,454,792	4,519,360
Actuarial adjustments	(193,839)	(177,432)
	<u>8,679,764</u>	<u>5,610,092</u>
Changes in non-cash operating accounts:		
Accounts receivable	764,907	(852,984)
Deposits	-	29,236
Trade accounts payable	488,351	(1,769,515)
Wages payable	(333,227)	55,720
Accumulated sick payable	31,416	81,494
Deferred revenue	(89,712)	300,000
Accrued benefit obligation	28,622	214,736
Prepaid expenses	351,747	(17,731)
Cash provided by operating activities	<u>9,921,868</u>	<u>3,651,048</u>
Capital Activities		
Acquisition of tangible capital assets	<u>(5,426,347)</u>	<u>(3,824,474)</u>
Financing Activities		
Repayment of obligations on capital lease	(16,551)	-
Long term debt principal repayments	(688,870)	(664,914)
Cash used by financing activities	<u>(705,421)</u>	<u></u>
Change in Cash and equivalents	3,790,100	(838,340)
Cash and cash equivalents, beginning of year	<u>1,770,508</u>	<u>2,608,848</u>
Cash and cash equivalents, end of year	<u>\$ 5,560,608</u>	<u>\$ 1,770,508</u>

See accompanying notes to the consolidated financial statements

Vancouver Island Regional Library

Consolidated Statement of Internally Restricted Fund Balances

For the year ended December 31

	Unaudited 2024	Unaudited 2023	Unaudited 2022	Unaudited 2021	Unaudited 2020
Internally Restricted Funds					
Outfitting & new/expanded facilities	\$ 2,861,687	\$ 3,024,995	\$ 2,286,395	\$ 1,700,053	\$ 1,004,537
Long term maintenance	1,536,504	333,451	3,216,622	2,354,306	2,485,564
ILS replacement	-	150,003	100,003	50,003	-
Accrued sick reserve	-	-	-	155,972	175,994
Fundraising	175,325	509,002	715,390	692,162	631,405
Computer equipment	690,873	1,219,276	1,203,714	853,010	401,400
Prior years general reserve	-	-	-	43,500	401,700
Human resources issues	25,000	-	36,171	42,671	70,138
Friends reserve	17,508	17,508	16,297	16,473	15,593
Furnishings & equipment	126,268	94,040	406,933	494,190	515,045
Vehicles	-	27,833	72,973	42,973	78,347
Salaries	-	-	204,452	204,452	204,432
Strategic planning	-	21,458	-	-	-
Total Internally Restricted Funds	\$ 5,433,165	\$ 5,397,567	\$ 8,258,950	\$ 6,649,765	\$ 5,984,155

See accompanying notes to the consolidated financial statements

Vancouver Island Regional Library

Notes to the Consolidated Financial Statements

December 31, 2024

1. Organization

The Vancouver Island Regional Library (the "Library") is a regional library with administrative offices located in Nanaimo, BC. It serves customers in 39 locations, as well as books by mail services, on Vancouver Island, Haida Gwaii and the Central Coast of BC. Card holders can borrow materials from any location. The Library was established in 1936 under the Library Act of British Columbia. The Library is a registered charity and is exempt from income taxes as long as certain conditions are met.

2. Significant accounting policies

The consolidated financial statements of the Library have been prepared in accordance with Canadian Public Sector Accounting Standards ("PSAS") with significant policies adopted by the Library as noted below:

Tangible Capital Assets

Tangible capital assets are initially recorded at cost and subsequently measured at cost less accumulated amortization. Amortization is recorded on a straight-line basis over the estimated useful life of the asset, commencing the year the asset is put into service. Estimated useful lives are as follows:

		Single Purchase Threshold	Group Purchase Threshold
Buildings	40 years	\$ 5,000	\$ 5,000
Leasehold improvements	5 years	5,000	5,000
Furniture and equipment	10 years	1,000	10,000
Vehicles	10 years	5,000	5,000
Computer equipment	3 years	3,000	15,000
Computer equipment under capital lease	4 years	-	-
Books	5 years	-	-

In accordance with PSAB3150 Tangible Capital Assets the Library has adopted a policy of expensing interest related to construction projects.

Fund Accounting

The General Fund accounts for the Library's program delivery and administrative services. This Fund reports all assessments, grants, other income and expenditures.

The capital fund reports all assets and liabilities related to the Library's tangible capital assets.

Impairment of long-lived assets

When conditions indicated that a tangible capital asset no longer contributes to the Library's ability to provide goods and services or that the value of future economic benefits associated with the tangible capital asset is less than its book value, the cost of the tangible capital asset is reduced to reflect the decline in the asset's value.

Vancouver Island Regional Library

Notes to the Consolidated Financial Statements

December 31, 2024

2. Significant accounting policies (continued)

Contributions

Contributions of materials and services are recognized both as contributions and expenses in the consolidated statement of operations and accumulated surplus when a fair value can be reasonably estimated and when the materials and services are used in the normal course of the Library's operations and would otherwise have been purchased.

Use of estimates

The preparation of the consolidated financial statements of Library, in accordance with PSAS, requires management to make estimates and assumptions of values which affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures. Amounts are based on best estimates, but actual amounts may vary from the amounts recorded. Adjustments, if any, will be reflected in the period of settlement.

- i) Amortization is based on the estimated useful lives of tangible capital assets.
- ii) Accrued benefit obligation is based on an estimate of accumulated termination benefits.
- iii) Accumulated sick payable is based on an estimate of future sick time usage.
- iv) Accounts receivable are stated after evaluation as to their collectability.
- v) Liabilities for contaminated sites are estimated based on the best information available regarding potentially contaminated sites that Vancouver Island Regional Library is responsible for.

These estimates and assumptions are reviewed periodically and as adjustments become necessary are reported in operating surplus in the year they become known.

Revenue Recognition

Revenue is recorded in the period in which the transactions or events that gave rise to the revenue occur. Non-government grants that have been received in advance of services being rendered are recorded as deferred revenue until the Library discharges the obligations that led to the collection of funds. Following are the types of revenue received and a description of their recognition:

- i) Municipal and rural levies are recognized in the year levied.
- ii) Interest earned and other income are recorded in the year they are earned.
- iii) Fines are recognized when received as a result of the difficulty in determining collectability.

Government transfers 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 liabilities are settled.

Rental income is recognized on a straight-line basis over the term of the lease.

Vancouver Island Regional Library

Notes to the Consolidated Financial Statements

December 31, 2024

2. Significant accounting policies (continued)

Financial Instruments

The Library initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The Library subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash and cash equivalents and accounts receivable.

Financial liabilities measured at amortized cost include trade accounts payable, wages payable, deferred revenue, accumulated sick payable, long-term debt and accrued benefit obligation.

3. Cash and Cash Equivalents

The general bank account has an overdraft limit up to \$1,000,000 (2023: \$1,000,000) and carries interest at prime rate.

4. Accounts receivable

Included in accounts receivable is \$198,234 (2023: \$60,670) of receivables due from the Federal Government of Canada.

5. Capital assets

The land at 6250 Hammond Bay Road in Nanaimo, BC was acquired by way of a crown grant from the Province of BC (valued in 1994 by BCAA at \$167,831). Should the Library ever wish to dispose of it, it is likely that a repayment amount would have to be negotiated with the Province of BC.

The land at 9796 Willow Street in Chemainus, BC (valued by BCAA at \$203,000) was transferred to VIRL by the District of North Cowichan in November 2018. Should the Library cease library operations at this site, ownership would revert back to the District.

The land at 68 Renfrew Avenue in Cowichan Lake, BC (valued by BCAA at \$113,000) was transferred to the Library by the Town of Lake Cowichan in August of 2014. Should the Library cease library operations at this site, ownership would revert back to the Town.

The land at 90 Commercial Street in Nanaimo, BC (valued by BCAA at \$1,092,000) was transferred to the Library by the City of Nanaimo in June 2013. Should the Library cease library operations at this site, ownership would revert back to the City.

The land at 6671 Wadams Way in Sooke, BC (valued by BCAA at \$1,429,000) was transferred to the Library by the Town of Sooke in Dec 2019. Should the Library cease library operations at this site, ownership would revert back to the Town.

Vancouver Island Regional Library

Notes to the Consolidated Financial Statements

December 31, 2024

5. Capital assets (continued)

Work in Progress is for construction or renovation of buildings owned by the Library that had begun during the year but was not completed and put into service by the fiscal year end.

For additional information, see Consolidated Schedule of Tangible Capital Assets (Schedule 3).

The Library also owns certain donated artworks which have not been capitalized due to the uncertainty of the value.

6. Government and Other Grants

Annual per capita operating grants are provided by the Ministry of Education to all library systems in BC. For a regional library system such as the Library, grants are calculated for municipal areas at \$1.78 - \$2.20 (2023: \$1.78 - \$2.20) per capita, and for rural areas at \$3.90 - \$4.10 (2023: \$3.90 - \$4.10) per capita.

	2024 Budget	2024 Actual	2023 Actual
Provincial per capita operating grants	\$ 1,308,218	\$ 1,303,986	\$ 1,303,780
Other provincial grants	-	122,368	1,633,062
Other grants	-	83,600	148,427
	<u>\$ 1,308,218</u>	<u>\$ 1,509,954</u>	<u>\$ 3,085,269</u>

7. Pension Obligations

The Library and its employees contribute to the Municipal Pension Plan (a jointly trustee pension plan). The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2021, the plan has about 227,000 active members and approximately 118,000 retired members. Active members include approximately 42,000 contributors from local governments.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average

future entrants to the plan. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent actuarial valuation for the Municipal Pension Plan as at December 31, 2021, indicated a \$3,761 million funding surplus for basic pension benefits on a going concern basis.

Vancouver Island Regional Library

Notes to the Consolidated Financial Statements

December 31, 2024

7. Pension Obligations (Continued)

The Library paid \$1,070,806 (2023 - \$1,055,134) for employer contributions to the plan in fiscal 2024. The next valuation will be as at December 31, 2024, with results available in 2025.

Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plan records accrued liabilities and accrued assets for the plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plan.

8. Accrued Retirement Obligation

The liability represents an estimate of the amount of accumulated severance benefits. The following data is a result of applying an actuarial method in valuating the liability at December 31, 2024. Significant assumptions used in the valuation include a discount rate of 4.44% (2023 – 4.97%) and inflation of 4% (2023 - 4%). There are no unamortized gains or losses.

The severance calculation is based on the current contractual obligation that states that permanent full time CUPE employees who have ten (10) years of consecutive service and who retire on the Municipal Pension Plan after their fifty-fifth (55th) birthday (2022: 60th) will be awarded two (2) months' pay at the rate that prevailed at the time of retirement. Permanent part-time employees severance calculation varies in that employees with ten (10) years continuous service who retire after their fifty-fifth (55th) birthday (2022: 60th) will receive an award of two (2) months of their average monthly earnings based on the previous six (6) months earnings.

	2024	2023
Provision for accrued retirement obligation, beginning of year	\$ 715,443	\$ 500,707
Payments during the year	(32,812)	(19,880)
Interest earned		-
Contribution to provision during the year	61,434	234,616
Provision for accrued retirement obligation, end of year	<u>\$ 744,065</u>	<u>\$ 715,443</u>

9. Obligations Under Capital Lease

	2024	2023
Obligation under capital lease for 210 Dell Optiplex computers, with interest at a rate of 2.08%, maturing on August 1, 2028	\$ 251,608	\$ nil

Interest expense on obligations under capital leases was \$901.45 (2023 - \$nil) and is included in branch costs in the statement of operations and accumulated surplus.

Vancouver Island Regional Library

Notes to the Consolidated Financial Statements

December 31, 2024

9. Obligations Under Capital Lease (Continued)

Future minimum lease payments for obligations under capital leases over the next five years are as follows:

2025	70,681
2026	66,674
2027	68,076
2028	46,177
	<u>\$ 251,608</u>

10. Accumulated Sick Payable

The Vancouver Island Regional Library provides for sick leave under the following conditions:

- a) All CUPE, BCGEU, and Exempt full time accumulate one and one half days of sick leave per month.
- b) CUPE staff are limited to accumulate the equivalent of 120 working days pay, while BCGEU and Exempt employees are limited to accumulate 130 working days pay.
- c) Regular Part Time CUPE, BCGEU, and Exempt employees are allowed the same earnings rate and limits with the exceptions that the amounts are prorates to an equivalent amount based on their regular appointed schedules.
- d) Sick leave can only be used for paid time off for illness of the employee. Sick leave taken is paid at the employee's normal rate of pay at the time.
- e) There is no provision for payment for any unused sick bank balance on termination of employment.

The estimate for accumulate sick payable as at December 31, 2024 is \$659,742 (2023 - \$628,326).

11. Commitments

The Library is committed under several lease agreements for building rentals and shared common costs which, for each of the next five years and in total, are disclosed below. The Library has entered into a five year operating lease for a photocopier at an annual cost of \$3,024 expiring in October 2025.

The rental lease agreements are all expected to be renewed as they reach expiry and the resultant liability in the future is expected to escalate rather than decline.

	Rental	Photocopier	Total
2025	1,421,795	3,024	1,424,819
2026	1,119,073	-	1,119,073
2027	859,093	-	859,093
2028	690,217	-	690,217
2029	579,428	-	579,428
	<u>\$ 4,669,606</u>	<u>\$ 3,024</u>	<u>\$ 4,672,630</u>

Vancouver Island Regional Library

Notes to the Consolidated Financial Statements

December 31, 2024

12. Annual Budget

The financial statements include the unaudited annual budget as approved by the Library Board on September 16, 2023.

	<u>Budget</u>	<u>Capital Asset Acquisition Budget</u>
Balanced Budget Amount	-	
Transfers from Restricted Reserves	(4,320,000)	
Transfers to Restricted Reserves	1,549,000	
Budgeted increase in Net Financial Assets	(2,771,000)	
Repayments of Long Term Debt	742,000	
Purchase of Tangible Capital Assets	6,089,000	<u>\$ 6,089,000</u>
Budgeted Operating Surplus	<u>\$ 4,060,000</u>	

13. Economic Dependence

The Library is economically dependent on Municipal and Regional district levies grants in order to continue to provide the current level of services. The Library received 94% (2023: 89%) of its total operating revenues from Municipal and Regional district levies.

14. Accumulated Surplus

Accumulated surplus represents the cumulative net resources of the organization, comprising internally restricted fund balances, unrestricted funds, and the net investment in tangible capital assets, which is the cost of physical assets less accumulated depreciation and related debt. Internally restricted funds balances that have been restricted by the Board and are described further in Note 16. Balances that comprise the accumulated surplus are as follows:

	2024	2023
Internally Restricted (Statement of Internally Restricted Fund Balances)	\$ 5,433,165	\$ 5,397,567
Unrestricted	(2,548,381)	(5,060,781)
Net Investment in tangible capital assets (Schedule 3)	17,573,226	15,702,413
	<u>\$ 20,458,010</u>	<u>\$ 16,039,199</u>

Vancouver Island Regional Library

Notes to the Consolidated Financial Statements

December 31, 2024

15. Deferred Revenue

Non-government grants with external restrictions are deferred and recognized as revenue in the period in which the corresponding expenditures are incurred. Changes to the deferred revenues for 2024 are as follows:

	2024	2023
Opening deferred revenue	\$ 319,928	\$ 19,928
Total of new grants received	4,296	300,000
Less: recognized as revenue	<u>(94,008)</u>	
Ending balance of deferred revenue	<u>\$ 230,216</u>	<u>\$ 319,928</u>

16. Internally-Restricted Funds

Included in internally-restricted funds are amounts set aside from past and current operations for future operating and capital expenditures. The money in these reserve funds, and interest earned thereon, must be expended only for the purpose for which the fund was established. If the amount in the reserve fund is greater than required, the Board may transfer all or part of the balance to another reserve fund.

In addition to budgeted transfers to reserves, an evaluation of the unrestricted surplus is carried out annually to establish the minimum surplus retention. This is done by taking the total expenditures, less current assets and current liabilities and subtracting the designated reserves on hand. This total is multiplied by a factor of 5% to establish the minimum surplus to be retained. The amount transferred from unrestricted to restricted in 2024 was \$Nil (2023 - \$Nil).

17. Long-Term Debt

All Long-term debt is borrowed from the Municipal Finance Authority of BC (MFA). Interest payments and actuarial earnings related to long-term debt obligations are recorded on an accrual basis. Actuarial revenue is investment earnings on the Library's principal payments made to, and invested by, the MFA, prior to the MFA using these funds to retire the related debt.

The actuarial interest rate is set when the debt is issued to the Regional District and may be adjusted by MFA during the term of the debt as market conditions dictate that the rate can no longer be achieved. Actual actuarial earnings beyond the set rate are paid to the Regional District when the related debt has been retired. Actuarial revenue is recognized and compounded annually starting in the second year of the debt term.

Interest has been accrued as an expense to December 31, 2024. Actuarial adjustments are treated as additional principal repayments per the schedules and advices received from the MFA. Principal payments are applied directly to loan balances in the period they accrue.

Two debt issues have been secured by the Nanaimo Regional District for the Nanaimo North Branch and the Nanaimo Harbourfront Branch, two by the Cowichan Valley Regional District for the Lake Cowichan Branch and Chemainus Branch, one by the North Coast Regional District for branches on Haida Gwaii, and one by the Capital Regional District for the Sooke Branch.

Vancouver Island Regional Library

Notes to the Consolidated Financial Statements

December 31, 2023

17. Long Term Debt (Continued)

	Cowichan Lake	Nanaimo North	Nanaimo Harbourfront	Haida Gwaii	Chemainus	Sooke	2024	2023
MFA Debt Issue #	121	117	126	145	149	157		
Initial Borrowing	1,000,000	8,000,000	8,610,000	1,500,000	2,230,000	6,000,000	27,340,000	27,340,000
Term	30 years	30 years	25 years	20 years	20 years	30 years		
Interest Rate	3.39%	1.47%	4.52%	3.15%	2.24%	3.36%		
YTD Principal Payment	20,299	162,391	230,699	55,824	82,991	136,666	688,870	664,914
YTD Interest Payment	23,151	23,390	276,523	30,880	36,530	193,122	583,596	518,727
Total Annual Payment	43,450	185,781	507,222	86,704	119,521	329,788	1,272,466	1,183,641
Beginning Balance	\$ 758,139	\$ 5,834,996	\$ 6,127,821	\$ 1,203,625	\$ 1,882,796	\$ 5,863,334	\$ 21,670,712	\$ 22,513,058
Additional Funding	-	-	-	-	-	-	-	-
Actuarial Adjustments	8,465	75,775	86,875	8,891	10,416	3,417	193,839	177,432
Principal Repayments	20,299	162,391	230,699	55,824	82,991	136,666	688,870	664,913
Ending Balance	\$ 729,375	\$ 5,596,830	\$ 5,810,247	\$ 1,138,910	\$ 1,789,389	\$ 5,723,251	\$ 20,788,003	\$ 22,513,058

Principal Payments (next 5 years)

Year	Cowichan Lake	Nanaimo North	Nanaimo Harbourfront	Haida Gwaii	Chemainus	Sooke	Total
2025	\$ 20,299	\$ 162,391	\$ 230,699	\$ 55,824	\$ 82,991	\$ 136,666	\$ 688,870
2026	20,299	162,391	230,699	55,824	82,991	136,666	688,870
2027	20,299	162,391	230,699	55,824	82,991	136,666	688,870
2028	20,299	162,391	230,699	55,824	82,991	136,666	688,870
2029	20,299	162,391	230,699	55,824	82,991	136,666	688,870

Vancouver Island Regional Library

Notes to the Consolidated Financial Statements

December 31, 2023

18. MFA Debt Reserve Fund

The Library secures its long term borrowing through the MFA. As a condition of these borrowings a portion of the debenture proceeds are retained by the Authority as a Debt Reserve Fund. The Library is contingently liable to the MFA for the Debt Reserve Fund, to help secure its participation in MFA debentures. The MFA has the right, if one or more participants in that issue default, to draw upon the Library's share of the Debt Reserve Fund of \$351,939 as at December 31, 2024 (2023 - \$340,096).

19. Deposits

Deposits at December 31, 2024 represent security deposits paid on rental agreements.

20. Comparative Figures

Some prior year figures have been reclassified to conform to the current year's presentation.

21. Financial Instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

(a) 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 the obligation.

The Library is exposed to credit risk with respect to its cash and cash equivalents, and accounts receivable. Credit risk related to cash and cash equivalents is mitigated as the amounts are held with major Canadian financial institutions. Credit risk related to accounts receivable is mitigated as the Library enters into agreements with credit worthy counterparts.

(b) Liquidity risk

Liquidity risk is the risk that the Library will encounter difficulty in meeting obligations associated with financial liabilities.

The Library is exposed to this risk mainly in respect of its accounts payable, wages payable, accumulated sick payable, and long-term debt. Cash flows from operations provides a substantial portion of the Library's cash requirements. Additional cash requirements are met with the use of the available operating line of credit.

c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

Vancouver Island Regional Library

Notes to the Consolidated Financial Statements

December 31, 2023

21. Financial Instruments (Continued)

Interest rate risk consists of two components:

- (i) To the extent that the prevailing market interest rates differ from the interest rates on the Library's monetary assets and liabilities the Library is exposed to interest rate price risk on its cash and cash equivalents and its fixed rate long term debt.
- (ii) To the extent that payments made or received on the Library's monetary assets and liabilities are affected by changes in prevailing market interest rates, the Library is exposed to interest rate cash flow risk on its long term debt actuarial adjustments.

Vancouver Island Regional Library

Schedules to the Consolidated Financial Statements

December 31, 2023

Consolidated Schedule of Wages and Benefits

Schedule 1

	Budget (Note 12)	2024	2023
Library Services			
Branch services	\$ 11,369,087	\$ 11,062,340	\$ 10,220,838
Technical services	753,222	685,963	694,954
Information services and network support	703,903	699,839	566,909
	<u>12,826,212</u>	<u>12,448,142</u>	<u>11,482,701</u>
Corporate Services			
Financial services	537,610	348,430	534,411
Shipping & receiving	184,579	207,053	188,346
Executive Director's office	404,586	295,609	454,023
Human resources	453,453	381,205	178,843
Communications	486,414	451,598	695,887
Facility management	131,659	136,375	116,401
Purchasing	158,475	166,635	175,350
	<u>2,356,776</u>	<u>1,986,905</u>	<u>2,343,261</u>
Total Wages	<u>15,182,988</u>	<u>14,435,047</u>	13,825,962
Benefits	4,168,590	3,389,333	4,048,795
Hiring and training	<u>36,527</u>	<u>31,434</u>	<u>26,172</u>
Total Wages and Benefits	<u>\$ 19,388,105</u>	<u>\$ 17,855,814</u>	<u>\$ 17,900,929</u>

Vancouver Island Regional Library

Schedules to the Consolidated Financial Statements

December 31, 2023

Consolidated Schedule of Administration Costs

Schedule 2

	Budget (Note 12)	2024	2023
Administration			
Utilities and communications	\$ 324,692	\$ 306,742	\$ 301,024
Office, photocopier and postage	369,255	443,412	436,321
Central services' buildings and equipment maintenance	1,044,630	1,128,840	1,172,696
Furniture and equipment - small items expensed	81,500	32,518	57,618
Travel and vehicle operations	217,495	235,329	215,334
Professional fees	208,051	397,850	438,268
Insurance	244,000	259,301	269,372
Training and workshops	103,550	75,004	70,645
Board expenses	76,227	36,706	41,236
Promotion and advertising	227,950	119,393	95,595
Bank and payroll production costs	101,148	202,492	106,122
Total Administration	\$ 2,998,499	\$ 3,237,587	\$ 3,204,231

Vancouver Island Regional Library

Schedules to the Consolidated Financial Statements

December 31, 2023

Consolidated Schedule of Tangible Capital Assets

Schedule 3

	Books	Furniture & Equipment	Computer Equipment	Computer Equipment Under Capital Lease	Vehicles	Building	Leasehold Improvement	Land	2024 Total	2023 Total
Cost:										
Opening Balance:	\$ 17,282,324	\$ 6,061,705	\$ 5,159,227	\$ -	\$ 414,920	\$ 33,423,300	\$ 4,114,089	\$ 1,575,831	\$ 68,031,395	\$ 67,410,556
Additions	2,967,494	129,242	350,315	268,158	-	10,314	-	-	3,725,523	3,595,066
Transfers from WIP	-	-	-	-	-	-	-	-	-	-
Less: Disposals and write-downs	(2,602,318)	-	-	-	-	-	-	-	(2,602,318)	(2,974,227)
	17,647,500	6,190,947	5,509,541	268,158	414,920	33,433,614	4,114,089	1,575,831	69,154,600	68,031,395
Accumulated Amortization										
Opening Balance	9,879,725	5,338,176	4,867,806	-	231,060	6,751,194	3,779,466	-	30,847,427	29,302,295
Amortization expense	2,949,435	210,188	201,866	22,347	29,903	792,759	248,295	-	4,454,792	4,519,359
Effects of disposals & write downs	(2,602,318)	-	-	-	-	-	-	-	(2,602,318)	(2,974,227)
	10,226,842	5,548,364	5,069,672	22,347	260,963	7,543,953	4,027,761	-	32,699,901	30,847,427
Work in Progress	-	-	-	-	-	2,158,139	-	-	2,158,139	189,157
Net Book Value For the Year Ended December 31, 2023	\$ 7,420,658	\$ 642,584	\$ 439,870	\$ 245,812	\$ 153,957	\$ 28,047,800	\$ 86,327	\$ 1,575,831	38,612,837	37,373,125
Less Debt									21,039,611	21,670,712
Net Investment in Assets									\$ 17,573,226	\$ 15,702,413