

Financial Statements of

**THE LONDON PUBLIC LIBRARY
BOARD**

And Independent Auditors' Report thereon

Year Ended December 31, 2020



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of London Public Library Board

Opinion

We have audited the accompanying financial statements of the London Public Library Board ("the Board"), which comprise:

- the statement of financial position as at December 31, 2020
- the statement of operations for the year then ended
- the statement of changes in net financial assets (debt) for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 2020, and its results of operations, its changes in net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the Board in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



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.

Auditors' Responsibilities for the Audit of the Financial Statements

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board'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 Board's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the 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.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

April 22, 2021

THE LONDON PUBLIC LIBRARY BOARD

Statement of Financial Position

December 31, 2020, with comparative information for 2019

| | 2020 | 2019 |
|---|----------------------|----------------------|
| Financial assets: | | |
| Cash | \$ 2,963,710 | \$ 1,162,439 |
| Accounts receivable | | |
| The Corporation of the City of London | 157,235 | 175,575 |
| London Public Library Board Trust Funds | 4,354 | 5,561 |
| Other | 112,839 | 138,214 |
| | <u>3,238,138</u> | <u>1,481,789</u> |
| Financial liabilities: | | |
| Accounts payable and accrued liabilities | 830,246 | 1,014,774 |
| Deferred revenue | 32,026 | 85,609 |
| Payable to The Corporation of the City of London | 20,794 | 24,096 |
| Accrued interest on long-term debt | - | 47,703 |
| Long-term debt (note 2) | - | 1,752,219 |
| Employee future benefits and other liabilities (note 3) | 2,346,198 | 2,286,673 |
| | <u>3,229,264</u> | <u>5,211,074</u> |
| Net financial assets (debt) | 8,874 | (3,729,285) |
| Non-financial assets: | | |
| Tangible capital assets (note 7) | 24,291,917 | 26,432,969 |
| Prepaid expenses | 165,184 | 313,518 |
| | <u>24,457,101</u> | <u>26,746,487</u> |
| Commitments (note 5) | | |
| Contingent liabilities (note 10) | | |
| Impact of COVID-19 pandemic (note 11) | | |
| Accumulated surplus (note 8) | <u>\$ 24,465,975</u> | <u>\$ 23,017,202</u> |

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

THE LONDON PUBLIC LIBRARY BOARD

Statement of Operations

Year ended December 31, 2020, with comparative information for 2019

| | Budget 2020 | 2020 | 2019 |
|---|------------------------|----------------------|----------------------|
| | (note 9) | | |
| Revenue: | | | |
| User charges | | | |
| Fines | \$ 187,907 | \$ 56,794 | \$ 208,417 |
| Fee, rental, sundry | 603,623 | 273,644 | 630,942 |
| Grants | | | |
| Federal | - | - | 29,400 |
| Ontario | 598,829 | 598,829 | 598,829 |
| Other | - | - | 19,037 |
| The Corporation of the City of London | | | |
| Current | 21,513,332 | 23,313,254 | 20,550,672 |
| Capital | 248,538 | 248,538 | 679,146 |
| Investment income | 18,546 | 17,393 | 35,403 |
| Contribution from Trust Funds (note 4) | - | 94,341 | 376,963 |
| Total revenues | 23,170,775 | 24,602,793 | 23,128,809 |
| Expenses: | | | |
| Personnel | 15,289,664 | 14,202,588 | 14,614,892 |
| Amortization of tangible capital assets | - | 3,657,469 | 3,628,698 |
| Facility services | 2,010,516 | 1,907,626 | 1,830,793 |
| Collections and lending services | 2,445,554 | 1,285,793 | 1,021,821 |
| Utilities | 943,924 | 781,049 | 921,032 |
| Technology | 682,873 | 536,688 | 502,791 |
| Purchased services | 694,339 | 489,695 | 729,261 |
| Contribution to self-insurance reserve | 91,600 | 91,600 | 90,923 |
| Trust fund expenditures (note 4) | - | 84,262 | 243,491 |
| Administrative | 154,710 | 84,227 | 166,639 |
| Program services | 59,000 | 28,005 | 73,120 |
| Equipment | 65,650 | 2,672 | 8,382 |
| General | 6,000 | 1,598 | 4,453 |
| Major repairs and maintenance (capital) | 248,538 | 748 | 28,958 |
| Total expenses | 22,692,368 | 23,154,020 | 23,865,254 |
| Annual surplus (deficit) | 478,407 | 1,448,773 | (736,445) |
| Accumulated surplus, beginning of year | 23,017,202 | 23,017,202 | 23,753,647 |
| Accumulated surplus, end of year | \$ 23,495,609 | \$ 24,465,975 | \$ 23,017,202 |

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

THE LONDON PUBLIC LIBRARY BOARD

Statement of Change in Net Financial Assets (Debt)

Year ended December 31, 2020, with comparative information for 2019

| | Budget 2020 | 2020 | 2019 |
|--|------------------------|-----------------|-----------------------|
| | (note 9) | | |
| Annual surplus (deficit) | 478,407 | \$ 1,448,773 | \$ (736,445) |
| Acquisition of tangible capital assets | (248,538) | (1,516,417) | (2,524,483) |
| Amortization of tangible capital assets | - | 3,657,469 | 3,628,698 |
| | 229,869 | 3,589,825 | 367,770 |
| Change in prepaid expenses | - | 148,334 | (12,734) |
| Change in net financial assets (debt) | 229,869 | 3,738,159 | 355,036 |
| Net financial debt, beginning of year | (3,729,285) | (3,729,285) | (4,084,321) |
| Net financial assets (debt), end of year | \$ (3,499,416) | \$ 8,874 | \$ (3,729,285) |

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

THE LONDON PUBLIC LIBRARY BOARD

Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019

| | 2020 | 2019 |
|--|---------------------|---------------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Annual surplus (deficit) | \$ 1,448,773 | \$ (736,445) |
| Items not involving cash: | | |
| Amortization of tangible capital assets | 3,657,469 | 3,628,698 |
| Change in employee future benefits and other liabilities | 59,525 | (244,345) |
| Forgiveness of long-term debt | (1,752,219) | - |
| Changes in non-cash assets and liabilities: | | |
| Receivable from The Corporation of the City of London | 18,340 | 312,802 |
| Receivable from London Public Library Board Trust Funds | 1,208 | 551,742 |
| Other accounts receivable | 25,374 | 35,763 |
| Accounts payable and accrued liabilities | (184,529) | (678,340) |
| Payable to The Corporation of the City of London | (3,301) | 4,762 |
| Deferred revenue | (53,583) | 12,433 |
| Accrued interest on long-term debt | (47,703) | (4,500) |
| Prepaid expenses | 148,334 | (12,734) |
| | <u>3,317,688</u> | <u>2,869,836</u> |
| Capital activities: | | |
| Cash used to acquire tangible capital assets | (1,516,417) | (2,524,483) |
| | <u>(1,516,417)</u> | <u>(2,524,483)</u> |
| Financing Activities: | | |
| Long-term debt repayments | - | (165,288) |
| | <u>-</u> | <u>(165,288)</u> |
| Increase in cash | 1,801,271 | 180,065 |
| Cash, beginning of year | 1,162,439 | 982,374 |
| Cash, end of year | <u>\$ 2,963,710</u> | <u>\$ 1,162,439</u> |

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

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements

Year ended December 31, 2020

1. Significant accounting policies:

The financial statements of The London Public Library Board (the "Board"), a registered charity and a local board of the Corporation of the City of London (the "City"), are prepared in accordance with Canadian generally accepted accounting principles for governments as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants Canada. Significant accounting policies adopted by the Board are as follows:

(a) Basis of accounting:

The Board follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

(b) Municipal funding:

The City provides funding to the Board for both operating and capital expenditures such as refurbishment, replacement and major repairs and maintenance to the Library buildings. Government transfer payments from the City are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and a reasonable estimate of the amount can be made. Funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services performed. If funding is received for which the related expenses have not yet been incurred or services performed, these amounts are recorded as a liability at year end.

(c) Deferred revenue:

Deferred revenues represent grants and other designated funding which has been received but for which the service has yet to be performed. These amounts will be recognized as revenues in the fiscal year in which the services are performed.

(d) Investment income:

Investment income is reported as revenue in the period earned.

(e) Employee future benefits:

The Board provides certain employee benefits which will require funding in future periods. These benefits include life insurance, extended health and dental benefits for early retirees.

The costs of life insurance, extended health and dental benefits are actuarially determined using management's best estimate of salary escalation, insurance and health care cost trends, long term inflation rates and discount rates.

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2020

1. Significant accounting policies (continued):

(f) Pension contributions:

The Board has a pension agreement with the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer defined contribution benefit plan. The Board's costs are the contributions due to the plan in the period.

(g) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the assets. The cost, less residual value, of the tangible capital assets, excluding land, are amortized on a straight line basis over their estimated useful lives as follows:

| Asset | Useful Life - Years |
|-------------------------|---------------------|
| Buildings | 15 - 60 years |
| Leasehold improvements | 40 years |
| Shelving | 40 years |
| Furniture and equipment | 7 years |
| Collections | 7 years |
| Computers | 3 years |

Annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

(ii) Works of art and cultural and historic assets:

Works of art and cultural and historic assets are not recorded as assets in these financial statements.

(iii) Leased tangible capital assets:

Leases which transfer substantially all the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2020

1. Significant accounting policies (continued):

(h) Budget data:

Budget information has been provided for comparison purposes. Given differences between the budgeting model and generally accepted accounting principles established by PSAB, certain budgeted amounts have been reclassified to reflect the presentation adopted under PSAB.

(i) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Significant estimates include assumptions used in estimating provisions for accrued liabilities and in preparing actuarial valuations for employee future benefits.

In addition, the Board's implementation of the Public Sector Accounting Handbook PS3150 has required management to make estimates of historical cost and useful lives of tangible capital assets.

Actual results could differ from those estimates.

(j) Contaminated sites:

Contaminated sites are defined as the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard. This Standard relates to sites that are not in productive use and sites in productive use where an unexpected event resulted in contamination.

2. Long-term debt:

(a) Long-term debt is as follows:

| | 2020 | 2019 |
|---|------|--------------|
| Long-term debt issued by The Corporation of the City of London at an interest rate of 3.258%, with a maturity date of March 2028. | \$ - | \$ 1,752,219 |
| | \$ - | \$ 1,752,219 |

(b) Total charges which are included in the statement of operations as follows:

| | 2020 | 2019 |
|----------------------------|------|-----------|
| Interest on long-term debt | \$ - | \$ 47,703 |
| | \$ - | \$ 47,703 |

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2020

2. Long-term debt (continued):

- (c) On March 2, 2020, The Corporation of the City of London approved the forgiveness of the long-term debt issued in 2018 at an interest rate of 3.258%, with a maturity date of March 2028. As of March 2020, the total value of the long term debt was \$1,799,922, which has been recorded to current revenue from the Corporation of the City of London in the statement of operations.

3. Employee future benefits and other liabilities:

Employee future benefits and other liabilities are comprised of the following:

| | 2020 | 2019 |
|--|---------------------|---------------------|
| Liability for vested sick leave benefits | \$ 62,431 | \$ 62,431 |
| Vacation pay liability | 279,767 | 197,242 |
| Employee future benefits obligation | 2,004,000 | 2,027,000 |
| | <u>\$ 2,346,198</u> | <u>\$ 2,286,673</u> |

- (a) Liability for vested sick leave benefits:

Under the sick leave benefit plan, employees hired prior to May 1, 1985 can accumulate unused sick leave and may become entitled to a cash payment when they leave the employment of the Board.

The liability of these accumulated days, to the extent that they have vested and could be taken in cash by an employee upon ceasing employment with the Board as at December 31, 2020, amounts to \$62,431 (2019 - \$62,431). This amount is fully funded by a reserve held by The City of London in the amount of \$75,581 (2019 - \$73,815).

- (b) Retiree benefits:

The Board provides certain post-employment and post-retirement employee benefits which will require funding in future periods.

The Board pays certain life insurance benefits on behalf of the retired employees as well as extended health and dental benefits for early retirees to age sixty-five. The Board recognizes these post-retirement costs in the period in which the employees rendered the services. The most recent actuarial valuation was performed as at December 31, 2018.

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2020

3. Employee future benefits and other liabilities (continued):

(b) Retiree benefits (continued):

Detailed information about retiree benefits is as follows:

| | 2020 | 2019 |
|---|--------------|--------------|
| Accrued employee future benefit obligation: | | |
| Balance, beginning of year | \$ 1,446,000 | \$ 1,434,000 |
| Current period benefit cost | 67,000 | 65,000 |
| Interest | 47,000 | 46,000 |
| Benefits paid | (93,000) | (99,000) |
| Actuarial gain | - | - |
| Balance, end of year | 1,467,000 | 1,446,000 |
| Unamortized actuarial gain | 537,000 | 581,000 |
| Employee future benefits obligation | \$ 2,004,000 | \$ 2,027,000 |

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

| | 2020 | 2019 |
|--|------------|------------|
| Current year benefit cost | \$ 67,000 | \$ 65,000 |
| Interest on accrued benefit obligation | 47,000 | 46,000 |
| Amortization of net actuarial gain | 44,000 | 44,000 |
| Total payments made during the year | \$ 158,000 | \$ 155,000 |

Significant assumptions used in the actuarial valuation are as follows:

| | |
|-------------------------------|-------|
| Discount rate | 3.25% |
| Rate of compensation increase | 2.00% |
| Healthcare cost increases | 4.00% |

The actuarial gain is amortized over the expected average remaining service life of the related employee group of fourteen years.

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2020

4. Trust funds:

Trust funds administered by the Board amounting to \$3,551,244 (2019 - \$3,342,831) have not been included in the statement of financial position nor have their operations been included in the statement of operations. They are reported separately on The London Public Library Board Trust Fund Financial Statements ("Trust Funds").

During the year, the Trust Funds transferred \$94,341 (2019 - \$376,963) to the Board for capital and operating expenses. This amount and the related expenditures have been included in the statement of operations.

5. Commitments:

The Board is committed under operating leases for the rental of premises and equipment. The minimum annual payments under these leases are as follows:

| | | |
|-----------------|----|-----------|
| 2021 | \$ | 775,931 |
| 2022 | | 541,717 |
| 2023 | | 546,064 |
| 2024 | | 533,582 |
| 2025 and beyond | | 1,038,607 |
| | \$ | 3,435,901 |

6. Pension agreement:

The Board has a pension agreement with OMERS, which is a multi-employer plan, on behalf of its full and part-time staff. The plan is a contributory defined benefit plan which specifies the amount of retirement benefit to be received by the employees based on the length of service and rates of pay. The amount contributed to OMERS for 2020 is \$1,017,408 (2019 - \$1,021,014) for current service and is included as an expenditure in the statement of operations.

The last available report for the OMERS plan was on December 31, 2020. At that time, the plan reported a \$3.21 billion actuarial deficit (2019 - \$3.40 billion), based on actuarial liabilities for \$113.06 billion (2019 - \$107.69 billion) and actuarial assets for \$109.84 billion (2019 - \$104.29 billion). If actuarial surpluses are not available to offset the existing deficit and subsidize future contributions, increases in contributions will be required in the future.

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2020

7. Tangible capital assets:

| Cost | Balance at December 31, 2019 | Additions | Disposals | Balance at December 31, 2020 |
|-------------------------|------------------------------------|---------------------|---------------------|------------------------------------|
| Land | \$ 3,904,165 | \$ - | \$ - | \$ 3,904,165 |
| Buildings | 39,054,660 | 178,326 | - | 39,232,986 |
| Leasehold improvements | 4,961,563 | - | - | 4,961,563 |
| Collections | 9,471,099 | 1,141,292 | 1,394,100 | 9,218,291 |
| Shelving | 1,347,913 | - | 19,473 | 1,328,440 |
| Computers | 1,716,057 | 170,102 | 436,072 | 1,450,087 |
| Furniture and equipment | 1,242,574 | 26,697 | 19,445 | 1,249,826 |
| Total | \$ 61,698,031 | \$ 1,516,417 | \$ 1,869,090 | \$ 61,345,358 |

| Accumulated amortization | Balance at December 31, 2019 | Additions | Disposals | Balance at December 31, 2020 |
|--------------------------|------------------------------------|---------------------|---------------------|------------------------------------|
| Buildings | \$ 27,921,668 | \$ 1,498,340 | \$ - | \$ 29,420,008 |
| Leasehold improvements | 523,792 | 120,577 | - | 644,369 |
| Collections | 4,803,977 | 1,334,957 | 1,394,100 | 4,744,834 |
| Shelving | 783,974 | 33,454 | 19,473 | 797,955 |
| Computers | 772,732 | 527,502 | 436,072 | 864,162 |
| Furniture and equipment | 458,919 | 142,639 | 19,445 | 582,113 |
| Total | \$ 35,265,062 | \$ 3,657,469 | \$ 1,869,090 | \$ 37,053,441 |

| | Net book value December 31, 2019 | Net book value December 31, 2020 |
|-------------------------|--|--|
| Land | \$ 3,904,165 | \$ 3,904,165 |
| Buildings | 11,132,992 | 9,812,978 |
| Leasehold improvements | 4,437,771 | 4,317,194 |
| Collections | 4,667,122 | 4,473,457 |
| Shelving | 563,939 | 530,485 |
| Computers | 943,325 | 585,925 |
| Furniture and equipment | 783,655 | 667,713 |
| Total | \$ 26,432,969 | \$ 24,291,917 |

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2020

8. Accumulated surplus:

Accumulated surplus consists of surplus and reserve funds as follows:

| | 2020 | 2019 |
|--|---------------|---------------|
| Surplus: | | |
| Invested in tangible capital assets | \$ 24,291,917 | \$ 26,432,969 |
| Unfunded: | | |
| Employee benefits, accrued sick and vacation | (342,198) | (259,673) |
| Employee benefits, future benefit liability | (2,004,000) | (2,027,000) |
| Net long-term debt | - | (1,752,219) |
| Total surplus | 21,945,719 | 22,394,077 |
| Reserves set aside by the Board: | | |
| Stabilization fund | 1,964,675 | 547,719 |
| Collections encumbrance fund | 480,000 | 1,591 |
| Total reserves | 2,444,675 | 549,310 |
| Reserve held by the City on behalf of the Board: | | |
| Sick leave reserve | 75,581 | 73,815 |
| | \$ 24,465,975 | \$ 23,017,202 |

9. Budget data:

Budget information has been provided for comparison purposes. Given differences between the budgeting model and generally accepted accounting principles established by PSAB, certain budgeted amounts have been reclassified to reflect the presentation adopted under PSAB.

| | Budget amount |
|--|---------------|
| Revenues: | |
| Operating budget | \$ 22,923,830 |
| Expenses: | |
| Operating budget | 22,923,830 |
| Annual surplus, as per approved budget | \$ - |
| Capital funding from The City of London | \$ 248,538 |
| Major repairs and maintenance | (248,538) |
| Net contribution to Collections encumbrance fund | 478,407 |
| Annual surplus, revised | \$ 478,407 |

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2020

10. Contingent liabilities:

As at December 31, 2020, the Board was negotiating the CUPE 217 Collective Agreement which had expired on December 31, 2019. The final outcome, and any related financial implications, of these negotiations is not known at this time. Management believes that ultimate disposition of these matters will not materially exceed the amounts recorded in these financial statements.

Estimated costs associated with union negotiations are based on available information and projections of estimated future expenses developed based on the Board's historical experience. Any such costs are reported as a liability in the statement of financial position and an operating expense in the year of the loss, which is when the costs are deemed to be likely and can be reasonably estimated.

11. Impact of COVID-19 pandemic:

Effective March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. At the time of approval of these financial statements, the Board has experienced the following indicators of financial implications and undertaken the following activities and responses in relation to the COVID-19 pandemic:

- Closure of all library branches from March 16, 2020 to May 19, 2020 based on public health recommendations
- Mandatory working from home requirements for those able to do so
- Temporary staff layoffs

The ultimate duration and magnitude of the COVID-19 pandemic's impact on the Board's operations and financial position is not known at this time. These impacts could include a decline in future cash flows and changes to the value of assets and liabilities. Though management continues to make best efforts to forecast possible financial scenarios, an estimate of the financial effect of the pandemic on the Board is not practicable at this time.