Attachment 1

Financial Statements

Trust Funds of the Toronto Public Library Board

December 31, 2003

AUDITORS' REPORT

To the Members of the
Trust Funds of the Toronto Public Library Board

We have audited the statement of financial position of the **Trust Funds of the Toronto Public Library Board** as at December 31, 2003 and the statement of operations and changes in fund balances for the year then ended. These financial statements are the responsibility of the Library Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Trust Funds as at December 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Canada Corporations Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Toronto, Canada,
February 20, 2004. Chartered Accountants

Trust Funds of the Toronto Public Library Board

STATEMENT OF FINANCIAL POSITION

As at December 31

	2003 $	2002 $
ASSETS		
Current		
Cash and short-term investments	**1,988,035**	1,897,179
Accounts receivable	**108,808**	—
Total current assets	**2,096,843**	1,897,179
Investment *[note 3]*	—	48,000
	2,096,843	1,945,179
LIABILITIES AND FUND BALANCES		
Current		
Accounts payable and accrued liabilities	**126,916**	4,056
Fund balances		
General Fund	**55,845**	54,466
Restricted Fund *[note 4]*	**765,020**	739,125
Endowment Fund *[note 5]*	**1,149,062**	1,147,532
Total fund balances	**1,969,927**	1,941,123
	2,096,843	1,945,179

See accompanying notes

On behalf of the Board:

Board Chair City Librarian

Trust Funds of the Toronto Public Library Board

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

Year ended December 31

	2003				2002			
	General Fund	Restricted Fund	Endowment Fund	Total	General Fund	Restricted Fund	Endowment Fund	Total
	$	$	$	$	$	$	$	$
REVENUE								
Interest	**7,220**	**50,794**	**—**	**58,014**	8,504	50,823	—	59,327
Membership and other fees	**—**	**17,247**	**—**	**17,247**	—	24,033	—	24,033
Sale of publications	**—**	**23,898**	**—**	**23,898**	—	14,055	—	14,055
Donations, grants and legacies	**4,233**	**96,260**	**—**	**100,493**	—	96,805	—	96,805
Other	**113**	**—**	**—**	**113**	—	—	—	—
	11,566	**188,199**	**—**	**199,765**	8,504	185,716	—	194,220
EXPENSES								
Office	**23**	**13,569**	**—**	**13,592**	45	9,065	—	9,110
Charitable activities	**13,338**	**94,192**	**—**	**107,530**	27,459	75,744	—	103,203
Other	**—**	**49,839**	**—**	**49,839**	10,316	36,778	—	47,094
	13,361	**157,600**	**—**	**170,961**	37,820	121,587	—	159,407
Excess (deficiency) of revenue over expenses for the year	**(1,795)**	**30,599**	**—**	**28,804**	(29,316)	64,129	—	34,813
Fund balances, beginning of year	**54,466**	**739,125**	**1,147,532**	**1,941,123**	53,377	708,882	1,144,051	1,906,310
Transfers between funds *[note 6]*	**3,174**	**(4,704)**	**1,530**	**—**	30,405	(33,886)	3,481	—
Fund balances, end of year	**55,845**	**765,020**	**1,149,062**	**1,969,927**	54,466	739,125	1,147,532	1,941,123

See accompanying notes

SCHEDULE OF CONTINUITY OF TRUST FUNDS

Year ended December 31, 2003

	Fund balance 2002	Revenue	Expenses	Fund balance 2003	Endowment		Restricted		General
					Externally	Internally	Externally	Internally	
	$	$	$	$	$	$	$	$	$
Osborne & L.H. Smith Collections									
Osborne royalties	**88,462**	**6,719**	**11,036**	**84,145**	**—**	**—**	**—**	**84,145**	**—**
Friends of Osborne & L.H. Smith	**98,539**	**119,796**	**52,358**	**165,977**	**—**	**—**	**165,977**	**—**	**—**
Helen E. Stubbs bequest	**455,818**	**14,373**	**13,366**	**456,825**	**456,825**	**—**	**—**	**—**	**—**
Osborne & L.H. Smith	**315,041**	**28,823**	**3,754**	**340,110**	**—**	**—**	**340,110**	**—**	**—**
Osborne cataloguing project	**103,076**	**2,820**	**59,851**	**46,045**	**—**	**—**	**46,045**	**—**	**—**
	1,060,936	**172,531**	**140,365**	**1,093,102**	**456,825**	**—**	**552,132**	**84,145**	**—**
Senator J.M. Lewis	**7,235**	**328**	**204**	**7,359**	**7,359**	**—**	**—**	**—**	**—**
Dr. C.R. Sanderson	**32,825**	**1,213**	**923**	**33,115**	**—**	**3,369**	**—**	**29,746**	**—**
M.G. Bagshaw	**25,205**	**1,375**	**519**	**26,061**	**—**	**10,500**	**—**	**15,561**	**—**
Charles G. Sanderson	**67,212**	**2,180**	**1,890**	**67,502**	**67,502**	**—**	**—**	**—**	**—**
Norman Blaine Gash	**17,318**	**794**	**487**	**17,625**	**5,000**	**—**	**12,625**	**—**	**—**
Norman J. McLean	**16,081**	**456**	**434**	**16,103**	**—**	**—**	**—**	**—**	**16,103**
General	**27,023**	**1,484**	**3**	**28,504**	**—**	**—**	**—**	**—**	**28,504**
Toronto Public Library Centennial Grant	**37,099**	**1,051**	**4**	**38,146**	**—**	**20,000**	**18,146**	**—**	**—**
D.J. Hayes	**20,514**	**581**	**576**	**20,519**	**—**	**—**	**20,519**	**—**	**—**
Stanley Tobin	**27,157**	**769**	**763**	**27,163**	**—**	**—**	**27,163**	**—**	**—**
Microsoft donation	**7,898**	**160**	**8,058**	**—**	**—**	**—**	**—**	**—**	**—**
M.A. Isaac	**80,209**	**2,271**	**2,147**	**80,333**	**75,350**	**—**	**4,983**	**—**	**—**
Friends of Toronto Public Library	**11,362**	**321**	**445**	**11,238**	**—**	**—**	**—**	**—**	**11,238**
Catherine Fine	**503,049**	**14,251**	**14,143**	**503,157**	**—**	**503,157**	**—**	**—**	**—**
	880,187	**27,234**	**30,596**	**876,825**	**155,211**	**537,026**	**83,436**	**45,307**	**55,845**
	1,941,123	**199,765**	**170,961**	**1,969,927**	**612,036**	**537,026**	**635,568**	**129,452**	**55,845**

See accompanying notes

Trust Funds of the Toronto Public Library Board

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

1. DESCRIPTION OF THE ORGANIZATION

The Trust Funds of the Toronto Public Library Board [the "Trust Funds"] represent funds received by the Toronto Public Library Board [the "Library Board"] that are restricted by the donor or by the Library Board for various purposes.

These financial statements reflect the assets, liabilities, revenue and expenses of the Trust Funds. The Trust Funds are administered by the Library Board and are not included in the Toronto Public Library's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are summarized below:

Basis of presentation

The Trust Funds follow the restricted fund method of accounting for contributions.

Fund accounting

The General Fund reports unrestricted resources available for immediate purposes.

The Endowment Fund reports resources where either external or internal restrictions require that the principal must be maintained permanently. Most restrictions are due to the specific nature of bequests and donations. Investment income earned on the Endowment Fund is reported in the General or Restricted Fund, depending on the nature of any restrictions imposed on the income. The investment income generated from assets held for endowment purposes must be used in accordance with the various purposes established by the donors or the Library Board's policy.

The Restricted Fund reports resources that are to be used for specific purposes as specified by the donor or the Board of Trustees. Most restrictions are due to the specific nature of bequests and donations. Many of these restrictions were imposed by the donor and relate to the type or the location of the expenditure.

Cash and short-term investments

Cash and short-term investments consist of cash and investments with original maturities of less than 90 days.

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

Investments

Investments are recorded at the lower of cost and market value. Income from investments is determined on an accrual basis and allocated pro rata each year to those funds participating, based on an average asset basis. The full amount of realized gains or losses on investments is included in revenue and is allocated to fund balances on an average asset basis.

Revenue recognition

Unrestricted contributions are recognized as revenue of the General Fund in the year received. Donor restricted contributions for specific purposes are recognized as revenue of the Restricted Fund unless the capital is to be maintained permanently, in which case the contributions are recognized as revenue of the Endowment Fund.

Contributed goods and services

The value of contributed goods and services is not recognized in these financial statements.

3. INVESTMENT

On May 14, 2003 the bond investment was called for redemption. The market value at December 31, 2003 was $nil [2002 - $49,725]. The bond was to mature in 2010 and pay interest semi-annually at 13.25%. The investment had been maintained in accordance with the terms of each specific trust.

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

4. RESTRICTED FUND

The Restricted Fund consists of funds held for the following purposes:

	2003 $	2002 $
Externally restricted		
Promote and expand the Osborne & L.H. Smith Collections	**552,132**	516,656
Expand collection of library	**65,290**	64,848
Study and research	**18,146**	17,099
Community Learning and Information Program	**—**	7,899
	635,568	606,502
Internally restricted	**129,452**	132,623
Total Restricted Fund	**765,020**	739,125

5. ENDOWMENT FUND

The Endowment Fund consists of the following:

	2003 $	2002 $
Externally restricted with income available for the following purposes:		
Promote and expand the Osborne & L.H. Smith Collections	**456,825**	455,818
Expand collection of library	**155,211**	154,797
	612,036	610,615
Internally endowed restricted funds with income to be used for the following purposes:		
Expand collection of library	**517,026**	516,917
Study and research	**20,000**	20,000
	537,026	536,917
Total Endowment Fund	**1,149,062**	1,147,532

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

6. FUND TRANSFERS

Transfers between funds primarily represent unrestricted amounts recorded as revenue in the General Fund that are being transferred to the individual Trust Funds that are internally endowed and internally restricted.

7. RELATED PARTY TRANSACTIONS

Administrative staff of the Library Board provides administrative services for the Trust Funds. The Library Board does not charge for these services.

8. STATEMENT OF CASH FLOWS

A separate statement of cash flows has not been presented since cash flows from operating, investing and financing activities are readily apparent from the other financial statements.