



LAMC- Finance and Audit Committee Decision Note

PS 4240 – Collections Held by Not-For-Profit Organizations

Issue: Adopting Public Sector Accounting Standards, Section PS 4240 Collections Held by Not-For-Profit Organizations, effective April 1, 2013

Prepared for: Finance and Audit Committee Consideration – April 29, 2014

Prepared by: The Legislative Assembly Audit Working Group – April 22, 2014 (revised May 2014)

Background:

- The purpose of this document is to present to the Finance and Audit Committee, for consideration and recommendation to LAMC, the adoption of Public Sector Accounting Standards (PSAS), Section 4240, Collections Held by Not-For-Profit Organizations. The standard is to be effective as of April 1, 2013, and is to be the basis for presentation of the Legislative Library's collection of books and other materials in the 2013/14 audited financial statements.
- The Legislative Library collection consists of government publications, historical newspapers, pamphlets, maps, periodicals, reference books, and miscellaneous general books, including several very valuable volumes such as a Shakespeare and Audubon folio.
- Under the current policy additions to the library collection are expensed and the collection has an appraised value, as of February, 2014, of approximately \$28 million.
- Per the "Collection Development Policy of the British Columbia Legislative Library", the Library's mandate is as follows:
"The Legislative Library provides reference services to the Members of the Legislative Assembly, their research staff, the Executive Council, the Officers of the House, and other legislative support staff."
- The Legislative Library is open to the general public when the Legislature is not sitting.

Discussion:

- The Legislative Library's collection appears to meet the *Public Sector Accounting Standards* (PSAS) definition of a tangible capital asset; however, recording the collection as a tangible capital asset on the financial statements presents several challenges:

- Given the nature of the collection it is difficult to assign an estimated useful life and corresponding amortization to specific collection items. The province's Core Policy and Procedure Manual (CPPM), the basis of the Legislative Assembly's policy for recording tangible capital assets, does not provide any specific guidance on amortization of collections.
- Recording the collection as a tangible capital asset may not accurately reflect the nature of the collection, which includes rare items used for research and education.
 - A number of items in the collection may be more correctly classified as works of art or historical treasures (such as the Shakespeare folio) and under PSAS these items are not recorded on the financial statements (but they are disclosed in the notes).
 - Additionally, the size and diversity of the collection makes it difficult to separate those items which may be more accurately classified as works of art or historical treasures.
- Given these concerns, following not-for-profit guidelines PS 4240, Collections Held by Not-For-Profit Organizations, may be more appropriate. Under these guidelines, no cost or value information (or related amortization based on an estimated useful life) is recorded in the financial statements. Instead, the following disclosures are made in the notes to the financial statements:
 - a description of the collection;
 - the accounting policy followed;
 - details of any significant changes to the collection during the fiscal year;
 - the amount of expenditures related to the collection during the fiscal year; and,
 - any proceeds from the sale of collection items and the usage of those proceeds.
- Under the new policy additions to the collection will continue to be expensed.
- In order to meet the requirements for adopting PS 4240, the following criteria must be met:
 - The collection must consist of assets that are:
 - i. Held for public exhibition, education or research;
 - ii. Protected, cared for and preserved; and,
 - iii. Subject to an organizational policy that requires the proceeds from their sale to be used to acquire other items to be added to the collection or for direct care of the existing collection.
 - The Legislative Library collection appears to meet all but the third criteria.
 - There does not appear to be a policy on proceeds from collection sales because no collection material has ever been sold.
- Revising the Legislative Library collection policy to include a note on proceeds of sales would therefore appear to fulfil all of the requirements for adoption of PS 4240, Collections Held by Not-For-Profit Organizations and allow for disclosure of Legislative Library information in the financial statement notes. This would not be an onerous policy to implement as noted above no library collection assets have been sold and are not intended to be sold.
- If the Legislative Library's collection is to be considered like other tangible capital assets it would mean establishing an amortization policy which would be difficult to determine given the varied nature of the collection.

- Based on the results of a May 2014 jurisdictional survey, not disclosing the collection as a tangible capital asset is consistent with the accounting treatment used by other parliaments.

Recommendation:

That the Finance and Audit Committee recommend that LAMC approve:

- a) a revision of the Legislative Library collection policy to include a clause on the use of proceeds from the sale of collection items that will meet the criteria requirements of PS 4240; and,
- b) the adoption of Public Sector Accounting Standards, Section PS 4240 Collections Held by Not-For-Profit Organizations, effective April 1, 2013, as the basis of accounting for the Legislative Library's collection.

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