# Accounting

**Accounting Policies**

1. Fund Accounting
   For reporting purposes, established funds consist of the operating, capital, restricted and reserve funds. Transfers between funds are recorded as adjustments to the appropriate equity account. Capital fund debt interest is recorded as an expense in the capital equity fund. Amortization expense is recorded as an expense in the Statement of Operations.

2. Investments
   Investments that are Guaranteed Investment Certificates have a carrying value that equal their estimated fair market value and are classified as held to maturity. Held to maturity investments are accounted for at amortized cost using the effective interest method.

3. Capital Assets
   Capital assets are stated at cost. Amortization is provided using the declining balance method for the following assets at the following annual rates:
   - Building: 4%
   - Automotive (passenger vehicles): 50%

   Amortization is provided on a straight-line basis for the following assets at the following annual rates:
   - Automotive (delivery vehicles): 33.3%Office furniture and equipment: 10%
   - Computer equipment: 25%

4. Reserves for Future Expenditures
   Internally restricted reserves are established at the discretion of the Board to set aside funds for future operating and capital expenditures. Transfers to and from reserves are reflected as adjustments to the Statement of Net Assets. Externally restricted reserves arise from funding received for specific projects. Transfers to and from these reserves arise as funds are received or expenditures are incurred for the specific projects

5. Restricted Fund – Book Allotment
   Funds allocated to member libraries for book allotment are restricted for purchases of library materials in subsequent years. Unspent allocations are added to the library's allocation in the following year.

6. Revenue Recognition
   Revenue is recognized when the requirements as to performance for transactions involving the sale of goods are met and ultimate collection is reasonably assured at the time of performance.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of capital assets. These funds are accounted for as deferred revenue until used for the purpose specified.

Government transfers for operations are recognized in the period when the related expenses are incurred and any eligibility criteria have been met.

Government grants for the purchase of capital assets are applied against the asset cost and the balance of the cost is amortized over the useful life of the asset.

7. Financial Instruments
   Financial instruments of the organization consist mainly of cash, temporary investments, accounts receivable, loans receivable, accounts payable and accrued liabilities. There are no significant differences between carrying values of these amounts and their estimated market value due to the short term maturities of these instruments. The organization operates in such a way that it is not exposed to significant interest, currency or credit risk arising from these financial instruments.

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