

CHINOOK ARCH LIBRARY BOARD
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Year Ended December 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Members of Chinook Arch Library Board

Opinion

We have audited the financial statements of Chinook Arch Library Board (the Organization), which comprise the statement of financial position as at December 31, 2020, and the statements of changes in net assets, operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2020, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

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 Financial Statements* section of our report. We are independent of the Organization in accordance with 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 ASNPO, 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

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

Auditor's 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 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.

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* denotes professional corporation

Independent Auditor's Report to the Members of Chinook Arch Library Board *(continued)*

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 Organization'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 Organization'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 Organization 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.

Lethbridge, AB
April 1, 2021

INSIGHT^{LLP}

Chartered Professional Accountants

CHINOOK ARCH LIBRARY BOARD

Statement of Financial Position

December 31, 2020

	2020	2019
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 1,422,931	\$ 1,096,703
Restricted cash (Note 3)	5,740	125,042
Accounts receivable	89,719	92,665
Employee computer loans (Note 4)	2,811	4,352
Goods and services tax recoverable	33,303	36,495
Prepaid expenses	226,071	182,407
	1,780,575	1,537,664
PROPERTY AND EQUIPMENT (Note 5)	2,710,863	2,814,437
	\$ 4,491,438	\$ 4,352,101
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 93,023	\$ 87,867
Deferred income (Note 6)	5,740	125,042
Employee benefit obligations (Note 7)	190,793	164,700
	289,556	377,609
DEFERRED CAPITAL CONTRIBUTIONS (Note 8)	2,090,708	2,058,850
	2,380,264	2,436,459
NET ASSETS		
Internally restricted surplus (Note 9)	1,489,979	1,159,013
Externally restricted surplus (Note 9)	1,041	1,041
Invested in capital assets	620,154	755,588
	2,111,174	1,915,642
	\$ 4,491,438	\$ 4,352,101

ON BEHALF OF THE BOARD

DeVar Dahl Director

Jim Manteith Director

CHINOOK ARCH LIBRARY BOARD
Statement of Changes in Net Assets
Year Ended December 31, 2020

	Unrestricted surplus	Internally restricted surplus	Externally restricted surplus	Invested in capital assets	Total 2020	Total 2019
NET ASSETS - BEGINNING OF YEAR	\$ -	\$ 1,159,013	\$ 1,041	\$ 755,588	\$ 1,915,642	\$ 1,930,417
Excess of revenues over expenditures	195,532	-	-	-	195,532	(14,775)
Capital asset purchases	(85,314)	-	-	85,314	-	-
Capital asset grants received	118,970	-	-	(118,970)	-	-
Capital asset disposals, net of amortization	198	-	-	(198)	-	-
Amortization of capital assets	188,693	-	-	(188,693)	-	-
Amortization of deferred capital contributions (Note 8)	(87,113)	-	-	87,113	-	-
Book allotment purchases, net of additions (Note 9)	(129,202)	129,202	-	-	-	-
Internally imposed restrictions on remaining surplus (Note 9)	(201,764)	201,764	-	-	-	-
NET ASSETS - END OF YEAR	\$ -	\$ 1,489,979	\$ 1,041	\$ 620,154	\$ 2,111,174	\$ 1,915,642

See notes to financial statements

CHINOOK ARCH LIBRARY BOARD

Statement of Operations

Year Ended December 31, 2020

	Total 2020	Total 2019
REVENUES		
Municipal levies	\$ 1,739,034	\$ 1,687,315
Provincial operating grant	969,476	970,499
Library board membership fees	626,023	609,141
Provincial rural library services grant	165,908	193,229
Municipal rural services fees	61,899	67,924
Resource sharing contract grant	-	20,000
Other income (Schedule 1)	390,312	388,616
Other grants (Schedule 1)	190,719	221,316
Contract services (Schedule 1)	149,728	197,574
Amortization of deferred capital contributions (Note 8)	87,113	85,785
	4,380,212	4,441,399
EXPENDITURES		
Salaries and benefits	2,121,838	1,983,136
Library materials and collections	816,886	992,331
Building and maintenance	57,207	43,857
Board expenses	6,218	33,529
Programs and services (Schedule 2)	504,659	550,274
Network services (Schedule 2)	172,910	158,541
Contract and other services (Schedule 2)	144,678	222,844
Bibliographic services (Schedule 2)	61,475	88,460
Training and development (Schedule 2)	46,440	94,845
Administration (Schedule 2)	39,647	51,277
Shipping and delivery (Schedule 2)	31,982	51,333
Amortization of capital assets	188,693	170,759
	4,192,633	4,441,186
EXCESS OF REVENUES OVER EXPENDITURES FROM OPERATIONS	187,579	213
OTHER REVENUE (EXPENDITURES)		
Gain (loss) on disposal of property and equipment	7,953	(2,987)
Technology project	-	(12,001)
	7,953	(14,988)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 195,532	\$ (14,775)

See notes to financial statements

CHINOOK ARCH LIBRARY BOARD
Revenue Schedule (Schedule 1)
Year Ended December 31, 2020

	2020	2019
OTHER INCOME		
Additional funds for library materials	\$ 347,985	\$ 301,024
Southern Alberta Library conference	23,368	22,513
Interest and investment income	14,448	25,510
Employment programs	4,200	7,554
Fundraising and donations	311	31,919
Miscellaneous	-	96
	\$ 390,312	\$ 388,616
CONTRACT SERVICES		
Reimbursement for purchases	\$ 115,613	\$ 156,088
Contracts	33,788	41,204
Book purchases	327	282
	\$ 149,728	\$ 197,574
OTHER GRANTS		
Digital Literacy Exchange Program	\$ 134,719	\$ 149,056
Aging Well in Community	50,000	50,000
COVID Roots	5,000	-
Regional Materials	1,000	500
Community Foundation	-	21,760
	\$ 190,719	\$ 221,316

CHINOOK ARCH LIBRARY BOARD

Expense Schedules (Schedule 2)

Year Ended December 31, 2020

	2020	2019
PROGRAMS AND SERVICES		
Rural library services grant transfer	\$ 205,202	\$ 232,791
Support subscriptions	109,617	121,782
Regional resource sharing	90,000	90,000
Member library surplus disbursement	43,500	-
Marketing and communications	39,881	61,664
Membership programs	9,584	9,072
Library membership cards	5,023	8,495
Special projects	1,126	24,780
Summer programs	726	1,690
	\$ 504,659	\$ 550,274
NETWORK SERVICES		
Equipment and software	\$ 70,788	\$ 44,764
Network support and maintenance	76,538	51,635
Telecommunications	25,584	27,142
RISE bridge and network support	-	35,000
	\$ 172,910	\$ 158,541
CONTRACT AND OTHER SERVICES		
Purchasing services for member libraries	\$ 109,544	\$ 156,829
ILS maintenance and service contract	33,788	32,804
Provincial ILL resource sharing	1,019	3,233
Staff purchases	327	282
ILL VDX maintenance	-	29,696
	\$ 144,678	\$ 222,844
BIBLIOGRAPHIC SERVICES		
Support services	\$ 51,615	\$ 76,387
Supplies for library materials	5,387	8,172
Cataloguing subscriptions	4,473	3,901
	\$ 61,475	\$ 88,460
TRAINING AND DEVELOPMENT		
Southern Alberta Library Conference	\$ 29,958	\$ 30,996
Conferences, courses and staff travel	12,404	47,362
Librarian meetings and training	4,078	16,187
Programs and training for libraries	-	300
	\$ 46,440	\$ 94,845

CHINOOK ARCH LIBRARY BOARD
Expense Schedules (Schedule 2)
Year Ended December 31, 2020

	2020	2019
SHIPPING AND DELIVERY		
Vehicle expense	\$ 24,120	\$ 37,493
Freight	3,626	5,703
Vehicle insurance	3,059	3,136
Postage and shipping	1,177	5,001
	\$ 31,982	\$ 51,333
ADMINISTRATION		
Office supplies and equipment	\$ 13,171	\$ 17,581
Office equipment maintenance	10,427	12,484
Professional fees	6,800	6,800
Coffee services	2,337	6,784
Subscriptions	2,166	2,559
Foreign currency exchange	1,595	368
Bank charges	1,550	1,376
Printing	1,374	1,774
Advertising	213	271
Miscellaneous	14	478
Memberships	-	221
Recruitment	-	581
	\$ 39,647	\$ 51,277

CHINOOK ARCH LIBRARY BOARD

Statement of Cash Flows

Year Ended December 31, 2020

	2020	2019
OPERATING ACTIVITIES		
Cash receipts from operations	\$ 4,283,367	\$ 4,279,353
Cash paid to suppliers and employees	(4,013,163)	(4,226,021)
Interest received	13,885	38,467
Cash flow from operating activities	284,089	91,799
INVESTING ACTIVITIES		
Purchase of property and equipment	(85,314)	(1,196,672)
Proceeds on disposal of property and equipment	8,151	-
Cash flow used by investing activities	(77,163)	(1,196,672)
INCREASE (DECREASE) IN CASH FLOW	206,926	(1,104,873)
Cash - beginning of year	1,221,745	2,326,618
CASH - END OF YEAR	\$ 1,428,671	\$ 1,221,745
CASH CONSISTS OF:		
Cash and cash equivalents	\$ 1,422,931	\$ 1,096,703
Restricted cash	5,740	125,042
	\$ 1,428,671	\$ 1,221,745

See notes to financial statements

CHINOOK ARCH LIBRARY BOARD
Notes to Financial Statements
Year Ended December 31, 2020

1. NATURE OF OPERATIONS

Chinook Arch Library Board is an appointed Board established as a Library under the Alberta Libraries Act. The Board is also a registered charity under the Income Tax Act. The Board operates the Chinook Arch Regional Library System, which assists a network of cooperating libraries in southwest Alberta to provide cost-effective and convenient access to information and library resources.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

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.

The Unrestricted Surplus Fund accounts for the organization's program delivery and administrative activities.

The Investment in Capital Assets Fund reports the assets, liabilities, revenues and expenses related to Chinook Arch Library Board's capital assets and building expansion campaign. Capital fund debt interest is recorded as a reduction in the fund. Amortization expense is recorded as an expense in the Statement of Operations.

The Internally Restricted Surplus Funds are established at the discretion of the Board to set aside funds for future operating and capital expenditures. Transfers to and from these funds are reflected as adjustments to the Statement of Net Assets.

The Externally Restricted Surplus Fund arises from funding received for specific projects. Transfers to and from these reserves arise as funds are earned or expenditures are incurred for the specific projects.

Cash and cash equivalents

Cash includes cash and cash equivalents. Cash equivalents are investments in guaranteed investment certificates and are valued at cost. The carrying amounts approximate fair value because they have maturities at the date of purchase within one year. The organization held no temporary investments at December 31, 2020.

Cash that is externally restricted for specific purposes is presented as restricted cash.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property and equipment

Property and equipment is stated at cost or deemed cost less accumulated amortization and is amortized over its estimated useful life at the following rates and methods:

Buildings	4% declining balance method
Automotive (passenger)	50% declining balance method
Automotive (delivery vehicles)	50% straight-line method
Computer equipment	25% straight-line method
Office furniture and equipment	10% straight-line method

The organization regularly reviews its property and equipment to eliminate obsolete items.

Property and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

Revenue recognition

Revenue is recognized when the requirements as to performance for transactions involving the sale of goods and services 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 all eligibility criteria have been met.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

3. RESTRICTED CASH

Restricted cash consists of externally restricted funds received for specific purposes.

CHINOOK ARCH LIBRARY BOARD

Notes to Financial Statements

Year Ended December 31, 2020

4. EMPLOYEE COMPUTERS LOANS

The Board has established a policy authorizing employee loans for the purchase of computers and software to a maximum of \$2,500 per employee. These loans are payable in monthly blended payments with interest at prime.

5. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Land	\$ 40,580	\$ -	\$ 40,580	\$ 40,580
Buildings	3,564,009	978,047	2,585,962	2,693,710
Equipment	93,466	55,112	38,354	2,053
Motor vehicles	225,280	205,843	19,437	26,440
Computer equipment	266,875	240,345	26,530	51,654
	\$ 4,190,210	\$ 1,479,347	\$ 2,710,863	\$ 2,814,437

6. DEFERRED REVENUE

The change in deferred revenues include the following:

	2020	2019
<u>Building grant</u>		
Opening balance	\$ 118,081	\$ 1,240,621
Funds received	-	-
Interest earned on unspent funds	889	12,957
Allocated to deferred capital contributions	(118,970)	(1,135,497)
	-	118,081
<u>CFLSA grant</u>		
Opening balance	4,240	26,000
Funds received	-	-
Amounts recognized	-	(21,760)
	4,240	4,240
<u>Other</u>		
Opening balance	2,721	500
Funds received	1,500	2,721
Amounts recognized	(2,721)	(500)
	1,500	2,721
Total	\$ 5,740	\$ 125,042

CHINOOK ARCH LIBRARY BOARD

Notes to Financial Statements

Year Ended December 31, 2020

7. EMPLOYEE BENEFIT OBLIGATIONS

	2020	2019
Vacation accrual	\$ 175,393	\$ 153,030
Health spending account	15,400	11,670
	\$ 190,793	\$ 164,700

Vacation accrual is a liability comprised of unused vacation days that employees have earned.

Health spending benefits arise from unused benefits that are accumulated for two years. Employees have earned these benefits and are entitled to them within the next fiscal year.

8. DEFERRED CAPITAL CONTRIBUTIONS

Government grants received for the purchase of capital assets are amortized at the same rate and method as the underlying asset.

	2020	2019
<u>Government grants for buildings</u>		
Opening balance	\$ 2,058,850	\$ 1,009,138
Additions during the year	118,970	1,135,497
Amortization	(87,112)	(85,785)
	2,090,708	2,058,850
	\$ 2,090,708	\$ 2,058,850

9. RESTRICTED SURPLUS FUNDS

	2019	Increase	Decrease	2020
<u>Internally restricted surplus</u>				
Technology fund	\$ 269,740	\$ -	\$ -	\$ 269,740
Vehicle fund	131,457	-	-	131,457
Building fund	359,354	-	-	359,354
Operating fund	263,619	201,764	-	465,383
Book allotment fund	134,843	688,167	558,965	264,045
	\$ 1,159,013	\$ 889,931	\$ 558,965	\$ 1,489,979
<u>Externally restricted surplus</u>				
Better Beginnings fund	\$ 1,041	\$ -	\$ -	\$ 1,041

The internally restricted book allotment fund reports allocations to member libraries for book allotments. These funds are restricted for the purchase of library materials in subsequent years. Unspent allocations are added to the library's allocation in the following year.

During the year, the Board approved the transfer of the surplus in the unrestricted surplus fund to the operating fund of the internally restricted surplus.

10. SIGNIFICANT REVENUE SOURCES

In 2020, 84% (2019 - 81%) of total revenue is based on per capita municipal levies, per capita payments from library boards, and per capita grants from Alberta Municipal Affairs.

A significant percentage of revenue is attributed to the membership of the City of Lethbridge. In 2020, the Lethbridge population represented 48% (2019 - 48%) of the total system's population and generated 42% of the total revenue (2019 - 40%). Although the organization would continue to operate without that membership, there would be a need for additional sources of revenue.

11. LOCAL AUTHORITIES PENSION PLAN

Employees of the organization participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plan Act. The LAPP services about 274,151 members and retirees and 420 employer groups. The LAPP is a multi-employer defined benefit plan financed by the employer, employee and Government of Alberta contributions and investment earnings of the LAPP fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

The organization is required to make current service contributions to the LAPP of 9.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% on pensionable earnings above this amount. Employees of the organization are required to make current service contributions of 8.39% of pensionable salary up to the year's maximum pensionable salary and 12.84% on pensionable salary above this amount.

Total current service contributions by the organization to LAPP in 2020 were \$166,092 (2019 - \$153,130). The current service contributions by the employees of the organization to the LAPP in 2020 were \$149,773 (2019 - \$138,121).

As at December 31, 2019 the plan disclosed an actuarial surplus of \$7.91 billion (2018 - surplus of \$3.47 billion). As at the financial statement date, the plan's 2020 statement of financial position had not yet been released.

12. FINANCIAL INSTRUMENTS

(a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The organization is exposed to credit risk from customers. In order to reduce its credit risk, the organization reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The organization has a significant number of customers which minimizes concentration of credit risk.

(b) Currency risk

Currency risk is the risk to the company's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The organization is exposed to foreign currency exchange risk on cash, accounts receivable, and accounts payable held in U.S. dollars. The risk at December 31, 2020 is minimal.

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12. FINANCIAL INSTRUMENTS *(continued)*

(c) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. The exposure of the organization to interest rate risk arises from its interest bearing assets. Cash includes amounts on deposits with financial institutions that earn interest at fixed rates. The risk at December 31, 2020 is minimal.

13. CHANGES IN PRESENTATION

Management has opted to change the presentation of unamortized deferred capital contributions. In prior years, these deferred capital grants were net against property and equipment. In the current year, management has decided to separate these amounts to make the financial statement information more useful. These changes have no impact on the prior year's net revenues over expenditures or net assets.

As previously stated for 2019, property and equipment was reported net of unamortized capital grants at \$755,587. As restated, the property and equipment is reported at \$2,814,437 and the deferred capital contributions is reported at \$2,058,850.

As previously stated for 2019, amortization expense was reported net of the amortized capital grant at \$84,974. As restated, the amortization expense is reported at \$170,759 and the amortization of deferred capital contributions revenue is reported at \$85,785.

14. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year presentation
