

CHINOOK ARCH LIBRARY BOARD
Financial Statements
Year Ended December 31, 2021

CHINOOK ARCH LIBRARY BOARD
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Year Ended December 31, 2021

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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, 2021, and the statements of changes in net assets, revenues and expenditures 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, 2021, 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.

(continues)

* 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 7, 2022

INSIGHT_{LLP}

Chartered Professional Accountants

CHINOOK ARCH LIBRARY BOARD

Statement of Financial Position

December 31, 2021

	2021	2020
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 1,565,298	\$ 1,422,931
Restricted cash (Note 3)	4,484	5,740
Accounts receivable	68,051	89,719
Employee computer loans (Note 4)	1,557	2,809
Goods and services tax recoverable	33,938	33,303
Prepaid expenses	227,098	226,071
	1,900,426	1,780,573
PROPERTY AND EQUIPMENT (Note 5)	2,598,474	2,710,862
	\$ 4,498,900	\$ 4,491,435
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 121,811	\$ 93,020
Deferred revenue (Note 6)	4,483	5,740
Employee benefit obligations (Note 7)	182,006	190,793
	308,300	289,553
DEFERRED CAPITAL CONTRIBUTIONS (Note 8)	2,043,079	2,090,708
	2,351,379	2,380,261
NET ASSETS	2,147,521	2,111,174
	\$ 4,498,900	\$ 4,491,435

ON BEHALF OF THE BOARD

_____ Director

_____ Director

CHINOOK ARCH LIBRARY BOARD
Statement of Changes in Net Assets
Year Ended December 31, 2021

	Unrestricted fund 2021	Internally restricted reserve fund 2021 <i>(Note 9)</i>	Externally restricted fund 2021 <i>(Note 9)</i>	Capital fund 2021	Total 2021	Total 2020
NET ASSETS - BEGINNING OF YEAR	\$ -	\$ 1,489,979	\$ 1,041	\$ 620,154	\$ 2,111,174	\$ 1,915,642
Excess of revenues over expenses	36,347	-	-	-	36,347	195,532
Capital asset purchases	(40,000)	-	-	40,000	-	-
Capital asset grants received	40,000	-	-	(40,000)	-	-
Amortization of capital assets	152,518	-	-	(152,518)	-	-
Amortization of deferred capital contributions <i>(Note 8)</i>	(87,628)	-	-	87,628	-	-
Book allotment purchase, net of additions <i>(Note 9)</i>	28,666	(28,666)	-	-	-	-
Internally imposed restriction on remaining surplus <i>(Note 9)</i>	(129,903)	129,903	-	-	-	-
NET ASSETS - END OF YEAR	\$ -	\$ 1,591,216	\$ 1,041	\$ 555,264	\$ 2,147,521	\$ 2,111,174

See notes to financial statements

CHINOOK ARCH LIBRARY BOARD
Statement of Revenues and Expenditures
Year Ended December 31, 2021

	Budget	Total 2021	Total 2020
REVENUES			
Municipal levies	\$ 1,673,930	\$ 1,654,512	\$ 1,739,034
Provincial operating grant	970,499	970,499	969,476
Library board membership fees	642,532	635,406	626,023
Provincial rural library services grant	164,885	164,885	165,908
Municipal rural services fees	55,776	55,839	61,899
Other income (Schedule 1)	316,000	308,981	390,312
Contract services (Schedule 1)	140,400	127,848	149,728
Other grants (Schedule 1)	178,050	155,315	190,719
Amortization of deferred capital contributions (Note 8)	-	87,628	87,113
	4,142,072	4,160,913	4,380,212
EXPENSES			
Salaries and benefits	2,120,000	2,061,036	2,121,838
Library materials and collections	930,524	937,314	816,886
Building and maintenance	42,000	45,628	57,207
Board expenses	9,700	5,374	6,218
Programs and services (Schedule 2)	458,700	479,640	504,659
Network services (Schedule 2)	131,000	129,907	172,910
Contract and other services (Schedule 2)	137,500	128,763	144,678
Bibliographic services (Schedule 2)	93,200	94,436	61,475
Training and development (Schedule 2)	52,000	15,115	46,440
Shipping and delivery (Schedule 3)	45,500	43,967	31,982
Administration (Schedule 3)	40,700	31,367	39,647
Amortization of capital assets	96,000	152,519	188,693
	4,156,824	4,125,066	4,192,633
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FROM OPERATIONS	(14,752)	35,847	187,579
OTHER INCOME			
Gain on disposal of equipment	15,000	500	7,953
EXCESS OF REVENUES OVER EXPENSES	\$ 248	\$ 36,347	\$ 195,532

See notes to financial statements

CHINOOK ARCH LIBRARY BOARD**Revenue Schedule (Schedule 1)****Year Ended December 31, 2021**

	Budget	2021	2020
OTHER INCOME			
Additional funds for library materials	\$ 300,000	\$ 294,667	\$ 347,984
Interest and investment income	7,000	11,804	14,448
Southern Alberta Library conference	3,000	2,500	23,368
Miscellaneous	1,000	10	-
Employment programs	5,000	-	4,200
Fundraising and donations	-	-	312
	\$ 316,000	\$ 308,981	\$ 390,312
CONTRACT SERVICES			
Reimbursement for purchases	\$ 100,000	\$ 92,799	\$ 115,612
Contracts	38,400	34,802	33,788
Book purchases	2,000	247	328
	\$ 140,400	\$ 127,848	\$ 149,728
OTHER GRANTS			
Digital Literacy Exchange Program	\$ 178,050	\$ 124,958	\$ 134,719
Community Incentives Program	-	20,357	-
Piikani book locker grant, net of capital portion	-	10,000	-
Aging Well in Community	-	-	50,000
COVID Roots	-	-	5,000
Regional Materials	-	-	1,000
	\$ 178,050	\$ 155,315	\$ 190,719

See notes to financial statements

CHINOOK ARCH LIBRARY BOARD

Expense Schedules (Schedule 2)

Year Ended December 31, 2021

	Budget	2021	2020
PROGRAMS AND SERVICES			
Rural library services grant transfer	\$ 197,000	\$ 198,676	\$ 205,203
Support subscriptions	125,000	118,466	109,617
Regional resource sharing	90,000	90,000	90,000
Marketing and communications	30,000	35,230	39,881
Special projects	1,000	15,619	1,126
Membership programs	9,700	9,675	9,584
Library membership cards	5,000	6,614	5,023
Summer programs	1,000	5,360	725
Member library surplus disbursement	-	-	43,500
	\$ 458,700	\$ 479,640	\$ 504,659
NETWORK SERVICES			
Network support and maintenance	\$ 75,000	\$ 67,915	\$ 76,538
Equipment and software	31,000	35,553	70,788
Telecommunications	25,000	26,439	25,584
	\$ 131,000	\$ 129,907	\$ 172,910
CONTRACT AND OTHER SERVICES			
Purchasing services for member libraries	\$ 100,000	\$ 93,714	\$ 109,543
ILS maintenance and service contract	35,000	34,802	33,788
Staff purchases	2,000	247	328
Provincial ILL resource sharing	-	-	1,019
Better Beginnings card coupons	500	-	-
	\$ 137,500	\$ 128,763	\$ 144,678
BIBLIOGRAPHIC SERVICES			
Support services	\$ 75,000	\$ 78,509	\$ 51,615
Supplies for library materials	14,000	11,780	5,387
Cataloguing subscriptions	4,200	4,147	4,473
	\$ 93,200	\$ 94,436	\$ 61,475
TRAINING AND DEVELOPMENT			
Conferences, courses and staff travel	\$ 30,000	\$ 10,127	\$ 12,404
Southern Alberta Library Conference	10,000	2,559	29,958
Librarian meetings and training	5,000	2,429	4,078
Programs and training for libraries	7,000	-	-
	\$ 52,000	\$ 15,115	\$ 46,440

See notes to financial statements

CHINOOK ARCH LIBRARY BOARD**Expense Schedules (Schedule 3)****Year Ended December 31, 2021**

	Budget	2021	2020
SHIPPING AND DELIVERY			
Vehicle expense	\$ 35,000	\$ 32,894	\$ 24,120
Freight	4,000	5,510	3,626
Vehicle insurance	4,000	3,230	3,059
Postage and shipping	2,500	2,333	1,177
	\$ 45,500	\$ 43,967	\$ 31,982
ADMINISTRATION			
Office supplies and equipment	\$ 10,000	\$ 9,506	\$ 13,170
Professional fees	7,200	7,700	6,800
Office equipment maintenance	9,000	6,869	10,427
Subscriptions	2,500	2,005	2,166
Recruitment	1,000	1,654	-
Bank charges	1,500	1,436	1,550
Foreign currency exchange	2,500	976	1,595
Coffee services	4,000	656	2,337
Printing	1,500	553	1,374
Miscellaneous	500	12	15
Memberships	500	-	-
Advertising	500	-	213
	\$ 40,700	\$ 31,367	\$ 39,647

See notes to financial statements

CHINOOK ARCH LIBRARY BOARD**Statement of Cash Flows****Year Ended December 31, 2021**

	2021	2020
OPERATING ACTIVITIES		
Cash receipts from customers	\$ 4,082,999	\$ 4,283,368
Cash paid to suppliers and employees	(3,954,205)	(4,013,164)
Interest received	11,817	13,885
Cash flow from operating activities	140,611	284,089
INVESTING ACTIVITIES		
Additions to capital assets	(40,000)	(85,314)
Additions to deferred capital contributions	40,000	-
Proceeds on disposal of tangible capital assets	500	8,151
Cash flow from (used by) investing activities	500	(77,163)
INCREASE IN CASH FLOW	141,111	206,926
Cash - beginning of year	1,428,671	1,221,745
CASH - END OF YEAR	\$ 1,569,782	\$ 1,428,671
CASH CONSISTS OF:		
Cash and cash equivalents	\$ 1,565,298	\$ 1,422,931
Restricted cash	4,484	5,740
	\$ 1,569,782	\$ 1,428,671

See notes to financial statements

1. PURPOSE OF THE ORGANIZATION

Chinook Arch Library Board (the "organization") is an appointed Board established as a Library under the Alberta Libraries Act. As a registered charity the organization is exempt from the payment of income tax under Subsection 149(1) of 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 net asset accounts.

Revenues and expenses related to program delivery and administrative activities are reported in the Unrestricted Fund.

The Capital Fund reports the assets, liabilities, revenues, and expenses related to Chinook Arch Library Board's capital assets and building improvements campaign. Amortization expense is recorded as an expense in the Statement of Operations.

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

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

Cash and cash equivalents

Cash includes cash and cash equivalents.

The organization's investment policy requires temporary investments to be guaranteed investment certificates, Treasury bills or low risk money market funds. These investments 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, 2021.

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

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

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

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.

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.

CHINOOK ARCH LIBRARY BOARD

Notes to Financial Statements

Year Ended December 31, 2021

5. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
Land	\$ 40,580	\$ -	\$ 40,580	\$ 40,580
Buildings	3,564,009	1,081,486	2,482,523	2,585,962
Equipment	133,466	63,526	69,940	38,354
Motor vehicles	187,175	187,070	105	19,437
Computer equipment	266,874	261,548	5,326	26,529
	\$ 4,192,104	\$ 1,593,630	\$ 2,598,474	\$ 2,710,862

6. DEFERRED REVENUE

The change in deferred revenues include the following:

	2021	2020
<u>Building grant</u>		
Opening balance	\$ -	\$ 118,081
Funds received	-	-
Interest earned on unspent funds	-	889
Allocated to deferred capital contributions	-	(118,970)
	-	-
<u>CFLSA grant</u>		
Opening balance	4,240	4,240
Funds received	-	-
Amounts recognized	-	-
	4,240	4,240
The CFLSA project has been postponed due to the Covid-19 pandemic.		
<u>Other</u>		
Opening balance	1,500	2,721
Funds received	243	1,500
Amounts recognized	(1,500)	(2,721)
	243	1,500
Total	\$ 4,483	\$ 5,740

CHINOOK ARCH LIBRARY BOARD

Notes to Financial Statements

Year Ended December 31, 2021

7. EMPLOYEE BENEFIT OBLIGATIONS

	2021	2020
Vacation accrual	\$ 170,714	\$ 175,393
Health spending account	11,292	15,400
	\$ 182,006	\$ 190,793

The vacation accrual is 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.

	2021	2020
Opening balance	\$ 2,090,708	\$ 2,058,850
Additions during the year	40,000	118,970
Amortization	(87,629)	(87,112)
	2,043,079	2,090,708
	\$ 2,043,079	\$ 2,090,708

9. RESTRICTED RESERVE FUNDS

	2020	Increase	Decrease	2021
<u>Internally restricted reserve funds</u>				
Technology fund	\$ 269,740	\$ 15,000	\$ -	\$ 284,740
Vehicle fund	131,457	114,903	-	246,360
Building fund	359,354	-	-	359,354
Operating fund	465,383	-	-	465,383
Book allotment fund	264,045	658,764	687,430	235,379
	\$ 1,489,979	\$ 788,667	\$ 687,430	\$ 1,591,216
<u>Externally restricted fund</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.

The Board of Directors approved the transfer of \$15,000 of the Unrestricted Fund surplus to the internally restricted Technology Fund for the purchase of an online card renewal service in the upcoming year. The remainder of the surplus in the Unrestricted Fund was approved for transfer to the internally restricted Vehicle Fund.

10. SIGNIFICANT REVENUE SOURCES

In 2021, 85% (2020 - 84%) of the organization's 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 this revenue is attributed to the membership of the City of Lethbridge. In 2021, the Lethbridge population represented 48% (2020 - 48%) of the total system's population and generated 42% (2020 - 42%) of the total revenue. 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 275,863 (2020 - 274,151) members and retirees and 433 (2020 - 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 2021 were \$153,497 (2020 - \$166,092). The current service contributions by the employees of the organization to the LAPP in 2021 were \$138,401 (2020 - \$149,773).

As at December 31, 2020 the plan disclosed an actuarial surplus of \$5 billion (2019 - surplus of \$7.91 billion). As at the financial statement date, the plan's 2021 statement of financial position had not yet been released.

12. FINANCIAL INSTRUMENTS

The organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the organization's risk exposure and concentration as of December 31, 2021.

(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 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.

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12. FINANCIAL INSTRUMENTS *(continued)*

(a) Currency risk

Currency risk is the risk to the organization'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 organization does not use derivative instruments to reduce its exposure to foreign currency risk. The risk at December 31, 2021 is minimal.

(a) 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 organization is exposed to interest rate risk primarily through its interest bearing assets. Cash includes amounts on deposit with financial institutions that earn interest at fixed rates. The risk at December 31, 2021 is minimal.

Unless otherwise noted, it is management's opinion that the organization is not exposed to significant other price risks arising from these financial instruments.
