

CHINOOK ARCH LIBRARY BOARD
Financial Statements
Year Ended December 31, 2017

CHINOOK ARCH LIBRARY BOARD

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Year Ended December 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Members of Chinook Arch Library Board

We have audited the accompanying financial statements of Chinook Arch Library Board, which comprise the statement of financial position as at December 31, 2017 and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Chinook Arch Library Board as at December 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Lethbridge, AB
April 5, 2018

BURTON & Co. LLP

Chartered Professional Accountants

* denotes professional corporation


CHINOOK ARCH LIBRARY BOARD

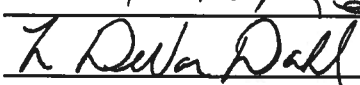
Statement of Financial Position

December 31, 2017

	2017	2016
ASSETS		
CURRENT		
Cash and Temporary Investments	\$ 1,073,850	\$ 1,077,256
Restricted cash (Note 3)	2,103,053	-
Accounts receivable	30,233	43,449
Goods and services tax recoverable	57,522	21,270
Prepaid expenses	162,113	227,888
Employee computer loans	7,348	2,671
	3,434,119	1,372,534
PROPERTY AND EQUIPMENT (Note 4)	813,289	833,451
	\$ 4,247,408	\$ 2,205,985
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 61,781	\$ 75,439
Deferred income (Note 5)	2,103,053	6,129
Employee benefit obligations (Note 6)	148,083	124,795
	2,312,917	206,363
NET ASSETS		
Internally restricted surplus (Note 7)	1,120,101	1,164,826
Externally restricted surplus (Note 7)	1,101	1,344
Invested in property and equipment	813,289	833,452
	1,934,491	1,999,622
	\$ 4,247,408	\$ 2,205,985

ON BEHALF OF THE BOARD


 _____ Director


 _____ Director

CHINOOK ARCH LIBRARY BOARD
Statement of Changes in Net Assets
Year Ended December 31, 2017

	Unrestricted surplus 2017	Internally restricted surplus 2017	Externally restricted surplus 2017	Invested in property and equipment 2017	Total 2017	Total 2016
NET ASSETS - BEGINNING OF YEAR	\$ -	\$ 1,164,826	\$ 1,344	\$ 833,452	\$ 1,999,622	\$ 2,049,797
Deficiency of revenues over expenditures	(65,131)	-	-	-	(65,131)	(50,175)
Internally imposed restrictions (Note 7)	44,725	(44,725)	-	-	-	-
Externally imposed restrictions (Note 7)	243	-	(243)	-	-	-
Capital asset purchases	(103,315)	-	-	103,315	-	-
Grant, capital asset	27,150	-	-	(27,150)	-	-
Disposal of capital assets	83,383	-	-	(83,383)	-	-
Accumulated amortization on disposed assets	(83,382)	-	-	83,382	-	-
Annual amortization expense	96,327	-	-	(96,327)	-	-
NET ASSETS - END OF YEAR	\$ -	\$ 1,120,101	\$ 1,101	\$ 813,289	\$ 1,934,491	\$ 1,999,622

See notes to financial statements

CHINOOK ARCH LIBRARY BOARD

Statement of Operations

Year Ended December 31, 2017

	Total 2017	Total 2016
REVENUES		
Municipal levies	\$ 1,562,943	\$ 1,499,850
Provincial operating grant	970,086	958,746
Library boards	594,986	587,332
Provincial Rural Library Services grant	192,740	191,236
Resource Sharing Contract grant (Note 8)	151,402	151,402
Municipal rural services fees	64,550	64,550
Other grants	7,033	36,733
Other income (Schedule 1)	405,390	377,257
Contract services (Schedule 1)	159,397	211,074
	4,108,527	4,078,180
EXPENDITURES		
Salaries and benefits	1,852,096	1,831,122
Building & maintenance	50,472	57,391
Board expenses	39,129	34,426
Library materials and collections	963,785	882,239
Programs and services (Schedule 2)	351,563	356,110
Network services (Schedule 2)	282,104	246,965
Contract & other services (Schedule 2)	190,307	239,687
Bibliographic services (Schedule 2)	97,893	99,190
Training & development (Schedule 2)	92,832	88,632
Shipping & delivery (Schedule 2)	51,361	45,662
Administration (Schedule 2)	47,974	43,774
Amortization	96,327	91,731
	4,115,843	4,016,929
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES FROM OPERATIONS	(7,316)	61,251
OTHER REVENUE (EXPENDITURES)		
Gain on disposal of assets	9,000	-
Building Project	-	(28,160)
Technology Project	(66,815)	(83,266)
	(57,815)	(111,426)
DEFICIENCY OF REVENUES OVER EXPENDITURES	\$ (65,131)	\$ (50,175)

See notes to financial statements

CHINOOK ARCH LIBRARY BOARD

Statement of Cash Flows

Year Ended December 31, 2017

	2017	2016
OPERATING ACTIVITIES		
Cash receipts from operations	\$ 4,093,364	\$ 4,035,952
Cash paid to suppliers and employees	(4,047,180)	(3,964,150)
Interest received	27,776	18,673
Cash flow from operating activities	73,960	90,475
INVESTING ACTIVITIES		
Purchase of capital assets	(103,315)	(20,867)
Proceeds on disposal of property and equipment	9,000	-
Cash flow used by investing activities	(94,315)	(20,867)
FINANCING ACTIVITY		
Building grant received	2,120,000	-
Cash flow from financing activity	2,120,000	-
INCREASE IN CASH FLOW	2,099,645	69,608
Cash - beginning of year	1,077,256	1,007,650
CASH - END OF YEAR	3,176,901	1,077,258
CASH CONSISTS OF:		
Cash and Temporary Investments	\$ 1,073,850	\$ 1,077,256
Restricted cash	2,103,053	-
	\$ 3,176,903	\$ 1,077,256

See notes to financial statements

CHINOOK ARCH LIBRARY BOARD**Revenue Schedules (Schedule 1)****Year Ended December 31, 2017**

	2017	2016
OTHER INCOME		
Additional funds for library materials	\$ 323,117	\$ 332,358
Fundraising and donations - general	37,536	1,163
Southern Alberta Library conference	18,849	20,924
Interest and investment income	17,573	18,673
Employment programs	7,889	3,651
Miscellaneous	400	488
Lost materials reimbursement	26	-
	\$ 405,390	\$ 377,257
CONTRACT SERVICES		
Reimbursement for purchases	\$ 121,994	\$ 172,492
Contracts	36,538	37,331
Book purchases	865	1,251
	\$ 159,397	\$ 211,074

CHINOOK ARCH LIBRARY BOARD

Expense Schedules (Schedule 2)

Year Ended December 31, 2017

	2017	2016
PROGRAMS AND SERVICES		
Rural Library Services Grant Transfer	\$ 227,716	\$ 221,692
Regional Resource Sharing	90,000	90,000
Marketing & Communications	17,579	21,004
Membership programs	8,820	8,510
Library Membership Cards	3,455	9,232
Summer programs	3,381	3,672
Special Projects	612	2,000
	\$ 351,563	\$ 356,110
NETWORK SERVICES		
Network support and maintenance	\$ 161,134	\$ 150,793
Equipment and software	43,958	19,731
Telecommunications	42,012	41,441
RISE bridge and network support	35,000	35,000
	\$ 282,104	\$ 246,965
CONTRACT AND OTHER SERVICES		
Purchasings Services for Mem. Libs	\$ 120,749	\$ 169,547
ILL VDX Maintenance	35,533	35,234
ILS Maint. & Subs. Contract Service	22,123	21,479
Internet Service Contract	8,580	8,580
Provincial ILLResource Sharing	2,280	3,310
Staff Purchases Materials	799	1,132
Better Beginnings Card Coupons	243	405
	\$ 190,307	\$ 239,687
BIBLIOGRAPHIC SERVICES		
Support services	\$ 77,514	\$ 80,913
Supplies for library materials	16,117	14,016
Cataloguing subscriptions	4,262	4,261
	\$ 97,893	\$ 99,190
TRAINING AND DEVELOPMENT		
Conferences, courses, staff travel	\$ 49,607	\$ 39,876
Southern Alberta Library Conference	28,362	29,594
Librarian meetings and training	14,413	18,556
Programs and training for libraries	450	606
	\$ 92,832	\$ 88,632

CHINOOK ARCH LIBRARY BOARD**Expense Schedules (Schedule 2)****Year Ended December 31, 2017**

	2017	2016
SHIPPING AND DELIVERY		
Freight	\$ 6,100	\$ 5,697
Postage and shipping	4,894	6,473
Vehicle insurance	5,289	4,232
Vehicle expense	35,078	29,260
	\$ 51,361	\$ 45,662
ADMINISTRATION		
Office equipment maintenance	\$ 13,908	\$ 16,769
Professional fees	7,800	7,850
Foreign currency exchange	7,154	-
Coffee services	6,679	4,676
Office supplies and equipment	5,961	6,344
Subscriptions	3,634	2,788
Printing	1,461	4,038
Bank charges	868	316
Memberships	467	105
Miscellaneous	42	6
Advertising	-	882
	\$ 47,974	\$ 43,774

1. NATURE OF OPERATIONS

Chinook Arch Library Board assists a network of cooperating libraries in southwest Alberta to provide cost-effective, convenient access to information and library resources.

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 Chinook Arch Regional Library System.

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 Operating Fund accounts for the organization's program delivery and administrative activities.

The Capital 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 an expense in the capital equity fund. Amortization expense is recorded as an expense in the Statement of Operations.

The Restricted Fund - Book Allotment reports funds allocated to member libraries for book allotment and are restricted for purchases of library materials in subsequent years. Unspent allocations are added to the library's allocation in the following year.

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

Employee Computer Loans

The Board has a policy on 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 rate.

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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. Property and equipment is amortized over its estimated useful life at the following rates and methods:

Buildings	declining balance method
Automotive (passenger)	declining balance method
Automotive (delivery vehicles)	straight-line method
Computer equipment	straight-line method
Office furniture and equipment	straight-line method

The organization regularly reviews its property and equipment to eliminate obsolete items. Government grants are treated as a reduction of property and equipment cost.

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

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.

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 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.

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.

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CHINOOK ARCH LIBRARY BOARD
Notes to Financial Statements
Year Ended December 31, 2017

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

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 funds received from the Government of Alberta for the building grant, including interest earned thereon, for the purpose of maintenance, repairs, and renovations to the building headquarters such that the buildings are brought to acceptable condition and optimized to meet the business needs of the board.

4. CAPITAL ASSETS

	Cost	Government Assistance	Accumulated amortization	2017 Net book value	2016 Net book value
Land	\$ 40,580	\$ -	\$ -	\$ 40,580	\$ 40,580
Buildings	1,546,295	144,568	709,748	691,979	720,811
Equipment	61,234	-	55,276	5,958	9,520
Motor vehicles	160,244	79,710	59,582	20,952	4,969
Computer Network	286,623	49,882	182,921	53,820	57,571
	\$ 2,094,976	\$ 274,160	\$ 1,007,527	\$ 813,289	\$ 833,451

CHINOOK ARCH LIBRARY BOARD

Notes to Financial Statements

Year Ended December 31, 2017

5. DEFERRED REVENUE

The change in deferred revenues are as follows:

	2017	2016
<u>Building Grant</u>		
Funds received	\$ 2,120,000	\$ -
Interest earned on unspent funds	10,203	-
Allocated to property and equipment	(27,150)	-
	2,103,053	-
<u>CIP Grant Block Collection</u>		
Opening balance	6,129	-
Funds received	-	42,862
Recognized in income	(6,129)	(36,733)
	-	6,129
Grand total	\$ 2,103,053	\$ 6,129

6. EMPLOYEE BENEFIT OBLIGATIONS

	2017	2016
Vacation accrual	\$ 134,666	\$ 114,060
Health spending account	13,417	10,735
	\$ 148,083	\$ 124,795

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.

7. RESERVES AND RESTRICTED FUNDS

	2016	Increase	Decrease	2017
<u>Internally restricted surplus</u>				
Technology	\$ 304,487	\$ -	\$ 7,276	\$ 297,211
Vehicle	131,457	-	-	131,457
Building	359,354	-	-	359,354
Operating	208,052	-	-	208,052
Book allotment	161,476	-	37,449	124,027
	\$ 1,164,826	\$ -	\$ 44,725	\$ 1,120,101
<u>Externally restricted surplus</u>				
Better Beginnings	\$ 1,344	\$ -	\$ 243	\$ 1,101

CHINOOK ARCH LIBRARY BOARD
Notes to Financial Statements
Year Ended December 31, 2017

8. RESOURCE SHARING GRANT

Chinook Arch Library Board receives a resource sharing grant from Alberta Municipal Affairs to fund the coordination of the provincial interlibrary loan service in Alberta. In 2016 the grant was received for the provincial fiscal year April 2016 to March 2017. The 2016 calculation indicates a total for the 2015-2016 provincial fiscal year ended March 31 2016 as well as the simple total for the Chinook Arch fiscal year 2016.

*The total expenditures from April 2016 to March 2017 are \$141,061

Interlibrary Loan Grant/Expenditures	Jan-Mar 2017	Apr-Dec 2017	Total 2017	Jan-Mar 2016	Apr-Dec 2016	Total 2016
Revenue						
Resource Sharing Grant from Municipal Affairs		\$151,101	\$151,101		\$151,402	\$151,402
Expenditures						
Staffing and Administrative costs	\$31,133	\$80,713	\$111,846	\$27,980	\$82,417	\$110,398
Hardware/software maintenance	\$ -	\$38,747	\$38,747	\$8,809	\$26,426	\$35,234
Node Training & Travel	\$ -	\$859	\$859	\$ -	\$1,085	\$1,085
Total	*\$31,133	\$120,319	\$151,452	\$36,789	*\$109,928	\$146,717
Total Apr 2016-Mar 2017	\$141,061					

9. SIGNIFICANT REVENUE SOURCE

In 2017, 82% (2016 - 82%) 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 2017, the Lethbridge population represented 48% (2016 - 48%) of the System's total population and generated 40% of the total revenue (2016 - 40%) Although the organization would continue to operate without that membership there would be a need for additional sources of revenue.

10. 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 253,862 members and retirees and 417 employer groups. The LAPP is 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 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% on pensionable earnings above this amount. Employees of the organization are required to make current service contributions of 10.39% of pensionable salary up to the year's maximum pensionable salary and 14.84% on pensionable salary above this amount.

Total current service contributions by the organization to LAPP in 2017 were \$173,329 (2016 - \$162,907). The current service contributions by the employees of the organization to the LAPP in 2017 were \$153,473 (2016 - \$149,511).

As at December 31, 2016 the plan disclosed an actuarial deficiency of \$637 million (2015 - \$923 million). As at the financial statement date, the plan's 2017 statement of financial position had not yet been released.

11. 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, 2017.

(a) Credit risk

Chinook Arch is exposed to credit risk resulting from the possibility that parties may default on their financial obligations, or if there is a concentration of transactions carried out with the same party, or if there is a concentration of financial obligations which have similar economic characteristics that could be similarly affected by changes in economic conditions, such that Chinook Arch could incur financial loss. Chinook Arch mitigates this risk by dealing with major financial institutions in Canada that are regulated, as well as a large customer base.

(b) Liquidity risk

Liquidity risk is the risk that Chinook Arch will not be able to meet a demand for cash or fund its obligations as they become due. Chinook Arch meets its liquidity requirements by preparing and monitoring budgets of cash flows from operations, anticipating investing and financing activities and holding assets that can readily be converted to cash.

(c) 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 and accounts payable held in U.S. dollars. Chinook Arch transacts expenditures of approximately \$110,000 US funds a year which is insignificant compared to the total expenditures. The risk at December 31, 2017 is minimal.

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11. FINANCIAL INSTRUMENTS *(continued)*

(d) 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 Chinook Arch to interest rate risk arises from its interest bearing assets. Chinook Arch's cash includes amounts on deposit with financial institutions that earn interest at fixed rates. The risk at December 31, 2017 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. There is no change in Chinook Arch's risk exposure from the prior year.

12. COMPARATIVE FIGURES

The prior year comparative figures were audited by another firm of public accountants. Where applicable, certain 2016 comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.
