

**CHINOOK ARCH LIBRARY BOARD**  
**Financial Statements**  
**Year Ended December 31, 2019**

**CHINOOK ARCH LIBRARY BOARD**  
**Index to Financial Statements**  
**Year Ended December 31, 2019**

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## INDEPENDENT AUDITOR'S REPORT

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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, 2019, 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, 2019, 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.

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:

*(continues)*

\* denotes professional corporation

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

- 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  
March 25, 2020

**INSIGHT** LLP

Chartered Professional Accountants

**CHINOOK ARCH LIBRARY BOARD****Statement of Financial Position****December 31, 2019**

	2019	2018
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and Temporary Investments	\$ 1,096,703	\$ 1,059,497
Restricted cash (Note 3)	125,042	1,267,121
Accounts receivable	92,665	62,463
Goods and services tax recoverable	36,495	74,260
Prepaid expenses	182,407	157,105
Employee computer loans	4,352	3,341
	<b>1,537,664</b>	<b>2,623,787</b>
PROPERTY AND EQUIPMENT (Note 4)	<b>755,587</b>	<b>782,375</b>
	<b>\$ 2,293,251</b>	<b>\$ 3,406,162</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 87,868	\$ 57,677
Deferred income (Note 5)	125,042	1,267,121
Employee benefit obligations (Note 6)	164,699	150,947
	<b>377,609</b>	<b>1,475,745</b>
<b>NET ASSETS</b>		
Internally restricted surplus (Note 7)	1,159,013	1,147,002
Externally restricted surplus (Note 7)	1,041	1,041
Invested in property and equipment	755,588	782,374
	<b>1,915,642</b>	<b>1,930,417</b>
	<b>\$ 2,293,251</b>	<b>\$ 3,406,162</b>

**ON BEHALF OF THE BOARD**

DocuSigned by:


 \_\_\_\_\_ Director

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 \_\_\_\_\_ Director

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**CHINOOK ARCH LIBRARY BOARD**  
**Statement of Changes in Net Assets**  
**Year Ended December 31, 2019**

	Unrestricted surplus 2019	Internally restricted surplus 2019	Externally restricted surplus 2019	Invested in property and equipment 2019	Total 2019	Total 2018
<b>NET ASSETS - BEGINNING OF YEAR</b>	\$ -	\$ 1,147,002	\$ 1,041	\$ 782,374	\$ 1,930,417	\$ 1,934,491
Deficiency of revenues over expenditures	(14,775)	-	-	-	(14,775)	(4,074)
Use of technology funds (Note 7)	12,001	(12,001)	-	-	-	-
Book allotment purchases net of additions to book allotment fund (Note 7)	31,555	(31,555)	-	-	-	-
Capital asset purchases	(1,196,672)	-	-	1,196,672	-	-
Capital asset grants	1,135,497	-	-	(1,135,497)	-	-
Disposal of capital assets	20,591	-	-	(20,591)	-	-
Accumulated amortization on disposed assets	(17,604)	-	-	17,604	-	-
Annual amortization expense	84,974	-	-	(84,974)	-	-
Internally imposed restrictions on remaining surplus (Note 7)	(55,567)	55,567	-	-	-	-
<b>NET ASSETS - END OF YEAR</b>	\$ -	\$ 1,159,013	\$ 1,041	\$ 755,588	\$ 1,915,642	\$ 1,930,417

See notes to financial statements

**CHINOOK ARCH LIBRARY BOARD****Statement of Operations****Year Ended December 31, 2019**

	<b>Total 2019</b>	<b>Total 2018</b>
<b>REVENUES</b>		
Municipal levies	\$ 1,687,315	\$ 1,630,059
Provincial operating grant	970,499	970,499
Library boards	609,141	601,609
Provincial rural library services grant	193,229	193,229
Municipal rural services fees	67,924	66,633
Resource sharing contract grant	20,000	160,872
Other income (Schedule 1)	388,616	376,570
Contract services (Schedule 1)	197,574	254,145
Other grants (Schedule 1)	221,316	14,840
	<b>4,355,614</b>	<b>4,268,456</b>
<b>EXPENDITURES</b>		
Salaries and benefits	1,983,136	1,951,012
Library materials and collections	992,328	889,788
Building & maintenance	43,857	49,955
Board expenses	33,529	34,023
Programs and services (Schedule 2)	428,494	345,823
Network services (Schedule 2)	280,324	283,007
Contract & other services (Schedule 2)	222,844	292,820
Bibliographic services (Schedule 2)	88,460	90,584
Training & development (Schedule 2)	94,845	108,133
Shipping & delivery (Schedule 2)	51,333	54,005
Administration (Schedule 2)	51,277	40,508
Amortization	84,974	100,304
	<b>4,355,401</b>	<b>4,239,962</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES FROM OPERATIONS</b>		
	<b>213</b>	<b>28,494</b>
<b>OTHER REVENUE (EXPENDITURES)</b>		
Gain (loss) on disposal of property and equipment	(2,987)	3,576
Technology project	(12,001)	(36,144)
	<b>(14,988)</b>	<b>(32,568)</b>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<b>\$ (14,775)</b>	<b>\$ (4,074)</b>

See notes to financial statements

**CHINOOK ARCH LIBRARY BOARD**  
**Revenue Schedules (Schedule 1)**  
**Year Ended December 31, 2019**

	2019	2018
<b>OTHER INCOME</b>		
Additional funds for library materials	\$ 301,024	\$ 328,397
Fundraising and donations	31,919	44
Interest and investment income	25,510	20,661
Southern Alberta Library conference	22,513	23,898
Employment programs	7,554	3,264
Miscellaneous	96	265
Lost materials reimbursement	-	41
	<b>\$ 388,616</b>	<b>\$ 376,570</b>
<b>CONTRACT SERVICES</b>		
Reimbursement for purchases	\$ 156,088	\$ 217,274
Contracts	41,204	36,512
Book purchases	282	359
	<b>\$ 197,574</b>	<b>\$ 254,145</b>
<b>OTHER GRANTS</b>		
Digital Literacy Exchange Program	\$ 149,056	\$ -
Aging Well in Community grant	50,000	-
Community Foundations grant	21,760	-
Neurodiversity grant	500	-
Alberta Traffic Safety grant	-	14,840
	<b>\$ 221,316</b>	<b>\$ 14,840</b>



**CHINOOK ARCH LIBRARY BOARD**  
**Expense Schedules (Schedule 2)**  
**Year Ended December 31, 2019**

	2019	2018
<b>PROGRAMS AND SERVICES</b>		
Rural library services grant transfer	\$ 232,793	\$ 225,491
Regional resource sharing	90,000	90,000
Marketing & communications	61,664	17,354
Special projects	24,780	843
Membership programs	9,072	8,922
Library membership cards	8,495	774
Summer programs	1,690	2,439
	<b>\$ 428,494</b>	<b>\$ 345,823</b>
<b>NETWORK SERVICES</b>		
Support Subscriptions	\$ 121,782	\$ -
Network support and maintenance	51,635	188,426
Equipment and software	44,765	18,925
RISE bridge and network support	35,000	35,000
Telecommunications	27,142	40,656
	<b>\$ 280,324</b>	<b>\$ 283,007</b>
<b>CONTRACT AND OTHER SERVICES</b>		
Purchasing services for member libraries	\$ 156,829	\$ 214,823
ILS maintenance and service contract	32,804	34,110
ILL VDX maintenance	29,696	38,678
Provincial ILL resource sharing	3,233	2,806
Staff purchases materials	282	198
Internet service contract	-	2,145
Better Beginnings card coupons	-	60
	<b>\$ 222,844</b>	<b>\$ 292,820</b>
<b>BIBLIOGRAPHIC SERVICES</b>		
Support services	\$ 76,387	\$ 70,419
Supplies for library materials	8,172	15,927
Cataloguing subscriptions	3,901	4,238
	<b>\$ 88,460</b>	<b>\$ 90,584</b>
<b>TRAINING AND DEVELOPMENT</b>		
Conferences, courses, staff travel	\$ 47,362	\$ 52,929
Southern Alberta Library Conference	30,996	32,551
Librarian meetings and training	16,187	18,873
Programs and training for libraries	300	3,780
	<b>\$ 94,845</b>	<b>\$ 108,133</b>

**CHINOOK ARCH LIBRARY BOARD****Expense Schedules (Schedule 2)****Year Ended December 31, 2019**

	2019	2018
<b>SHIPPING AND DELIVERY</b>		
Vehicle expense	\$ 37,493	\$ 40,826
Freight	5,703	5,896
Postage and shipping	5,001	3,479
Vehicle insurance	3,136	3,804
	<b>\$ 51,333</b>	<b>\$ 54,005</b>
<b>ADMINISTRATION</b>		
Office supplies and equipment	\$ 17,581	\$ 7,400
Office equipment maintenance	12,484	12,656
Professional fees	6,800	6,500
Coffee services	6,784	5,982
Subscriptions	2,559	3,767
Printing	1,774	34
Bank charges	1,376	1,832
Recruitment	581	-
Miscellaneous	478	281
Advertising	271	55
Memberships	221	318
Foreign currency exchange	368	1,683
	<b>\$ 51,277</b>	<b>\$ 40,508</b>

**CHINOOK ARCH LIBRARY BOARD****Statement of Cash Flows****Year Ended December 31, 2019**

	2019	2018
<b>OPERATING ACTIVITIES</b>		
Cash receipts from operations	\$ 4,279,353	\$ 4,246,072
Cash paid to suppliers and employees	(4,226,020)	(4,188,772)
Interest received	38,467	48,306
Cash flow from operating activities	<b>91,800</b>	105,606
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(1,196,672)	(959,467)
Proceeds on disposal of property and equipment	-	3,576
Cash flow used by investing activities	<b>(1,196,672)</b>	(955,891)
<b>DECREASE IN CASH FLOW</b>	<b>(1,104,872)</b>	(850,285)
Cash - beginning of year	<b>2,326,618</b>	3,176,903
<b>CASH - END OF YEAR</b>	<b>\$ 1,221,746</b>	\$ 2,326,618
<b>CASH CONSISTS OF:</b>		
Cash and Temporary Investments	\$ 1,096,703	\$ 1,059,497
Restricted cash	125,042	1,267,121
	<b>\$ 1,221,745</b>	<b>\$ 2,326,618</b>

See notes to financial statements

**CHINOOK ARCH LIBRARY BOARD**  
**Notes to Financial Statements**  
**Year Ended December 31, 2019**

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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.

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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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**CHINOOK ARCH LIBRARY BOARD****Notes to Financial Statements****Year Ended December 31, 2019****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.

Government grants received 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.

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.

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, 2019****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 externally restricted funds received for specific purposes.

**4. PROPERTY AND EQUIPMENT**

	Cost	Government Assistance	Accumulated amortization	2019 Net book value	2018 Net book value
Land	\$ 40,580	\$ -	\$ -	\$ 40,580	\$ 40,580
Buildings	3,564,009	2,170,144	759,005	634,860	623,160
Equipment	52,752	-	50,699	2,053	43,536
Motor vehicles	211,881	79,710	105,731	26,440	1,242
Computer equipment	260,989	-	209,335	51,654	73,857
	\$ 4,130,211	\$ 2,249,854	\$ 1,124,770	\$ 755,587	\$ 782,375

**CHINOOK ARCH LIBRARY BOARD**  
**Notes to Financial Statements**  
**Year Ended December 31, 2019**

5. DEFERRED REVENUE

The change in deferred revenues include the following:

	2019	2018
<u>Building Grant</u>		
Opening Balance	\$ 1,240,621	\$ 2,103,053
Funds received	-	-
Interest earned on unspent funds	12,957	27,646
Allocated to property and equipment	(1,135,497)	(890,078)
	<b>118,081</b>	<b>1,240,621</b>
<u>CFLSA Grant</u>		
Opening balance	26,000	-
Funds received	-	26,000
Amounts recognized	(21,760)	-
<u>Other</u>		
Opening balance	500	-
Funds received	2,721	500
Amounts recognized	(500)	-
<b>Grand total</b>	<b>\$ 125,042</b>	<b>\$ 1,267,121</b>

6. EMPLOYEE BENEFIT OBLIGATIONS

	2019	2018
Vacation accrual	\$ 153,029	\$ 136,247
Health spending account	11,670	14,700
	<b>\$ 164,699</b>	<b>\$ 150,947</b>

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

	2018	Increase	Decrease	2019
<u>Internally restricted surplus</u>				
Technology	\$ 281,741	\$ -	\$ 12,001	\$ 269,740
Vehicle	131,457	-	-	131,457
Building	359,354	-	-	359,354
Operating	208,052	55,567	-	263,619
Book allotment	166,398	644,133	675,688	134,843
	<b>\$ 1,147,002</b>	<b>\$ 699,700</b>	<b>\$ 687,689</b>	<b>\$ 1,159,013</b>
<u>Externally restricted surplus</u>				
Better Beginnings	\$ 1,041	\$ -	\$ -	\$ 1,041

**CHINOOK ARCH LIBRARY BOARD****Notes to Financial Statements****Year Ended December 31, 2019**

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**8. SIGNIFICANT REVENUE SOURCE**

In 2019, 81% (2018 - 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 2019, the Lethbridge population represented 48% (2018 - 48%) of the System's total population and generated 40% of the total revenue (2018 - 40%). Although the organization would continue to operate without that membership there would be a need for additional sources of revenue.

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**9. 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 265,813 members and retirees and 421 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 2019 were \$153,130 (2018 - \$165,165). The current service contributions by the employees of the organization to the LAPP in 2019 were \$138,122 (2018 - \$152,234).

As at December 31, 2018 the plan disclosed an actuarial surplus of \$3.47 billion (2017 - surplus of \$4.84 billion). As at the financial statement date, the plan's 2019 statement of financial position had not yet been released.

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**10. FINANCIAL INSTRUMENTS****(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) 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. The risk at December 31, 2019 is minimal.

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**CHINOOK ARCH LIBRARY BOARD**

**Notes to Financial Statements**

**Year Ended December 31, 2019**

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10. 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 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, 2019 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.

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11. COMPARATIVE FIGURES

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

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