



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, 2018, 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, 2018, 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.

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 the 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 those 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 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.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters relating 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:

- 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.

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* denotes professional corporation

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

- 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 4, 2019

BURTON & Co. LLP

Chartered Professional Accountants

CHINOOK ARCH LIBRARY BOARD

Statement of Financial Position

December 31, 2018

	2018	2017
ASSETS		
CURRENT		
Cash and Temporary Investments	\$ 1,059,497	\$ 1,073,850
Restricted cash (Note 3)	1,267,121	2,103,053
Accounts receivable	62,463	30,233
Goods and services tax recoverable	74,260	57,522
Prepaid expenses	157,105	162,113
Employee computer loans	3,341	7,348
	2,623,787	3,434,119
PROPERTY AND EQUIPMENT (Note 4)	782,375	813,289
	\$ 3,406,162	\$ 4,247,408
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 57,676	\$ 61,781
Deferred income (Note 5)	1,267,121	2,103,053
Employee benefit obligations (Note 6)	150,948	148,083
	1,475,745	2,312,917
NET ASSETS		
Internally restricted surplus (Note 7)	1,147,002	1,120,101
Externally restricted surplus (Note 7)	1,041	1,101
Invested in property and equipment	782,374	813,289
	1,930,417	1,934,491
	\$ 3,406,162	\$ 4,247,408

ON BEHALF OF THE BOARD

 Director

 Director

CHINOOK ARCH LIBRARY BOARD
Statement of Changes in Net Assets
Year Ended December 31, 2018

	Unrestricted surplus 2018	Internally restricted surplus 2018	Externally restricted surplus 2018	Invested in property and equipment 2018	Total 2018	Total 2017
NET ASSETS - BEGINNING OF YEAR	\$ -	\$ 1,120,101	\$ 1,101	\$ 813,289	\$ 1,934,491	\$ 1,999,622
Deficiency of revenues over expenditures	(4,074)	-	-	-	(4,074)	(65,131)
Internally imposed restrictions (Note 7)	(26,901)	26,901	-	-	-	-
Externally imposed restrictions (Note 7)	60	-	(60)	-	-	-
Capital asset purchases	(959,467)	-	-	959,467	-	-
Capital asset grants	890,078	-	-	(890,078)	-	-
Disposal of capital assets	50,431	-	-	(50,431)	-	-
Accumulated amortization on disposed assets	(50,431)	-	-	50,431	-	-
Annual amortization expense	100,304	-	-	(100,304)	-	-
NET ASSETS - END OF YEAR	\$ -	\$ 1,147,002	\$ 1,041	\$ 782,374	\$ 1,930,417	\$ 1,934,491

See notes to financial statements

CHINOOK ARCH LIBRARY BOARD

Statement of Operations

Year Ended December 31, 2018

	Total 2018	Total 2017
REVENUES		
Municipal levies	\$ 1,630,059	\$ 1,562,944
Provincial operating grant	970,499	970,086
Library boards	601,609	594,986
Provincial Rural Library Services grant (Note 8)	193,229	192,740
Resource Sharing Contract grant	160,872	151,402
Municipal rural services fees	66,633	64,550
Other grants	14,840	7,033
Other income (Schedule 1)	376,570	405,390
Contract services (Schedule 1)	254,145	159,397
	4,268,456	4,108,528
EXPENDITURES		
Salaries and benefits	1,951,012	1,852,096
Library materials and collections	889,788	963,786
Building & maintenance	49,955	50,472
Board expenses	34,023	39,129
Programs and services (Schedule 2)	345,823	351,563
Network services (Schedule 2)	283,007	282,104
Contract & other services (Schedule 2)	292,820	190,307
Bibliographic services (Schedule 2)	90,584	97,893
Training & development (Schedule 2)	108,133	92,832
Shipping & delivery (Schedule 2)	54,005	51,361
Administration (Schedule 2)	40,508	47,974
Amortization	100,304	96,327
	4,239,962	4,115,844
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES FROM OPERATIONS	28,494	(7,316)
OTHER REVENUE (EXPENDITURES)		
Gain on disposal of property and equipment	3,576	9,000
Technology project	(36,144)	(66,815)
	(32,568)	(57,815)
DEFICIENCY OF REVENUES OVER EXPENDITURES	\$ (4,074)	\$ (65,131)

See notes to financial statements

CHINOOK ARCH LIBRARY BOARD
Statement of Cash Flows
Year Ended December 31, 2018

	2018	2017
OPERATING ACTIVITIES		
Cash receipts from operations	\$ 4,246,072	\$ 4,093,366
Cash paid to suppliers and employees	(4,188,772)	(4,047,180)
Interest received	48,306	27,776
Cash flow from operating activities	105,606	73,962
INVESTING ACTIVITIES		
Purchase of property and equipment	(959,467)	(103,315)
Proceeds on disposal of property and equipment	3,576	9,000
Cash flow used by investing activities	(955,891)	(94,315)
FINANCING ACTIVITY		
Building grant received	-	2,120,000
Cash flow from financing activity	-	2,120,000
INCREASE (DECREASE) IN CASH FLOW	(850,285)	2,099,647
Cash - beginning of year	3,176,903	1,077,256
CASH - END OF YEAR	\$ 2,326,618	\$ 3,176,903
CASH CONSISTS OF:		
Cash and Temporary Investments	\$ 1,059,497	\$ 1,073,850
Restricted cash	1,267,121	2,103,053
	\$ 2,326,618	\$ 3,176,903

See notes to financial statements

CHINOOK ARCH LIBRARY BOARD
Revenue Schedules (Schedule 1)
Year Ended December 31, 2018

	2018	2017
OTHER INCOME		
Additional funds for library materials	\$ 328,397	\$ 323,117
Southern Alberta Library conference	23,898	18,849
Interest and investment income	20,661	17,573
Employment programs	3,264	7,889
Fundraising and donations - general	44	37,536
Lost materials reimbursement	41	26
Miscellaneous	265	400
	\$ 376,570	\$ 405,390
CONTRACT SERVICES		
Reimbursement for purchases	\$ 217,274	\$ 121,994
Contracts	36,512	36,538
Book purchases	359	865
	\$ 254,145	\$ 159,397

CHINOOK ARCH LIBRARY BOARD**Expense Schedules (Schedule 2)****Year Ended December 31, 2018**

	2018	2017
PROGRAMS AND SERVICES		
Rural library services grant transfer	\$ 225,491	\$ 227,716
Regional resource sharing	90,000	90,000
Marketing & communications	17,354	17,579
Membership programs	8,922	8,820
Summer programs	2,439	3,381
Special projects	843	612
Library membership cards	774	3,455
	\$ 345,823	\$ 351,563
NETWORK SERVICES		
Network support and maintenance	\$ 188,426	\$ 161,134
Telecommunications	40,656	42,012
RISE bridge and network support	35,000	35,000
Equipment and software	18,925	43,958
	\$ 283,007	\$ 282,104
CONTRACT AND OTHER SERVICES		
Purchasing services for member libraries	\$ 214,823	\$ 120,749
ILL VDX maintenance	38,678	35,533
ILS maintenance and service contract	34,110	22,123
Provincial ILL resource sharing	2,806	2,280
Internet service contract	2,145	8,580
Staff purchases materials	198	799
Better Beginnings card coupons	60	243
	\$ 292,820	\$ 190,307
BIBLIOGRAPHIC SERVICES		
Support services	\$ 70,419	\$ 77,514
Supplies for library materials	15,927	16,117
Cataloguing subscriptions	4,238	4,262
	\$ 90,584	\$ 97,893
TRAINING AND DEVELOPMENT		
Conferences, courses, staff travel	\$ 52,929	\$ 49,607
Southern Alberta Library Conference	32,551	28,362
Librarian meetings and training	18,873	14,413
Programs and training for libraries	3,780	450
	\$ 108,133	\$ 92,832

CHINOOK ARCH LIBRARY BOARD
Expense Schedules (Schedule 2)
Year Ended December 31, 2018

	2018	2017
SHIPPING AND DELIVERY		
Vehicle expense	\$ 40,826	\$ 35,078
Freight	5,896	6,100
Vehicle insurance	3,804	5,289
Postage and shipping	3,479	4,894
	\$ 54,005	\$ 51,361
ADMINISTRATION		
Office equipment maintenance	\$ 12,656	\$ 13,908
Office supplies and equipment	7,400	5,961
Professional fees	6,500	7,800
Coffee services	5,982	6,679
Subscriptions	3,767	3,634
Bank charges	1,832	868
Foreign currency exchange	1,683	7,154
Memberships	318	467
Miscellaneous	281	42
Advertising	55	-
Printing	34	1,461
	\$ 40,508	\$ 47,974

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, 2018

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	2018 Net book value	2017 Net book value
Land	\$ 40,580	\$ -	\$ -	\$ 40,580	\$ 40,580
Buildings	2,395,233	1,034,646	737,427	623,160	691,979
Equipment	102,374	-	58,838	43,536	5,958
Motor vehicles	122,140	41,606	79,292	1,242	20,952
Computer equipment	255,700	-	181,843	73,857	53,820
	\$ 2,916,027	\$ 1,076,252	\$ 1,057,400	\$ 782,375	\$ 813,289

CHINOOK ARCH LIBRARY BOARD

Notes to Financial Statements

Year Ended December 31, 2018

5. DEFERRED REVENUE

The change in deferred revenues are as follows:

	2018	2017
<u>Building Grant</u>		
Opening Balance	\$ 2,103,053	\$ -
Funds received	-	2,120,000
Interest earned on unspent funds	27,646	10,203
Allocated to property and equipment	(890,078)	(27,150)
	1,240,621	2,103,053
<u>CFLSA Grant</u>		
Opening balance	-	-
Funds received	26,000	-
<u>Neurodiversity Project</u>		
Opening balance	-	-
Funds Received	500	-
Grand total	\$ 1,267,121	\$ 2,103,053

6. EMPLOYEE BENEFIT OBLIGATIONS

	2018	2017
Vacation accrual	\$ 136,248	\$ 134,666
Health spending account	14,700	13,417
	\$ 150,948	\$ 148,083

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

	2017	Increase	Decrease	2018
<u>Internally restricted surplus</u>				
Technology	\$ 297,211	\$ -	\$ 15,471	\$ 281,740
Vehicle	131,457	-	-	131,457
Building	359,354	-	-	359,354
Operating	208,052	-	-	208,052
Book allotment	124,027	42,372	-	166,399
	\$ 1,120,101	\$ 42,372	\$ 15,471	\$ 1,147,002
<u>Externally restricted surplus</u>				
Better Beginnings	\$ 1,101	\$ -	\$ 60	\$ 1,041

CHINOOK ARCH LIBRARY BOARD

Notes to Financial Statements

Year Ended December 31, 2018

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 2017 the grant was received for the provincial fiscal year April 2017 to March 2018. The 2017 calculation indicates a total for the 2016-2017 provincial fiscal year ended March 31 2017 as well as the simple total for the Chinook Arch fiscal year 2017.

*The total expenditures from April 2017 to March 2018 are \$152,488

Interlibrary Loan Grant/Expenditures	Jan-Mar 2018	Apr-Dec 2018	Total 2018	Jan-Mar 2017	Apr-Dec 2017	Total 2017
Revenue						
Resource Sharing Grant from Municipal Affairs	\$ -	\$160,872	\$ 160,872	\$ -	\$ 151,402	\$ 151,402
Expenditures						
Staffing and Administrative costs	\$ 31,476	\$ 95,928	\$ 127,403	\$ 31,133	\$ 80,713	\$ 111,846
Hardware/software maintenance	\$ 693	\$ 38,747	\$ 39,440	\$ -	\$ 38,747	\$ 38,747
Node Training & Travel	\$ -	\$ 2,325	\$ 2,325	\$ -	\$ 859	\$ 859
Total	\$ 32,169	\$137,000	\$ 169,168	\$ 31,133	\$ 120,319	\$ 151,452
Total Apr 2017 - Mar 2018	\$ 152,488					

9. SIGNIFICANT REVENUE SOURCE

In 2018, 81% (2017 - 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 2018, the Lethbridge population represented 48% (2017 - 48%) of the System's total population and generated 40% of the total revenue (2017 - 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 259,714 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 10.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 14.84% on pensionable earnings above this amount. Employees of the organization are required to make current service contributions of 9.39% of pensionable salary up to the year's maximum pensionable salary and 13.84% on pensionable salary above this amount.

Total current service contributions by the organization to LAPP in 2018 were \$165,165 (2017 - \$173,329). The current service contributions by the employees of the organization to the LAPP in 2018 were \$152,234 (2017 - \$153,473).

As at December 31, 2017 the plan disclosed an actuarial surplus of \$4.84 billion (2016 - deficit of \$637 million). As at the financial statement date, the plan's 2018 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, 2018.

(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. The risk at December 31, 2018 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, 2018 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

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

CHINOOK ARCH LIBRARY BOARD
Financial Statements
Year Ended December 31, 2018

CHINOOK ARCH LIBRARY BOARD
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Year Ended December 31, 2018

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