

**SHORTGRASS LIBRARY BOARD**  
**Financial Information**  
**For The Year Ended December 31, 2019**

**SHORTGRASS LIBRARY BOARD**  
**Financial Statements**  
**For The Year Ended December 31, 2019**

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## Independent Auditors' Report

### TO THE BOARD OF TRUSTEES SHORTGRASS LIBRARY BOARD

#### Qualified Opinion

We have audited the accompanying financial statements of **Shortgrass Library Board** 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 a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of **Shortgrass Library Board** as at December 31, 2019 and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

#### Basis for Qualified Opinion

Shortgrass Library Board's accounting policy, see Note 2, in respect to capital assets and leasing arrangements states that they have not adopted the policy of capitalization and amortization as recommended under Canadian accounting standards for not-for-profit organizations. Management feels that expensing the items more closely meet's the users of the financial statements needs. The amount of adjustment necessary under Canadian accounting standards for not-for-profit organizations is not determinable at this time.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of **Shortgrass Library Board** 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 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 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.

In preparing the financial statements, management is responsible for assessing **Shortgrass Library Board'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 **Shortgrass Library Board** or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing **Shortgrass Library Board's** financial reporting process.

## Independent Auditors' Report (Continued)

### Auditors' 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 auditors' 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.
- 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 company'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 company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause **Shortgrass Library Board** 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.

*Johnston Morrison Hunter & Co. Professional Corporation*

**Johnston Morrison Hunter & Co. Professional Corporation**  
**Chartered Professional Accountants**

**Medicine Hat, Alberta**  
**April 15, 2020**

**SHORTGRASS LIBRARY BOARD**

**Statement of Financial Position  
 December 31, 2019**

	2019	2018
	\$	\$
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	195,116	214,013
Short-term investments (Note 3)	25,174	51,622
Accounts receivable	9,421	22,028
Goods and services tax receivable	79,694	53,949
Prepaid expenses and other current assets	<u>84,355</u>	<u>95,268</u>
	393,760	436,880
<b>Restricted Cash and Investments</b> (Note 4)	<u>717,824</u>	<u>1,484,503</u>
	<u><b>1,111,584</b></u>	<u><b>1,921,383</b></u>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	66,567	41,962
Unearned revenue (Note 5)	<u>57,840</u>	<u>625,676</u>
<b>Total Current Liabilities</b>	<u>124,407</u>	<u>667,638</u>
<b>Fund Transfers</b> (Note 7)		
<b>Commitments</b> (Note 8)		
<b>Net Assets</b>		
<b>Internally Restricted Capital</b>	446,694	631,195
<b>Internally Restricted Contingency</b>	213,290	227,632
<b>Unrestricted</b>	<u>327,193</u>	<u>394,918</u>
	<u>987,177</u>	<u>1,253,745</u>
	<u><b>1,111,584</b></u>	<u><b>1,921,383</b></u>
<b>Approved by the Board</b>		
<b>Director:</b>		

**SHORTGRASS LIBRARY BOARD**

**Statement of Changes in Net Assets  
 For The Year Ended December 31, 2019**

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	<b>Internally Restricted Capital</b>	<b>Internally Restricted Contingency</b>	<b>Unrestricted</b>	<b>Total 2019</b>	<b>Total 2018</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Balance</b> , beginning of year	631,195	227,632	394,918	<b>1,253,745</b>	1,309,307
Deficiency of revenue over expenses	-	-	(266,568)	<b>(266,568)</b>	(55,565)
Transfers of investment income (Note 7)	7,612	1,912	(9,524)	-	-
Transfer of funds (Note 7)	<u>(192,113)</u>	<u>(16,254)</u>	<u>208,367</u>	<u>-</u>	<u>-</u>
<b>Balance</b> , end of year	<u><u>446,694</u></u>	<u><u>213,290</u></u>	<u><u>327,193</u></u>	<u><u>987,177</u></u>	<u><u>1,253,742</u></u>

The accompanying notes are an integral part of these financial statements

**SHORTGRASS LIBRARY BOARD**

**Statement of Operations  
 For The Year Ended December 31, 2019**

	2019	2018
	\$	\$
<b>Revenue</b>		
Contracts	33,682	73,753
Provincial grants	515,422	515,422
Other grants	35,302	11,420
Investment income	11,990	8,126
Materials operational levy (Note 6)	107,349	107,349
Member municipalities operational levy	549,627	549,627
Reimbursements	<u>14,220</u>	<u>36,476</u>
	<u>1,267,592</u>	<u>1,302,173</u>
<b>Expenses</b>		
Administrative Expenses, Schedule "B"	271,944	286,443
Tech Services Expenses, Schedule "C"	625,627	589,729
Public Services Expenses, Schedule "D"	336,559	230,352
Building and capital (Note 9)	256,255	73,236
Contracts	-	17,896
Grants and donations	<u>16,357</u>	<u>26,791</u>
	<u>1,506,742</u>	<u>1,224,447</u>
<b>Income From Operations</b>	<u>(239,150)</u>	<u>77,726</u>
<b>Other Revenue (Expense)</b>		
Library Materials, Schedule "A"	(20,696)	(10,750)
Capital grant (Note 10)	564,397	228,803
Capital grant expenses (Note 10)	(574,237)	(228,803)
Investment income - capital grant (Note 10)	3,118	6,722
Grants to member libraries (Note 11)	<u>-</u>	<u>(129,263)</u>
	<u>(27,418)</u>	<u>(133,291)</u>
<b>Deficiency of Revenue Over Expenses For The Year</b>	<u>(266,568)</u>	<u>(55,565)</u>

The accompanying notes are an integral part of these financial statements

**SHORTGRASS LIBRARY BOARD**

**Statement of Cash Flows  
For The Year Ended December 31, 2019**

	2019	2018
	\$	\$
<b>Cash Provided By (Used For) The Following Activities</b>		
<b>Cash Flows From Operating Activities</b>		
Cash received from customers and funders	1,672,262	1,722,213
Cash paid to suppliers	(1,727,843)	(1,265,269)
Cash paid to employees	(756,443)	(805,774)
Cash transferred (to) restricted cash	<u>(135,555)</u>	<u>(90,841)</u>
	<u>(947,579)</u>	<u>(439,671)</u>
<b>Cash Flows From Investing Activities</b>		
Acquisition of investments	-	(202,000)
Proceeds from disposal of investments	<u>928,682</u>	<u>219,226</u>
	<u>928,682</u>	<u>17,226</u>
<b>Cash and Cash Equivalents (Decrease)</b>	<b>(18,897)</b>	<b>(422,445)</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b><u>214,013</u></b>	<b><u>636,458</u></b>
<b>Cash and Cash Equivalents, end of year</b>	<b><u><u>195,116</u></u></b>	<b><u><u>214,013</u></u></b>
<b>Cash and Cash Equivalents Consist Of:</b>		
Bank	76,742	146,509
Guaranteed investment certificates	118,082	67,212
Petty cash	<u>292</u>	<u>292</u>
	<u><u>195,116</u></u>	<u><u>214,013</u></u>

The accompanying notes are an integral part of these financial statements

**SHORTGRASS LIBRARY BOARD**

**Schedule of Library Materials Revenues and Expenses  
 For The Year Ended December 31, 2019**

**Schedule "A"**

	2019	2018
	\$	\$
<b>Revenue</b>	<u>451,789</u>	<u>426,617</u>
<b>Expenses</b>		
E-books	48,307	56,952
E-resources	34,981	21,586
Materials	364,630	333,260
Non-materials reimbursements	14,050	17,384
Shipping and handling	1,146	1,345
Materials reimbursements	<u>9,371</u>	<u>6,840</u>
	<u>472,485</u>	<u>437,367</u>
<b>Net (Loss) For The Year</b>	<u><u>(20,696)</u></u>	<u><u>(10,750)</u></u>

**SHORTGRASS LIBRARY BOARD**

**Administrative Expenses  
 For The Year Ended December 31, 2019**

**Schedule "B"**

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	2019	2018
	\$	\$
Equipment purchase and repair	6,253	1,761
Training	5,992	25,063
Meetings	11,394	19,595
Dues and memberships	10,127	10,327
Interest and bank charges	8,391	6,084
Professional fees	20,163	18,634
Insurance - liability	2,277	3,087
Salaries and benefits	183,007	186,893
Stationary, supplies and photocopying	<u>24,340</u>	<u>14,999</u>
	<u><u>271,944</u></u>	<u><u>286,443</u></u>

**SHORTGRASS LIBRARY BOARD**

**Tech Services Expenses  
 For The Year Ended December 31, 2019**

**Schedule "C"**

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	2019	2018
	\$	\$
Cataloguing tools and software	18,320	17,559
Processing supplies	7,574	5,011
Computer hardware	31,202	15,641
Library management system	50,990	36,276
Salaries and benefits	449,906	501,448
Software/licensing	19,218	8,310
Internet	6,600	5,484
Technology reserve spending	<u>41,817</u>	<u>-</u>
	<u><u>625,627</u></u>	<u><u>589,729</u></u>

**SHORTGRASS LIBRARY BOARD**

**Public Services Expenses  
 For The Year Ended December 31, 2019**

**Schedule "D"**

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	2019	2018
	\$	\$
Advertising and promotion	10,989	6,159
Summer reading programs	11,017	10,365
Programming support	3,043	9,549
Meetings, consultations and training	2,999	4,688
E-resources	124,935	49,479
Deliveries and inter-library loans	57,307	20,265
Salaries and benefits	<u>126,269</u>	<u>129,847</u>
	<u><u>336,559</u></u>	<u><u>230,352</u></u>

**SHORTGRASS LIBRARY BOARD**

**Notes to the Financial Statements  
For The Year Ended December 31, 2019**

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**1. Nature of Operations**

The Organization was formed on March 1, 1988. The Organization provides centralized purchasing, cataloguing and distribution services of various library materials to its members. The Organization also provides contract services to third parties.

The Organization is a registered charitable organization under the Income Tax Act and as such is exempt from income taxes and is able to issue donation receipts.

**2. Significant Accounting Policies**

The Organization prepares its financial statements in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies used are as follows:

**Cash and Cash Equivalents**

The organization's policy is to disclose bank balances under cash and cash equivalents, including bank overdrafts with balances that fluctuate frequently from being positive to overdrawn and term deposits with a maturity period of three months or less from the date of acquisition. Term deposits that the entity cannot use for current transactions because they are pledged as security are also excluded from cash and cash equivalents and included with restricted cash.

**Capital Assets and Leasing Arrangements**

Capital assets are expensed on acquisition and proceeds of disposal are reported as revenue in the year of disposal. Capital assets held include land, building, furniture, equipment, artwork, computers and software, library automation system and vehicles. During the year, computer equipment was purchased for a total cost of \$31,202 (2018 - \$56,589). During the year, no assets were disposed of (2018 - nil). These amounts are included in the statement of operations and related schedules under various capital or hardware purchases accounts and miscellaneous revenue.

As capital assets are not subject to capitalization, lease arrangements are not evaluated to determine if they are capital in nature. All lease arrangements are expensed as payments become due.

**Investments**

Investments in market securities are carried at fair value with any changes in fair value recognized in income in the year incurred.

**Restricted Cash and Investments**

Restricted cash consists of balances held with banks and guaranteed investment certificates and are recorded at amortized cost. Amounts are restricted for future capital asset expenditures and contingencies.

**Revenue Recognition**

The Organization follows the deferral method of revenue recognition. Restricted contributions are recognized as revenue in the year in which the related expenses have incurred.

Unrestricted contributions and investment income are recognized as revenue when collection has occurred or the collection of the resulting receivable is reasonably assured.

**SHORTGRASS LIBRARY BOARD****Notes to the Financial Statements  
For The Year Ended December 31, 2019**

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**2. Significant Accounting Policies (Continued)****Foreign Currency Translation**

Foreign denominated monetary assets and liabilities are translated into Canadian dollars at current rates of exchange. Unrealized gains or losses on translation of monetary assets and liabilities are included in the determination of income. Foreign denominated non-monetary assets and liabilities are translated into Canadian dollars at historical rates of exchange.

**Contributed Materials and Services**

Contributed materials and services are recognized in the financial statements when their fair value can be reasonably determined and they are used in the normal course of the Organization's operations and would otherwise have been purchased.

**Pension Expense**

The Organization participates in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP serves about 250,000 people and over 420 employers. The LAPP is financed by employer and employee contributions and by 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% (2018 - 10.39%) of pensionable earnings up to the year's maximum pensionable earnings under the Canadian Pension Plan and 13.84% (2018 - 14.84%) on pensionable earnings above this amount. Employees of the Organization are required to make current services contributions of 8.39% (2018 - 9.39%) of pensionable salary up to the year's maximum pensionable salary and 12.84% (2013 - 13.84%) on pensionable salary above this amount.

Total current service contributions by the Organization to the LAPP in 2019 were \$56,427 (2018 - \$60,826). The current service contributions by the employees of the Organization to the LAPP in 2019 were \$51,045 (2018 - \$55,341).

**Internally Restricted Funds**

The Organization has internally restricted capital and contingency funds as approved by the Board of Trustees. The Capital Fund is for the purchase of capital items in excess of \$1,000 if necessary. The Contingency Fund is for unexpected expenses that result in over-expenditures in the operating fund.

**Measurement Uncertainty**

The preparation of financial statements, in accordance with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

**SHORTGRASS LIBRARY BOARD**

**Notes to the Financial Statements  
For The Year Ended December 31, 2019**

**2. Significant Accounting Policies (Continued)**

**Measurement of Financial Instruments**

The entity initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The entity subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash and cash equivalents and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

**Impairment**

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

**Transaction costs**

The entity recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

**3. Short-Term Investments**

	2019	2018
	\$	\$
GIC - issued December 12, 2019, bearing interest at 1.39%, maturing April 10, 2020	11,229	-
GIC - issued December 12, 2019, bearing interest at 1.00%, maturing July 14, 2020	5,042	-
GIC - issued December 12, 2019, bearing interest at 2.05%, maturing December 12, 2020	8,903	-
Redeemed during the year	<u>-</u>	<u>51,622</u>
	<u>25,174</u>	<u>51,622</u>

**SHORTGRASS LIBRARY BOARD**

**Notes to the Financial Statements  
 For The Year Ended December 31, 2019**

**4. Restricted Cash and Investments**

	2019	2018
	\$	\$
Cash and cash equivalents	450,048	1,072,260
Guaranteed investment certificates	<u>267,776</u>	<u>412,243</u>
	<u><u>717,824</u></u>	<u><u>1,484,503</u></u>

The Organization holds guaranteed investment securities with values from \$18,923 to \$227,776 (2018 - \$20,000 to \$235,585) and interest rates of 1.33% to 2.35% (2018 - 1.55% to 2.30%) that have been restricted to fund the internally restricted assets.

**5. Unearned Revenue**

	2019	2018
	\$	\$
Capital grant revenue	-	564,397
Member library board materials (Note 6)	<u>57,840</u>	<u>61,279</u>
	<u><u>57,840</u></u>	<u><u>625,676</u></u>

**6. Member Library Board Materials**

Member library boards pay a levy of \$5.08 (2018 - \$4.88) per capita. The Organization retains \$1.00 as part of their operational funds. The remaining \$4.08 (2018 - \$3.88) is utilized by the member libraries in the purchasing of library materials.

	2019	2018
	\$	\$
<b>Annual materials revenue</b>		
Materials levy	545,333	534,600
Materials overage	9,256	6,934
Current year overspent	<u>2,604</u>	<u>1,494</u>
	<u><u>557,193</u></u>	<u><u>543,028</u></u>
<b>Transferred to:</b>		
Library material revenue (Schedule A)	(451,789)	(426,617)
Member boards operational levy	(107,349)	(107,349)
Repayment of prior year overspent	<u>(1,494)</u>	<u>(2,660)</u>
	<u><u>(560,632)</u></u>	<u><u>(536,626)</u></u>
<b>(Decrease) Increase in Deferred Contributions</b>	(3,439)	6,402
<b>Balance, beginning of year</b>	<u>61,279</u>	<u>54,877</u>
<b>Balance, end of year</b>	<u><u>57,840</u></u>	<u><u>61,279</u></u>

**SHORTGRASS LIBRARY BOARD**

**Notes to the Financial Statements  
For The Year Ended December 31, 2019**

**7. Fund Transfers**

- a) Funds were transferred to internally restricted net assets from unrestricted net assets to account for interest earned on marketable securities held to fund internally restricted funds. \$7,612 (2018 - \$11,335) was transferred to the internally restricted capital reserve fund and \$1,912 (2018 - \$538) was transferred to the internally restricted contingency fund.
- b) There was \$192,113 (2018 - nil) of funds used from the internally restricted capital fund and a further \$16,254 (2018 - \$21,919) from the internally restricted contingency fund.
- c) The Board internally restricted nil funds in 2019 (2018 - \$114,000) to be used for future capital costs and nil funds in 2019 (2018 - \$156,000) for the contingency reserve fund.

**8. Commitments**

- a) The Organization owns the integrated library system in partnership with Chinook Arch Regional Library System. The Organization has committed to share the annual maintenance costs of the system. The upgrade and maintenance costs for the upcoming year that the Organization will be obligated to pay will be approximately \$34,000. These costs will be paid out of the organization's operating funds. These costs are then charged back to the school districts and municipalities that the Organization administers the program for. To terminate participating in the contract, the Organization must deliver written notice and explanation on or before Decemebr 31 of any year to become effective December 31 of the year immediately following.
- b) The Organization has a lease with Enmax for solar panels. The lease term is for 14 years with the following estimated annual payments over the next five years:

	\$	
2020		6,062
2021		6,170
2022		6,280
2023		6,392
2024		6,506

**9. Building and Capital**

	2019	2018
	\$	\$
Capital	10,109	3,099
Capital - headquarters	108,168	10,083
Capital - vehicle	67,322	-
Insurance	7,134	6,306
Repairs, maintenance and improvements	34,852	25,026
Utilities	<u>28,670</u>	<u>28,722</u>
	<u><u>256,255</u></u>	<u><u>73,236</u></u>

**SHORTGRASS LIBRARY BOARD**

**Notes to the Financial Statements  
 For The Year Ended December 31, 2019**

**10. Capital Grant**

The organization received a grant in 2018 for renovations of the organization's headquarters. The grant funds needed to be used by December 31, 2020. The organization fully utilized the funds and covered the overexpenditures using its reserve funding.

	2019	2018
	\$	\$
Capital grant income	564,397	228,803
Investment income - capital grant	3,118	6,722
Capital grant expense	<u>(574,237)</u>	<u>(228,803)</u>
	<u><u>(6,722)</u></u>	<u><u>6,722</u></u>

**11. Grants To Member Libraries**

On March 21, 2018, the Board approved that the 2017 surplus be granted to the member libraries.

They approved that up to \$60,000 be allocated to member libraries to ensure compliance with Microsoft 2010 for all staff and public access computers in Shortgrass Member Libraries.

As well, the Board approved a \$5,000 capacity grant for each member library (for a total of \$70,000). This was to be used for library materials, furniture or technology and funds were to be spent by December 31, 2018.

	2019	2018
	\$	\$
Computer upgrades	-	56,589
Capacity grant to member libraries	<u>-</u>	<u>72,673</u>
	<u><u>-</u></u>	<u><u>129,262</u></u>

**12. Financial Instruments and Risks**

The business risks associated with financial instruments are categorized as market (comprised of currency, interest rate, and other price risk), credit and liquidity risks. It is management's opinion that the Organization is not exposed to significant market (comprised of currency risk) and liquidity risks arising from these financial instruments.

However, the Organization is exposed to interest rate, price risks, and credit risks.

**SHORTGRASS LIBRARY BOARD**

**Notes to the Financial Statements  
For The Year Ended December 31, 2019**

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**12. Financial Instruments and Risks (Continued)**

c) Market risk

i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market rates of interest. The Organization is exposed to interest rate risk because of its investments being incurred at a fixed rate of interest.

ii) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Organization is exposed to price risk because it relies on one supplier for the majority of its products. The Organization has negotiated pricing with the major supplier, which varies between 10% and 15% less than market prices. An increase in negotiated pricing could negatively impact future results. In addition, the inability to fulfill the association's supply requirements could force the Organization to secure alternative suppliers, which could result in pricing that is significantly different from their current negotiated pricing.

d) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Organization is exposed to credit risk in relation to accounts receivable. The association's accounts receivable result from transactions with member libraries and provision of services. Concentrations of credit risk with respect to trade receivables are limited as the Organization performs ongoing credit evaluations of its customers. Based on management's evaluation of potential credit losses, the Organization believes there is no requirement for an allowance for doubtful accounts.

**13. Comparative Figures**

The comparative figures have been reclassified where necessary to conform to the presentation adopted in the current year.