

SHORTGRASS LIBRARY BOARD
Financial Statements
For The Year Ended December 31, 2023

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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, 2023 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, 2023 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 meets 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
March 20, 2024

SHORTGRASS LIBRARY BOARD

**Statement of Financial Position
 December 31, 2023**

	2023	2022
	\$	\$
Assets		
Current		
Cash and cash equivalents	213,930	137,186
Short-term investments	-	123,517
Accounts receivable	9,527	36,029
Goods and services tax receivable	51,371	50,447
Prepaid expenses and other current assets	<u>54,865</u>	<u>74,424</u>
	329,693	421,603
Investments	125,988	-
Restricted Cash and Investments (Note 3)	1,020,471	1,001,476
Funds Held in Trust	<u>9,590</u>	<u>10,246</u>
	<u><u>1,485,742</u></u>	<u><u>1,433,325</u></u>
Liabilities		
Current		
Accounts payable and accrued liabilities	53,524	36,057
Unearned revenue (Note 4)	68,751	82,444
Funds held in trust	<u>9,590</u>	<u>10,246</u>
Total Current Liabilities	<u><u>131,865</u></u>	<u><u>128,747</u></u>
Commitments (Note 5)		
Fund Transfers (Note 6)		
Net Assets		
Internally Restricted Capital	697,546	690,566
Internally Restricted Contingency	254,174	228,466
Unrestricted	<u>402,157</u>	<u>385,546</u>
	<u><u>1,353,877</u></u>	<u><u>1,304,578</u></u>
	<u><u>1,485,742</u></u>	<u><u>1,433,325</u></u>

Approved by the Board

Director:



SHORTGRASS LIBRARY BOARD

**Statement of Changes in Net Assets
 For The Year Ended December 31, 2023**

	Internally Restricted Capital	Internally Restricted Contingency	Unrestricted	Total 2023	Total 2022
	\$	\$	\$	\$	\$
Balance, beginning of year	690,566	228,466	385,546	1,304,578	1,291,542
Excess of revenue over expenses	-	-	49,299	49,299	13,036
Transfers of investment income (Note 6)	15,265	6,302	(21,567)	-	-
Transfer of net funds (Note 6)	<u>(8,285)</u>	<u>19,406</u>	<u>(11,121)</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u><u>697,546</u></u>	<u><u>254,174</u></u>	<u><u>402,157</u></u>	<u><u>1,353,877</u></u>	<u><u>1,304,578</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, 2023**

	2023	2022
	\$	\$
Revenue		
Contracts	6,342	7,580
Provincial grants	541,863	515,422
Other grants	2,100	11,682
Investment income	57,687	15,464
Materials operational levy (Note 4)	107,349	107,349
Member municipalities operational levy	533,525	527,406
Reimbursements	29,044	33,188
Donations	350	-
	<u>1,278,260</u>	<u>1,218,091</u>
Expenses		
Administrative Expenses, Schedule "B"	256,150	271,415
Tech Services Expenses, Schedule "C"	567,340	538,807
Public Services Expenses, Schedule "D"	331,628	313,610
Reserve fund expenses (Note 8)	15,716	5,582
Building and capital (Note 9)	85,327	70,761
Grants and donations	24,197	27,923
	<u>1,280,358</u>	<u>1,228,098</u>
Income From Operations	(2,098)	(10,007)
Other Revenue (Expense)		
Library Materials, Schedule "A"	51,397	23,043
Excess of Revenue Over Expenses For The Year	<u><u>49,299</u></u>	<u><u>13,036</u></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, 2023**

	2023	2022
	\$	\$
Cash Provided By (Used For) The Following Activities		
Cash Flows From Operating Activities		
Cash received from customers and funders	1,743,714	1,618,820
Cash paid to suppliers	(1,010,201)	(1,104,883)
Cash paid to employees	<u>(635,302)</u>	<u>(659,016)</u>
	<u>98,211</u>	<u>(145,079)</u>
Cash Flows From Investing Activities		
Acquisition of short-term investments	-	(123,517)
Proceeds from disposal of short-term investments	123,517	-
Cash transferred (to) from restricted cash	35,997	(51,205)
Acquisition of investments	(272,132)	(288,573)
Proceeds from disposal of investments	<u>91,151</u>	<u>320,900</u>
	<u>(21,467)</u>	<u>(142,395)</u>
Cash and Cash Equivalents Increase (Decrease)	76,744	(287,474)
Cash and Cash Equivalents, beginning of year	<u>137,186</u>	<u>424,660</u>
Cash and Cash Equivalents, end of year	<u><u>213,930</u></u>	<u><u>137,186</u></u>
Cash and Cash Equivalents Consist Of:		
Bank	212,661	136,016
Petty cash	<u>1,269</u>	<u>1,170</u>
	<u><u>213,930</u></u>	<u><u>137,186</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, 2023**

Schedule "A"

	2023	2022
	\$	\$
Revenue	<u>453,569</u>	<u>456,546</u>
Expenses		
E-books	53,675	53,675
E-resources	15,964	29,528
Materials	306,462	320,704
Non-materials reimbursements	24,001	28,818
Shipping and handling	1,199	778
Materials reimbursements	<u>871</u>	<u>-</u>
	<u>402,172</u>	<u>433,503</u>
Net Income For The Year	<u><u>51,397</u></u>	<u><u>23,043</u></u>

The accompanying notes are an integral part of these financial statements

SHORTGRASS LIBRARY BOARD

**Administrative Expenses
 For The Year Ended December 31, 2023**

Schedule "B"

	2023	2022
	\$	\$
Equipment purchase and repair	1,628	4,002
Training	3,063	8,969
Meetings	10,712	5,525
Dues and memberships	8,894	9,060
Professional fees	48,873	27,455
Insurance - liability	3,977	9,350
Salaries and benefits	158,507	179,927
Stationary, supplies and photocopying	14,773	15,151
Interest, bank charges and foreign exchange	<u>5,723</u>	<u>11,976</u>
	<u><u>256,150</u></u>	<u><u>271,415</u></u>

SHORTGRASS LIBRARY BOARD

**Tech Services Expenses
For The Year Ended December 31, 2023**

Schedule "C"

	2023	2022
	\$	\$
Cataloguing tools and software	18,079	13,066
Processing supplies	9,189	6,181
Computer hardware	7,722	4,483
Library management system	58,638	62,323
Salaries and benefits	335,335	366,732
Software/licensing	130,300	61,702
Internet	8,077	13,918
Technology reserve spending	<u>-</u>	<u>10,402</u>
	<u><u>567,340</u></u>	<u><u>538,807</u></u>

The accompanying notes are an integral part of these financial statements

SHORTGRASS LIBRARY BOARD

**Public Services Expenses
For The Year Ended December 31, 2023**

Schedule "D"

	2023	2022
	\$	\$
Advertising and promotion	550	2,738
Summer reading programs	13,467	11,257
Programming support	5,299	7,461
Meetings, consultations and training	7,265	7,956
E-resources	136,929	149,780
Deliveries and inter-library loans	26,658	22,773
Salaries and benefits	<u>141,460</u>	<u>111,645</u>
	<u><u>331,628</u></u>	<u><u>313,610</u></u>

SHORTGRASS LIBRARY BOARD

Notes to the Financial Statements For The Year Ended December 31, 2023

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 \$4,245 (2022 - \$4,325). 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 fair value. 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, 2023**

2. Significant Accounting Policies (Continued)

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 8.45% (2022 - 8.45%) of pensionable earnings up to the year's maximum pensionable earnings under the Canadian Pension Plan and 12.23% (2022 - 12.80%) on pensionable earnings above this amount. Employees of the Organization are required to make current services contributions of 7.45% (2022 - 7.45%) of pensionable salary up to the year's maximum pensionable salary and 11.23% (2022 - 11.80%) on pensionable salary above this amount.

Total current service contributions by the Organization to the LAPP in 2023 were \$34,680 (2022 - \$39,125). The current service contributions by the employees of the Organization to the LAPP in 2023 were \$30,849 (2022 - \$34,905).

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.

SHORTGRASS LIBRARY BOARD

**Notes to the Financial Statements
For The Year Ended December 31, 2023**

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. Restricted Cash and Investments

	2023	2022
	\$	\$
Cash and cash equivalents	419,737	489,186
Guaranteed investment certificates	<u>600,734</u>	<u>512,290</u>
	<u><u>1,020,471</u></u>	<u><u>1,001,476</u></u>

The Organization holds guaranteed investment securities with values from \$5,500 to \$120,460 (2022 - \$11,439 to \$116,006) and interest rates of 3.17% to 5.40% (2022 - 2.00% to 4.50%) that have been restricted to fund the internally restricted assets.

SHORTGRASS LIBRARY BOARD

**Notes to the Financial Statements
For The Year Ended December 31, 2023**

4. Member Library Board Materials

Member library boards pay a materials levy of \$5.08 (2022 - \$5.08) per capita. The Organization retains \$1.00 as part of their operational funds. The remaining \$4.08 (2022 - \$4.08) is utilized by the member libraries in the purchasing of library materials.

	2023	2022
	\$	\$
Annual materials revenue		
Materials levy	545,333	545,333
Materials overage	1,179	386
Current year overspent	<u>4,235</u>	<u>3,522</u>
	<u>550,747</u>	<u>549,241</u>
Transferred to:		
Library material revenue (Schedule A)	(453,569)	(456,546)
Member boards' materials operational levy	(107,349)	(107,349)
Repayment of prior year overspent	<u>(3,522)</u>	<u>(1,745)</u>
	<u>(564,440)</u>	<u>(565,640)</u>
Increase in Deferred Revenue	(13,693)	(16,399)
Balance, beginning of year	<u>82,444</u>	<u>98,843</u>
Balance, end of year	<u><u>68,751</u></u>	<u><u>82,444</u></u>

5. 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. To terminate participating in the contract, the Organization must deliver written notice and explanation on or before December 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 (ending December 31, 2029) with the following estimated annual payments over the next five years:

	\$
2024	6,622
2025	6,740
2026	6,861
2027	6,983
2028	7,107

SHORTGRASS LIBRARY BOARD

**Notes to the Financial Statements
 For The Year Ended December 31, 2023**

6. 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. \$15,265 (2022 - \$2,562) was transferred to the internally restricted capital reserve fund and \$6,302 (2022 - \$1,292) was transferred to the internally restricted contingency fund.
- b) There was \$33,130 (2022 - \$10,400) of funds used from the internally restricted capital fund and a further \$66,594 (2022 - \$18,177) from the internally restricted contingency fund.
- c) The Board internally restricted \$24,845 funds in 2023 (2022 - \$181,790) to be used for future capital costs and \$86,000 funds in 2023 (2022 - \$5,000) for the contingency reserve fund. The Board removed no funds from the contingency reserve fund in 2023 (2022 - \$126,790).

7. Restricted Funds

The following represents the motions made by the Board throughout the year for the spending of restricted funds.

		2023	Budget
		\$	\$
February 15, 2023	WiFi instructure replacement	25,800	26,000
May 1, 2023	Copying/printing equipment	<u>7,088</u>	<u>7,088</u>
		<u><u>32,888</u></u>	<u><u>33,088</u></u>

The following represents the motions made by the Board throughout the year for the restriction of funds to its capital and contingency funds.

		Capital	Contingency
		\$	\$
August 16, 2023	Addition to capital reserve for website restructuring	24,845	-
Nov 15, 2023	Addition to digital reserves for 2024 All Access Comics	-	5,500
Nov 15, 2023	Addition to digital reserves for 2025 All Access Comics	-	5,500
Nov 15, 2023	Addition to digital reserves for 2025 eBooks	-	50,000
Nov 15, 2023	Addition to digital reserves for 2026 eBooks	<u>-</u>	<u>25,000</u>
		<u><u>24,845</u></u>	<u><u>86,000</u></u>

SHORTGRASS LIBRARY BOARD

**Notes to the Financial Statements
 For The Year Ended December 31, 2023**

8. Reserve Fund Expenses

The following represents the breakdown of additional expenditures the organization made from its individually created reserve fund accounts that are not otherwise disclosed.

	2023	2022
	\$	\$
Litigation reserve fund	-	5,582
Digital content reserve fund	8,730	-
Restricted funds	<u>6,986</u>	<u>-</u>
	<u><u>15,716</u></u>	<u><u>5,582</u></u>

9. Building and Capital

	2023	2022
	\$	\$
Insurance	8,475	2,065
Repairs, maintenance and improvements	56,147	43,210
Utilities	<u>20,705</u>	<u>25,486</u>
	<u><u>85,327</u></u>	<u><u>70,761</u></u>

10. 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.

a) 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.

SHORTGRASS LIBRARY BOARD

**Notes to the Financial Statements
For The Year Ended December 31, 2023**

10. Financial Instruments and Risks (Continued)

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.

b) 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.

11. Comparative Figures

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