

**SHORTGRASS LIBRARY BOARD**  
**Financial Information**  
**For The Year Ended December 31, 2020**

## 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, 2020 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, 2020 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.


**SHORTGRASS LIBRARY BOARD**

**Statement of Financial Position  
 December 31, 2020**

	2020	2019
	\$	\$
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	354,662	195,116
Short-term investments (Note 3)	24,726	25,174
Accounts receivable	14,264	9,421
Goods and services tax receivable	40,766	79,694
Prepaid expenses and other current assets	<u>76,223</u>	<u>84,355</u>
	510,641	393,760
<b>Restricted Cash and Investments (Note 4)</b>	<u>868,532</u>	<u>717,824</u>
	<u><u>1,379,173</u></u>	<u><u>1,111,584</u></u>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	120,606	66,567
Unearned revenue (Note 5)	<u>79,435</u>	<u>57,840</u>
<b>Total Current Liabilities</b>	<u>200,041</u>	<u>124,407</u>
<b>Fund Transfers (Note 8)</b>		
<b>Commitments (Note 6)</b>		
<b>Net Assets</b>		
<b>Internally Restricted Capital</b>	512,324	446,694
<b>Internally Restricted Contingency</b>	276,773	213,290
<b>Unrestricted</b>	<u>390,035</u>	<u>327,193</u>
	<u>1,179,132</u>	<u>987,177</u>
	<u><u>1,379,173</u></u>	<u><u>1,111,584</u></u>

Approved by the Board

Director:

  
 DWIGHT KILPATRICK  
 BOARD CHAIR

**SHORTGRASS LIBRARY BOARD**

**Statement of Operations  
For The Year Ended December 31, 2020**

	2020	2019
	\$	\$
<b>Revenue</b>		
Contracts	11,145	33,682
Provincial grants	515,422	515,422
Other grants	-	35,302
Investment income	11,574	11,990
Materials operational levy (Note 7)	107,349	107,349
Member municipalities operational levy	549,627	549,627
Reimbursements (Note 10)	<u>23,655</u>	<u>14,220</u>
	<u>1,218,772</u>	<u>1,267,592</u>
<b>Expenses</b>		
Administrative Expenses, Schedule "B"	219,703	271,944
Tech Services Expenses, Schedule "C"	519,482	625,627
Public Services Expenses, Schedule "D"	191,855	336,559
Building and capital (Note 11)	71,506	256,259
Grants and donations	16,294	16,358
Reserve fund expenses	<u>8,509</u>	<u>-</u>
	<u>1,027,349</u>	<u>1,506,747</u>
<b>Income From Operations</b>	<u>191,423</u>	<u>(239,155)</u>
<b>Other Revenue (Expense)</b>		
Library Materials, Schedule "A"	(13,768)	(20,696)
Capital grant	-	564,397
Miscellaneous income (Note 12)	14,300	-
Capital grant expenses	-	(574,237)
Investment income - capital grant	<u>-</u>	<u>3,118</u>
	<u>532</u>	<u>(27,418)</u>
<b>Excess (Deficiency) of Revenue Over Expenses For The Year</b>	<u><u>191,955</u></u>	<u><u>(266,573)</u></u>

**SHORTGRASS LIBRARY BOARD**

**Schedule of Library Materials Revenues and Expenses  
 For The Year Ended December 31, 2020**

**Schedule "A"**

	2020	2019
	\$	\$
<b>Revenue</b>	<u>423,556</u>	<u>451,789</u>
<b>Expenses</b>		
E-books	48,307	48,307
E-resources	25,885	34,981
Materials	340,082	364,630
Non-materials reimbursements	14,763	14,050
Shipping and handling	916	1,146
Materials reimbursements	<u>7,371</u>	<u>9,371</u>
	<u>437,324</u>	<u>472,485</u>
<b>Net (Loss) For The Year</b>	<u><u>(13,768)</u></u>	<u><u>(20,696)</u></u>

The accompanying notes are an integral part of these financial statements

**SHORTGRASS LIBRARY BOARD**

**Tech Services Expenses  
 For The Year Ended December 31, 2020**

**Schedule "C"**

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	2020	2019
	\$	\$
Cataloguing tools and software	19,538	18,320
Processing supplies	6,056	7,574
Computer hardware	2,417	31,202
Library management system	60,462	50,990
Salaries and benefits	410,366	449,906
Software/licensing	4,088	19,218
Internet	9,000	6,600
Technology reserve spending	<u>7,555</u>	<u>41,817</u>
	<u><u>519,482</u></u>	<u><u>625,627</u></u>

## SHORTGRASS LIBRARY BOARD

### Notes to the Financial Statements For The Year Ended December 31, 2020

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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 \$1,363 (2019 - \$31,302). During the year, vehicles were disposed for \$14,300 (2019- 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, 2020**

**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**

	2020	2019
	\$	\$
GIC - issued December 12, 2020, bearing interest at 0.38%, maturing June 10, 2021	24,726	-
Redeemed during the year	<u>-</u>	<u>25,174</u>
	<u><u>24,726</u></u>	<u><u>25,174</u></u>

**4. Restricted Cash and Investments**

	2020	2019
	\$	\$
Cash and cash equivalents	692,196	450,048
Guaranteed investment certificates	<u>176,336</u>	<u>267,776</u>
	<u><u>868,532</u></u>	<u><u>717,824</u></u>

The Organization holds guaranteed investment securities with values from \$11,309 to \$114,893 (2019 - \$18,923 to \$227,776) and interest rates of 0.28% to 0.38% (2019 - 1.33% to 2.35%) that have been restricted to fund the internally restricted assets.



**SHORTGRASS LIBRARY BOARD**

**Notes to the Financial Statements  
 For The Year Ended December 31, 2020**

**7. Member Library Board Materials**

Member library boards pay a levy of \$5.08 (2019 - \$5.08) per capita. The Organization retains \$1.00 as part of their operational funds. The remaining \$4.08 (2019 - \$4.08) is utilized by the member libraries in the purchasing of library materials.

	2020	2019
	\$	\$
<b>Annual materials revenue</b>		
Materials levy	545,333	545,333
Materials overage	8,442	9,256
Current year overspent	<u>1,329</u>	<u>2,604</u>
	<u>555,104</u>	<u>557,193</u>
<b>Transferred to:</b>		
Library material revenue (Schedule A)	(423,556)	(451,789)
Member boards operational levy	(107,349)	(107,349)
Repayment of prior year overspent	<u>(2,604)</u>	<u>(1,494)</u>
	<u>(533,509)</u>	<u>(560,632)</u>
<b>Increase (Decrease) in Deferred Contributions</b>	21,595	(3,439)
<b>Balance, beginning of year</b>	<u>57,840</u>	<u>61,279</u>
<b>Balance, end of year</b>	<u>79,435</u>	<u>57,840</u>

**SHORTGRASS LIBRARY BOARD**

**Notes to the Financial Statements  
 For The Year Ended December 31, 2020**

**10. Summer Reading Programs**

In 2020, Shortgrass was responsible for purchasing materials for the summer reading program for the entire province.

Reimbursements were received from the other Library systems and included in the Statement of Operations as noted below.

	2020
	\$
Parkland Regional Library	830
Peace Library System	1,755
Yellowhead Regional Library	2,323
Marigold Library System	272
Northern Lights Library System	<u>1,002</u>
	<u><u>6,182</u></u>

**11. Building and Capital**

	2020	2019
	\$	\$
Capital	-	10,109
Capital - headquarters	-	108,168
Capital - vehicle	-	67,322
Insurance	8,407	7,134
Repairs, maintenance and improvements	47,692	34,856
Utilities	<u>15,407</u>	<u>28,670</u>
	<u><u>71,506</u></u>	<u><u>256,259</u></u>

**12. Miscellaneous Income**

The Board approved the sale of the 2016 Kia Soul for \$14,300 to a Shortgrass employee. The amount received was subsequently restricted for a Digital Content Reserve fund.

**13. 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.