

DRUMHELLER PUBLIC LIBRARY
Financial Statements
Year Ended December 31, 2018

DRUMHELLER PUBLIC LIBRARY

Index to Financial Statements

Year Ended December 31, 2018

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RSM Alberta LLP

2500 Bell Tower
10104 – 103 Avenue NW
Edmonton, AB, T5J 0H8
T +1 780 428 1522
F +1 780 425 8189
rsmcanada.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Drumheller Public Library

Qualified Opinion

We have audited the financial statements of Drumheller Public Library (the Library), which comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Library as at December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

In common with many charitable organizations, the Library derives revenue from fees, fines and donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Library and we were not able to determine whether any adjustments might be necessary to revenues, excess of revenues over expenses, financial assets and net assets.

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 Library 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 qualified audit opinion.

Emphasis of Matter

We draw attention to Note 1 in the financial statements which describes that the Library adopted Canadian public sector accounting standards on January 1, 2018 with a transition date of January 1, 2017. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statement of financial position as at December 31, 2017, and the statements of operations, changes in net assets and cash flows for the year ended December 31, 2017, and related disclosures. Our opinion is not modified in respect of this matter.

We were not engaged to report on the comparative information, and as such, it is unaudited.

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 public sector accounting standards, 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.

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THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

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

Those charged with governance are responsible for overseeing the Library'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.
- 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 Library'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 Library'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 Library 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.

Edmonton, Alberta
May 28, 2019

RSM Alberta LLP
Chartered Professional Accountants

DRUMHELLER PUBLIC LIBRARY

Statement of Financial Position

December 31, 2018

| | 2018 | 2017 (Unaudited) |
|--|-------------------|---------------------|
| ASSETS | | |
| CURRENT | | |
| Cash | \$ 35,384 | \$ 132,460 |
| Restricted cash | 13,645 | - |
| Goods and services tax recoverable | 351 | 174 |
| | 49,380 | 132,634 |
| LONG-TERM INVESTMENTS <i>(Note 3)</i> | 100,000 | - |
| | \$ 149,380 | \$ 132,634 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT | | |
| Accounts payable and accrued liabilities | \$ 4,619 | \$ 5,861 |
| Deferred contributions <i>(Note 4)</i> | 13,645 | - |
| | 18,264 | 5,861 |
| NET ASSETS | | |
| Unrestricted | 131,116 | 126,773 |
| | \$ 149,380 | \$ 132,634 |

APPROVED BY THE BOARD OF DIRECTORS

_____ Director

_____ Director

See notes to financial statements

DRUMHELLER PUBLIC LIBRARY

Statement of Operations

Year Ended December 31, 2018

| | 2018 Budget (Unaudited) | 2018 | 2017 (Unaudited) |
|---|----------------------------|------------|---------------------|
| REVENUES | | | |
| Grants and subsidies <i>(Schedule 1)</i> | \$ 245,287 | \$ 380,075 | \$ 354,073 |
| General operating <i>(Schedule 1)</i> | 14,000 | 19,097 | 14,707 |
| Other <i>(Schedule 1)</i> | 9,000 | 10,659 | 7,351 |
| | 268,287 | 409,831 | 376,131 |
| EXPENSES | | | |
| Salaries and wages | 206,982 | 205,047 | 192,883 |
| Town of Drumheller - Indirect payments <i>(Schedule 2)</i> | - | 85,555 | 85,555 |
| Marigold Library Systems - Requisitions | 36,130 | 84,290 | 83,823 |
| Computer and photocopier costs and equipment lease | 4,300 | 4,589 | 4,452 |
| Postage and delivery | 4,100 | 4,186 | 3,510 |
| Gallery | - | 3,263 | 148 |
| Bookkeeping | 3,500 | 2,897 | 4,188 |
| Programs | 2,500 | 2,547 | 2,425 |
| Telephone and communication | 2,350 | 2,547 | 1,801 |
| Books and magazine purchases | 550 | 2,299 | 1,037 |
| Conferences and travel | 2,000 | 2,127 | 1,417 |
| Board | 1,350 | 1,864 | 347 |
| Flow-through donations to Library Society | - | 1,435 | 1,842 |
| Advertising and promotion | 1,000 | 837 | 780 |
| General and administrative | 1,750 | 738 | 1,828 |
| Library supplies | 575 | 610 | 552 |
| Interest and bank charges | 800 | 421 | 887 |
| Memberships | 400 | 236 | 414 |
| | 268,287 | 405,488 | 387,889 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES | \$ - | \$ 4,343 | \$ (11,758) |

See notes to financial statements

DRUMHELLER PUBLIC LIBRARY

Statement of Changes in Net Assets

Year Ended December 31, 2018

| | 2018 | 2017 (Unaudited) |
|---|-------------------|---------------------|
| NET ASSETS - BEGINNING OF YEAR | \$ 126,773 | \$ 138,531 |
| Excess (deficiency) of revenues over expenses | 4,343 | (11,758) |
| NET ASSETS - END OF YEAR | \$ 131,116 | \$ 126,773 |

DRUMHELLER PUBLIC LIBRARY

Statement of Cash Flows

Year Ended December 31, 2018

| | 2018 | 2017 (Unaudited) |
|---|-----------------|---------------------|
| OPERATING ACTIVITIES | | |
| Excess (deficiency) of revenues over expenses | \$ 4,343 | \$ (11,758) |
| Changes in non-cash working capital: | | |
| Goods and services tax recoverable | (177) | 20 |
| Accounts payable and accrued liabilities | (1,242) | (1,065) |
| Deferred contributions | 13,645 | - |
| | 12,226 | (1,045) |
| | 16,569 | (12,803) |
| INVESTING ACTIVITY | | |
| Purchase of long-term investments | (100,000) | - |
| | (100,000) | - |
| DECREASE IN CASH | (83,431) | (12,803) |
| Cash - beginning of year | 132,460 | 145,263 |
| CASH - END OF YEAR | 49,029 | 132,460 |
| CASH CONSISTS OF: | | |
| Cash | \$ 35,384 | \$ 132,460 |
| Restricted cash | 13,645 | - |
| | \$ 49,029 | \$ 132,460 |

See notes to financial statements

DRUMHELLER PUBLIC LIBRARY

Notes to Financial Statements
Year Ended December 31, 2018

1. NATURE AND PURPOSE OF THE LIBRARY

The Drumheller Public Library (the "Library") is a non-profit organization incorporated without share capital under the Libraries Act of the Province of Alberta. The Library protects the Province's heritage by caring for gifts of heritage properties and articles of a cultural nature. The Library has a purpose to organize, promote and maintain comprehensive and efficient library services for the Town of Drumheller through the dedicated management and control of the library resources in cooperation with other boards and libraries. The Library is dependent upon the commitment and contribution of community volunteers in all aspects of its operations, including the board of directors and its committees.

The Library is incorporated under the Societies Act (Alberta) and is exempt from income taxes under the Income Tax Act (Canada).

During the year, the Library adopted Canadian public sector accounting standards. These standards were applied on a retroactive basis. Previously, the Library had been preparing their financial statements in accordance with Canadian accounting standards for not-for-profit organizations. There were no transitional adjustments required as a result of the retroactive application.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements were prepared in accordance with Canadian public sector accounting standards, including standards for Government Not-For-Profit Organizations. Significant accounting policies observed in the preparation of the financial statements are summarized below.

Cash and restricted cash

Cash and restricted cash consists of cash on hand and cash on deposit net of cheques issued and outstanding at the reporting date.

Restricted cash has been set aside for externally restricted purposes as outlined on Note 4.

Tangible capital assets

Tangible capital assets including the circulation services project are expensed in the year of purchase. Tangible capital assets include computer equipment, computer software, shelving, office furniture and office equipment. No tangible capital assets were expensed during the current year.

Revenue recognition

The Library follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Interest income is recognized when earned. Revenue from fees and fines is recognized when received.

Contributed services and materials

The operations of the Library depend on both the contribution of time by volunteers and donated materials from various sources. The fair value of contributed materials and services cannot be reasonably determined and are therefore not reflected in these financial statements.

(continues)

DRUMHELLER PUBLIC LIBRARY

Notes to Financial Statements
Year Ended December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Financial instruments

Measurement of Financial Instruments

Financial instruments are financial assets or financial liabilities of the Library where, in general, the Library has the right to receive cash or another financial asset from another party or the Library has the obligation to pay another party cash or other financial assets.

The Library initially measures its financial assets and liabilities at fair value.

The Library subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash, restricted cash and long-term investments.

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

Impairment

Financial assets measured at cost or amortized cost are tested for impairment, at the end of each year, to determine whether there are indicators that the asset may be impaired. The amount of the write-down, if any, is recognized in operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account. The reversal may be recorded provided it is no greater than the amount that had been previously reported as a reduction in the asset and it does not exceed original cost. The amount of the reversal is recognized in operations.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards 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. Significant estimates included in the preparation of the financial statements are accrued liabilities. Actual results could differ from these estimates.

3. LONG-TERM INVESTMENTS

Long-term investments consist of two guaranteed investment certificates accruing interest at 2.25% and 2.75% per annum maturing September 2020 and September 2023 respectively.

DRUMHELLER PUBLIC LIBRARY

Notes to Financial Statements
Year Ended December 31, 2018

4. DEFERRED CONTRIBUTIONS

| | Balance, Beginning of Year | Contributions Received | Revenue Recognized | Balance, End of Year |
|--|----------------------------------|---------------------------|-----------------------|-------------------------|
| Chinook Financial - Community Grant | \$ - | \$ 15,000 | \$ 1,355 | \$ 13,645 |

The Community Grant is restricted towards the purchase of new books and staffing for the Greentree Library Revitalization Project.

5. RELATED PARTY TRANSACTIONS

Grants

During the year, the Town of Drumheller provided \$225,446 (2017 - \$195,897) in funding to partially cover operating costs of the Library. In addition, grants in-kind of \$86,869 (2017 - \$86,228) were also provided.

Badlands Community Facility

The Library leases its space from the Badlands Community Facility, a facility owned by the Town of Drumheller. Transactions between the Library and Badlands Community Facility are at fair market value and accordingly have been measured and recorded at the exchange amount. During the year, the Library incurred rent of \$75,000 (2017 - \$75,000). The rent was offset by an indirect grant from the Town of Drumheller of \$75,000 (2017 - \$75,000).

6. ECONOMIC DEPENDENCE

The Library depends on receiving funding from grants from various agencies and governments for its continued operations. These grants are provided both in cash and in-kind. 78% (2017 - 80%) of the Library's grant revenue is received from the Town of Drumheller.

7. FINANCIAL INSTRUMENTS

The Library's financial instruments consists of cash, restricted cash, long-term investments and accounts payable and accrued liabilities.

The Library is exposed to various risks through its financial instruments. The following analysis provides information about the Library's risk exposure and concentration as of December 31, 2018.

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DRUMHELLER PUBLIC LIBRARY

Notes to Financial Statements

Year Ended December 31, 2018

7. FINANCIAL INSTRUMENTS *(continued)*

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. In seeking to minimize the risks from interest rate fluctuations, the Library manages exposure through its normal operating and financing activities. The Library is exposed to interest rate risk primarily through its interest bearing assets. The Library manages its exposure to the interest rate risk of its cash by maximizing the interest income earned on excess funds while maintaining the minimum liquidity necessary to conduct operations on a day-to-day basis. Fluctuations in market rates of interest on cash do not have a significant impact on the Library's results of operations.

DRUMHELLER PUBLIC LIBRARY

Schedule of Revenues

(Schedule 1)

Year Ended December 31, 2018

| | 2018 Budget (Unaudited) | 2018 | 2017 (unaudited) |
|--|----------------------------|------------|---------------------|
| GRANTS AND SUBSIDIES | | | |
| Town of Drumheller - Direct | \$ 177,073 | \$ 177,075 | \$ 148,205 |
| Town of Drumheller - Indirect (Schedule 2) | - | 85,555 | 85,555 |
| Town of Drumheller - Marigold Levy | - | 48,371 | 47,692 |
| Provincial Library Operating Grant | 44,560 | 44,561 | 44,561 |
| Marigold services | 20,073 | 19,955 | 20,073 |
| Provincial Employment Program | 1,631 | 1,890 | 1,890 |
| Business grants | 1,450 | 1,355 | 5,000 |
| Town of Drumheller - Photocopying | - | 1,313 | 673 |
| Microfilm Partner | 500 | - | 424 |
| | 245,287 | 380,075 | 354,073 |
| GENERAL OPERATING | | | |
| Library Cards/Membership | 14,000 | 10,000 | 10,043 |
| Fines | - | 3,402 | 1,713 |
| Gallery | - | 3,140 | 330 |
| Fundraising and donations (Schedule 3) | - | 2,555 | 2,621 |
| | 14,000 | 19,097 | 14,707 |
| OTHER | | | |
| Photocopier | 6,000 | 4,449 | 2,959 |
| Book sales | 3,000 | 3,615 | 3,488 |
| Interest | - | 1,965 | 422 |
| Fax and internet | - | 630 | 482 |
| | 9,000 | 10,659 | 7,351 |
| | \$ 268,287 | \$ 409,831 | \$ 376,131 |

See notes to financial statements

DRUMHELLER PUBLIC LIBRARY

Schedule of Town of Drumheller - Indirect Grants and Payments
Year Ended December 31, 2018

(Schedule 2)

| | 2018 | 2017 (unaudited) |
|--------------------------|---------------|---------------------|
| INDIRECT GRANTS | | |
| Rent | \$ 75,000 | \$ 75,000 |
| Insurance | 8,555 | 8,555 |
| Audit | 2,000 | 2,000 |
| | 85,555 | 85,555 |
| INDIRECT PAYMENTS | | |
| Rent | 75,000 | 75,000 |
| Insurance | 8,555 | 8,555 |
| Audit | 2,000 | 2,000 |
| | 85,555 | 85,555 |
| | \$ - | \$ - |

Schedule of Fundraising and Donations
Year Ended December 31, 2018

(Schedule 3)

| | 2018 | 2017 (unaudited) |
|------------------------------|-----------------|---------------------|
| Miscellaneous donations | \$ 1,880 | \$ 1,484 |
| Adopt a Subscription program | 675 | 1,137 |
| | \$ 2,555 | \$ 2,621 |