

## **APPENDIX 3**

**DRUMHELLER PUBLIC LIBRARY**  
Financial Statements  
Year Ended December 31, 2020

# DRUMHELLER PUBLIC LIBRARY

Index to Financial Statements

Year Ended December 31, 2020

---

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Operations	4
Statement of Changes in Net Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 11
Schedule of Revenues ( <i>Schedule 1</i> )	12
Schedule of Town of Drumheller - Indirect Grants and Payments ( <i>Schedule 2</i> )	13
Schedule of Fundraising and Donations ( <i>Schedule 3</i> )	13



## 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, 2020, 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, 2020, 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 not-for-profit organizations, the Library derives revenue from fundraising activities the completeness of which is not susceptible of satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Library. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, (excess) deficiency of revenues over expenses, and cash flows from operations for the years ended December 31, 2020 and 2019, current assets as at December 31, 2020 and 2019, and net assets as at January 1 and December 31 for both the 2020 and 2019 years. Our audit opinion on the financial statements for the year ended December 31, 2019 was modified accordingly because of the possible effects of this limitation of scope.

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.

### *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.

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.

(continues)

**THE POWER OF BEING UNDERSTOOD**  
AUDIT | TAX | CONSULTING

### *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  
June 15, 2021

**RSM Alberta LLP**  
Chartered Professional Accountants

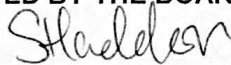
# DRUMHELLER PUBLIC LIBRARY

## Statement of Financial Position

December 31, 2020

	2020	2019
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 78,097	\$ 42,829
Short-term investments (Note 3)	-	50,000
Goods and services tax recoverable	1,660	1,080
Interest receivable	527	-
Prepaid expenses	610	-
	<b>80,894</b>	<b>93,909</b>
<b>LONG-TERM INVESTMENTS (Note 4)</b>	<b>102,557</b>	<b>50,000</b>
	<b>\$ 183,451</b>	<b>\$ 143,909</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 22,128	\$ 8,382
<b>NET ASSETS</b>		
Unrestricted	161,323	135,527
	<b>\$ 183,451</b>	<b>\$ 143,909</b>

APPROVED BY THE BOARD OF DIRECTORS

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

# DRUMHELLER PUBLIC LIBRARY

## Statement of Operations

Year Ended December 31, 2020

	2020 Budget (Note 8)	2020	2019
<b>REVENUES</b>			
Grants and subsidies (Schedule 1)	\$ 181,220	\$ 361,127	\$ 407,054
Other (Schedule 1)	5,180	5,947	10,209
General operating (Schedule 1)	1,800	2,307	6,051
	188,200	369,381	423,314
<b>EXPENSES</b>			
Salaries and wages	154,350	157,557	225,674
Marigold Library Systems - Requisitions	35,919	85,729	85,008
Town of Drumheller - Indirect payments (Schedule 2)	-	77,000	77,000
General and administrative	1,500	6,287	447
Computer and photocopier costs and equipment lease	2,950	4,882	3,481
Conferences and travel	500	2,905	2,230
Library supplies	600	2,773	358
Books and magazine purchases (including Greentree)	-	1,627	8,815
Postage and delivery	1,300	1,375	4,486
Telephone and communication	1,650	1,120	1,536
Programs	500	804	7,696
Advertising and promotion	800	553	554
Board	950	350	326
Interest and bank charges	400	348	427
Memberships	200	261	178
Gallery	250	14	150
Bookkeeping	300	-	537
	202,169	343,585	418,903
<b>(DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES</b>	<b>\$ (13,969)</b>	<b>\$ 25,796</b>	<b>\$ 4,411</b>

See notes to financial statements

# DRUMHELLER PUBLIC LIBRARY

Statement of Changes in Net Assets

Year Ended December 31, 2020

	2020	2019
<b>NET ASSETS - BEGINNING OF YEAR</b>	\$ 135,527	\$ 131,116
Excess of revenues over expenses	25,796	4,411
<b>NET ASSETS - END OF YEAR</b>	\$ 161,323	\$ 135,527



# DRUMHELLER PUBLIC LIBRARY

## Statement of Cash Flows

Year Ended December 31, 2020

	2020	2019
<b>CASH PROVIDED BY (USED IN):</b>		
<b>OPERATING ACTIVITIES</b>		
Excess of revenues over expenses	\$ 25,796	\$ 4,411
Item not affecting cash:		
Interest on long-term investments	(304)	-
	<b>25,492</b>	<b>4,411</b>
Changes in non-cash working capital:		
Interest receivable	(527)	-
Goods and services tax recoverable	(580)	(729)
Prepaid expenses	(610)	-
Accounts payable and accrued liabilities	13,746	3,763
Deferred contributions	-	(13,645)
	<b>12,029</b>	<b>(10,611)</b>
	<b>37,521</b>	<b>(6,200)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of long-term investments	(52,253)	-
Proceeds from short-term investments	50,000	-
	<b>(2,253)</b>	<b>-</b>
<b>INCREASE (DECREASE) IN CASH</b>	<b>35,268</b>	<b>(6,200)</b>
Cash - beginning of year	42,829	49,029
<b>CASH - END OF YEAR</b>	<b>\$ 78,097</b>	<b>\$ 42,829</b>

See notes to financial statements



# DRUMHELLER PUBLIC LIBRARY

Notes to Financial Statements

Year Ended December 31, 2020

---

## 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).

## 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

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

### 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, 2020

---

## 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, interest receivable, short-term investments 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. Actual results could differ from these estimates.

### Recently adopted accounting pronouncements

The Library has not adopted any new accounting standards as required by the Public Sector Accounting Standards Board since 2018.

*(continues)*

# DRUMHELLER PUBLIC LIBRARY

Notes to Financial Statements

Year Ended December 31, 2020

---

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

### Future accounting pronouncements

The following summarizes upcoming changes to public sector accounting standards issued by the Public Standards Accounting Standards Board. In the coming year, the Library will continue to assess the impact and prepare for the adoption of these standards. While the timing of standard adoption may vary, certain standards must be adopted concurrently. The requirements in Financial Statement Presentation (PS1201), Financial Instruments (PS3450), Foreign Currency Translations (PS2601) and Portfolio Investments (PS3041) must be implemented at the same time.

PS 3041 - Portfolio Investments: This section removes the distinction between temporary and portfolio investments and provides additional guidance on recognition, measurement, presentation and disclosure of portfolio investments. Upon adoption of this section and PS 3450, PS 3040 - Portfolio Investments will no longer be applicable. This standard is effective for fiscal years beginning on or after April 1, 2022.

PS 1201 - Financial Statement Presentation: The implementation of this standard requires a new statement of re-measurement gains and losses separate from the statement of operations. This new statement will include the unrealised gains and losses arising from the re-measurement of financial instruments and items denominated in foreign currency. This standard is effective for fiscal years beginning on or after April 1, 2022.

PS 3450 - Financial Instruments: This section establishes recognition, measurement, and disclosure requirements for derivative and non-derivative instruments. The standard requires fair value measurements of derivative instruments and equity instruments; all other financial instruments can be measured at either cost or fair value depending upon elections made by the Library. Unrealised gains and losses will be presented on the new statement of re-measurement gains and losses arising from the adoption of PS 1201. There will also be a requirement to disclose the nature and extent of risks arising from financial instruments and clarification is given for the de-recognition of financial liabilities. This standard is effective for fiscal years beginning on or after April 1, 2022.

PS 2601 - Foreign Currency Translation: This section establishes guidance on the recognition, measurement, presentation and disclosure of assets and liabilities denominated in foreign currencies. The Section requires monetary assets and liabilities, denominated in a foreign currency, and non-monetary items valued at fair value, denominated in a foreign currency, to be adjusted to reflect the exchange rates in effect at the financial statement date. The resulting unrealised gains and losses are to be presented in the new statement of re-measurement gains and losses. This standard is effective for fiscal years beginning on or after April 1, 2022.

PS 3280 - Asset Retirement Obligations: This section establishes the recognition, measurement and disclosure requirements for asset retirement obligations. This section requires management to prepare a best estimate of the obligation when there is a legal obligation to incur retirement costs, the transaction giving rise to the liability has occurred and future costs will be incurred. The liability must be reassessed at each financial statement date. This standard is effective for fiscal years beginning on or after April 1, 2022.

## 3. SHORT-TERM INVESTMENTS

Short-term investments consist of one guaranteed investment certificate accruing interest at 2.25% per annum that matured September 2020.

# DRUMHELLER PUBLIC LIBRARY

Notes to Financial Statements

Year Ended December 31, 2020

---

## 4. LONG-TERM INVESTMENTS

Long-term investments consist of two guaranteed investment certificates accruing interest at 0.90% and 2.75% per annum maturing September 2022 and 2023 respectively.

## 5. RELATED PARTY TRANSACTIONS

### Grants

During the year, the Town of Drumheller provided \$213,810 (2019 - \$246,089) in funding to partially cover operating costs of the Library. In addition, grants in-kind of \$77,000 (2019 - \$77,000) 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 (2019 - \$75,000). The rent was offset by an indirect grant from the Town of Drumheller of \$75,000 (2019 - \$75,000).

### Expenses

During the year, the Library paid the Town of Drumheller \$681 (2019 - \$1,536) for telephone charges.

## 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. As at December 31, 2020 81% (2019 - 79%) of the Library's grant revenue is received from the Town of Drumheller.

## 7. RISK MANAGEMENT

The Library's financial instruments consists of cash, interest receivable, 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, 2020.

### *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**

Notes to Financial Statements

Year Ended December 31, 2020

---

## **8. BUDGET**

The 2020 budget figures as presented in the financial statements are unaudited and represent the Library's approved March 12, 2020 budget. These budgeted amounts were based on a 46% projected reduction in municipal funding. The variances between budget and actual revenues resulted from multiple revisions to the projected reduction in municipal funding from 46% to 25% to 20%. The variances between budget and actual expenses resulted from the library adjusting actual operations to reflect the revisions to the municipal funding throughout the year.



# DRUMHELLER PUBLIC LIBRARY

Schedule of Revenues

(Schedule 1)

Year Ended December 31, 2020

	2020 Budget (Note 8)	2020	2019
<b>GRANTS AND SUBSIDIES</b>			
Town of Drumheller - Direct	\$ 110,700	\$ 164,000	\$ 197,000
Town of Drumheller - Indirect (Schedule 2)	-	77,000	77,000
Town of Drumheller - Marigold Levy - Requisitions	-	49,810	49,089
Provincial Library Operating Grant	44,560	44,561	44,561
Marigold services	19,955	19,955	19,955
Business grants	5,800	5,801	16,369
Federal Employment Program	-	-	1,800
Microfilm Partner	205	-	1,280
	181,220	361,127	407,054
<b>GENERAL OPERATING</b>			
Fundraising and donations (Schedule 3)	800	1,180	2,705
Fines	1,000	1,037	3,181
Gallery	-	50	40
Library Card/Membership	-	40	125
	1,800	2,307	6,051
<b>OTHER</b>			
Interest	2,500	3,662	1,052
Photocopier	2,300	1,207	4,474
Book sales	380	860	3,349
Fax and internet	-	178	702
Other sales	-	40	632
	5,180	5,947	10,209
	\$ 188,200	\$ 369,381	\$ 423,314

See notes to financial statements

# DRUMHELLER PUBLIC LIBRARY

Schedule of Town of Drumheller - Indirect Grants and Payments  
Year Ended December 31, 2020

(Schedule 2)

	2020	2019
<b>INDIRECT GRANTS</b>		
Rent	\$ 75,000	\$ 75,000
Audit	2,000	2,000
	<b>\$ 77,000</b>	<b>\$ 77,000</b>
<b>INDIRECT PAYMENTS</b>		
Rent	\$ 75,000	\$ 75,000
Audit	2,000	2,000
	<b>\$ 77,000</b>	<b>\$ 77,000</b>

Schedule of Fundraising and Donations  
Year Ended December 31, 2020

(Schedule 3)

	2020	2019
Adopt a Subscription program	\$ 636	\$ 1,085
Miscellaneous donations	544	1,620
	<b>\$ 1,180</b>	<b>\$ 2,705</b>