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GREGORY
HARRIMAN
& ASSOCIATES LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

MARIGOLD LIBRARY SYSTEM

FINANCIAL STATEMENTS

DECEMBER 31, 2019

MARIGOLD LIBRARY SYSTEM

DECEMBER 31, 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Marigold Library System:

Opinion

We have audited the financial statements of Marigold Library System (the System), which comprise the statement of financial position as at December 31, 2019, and the statement of operations and changes in fund balances and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Marigold Library System as at December 31, 2019, the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

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 System 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 the System'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 cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the System's financial reporting process.

Auditor's Responsibility for the Audit of the Consolidated 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 judgement 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 omission, 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 System`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 System`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 Auditors` report. However, future events or conditions may cause the System 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Gregory, Harriman & Associates LLP

Strathmore, Alberta
April 18, 2020

Gregory, Harriman & Associates LLP
Chartered Professional Accountants

**MARIGOLD LIBRARY SYSTEM
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019**

	OPERATING FUND	CAPITAL FUND	TOTAL	
	2019	2019	2019	2018
CURRENT ASSETS				
Cash and Cash Equivalents <i>(Note 4)</i>	\$ 1,645,625	\$ 5,660,319	\$ 7,305,944	\$ 2,408,195
Accounts Receivable <i>(Note 5)</i>	23,114	-	23,114	101,505
Goods and Services Tax Receivable	15,595	-	15,595	5,422
Prepaid Expenses <i>(Note 6)</i>	222,068	-	222,068	209,155
Short Term Investments <i>(Note 7)</i>	-	-	-	5,591,125
	<u>1,906,402</u>	<u>5,660,319</u>	<u>7,566,721</u>	<u>8,315,402</u>
TANGIBLE CAPITAL ASSETS, Net <i>(Note 8)</i>	<u>-</u>	<u>1,485,836</u>	<u>1,485,836</u>	<u>820,797</u>
INTANGIBLE CAPITAL ASSETS, Net <i>(Note 9)</i>	<u>-</u>	<u>78,881</u>	<u>78,881</u>	<u>63,500</u>
TOTAL ASSETS	<u>\$ 1,906,402</u>	<u>\$ 7,225,036</u>	<u>\$ 9,131,438</u>	<u>\$ 9,199,699</u>
CURRENT LIABILITIES				
Accounts Payable and Accrued Liabilities <i>(Note 10)</i>	\$ 154,559	\$ -	\$ 154,559	\$ 181,256
Deferred Revenue <i>(Note 11)</i>	480,966	2,425,675	2,906,641	3,522,249
Current Portion of Capital Lease <i>(Note 12)</i>	-	-	-	1,999
	<u>635,525</u>	<u>2,425,675</u>	<u>3,061,200</u>	<u>3,705,504</u>
LONG TERM DEBT				
Obligations under Capital Lease <i>(Note 12)</i>	-	-	-	-
Unamortized External Contributions <i>(Note 13)</i>	-	762,978	762,978	95,982
	<u>-</u>	<u>762,978</u>	<u>762,978</u>	<u>95,982</u>
TOTAL LIABILITIES	<u>635,525</u>	<u>3,188,653</u>	<u>3,824,178</u>	<u>3,801,486</u>
FUND BALANCES				
Invested in Capital Assets <i>(Note 14)</i>	-	801,739	801,739	797,966
Internally Restricted <i>(Notes 3, 15)</i>	1,096,467	3,234,644	4,331,111	4,393,961
Unrestricted	174,410	-	174,410	206,286
	<u>1,270,877</u>	<u>4,036,383</u>	<u>5,307,260</u>	<u>5,398,213</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,906,402</u>	<u>\$ 7,225,036</u>	<u>\$ 9,131,438</u>	<u>\$ 9,199,699</u>

ECONOMIC DEPENDENCE *(Note 2)*

Approved by: _____ Director _____ Director

MARIGOLD LIBRARY SYSTEM
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2019

	OPERATING FUND	RESTRICTED FUNDS		TOTAL	
	2019	CAPITAL FUND	INTERNALLY RESTRICTED	2019	2018
REVENUE (Schedule 1)	\$ 5,807,797	\$ 15,682	\$ -	\$ 5,823,479	\$ 5,635,556
EXPENSES (Schedule 2)	5,815,100	99,332	-	5,914,432	5,244,535
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(7,303)	(83,650)	-	(90,953)	391,021
Transfers (from) to Reserves (Note 15)	-	62,850	(62,850)	-	-
Interfund Transfers (Note 17)	(24,573)	24,573	-	-	-
	(31,876)	3,773	(62,850)	(90,953)	391,021
Fund Balances, beginning of year	206,286	797,966	4,393,961	5,398,213	5,007,192
FUND BALANCES, END OF YEAR	\$ 174,410	\$ 801,739	\$ 4,331,111	\$ 5,307,260	\$ 5,398,213

The accompanying notes form an integral part of these financial statements.
 Gregory, Harriman & Associates LLP

**MARIGOLD LIBRARY SYSTEM
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>2019</u> Total Invested in Capital Assets	<u>2019</u> Capital Internally Restricted	<u>2019</u> Operating Internally Restricted	<u>2019</u> Operating Unrestricted	<u>2019</u> Total	<u>2018</u> Total
FUND BALANCES , beginning of year	\$ 797,966	\$ 3,297,494	\$ 1,096,467	\$ 206,286	\$ 5,398,213	\$ 5,007,192
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(83,650)	-	-	(7,303)	(90,953)	391,021
INTERFUND TRANSFERS (Note 17)	87,423	(62,850)	-	(24,573)	-	-
FUND BALANCES , end of year	<u>\$ 801,739</u>	<u>\$ 3,234,644</u>	<u>\$ 1,096,467</u>	<u>\$ 174,410</u>	<u>\$ 5,307,260</u>	<u>\$ 5,398,213</u>

The accompanying notes form an integral part of these financial statements.
Gregory, Harriman & Associates LLP

**MARIGOLD LIBRARY SYSTEM
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	OPERATING ACTIVITIES	FINANCING & INVESTING	TOTAL	
	Operating Fund	Capital Fund		
	2019	2019	2019	2018
SOURCES OF CASH AND CASH EQUIVALENTS				
Municipal Levies	\$ 3,316,107	\$ -	\$ 3,316,107	\$ 3,218,349
Grants	1,965,940	111,176	2,077,116	2,121,672
Other Contributions	230,158	-	230,158	25,832
Reimbursements	196,503	-	196,503	215,083
Investment Income	133,379	-	133,379	92,520
	<u>5,842,087</u>	<u>111,176</u>	<u>5,953,263</u>	<u>5,673,456</u>
USES OF CASH AND CASH EQUIVALENTS				
Purchases and Salaries	(5,887,382)	22,500	(5,864,882)	(5,128,436)
Purchase of Tangible Capital Assets	-	(776,381)	(776,381)	(109,823)
Purchase of Intangible Capital Assets	-	(22,875)	(22,875)	(63,500)
Proceeds from Disposal of Capital Assets	-	19,500	19,500	17,000
Proceeds (Purchase) of Investments	-	5,591,124	5,591,124	(1,570,640)
Repayment of Obligations under Capital Lease	-	(2,000)	(2,000)	(7,999)
	<u>(5,887,382)</u>	<u>4,831,868</u>	<u>(1,055,514)</u>	<u>(6,863,398)</u>
NET CASH AND CASH EQUIVALENTS INCREASE (DECREASE)	<u>(45,295)</u>	<u>4,943,044</u>	<u>4,897,749</u>	<u>(1,189,942)</u>
Cash and Cash Equivalents, Opening	1,715,493	692,702	2,408,195	3,598,137
Interfund Adjustments	(24,573)	24,573	-	-
CASH AND CASH EQUIVALENT CLOSING	<u>\$ 1,645,625</u>	<u>\$ 5,660,319</u>	<u>\$ 7,305,944</u>	<u>\$ 2,408,195</u>
CASH AND CASH EQUIVALENTS REPRESENTED BY:				
Cash (Note 4)	1,388,778	-	1,388,778	502,707
Redeemable Deposits (Note 4)	256,847	5,660,319	5,917,166	1,905,488
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 1,645,625</u>	<u>\$ 5,660,319</u>	<u>\$ 7,305,944</u>	<u>\$ 2,408,195</u>

The accompanying notes form an integral part of these financial statements.
Gregory, Harriman & Associates LLP

**MARIGOLD LIBRARY SYSTEM
SCHEDULE 1 - REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2019**

	OPERATING FUND		CAPITAL FUND		TOTAL	
	2019	2018	2019	2018	2019	2018
REVENUE						
Municipal Levies	\$ 3,316,107	\$ 3,218,349	\$ -	\$ -	\$ 3,316,107	\$ 3,218,349
Provincial Grants	1,850,585	1,850,585	-	-	1,850,585	1,850,585
Indigenous Grant	93,624	93,264	-	-	93,624	93,264
Reimbursements	180,732	241,276	-	-	180,732	241,276
Other Revenue	167,263	21,668	-	-	167,263	21,668
Interest	70,710	109,280	-	-	70,710	109,280
Member Fees	62,946	63,428	14,164	11,396	77,110	74,824
Special Grants	65,830	21,939	1,518	4,371	67,348	26,310
TOTAL REVENUE	\$ 5,807,797	\$ 5,619,789	\$ 15,682	\$ 15,767	\$ 5,823,479	\$ 5,635,556

The accompanying notes form an integral part of these financial statements.
Gregory, Harriman & Associates LLP

**MARIGOLD LIBRARY SYSTEM
SCHEDULE 2 - EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>OPERATING FUND</u>		<u>CAPITAL FUND</u>		<u>TOTAL</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
EXPENSES						
Salaries and Wages	\$ 1,969,878	\$ 1,844,978	\$ -	\$ -	\$ 1,969,878	\$ 1,844,978
Materials	1,292,846	1,191,726	-	-	1,292,846	1,191,726
Transfer Payments	661,672	648,283	-	-	661,672	648,283
Professional Fees	421,885	25,765	-	-	421,885	25,765
Employee Benefits and Payroll Expenses	304,356	282,679	-	-	304,356	282,679
Equipment	202,221	159,302	-	-	202,221	159,302
The Regional Automation Consortium Funding (Note 16)	181,924	167,883	-	-	181,924	167,883
Reimbursed Purchases and Expenses	180,732	241,260	-	-	180,732	241,260
Training and Development	95,262	96,202	-	-	95,262	96,202
Building	92,330	99,622	-	-	92,330	99,622
Network	87,579	66,411	-	-	87,579	66,411
Supplies	68,398	72,525	-	-	68,398	72,525
Travel and Meetings	65,134	65,065	-	-	65,134	65,065
Delivery	52,180	55,483	-	-	52,180	55,483
Programs	49,938	43,808	-	-	49,938	43,808
Miscellaneous	41,987	28,657	-	-	41,987	28,657
Memberships	24,944	24,356	-	-	24,944	24,356
Marketing	14,725	28,785	-	-	14,725	28,785
Postage and Freight	4,511	4,716	-	-	4,511	4,716
Bank Charges	2,598	3,191	-	-	2,598	3,191
Maintenance Agreements	-	11,650	-	-	-	11,650
Amortization	-	-	80,995	87,706.00	80,995	87,706
Loss (Gain) on Disposal of Capital	-	-	18,337	(5,518)	18,337	(5,518)
TOTAL EXPENSES	<u>\$ 5,815,100</u>	<u>\$ 5,162,347</u>	<u>\$ 99,332</u>	<u>\$ 82,188</u>	<u>\$ 5,914,432</u>	<u>\$ 5,244,535</u>

The accompanying notes form an integral part of these financial statements.
Gregory, Harriman & Associates LLP

MARIGOLD LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

1) Purpose of the Organization

Marigold Library System ("System") is a library resource and information centre established for all participating residents of the System. The Board of Management of the Marigold Library System is established by virtue of the Alberta Libraries Act.

2) Economic Dependence

The System is dependent on contributions from the Province of Alberta in order to continue operations.

3) Significant Accounting Policies and Reporting Practices

Basis of Presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

Basis of Accounting

Marigold Library System follows the restricted fund method of accounting for contributions.

The Operating Fund accounts for revenue and expenses relating to the organization's program delivery and administrative activities.

The Capital Fund reports the assets, liabilities, revenue and expenses related to the organization's capital assets.

Revenue Recognition

Restricted contributions related to general operations are recognized as revenue of the Operating Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the Capital Fund.

Unrestricted contributions are recognized as revenue of the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted non-capital contributions are deferred and recognized as revenue in the year when the related expenses are incurred.

Externally restricted capital contributions are recorded as deferred capital contributions until the amount is invested in capital assets. Amounts invested representing externally funded capital assets are then transferred to unamortized external capital contributions. Unamortized external capital contributions are recognized in the periods in which the related amortization expense of the funded capital asset is recorded.

Internally Restricted Assets

The Internally Restricted balance is not available for other purposes without the approval of the Board of Directors.

Cash and Cash Equivalents

Cash includes cash and cash equivalents. Cash equivalents are investments in GICs and are valued at cost plus accrued interest. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than 90 days.

Short Term Investments

Short Term Investments are investments in GICs and are valued at cost plus accrued interest. The carrying amounts approximate fair value because they mature in the next fiscal year.

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**MARIGOLD LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

3) Significant Accounting Policies and Reporting Practices *(continued)*

Tangible Capital Assets

Purchased tangible capital assets are recorded at cost. Contributed tangible capital assets are recorded at fair market value at the date of contribution. Additions to the organization's tangible capital assets are recognized for expenditures in excess of \$2,000 with a useful life beyond two years.

All tangible capital assets are amortized at fixed rates applied to diminishing balances. The rates can be summarized as follows:

Buildings	4%
Computer Equipment	55% and 100%
Data Network Infrastructure Equipment	30%
Under Capital Lease	20%
Furniture and Equipment	20%
Automotive Equipment	30%

Amortization expense is reported within the Capital Fund.

The half year rule is in effect in the year of acquisition. No amortization is taken in the year of disposition.

Intangible Capital Assets

Intangible capital assets are recognized at cost and amortized on the basis of their useful life using the straight-line method. The rates are summarized as follows:

Website	10 years
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Amortization expense is reported within the Capital Fund.

The half year rule is in effect in the year of acquisition. No amortization is taken in the year of disposition.

Capitalized Leases

A lease that transfers substantially all of the benefits and risks of ownership is classified as a capital lease. At the inception of a capital lease, an asset and a payment obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair market value. All other leases are accounted for as operating leases and rental payments are expensed as incurred.

Contributed Materials and Services

An undeterminable amount of materials and volunteer services are contributed in order to assist the System in carrying out its library services. Because of the difficulty in determining their fair value, contributed materials and services are not recognized in the financial statements.

Income Taxes

As a registered not-for-profit organization, the organization is exempt from paying income taxes under Section 149(1)(f) of the Income Tax Act (Canada).

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MARIGOLD LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

3) Significant Accounting Policies and Reporting Practices *(continued)*

Government Assistance

Funding to finance operating expenses is provided by Municipal Levies, First Nations Grant and Province of Alberta Library Service Grant. This funding is recorded as revenue when earned in the Statement of Operations.

Foreign Currency Translation

All assets and liabilities of operations denominated in currencies other than Canadian dollars have been translated into Canadian dollars at the rate of exchange in effect at the balance sheet date. Gains and losses resulting from the translation of assets and liabilities are reflected in net income.

Revenue and expense accounts are translated at the average rates of exchange prevailing during the period.

Library Books and Periodicals

All books and periodicals purchased as library stock are expensed in the year of acquisition. Management believes that this accounting policy best matches the services potential of these acquisitions to the period of substantial benefit.

Financial Instruments

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

4) Cash and Cash Equivalents

	<u>2019</u>	<u>2018</u>
<i>Operating</i>		
Bank	\$ 1,388,578	\$ 502,507
Deposit Accounts	256,847	1,212,786
Petty Cash	200	200
	<u>\$ 1,645,625</u>	<u>\$ 1,715,493</u>
 <i>Capital</i>		
Deposit Accounts	<u>\$ 5,660,319</u>	<u>\$ 692,702</u>
 <i>Total</i>	<u>\$ 7,305,944</u>	<u>\$ 2,408,195</u>

5) Accounts Receivable

	<u>2019</u>	<u>2018</u>
Reimbursements Receivable	\$ 13,841	\$ 29,563
Accrued Interest Receivable	8,773	71,442
Other Receivables	500	500
<i>Total</i>	<u>\$ 23,114</u>	<u>\$ 101,505</u>

**MARIGOLD LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

6) Prepaid Expenses

	2019	2018
Operating		
Electronic Resources and Telecommunication	\$ 171,423	\$ 170,836
Other	50,645	15,819
	\$ 222,068	\$ 186,655
Capital		
Land Deposit	\$ -	\$ 22,500
	\$ 222,068	\$ 209,155

7) Short Term Investments

	2019	2018
Capital		
Guaranteed Investment Certificates	\$ -	\$ 5,591,125
	\$ -	\$ 5,591,125

The Guaranteed Investment Certificates matured in the year.

8) Tangible Capital Assets

	2019		2018		
Cost	Accumulated Amortization	Net Book Value	Net Book Value		
Tangible Assets					
Buildings	\$ 1,551,087	\$ 792,058	\$ 759,029	\$ 659,365	
Computer Equipment	367,390	361,787	5,603	12,953	
Data Network Infrastructure	28,400	25,560	2,840	4,057	
Equipment					
Under Capital Lease	-	-	-	14,744	
Furniture and Equipment	67,440	50,641	16,799	15,911	
Automotive Equipment	240,297	110,288	130,009	113,767	
Land	571,556	-	571,556	-	
Total	\$ 2,826,170	\$ 1,340,334	\$ 1,485,836	\$ 820,797	

9) Intangible Capital Assets

	2019		2018		
Cost	Accumulated Amortization	Net Book Value	Net Book Value		
Intangible Assets					
Website	\$ 86,375	\$ 7,494	\$ 78,881	\$ 63,500	
Total	\$ 86,375	\$ 7,494	\$ 78,881	\$ 63,500	

**MARIGOLD LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

10) Accounts Payable and Accrued Liabilities

	2019	2018
Trade Payables	\$ 51,160	\$ 67,566
Vacation Payable	39,348	49,989
Payroll Remittances Payable	18,625	16,145
Accrued Liabilities	18,475	17,875
Wages Payable	17,601	-
Credit Card Payable	9,350	29,681
Total	\$ 154,559	\$ 181,256

11) Deferred Revenue

	2019	2018
Operating		
Establishment Grants	\$ 389,293	\$ 389,293
Rural Information Services Initiative Member Funding	79,181	86,477
Indigenous Project Funding	12,492	37,646
	\$ 480,966	\$ 513,416
Capital		
Capital Infrastructure Grant	\$ 2,425,675	\$ 3,008,833
Total	\$ 2,906,641	\$ 3,522,249

Amounts represent unspent contributions received for capital and operating projects.

12) Obligations under Capital Lease

	2019	2018
2014 Konica Minolta photocopier lease contract, repayable in quarterly payments of \$1,999, 0% interest. Lease paid out in the year.	\$ -	\$ 1,999
	-	1,999
Amounts payable within one year	-	(1,999)
Total	\$ -	\$ -
Capital lease repayment terms are approximately:		
2019	-	1,999
Total minimum lease payments	-	1,999
Less: amount representing interest	-	-
Present value of minimum lease payments	\$ -	\$ 1,999

MARIGOLD LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

13) Unamortized External Contributions

	<u>2019</u>	<u>2018</u>
Operating		
Rural Information Services Initiative Member Funding	\$ -	\$ 11,650
Capital		
Building Grant	\$ 755,810	\$ 61,480
Rural Information Services Initiative Member Funding	4,196	9,325
Establishment Grants	2,840	4,057
Rural Information Services Initiative Grants	132	9,470
	<u>\$ 762,978</u>	<u>\$ 84,332</u>
Total	<u>\$ 762,978</u>	<u>\$ 95,982</u>

The unamortized external capital contributions will be recognized in revenue as the related amortization expense for the capital addition is incurred. An amount of \$27,332 (capital - \$15,682; operating - \$11,650), which represents current year amortization on these projects, has been recognized as income in the current year.

14) Invested in Capital Assets

This balance represents Marigold Library System's net investment in capital assets. It is the original asset cost, less accumulated amortization, unamortized external contributions and debt directly related to the capital assets.

15) Internally Restricted Funds

The organization has internally restricted funds for operations and special projects as well as for capital purchases as listed below. The internally restricted funds are not available for unrestricted purposes without approval of the Board of Directors.

	<u>2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>2019</u>
Operating Internally Restricted				
Operating	\$ 996,467	\$ -	\$ -	\$ 996,467
Airdrie Collection	100,000	-	-	100,000
	<u>\$ 1,096,467</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,096,467</u>
Capital Internally Restricted				
Building, Equipment & Furniture	\$ 3,007,987	\$ 166,000	\$ -	\$ 3,173,987
Video Conferencing	166,000	-	(166,000)	-
Vehicle Replacement	99,507	-	(62,850)	36,657
Computer - Hardware/Software upgrade	24,000	-	-	24,000
	<u>\$ 3,297,494</u>	<u>\$ 166,000</u>	<u>\$ (228,850)</u>	<u>\$ 3,234,644</u>
Total Internally Restricted	<u>\$ 4,393,961</u>	<u>\$ 166,000</u>	<u>\$ (228,850)</u>	<u>\$ 4,331,111</u>

**MARIGOLD LIBRARY SYSTEM
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16) Related Party Transactions

During the year Marigold Library System contributed \$181,924 (2018 - \$167,883) towards The Regional Automation Consortium ("TRAC"), shown under Expenditures on the Statement of Operations and Changes in Fund Balances. TRAC is a not-for-profit organization in which Marigold is one of four participating organizations along with Northern Lights Library System, Yellowhead Regional Library System and Peace Library System, which share a centralized computer system for library automation.

This funding was determined based on an equal funding from each member and the members' intent was to provide financial assistance to this organization.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

17) Interfund Transfers

Interfund transfers were required to fund the cash outlays for capital asset acquisitions and loan principal payments. During the year, \$24,573 was transferred from operations: \$62,850 was transferred from capital reserves, no money was transferred to operating reserves and \$87,423 was transferred to fund capital purchases.

18) Financial Instruments

The organization's financial instruments consist of: cash and cash equivalents, accounts receivable, short term investments, accounts payable and accrued liabilities and obligations under capital lease. The risks attached to these financial instruments are as follows:

Credit Risk

Credit risk arises from the possibility that the entities to which the organization provides services may experience financial difficulty and be unable to fulfill their obligations. The organization is exposed to financial risk that arises from the credit quality of the entities to which it provides services. As the organization provides products and services to a variety of customers, its credit risk is minimized.

Interest Rate Risk

Interest rate risk arises from the possibility that the value of, or cash flows related to, a financial instrument will fluctuate as a result of changes in market interest rates. The organization is exposed to financial risk from interest rate differentials between market interest rates and the rates used on their financial instruments.

Fair Value

The fair values of cash and cash equivalents, accounts receivable, short term investments and accounts payable and accrued liabilities, correspond closely to their carrying amount because of their short term maturity dates.

Currency Risk

Currency risk is the risk to the entity's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The organization is exposed to foreign currency exchange risk on cash and cash equivalents and accounts payable held in U.S. dollars.

19) Comparative Figures

Some of the comparative figures have been reclassified to conform to the current year's presentation.

20) Approval of Financial Statements

The Board of Directors approved these financial statements.