

NORTHERN LIGHTS LIBRARY SYSTEM
Financial Statements
For The Year Ended December 31, 2018

INDEPENDENT AUDITORS' REPORT

To the Members of the Northern Lights Library System

Opinion

We have audited the financial statements of Northern Lights Library System (the Library System), 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Library System 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 for government 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Library 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the *Annual Report*, but does not include the financial statements and our auditors' report thereon. The *Annual Report* is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other Matter

The financial statements of the Library System for the year ended December 31, 2017, were audited by another auditor who expressed an unmodified opinion on those financial statements on February 26, 2018.



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 for government 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 Library System'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 System or to cease operations, or has no realistic alternative but to do so.

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

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 Library 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 Library 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 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 the Library 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.

METRIX GROUP LLP

Chartered Professional Accountants

Edmonton, Alberta
March 2, 2019

NORTHERN LIGHTS LIBRARY SYSTEM**Statement of Financial Position****As at December 31, 2018**

	2018	2017
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 2,222,078	\$ 2,037,639
Short term investments	400,000	400,000
Accounts receivable (Note 2)	22,803	42,191
Goods and Services Tax recoverable	24,530	-
Prepaid expenses	61,455	91,873
	2,730,866	2,571,703
TANGIBLE CAPITAL ASSETS (Note 4)	2,420,392	2,579,667
	\$ 5,151,258	\$ 5,151,370
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 31,997	\$ 79,731
Goods and Services Tax payable	-	4,900
Vacation payable	34,478	40,434
Source deductions payable	-	22,535
Deferred contributions - allocation (Note 7)	132,867	147,434
Deferred contributions - other (Note 8)	166,466	140,146
	365,808	435,180
DEFERRED CONTRIBUTIONS - TANGIBLE CAPITAL ASSETS (Note 9)	1,247,080	1,318,139
	1,612,888	1,753,319
NET ASSETS		
Invested in tangible capital assets - Internally restricted	1,173,312	1,261,528
Unrestricted	2,365,058	2,136,523
	3,538,370	3,398,051
	\$ 5,151,258	\$ 5,151,370

ON BEHALF OF THE BOARD_____
*Director*_____
Director

The accompanying notes are an integral part of these financial statements.

NORTHERN LIGHTS LIBRARY SYSTEM
Statement of Operations
For The Year Ended December 31, 2018

	2018	2018	2017
REVENUE			
Provincial grants (<i>Note 3</i>)	\$ 1,153,521	\$ 1,293,783	\$ 1,263,502
Municipal levies	1,188,119	1,188,119	1,204,931
Library board levies	566,486	566,486	586,472
Reimbursements (<i>Note 5</i>)	102,000	141,727	220,680
Amortization of deferred contributions - tangible capital assets (<i>Note 9</i>)	-	71,059	66,443
Interest	20,000	43,895	35,387
Deferred allotment	40,000	17,658	13,419
Office sales	6,000	7,435	8,109
Annual conference	5,000	5,453	4,029
Reading programs	2,000	3,802	2,694
Non-resident fees	900	1,300	1,200
	<u>3,084,026</u>	<u>3,340,717</u>	<u>3,406,866</u>
EXPENSES			
Salaries, wages and benefits	1,268,830	1,273,904	1,222,318
Bibliographic services	484,538	481,055	439,588
Transfer payments (<i>Note 6</i>)	338,506	338,506	338,506
Amortization of tangible capital assets	-	185,236	164,747
Public services	189,800	157,527	214,646
Reimbursements	100,000	137,010	211,117
Indigenous project	-	135,207	104,926
Contracts and vendor services	135,000	133,274	143,241
Information technology	118,500	87,349	136,133
Administration and finance	98,100	83,177	109,101
Board	45,500	56,826	54,245
Repairs and maintenance	46,000	50,265	50,128
Delivery, freight and express	48,500	43,098	43,293
Utilities	30,000	26,001	26,881
Insurance	12,500	10,703	11,443
	<u>2,915,774</u>	<u>3,199,138</u>	<u>3,270,313</u>
EXCESS OF REVENUE OVER EXPENSES FROM OPERATIONS	<u>168,252</u>	<u>141,579</u>	<u>136,553</u>
OTHER INCOME (EXPENSES)			
Gain on disposal of tangible capital assets	-	-	2,300
Loss on foreign exchange	-	(1,260)	-
	<u>-</u>	<u>(1,260)</u>	<u>2,300</u>
EXCESS OF REVENUE OVER EXPENSES	<u>\$ 168,252</u>	<u>\$ 140,319</u>	<u>\$ 138,853</u>

The accompanying notes are an integral part of these financial statements.

NORTHERN LIGHTS LIBRARY SYSTEM
Statement of Changes in Net Assets
For The Year Ended December 31, 2018

	Unrestricted	Invested in tangible capital assets - Internally restricted	2018	2017
NET ASSETS - BEGINNING OF YEAR	\$ 2,136,523	\$ 1,261,528	\$ 3,398,051	\$ 3,259,198
Excess of revenue over expenses	140,319	-	140,319	138,853
Purchase of tangible capital assets	(25,961)	25,961	-	-
Amortization of tangible capital assets	185,236	(185,236)	-	-
Amortization of deferred contributions - tangible capital assets (<i>Note 9</i>)	(71,059)	71,059	-	-
NET ASSETS - END OF YEAR	\$ 2,365,058	\$ 1,173,312	\$ 3,538,370	\$ 3,398,051

The accompanying notes are an integral part of these financial statements.

NORTHERN LIGHTS LIBRARY SYSTEM
Statement of Cash Flows
For The Year Ended December 31, 2018

	2018	2017
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 140,319	\$ 138,853
Items not affecting cash:		
Amortization of tangible capital assets	185,236	164,747
Amortization of deferred contributions - tangible capital assets (Note 9)	<u>(71,059)</u>	<u>(66,443)</u>
	<u>254,496</u>	<u>237,157</u>
Changes in non-cash working capital:		
Accounts receivable	19,388	(36,716)
Prepaid expenses	30,418	17,357
Accounts payable and accrued liabilities	(47,734)	48
Goods and Services Tax payable	(29,430)	34,510
Vacation payable	(5,956)	(4,372)
Source deductions payable	(22,535)	(5,297)
Deferred contributions - allocation	(14,567)	(10,372)
Deferred contributions - other	<u>26,320</u>	<u>40,163</u>
	<u>(44,096)</u>	<u>35,321</u>
	<u>210,400</u>	<u>272,478</u>
INVESTING ACTIVITY		
Purchase of tangible capital assets	<u>(25,961)</u>	<u>(64,328)</u>
	<u>(25,961)</u>	<u>(64,328)</u>
FINANCING ACTIVITIES		
Proceeds from short term investments	400,000	602,387
Purchase of short term investments	<u>(400,000)</u>	<u>-</u>
	<u>-</u>	<u>602,387</u>
CASH FLOW FROM FINANCING ACTIVITIES	<u>-</u>	<u>602,387</u>
INCREASE IN CASH FLOW	<u>184,439</u>	<u>810,537</u>
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>2,037,639</u>	<u>1,227,102</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,222,078</u>	<u>\$ 2,037,639</u>
CASH AND CASH EQUIVALENTS CONSISTS OF:		
Cash	\$ 1,088,123	\$ 923,341
Cash equivalents	<u>1,133,955</u>	<u>1,114,298</u>
	<u>\$ 2,222,078</u>	<u>\$ 2,037,639</u>

The accompanying notes are an integral part of these financial statements.

NORTHERN LIGHTS LIBRARY SYSTEM
Notes to Financial Statements
For The Year Ended December 31, 2018

PURPOSE OF THE SYSTEM

Northern Lights Library System (the "Library System") is a Government not-for-profit organization that provides services and support to autonomous member libraries to assist them in the provision of comprehensive and efficient library service. The Library System may provide access to library services for residents of supporting municipalities where no library exist.

The Library System was established in 1990. The Library System is exempt from income taxes under section 149(1)(l) of the *Income Tax Act*.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations.

Revenue recognition

Northern Lights Library System 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. Endowment contributions are recognized as direct increases in net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Reimbursement revenue is recognized as revenue when the performance has been completed, or the risks and rewards of the ownership of the asset has been transferred and collection is reasonably assured.

Municipal and library board revenues are based on an approved per capita funding contribution. The funding contribution is approved annually and the population of the various municipalities is provided by the Government of Alberta.

Cash and cash equivalents

Cash and cash equivalents include cash and investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. These temporary investments have a maturity of three months or less at acquisition and are held for the purpose of meeting short-term cash commitments rather than for investing.

Short term investments

Short term investments consist of term deposits with maturities of less than twelve months.

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NORTHERN LIGHTS LIBRARY SYSTEM
Notes to Financial Statements
For The Year Ended December 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Tangible capital assets

Tangible capital assets are stated at cost or less accumulated amortization. Contributed tangible capital assets are recorded at fair value at the date of contribution less accumulated amortization. Tangible capital assets are amortized over their estimated useful lives on a straight-line basis at the following rates and methods:

Buildings	40 years	straight-line method
Parking lots	15 years	straight-line method
Furniture and equipment	5 years	straight-line method
Computer equipment	3 years	straight-line method
Vehicles	3 years	straight-line method

The Library System regularly reviews its tangible capital assets to eliminate obsolete items.

Tangible capital assets acquired during the year but not placed into use are not amortized until they are placed into use. No amortization is taken in the year of acquisition

Measurement uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards for government not-for-profit organizations requires management to make estimates and assumption that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Significant areas requiring the use of management's estimates include the useful lives of tangible capital assets and the corresponding rates of amortization, recoverability of accounts receivable, and the amount of accrued liabilities. Such estimates are periodically reviewed and any adjustments necessary are reported in the statement of operations in the period they become known. Actual results could differ from these estimates.

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NORTHERN LIGHTS LIBRARY SYSTEM
Notes to Financial Statements
For The Year Ended December 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Measurement of financial instruments

The Library System initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instruments.

The Library System 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, short term investments and accounts receivable.

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

The Library System has no financial assets measured at fair value.

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 Library System recognizes its transaction costs in net income in the period incurred. However, the carrying amount of the financial instruments that will not be subsequently measured at fair value is reflected in the transaction costs that are directly attributable to their organization, issuance or assumption

2. ACCOUNTS RECEIVABLE

	<u>2018</u>	<u>2017</u>
Trade receivables	\$ 21,430	\$ 40,123
Interest receivable	2,150	2,068
	<u>23,580</u>	42,191
Allowance for doubtful accounts	(777)	-
	<u>\$ 22,803</u>	<u>\$ 42,191</u>

NORTHERN LIGHTS LIBRARY SYSTEM
Notes to Financial Statements
For The Year Ended December 31, 2018

3. PROVINCIAL GRANTS

	<u>2018</u>	<u>2017</u>
Operating grant	\$ 820,070	\$ 820,070
Rural services grant	338,506	338,506
Indigenous grant	135,207	104,926
	<u>\$ 1,293,783</u>	<u>\$ 1,263,502</u>

The rural services grant is paid out to the member libraries in the form of transfer payments, described further in Note 6.

4. TANGIBLE CAPITAL ASSETS

<u>Cost</u>	<u>2017</u> <u>Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>2018</u> <u>Balance</u>
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Building	2,894,641	-	-	2,894,641
Parking lot	81,000	-	-	81,000
Furniture & equipment	83,109	-	-	83,109
Computer equipment	233,188	-	-	233,188
Vehicles	206,835	25,961	31,662	201,134
	<u>\$ 3,548,773</u>	<u>\$ 25,961</u>	<u>\$ 31,662</u>	<u>\$ 3,543,072</u>

<u>Accumulated Amortization</u>	<u>2017</u> <u>Balance</u>	<u>Amortization</u>	<u>Accumulated</u> <u>Amortization</u> <u>on Disposals</u>	<u>2018</u> <u>Balance</u>
Building	\$ 659,136	\$ 72,366	\$ -	\$ 731,502
Parking lot	16,200	5,400	-	21,600
Furniture & equipment	33,645	11,280	-	44,925
Computer equipment	151,766	53,045	-	204,811
Vehicles	108,359	43,145	31,662	119,842
	<u>\$ 969,106</u>	<u>\$ 185,236</u>	<u>\$ 31,662</u>	<u>\$ 1,122,680</u>

<u>Net book value</u>	<u>2018</u>	<u>2017</u>
Land	\$ 50,000	\$ 50,000
Building	2,163,139	2,235,505
Parking lot	59,400	64,800
Furniture & equipment	38,184	49,464
Computer equipment	28,377	81,422
Vehicles	81,292	98,476
	<u>\$ 2,420,392</u>	<u>\$ 2,579,667</u>

NORTHERN LIGHTS LIBRARY SYSTEM
Notes to Financial Statements
For The Year Ended December 31, 2018

5. REIMBURSEMENTS

	<u>2018</u>	<u>2017</u>
Sales of office supplies	\$ 132,223	\$ 210,599
Wage subsidies grant	5,062	5,352
Services and travel reimbursement	4,442	4,729
	<u>\$ 141,727</u>	<u>\$ 220,680</u>

6. TRANSFER PAYMENTS

The Library System provides payments to certain member entities on the basis of \$5.55 per capita (2017 - \$5.55). The population of the municipality is based off of the two years prior Municipal Affairs Population List, provided by the Government of Alberta. The population of the 17 municipalities that received transfer payments total 60,992 (2017 - 60,992) with a minimum population of 44 individuals (2017 - 44) and a maximum population of 19,578 individuals (2017 - 19,578).

7. DEFERRED CONTRIBUTIONS - ALLOCATION

The Library System provides each member library with a book purchase allocation. All purchases by the member libraries are applied against their allotment. The annual change in the regular allocation accounts is reflected on the income statement as a change in the deferred contributions allocation.

	Balance, Beginning of Year	Book purchase allocation	Books purchased	Balance, End of Year
Purchase allotment	\$ 147,434	\$ 372,032	\$ (386,599)	<u>\$ 132,867</u>

The member libraries have outstanding orders of \$4,069 (2017 - \$7,158) for books not received as at December 31, 2018. These amounts are reflected in the balance at year end.

NORTHERN LIGHTS LIBRARY SYSTEM
Notes to Financial Statements
For The Year Ended December 31, 2018

8. DEFERRED CONTRIBUTIONS - OTHER

Deferred contributions consists of externally designated funds received by the Library System. The funds are specifically designated for various projects.

	Balance, Beginning of Year	Contributions received	Revenue recognized	Balance, End of Year
Indigenous project grant	\$ 119,043	\$ 160,064	\$ (135,207)	\$ 143,900
Myrnam - funds	6,249	8,367	(3,107)	11,509
Member library restricted funds	14,854	7,615	(11,412)	11,057
	<u>\$ 140,146</u>	<u>\$ 176,046</u>	<u>\$ (149,726)</u>	<u>\$ 166,466</u>

The member libraries restricted funds are donations and other funding amounts paid to the individual library members by various arm's length entities or individuals. The member libraries are able to spend the funds as they best see fit.

9. DEFERRED CONTRIBUTIONS - TANGIBLE CAPITAL ASSETS

Deferred contributions - tangible capital assets consists of contributed tangible capital assets and restricted contributions with which tangible capital assets were purchased.

	<u>2018</u>	<u>2017</u>
Balance, Beginning of Year	\$ 1,318,139	\$ 1,370,732
Add:		
Indigenous grant	-	13,850
Less:		
Amortization of deferred contributions - tangible capital assets	<u>71,059</u>	66,443
Balance, End of Year	<u>\$ 1,247,080</u>	<u>\$ 1,318,139</u>
Deferred contributions are comprised of the following:		
Building	\$ 1,229,090	\$ 1,271,775
Computer equipment	9,233	28,850
Vehicles	8,757	17,514
	<u>\$ 1,247,080</u>	<u>\$ 1,318,139</u>

NORTHERN LIGHTS LIBRARY SYSTEM
Notes to Financial Statements
For The Year Ended December 31, 2018

10. RELATED PARTY TRANSACTIONS

The Library System charges its member entities a levy of \$10.14 (2017 - \$10.14) per capita in the municipality of the member entity library. If there is a library board in the municipal area, then the municipality and library board share the funding costs on a 50/50 basis. Total funding from the municipal levies in 2018 totaled \$1,188,119 (2017 - \$1,204,931) and the funding from the library boards levies in 2018 totaled \$566,486 (2017 - \$586,472). The population of the municipality is based off the previous year's "Municipal Affairs Population List", provided by the Government of Alberta. The population of the 54 municipalities total 173,038 individuals (2017 - 176,667), with a minimum population of 38 individuals (2017 - 44) and a maximum population of 20,495 individuals (2017 - 19,578).

Total other revenue received from related parties in 2018 totaled \$131,335 (2017 - \$208,250). This was recorded under reimbursement revenue on the Statement of Operations.

Amounts paid to the related parties by the Library System consist of the transfer payments, further described in Note 5.

Amounts owed from related party transactions included in accounts receivable as at December 31, 2018 total \$17,534 (2017 - \$40,123).

The Library System did not owe any amounts to related parties in either the 2018 or 2017 fiscal years.

The deferred contributions allocation described in Note 7 and the other deferred contributions amount described in Note 8 relate to funds that have been received or allocated for the member entities which no corresponding expenses have been incurred yet.

All of the related party transactions were in the normal course of business and were recorded at the exchange value.

11. FINANCIAL INSTRUMENTS

The Library System is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Library System's risk exposure and concentration as of December 31, 2018.

(a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Library System is exposed to credit risk related to the collection of accounts receivable from member entities.

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Library System is exposed to this risk mainly in respect of its receipt of funds from members.

The Library System mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining investments that may be converted to cash in the near-term if unexpected cash outflows arise.

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NORTHERN LIGHTS LIBRARY SYSTEM
Notes to Financial Statements
For The Year Ended December 31, 2018

11. FINANCIAL INSTRUMENTS (continued)

(c) 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 System manages exposure through its normal operating and financing activities. The Library System is exposed to interest rate risk primarily through its cash and cash equivalents and short term investments.

Unless otherwise noted, it is management's opinion that the Library System is not exposed to significant market, currency and other price risks arising from these financial instruments.

12. RECONCILIATION OF OPERATING RESULTS TO BUDGET

The Library System compiles a budget on a modified accrual basis. The budget expensed all tangible capital asset purchases rather than including amortization expense. The reconciliation below adjusts excess of revenues over expenses to align with the Library System's budgeting process. It should not be used as a replacement for the statement of operations. The Library System budgeted for a \$18,848 deficit.

	2018 Budget	2018 Actual	2017 Actual
Excess of Revenues over Expenses	\$ 168,252	\$ 140,319	\$ 138,853
Add:			
Amortization of tangible capital assets	-	185,236	164,747
Deduct:			
Purchase of tangible capital assets	(147,100)	(25,961)	(64,328)
Amortization of deferred contributions - tangible capital assets	-	(71,059)	(66,443)
Deferred allotment carryover	(40,000)	(17,658)	(13,419)
	<u>\$ (18,848)</u>	<u>\$ 210,877</u>	<u>\$ 159,410</u>

13. COMPARATIVE FIGURES

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