



**Executive Committee Agenda  
February 11, 2017  
8:00 a.m.**

1. Call to Order
2. Additions to Agenda
3. Approval of Minutes from December 5, 2016
4. LMC Report
5. NLLS Audit – Barb (9:00am)
6. Executive Director's report
7. Chairman's Report
8. Adjournment

**Next meeting will be held:  
May 6, 2017 at 8:00 a.m.**

**Executive Committee Meeting  
February 11, 2017  
Meeting Minutes**

Present: Stephen Dafoe, Arnold Hanson, Dianne Ross, Vicky Lefebvre, Jim Cheverie, Laurent Amyotte, Ferd Caron, Warren Griffin, Linda Russnak

Regrets: Joan Green

Guest: Maureen Penn

Staff: Julie Walker, Kelly McGrath, Terri Hampson, Colette Poitras, Tanya Fontaine, Heather Elliott, Tracy Paradis

1. Meeting called to order at 8:05 a.m.
2. Additions to Agenda – **Motion to approve the agenda – Arnold Hanson – Carried.**
3. Minutes of December 5 – **Motion to approve the Executive minutes of December 5, 2016 as presented – Laurent Amyotte – Carried.**
4. LMC Report
  - PNLA in Post Falls, ID August 2-4/17
  - Theme is Renew & Reimagine
  - 4 main topics: Academic & Special Libraries; Public Libraries and Trustees
  - LMC next meeting March 1, 2017**Motion to accept LMC Report as information – Dianne Ross – Carried.**
5. Executive Director's Report
  - Staff says thank you for Christmas cards
  - AWR
    - January 10 Jennifer Batiuk resigned
    - they are looking for a new manager
    - all deliveries have been put on hold
  - New Minister of Municipal Affairs is Shaye Anderson
  - New employee – Tanya Fontaine, Indigenous Services Library Liaison
    - Master's in Education, fluent in Cree
    - she will provide services and connections to reserves and Indigenous communities
    - she will also be recording stories of the Indigenous people (oral histories)
  - 2<sup>nd</sup> van run started in January, a lot of adjustment but seems to be working well
    - there is 400,000 km on old van so we are using the old consultant vans for 2<sup>nd</sup> van run Deliveries
    - purchase of new delivery van in the future
  - Ken Feser, PLSB, will be doing a presentation on Plan of Service at Board Meeting
  - MD of Bonnyville dissolved library board – we are now their Board of Record
    - they weren't being utilized, no service point
  - In March Bruderheim is coming to discuss partnerships
  - Glendon expressed an interest in joining the system
    - all information has been sent
    - they will not have a library, but they will be able to utilize the other libraries facilities
  - Websites aren't functional, and not attractive to patrons
    - Clinton from Townlife is working on some mock ups of different sites

- end of February he will present them to us
- not sure of the cost
- libraries will also have a say on website design
- Projects
  - records retention – looking at digitization of files
  - digitization of Indigenous stories and pictures from the reserves and settlements
  - equipment would cost approx. \$30,000 – 3 different models
  - portion of money would come from the Indigenous grant and the remainder would need to come from capital reserves
- We're receiving phone calls from people who are utilizing the Allied Arts asking for our Wi-fi passwords, as there is no Wi-fi in that part of the building. Will not provide passwords.
- Building is shifting – cracks in walls, doors won't shut
  - building committee meeting after board meeting

**Motion to accept Executive Director's Report as information – Warren Griffin – Carried.**

- Colette is on the Truth & Reconciliation Board – would like to request that before each meeting we acknowledge Treaty 6 and accept UNDRIP
- Bib Services – good feedback on the two van runs
  - new totes and dollies – ease of moving totes around Bib Services, no more totes in the middle of the Bib Services room

**Motion to accept Bib. Services Report as information – Arnold Hanson – Carried.**

- I.T. Report
  - new fortigates for all libraries
  - brand new firewall
  - built new configuration – straight switch out at libraries
  - Bitdefender is our new anti-virus for computers
  - site visits will take a while to complete
  - Edgerton moved into their new building on Thursday
  - 15 new laptops purchased to replace the out-dated ones in the lab
  - making a lab of Windows 10 to lend out, to get the libraries familiar with the new system
  - all the libraries computers are out of warranty, libraries need to have a contingency plan for Replacements

**Motion to accept I.T. Report as information – Ferd Caron – Carried.**

**Motion to have an inspector come and investigate the building – Arnold Hanson – Carried.**

**Motion to present to the Board for purchase of Digitization equipment – Linda Russnak – Carried.**

**Motion to acknowledge Treaty 6 and the Homeland of the Metis before all meetings – Vicky Lefebvre – Carried.**

- Julie went to OLA – over 150 sessions and presentations per day
  - coaching conversations
  - wide collection of books on Indigenous population, new releases, best books of the year – posters will be coming for our libraries
  - 150 Canadiana Films – many Indigenous films; February 19<sup>th</sup> is free film day for the libraries
  - John Chraska – Advocacy for Libraries – community involvement; we are trying to get him for our conference
  - pre-conference, session and key-note

- Conference is September 14 & 15 – LMC meeting will be the morning of Sept. 14 and pre-conference will start in the afternoon with a full day of sessions on Sept. 15

6. NLLS Audit – Barb McCarthy – JMD Group

- bank balance \$1,197,538 ending December 2016; compared to \$1,841,029 ending December 2015 – this is due to \$1,002,387 moved to short-term investments

- Total Assets - \$2,344,240; total liabilities \$405,739

**Motion to refer Audit to the Board – Jim Cheverie – Seconded Warren Griffin – Carried.**

**Amended motion to accept Audit as presented – Jim Cheverie – Seconded Warren Griffin – Carried.**

7. Chairman's Report

**Motion to adjourn at 9:50 a.m. – Arnold Hanson – Carried.**

Approved By: \_\_\_\_\_

Date: \_\_\_\_\_

# LMC Report – February 11<sup>th</sup>

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## Meetings attended by LMC Executive

- PNLA Board Meeting – Nov. 12<sup>th</sup>
- NLLS Board/Staff PD Day – Nov. 19<sup>th</sup>
- Library Services to Indigenous Populations Working Group (PLSB) – Nov. 24<sup>th</sup>
- NLLS Executive Board Meeting – Dec. 5<sup>th</sup>

## General Updates

- Maureen now has swag from PNLA (Pacific Northwest Library Association) which will be distributed at ALC and other Alberta library conferences.
- The ALC (Alberta Library Conference) will be hosted in Jasper, Alberta from April 27-30<sup>th</sup>. The theme is **Libraries: More Than Ever!** With this being the 150 anniversary of Parks Canada the ALC committee has lined up high profile keynote speakers Joseph Boyden and Rick Mercer. There will be a wide range of topics with the academic libraries and trustees having at least one session in each time spot focusing specifically on their needs, as well as, numerous Indigenous library service focused presentations. There will be author talks by Joseph Boyden, Kate Beaton and Susan Juby.
- **2017 PNLA Conference** will be held at the Red Lion Templin's Resort, Post Falls ID August 2-4, 2017. Their theme is R&R (Renew and Reimagine).
- Public Library Services Branch is hosting a symposium on Public Library Service for Indigenous Communities on February 22-24<sup>th</sup>, 2017 at the Matrix Hotel.

## Upcoming Library Manager's Council Meetings:

- Wednesday, March 1<sup>st</sup>, 2017 (Regular & AGM)
- Wednesday, May 17<sup>th</sup>, 2017
- Wednesday, September 14<sup>th</sup>, 2017 (Morning of NLLS pre-conference)

## LMAC Executive

- Maureen Penn, Chair (Lac La Biche County Libraries)
- Jodi Dahlgren, 1st Vice Chair (Wainwright Public Library)
- Vacant, 2nd Vice Chair
- Stuart Pauls, Secretary (Vermilion Public Library)

*Report submitted by Maureen Penn*

**NORTHERN LIGHTS LIBRARY SYSTEM**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

<b>Index</b>	<b>Page</b>
Independent Auditor's Report	1
Statement of Financial Position	2
Statement of Operations	3
Schedule of Expenses	4
Statement of Changes in Net Assets	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 – 11

## INDEPENDENT AUDITOR'S REPORT

To the Members of the Northern Lights Library System

We have audited the accompanying financial statements of the Northern Lights Library System, which comprise the statement of financial position as at December 31, 2016, and the statements of operations, expenses, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these 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.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Northern Lights Library System as at December 31, 2016 and the results of its operations, changes in net assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards for government not-for-profit organizations.

ST. PAUL, ALBERTA  
February 11, 2017

CHARTERED ACCOUNTANTS

**NORTHERN LIGHTS LIBRARY SYSTEM  
STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2016**

**ASSETS**

	<u>2016</u>	<u>2015</u>
<b>CURRENT ASSETS</b>		
Cash and bank	\$ 1,197,538	\$ 1,841,029
Accounts receivable	5,475	12,965
Goods and services tax receivable	29,610	23,107
Prepaid expenses	109,230	55,733
Short-term investments	<u>1,002,387</u>	<u>--</u>
	2,344,240	1,932,834
<b>CREDIT UNION EQUITY</b>	25,193	24,370
<b>CAPITAL ASSETS (note 2)</b>	<u>2,666,236</u>	<u>2,600,659</u>
	<u>\$ 5,035,669</u>	<u>\$ 4,557,863</u>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 65,106	\$ 78,051
Vacation pay payable	44,806	58,223
Payroll remittances payable	27,832	--
Deferred revenue - allocation (note 4)	168,012	120,576
Deferred revenue - other (note 5)	<u>99,983</u>	<u>24,930</u>
	<u>405,739</u>	<u>281,780</u>
<b>DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (note 6)</b>	<u>1,370,732</u>	<u>1,402,148</u>
<b>NET ASSETS</b>		
Invested in capital assets	1,295,504	1,198,511
Unrestricted net assets	<u>1,963,694</u>	<u>1,675,424</u>
	<u>3,259,198</u>	<u>2,873,935</u>
	<u>\$ 5,035,669</u>	<u>\$ 4,557,863</u>

APPROVED ON BEHALF OF THE BOARD:

\_\_\_\_\_  
CHAIRPERSON



**NORTHERN LIGHTS LIBRARY SYSTEM  
STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

		<u>2016</u>	<u>2015</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
REVENUES			
Municipal and library board levies			
Municipal levies	\$ <b>1,132,871</b>	\$ 1,133,643	\$ 1,061,678
Library board levies	<u><b>651,262</b></u>	<u>651,902</u>	<u>573,113</u>
	<u><b>1,784,133</b></u>	<u>1,785,545</u>	<u>1,634,791</u>
Provincial grants			
Operating	<b>826,965</b>	830,335	834,620
Rural library services	<b>261,837</b>	265,062	263,603
Establishment	--	4,426	17,189
Indigenous project	<u>--</u>	<u>51,386</u>	<u>--</u>
	<u><b>1,088,802</b></u>	<u>1,151,209</u>	<u>1,115,412</u>
Other revenue			
Donations	<b>3,500</b>	5,000	3,500
Interest revenue	<b>16,500</b>	20,218	16,187
Annual conference	--	3,938	20,406
Summer reading program	--	2,677	1,659
Non-resident fees	<b>5,450</b>	950	10,550
Office sales	<u><b>14,300</b></u>	<u>9,170</u>	<u>13,238</u>
	<u><b>39,750</b></u>	<u>41,953</u>	<u>65,540</u>
Reimbursements			
Sales of office supplies	<b>50,000</b>	70,962	85,204
Services and travel reimbursements	<b>3,000</b>	8,484	5,170
Wage subsidies	<u>--</u>	<u>4,384</u>	<u>2,711</u>
	<u><b>53,000</b></u>	<u>83,830</u>	<u>93,085</u>
Amortization of deferred contributions (note 6)	<u>--</u>	<u>57,686</u>	<u>42,686</u>
Change in allotment carryover	<u>--</u>	<u>(47,437)</u>	<u>3,626</u>
	<u><b>2,965,685</b></u>	<u>3,072,786</u>	<u>2,955,140</u>
SCHEDULE OF EXPENSES (page 4)	<u><b>2,918,353</b></u>	<u>2,687,523</u>	<u>2,669,633</u>
EXCESS OF REVENUES OVER EXPENSES	\$ <u><b>47,332</b></u>	\$ <u>385,263</u>	\$ <u>285,507</u>

**NORTHERN LIGHTS LIBRARY SYSTEM  
SCHEDULE OF EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

		<u>2016</u>	<u>2015</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
EXPENSES			
Bibliographic services	\$ 405,592	\$ 367,478	\$ 375,711
Delivery	44,140	34,889	28,753
Administration and finance	108,600	93,587	95,573
Board	80,558	43,678	52,734
Building	95,600	74,985	77,555
IT Department	104,287	68,347	17,274
Public services	200,100	136,541	136,744
Contracts and vendor services	153,776	151,697	138,304
Staffing costs	1,412,142	1,086,824	1,279,565
Transfer payments	258,058	265,062	263,603
Reimbursements	55,500	79,420	89,709
Indigenous project	--	51,386	--
Unbudgeted expenses	--	123,158	--
Amortization of capital assets	<u>--</u>	<u>110,471</u>	<u>114,108</u>
TOTAL EXPENSES	\$ <u>2,918,353</u>	\$ <u>2,687,523</u>	\$ <u>2,669,633</u>

**NORTHERN LIGHTS LIBRARY SYSTEM  
STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Invested in Capital Assets	Unrestricted	2016 Total	2015 Total
BALANCE, beginning of year	\$ <u>1,198,511</u>	\$ <u>1,675,424</u>	\$ <u>2,873,935</u>	\$ <u>2,588,428</u>
CHANGE FOR THE YEAR				
Excess (deficiency) of revenues over expenses	(52,785)	438,048	385,263	285,507
Purchase of capital assets	<u>149,778</u>	<u>(149,778)</u>	<u>--</u>	<u>--</u>
	<u>96,993</u>	<u>288,270</u>	<u>385,263</u>	<u>285,507</u>
BALANCE, end of year	\$ <u>1,295,504</u>	\$ <u>1,963,694</u>	\$ <u>3,259,198</u>	\$ <u>2,873,935</u>

**NORTHERN LIGHTS LIBRARY SYSTEM  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Excess of revenues over expenses	\$ <u>385,263</u>	\$ <u>285,507</u>
Add (deduct) items not affecting cash flows:		
Amortization of capital assets	110,471	114,108
Amortization of deferred contributions related to capital assets	<u>(57,686)</u>	<u>(42,686)</u>
	<u>52,785</u>	<u>71,422</u>
	438,048	356,929
Net changes in non-cash working capital balances		
Decrease (increase) in:		
Accounts receivable	7,490	(9,341)
Goods and services tax receivable	(6,503)	(4,743)
Prepaid expenses	(53,497)	(41,223)
Increase (decrease) in:		
Accounts payable	(12,945)	36,114
Vacation pay payable	(13,417)	(22,820)
Deferred revenue - allocation	47,436	(3,626)
Deferred revenue - other	75,053	2,343
Payroll remittances payable	<u>27,832</u>	<u>--</u>
	<u>509,497</u>	<u>313,633</u>
<b>CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES</b>		
Purchase of capital assets	(149,778)	(42,593)
Credit Union Equity	(823)	(878)
Purchase of short-term investments	<u>(1,002,387)</u>	<u>--</u>
	<u>(1,152,988)</u>	<u>(43,471)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	(643,491)	270,162
<b>CASH, beginning of year</b>	<u>1,841,029</u>	<u>1,570,867</u>
<b>CASH, end of year</b>	\$ <u>1,197,538</u>	\$ <u>1,841,029</u>

**NORTHERN LIGHTS LIBRARY SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**PURPOSE OF THE ORGANIZATION**

The aim of the Northern Lights Library System is to provide services and support to autonomous member libraries to assist them in the provision of comprehensive and efficient library service. The system may provide access to library service for residents of supporting municipalities where no library exists.

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements were prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations and include the following significant accounting policies:

Cash and Cash Equivalents

Cash and cash equivalents is defined as the bank balances.

Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided on a straight-line basis over the assets' estimated useful lives as follows:

Building	40 years
Parking lots	15 years
Furniture & equipment	5 years
Computer equipment	3 years
Vehicles	3 years

No amortization is taken in the year of acquisition. No amortization is taken on assets under construction until the year following the completion of the project.

Internally Restricted Fund

The internally restricted fund was established by the Board to set aside funds for future capital expenditures.

Revenue Recognition

The Northern Lights Library System follows the deferral method of accounting for revenue. 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.

**NORTHERN LIGHTS LIBRARY SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

1) **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Measurement Uncertainty

The preparation of financial statements in accordance with Canadian public sector accounting standards for government not-for-profit organizations requires management to make estimates and assumptions 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. Such estimates include the amortization of capital assets. Actual results could differ from these estimates. These estimates are reviewed periodically and as adjustments become necessary, they are reported as earnings in the period in which they become known.

Budget Figures

Budget figures are included for information purposes and are not audited.

Impairment of Long Lived Assets

Long lived assets consist of capital assets. Long lived assets held for use are measured and amortized as described in the applicable accounting policies.

The system performs impairment testing on the long lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from the assets' use and disposal are less than the assets' carrying value. Any impairment is included in earnings for the year impairment becomes known.

Prices for similar items are used to measure the fair value of long lived assets.

Financial Instruments

The system's financial instruments consist of receivables, accounts payable and accruals and deferred revenue. All financial instruments are initially recognized at fair value and subsequently measured at amortized cost. Transaction costs and financial fees associated with financial instruments carried at amortized cost are recorded as adjustments to the initial fair value recognized and amortized over the life of the financial instrument.

**NORTHERN LIGHTS LIBRARY SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

2) CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value	
			2016	2015
Land	\$ 50,000	\$ --	\$ 50,000	\$ 50,000
Buildings	2,894,641	586,770	2,307,871	2,380,239
Parking lot	81,000	10,800	70,200	75,600
Furniture & equipment	51,264	28,515	22,749	8,114
Computer equipment	223,415	100,873	122,542	86,706
Vehicles	<u>210,536</u>	<u>117,662</u>	<u>92,874</u>	<u>--</u>
	\$ <u>3,510,856</u>	\$ <u>844,620</u>	\$ <u>2,666,236</u>	\$ <u>2,600,659</u>

3) AUTHORIZED OVERDRAFT

The Northern Lights Library System has an authorized line of credit of \$500,000 at Prime plus .5% arranged with Alberta Treasury Branch.

4) DEFERRED REVENUE/PRIOR YEARS' PURCHASE ALLOTMENT

The Northern Lights Library System provides each library with a book purchase allocation. All purchases by the libraries are applied against their allotment. As at December 31, 2016 \$168,012 (2015 - \$120,576) remained in the libraries' allocation accounts to be utilized to purchase books in the next year. The annual change in the regular allocation accounts is reflected on the income statement as change in deferred revenue allocation.

The member libraries have outstanding orders of \$55,867 (2015 - \$60,109) for books not received as at December 31, 2016.

5) DEFERRED REVENUE - OTHER

Deferred revenue - other consists of the following:

	<u>2016</u>	<u>2015</u>
Shell Canada- Winter Reading Program	\$ --	\$ 3,500
Organizations book purchases	14,294	15,454
Myrnam – funds	7,934	5,976
Indigenous Project Grant	<u>77,755</u>	<u>--</u>
	\$ <u>99,983</u>	\$ <u>24,930</u>

**NORTHERN LIGHTS LIBRARY SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

6) DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

Deferred contributions related to capital assets represent contributed property and equipment and restricted contributions with which the capital assets were purchased. The changes in the deferred contributions balance for the period are as follows:

	<u>2016</u>	<u>2015</u>
Beginning balance	\$ 1,402,148	\$ 1,399,834
Add capital grants/donations received		
CIP Grant	--	25,000
Donation	--	20,000
Indigenous Grant	26,270	--
Less amounts amortized to revenue	<u>(57,686)</u>	<u>(42,686)</u>
Closing balance	\$ <u>1,370,732</u>	\$ <u>1,402,148</u>

The deferred contributions are amortized to revenue on the same basis as the related capital assets.

7) SALARY DISCLOSURE

The salary for the director is within the approved range of \$87,886 to \$111,791.

8) ECONOMIC DEPENDENCE

The future of the Northern Lights Library System is dependent upon the member libraries remaining with the system.

9) FINANCIAL INSTRUMENTS

Transacting in financial instruments exposes the system to certain financial risks and uncertainties. These risks include:

Liquidity Risk

The system's exposure to liquidity risk is dependent on the collection of accounts receivable and obligations or raising of funds to meet commitments and sustain operations. The system controls liquidity risk by management of working capital, cash flows and the availability of borrowing facilities.



**NORTHERN LIGHTS LIBRARY SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

9) FINANCIAL INSTRUMENTS (continued)

Credit Risk

The system is exposed to credit risk in the event of non-performance by counterparties in connection with accounts receivable. The system does not obtain collateral or other security to support the accounts receivable subject to credit risk but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises these types of risk: currency risk, interest rate risk and other price risk. The system is exposed to currency risk.

Currency Risk

Currency risk is the risk to the system's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The system is exposed to foreign currency exchange risk primarily through its foreign denominated bank account balance. The system does not use derivative instruments to reduce its exposure to foreign currency risk.

Commodity Risk

The system is exposed to fluctuations in commodity prices for natural gas and electricity. Commodity prices are affected by many factors including supply, demand and the Canadian to U.S. dollar exchange rate. The system has signed a three year fixed rate contract for natural gas and electricity which minimizes commodity risk.

10) COMMITMENTS

The system has signed two equipment leases with quarterly payments of \$1,914 and \$189, expiring December 2019 and December 2017 respectively.

11) COMPARATIVE FIGURES

Certain of the 2015 comparative figures have been reclassified to conform to the current years financial statement presentation.