

NORTHERN LIGHTS LIBRARY SYSTEM
Financial Statements
For the Year Ended December 31, 2022

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards for government not-for-profit organizations. The responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibility for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded, and financial records are properly maintained to provide reliable information for the preparation of the financial statements.

The elected Board of Directors of the Northern Lights Library System are composed entirely of individuals who are neither management nor employees of the Library System. The Board carries out their responsibility principally through its Audit Committee. The Audit Committee has the responsibility of meeting with management and the external auditors to discuss the internal controls over the financial reporting process, auditing matters, and financial reporting issues. The Audit Committee is also responsible for the appointment of the Library System's external auditors.

Metrix Group LLP, an independent firm of Chartered Professional Accountants, is appointed by the Board of Directors to audit the financial statements and to report directly to them. The external auditors have full and free access to and meet periodically and separately with the internal audit staff, other management staff, and the Audit Committee and management to discuss their audit findings.

James MacDonald, Executive Director

Terri Hampson, Finance Officer

Elk Point, Alberta
February 24, 2023

INDEPENDENT AUDITORS' REPORT

To the Members of 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, 2022, 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, 2022, and the results of its operations and 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 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.

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.

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.

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 related 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.

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Independent Auditors' Report to the Members of Northern Lights Library System (*continued*)

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.

Chartered Professional Accountants

Edmonton, Alberta
February 24, 2023

NORTHERN LIGHTS LIBRARY SYSTEM
Statement of Financial Position
As at December 31, 2022

	2022	2021
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 2,225,408	\$ 2,550,569
Accounts receivable (Note 2)	22,329	23,144
Goods and Services Tax recoverable	37,560	-
Prepaid expenses	149,269	109,313
	<u>2,434,566</u>	<u>2,683,026</u>
TANGIBLE CAPITAL ASSETS (Note 4)	<u>2,031,644</u>	<u>2,184,374</u>
	<u>\$ 4,466,210</u>	<u>\$ 4,867,400</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 108,587	\$ 79,863
Goods and Services Tax payable	-	6,685
Vacation payable	26,541	28,786
Deferred contributions - allocation (Note 7)	93,150	121,315
Deferred contributions - other (Note 8)	307,426	310,932
	<u>535,704</u>	<u>547,581</u>
DEFERRED CONTRIBUTIONS - TANGIBLE CAPITAL ASSETS (Note 9)	<u>1,058,348</u>	<u>1,101,033</u>
	<u>1,594,052</u>	<u>1,648,614</u>
NET ASSETS		
Invested in tangible capital assets - internally restricted	973,296	1,083,341
Unrestricted	1,898,862	2,135,445
	<u>2,872,158</u>	<u>3,218,786</u>
	<u>\$ 4,466,210</u>	<u>\$ 4,867,400</u>

ON BEHALF OF THE BOARD

Director

Director

NORTHERN LIGHTS LIBRARY SYSTEM
Statement of Operations
For the Year Ended December 31, 2022

	2022	2022	2021
REVENUE			
Provincial grants (Note 3)	\$ 836,808	\$ 1,293,674	\$ 1,350,134
Municipal levies	866,576	1,246,047	1,226,702
Library board levies	604,128	604,128	606,800
Reimbursements (Note 5)	1,000	149,515	116,954
Interest	22,000	64,349	20,148
Amortization of deferred contributions - tangible capital assets (Note 9)	-	42,685	42,686
Annual conference	15,000	16,784	2,500
Myrnam revenue	-	15,721	9,462
Office rental	-	10,000	-
Office sales	4,000	6,875	4,740
Reading programs	8,000	1,617	924
Non-resident fees	1,500	-	600
Reserve transfer	348,736	-	-
	<u>2,707,748</u>	<u>3,451,395</u>	<u>3,381,650</u>
EXPENSES			
Salaries, wages and benefits	1,717,349	1,815,027	1,682,980
Bibliographic services	-	510,551	428,561
Transfer payments (Note 6)	-	337,725	335,141
Public services	142,000	177,551	166,581
Contracts and vendor services	153,000	171,771	157,129
Information technology	108,000	171,416	137,594
Amortization of tangible capital assets	-	152,730	163,328
Indigenous project	53,367	118,521	159,789
Reimbursements	180,000	100,892	99,719
Administration and finance	163,400	73,149	85,738
Delivery, freight and express	48,000	72,428	48,256
Repairs and maintenance	52,000	59,731	61,685
Board	37,800	42,511	43,662
Utilities	30,000	31,582	30,544
Myrnam expenses	11,332	12,339	9,462
Insurance	11,500	12,072	11,323
	<u>2,707,748</u>	<u>3,859,996</u>	<u>3,621,492</u>
DEFICIENCY OF REVENUE OVER EXPENSES FROM OPERATIONS	<u>-</u>	<u>(408,601)</u>	<u>(239,842)</u>
OTHER INCOME (EXPENSES)			
Deferred allotment	-	36,223	20,438
Gain on disposal of tangible capital assets	-	25,750	-
Loss on foreign exchange	-	-	(416)
	<u>-</u>	<u>61,973</u>	<u>20,022</u>
DEFICIENCY OF REVENUE OVER EXPENSES	<u>\$ -</u>	<u>\$ (346,628)</u>	<u>\$ (219,820)</u>

NORTHERN LIGHTS LIBRARY SYSTEM
Statement of Changes in Net Assets
For the Year Ended December 31, 2022

	Unrestricted	Invested in tangible capital assets - internally restricted	2022	2021
NET ASSETS - BEGINNING OF YEAR	\$ 2,135,445	\$ 1,083,341	\$ 3,218,786	\$ 3,438,606
Excess (deficiency) of revenue over expenses	(346,628)	-	(346,628)	(219,820)
Amortization of tangible capital assets	152,730	(152,730)	-	-
Amortization of deferred contributions - tangible capital assets <i>(Note 9)</i>	(42,685)	42,685	-	-
NET ASSETS - END OF YEAR	\$ 1,898,862	\$ 973,296	\$ 2,872,158	\$ 3,218,786

NORTHERN LIGHTS LIBRARY SYSTEM
Statement of Cash Flows
For The Year Ended December 31, 2022

	2022	2021
OPERATING ACTIVITIES		
Deficiency of revenue over expenses	\$ (346,628)	\$ (219,820)
Items not affecting cash:		
Amortization of tangible capital assets	152,730	163,328
Gain on disposal of tangible capital assets	(25,750)	-
Amortization of deferred contributions - tangible capital assets (Note 9)	(42,685)	(42,686)
	<u>(262,333)</u>	<u>(99,178)</u>
Changes in non-cash working capital:		
Accounts receivable	815	(2,583)
Prepaid expenses	(39,956)	19,543
Goods and Services Tax recoverable	(44,245)	33,574
Accounts payable and accrued liabilities	28,724	43,549
Vacation payable	(2,245)	7,096
Deferred contributions - allocation	(28,165)	(14,798)
Deferred contributions - other	(3,506)	1,433
	<u>(88,578)</u>	<u>87,814</u>
	<u>(350,911)</u>	<u>(11,364)</u>
INVESTING ACTIVITIES		
Purchase of tangible capital assets	-	(4,721)
Proceeds on sale of tangible capital assets	25,750	-
	<u>25,750</u>	<u>(4,721)</u>
FINANCING ACTIVITY		
Proceeds from investments	-	700,000
	<u>-</u>	<u>700,000</u>
INCREASE (DECREASE) IN CASH FLOW	(325,161)	683,915
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	2,550,569	1,866,654
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,225,408	\$ 2,550,569
CASH AND CASH EQUIVALENTS CONSIST OF:		
Cash	\$ 195,415	\$ 666,687
Cash equivalents	2,029,993	1,883,882
	<u>\$ 2,225,408</u>	<u>\$ 2,550,569</u>

NORTHERN LIGHTS LIBRARY SYSTEM

Notes to Financial Statements

Year Ended December 31, 2022

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

(a) *Basis of presentation*

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

(b) *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.

(c) *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.

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NORTHERN LIGHTS LIBRARY SYSTEM

Notes to Financial Statements

Year Ended December 31, 2022

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

(d) 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.

(e) 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

Year Ended December 31, 2022

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

(f) 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 excess of revenue over expenses.

Financial assets measured at amortized cost include cash and cash equivalents 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 excess of revenue over expenses. 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 excess of revenue over expenses.

Transaction costs

The Library System recognizes its transaction costs in excess of revenue over expenses 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

	2022	2021
Trade receivables	\$ 22,569	\$ 23,384
Allowance for doubtful accounts	(240)	(240)
	<u>\$ 22,329</u>	<u>\$ 23,144</u>

NORTHERN LIGHTS LIBRARY SYSTEM

Notes to Financial Statements

Year Ended December 31, 2022

3. PROVINCIAL GRANTS

	2022	2021
Operating grant	\$ 832,375	\$ 831,807
Rural services grant	337,736	337,782
Indigenous grant	118,520	159,789
Provincial establishment grant	5,043	20,756
	\$ 1,293,674	\$ 1,350,134

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>	2021 Balance	Additions	Disposals	2022 Balance
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	374,710	-	-	374,710
Vehicles	265,397	-	58,497	206,900
	\$ 3,748,857	\$ -	\$ 58,497	\$ 3,690,360

<u>Accumulated Amortization</u>	2021 Balance	Amortization	Accumulated Amortization on Disposals	2022 Balance
Building	\$ 948,600	\$ 72,366	\$ -	\$ 1,020,966
Parking lot	37,800	5,400	-	43,200
Furniture & equipment	76,740	6,369	-	83,109
Computer equipment	278,788	47,174	-	325,962
Vehicles	222,555	21,421	58,497	185,479
	\$ 1,564,483	\$ 152,730	\$ 58,497	\$ 1,658,716

<u>Net book value</u>	2022	2021
Land	\$ 50,000	\$ 50,000
Building	1,873,675	1,946,041
Parking lot	37,800	43,200
Furniture & equipment	-	6,369
Computer equipment	48,748	95,922
Vehicles	21,421	42,842
	\$ 2,031,644	\$ 2,184,374

NORTHERN LIGHTS LIBRARY SYSTEM
Notes to Financial Statements
Year Ended December 31, 2022

5. REIMBURSEMENTS

	2022	2021
Sales of office supplies	\$ 104,654	\$ 83,117
Services and travel reimbursement	44,861	33,837
	\$ 149,515	\$ 116,954

6. TRANSFER PAYMENTS

The Library System provides payments to certain member entities on the basis of \$5.55 per capita (2021 - \$5.55). The population of the municipality is based off of the Municipal Affairs Population List, provided by the Government of Alberta. The population of the 17 municipalities that received transfer payments total 61,468 (2021 - 60,092) with a minimum population of 44 individuals (2021 - 44) and a maximum population of 19,578 individuals (2021 - 19,578). The Library System made transfer payments of \$337,725 (2021 - \$335,141) in the the 2022 fiscal year.

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 statement of operations as a change in the deferred contributions allocation.

	Balance, Beginning of Year	Book purchase allocation	Books purchased	Balance, End of Year
Purchase allotment	\$ 121,315	\$ 381,404	\$ (409,569)	\$ 93,150

The member libraries have outstanding orders of \$NIL (2021 - \$1,818) for books not received as at December 31, 2022. These amounts are reflected in the balance at year end.

NORTHERN LIGHTS LIBRARY SYSTEM

Notes to Financial Statements

Year Ended December 31, 2022

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	\$ 286,188	\$ 118,232	\$ (118,520)	\$ 285,900
Member library restricted funds	15,819	5,449	(5,176)	16,092
Myrnam - funds	8,925	8,848	(12,339)	5,434
	<u>\$ 310,932</u>	<u>\$ 132,529</u>	<u>\$ (136,035)</u>	<u>\$ 307,426</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.

NORTHERN LIGHTS LIBRARY SYSTEM

Notes to Financial Statements

Year Ended December 31, 2022

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.

	2022	2021
Balance, Beginning of Year	\$ 1,101,033	\$ 1,143,719
Less:		
Amortization of deferred contributions - tangible capital assets	42,685	42,686
	<u>\$ 1,058,348</u>	<u>\$ 1,101,033</u>
Deferred contributions are comprised of the following:		
Building	<u>\$ 1,058,348</u>	<u>\$ 1,101,033</u>

10. RELATED PARTY TRANSACTIONS

The Library System charges its member entities a levy of \$10.46 (2021 - \$10.46) 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 2022 totaled \$1,246,047 (2021 - \$1,226,702) and the funding from the library boards levies in 2022 totaled \$604,128 (2021 - \$606,800). The population of the municipality is based off the "Municipal Affairs Population List", provided by the Government of Alberta. The population of the 57 municipalities total 177,471 individuals (2021 - 175,815), with a minimum population of 44 individuals (2021 - 38) and a maximum population of 19,578 individuals (2021 - 20,495).

Total other revenue received from related parties in 2022 totaled \$65,875 (2021 - \$40,373). 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 6.

Amounts owed from related party transactions included in accounts receivable as at December 31, 2022 total \$5,139 (2021 - \$18,365).

The Library System did not owe any amounts to related parties in either the 2022 or 2021 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.

NORTHERN LIGHTS LIBRARY SYSTEM

Notes to Financial Statements

Year Ended December 31, 2022

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, 2022.

(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.

(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.

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.

NORTHERN LIGHTS LIBRARY SYSTEM
Notes to Financial Statements
Year Ended December 31, 2022

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 \$NIL surplus (2021 - \$19,665 deficit).

	2022 Budget	2022 Actual	2021 Actual
Excess (deficiency) of revenues over expenses	\$ -	\$ (346,628)	\$ (219,820)
Add:			
Amortization of tangible capital assets	-	152,730	163,328
Deduct:			
Purchase of tangible capital assets	-	-	(4,721)
Amortization of deferred contributions - tangible capital assets	-	(42,685)	(42,686)
Deferred allotment carryover	-	(36,223)	(20,438)
Gain on disposal of tangible capital assets	-	(25,750)	-
	<u>\$ -</u>	<u>\$ (298,556)</u>	<u>\$ (124,337)</u>