



LIBRARYCO INC.
ANNUAL REPORT 2018

LIBRARYCO INC.

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2018

Results of Operations

Results for the year identify a deficit of \$64,000 compared to a surplus of \$93,000 in 2017 and a budgeted deficit in 2018 of \$159,000, with the use of the General Fund financing expenditures.

The deficit for the year has reduced the General Fund balance to \$208,000 and the Reserve Fund balance is unchanged at \$500,000.

LibraryCo's biggest expense, the grants to county law libraries, was in line with budget and increased by \$155,000 from 2017.

Statement of Revenues and Expenses — Revenues

The Law Society of Ontario grant totalled \$7.9 million (2017 – \$7.8 million).

Statement of Revenues and Expenses — Expenses

The administration expense of \$305,000 in 2018 represents the administration fee paid to the Law Society. It remained unchanged from 2017.

Professional fees for 2018 include expenses related to the development of a Board skills matrix and subsequent recruitment of new board members.

Electronic products and services expenses of \$342,000 increased slightly over 2017.

County and District law libraries grants of \$6.8 million (2017 – \$6.6 million) are detailed by county in the notes to the financial statements and include both the annual grants approved as part of the budget process and also special needs grants. All counties received increases in their grant funding in 2018, generally of 2%.

Balance Sheet and Statement of Changes in Fund Balances

The accounts receivable total has decreased to \$27,000 from \$42,000 due to the timing of benefit premium refunds. Accrued liabilities increased from \$22,000 to \$25,000.

The General Fund accounts for the delivery, management and administration of library services. The General Fund has declined by the deficit of \$64,000 to \$208,000 over the last 12 months. LibraryCo's budget for 2019 envisages using \$159,000 of this fund balance to finance operations.

The Reserve Fund has an unchanged balance of \$500,000. In accordance with Board policy, it comprises a general component of \$200,000, a capital and special needs component of \$150,000, and a staffing and severance component of \$150,000.



Independent auditor's report

To the Board of Directors of LibraryCo Inc.

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of LibraryCo Inc. (the Organization) as at December 31, 2018 and 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.

What we have audited

The Organization's financial statements comprise:

- the balance sheet as at December 31, 2018;
- the statement of revenues and expenses for the year then ended;
- the statement of changes in fund balances for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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

Independence

We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, included in the annual report.

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

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215

PwC refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
April 4, 2019

LIBRARYCO INC.

BALANCE SHEET

Stated in dollars

As at December 31

	2018	2017
<u>Assets</u>		
Current Assets		
Cash	676,471	318,978
Short-term investments	–	403,167
Accounts receivable	26,703	42,022
Prepaid expenses	30,414	30,415
Total Assets	733,588	794,582
<u>Liabilities, Share Capital and Fund Balances</u>		
Current Liabilities		
Accounts payable and accrued liabilities (notes 4 and 6)	24,890	22,299
Total Liabilities	24,890	22,299
Share Capital and Fund Balances		
Share capital (note 5)	200	200
General fund	208,498	272,083
Reserve fund	500,000	500,000
Total Share Capital and Fund Balances	708,698	772,283
Total Liabilities, Share Capital and Fund Balances	733,588	794,582

The accompanying notes are an integral part of these financial statements

On behalf of the Board of Directors



Chair — Board of Directors



Director

LIBRARYCO INC.

STATEMENT OF REVENUES AND EXPENSES

Stated in dollars

For the year ended December 31

	2018	2017
Revenues		
Law Society of Ontario grant (note 6)	7,899,937	7,815,300
Interest income	12,790	6,742
Total Revenues	7,912,727	7,822,042
Expenses		
Head Office/Administration		
Administration	305,000	305,000
Professional fees	76,881	12,738
Other (note 7)	13,529	16,561
Total Head Office/Administration Expenses	395,410	334,299
Law Libraries — Centralized Purchases		
Electronic products and services	342,390	339,000
Group benefits	333,427	291,460
Other (note 8)	110,293	125,251
Total Law Libraries — Centralized Purchases	786,110	755,711
County and District Law Libraries grants (note 9)	6,794,792	6,639,306
Total County and District Law Libraries Expenses	7,580,902	7,395,017
Total Expenses	7,976,312	7,729,316
(Deficit) Surplus for the year	(63,585)	92,726

The accompanying notes are an integral part of these financial statements

LIBRARYCO INC.

STATEMENT OF CHANGES IN FUND BALANCES

Stated in dollars

For the year ended December 31

	2018			2017
	General Fund	Reserve Fund	Total	Total
Balances, beginning of year	272,083	500,000	772,083	679,357
(Deficit) Surplus for the year	(63,585)	–	(63,585)	92,726
Balances, end of year	208,498	500,000	708,498	772,083

The accompanying notes are an integral part of these financial statements

LIBRARYCO INC.

STATEMENT OF CASH FLOWS

Stated in dollars

For the year ended December 31

	2018	2017
Net (outflow) inflow of cash related to the following activities		
(Deficit) Surplus for the year	(63,585)	92,726
Net change in non-cash operating working capital items:		
Accounts receivable	15,319	(22,151)
Prepaid expenses	1	466
Accounts payable and accrued liabilities	2,591	(73,296)
Cash used in operating activities	(45,674)	(2,255)
Investing activities		
Short-term investments	403,167	–
Net inflow (outflow) of cash, during the year	357,493	(2,255)
Cash, beginning of year	318,978	321,233
Cash, end of year	676,471	318,978

The accompanying notes are an integral part of these financial statements

LIBRARYCO INC.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2018

1. GENERAL

LibraryCo Inc. (“the Organization”) was established to develop policies, procedures, guidelines and standards for the delivery of county law library services and legal information across Ontario and to administer funding from the Law Society of Ontario (“the Society”).

The Organization has two classes of shares: Common shares and Special shares. The Society holds all of the 100 Common shares outstanding. Of the 100 Special shares outstanding, 25 are held by the Toronto Lawyers’ Association (“TLA”) and 75 are held by the Federation of Ontario Law Associations (“FOLA”). The Society may appoint up to four directors, FOLA may appoint up to three directors and TLA may appoint one director.

The Organization is not subject to federal or provincial income taxes.

Under an Administrative Services Agreement, the Society provides the administrative functions of the Organization.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements have been prepared in accordance with the accounting standards for not-for-profit organizations (“ASNPO”) set out in Part III of the *Chartered Professional Accountants of Canada Handbook — Accounting*.

General and reserve funds

The Organization follows the restricted fund method.

The General Fund accounts for the delivery, management and administration of library services. The Reserve Fund is maintained to assist the Organization’s cash flows and act as a contingency fund. In accordance with a Board resolution, the Reserve Fund will be maintained at a minimum of \$500,000, comprising a general component of \$200,000, a capital and special needs component of \$150,000, and a staffing and severance component of \$150,000; any expenses of this fund that would reduce the fund balance below \$500,000 should be replenished in the following year.

Cash

Cash consists of amounts on deposit with the Organization’s financial institution.

Short-term investments

Short-term investments are amounts invested in short-term (less than one year) investment vehicles according to the Organization’s investment policy.

Revenue recognition

Grants are recorded as revenue in the General Fund in the fiscal year in which they are received. Investment income is recognized when receivable, if the amount can be reasonably estimated.

Grants paid

Grants are recognized in the fiscal year in which they are paid.

Use of estimates

The preparation of financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the year. Actual results could differ from such estimates.

3. FINANCIAL INSTRUMENTS

The Organization's financial assets and financial liabilities are classified and measured as follows:

Asset/Liability	Measurement
Cash	Fair value
Short-term investments	Fair value
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

There are no amounts payable for government remittances.

5. SHARE CAPITAL

Authorized

Unlimited number of Common shares

Unlimited number of Special shares

Issued	2018	2017
100 Common shares	\$100	\$100
100 Special shares	100	100
	\$200	\$200

6. RELATED PARTY TRANSACTIONS

The Society provided the Organization with a grant of \$7.9 million (2017: \$7.8 million) during the year. The Society provides administrative services to the Organization (note 1) as well as certain other services and publications. The total amount billed by the Society for 2018 was \$341,712 (2017: \$357,741). Included in accounts payable and accrued liabilities are amounts due to the Society of \$8,580 (2017: \$8,820).

Lawyers' Professional Indemnity Company ("LAWPRO") provides professional liability insurance to lawyers in Ontario and is also a wholly owned subsidiary of the Society. There were no transactions with LAWPRO during 2018 or 2017.

These transactions are entered in the ordinary course of business and are measured at fair value.

7. OTHER EXPENSES — HEAD OFFICE/ ADMINISTRATION

Included in these expenses are costs associated with administration by the Society, directors' and officers' insurance, Board of Directors' meetings, consulting and other miscellaneous items.

8. OTHER EXPENSES — CENTRALIZED PURCHASES

Included in these expenses are costs associated with continuing education bursaries, conference bursaries, the Conference for Ontario Law Associations' Libraries, document delivery, publications, committee meetings and miscellaneous items.

9. COUNTY AND DISTRICT LAW LIBRARY GRANTS

These grants represent the quarterly distribution of funds to the 48 County and District Law Libraries and any capital and special needs grants. The grants are distributed in accordance with policies and procedures established by the Organization's Board of Directors. The following individual law library grants were distributed by the Organization during 2018 and 2017:

Law Association	2018	2017
Algoma	\$ 142,484	\$ 139,690
Brant	105,847	103,772
Bruce	59,836	57,877
Carleton	662,305	639,515
Cochrane	51,284	50,278
Dufferin	49,186	48,221
Durham	162,607	143,405
Elgin	80,648	79,067
Essex	296,746	290,927
Frontenac	141,107	138,360
Grey	70,904	68,533
Haldimand	31,560	30,941
Halton	147,268	145,380
Hamilton	474,084	464,788
Hastings	89,540	88,214
Huron	80,113	79,479
Kenora District	93,124	90,318
Kent	74,386	73,916
Lambton	79,098	77,547
Lanark	41,461	40,648
Leeds & Grenville	75,814	74,328
Lennox & Addington	28,077	27,527
Lincoln	188,402	184,708
Manitoulin	2,680	2,627
Middlesex	383,617	375,115

Law Association	2018	2017
Muskoka	68,126	72,948
Nipissing	91,017	89,232
Norfolk	74,410	72,951
Northumberland	94,513	87,020
Oxford	75,103	73,631
Parry Sound	46,415	45,505
Peel	313,884	307,730
Perth	57,842	57,708
Peterborough	140,011	138,266
Prescott & Russell	15,682	14,394
Rainy River	28,474	27,916
Renfrew County	131,108	128,537
Simcoe County	148,237	145,330
Stormont Dundas & Glengarry	81,891	80,286
Sudbury	198,788	193,910
Temiskaming	45,620	44,725
Thunder Bay	180,826	179,636
Toronto	620,928	608,753
Victoria-Haliburton	92,498	90,686
Waterloo	253,051	248,090
Welland County	99,087	98,144
Wellington	79,958	78,391
York	245,145	240,336
	\$6,794,792	\$6,639,306

LIBRARYCO INC.

BOARD OF DIRECTORS

W.A. Derry Millar, LSM, Chair	Law Society appointee
Ted Chadderton, Vice Chair	FOLA appointee
Gisèle Chrétien	Law Society appointee
Dirk Derstine	TLA appointee
Ross Earnshaw	Law Society appointee
Jacqueline Horvat	Law Society appointee
Cheryl Siran	FOLA appointee
Janet Whitehead	FOLA appointee



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Osgoode Hall
130 Queen Street West
Toronto, Ontario
M5H 2N6
www.libraryco.ca