



LIBRARYCO INC.

ANNUAL REPORT 2019

LIBRARYCO INC.

MANAGEMENT DISCUSSION & ANALYSIS

DECEMBER 31, 2019

Results of Operations

Results for the year identify an excess of revenues over expenses of \$299,000 compared to an excess of expenses over revenues of \$64,000 in 2018. The 2019 budget projected the use of \$151,000 from the fund balance of the General Fund to finance expenditures.

The excess of revenues over expenses for the year has increased the General Fund balance to \$508,000 and the Reserve Fund balance is unchanged at \$500,000.

The main reason for the excess of revenues over expenses was unspent contingency funding of \$300,000 intended for the transition from LibraryCo Inc. (LibraryCo) to LIRN Inc.

In late 2019, a new structure that governs the delivery of library services and legal information to Ontario licensees was approved by the Law Society of Ontario (Law Society), the Federation of Ontario Law Associations (FOLA) and the Toronto Lawyers Association (TLA). LibraryCo Inc. will be renamed LIRN Inc. (Legal Information and Resource Network). LIRN Inc. will have an independent skills-based board of directors who will focus on the modernization of the delivery of legal information and library services.

LibraryCo's most notable expense, the grants to county libraries, was in line with budget and increased from 2018.

Statement of Revenues and Expenses – Revenues

The Law Society grant totalled \$8.1 million (2018 – \$7.9 million).

Statement of Revenues and Expenses – Expenses

The expense for administrative services was not charged by the Law Society in 2019 (2018 – \$305,000).

Electronic products and services expenses of \$353,000 increased slightly over 2018.

County and district law libraries grants of \$6.9 million (2018 – \$6.8 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 2019.

Balance Sheet and Statement of Changes in Fund Balances

The General Fund accounts for the delivery, management and administration of library services. The General Fund has increased by the excess of revenues over expenses of \$299,000 to \$508,000. LibraryCo Inc.'s budget for 2020 envisages using \$89,000 of the 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, 2019 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, 2019;
- 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 28, 2020

LIBRARYCO INC.

BALANCE SHEET

Stated in dollars
As at December 31

	2019	2018
<u>Assets</u>		
Current Assets		
Cash	1,009,725	676,471
Accounts Receivable	25,355	26,703
Prepaid Expenses	31,604	30,414
Total Assets	1,066,684	733,588
<u>Liabilities, Share Capital & Fund Balances</u>		
Current Liabilities		
Accounts Payable & Accrued Liabilities (notes 4 and 6)	58,487	24,890
Total Liabilities	58,487	24,890
Share Capital & Fund Balances		
Share Capital (notes 1 and 5)	200	200
General Fund (note 2)	507,997	208,498
Reserve Fund (note 2)	500,000	500,000
Total Share Capital & Fund Balances	1,008,197	708,698
Total Liabilities, Share Capital & Fund Balances	1,066,684	733,588

Subsequent Event (note 9)

The accompanying notes are an integral part of these financial statements

LIBRARYCO INC.

STATEMENT OF REVENUES AND EXPENSES

Stated in dollars

For the year ended December 31

	2019	2018
Revenues		
Law Society of Ontario grant (note 6)	8,057,936	7,899,937
Interest income	18,219	12,790
Total Revenues	8,076,155	7,912,727
Expenses		
Head Office Administration		
Administration	–	305,000
Professional fees	24,201	76,881
Other (note 7)	13,891	13,529
Total Head Office / Administration Expenses	38,092	395,410
Law Libraries – Centralized Purchases		
Electronic products and services	352,668	342,390
Group benefits and insurance	338,052	333,427
Other (note 8)	103,593	110,293
Total Law Libraries – Centralized Purchases	794,313	786,110
County and District Law Libraries Grants (note 10)	6,944,251	6,794,792
Total County and District Law Libraries Expenses	7,738,564	7,580,902
Total Expenses	7,776,656	7,976,312
Excess of Revenues over Expenses (Expenses over Revenues) for the Year	299,499	(63,585)

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

	2019			2018
	General Fund	Reserve Fund	Total	
Balances – beginning of year	208,498	500,000	708,498	772,083
Excess of Revenues over Expenses (Expenses over Revenues) for the year	299,499	–	299,499	(63,585)
Balances – end of year	507,997	500,000	1,007,997	708,498

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

	2019	2018
Net inflow (outflow) of cash related to the following activities		
Excess of revenues over expenses (expenses over revenues) for the year	299,499	(63,585)
Net change in non-cash operating working capital items:		
Accounts receivable	1,348	15,319
Prepaid expenses	(1,190)	1
Accounts payable & accrued liabilities	33,597	2,591
Cash sourced (used) in operating activities	333,254	(45,674)
Investing activities		
Short-term investments	–	403,167
Net inflow of cash – during the year	333,254	357,493
Cash – beginning of year	676,471	318,978
Cash – end of year	1,009,725	676,471

The accompanying notes are an integral part of these financial statements

LIBRARYCO INC.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019

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).

In late 2019, a new structure that governs the delivery of library services and legal information to Ontario lawyers and paralegals was approved by the Society, the Federation of Ontario Law Associations (FOLA) and the Toronto Lawyers Association (TLA). LIRN Inc. (Legal Information and Resource Network) will replace the Organization in managing the 48 law libraries throughout the province in 2020.

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 TLA and 75 are held by FOLA. In 2019, 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 incomes taxes.

Under an Administrative Services Agreement, the Society provides the administrative functions of the Organization. No fee has been charged in the current year.

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.

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 paid 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
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	2019	2018
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 \$8,100,000 (2018 – \$7,900,000) 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 2019 was \$32,378 (2018 – \$341,712).

Included in accounts payable and accrued liabilities are amounts due to the Society of \$5,768 (2018 – \$8,580).

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 2019 or 2018.

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 and other miscellaneous items.

8. OTHER EXPENSES – COUNTY AND DISTRICT LAW LIBRARIES – 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. SUBSEQUENT EVENT

Subsequent to year-end, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. On March 17, 2020, the Province of Ontario declared a state of emergency. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. The Organization may be negatively impacted by the timing and/or amount of future grant receipts; however, the duration and impact of the COVID-19 outbreak is unknown at this time. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the organization in future periods.

10. 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 page contains individual law library grants that were distributed by the Organization during 2019 and 2018.

COUNTY AND DISTRICT LAW LIBRARY GRANTS

Law Association	2019	2018
Algoma	\$146,334	\$142,484
Brant	107,964	105,847
Bruce	64,057	59,836
Carleton	665,352	662,305
Cochrane	52,310	51,284
Dufferin	50,170	49,186
Durham	164,839	162,607
Elgin	88,125	80,648
Essex	302,681	296,746
Frontenac	142,910	141,107
Grey	72,302	70,904
Haldimand	32,191	31,560
Halton	150,213	147,268
Hamilton	488,352	474,084
Hastings	91,331	89,540
Huron	81,715	80,113
Kenora District	93,967	93,124
Kent	78,874	74,386
Lambton	82,880	79,098
Lanark	42,290	41,461
Leeds & Grenville	77,330	75,814
Lennox & Addington	28,639	28,077
Lincoln	192,170	188,402
Manitoulin	2,733	2,680
Middlesex	394,802	383,617

Law Association	2019	2018
Muskoka	69,489	68,126
Nipissing	92,837	91,017
Norfolk	76,898	74,410
Northumberland	89,495	94,513
Oxford	76,606	75,103
Parry Sound	47,343	46,415
Peel	320,162	313,884
Perth	58,999	57,842
Peterborough	142,812	140,011
Prescott & Russell	14,976	15,682
Rainy River	29,043	28,474
Renfrew County	133,730	131,108
Simcoe County	151,202	148,237
Stormont Dundas & Glengarry	83,529	81,891
Sudbury	201,744	198,788
Temiskaming	47,532	45,620
Thunder Bay	183,422	180,826
Toronto	633,346	620,928
Victoria-Haliburton	94,348	92,498
Waterloo	269,534	253,051
Welland County	101,068	99,087
Wellington	81,558	79,958
York	250,047	245,145
	\$6,944,251	\$6,794,792



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Osgoode Hall
130 Queen Street West
Toronto, Ontario
M5H 2N6