



**LIBRARYCO INC.**  
ANNUAL REPORT 2017



## LIBRARYCO INC.

### MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2017

#### Results of Operations

Results for the year identify a surplus of \$93,000 compared to a deficit of \$74,000 in 2016 and a budgeted deficit in 2017 of \$159,000, with the use of the General Fund financing increased expenditures.

The surplus for the year has increased the General Fund balance to \$272,000 and the Reserve Fund balance is unchanged at \$500,000.

The main reason for the surplus was the budget allocated to LibraryCo's transition process remaining unspent at year end. LibraryCo's biggest expense, the grants to county law libraries, was in line with budget and increased from 2016. Virtually all other expense categories were under budget with the exception of Special Needs grants.

#### Statement of Revenues and Expenses — Revenues

The Law Society grant totalled \$7.8 million (2016 - \$7.7 million).

#### Statement of Revenues and Expenses — Expenses

The administration expense of \$305,000 in 2017 is the administration fee paid to the Law Society. It remained unchanged from 2016.

The Transition expense budget went unspent in 2017. Transition expenses in 2016 of \$123,000 related to a user needs survey.

Electronic product expenses of \$339,000 remained consistent in 2017 and 2016.

County and District law libraries grants of \$6.6 million (2016 - \$6.5 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 and there were more Special Needs grants in 2017 compared to the prior year.



## Balance Sheet and Statement of Changes in Fund Balances

The accounts receivable total has increased from \$20,000 to \$42,000 due to the timing of benefit premium refunds. Accrued liabilities decreased from \$96,000 to \$22,000 largely due to expenses related to the transition process in 2016.

The General Fund accounts for the delivery, management and administration of library services. The General Fund has increased by the surplus of \$93,000 to \$272,000 over the last 12 months.



March 28, 2018

## **Independent Auditor's Report**

### **To the Board of Directors of LibraryCo Inc.**

We have audited the accompanying financial statements of LibraryCo Inc., which comprise the balance sheet as at December 31, 2017 and the statements of revenues and expenses, changes in fund balances and cash flows for the year then ended, and the related notes, which comprise 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 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.

#### **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 generally accepted 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 is sufficient and appropriate to provide a basis for our audit opinion.

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



**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of LibraryCo Inc. as at December 31, 2017 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.

*PricewaterhouseCoopers LLP*

**Chartered Professional Accountants, Licensed Public Accountants**

# LIBRARYCO INC.

## BALANCE SHEET

*Stated in dollars*

*As at December 31*

	2017	2016
<b>Assets</b>		
<b>Current Assets</b>		
Cash	318,978	321,233
Short-term investments	403,167	403,167
Accounts receivable	42,022	19,871
Prepaid expenses	30,415	30,881
<b>Total Assets</b>	<b>794,582</b>	<b>775,152</b>
<b>Liabilities, Share Capital and Fund Balances</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities (notes 4 and 6)	22,299	95,595
<b>Total Liabilities</b>	<b>22,299</b>	<b>95,595</b>
<b>Share Capital and Fund Balances</b>		
Share capital (notes 1 and 5)	200	200
General fund (note 2)	272,083	179,357
Reserve fund (note 2)	500,000	500,000
<b>Total Share Capital and Fund Balances</b>	<b>772,283</b>	<b>679,557</b>
<b>Total Liabilities, Share Capital and Fund Balances</b>	<b>794,582</b>	<b>775,152</b>

*See accompanying notes*

On behalf of the Board of Directors

  
**Dirk Derstine**

Chair — Board of Directors

  
**Derry Millar**

Vice-Chair — Board of Directors

# LIBRARYCO INC.

## STATEMENT OF REVENUES AND EXPENSES

*Stated in dollars*

*For the year ended December 31*

	2017	2016
<b>Revenues</b>		
Law Society of Upper Canada grant (note 6)	7,815,300	7,662,000
Interest income	6,742	4,915
<b>Total Revenues</b>	<b>7,822,042</b>	<b>7,666,915</b>
<b>Expenses</b>		
<b>Head Office/Administration</b>		
Administration	305,000	305,000
Professional fees	12,738	12,540
Transition expenses	–	122,646
Other (note 7)	16,561	23,402
<b>Total Head Office/Administration Expenses</b>	<b>334,299</b>	<b>463,588</b>
<b>Law Libraries — Centralized Purchases</b>		
Electronic products and services	339,000	339,000
Group benefits	291,460	310,756
Other (note 8)	125,251	134,338
<b>Total Law Libraries — Centralized Purchases</b>	<b>755,711</b>	<b>784,094</b>
County and District Law Libraries grants (note 9)	6,639,306	6,492,957
<b>Total County and District Law Libraries Expenses</b>	<b>7,395,017</b>	<b>7,277,051</b>
<b>Total Expenses</b>	<b>7,729,316</b>	<b>7,740,639</b>
<b>Surplus (Deficit) for the year</b>	<b>92,726</b>	<b>(73,724)</b>

*See accompanying notes*



## LIBRARYCo INC.

### STATEMENT OF CHANGES IN FUND BALANCES

*Stated in dollars*

*For the year ended December 31*

	2017			2016
	General Fund	Reserve Fund	Total	Total
Balances, beginning of year	179,357	500,000	<b>679,357</b>	753,081
Surplus (Deficit) for the year	92,726	–	<b>92,726</b>	(73,724)
<b>Balances, end of year</b>	<b>272,083</b>	<b>500,000</b>	<b>772,083</b>	<b>679,357</b>

*See accompanying notes*

# LIBRARYCo INC.

## STATEMENT OF CASH FLOWS

*Stated in dollars*

*For the year ended December 31*

	2017	2016
<b>Net (outflow) inflow of cash related to the following activities</b>		
<b>Surplus (Deficit) for the year</b>	<b>92,726</b>	<b>(73,724)</b>
Net change in non-cash operating working capital items:		
Accounts receivable	(22,151)	(2,837)
Prepaid expenses	466	21
Accounts payable and accrued liabilities	(73,296)	69,307
<b>Cash sourced (used) in operating activities</b>	<b>(2,255)</b>	<b>(7,233)</b>
<b>Investing activities</b>		
Short-term investments	-	389
<b>Net outflow of cash, during the year</b>	<b>(2,255)</b>	<b>(6,844)</b>
Cash, beginning of year	321,233	328,077
<b>Cash, end of year</b>	<b>318,978</b>	<b>321,233</b>

*See accompanying notes*

# LIBRARYCo INC.

## NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017

### 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 Upper Canada.

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 for less than 90 days.

#### *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	<b>2017</b>	2016
100 Common shares	<b>\$100</b>	\$100
100 Special shares	<b>100</b>	100
	<b>\$200</b>	\$200

### 6. RELATED PARTY TRANSACTIONS

The Society provided the Organization with a grant of \$7,815,000 (2016: \$7,662,000) 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 2017 was \$357,741 (2016: \$401,861). Included in accounts payable and accrued liabilities are amounts due to the Society of \$8,820 (2016: \$11,244). 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 2017 or 2016.

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. 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 2017 and 2016:

Law Association	2017	2016	Law Association	2017	2016
Algoma	\$139,690	\$137,951	Muskoka	72,948	68,980
Brant	103,772	102,737	Nipissing	89,232	90,176
Bruce	57,877	56,742	Norfolk	72,951	71,521
Carleton	639,515	626,976	Northumberland	87,020	78,035
Cochrane	50,278	49,293	Oxford	73,631	72,187
Dufferin	48,221	47,276	Parry Sound	45,505	44,612
Durham	143,405	133,032	Peel	307,730	301,696
Elgin	79,067	77,516	Perth	57,708	55,596
Essex	290,927	285,223	Peterborough	138,266	134,575
Frontenac	138,360	135,667	Prescott & Russell	14,394	14,112
Grey	68,533	67,190	Rainy River	27,916	27,368
Haldimand	30,941	30,334	Renfrew County	128,537	126,017
Halton	145,380	142,549	Simcoe County	145,330	143,481
Hamilton	464,788	455,675	Stormont, Dundas & Glengarry	80,286	78,711
Hastings	88,214	87,063	Sudbury	193,910	190,108
Huron	79,479	77,002	Temiskaming	44,725	43,848
Kenora District	90,318	88,547	Thunder Bay	179,636	173,843
Kent	73,916	71,498	Toronto	608,753	596,816
Lambton	77,547	77,027	Victoria-Haliburton	90,686	88,907
Lanark	40,648	39,851	Waterloo	248,090	243,225
Leeds & Grenville	74,328	72,870	Welland County	98,144	95,239
Lennox & Addington	27,527	27,987	Wellington	78,391	76,854
Lincoln	184,708	181,086	York	240,336	235,623
Manitoulin	2,627	2,576			
Middlesex	375,115	367,759		\$6,639,306	\$6,492,957



## LIBRARYCO INC

### BOARD OF DIRECTORS

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



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Osgoode Hall  
130 Queen Street West  
Toronto, Ontario  
M5H 2N6  
[www.libraryco.ca](http://www.libraryco.ca)