



LIBRARYCO INC.
ANNUAL REPORT 2016

LIBRARYCO INC.

MESSAGE FROM THE BOARD

IN 2015, the Board had established a Transition Committee for purposes of defining the approaches to be taken to support the provision of legal information and library services in Ontario into the future — with an emphasis on sustainability and supporting articulated needs from the perspective of users.

In 2016, the Board continued to be committed to ensuring sustainability and supporting the needs of library users. The Transition Committee received the report of the external consultant who had been retained to undertake an analysis of legal information and law library service in Ontario. The consultant surveyed lawyers across the province to see how they conducted research, how they used their libraries and how their needs could best be served in the future. The consultant's report was used to frame discussions within the Transition Committee about the future of the library systems and the best models to appropriately deal with the provision of legal knowledge to the profession. The Transition Committee and the Board remain committed to the question of access to justice in its decisions about libraries and the provision of legal resources to library users. The work of the Transition Committee was suspended in late 2016 to allow consultations with shareholders of LibraryCo. Meetings were undertaken and more meetings are anticipated in order to have a clear direction concerning issues of governance and the proper administration of the library system.

The annual law library conference, COLAL, held a successful event in October 2016, hosting the library staff from around the province in topical information sessions with a focus on library system improvements and professional development.

In 2016, Board members were Dirk Derstine (Chair after May), Janet Whitehead (Chair up to May), Derry Millar (Vice-Chair after May), Ted Chadderton, Gisèle Chrétien, Ross Earnshaw, Jacqueline Horvat and Cheryl Siran.

LIBRARYCO INC.

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2016

Results of Operations

Results for the year identify a deficit of \$74,000 compared to a surplus of \$112,000 in 2015 and a budgeted deficit in 2016 of \$143,000, with the use of the General Fund financing increased expenditures.

The deficit for the year has decreased the General Fund balance to \$179,000 and the Reserve Fund balance is unchanged at \$500,000.

As budgeted, the main reason for the deficit was the expenses related to LibraryCo's transition process. LibraryCo's biggest expense, the grants to county law libraries, was in line with budget and increased from 2015. Virtually all other expense categories were under budget.

Statement of Revenues and Expenses — Revenues

The Law Society grant totalled \$7.7 million (2015 — \$7.7 million).

Statement of Revenues and Expenses — Expenses

The administration expense of \$305,000 in 2016 is the administration fee paid to the Law Society. In 2015, the administration fee was \$430,000.

Transition expenses of \$123,000 are primarily related to the user needs survey undertaken this year.

Electronic product expenses of \$339,000 remained consistent given the 2 year contract signed in 2015.

County and District law libraries grants of \$6.5 million (2015 - \$6.4 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 less special needs grants in 2016 compared to the prior year.

Balance Sheet and Statement of Changes in Fund Balances

Accrued liabilities increased from \$26,000 to \$96,000 largely due to expenses related to the transition process.

The General Fund accounts for the delivery, management and administration of library services. The General Fund has decreased by the deficit of \$74,000 to \$179,000 over the last 12 months. LibraryCo's budget for 2017 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.



March 31, 2017

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, 2016 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.

*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.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of LibraryCo Inc. as at December 31, 2016 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

	2016	2015
<u>Assets</u>		
Current Assets		
Cash	321,233	328,077
Short-term investments	403,167	403,556
Accounts receivable	19,871	17,034
Prepaid expenses	30,881	30,902
Total Assets	775,152	779,569
<u>Liabilities, Share Capital and Fund Balances</u>		
Current Liabilities		
Accounts payable and accrued liabilities (notes 4 and 6)	95,595	26,288
Total Liabilities	95,595	26,288
Share Capital and Fund Balances		
Share capital (note 5)	200	200
General fund (note 2)	179,357	253,081
Reserve fund (note 2)	500,000	500,000
Total Share Capital and Fund Balances	679,557	753,281
Total Liabilities, Share Capital and Fund Balances	775,152	779,569

See accompanying notes

On behalf of the Board of Directors



Chair — Board of Directors



Vice-Chair — Board of Directors

LIBRARYCO INC.

STATEMENT OF REVENUES AND EXPENSES

Stated in dollars

For the year ended December 31

	2016	2015
Revenues		
Law Society of Upper Canada grant	7,662,000	7,696,000
Interest income	4,915	6,040
Total Revenues	7,666,915	7,702,040
Expenses		
Head Office/Administration		
Administration	305,000	430,000
Professional fees	12,540	12,253
Transition expenses	122,646	–
Other (note 7)	23,402	33,207
Total Head Office/Administration Expenses	463,588	475,460
Law Libraries — Centralized Purchases		
Electronic products and services	339,000	339,000
Group benefits	310,756	275,114
Other (note 8)	134,338	132,205
Total Law Libraries — Centralized Purchases	784,094	746,319
County and District Law Libraries grants (note 9)	6,492,957	6,368,536
Total County and District Law Libraries Expenses	7,277,051	7,114,855
Total Expenses	7,740,639	7,590,315
(Deficit) Surplus for the year	(73,724)	111,725

See accompanying notes

LIBRARYCO INC.

STATEMENT OF CHANGES IN FUND BALANCES

Stated in dollars

For the year ended December 31

	2016			2015
	General Fund	Reserve Fund	Total	Total
Balances, beginning of year	253,081	500,000	753,081	641,356
(Deficit) Surplus for the year	(73,724)	–	(73,724)	111,725
Balances, end of year	179,357	500,000	679,357	753,081

See accompanying notes

LIBRARYCO INC.

STATEMENT OF CASH FLOWS

Stated in dollars

For the year ended December 31

	2016	2015
Net (outflow) inflow of cash related to the following activities		
(Deficit) Surplus for the year	(73,724)	111,725
Net change in non-cash operating working capital items:		
Accounts receivable	(2,837)	29,963
Prepaid expenses	21	(1,328)
Accounts payable and accrued liabilities	69,307	(72,100)
Cash sourced (used) in operating activities	(7,233)	68,260
Investing activities		
Short-term investments	389	117,160
Net (outflow) inflow of cash, during the year	(6,844)	185,420
Cash, beginning of year	328,077	142,657
Cash, end of year	321,233	328,077

See accompanying notes

LIBRARYCO INC.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2016

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 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 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	2016	2015
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 \$7,662,000 (2015: \$7,696,000) 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 2016 was \$401,861 (2015: \$502,346). Included in accounts payable and accrued liabilities are amounts due to the Society of \$11,244 (2015: \$5,926).

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 2016 or 2015.

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 2016 and 2015:

Law Association	2016	2015	Law Association	2016	2015
Algoma	\$137,951	\$134,266	Muskoka	68,980	64,197
Brant	102,737	99,742	Nipissing	90,176	85,767
Bruce	56,742	55,630	Norfolk	71,521	70,853
Carleton	626,976	614,682	Northumberland	78,035	76,504
Cochrane	49,293	48,326	Oxford	72,187	71,772
Dufferin	47,276	47,309	Parry Sound	44,612	39,179
Durham	133,032	129,443	Peel	301,696	295,780
Elgin	77,516	81,396	Perth	55,596	54,506
Essex	285,223	280,630	Peterborough	134,575	132,936
Frontenac	135,667	131,556	Prescott & Russell	14,112	14,231
Grey	67,190	66,857	Rainy River	27,368	28,832
Haldimand	30,334	30,474	Renfrew County	126,017	123,546
Halton	142,549	139,774	Simcoe County	143,481	140,687
Hamilton	455,675	446,740	Stormont, Dundas & Glengarry	78,711	77,168
Hastings	87,063	84,375	Sudbury	190,108	187,367
Huron	77,002	75,492	Temiskaming	43,848	42,989
Kenora District	88,547	86,811	Thunder Bay	173,843	169,454
Kent	71,498	70,096	Toronto	596,816	585,117
Lambton	77,027	74,536	Victoria-Haliburton	88,907	87,163
Lanark	39,851	39,069	Waterloo	243,225	238,456
Leeds & Grenville	72,870	71,441	Welland County	95,239	98,971
Lennox & Addington	27,987	26,458	Wellington	76,854	75,347
Lincoln	181,086	177,535	York	235,623	231,003
Manitoulin	2,576	2,525		\$6,492,957	\$6,368,536
Middlesex	367,759	361,548			

LIBRARYCO INC.

BOARD OF DIRECTORS

Dirk Derstine, Chair	TLA appointee
W. A. Derry Millar, LSM, Vice Chair	Law Society appointee
Ted Chadderton	FOLA appointee
Gisèle Chrétien	Law Society 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