



LIBRARYCO INC.
ANNUAL REPORT 2015



MESSAGE FROM THE BOARD

THE BOARD ESTABLISHED A TRANSITION COMMITTEE for purposes of defining the approaches that will 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. The Transition Committee met regularly during 2015 to begin to define the scope of their review and to gather information about the current legal information platform in Ontario and platforms in other jurisdictions.

On the recommendation of the Transition Committee, the Board retained an external consultant to undertake an analysis of legal information and library services in Ontario with a focus on the needs of users, today and tomorrow. This analysis will be used to frame the evolution of legal information services for members of the Law Society and will also address additional usage in a world where access to justice is of significant concern. The continuing work will involve input from members and other stakeholders and will be conducted in the first half of 2016. Following completion of the analysis, and upon recommendation of the Transition Committee, the Board will develop a plan for next steps in this evolution, including optimal approaches to the provision of legal information services, and obtain confirmation from its shareholders to proceed to implementation.

In the interim, the Board has been working with the librarian staff of the local association libraries to re-define the core collection for all libraries to reflect today's member needs, and is assessing the ability to engage in bulk purchasing of certain collection titles to achieve cost efficiencies, among other operational changes.

The annual local law library conference, COLAL, held a successful event in November 2015, hosting the librarian staff from around the province in topical information sessions with a focus on library system improvements and professional development.

The Board would like to thank the existing Board members who assisted LibraryCo in 2015 — Janet Whitehead, Chair, Dirk Derstine, Vice-Chair, Ted Chadderton, Gisèle Chrétien, Ross Earnshaw, Jacqueline Horvat, Derry Millar and Cheryl Siran.

The Board would also like to thank the outgoing board members — Susan Elliott, Rebecca Bentham, Mark Crane and Jaye Hooper.



LIBRARYCO INC.

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2015

Results of Operations

Results for the year identify a surplus of \$112,000 compared to a deficit of \$242,000 in 2014 and a budgeted deficit in 2015 of \$100,000.

The surplus for the year has increased the General Fund balance to \$253,000 and the Reserve Fund balance is unchanged at \$500,000.

The main reason for the surplus was that anticipated expenses related to LibraryCo's transition process were incurred in early 2016 rather than 2015. Virtually all other expense categories were also under budget and less than the prior year, although LibraryCo's biggest expense, the grants to county law libraries, was in line with budget and increased from 2014.

Statement of Revenues and Expenses — Revenues

The Law Society grant is the lawyer-based fee that is transferred to LibraryCo totalling \$7.7 million (2014 – \$7.5 million).

The Law Foundation of Ontario grant of \$542,000 in 2014 was provided to LibraryCo to subsidize the purchase of electronic resources. The grant was not renewed in 2015, leading to a renegotiation of the contract for the provision of electronic products in 2015.

Statement of Revenues and Expenses — Expenses

The salaries and administration expense of \$430,000 in 2015 is limited to the administration fee paid to the Law Society. The 2014 administration fee was higher and there were also salary expenses for part of 2014.

Other head-office expenses of \$33,000 (2014 – \$142,000) decreased from 2014 due to severance costs in that year.



Electronic product expenses of \$339,000 decreased by \$407,000 based on the new contract for 2015.

County and District law libraries grants of \$6.4 million (2014 – \$6.3 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 computer refreshment and special needs grants. All counties received increases and there were less special needs grants in 2015 compared to the prior year.

Balance Sheet and Statement of Changes in Fund Balances

The change in cash is analyzed in the statement of cash flows with the main contributor to the increase from \$143,000 to \$328,000 being the surplus for the year of \$112,000. The accounts receivable total has decreased based on the timing of benefit premium refunds. Accrued liabilities include staffing cost accruals in 2014.

The General Fund accounts for the delivery, management and administration of library services. The General Fund has increased by the surplus of \$112,000 to \$253,000 over the last 12 months.

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 24, 2016

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, 2015, 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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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, 2015 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.

Other matter

The financial statements of LibraryCo Inc. for the year ended December 31, 2014 were audited by another auditor, who expressed an unmodified opinion on those statements on March 24, 2015.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

LIBRARYCO INC.

BALANCE SHEET

Stated in dollars

As at December 31

	2015	2014
<u>Assets</u>		
Current Assets		
Cash	328,077	142,657
Short-term investments	403,556	520,716
Accounts receivable	17,034	46,997
Prepaid expenses	30,902	29,574
Total Assets	779,569	739,944
<u>Liabilities, Share Capital and Fund Balances</u>		
Current Liabilities		
Accounts payable and accrued liabilities (notes 4 and 6)	26,288	98,388
Total Liabilities	26,288	98,388
Share Capital and Fund Balances		
Share capital (note 5)	200	200
General fund (note 2)	253,081	141,356
Reserve fund (note 2)	500,000	500,000
Total Share Capital and Fund Balances	753,281	641,556
Total Liabilities, Share Capital and Fund Balances	779,569	739,944

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

	2015	2014
Revenues		
Law Society of Upper Canada grant	7,696,000	7,498,519
Law Foundation of Ontario grant	–	542,000
Interest income	6,040	8,269
Total Revenues	7,702,040	8,048,788
Expenses		
Head Office/Administration		
Salaries and administration	430,000	639,657
Professional fees	12,253	20,173
Other (note 7)	33,207	142,547
Total Head Office/Administration Expenses	475,460	802,377
Law Libraries – Centralized Purchases		
Electronic products and services	339,000	746,220
Group benefits	275,114	281,976
Other (note 8)	132,205	138,170
Total Law Libraries – Centralized Purchases	746,319	1,166,366
County and District Law Libraries grants (note 9)	6,368,536	6,321,625
Total County and District Law Libraries Expenses	7,114,855	7,487,991
Total Expenses	7,590,315	8,290,368
Surplus (Deficit) for the year	111,725	(241,580)

See accompanying notes



LIBRARYCO INC.

STATEMENT OF CHANGES IN FUND BALANCES

Stated in dollars

For the year ended December 31

	2015			2014
	General Fund	Reserve Fund	Total	Total
Balances, beginning of year	141,356	500,000	641,356	882,936
Surplus (Deficit) for the year	111,725	–	111,725	(241,580)
Balances, end of year	253,081	500,000	753,081	641,356

See accompanying notes



LIBRARYCO INC.
STATEMENT OF CASH FLOWS

Stated in dollars

For the year ended December 31

	2015	2014
Cash provided by (used in):		
Surplus (Deficit) for the year	111,725	(241,580)
Net change in non-cash operating working capital items:		
Accounts receivable	29,963	(28,080)
Prepaid expenses	(1,328)	(2,776)
Accounts payable and accrued liabilities	(72,100)	71,962
Cash sourced (used) in operating activities	68,260	(200,474)
Investing activities		
Short-term investments	117,160	(10,167)
Cash, beginning of year	142,657	353,298
Cash, end of year	328,077	142,657

See accompanying notes



LIBRARYCO INC.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2015

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 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 and short-term investments

Cash are amounts on deposit for less than 90 days.

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	2015	2014
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 \$7,696,000 (2014: \$7,499,000) 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 2015 was \$502,346 (2014: \$589,092). Included in accounts payable and accrued liabilities are amounts due to the Society of \$5,926 (2014: \$492).

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, 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 2015 and 2014:

Law Association	2015	2014	Law Association	2015	2014
Algoma County	\$134,266	\$132,937	Muskoka	64,197	64,561
Brant	99,742	98,754	Nipissing	85,767	84,918
Bruce	55,630	56,079	Norfolk	70,853	70,424
Carleton County	614,682	608,596	Northumberland County	76,504	75,747
Cochrane	48,326	48,805	Oxford	71,772	70,071
Dufferin	47,309	46,884	Parry Sound	39,179	38,791
Durham	129,443	128,161	Peel	295,780	293,852
Elgin	81,396	76,244	Perth	54,506	53,966
Essex	280,630	277,862	Peterborough	132,936	130,629
Frontenac	131,556	129,263	Prescott & Russell	14,231	13,698
Grey County	66,857	65,220	Rainy River	28,832	26,566
Haldimand	30,474	30,445	Renfrew County	123,546	122,323
Halton County	139,774	137,400	Simcoe County	140,687	138,304
Hamilton	446,740	442,317	Stormont, Dundas & Glengarry	77,168	79,148
Hastings County	84,375	84,540	Sudbury	187,367	184,535
Huron	75,492	74,745	Temiskaming	42,989	42,563
Kenora District	86,811	85,951	Thunder Bay	169,454	193,776
Kent	70,096	69,402	Toronto	585,117	579,321
Lambton	74,536	73,798	Victoria-Haliburton	87,163	87,300
Lanark	39,069	38,683	Waterloo	238,456	236,095
Leeds & Grenville	71,441	70,734	Welland County	98,971	92,447
Lennox & Addington	26,458	26,196	Wellington	75,347	74,601
Lincoln	177,535	175,778	York	231,003	228,716
Manitoulin	2,525	2,500			
Middlesex	361,548	357,979		\$6,368,536	\$6,321,625



LIBRARYCO INC.

BOARD OF DIRECTORS

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

COUNTY AND DISTRICT LAW LIBRARIES: TOLL-FREE TELEPHONE NUMBERS*

Algoma District Law Association (Sault Ste. Marie)
[1-866-840-2540](tel:1-866-840-2540)

Brant Law Association (Brantford)
[1-866-759-2038](tel:1-866-759-2038)

Bruce Law Association (Walkerton)
[1-866-486-4365](tel:1-866-486-4365)

County of Carleton Law Association (Ottawa)
[1-866-637-3888](tel:1-866-637-3888)

Dufferin County Law Association (Orangeville)
[1-866-862-9931](tel:1-866-862-9931)

Durham Region Law Association (Oshawa)
[1-866-742-4316](tel:1-866-742-4316)

The Elgin Law Association (St. Thomas)
[1-866-545-6335](tel:1-866-545-6335)

The Essex Law Association (Windsor)
[1-866-815-1112](tel:1-866-815-1112)

Frontenac Law Association (Kingston)
[1-866-893-2010](tel:1-866-893-2010)

Grey County Law Association (Owen Sound)
[1-866-578-5841](tel:1-866-578-5841)

The Haldimand Law Association (Cayuga)
[1-866-528-5779](tel:1-866-528-5779)

The Halton County Law Association (Milton)
[1-866-838-5139](tel:1-866-838-5139)

The Hamilton Law Association (Hamilton)
[1-866-213-6867](tel:1-866-213-6867)

Hastings County Law Association (Belleville)
[1-866-544-3310](tel:1-866-544-3310)

Huron Law Association Inc. (Goderich)
[1-866-266-3270](tel:1-866-266-3270)

District of Kenora Law Association (Kenora)
[1-866-684-1164](tel:1-866-684-1164)

The Kent Law Association (Chatham)
[1-866-575-2529](tel:1-866-575-2529)

Lambton Law Association (Sarnia)
[1-866-203-5101](tel:1-866-203-5101)

The County of Lanark Law Association (Perth)
[1-866-593-0236](tel:1-866-593-0236)

The Leeds & Grenville Law Association (Brockville)
[1-866-503-0574](tel:1-866-503-0574)

The Lennox & Addington Law Association (Napanee)
[1-866-603-6383](tel:1-866-603-6383)

The Lincoln County Law Association (St. Catharines)
[1-866-637-6829](tel:1-866-637-6829)

Middlesex Law Association (London)
[1-866-556-5570](tel:1-866-556-5570)

The Muskoka Law Association (Bracebridge)
[1-866-613-9217](tel:1-866-613-9217)

The Nipissing Law Association Library (North Bay)
[1-866-899-6439](tel:1-866-899-6439)

Norfolk Law Association (Simcoe)
[1-866-648-8708](tel:1-866-648-8708)

The Northumberland County Law Association (Cobourg)
[1-866-214-8450](tel:1-866-214-8450)

Oxford County Law Association (Woodstock)
[1-866-750-5169](tel:1-866-750-5169)

The Parry Sound Law Association (Parry Sound)
[1-866-456-6472](tel:1-866-456-6472)

Peel Law Association (Brampton)
[1-866-228-0235](tel:1-866-228-0235)

County of Perth Law Association (Stratford)
[1-866-365-0218](tel:1-866-365-0218)

The Peterborough Law Association (Peterborough)
[1-866-556-8395](tel:1-866-556-8395)

The District of Rainy River Law Library Association
(Fort Frances)
[1-866-684-1184](tel:1-866-684-1184)

The County of Renfrew Law Library Association (Pembroke)
[1-866-705-8538](tel:1-866-705-8538)

Simcoe County Law Association (Barrie)
[1-866-692-6163](tel:1-866-692-6163)

Stormont, Dundas & Glengarry Law Association (Cornwall)
[1-866-830-9118](tel:1-866-830-9118)

Sudbury District Law Association (Sudbury)
[1-866-508-7655](tel:1-866-508-7655)

The Temiskaming Law Association (Haileybury)
[1-877-672-5655](tel:1-877-672-5655)

Thunder Bay Law Association (Thunder Bay)
[1-866-684-1186](tel:1-866-684-1186)

Toronto Lawyers' Association (Toronto)
[1-866-258-8886](tel:1-866-258-8886)

Victoria-Haliburton Law Association (Lindsay)
[1-866-895-6220](tel:1-866-895-6220)

Waterloo Region Law Association (Waterloo)
[1-866-201-0168](tel:1-866-201-0168)

The Welland County Law Association (Welland)
[1-866-455-6489](tel:1-866-455-6489)

Wellington Law Association (Guelph)
[1-866-893-5220](tel:1-866-893-5220)

York Region Law Association (Newmarket)
[1-866-221-8864](tel:1-866-221-8864)

**During regular business hours*



LIBRARYCO INC.

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