



TAB 13

**Report to Convocation
June 29, 2017**

Audit & Finance Committee

Committee Members

Chris Bredt (Chair)
Suzanne Clément (Vice Chair)
Teresa Donnelly (Vice-Chair)
Peter Beach
Paul Cooper
Janis Criger
Seymour Epstein
Rocco Galati
Michelle Haigh
Vern Krishna
Gina Papageorgiou
Jan Richardson
Andrew Spurgeon
Cathy Strosberg
Tanya Walker

Purpose of Report: Information

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COMMITTEE PROCESS

1. The Audit & Finance Committee (“the Committee”) met on June 7, 2017. Committee members in attendance were Chris Bredt, (chair), Suzanne Clément, (v.chair), Teresa Donnelly, (v.chair), Peter Beach, Paul Cooper, Janis Criger, Seymour Epstein, Vern Krishna, Jan Richardson (phone), Andrew Spurgeon, Cathy Strosberg and Tanya Walker.
2. Law Society staff in attendance: Robert Lapper, Wendy Tysall, Mary Giovinazzo and Brenda Albuequerque-Boutilier.
3. Also in attendance: Stephanie Kalinowski from Hicks Morley.

TAB 13.1

FOR INFORMATION

**LIBRARYCO INC. FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED
MARCH 31, 2017**

Proposal/Issue under consideration and Request to the Committee

4. **The Audit & Finance Committee recommends that Convocation receive the financial statements of LibraryCo for the first quarter of 2017 for information.**

Rationale

5. LibraryCo Inc. is the central manager of the Ontario county courthouse library system in accordance with the objectives, policies and principles established and approved by the Law Society, in consultation with the Federation of Ontario Law Associations and the Toronto Lawyers' Association. LibraryCo is a wholly-owned subsidiary of the Law Society. There is a quarterly financial reporting schedule to the shareholder. These interim statements convey the performance of LibraryCo before the end of the year. Unlike annual statements, interim statements do not have to be audited.
6. The Law Society provides administrative services to LibraryCo, for a fee, under an administrative services agreement.

Financial Impact

7. As an information item, the interim financial statements have no direct financial impact.

Stakeholder Response/Reaction

8. The statements have been approved by LibraryCo's board.



LIBRARYCO INC.
FINANCIAL REPORT
For the three months ended March 31, 2017

KEY POINT SUMMARY

Overall Results

9. Results for the first quarter identify a surplus of \$35,527 compared to a budgeted deficit of \$17,756 for the 3 months. The 2017 budget envisages a \$158,572 deficit for the year through the use of the General Fund balance.
10. The positive variance from budget of \$53,283 is primarily related to transition expenses still to be incurred but smaller favourable variances are spread across most other expense categories. It is too early in the year to attribute these variances to timing differences or actual savings.

Revenues

11. The Law Society grant (line 1) includes amounts for central administration and quarterly transfers to the 48 libraries. The actual grant from the Law Society was just over \$1,953,825 in the first quarter and matched budgeted amounts for the period.

Expenses

12. Total expenses (line 16) were \$1,919,332 compared to a budget of \$1,971,581 for the quarter.
13. Administration expenses (line 4) of \$76,250 represents the service fee paid to the Law Society and equals budget. The fee remained at the 2016 rate.
14. Professional fees (line 5) include audit expenses and consulting fees. The consulting fee budget remains unspent which has resulted in a positive variance of \$4,311.
15. Transition expenses (line 6) budgeted at \$21,250 for the quarter were unspent.
16. Other head-office expenses (line 7) include the production of the Annual Report, head office courier/postage costs, Directors and Officers (D&O) insurance, bank charges, website maintenance costs, the cost of providing most libraries with a toll free telephone number and governance meeting expenses.
17. Electronic product expenses of \$84,750 (line 9) are in line with the agreement with LexisNexis and budget.
18. Group benefits and insurance (line 10) of \$78,887 consist of the Group Benefits for enrolled library staff and library D&O and property insurance.

19. Group benefits and insurance are lower than budget by \$6,163 as group benefits premiums are negotiated after the budget and these are budgeted conservatively. Given that both the D&O and property insurance policies expire at the end of April, a conservative increase in insurance for the remaining three quarters of 2017 was also taken into consideration when budgeting for 2017.
20. Other centralized expenses (line 11) of \$17,853 include continuing education bursaries for library staff, library courier costs for inter-library loans of materials, publications provided by the Law Society to each of the 48 law libraries, and the Federation of Ontario Law Associations' (FOLA) meeting expenses for their Library Committee.
21. County and District law libraries grants (line 13) are in line with budget at \$1,653,181 and increased from 2016.
22. Bursaries, capital and special needs grants (line 14) consist of computer refreshment grants, special needs grants and conference bursaries for library staff. As discussed at the last Committee meeting, these started being incurred in the second quarter.

Balance Sheet

23. Short-term investments (line 2) of \$400,000 consists of a one year GIC.
24. Accounts receivable (line 3) are long term disability benefits premiums paid by LibraryCo on the libraries' behalf for the past quarter. These receivables are usually repaid early in the next quarter.
25. Prepaid expenses (line 4) primarily represents the property and D&O insurance policies for LibraryCo and the libraries which are to be renewed at the end of April.
26. Accounts payable and accrued liabilities (line 6) are about \$13,550 higher than 2016. This variance represents the audit fee as the invoice has not been received to date. In 2016, these audit fees were paid in March.
27. The General Fund has decreased by \$58,675 since the end of the first quarter 2016 to \$214,884 after the deficit in 2016.
28. The Reserve Fund has a balance at the end of March 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 in accordance with Board policy.

LIBRARYCO INC.**Schedule of Actual and Budgeted Revenues and Expenses**

Stated in Dollars

For the three months ended March 31

Unaudited

	2017 Actual	YTD Budget	Variance	Annual Budget	2016 Actual
REVENUES					
1 Law Society of Upper Canada grant	1,953,825	1,953,825	-	7,815,240	1,915,511
2 Interest income	1,034	-	1,034	-	1,060
3 Total revenues	1,954,859	1,953,825	1,034	7,815,240	1,916,571
EXPENSES					
Head office/administration					
4 Administration	76,250	76,250	-	305,000	76,250
5 Professional fees	3,188	7,499	4,311	30,000	3,135
6 Transition expenses	-	21,250	21,250	85,000	18,397
7 Other	5,223	10,950	5,727	48,400	4,724
8 Total Head office/administration expenses	84,661	115,949	31,288	468,400	102,506
Law Libraries - centralized purchases					
9 Electronic products and services	84,750	84,750	-	339,000	84,750
10 Group benefits and insurance	78,887	85,050	6,163	352,000	79,227
11 Other	17,853	27,651	9,798	156,800	8,419
12 Total Law Libraries - centralized purchases	181,490	197,451	15,961	847,800	172,396
13 County and District law libraries - grants	1,653,181	1,653,181	-	6,612,724	1,619,191
14 Bursaries, capital and special needs grants	-	5,000	5,000	44,888	2,000
15 Total County and District Law Libraries Expenses	1,653,181	1,658,181	5,000	6,657,612	1,621,191
16 Total expenses	1,919,332	1,971,581	52,249	7,973,812	1,896,093
17 Surplus (Deficit)	35,527	(17,756)	53,283	(158,572)	20,478

This statement includes the revenues and expenses of the LibraryCo entity only.

LIBRARYCO INC.
Balance Sheet
Stated in Dollars
As at March 31
Unaudited

	2017	2016
Assets		
Current Assets		
1 Cash	333,114	379,707
2 Short-term investments	400,000	400,002
3 Accounts receivable	19,354	17,879
4 Prepaid expenses	7,720	7,726
5 Total Assets	760,188	805,314
Liabilities, Share Capital and Fund Balances		
Current Liabilities		
6 Accounts payable and accrued liabilities	45,104	31,555
7 Total Liabilities	45,104	31,555
Share Capital and Fund Balances		
8 Share capital	200	200
9 General fund	214,884	273,559
10 Reserve fund	500,000	500,000
11 Total Share Capital and Fund Balances	715,084	773,759
12 Total Liabilities, Share Capital and Fund Balances	760,188	805,314

This Balance Sheet includes the financial resources of the LibraryCo entity only.

LIBRARYCO INC.
Statement of Changes in Fund Balances
Stated in Dollars
For the three months ended March 31

	2017		2016	
	General Fund	Reserve Fund	Total	Total
1 Balance, beginning of year	179,357	500,000	679,357	753,081
2 Surplus (Deficit)	35,527	-	35,527	20,478
3 Balance, end of period	214,884	500,000	714,884	773,559

This statement includes the fund balances of the LibraryCo entity only.

TAB 13.2

FOR INFORMATION

OTHER COMMITTEE WORK

29. Under its mandate, the Committee is the administrator of the registered pension plan for the employees of the Society. The Committee received the Pension Governance Report for the period ending April 30, 2017 detailing the activities of the Pension Plan including the Audited Financial Statements for the Plan for the year ended December 31, 2016. The Legal Advisor's Report for the period ending April 30, 2017 was received summarizing the relevant legal developments that may have an impact on the Plan. The Committee approved changes to the Pension Plan text changing the definition of "spouse" to reflect a more broad definition of "parent" under Ontario laws, especially the Pension Benefits Act.