

**SOUTHERN ONTARIO  
LIBRARY SERVICE  
FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2007**

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## AUDITORS' REPORT

### TO THE DIRECTORS OF SOUTHERN ONTARIO LIBRARY SERVICE

We have audited the statement of financial position of Southern Ontario Library Service as at March 31, 2007 and the statements of operations and fund balances and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Southern Ontario Library Service as at March 31, 2007 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. In accordance with the Corporations Act (Ontario), we report that these principles have been applied on a basis consistent with that of the preceding year.

Toronto, Ontario  
April 24, 2007

*"CLARKE HENNING LLP"*  
CHARTERED ACCOUNTANTS  
Licensed Public Accountants

# SOUTHERN ONTARIO LIBRARY SERVICE

## STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2007

	<i>Operating &amp; Equipment Funds</i>	<i>Restricted Funds</i>		<i>Total</i>	
		<i>Connectivity</i>	<i>Others</i>	<i>2007</i>	<i>2006</i>
<b>ASSETS</b>					
Current assets					
Cash	\$ 200,194	\$ 1,046,439	\$ 809,734	\$ 2,056,367	\$ 354,455
Accounts receivable	90,091	-	13,257	103,348	86,169
Prepaid expenses	77,582	-	-	77,582	131,144
	<b>367,867</b>	<b>1,046,439</b>	<b>822,991</b>	<b>2,237,297</b>	<b>571,768</b>
Equipment and leasehold improvements (note 3)	369,386	-	-	369,386	269,772
	<b>737,253</b>	<b>1,046,439</b>	<b>822,991</b>	<b>2,606,683</b>	<b>841,540</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Current liabilities					
Accounts payable and accrued liabilities (note 6)	214,958	135,513	3,442	353,913	263,099
Deferred revenue (note 7)	-	910,926	819,549	1,730,475	324,408
	<b>214,958</b>	<b>1,046,439</b>	<b>822,991</b>	<b>2,084,388</b>	<b>587,507</b>
Deferred capital contributions (note 4)	244,793	-	-	244,793	223,948
Deferred lease inducement (note 5)	115,232	-	-	115,232	129,655
	<b>574,983</b>	<b>1,046,439</b>	<b>822,991</b>	<b>2,444,413</b>	<b>941,110</b>
Fund balances (note 8)					
Invested in equipment and leasehold improvements	124,593	-	-	124,593	45,824
Unrestricted	37,677	-	-	37,677	(145,394)
	<b>162,270</b>	<b>-</b>	<b>-</b>	<b>162,270</b>	<b>(99,570)</b>
	<b>\$ 737,253</b>	<b>\$ 1,046,439</b>	<b>\$ 822,991</b>	<b>\$ 2,606,683</b>	<b>\$ 841,540</b>

Approved on behalf of the Board:

\_\_\_\_\_, Director

\_\_\_\_\_, Director

# SOUTHERN ONTARIO LIBRARY SERVICE

## STATEMENT OF OPERATIONS AND FUND BALANCES

YEAR ENDED MARCH 31, 2007

	Operating & Equipment Funds <i>(note 8)</i>	Restricted Funds		Total	
		Connectivity <i>(note 7)</i>	Others <i>(note 7)</i>	2007	2006
Revenue					
Province of Ontario operating grants	\$ 2,755,905	\$ -	\$ -	\$ 2,755,905	\$ 2,754,483
Special grants	128,697	322,884	182,644	634,225	617,373
Self-generated revenue	517,844	20,276	19,389	557,509	426,040
Donations	6,339	-	23,053	29,392	16,180
Pooled resources from public libraries	-	-	230,281	230,281	160,364
<b>Total revenue</b>	<b>3,408,785</b>	<b>343,160</b>	<b>455,367</b>	<b>4,207,312</b>	<b>3,974,440</b>
Expenditures					
<i>Priority 1 - Libraries collaborate to make the most effective use of resources</i>					
Resource sharing					
- delivery	914,504	-	-	914,504	909,686
- information services	674,229	-	-	674,229	633,427
Experience	4,444	-	-	4,444	5,957
Literacy internet access	-	343,160	-	343,160	423,523
Pooled materials and databases	-	-	236,881	236,881	174,365
	<b>1,593,177</b>	<b>343,160</b>	<b>236,881</b>	<b>2,173,218</b>	<b>2,146,958</b>
<i>Priority 2 - Libraries are equipped to meet future challenges and opportunities</i>					
Consulting and training	994,468	-	-	994,468	1,348,278
First Nations consulting	-	-	62,916	62,916	91,157
First Nations communities read program	-	-	7,618	7,618	28,137
First Nations advocacy kit	-	-	27,353	27,353	-
Club Amick	-	-	118,343	118,343	-
Lieutenant Governor's other literacy initiatives	-	-	2,256	2,256	-
	<b>994,468</b>	<b>-</b>	<b>218,486</b>	<b>1,212,954</b>	<b>1,467,572</b>
<i>Administration and governance</i>	<b>515,328</b>	<b>-</b>	<b>-</b>	<b>515,328</b>	<b>524,642</b>
<b>Operating expenditures</b>	<b>3,102,973</b>	<b>343,160</b>	<b>455,367</b>	<b>3,901,500</b>	<b>4,139,172</b>
Amortization expenses	103,127	-	-	103,127	99,054
Amortization of deferred capital contributions <i>(note 4)</i>	(59,155)	-	-	(59,155)	(63,386)
<b>Total expenditures</b>	<b>3,146,945</b>	<b>343,160</b>	<b>455,367</b>	<b>3,945,472</b>	<b>4,174,840</b>
Excess (deficiency) of revenue over expenditures for the year <i>(note 6)</i>	<b>261,840</b>	<b>-</b>	<b>-</b>	<b>261,840</b>	<b>(200,400)</b>
Fund balances - at beginning of year	<b>(99,570)</b>	<b>-</b>	<b>-</b>	<b>(99,570)</b>	<b>100,830</b>
<b>Fund balances - at end of year</b>	<b>\$ 162,270</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 162,270</b>	<b>\$ (99,570)</b>

# SOUTHERN ONTARIO LIBRARY SERVICE

## STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2007

	2007	2006
Cash flows from operating activities		
Excess (deficiency) of revenue over expenditures for the year <i>(note 6)</i>	\$ 261,840	\$ (200,400)
Amortization of equipment and leasehold improvements	103,127	99,054
Amortization of deferred capital contributions <i>(note 4)</i>	(59,155)	(63,386)
Amortization of deferred lease inducement <i>(note 5)</i>	(14,423)	(14,578)
Changes in non-cash working capital items:		
Accounts receivable	(17,179)	89,735
Prepaid expenses	53,562	(3,519)
Accounts payable and accrued liabilities	90,814	97,116
Change in deferred revenue from prior year	1,406,067	(344,779)
Net cash provided by (used in) operating activities	1,824,653	(340,757)
Cash flows from financing and investing activities		
Purchase of equipment and leasehold improvements	(202,741)	(70,488)
Lease inducement received <i>(note 5)</i>	-	37,397
Capital contribution received <i>(note 4)</i>	80,000	152,000
Net cash (used in) provided by financing and investing activities	(122,741)	118,909
Net increase (decrease) in cash	1,701,912	(221,848)
Cash - at beginning of year	354,455	576,303
Cash - at end of year	\$ 2,056,367	\$ 354,455

# SOUTHERN ONTARIO LIBRARY SERVICE

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2007

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### 1. PURPOSE AND ORGANIZATION

Southern Ontario Library Service ("SOLS") is incorporated as a not-for-profit corporation without share capital under the laws of the Province of Ontario and is a registered charity under the Income Tax Act. Its main funding is from the Ontario Ministry of Culture ("the Ministry") under the Public Libraries Act (1984). SOLS' mandate is to deliver programs and services to public libraries.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### *Basis of Presentation*

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles as they apply to not-for-profit organizations.

#### *Fund Accounting*

SOLS' accounts are maintained in accordance with the principles of fund accounting:

- (a) The operating and equipment funds include monies provided by the Ministry, by other organizations and through individual donations for the on-going operations and services of SOLS.
- (b) The restricted funds consist of:
  - (i) The connectivity fund: Monies provided by the Ministry that are restricted for purposes of supporting enhanced internet connectivity to public libraries throughout the province.
  - (ii) Other restricted funds:
    - Pooled program funds: Monies provided by public libraries to be expended for specific shared initiatives.
    - Club Amick: Club Amick is a young aboriginal readers' program under the patronage of the Lieutenant Governor. Monies are provided through grants from the Province, the Ontario Trillium Foundation, and donations by organizations and individuals for purposes of promoting literacy and the love of books among native children.
    - Amounts received for small-scale programs that are restricted in operating purposes and expendability.

#### *Equipment and Leasehold Improvements*

Equipment and leasehold improvements are recorded at cost and, except for works of art, are amortized on a straight-line basis over their estimated useful lives at the following annual rates:

Vehicles, computer equipment and systems software	- 3 years
Office furniture, fixtures and equipment	- 5 years
Leasehold improvements	- term of lease

Equipment purchased for less than \$300 is expensed in the year of acquisition.

# SOUTHERN ONTARIO LIBRARY SERVICE

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2007

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### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Deferred Capital Contributions*

Externally restricted contributions for the acquisition of capital assets are amortized over the life of the related capital assets. Externally restricted contributions that have not been expended are recorded as part of deferred capital contributions in the statement of financial position.

#### *Revenue Recognition*

SOLS follows the deferral method of accounting for restricted grants, donations to restricted funds and pooled program funds. Amounts are recognized as revenue in the year in which corresponding expenditures are made. Unrestricted grants received or receivable (generally just operating grant), are recognized as revenue in the year they are awarded and collection is reasonably assured.

Self-generated revenue is comprised of revenue from unrestricted donations, interest, training, consulting, deliveries of books, and other similar items. Revenue is accounted for when the services are provided or goods are shipped.

#### *Use of Estimates*

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

### 3. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Details of equipment and leasehold improvements are as follows:

	<i>Cost</i>	<i>Accumulated Amortization</i>	<i>Net Book Value</i>	
			<i>2007</i>	<i>2006</i>
Works of art	\$ 10,000	\$ -	\$ 10,000	\$ 10,000
Computer equipment and systems software	105,802	41,847	63,955	18,360
Vehicles	218,377	80,652	137,725	71,654
Office equipment	38,852	22,456	16,396	13,715
Office furniture and fixtures	18,863	10,805	8,058	5,410
Leasehold improvements	177,770	44,518	133,252	150,633
	<b>\$ 569,664</b>	<b>\$ 200,278</b>	<b>\$ 369,386</b>	<b>\$ 269,772</b>

# SOUTHERN ONTARIO LIBRARY SERVICE

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2007

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### 4. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized amount of contributions received for the vehicles and computer equipment purchased and leasehold improvements installed. The changes in deferred capital contributions are as follows:

	<i>2007</i>	<i>2006</i>
Balance - at beginning of year	\$ 223,948	\$ 135,334
Capital asset contributions received	80,000	152,000
Amortization of deferred capital contributions	(59,155)	(63,386)
Balance - at end of year	\$ 244,793	\$ 223,948

### 5. DEFERRED LEASE INDUCEMENT

During 2005 and 2006, SOLS received a lease inducement in the form of leasehold improvements and free rent from the landlord. This inducement has been deferred and is being amortized on a straight-line basis over the term of the lease. The changes in deferred lease inducement are as follows:

	<i>2007</i>	<i>2006</i>
Balance - at beginning of year	\$ 129,655	\$ 106,836
Lease inducement received	-	37,397
Amortization of lease inducement	(14,423)	(14,578)
Balance - at end of year	\$ 115,232	\$ 129,655

### 6. POST-EMPLOYMENT BENEFITS

Post-employment benefits for staff reductions related to a cut in 2005/2006 provincial funding amounted to \$369,000. Following severance agreements with former staff, \$233,000 was paid out in 2005/2006, with the balance due in 2006/2007. To assist SOLS, the Ministry had paid a severance grant of \$102,000 in 2005/2006 and an additional \$125,000 towards this expense in 2006-2007. However, Canadian generally accepted accounting principles required that the entire amount be accrued as an expense in 2005/2006. As a result, the 2005/2006 in-year deficit and year-end liability was increased significantly. This treatment also gives the appearance of a greater in-year surplus in 2006/2007.

# SOUTHERN ONTARIO LIBRARY SERVICE

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2007

### 7. DEFERRED REVENUE

Deferred revenue reported for restricted funds is funding already received for expenditures to be made in future years. Revenue is recognized to match actual expenditures in a given year.

Changes in deferred revenue balances are as follows:

	<i>Deferred Revenue Balance Beginning of Year</i>	<i>Amounts Received In Year</i>	<i>Revenue/ Expenditures Recognized</i>	<i>Deferred Revenue Balance End of Year</i>
<b>2007</b>				
Connectivity Fund	\$ 128,930	\$ 1,125,156	\$ 343,160	\$ 910,926
Other Restricted Funds:				
Pooled Program Funds				
Rideau video pool	408	3,533	3,685	256
Multilingual pool	3,366	30,000	23,605	9,761
Large print pool				
Rideau	(72)	5,700	5,021	607
Southwestern	181	2,100	2,070	211
Trent	274	6,083	5,448	909
Rideau talking book pool	7,591	6,967	4,690	9,868
DVD pool	11,553	12,691	11,310	12,934
	<b>23,301</b>	<b>67,074</b>	<b>55,829</b>	<b>34,546</b>
COOL consortium				
E-Book	92,491	93,817	98,494	87,814
Innovation fund	452	6,915	6,600	767
Shared audio book	-	75,396	75,958	(562)
<b>Total Pooled Program Funds</b>	<b>116,244</b>	<b>243,202</b>	<b>236,881</b>	<b>122,565</b>
Club Amick	37,234	729,359	118,343	648,250
First Nations advocacy kit	35,000	-	27,354	7,646
First Nations community reads year 2	7,000	618	7,618	-
First Nations consulting	-	64,501	62,916	1,585
Lieutenant Governor's other literacy initiatives	-	41,759	2,256	39,503
<b>Total Other</b>	<b>42,000</b>	<b>106,878</b>	<b>100,144</b>	<b>48,734</b>
<b>Total Other Restricted Funds</b>	<b>195,478</b>	<b>1,079,439</b>	<b>455,368</b>	<b>819,549</b>
<b>Total Restricted Funds</b>	<b>\$ 324,408</b>	<b>\$ 2,204,595</b>	<b>\$ 798,528</b>	<b>\$ 1,730,475</b>

# SOUTHERN ONTARIO LIBRARY SERVICE

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2007

### 7. DEFERRED REVENUE (continued)

	<i>Deferred Revenue Balance Beginning of Year</i>	<i>Amounts Received In Year</i>	<i>Revenue/ Expenditures Recognized</i>	<i>Deferred Revenue Balance End of Year</i>
<b>2006</b>				
Connectivity Fund	\$ 545,167	\$ 7,286	\$ 423,523	\$ 128,930
Other Restricted Funds:				
Pooled Program Funds				
Rideau video pool	168	4,300	4,060	408
Multilingual pool	(1,390)	24,000	19,244	3,366
Large print pool				
Rideau	749	5,850	6,671	(72)
Southwestern	740	2,450	3,009	181
Trent	438	6,125	6,289	274
Rideau talking book pool	19,625	7,150	19,184	7,591
DVD pool	7,294	9,779	5,520	11,553
	27,624	59,654	63,977	23,301
COOL consortium				
E-Book	89,683	99,195	96,387	92,491
Innovation fund	-	14,452	14,000	452
Total Pooled Program Funds	117,307	173,301	174,364	116,244
Club Amick	-	37,234	-	37,234
First Nations reading circle	6,569	-	6,569	-
First Nations community reads				
year 1	144	8,100	8,244	-
year 2	-	20,324	13,324	7,000
First Nations advocacy kit	-	35,000	-	35,000
Total Other	6,713	63,424	28,137	42,000
Total Other Restricted Funds	124,020	273,959	202,501	195,478
Total Restricted Funds	\$ 669,187	\$ 281,245	\$ 626,024	\$ 324,408

# SOUTHERN ONTARIO LIBRARY SERVICE

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2007

### 8. FUND BALANCES - OPERATING AND EQUIPMENT FUNDS

Details of operating and equipment funds are as follows:

	<i>Invested In Equipment</i>	<i>Unrestricted</i>	<i>2007</i>	<i>2006</i>
Balance - at beginning of year	\$ 45,824	\$ (145,394)	\$ (99,570)	\$ 100,830
Excess (deficiency) of revenue over expenditures for the year	-	261,840	261,840	(200,400)
Inter-fund transfer representing				
Capital asset purchases	202,741	(202,741)	-	-
Capital contributions received	(80,000)	80,000	-	-
Amortization of assets	(103,127)	103,127	-	-
Amortization of deferred capital contributions	59,155	(59,155)	-	-
Balance - at end of year	\$ 124,593	\$ 37,677	\$ 162,270	\$ (99,570)

### 9. COMMITMENTS

SOLS has outstanding minimum commitments on operating lease for office space as follows:

Year ending March 31,	2008	\$ 118,648
	2009	124,748
	2010	134,340
	2011	137,280
	2012	141,181
Thereafter, to	2014	396,660

### 10. PENSION

SOLS participates in a multi-employer defined benefit pension plan for its employees, administered by the Ontario Municipal Employees Retirement System (OMERS). Actuarial valuations of the defined benefit pension plan are not available on an employer by employer basis. SOLS' contribution to the pension plan for the year ended March 31, 2007 was \$138,129 (\$127,182 for 2006).

### 11. FINANCIAL INSTRUMENTS

SOLS' financial instruments consist of cash, accounts receivable and accounts payable. It is management's opinion that SOLS is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values due to their short term maturities.