

**SOUTHERN ONTARIO
LIBRARY SERVICE
FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008**

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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, 2008 and the statements of operations and fund balances and cash flows for the year then ended. These financial statements are the responsibility of the SOLS' 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, 2008 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.

Clarke Henning LLP

CHARTERED ACCOUNTANTS
Licensed Public Accountants

Toronto, Ontario
May 2, 2008

SOUTHERN ONTARIO LIBRARY SERVICE

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2008

	Operating Fund	Equipment Fund	Restricted Funds		Total	
			Connectivity	Others	2008	2007
ASSETS						
Current assets						
Cash	\$ 106,033	\$ -	\$ 617,903	\$ 868,382	\$ 1,592,318	\$ 2,056,367
Grant receivable	-	-	-	10,062	10,062	-
Accounts receivable	82,359	-	-	8,702	91,061	103,348
Prepaid expenses	93,970	-	-	2,452	96,422	77,582
	282,362	-	617,903	889,598	1,789,863	2,237,297
Equipment and leasehold improvements (note 3)	-	338,435	-	-	338,435	369,386
	282,362	338,435	617,903	889,598	2,128,298	2,606,683
LIABILITIES AND FUND BALANCES						
Current liabilities						
Accounts payable and accrued liabilities	155,430	-	126,823	8,230	290,483	353,913
Deferred revenue (note 6)	-	-	491,080	881,368	1,372,448	1,730,475
	155,430	-	617,903	889,598	1,662,931	2,084,388
Deferred capital contributions (note 4)	-	228,518	-	-	228,518	244,793
Deferred lease inducement (note 5)	100,809	-	-	-	100,809	115,232
	256,239	228,518	617,903	889,598	1,992,258	2,444,413
Fund balances						
Invested in equipment and leasehold improvements	-	109,917	-	-	109,917	124,593
Unrestricted	26,123	-	-	-	26,123	37,677
	26,123	109,917	-	-	136,040	162,270
	\$ 282,362	\$ 338,435	\$ 617,903	\$ 889,598	\$ 2,128,298	\$ 2,606,683

Approved on behalf of the Board:

_____, Director _____, Director

SOUTHERN ONTARIO LIBRARY SERVICE

STATEMENT OF OPERATIONS AND FUND BALANCES

YEAR ENDED MARCH 31, 2008

	Operating Fund	Equipment Fund	Restricted Funds		Total	
			Connectivity (note 6)	Others (note 6)	2008	2007
Revenue						
Province of Ontario operating grants	\$ 2,755,905	\$ -	\$ -	\$ -	\$ 2,755,905	\$ 2,755,905
Province of Ontario capital grants (note 4)	-	96,275	-	-	96,275	59,155
Special grants	5,805	-	419,846	304,437	730,088	634,225
Self-generated revenue	503,667	-	32,003	28,484	564,154	557,509
Donations	7,366	-	-	53,389	60,755	29,392
Pooled resources from public libraries	-	-	-	143,931	143,931	230,281
Total revenue	3,272,743	96,275	451,849	530,241	4,351,108	4,266,467
Expenditures						
<i>Libraries will be equipped to deliver equitable access</i>						
Access to worldwide library collections						
- information services	621,783	28,924	-	-	650,707	697,179
- delivery	988,805	80,968	-	-	1,069,773	967,459
Services according to minimum standards						
Consulting and training	1,070,502	-	-	-	1,070,502	994,468
Mechanism for collaboration						
Experience	6,653	-	-	-	6,653	4,444
Pooled materials and databases	-	-	-	157,531	157,531	236,881
	2,687,743	109,892	-	157,531	2,955,166	2,900,431
<i>The Minister will be equipped to deliver equitable access</i>						
Contact database	16,144	4,333	-	-	20,477	-
CEO salary survey	15,375	-	-	-	15,375	-
Library internet access	-	-	451,849	-	451,849	343,160
First Nations consulting	-	-	-	94,347	94,347	62,916
First Nations advocacy kit	-	-	-	4,422	4,422	27,353
First Nations communities read program	-	-	-	8,664	8,664	7,618
	31,519	4,333	451,849	107,433	595,134	441,047
<i>Lieutenant Governor's literacy initiatives</i>						
Club Amick	-	-	-	195,685	195,685	118,343
Other initiatives	-	-	-	69,592	69,592	2,256
	-	-	-	265,277	265,277	120,599
<i>Administration and governance</i>						
	535,486	26,275	-	-	561,761	542,550
Total expenditures	3,254,748	140,500	451,849	530,241	4,377,338	4,004,627
(Deficiency) excess of revenue over expenditures for the year	17,995	(44,225)	-	-	(26,230)	261,840
Fund balances - at beginning of year	37,677	124,593	-	-	162,270	(99,570)
Interfund transfer (note 9)	(29,549)	29,549	-	-	-	-
Fund balances - at end of year	\$ 26,123	\$ 109,917	\$ -	\$ -	\$ 136,040	\$ 162,270

SOUTHERN ONTARIO LIBRARY SERVICE

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2008

	2008	2007
Cash flows from operating activities		
(Deficiency) excess of revenue over expenditures for the year	\$ (26,230)	\$ 261,840
Amortization of equipment and leasehold improvements <i>(note 3)</i>	140,500	103,127
Amortization of deferred capital contributions <i>(note 4)</i>	(96,275)	(59,155)
Amortization of deferred lease inducement <i>(note 5)</i>	(14,423)	(14,423)
Changes in non-cash working capital items:		
Grant receivable	(10,062)	-
Accounts receivable	12,287	(17,179)
Prepaid expenses	(18,840)	53,562
Accounts payable and accrued liabilities	(63,430)	90,814
Deferred revenue	(358,027)	1,406,067
Net cash (used in) provided by operating activities	(434,500)	1,824,653
Cash flows from financing and investing activities		
Purchase of equipment and leasehold improvements	(109,549)	(202,741)
Capital contribution received <i>(note 4)</i>	80,000	80,000
Net cash used in financing and investing activities	(29,549)	(122,741)
Net (decrease) increase in cash	(464,049)	1,701,912
Cash - at beginning of year	2,056,367	354,455
Cash - at end of year	\$ 1,592,318	\$ 2,056,367

SOUTHERN ONTARIO LIBRARY SERVICE

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2008

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 fund includes grants from the Ministry and self-generated revenue including fees and individual donations, all for the on-going operations and services of SOLS.
- (b) The equipment fund represents the equipment and leasehold improvements owned by SOLS and the corresponding capital contributions received for the acquisition of assets. This fund includes the related amortization of the assets as well as the amortization of capital contributions.
- (c) 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.
 - Lieutenant Governor's literacy initiatives: Includes Club Amick and other literacy initiatives. 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, 2008

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 the 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 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>2008</i>	<i>2007</i>
Works of art	\$ 10,000	\$ -	\$ 10,000	\$ 10,000
Computer equipment and systems software	131,801	75,104	56,697	63,955
Vehicles	300,847	161,620	139,227	137,725
Office equipment	38,852	28,470	10,382	16,396
Office furniture and fixtures	19,943	13,685	6,258	8,058
Leasehold improvements	177,770	61,899	115,871	133,252
	\$ 679,213	\$ 340,778	\$ 338,435	\$ 369,386
			<i>2008</i>	<i>2007</i>
Included in expenses is depreciation amounting to			\$ 140,500	\$ 103,127
Depreciation is in part offset by the amortization of deferred capital contributions (note 4)			(96,275)	(59,155)
			\$ 44,225	\$ 43,972

SOUTHERN ONTARIO LIBRARY SERVICE

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2008

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>2008</i>	<i>2007</i>
Balance - at beginning of year	\$ 244,793	\$ 223,948
Capital asset contributions received	80,000	80,000
Amortization of deferred capital contributions	(96,275)	(59,155)
Balance - at end of year	\$ 228,518	\$ 244,793

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>2008</i>	<i>2007</i>
Balance - at beginning of year	\$ 115,232	\$ 129,655
Amortization of lease inducement	(14,423)	(14,423)
Balance - at end of year	\$ 100,809	\$ 115,232

SOUTHERN ONTARIO LIBRARY SERVICE

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2008

6. 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>
2008				
Connectivity Fund	\$ 910,926	\$ 32,003	\$ 451,849	\$ 491,080
Other Restricted Funds:				
Pooled Program Funds				
Rideau video pool	256	2,500	2,443	313
Multilingual pool	9,761	31,500	38,994	2,267
Large print pool				
Rideau	607	5,400	5,616	391
Southwestern	211	2,400	2,252	359
Trent	909	5,875	6,203	581
Rideau talking book pool	9,868	6,024	4,242	11,650
DVD pool	12,934	12,881	11,611	14,204
	<u>34,546</u>	<u>66,580</u>	<u>71,361</u>	<u>29,765</u>
COOL consortium				
E-Books	87,814	96,843	57,326	127,331
Innovation fund	767	6,033	6,800	-
Shared audio books	(562)	31,900	22,044	9,294
Total Pooled Program Funds	<u>122,565</u>	<u>201,356</u>	<u>157,531</u>	<u>166,390</u>
Club Amick	648,250	244,052	195,685	696,617
Other initiatives	39,503	30,089	69,592	-
Total Lieutenant Governor's Literacy Initiatives	687,753	274,141	265,277	696,617
First Nations consulting	1,585	106,501	94,347	13,739
First Nations advocacy kit	7,646	-	4,422	3,224
First Nations communities read	-	10,062	8,664	1,398
Total Other	<u>9,231</u>	<u>116,563</u>	<u>107,433</u>	<u>18,361</u>
Total Other Restricted Funds	<u>819,549</u>	<u>592,060</u>	<u>530,241</u>	<u>881,368</u>
Total Restricted Funds	<u>\$ 1,730,475</u>	<u>\$ 624,063</u>	<u>\$ 982,090</u>	<u>\$ 1,372,448</u>

SOUTHERN ONTARIO LIBRARY SERVICE

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2008

6. 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>
2007				
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
	23,301	67,074	55,829	34,546
COOL consortium				
E-Books	92,491	93,817	98,494	87,814
Innovation fund	452	6,915	6,600	767
Shared audio books	-	75,396	75,958	(562)
Total Pooled Program Funds	116,244	243,202	236,881	122,565
Club Amick	37,234	729,359	118,343	648,250
Other initiatives	-	41,759	2,256	39,503
Total Lieutenant Governor's Literacy Initiatives	37,234	771,118	120,599	687,753
First Nations consulting	-	64,501	62,916	1,585
First Nations communities read	7,000	618	7,618	-
First Nations advocacy kit	35,000	-	27,354	7,646
Total Other	42,000	65,119	97,888	9,231
Total Other Restricted Funds	195,478	1,079,439	455,368	819,549
Total Restricted Funds	\$ 324,408	\$ 2,204,595	\$ 798,528	\$ 1,730,475

7. COMMITMENTS

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

Year ending March 31,	2009	\$ 127,696
	2010	137,362
	2011	140,443
	2012	144,486
	2013	149,494
Thereafter, to	2015	256,718
		\$ 956,199

SOUTHERN ONTARIO LIBRARY SERVICE

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2008

8. 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, 2008 was \$130,948 (\$138,129 for 2007).

9. INTER-FUND TRANSFERS

The inter-fund transfers represent the difference between the capital assets purchased of \$109,549 and capital grant received of \$80,000.

10. GRANTS RECEIVABLE

SOLS will receive the following grants in 2008-2009:

- As part of the government's strategic commitment to invest in Ontario libraries in the 2008 budget, SOLS will receive a grant of \$15 million to be used in collaboration with Ontario Library Service - North to support public libraries' efforts to provide equitable access to a range of digital information, community collections, and services to Ontarians. SOLS will receive the approved grant by June 30, 2008.
- In 2007-2008, the Ministry again approved a grant of \$660,000 to support public internet services to public libraries. This grant has not been accounted for in the year ended March 31, 2008 as it was not received prior to May 2008.
- On March 20, 2008, the Ministry approved a grant of \$49,998 to provide enhances training to staff of public libraries. This grant has not been accounted for in the year ended March 31, 2008 as it was received on April 4, 2008.

11. FINANCIAL INSTRUMENTS

SOLS' financial instruments consist of cash, grants receivable, accounts receivable, grant 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.

12. COMPARATIVE FIGURES

The comparative figures in the Statement of Operations and Fund Balances have been reclassified to conform with the financial statement presentation adopted for the current year.