

**SOUTHERN ONTARIO  
LIBRARY SERVICE**

**Financial Statements**

**Year ended March 31, 2018**

**SOUTHERN ONTARIO LIBRARY SERVICE**

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**March 31, 2018**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Southern Ontario Library Service

We have audited the accompanying financial statements of Southern Ontario Library Service (SOLS), which comprise the statement of financial position as at March 31, 2018, and the statements of operations and changes in net assets and cash flows for the for the year ended March 31, 2018 and a summary of significant accounting policies and other explanatory information.

### *Management and Directors' Responsibility for the Financial Statements*

Management and Directors are 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 controls as management and directors determine 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 controls relevant to SOLS 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 SOLS' internal controls. 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.

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Southern Ontario Library Service as at March 31, 2018, and the results of its operations and its cash flows for the for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*Adams & Miles LLP*

Chartered Professional Accountants  
Licensed Public Accountants

Toronto, Canada  
June 16, 2018



**SOUTHERN ONTARIO LIBRARY SERVICE**

**Statement of Financial Position**

**March 31, 2018**

	Operating fund	Capital assets fund	Restricted funds (Schedule 1)	March 31, 2018	March 31, 2017
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents (Note 3)	\$ 499,649	\$ -	\$ 2,151,293	\$ 2,650,942	\$ 3,172,562
Investments (Note 4)	95,890	-	412,863	508,753	507,780
Grants receivable (Note 6)	-	-	100,000	100,000	45,000
Accounts receivable	104,909	-	110,780	215,689	155,256
Prepaid expenditures	44,251	-	650,973	695,224	733,470
	744,699	-	3,425,909	4,170,608	4,614,068
<b>Capital assets (Note 7)</b>	-	279,209	-	279,209	272,489
	\$ 744,699	\$ 279,209	\$ 3,425,909	\$ 4,449,817	\$ 4,886,557
<b>Liabilities</b>					
<b>Current liabilities</b>					
Accounts payable and accrued liabilities (Note 8)	\$ 319,476	\$ -	\$ 86,181	\$ 405,657	673,551
Current portion of deferred capital contributions (Note 9)	-	43,333	-	43,333	43,333
Current portion of deferred revenue (Note 10)	-	-	2,758,454	2,758,454	2,831,697
Current portion of deferred lease inducement (Note 11)	4,380	-	-	4,380	4,380
	323,856	43,333	2,844,635	3,211,824	3,552,961
<b>Deferred capital contributions (Note 9)</b>	-	34,667	-	34,667	34,667
<b>Deferred revenue (Note 10)</b>	-	-	555,353	555,353	633,473
<b>Deferred lease inducement (Note 11)</b>	24,820	-	-	24,820	29,200
	348,676	78,000	3,399,988	3,826,664	4,250,301
<b>Fund balances</b>					
Operating fund	396,023	-	-	396,023	413,977
Capital assets fund	-	201,209	-	201,209	194,489
Restricted funds	-	-	25,921	25,921	27,790
	396,023	201,209	25,921	623,153	636,256
	\$ 744,699	\$ 279,209	\$ 3,425,909	\$ 4,449,817	\$ 4,886,557

Approved on behalf of the Board:

  
 \_\_\_\_\_ Director  
  
 \_\_\_\_\_ Director

SOUTHERN ONTARIO LIBRARY SERVICE

Statement of Operations and Changes in Net Assets

Year ended March 31, 2018

	Operating fund	Capital assets fund	Restricted funds (Schedule 2)	Total 2018	Total 2017
<b>Revenue</b>					
Province of Ontario operating grants	\$ 3,301,076	\$ -	\$ -	\$ 3,301,076	\$ 3,301,076
Province of Ontario capital grants (Note 9)	-	52,000	-	52,000	52,000
Special grants	5,664	-	635,012	640,676	635,689
Pooled resources from public libraries	-	-	3,604,139	3,604,139	3,753,327
Self-generated revenue (Note 4)	507,081	-	9,396	516,477	570,855
Donations	1,143	-	19,792	20,935	28,066
<b>Total revenue</b>	<b>3,814,964</b>	<b>52,000</b>	<b>4,268,339</b>	<b>8,135,303</b>	<b>8,341,013</b>
<b>Expenditures</b>					
<i>Equitable Access to Resources</i>					
Information services	595,715	-	-	595,715	604,740
Delivery	1,277,849	105,509	-	1,383,358	1,258,675
Technology	126,317	19,695	-	146,012	223,226
E-resources, connectivity and consortia	-	-	4,029,427	4,029,427	4,089,907
Pooled materials	-	-	36,258	36,258	9,841
	1,999,881	125,204	4,065,685	6,190,770	6,186,389
<i>Well-Informed and Skilled Staff</i>					
Consulting and training	659,307	-	-	659,307	721,112
<i>Common Standards</i>					
Consulting and training	374,513	-	-	374,513	430,952
First Nation Communities Read	-	-	12,409	12,409	44,971
	374,513	-	12,409	386,922	475,923
<b>\$15 million investment in public libraries</b>	<b>-</b>	<b>-</b>	<b>85,495</b>	<b>85,495</b>	<b>106,495</b>
<b>Lieutenant Governor's Club Amick</b>	<b>-</b>	<b>-</b>	<b>106,619</b>	<b>106,619</b>	<b>192,827</b>
<b>Administration and governance</b>	<b>699,214</b>	<b>20,079</b>	<b>-</b>	<b>719,293</b>	<b>686,921</b>
<b>Total expenditures</b>	<b>3,732,915</b>	<b>145,283</b>	<b>4,270,208</b>	<b>8,148,406</b>	<b>8,369,667</b>
Excess (deficiency) of revenue over expenditures for the year	82,049	(93,283)	(1,869)	(13,103)	(28,654)
Fund balances, beginning of year	413,977	194,489	27,790	636,256	664,910
Interfund transfer (Note 14)	(100,003)	100,003	-	-	-
<b>Fund balances, end of year</b>	<b>\$ 396,023</b>	<b>\$ 201,209</b>	<b>\$ 25,921</b>	<b>\$ 623,153</b>	<b>\$ 636,256</b>

SOUTHERN ONTARIO LIBRARY SERVICE

Statement of Cash Flows

Year ended March 31, 2018

	2018	2017
<b>Cash provided by (used in)</b>		
<i>Operating activities</i>		
Excess (deficiency) of revenue over expenditures for the year	\$ (13,103)	\$ (28,654)
Amortization of capital assets	145,283	117,184
Amortization of deferred capital contributions	(52,000)	(52,000)
Amortization of deferred lease inducement	(4,380)	(4,380)
	75,800	32,150
Change in non-cash working capital items:		
Grants receivable	(55,000)	155,000
Accounts receivable	(60,433)	(44,606)
Prepaid expenditures	38,246	174,871
Accounts payable and accrued liabilities	(267,894)	(87,469)
Deferred revenue	(151,363)	(261,339)
	(420,644)	(31,393)
<i>Financing and investing activities</i>		
Purchase of capital assets, net	(152,003)	(140,734)
Net decrease (increase) in cost of investments	(973)	513,617
Capital contribution received	52,000	52,000
	(100,976)	42,883
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(521,620)</b>	<b>393,490</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>3,172,562</b>	<b>2,779,072</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 2,650,942</b>	<b>\$ 3,172,562</b>
<b>Cash and cash equivalents consist of:</b>		
Cash	\$ 1,148,807	\$ 1,569,808
Cashable guaranteed investment certificates bearing interest at 1.00% per annum and maturing in February 2019	1,500,000	-
Cashable guaranteed investment certificates bearing interest at 0.85% per annum and maturing between December 2017 and February 2018	-	1,600,000
Accrued interest	2,135	2,754
	<b>\$ 2,650,942</b>	<b>\$ 3,172,562</b>

## **SOUTHERN ONTARIO LIBRARY SERVICE**

### **Notes to Financial Statements**

**Year ended March 31, 2018**

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#### **1. Organization and purpose**

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 Tourism, Culture and Sport (the Ministry) under the Public Libraries Act (RSO 1990). SOLS' mandate is to deliver programs and services to public libraries.

#### **2. Summary of significant accounting policies**

SOLS follows the Canadian accounting standards for not-for-profit organizations in preparing its financial statements. The significant accounting policies used are as follows:

##### **Fund accounting**

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

- 1) 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;
- 2) The capital assets fund shows the cost of capital assets less amortization to date. It also shows any capital grant amounts not yet recognized as revenue (deferred capital contributions), and finally, the net balance of the two; and
- 3) The restricted funds consist of:
  - a) \$15 million investment in public libraries: In collaboration with Ontario Library Service - North, this fund is used to support public libraries' efforts to provide equitable access to a range of digital information, community collections, and services to Ontarians;
  - b) Provincial Licensed E-Resources: In collaboration with Ontario Library Service – North, monies provided by public libraries, are used to ensure that all public libraries are able to participate in a consortium that will provide equitable access to electronic information resources to Ontarians;
  - c) Connectivity fund: Monies provided by the Ministry to support enhanced internet connectivity to public libraries throughout the Province;
  - d) Lieutenant Governor's Club Amick: Monies provided through grants from the Province and donations by organizations and individuals for purposes of promoting literacy and the love of books among native children in remote northern communities;

## **SOUTHERN ONTARIO LIBRARY SERVICE**

### **Notes to Financial Statements**

**Year ended March 31, 2018**

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## **2. Summary of significant accounting policies - cont'd**

### **Fund accounting - cont'd**

#### **e) Other restricted funds:**

- **Pooled program funds:** Monies provided by public libraries to be expended for specific shared initiatives;
- **Downloadable media consortia:** Monies provided by public libraries participating in shared e-collections that include e-books, audiobooks and other downloadable materials; and
- **First Nation Communities Read:** This grant from the Department of Canadian Heritage helps to increase the profile of Aboriginal creators, their books, and their publishers.

#### **Revenue Recognition**

SOLS follows the deferral method of accounting for restricted grants, investment income from restricted funds, and contributions and donations to restricted funds. Amounts are recognized as revenue on a straight-line basis over the terms of the agreements or as the related programs are provided. Unrecognized revenue that is to be spent in future years is recorded as deferred revenue in the statement of financial position.

Unrestricted grants received or receivable (i.e. operating grants) are recognized as revenue in the year they are awarded and collection is reasonably assured. Interest on operating grants is recognized as revenue when earned.

Investment income comprises interest from cash and cash equivalents, interest from fixed income securities and reinvested distributions from investment saving accounts. Self-generated revenue is comprised of revenue from investment income, training, consulting, delivery of books and related materials, administration fees for specific programs and other similar items.

Revenue is recognized on an accrual basis and accounted for when the services are provided or goods are shipped. Interest on fixed-income securities is recognized over the terms of the investments. Unrestricted donations are recognized in the statement of operations and changes in net assets in the year they are received.



## **SOUTHERN ONTARIO LIBRARY SERVICE**

### **Notes to Financial Statements**

**Year ended March 31, 2018**

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#### **2. Summary of significant accounting policies - cont'd**

##### **Financial instruments**

##### **1) Measurement of financial instruments**

SOLS initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

SOLS subsequently measures all its financial assets and financial liabilities at amortized cost less impairment allowances, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations and changes in net assets in the fiscal year incurred.

Financial assets measured at amortized cost include cash and cash equivalents, fixed-income investments and amounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

##### **2) Impairment**

At the end of each reporting fiscal year, SOLS assesses whether there are any indications that a financial asset measured at amortized cost may be impaired. Objective evidence of impairment includes observable data that comes to the attention of SOLS, including but not limited to the following events: significant financial difficulty of the issuer; a breach of contract, such as a default or delinquency in interest or principal payments; or bankruptcy or other financial reorganization proceedings.

If SOLS identifies a significant adverse change in the expected timing or amount of future cash flows from a financial asset, it reduces the carrying amount of the asset. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the reduction is recognized as an impairment loss in the statement of operations and changes in net assets.

When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent of the improvement, directly or by adjusting the allowance account. The amount of the reversal is recognized in the statement of operations and changes in net assets in the fiscal year the reversal occurs.

## **SOUTHERN ONTARIO LIBRARY SERVICE**

### **Notes to Financial Statements**

**Year ended March 31, 2018**

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#### **2. Summary of significant accounting policies - cont'd**

##### **Financial instruments - cont'd**

##### **3) Transaction costs**

Transaction costs are recognized in the statement of operations and changes in net assets in the fiscal year incurred, except for financial instruments that will be subsequently measured at amortized cost. Transaction costs associated with the acquisition and disposal of fixed-income investments are capitalized and are included in the acquisition costs or reduced proceeds on disposal.

Financial assets are derecognized when the rights to receive cash flows from the assets have expired; or when SOLS has transferred its contractual rights to receive the cash flows of the financial assets and has transferred substantially all the risks and rewards of ownership; or when control is not retained. Financial liabilities are derecognized when they are extinguished, i.e., when the obligation is discharged, cancelled, or expires.

##### **Cash and cash equivalents**

Cash and cash equivalents are comprised of cash and highly liquid investments such as deposits in investment savings accounts and cashable guaranteed investment certificates maturing or redeemable at various dates not exceeding twelve months.

##### **Investments**

Investments consist primarily of federal government treasury bills and provincial government bonds maturing or redeemable at various dates not exceeding five years. Investments with fixed or determinable payments and fixed maturity are recorded at their amortized cost. Fixed-income investments, maturing less than twelve months from the year-end date are classified as current assets on the statement of financial position.

## SOUTHERN ONTARIO LIBRARY SERVICE

### Notes to Financial Statements

Year ended March 31, 2018

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#### 2. Summary of significant accounting policies - cont'd

##### Capital assets

The costs of capital assets are capitalized upon meeting the criteria for recognition as a capital asset; otherwise, costs are expensed as incurred. The cost of a capital asset comprises its purchase price and any directly attributable cost of preparing the asset for its intended use. A capital asset is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

Capital assets, consisting of vehicles, furniture, equipment and leasehold improvements, are measured at cost and, except for works of art, are amortized on a straight-line basis over their estimated useful lives at the following annual rate:

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

Capital assets purchased for less than \$1,000 are expensed in the year of acquisition.

##### 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.

##### Deferred lease inducement

SOLS received a lease inducement in the form of leasehold improvements from the landlord. This inducement has been deferred and is being amortized on a straight-line basis over the term of the lease.

## **SOUTHERN ONTARIO LIBRARY SERVICE**

### **Notes to Financial Statements**

**Year ended March 31, 2018**

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#### **2. Summary of significant accounting policies - cont'd**

##### **Allocation of expenditures**

SOLS delivers programs and services to ensure that libraries have equitable access to worldwide library collections and e-resources, have well-informed and skilled staff, and provide services according to minimum standards. SOLS classifies its expenditures on the statement of operations and changes in net assets by function. The costs of each program and service include compensation costs and other expenditures that are directly related to their provision.

SOLS also incurs compensation costs and other expenditures necessary for the overall operation of the organization as a whole, and which are not allocated to the programs and services described above. These general support expenditures are recorded as 'administration and governance' on the statement of operations and changes in net assets, and include costs related to board meetings, audit, financial planning and management, human resources management and office rent.

Six staff members (2017 – five) within SOLS work in more than one area. Their compensation costs are allocated to programs, services and general support expenditures on the basis of hours devoted to each area.

##### **Volunteer services**

SOLS benefits from services in the form of volunteer time from board members to fulfil its mission. Since these invaluable services are not purchased by SOLS and a reasonable estimate of their value cannot be made, as such they are not recorded in the financial statements.

##### **Use of estimates**

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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 revenue and expenditures during the current fiscal year.

Key areas of estimation where management has made difficult, complex or subjective judgments, often as a result of matters that are uncertain, include those relating to useful lives for amortization and other assets and liabilities valuation. Actual results could differ from these and other estimates, the impact of which would be recorded in future fiscal years.

## SOUTHERN ONTARIO LIBRARY SERVICE

### Notes to Financial Statements

Year ended March 31, 2018

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#### 3. Cash and cash equivalents

SOLS has a \$300,000 unsecured line of credit available which bears interest at the bank's prime rate. As at year-end, \$Nil was drawn on this facility (2017 - \$Nil).

#### 4. Investments

Investments consist primarily of provincial government bonds maturing or redeemable at various dates not exceeding five years. Their interest rates vary from 1.25% to 2.25% (2017 - 1.25% to 2.25%) per annum. The fair value of these investments is obtained from the year-end quoted market prices.

Included in the self-generated revenue under the operating fund and restricted funds is investment income from provincial bonds and guaranteed investment certificates of \$14,536 and \$9,396 (2017 - \$34,467 and \$8,311).

Details of investments consist of the following:

	2018		2017	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Provincial government bonds	\$ 508,753	\$ 500,150	\$ 507,780	\$ 503,750

## SOUTHERN ONTARIO LIBRARY SERVICE

### Notes to Financial Statements

Year ended March 31, 2018

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#### 5. Financial instruments

SOLS is exposed to various risks in its operation and financial instruments. SOLS' risk management objectives mainly focus on minimizing the potential adverse effects of these risks on SOLS' operating and financial performance.

SOLS has formal policies and procedures for investment transactions. Investments are generally limited to federal and provincial government bonds and treasury bills, deposit notes, and guaranteed investment certificates issued by the five chartered banks. The majority of investments are made on the advice of portfolio managers.

SOLS monitors risk exposure as follows:

##### Market risk

SOLS is exposed to market risk, which is the potential loss that SOLS may incur with respect to the changes in the fair value of investments. The fair value of investments will fluctuate because of changes in market price whether those changes are caused by factors specific to the individual investments, or its issuers or factors affecting all investments traded in the market.

##### Credit risk

SOLS is exposed to credit risk resulting from the possibility that third parties may default on their financial obligations, or if there is a concentration of transactions carried out with the same party, or if there is a concentration of financial obligations which have similar economic characteristics that could be similarly affected by changes in economic conditions.

Credit risk on cash and fixed-income securities is minimized substantially by ensuring that these assets are invested in financial instruments of government and major financial institutions that have been accorded investment grade ratings of AA or greater. An ongoing review is performed to evaluate changes in the status of the issuers of securities authorized for investment.

Credit risk on accounts receivable is minimized due to the large number and diversity of individuals and organizations (mostly major financial institutions and public libraries) owing monies to SOLS. SOLS' carrying amounts of cash and cash equivalents, investments and accounts receivable as stated in the statement of financial position represent SOLS' maximum exposure to credit risk at balance sheet date.

## SOUTHERN ONTARIO LIBRARY SERVICE

### Notes to Financial Statements

Year ended March 31, 2018

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#### 5. Financial instruments - cont'd

##### Liquidity risk

Liquidity risk is the risk that SOLS will not be able to meet a demand for cash or fund its obligations as they come due. Liquidity risk also includes the risk of SOLS not being able to liquidate assets in a timely manner at a reasonable price.

SOLS meets its liquidity requirements by monitoring cash flows from operations, anticipating cash flows from investing and financing activities, and holding assets that can be readily converted into cash. SOLS has a short-term unsecured bank financing facility in place should it be required to meet temporary fluctuations in cash requirements.

##### Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates. The value of fixed-income investments will generally increase if interest rates fall and decrease if interest rates rise.

The exposure of SOLS' interest rate risk arises from its interest bearing assets. SOLS' accounts receivable are not exposed to interest rate risk. In addition, SOLS has no interest bearing liabilities.

The primary objective of SOLS with respect to its investments in fixed-income securities is to ensure the security of principal amounts invested and to provide for a high degree of liquidity, while achieving a satisfactory investment return.

SOLS manages its exposure to interest rate risk of its cash by maximizing the interest income earned on excess funds while maintaining the minimum liquidity necessary to conduct operations on a day-to-day basis.

SOLS' cash includes amounts on deposit with the chartered banks that earn interest at market rates. SOLS' investments in fixed-income securities usually mature or are redeemable in less than twelve months with varying terms to maturity, so the exposure to interest rate risk is considered not to be significant.

## **SOUTHERN ONTARIO LIBRARY SERVICE**

### **Notes to Financial Statements**

**Year ended March 31, 2018**

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#### **6. Grants receivable**

On November 1, 2017, the Ministry of Education (the Ministry) approved a grant of \$165,000 for the Lieutenant Governor's Club Amick program. This project will facilitate the purchase and distribution a total of 16,500 books through three distributions in the 2017-18 school year to approximately 5,400 students in 36 First Nation communities. As at March 31, 2018, both the interim and final payments totaling \$100,000 have not been received. This was recorded in the 2018 fiscal year as grants receivable and deferred revenue. Upon receipt of the Interim and Final Written Report (due April 9, 2018 and July 20, 2018 respectively), the Ministry will release the interim payment of \$65,000 and the final payment of \$35,000.

On July 4, 2016, the Ministry of Education (the Ministry) approved a grant of \$150,000 for the Lieutenant Governor's Club Amick program. This project will distribute approximately 16,500 books through three distributions, in the 2016-17 school years, to students in 36 First Nation Communities. On March 28, 2017, the Ministry approved an additional grant of \$15,000 for the above project, totaling the grant amount for both agreements to \$165,000. As at March 31, 2017, both the final instalment of \$30,000 and the additional grant of \$15,000 had not been received and were recorded in the 2017 fiscal year as grants receivable. Upon signing of the amending agreement and the receipt of a final report due June 30, 2017, the Ministry would release the \$15,000 additional grant and the \$30,000 final instalment. The \$15,000 additional grant was received from the Ministry on April 18, 2017 and an amount of \$22,909 representing the final instalment of \$30,000 less underspent expenditures of \$7,091, was received from the Ministry on September 28, 2017.



**SOUTHERN ONTARIO LIBRARY SERVICE**

**Notes to Financial Statements**

**Year ended March 31, 2018**

**7. Capital assets**

Details of capital assets are as follows:

	Cost	2018 Accumulated Amortization	Net Book Value	2017 Net Book Value
Works of art	\$ 10,000	\$ -	\$ 10,000	\$ 10,000
Computer equipment and systems software	167,689	149,420	18,269	30,292
Vehicles	530,633	337,321	193,312	154,489
Office equipment	27,959	26,942	1,017	3,051
Furniture and fixtures	61,636	43,145	18,491	30,818
Leasehold improvements	57,181	19,061	38,120	43,839
	<b>\$ 855,098</b>	<b>\$ 575,889</b>	<b>\$ 279,209</b>	<b>\$ 272,489</b>

	2018	2017
Amortization included in expenditures	\$ 145,283	\$ 117,184
Less: amortization in part offset by the amortization of deferred capital contributions	52,000	52,000
	<b>\$ 93,283</b>	<b>\$ 65,184</b>

Fully amortized assets are retained in assets and accumulated amortization accounts until such assets are removed from service. During the current year, \$128,180 (2017 – \$169,994) of vehicles were removed from the asset cost and accumulated amortization.

No impairment losses have been incurred to date.

**SOUTHERN ONTARIO LIBRARY SERVICE**

**Notes to Financial Statements**

**Year ended March 31, 2018**

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**8. Accounts payable and accrued liabilities**

	2018	2017
Operating fund		
Accounts payable and accrued liabilities	\$ 257,608	\$ 415,962
HST payable	61,868	57,116
Restricted fund		
Accounts payable and accrued liabilities	86,181	200,473
	<b>\$ 405,657</b>	<b>\$ 673,551</b>

**9. Deferred capital contributions**

The changes in deferred capital contributions are as follows:

	2018	2017
Balance, beginning of year	\$ 78,000	\$ 78,000
Capital grants received	52,000	52,000
Amortization of deferred capital contributions	(52,000)	(52,000)
	78,000	78,000
Less: current portion	43,333	43,333
	34,667	34,667
Long-term portion	<b>\$ 34,667</b>	<b>\$ 34,667</b>

**SOUTHERN ONTARIO LIBRARY SERVICE**  
**Notes to Financial Statements**  
**Year ended March 31, 2018**

**10. Deferred revenue**

Deferred revenue reported for restricted funds is funding already received for expenditures to be made in future years.

Changes in deferred revenue balances are as follows:

2018	Balance, beginning of year	Amounts received in year	Revenue recognized	Balance, end of year
<b>Current deferred revenue:</b>				
Provincial Licensed E-Resources	\$ 2,223,501	\$ 2,839,363	\$ (2,915,997)	\$ 2,146,867
Connectivity	317	461,193	(459,677)	1,833
Lieutenant Governor's Club Amick	53,236	178,530	(106,619)	125,147
<b>Pooled program funds</b>				
Multilingual pool	37,707	23,800	(29,448)	32,059
Rideau talking book pool	-	1,125	(1,125)	-
DVD pool	5,685	-	(5,685)	-
	<b>43,392</b>	<b>24,925</b>	<b>(36,258)</b>	<b>32,059</b>
<b>Downloadable media consortia</b>				
Overdrive	452,114	575,590	(635,419)	392,285
Archambault	59,137	-	(16,465)	42,672
	<b>511,251</b>	<b>575,590</b>	<b>(651,884)</b>	<b>434,957</b>
First Nation Communities Read	-	30,000	(12,409)	17,591
	<b>2,831,697</b>	<b>4,109,601</b>	<b>(4,182,844)</b>	<b>2,758,454</b>
<b>Long-term deferred revenue:</b>				
\$15M investment in public libraries	633,473	7,375	(85,495)	555,353
<b>Total deferred revenue</b>	<b>\$ 3,465,170</b>	<b>\$ 4,116,976</b>	<b>\$ (4,268,339)</b>	<b>\$ 3,313,807</b>

**SOUTHERN ONTARIO LIBRARY SERVICE**  
**Notes to Financial Statements**  
**Year ended March 31, 2018**

**10. Deferred revenue - cont'd**

2017	Balance, beginning of year	Amounts received in year	Revenue recognized	Balance, end of year
<b>Current deferred revenue:</b>				
<b>Provincial Licensed E-Resources</b>	<b>2,277,482</b>	<b>2,967,170</b>	<b>(3,021,151)</b>	<b>2,223,501</b>
<b>Connectivity</b>	<b>65,159</b>	<b>260,393</b>	<b>(325,235)</b>	<b>317</b>
<b>Lieutenant Governor's Club Amick</b>	<b>63,908</b>	<b>182,155</b>	<b>(192,827)</b>	<b>53,236</b>
<b>Pooled program funds</b>				
Multilingual pool	16,576	25,500	(4,369)	37,707
Rideau talking book pool	-	1,525	(1,525)	-
DVD pool	925	8,707	(3,947)	5,685
	<b>17,501</b>	<b>35,732</b>	<b>(9,841)</b>	<b>43,392</b>
<b>Downloadable media consortia</b>				
Overdrive	425,093	561,899	(534,878)	452,114
Libraries on the Go	110,484	61,492	(171,976)	-
Archambault	15,578	59,040	(15,481)	59,137
	<b>551,155</b>	<b>682,431</b>	<b>(722,335)</b>	<b>511,251</b>
<b>First Nation Communities Read</b>	<b>18,971</b>	<b>26,000</b>	<b>(44,971)</b>	<b>-</b>
	<b>2,994,176</b>	<b>4,153,881</b>	<b>(4,316,360)</b>	<b>2,831,697</b>
<b>Long-term deferred revenue:</b>				
<b>\$15M investment in public libraries</b>	<b>732,333</b>	<b>7,635</b>	<b>(106,495)</b>	<b>633,473</b>
<b>Total deferred revenue</b>	<b>\$ 3,726,509</b>	<b>\$ 4,161,516</b>	<b>\$ (4,422,855)</b>	<b>\$ 3,465,170</b>

**SOUTHERN ONTARIO LIBRARY SERVICE**

**Notes to Financial Statements**

**Year ended March 31, 2018**

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**11. Deferred lease inducement**

The changes in deferred lease inducement are as follows:

	2018	2017
Balance, beginning of year	\$ 33,580	\$ 37,960
Less: amortization of lease inducement	4,380	4,380
	29,200	33,580
Less: current portion	4,380	4,380
Long-term portion	\$ 24,820	\$ 29,200

**12. Commitments**

SOLS has outstanding minimum commitments on an operating lease for its office space and equipment is as follows:

2019	\$ 60,508
2020	60,508
2021	61,305
2022	61,320
2023	61,320
Subsequent years	102,200
	\$ 407,161

In addition, SOLS is committed to estimated annual operating costs of \$59,800 related to the lease for its office space.

## **SOUTHERN ONTARIO LIBRARY SERVICE**

### **Notes to Financial Statements**

**Year ended March 31, 2018**

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#### **13. Pension**

SOLS participates in a multi-employer defined benefit pension plan for its employees. Ontario Municipal Employees Retirement System (OMERS), which is the sole sponsor of the plan, determines SOLS' annual payments to the funds. As the sponsor is responsible for ensuring that the pension funds are financially viable, any surpluses or unfunded liabilities arising from statutory actuarial funding valuations are not assets or obligations of SOLS. SOLS' contribution to the pension plan for the current year was \$196,152 (2017 - \$205,138).

#### **14. Inter-fund transfer**

During the year, \$100,003 (2017 - \$88,734) was transferred from the operating fund to the capital assets fund representing the net capital assets purchased of \$152,033 and capital grant received of \$52,000.

#### **15. Capital management**

SOLS defines capital as the sum of the amounts included in its fund balances and the amount of deferred revenue in its externally restricted funds for specific uses.

SOLS' objective when managing its capital is to safeguard its ability to continue as a going concern with sufficient resources to deliver programs and services to public libraries. SOLS manages and adjusts its capital in response to general economic conditions, the risk characteristics of the underlying assets and working capital requirement. The associated assets of SOLS' capital are invested with the objective of providing a reasonable rate of return while preserving integrity of capital in a balanced portfolio of highly liquid investments and fixed term investments, ensuring adequate liquidity as well as sustainability of SOLS' programs.

SOUTHERN ONTARIO LIBRARY SERVICE

Schedule 1 - Schedule of Financial Position by Restricted Funds

March 31, 2018

	\$15 Million Investment in public libraries	E-Resources (Tiers 1, 2 & Provincial Licensed)	Connectivity	Lieutenant Governor's Club Amick	Other restricted funds	March 31, 2018	March 31, 2017
<b>Assets</b>							
<b>Current assets</b>							
Cash and cash equivalents	\$ 445,278	\$ 1,246,172	\$ 1,538	\$ 21,098	\$ 437,207	\$ 2,151,293	\$ 2,535,747
Investments	85,455	239,158	295	4,049	83,906	412,863	405,855
Grants receivable	-	-	-	100,000	-	100,000	45,000
Accounts receivable	-	101,449	-	-	9,331	110,780	74,976
Prepaid expenditures	24,620	626,353	-	-	-	650,973	631,855
	\$ 555,353	\$ 2,213,132	\$ 1,833	\$ 125,147	\$ 530,444	\$ 3,425,909	\$ 3,693,433
<b>Liabilities</b>							
<b>Current liabilities</b>							
Accounts payable and accrued liabilities	\$ -	\$ 40,344	\$ -	\$ -	\$ 45,837	\$ 86,181	\$ 200,473
Current portion of deferred revenue	-	2,146,867	1,833	125,147	484,607	2,758,454	2,831,697
Deferred revenue	555,353	-	-	-	-	555,353	633,473
	555,353	2,187,211	1,833	125,147	530,444	3,399,988	3,665,643
<b>Fund balances</b>							
Restricted funds	-	25,921	-	-	-	25,921	27,790
	\$ 555,353	\$ 2,213,132	\$ 1,833	\$ 125,147	\$ 530,444	\$ 3,425,909	\$ 3,693,433

**SOUTHERN ONTARIO LIBRARY SERVICE**

**Schedule 2 - Schedule of Revenue and Expenditures by Restricted Funds**

Year ended March 31, 2018

	\$15 Million Investment in public libraries	E-Resources (Tiers 1, 2 & Provincial Licensed)	Connectivity	Lieutenant Governor's Club Amick	Other restricted funds	Total 2018	Total 2017
<b>Revenue</b>							
Special grants	\$ 78,120	\$ -	\$ 458,484	\$ 85,999	\$ 12,409	\$ 635,012	\$ 633,673
Pooled resources from public libraries	-	2,915,997	-	-	688,142	3,604,139	3,753,327
Self-generated revenue	7,375	-	1,193	828	-	9,396	8,311
Donations	-	-	-	19,792	-	19,792	27,544
<b>Total revenue</b>	<b>85,495</b>	<b>2,915,997</b>	<b>459,677</b>	<b>106,619</b>	<b>700,551</b>	<b>4,268,339</b>	<b>4,422,855</b>
<b>Expenditures</b>							
Fund expenditures	85,495	2,917,866	459,677	106,619	700,551	4,270,208	4,444,041
Excess (deficiency) of revenue over expenditures for the year	-	(1,869)	-	-	-	(1,869)	(21,186)
Fund balances, beginning of year	-	27,790	-	-	-	27,790	48,976
<b>Fund balances, end of year</b>	<b>\$ -</b>	<b>\$ 25,921</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 25,921</b>	<b>\$ 27,790</b>