

ONTARIO LIBRARY ASSOCIATION
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS AND BOARD OF DIRECTORS OF ONTARIO LIBRARY ASSOCIATION

We have audited the accompanying financial statements of Ontario Library Association, which comprise the statement of financial position as at December 31, 2016 and the statements of operations and changes in net assets - general fund, restricted fund revenues and expenses and changes in net assets and cash flows for the year then ended, and 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ontario Library Association as at December 31, 2016 and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Report on Other Legal and Regulatory Requirements

In accordance with the Corporations Act (Ontario), we report that the Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Clarke Henning LLP

Toronto, Ontario
May 31, 2017

CHARTERED ACCOUNTANTS
Licensed Public Accountants

ONTARIO LIBRARY ASSOCIATION

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2016

	2016	2015
ASSETS		
Current assets		
Cash	\$ 1,206,766	\$ 1,665,033
Short term investments (note 2)	136,712	75,771
Accounts receivable	344,369	69,682
Inventory	73,014	87,224
Prepaid expenses - conference	7,482	16,250
- other	21,139	19,994
	1,789,482	1,933,954
Long-term assets		
Investments (note 2)	230,564	296,127
Loan receivable (note 3)	11,240	15,500
Capital assets (note 4)	133,219	167,705
	375,023	479,332
	2,164,505	2,413,286
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 5)	297,341	801,378
Deferred revenue (note 6)	633,920	691,561
	931,261	1,492,939
NET ASSETS		
General fund	1,017,893	790,999
Restricted fund	215,351	129,348
	1,233,244	920,347
	\$ 2,164,505	\$ 2,413,286

Approved on behalf of the Board of Directors:

_____, President _____, Treasurer

ONTARIO LIBRARY ASSOCIATION

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS - GENERAL FUND

YEAR ENDED DECEMBER 31, 2016

	2016	2015
Revenues		
Membership	\$ 298,552	\$ 314,544
Conference	1,184,115	1,136,067
Continuing education	191,096	159,301
The Library Marketplace - publications and merchandise	332,931	317,709
Contract administration (Youth Initiative)	94,719	93,164
Programs and projects (note 7)	441,088	375,052
Government grants (note 8)	40,300	40,800
Contributions	8,148	1,322
Investment income	7,955	7,259
Special project (note 9)	68,623	-
Other income	162,355	102,484
	2,829,882	2,547,702
Expenses		
Salaries and benefits	899,718	861,346
Conference	633,818	571,276
Continuing education	71,008	67,381
Publications	276,658	247,626
Programs and projects (note 7)	351,448	367,729
Special project (note 9)	62,100	-
Provision for doubtful accounts (recovery)	10,809	(18,317)
Honoraria and awards	12,175	6,182
Catering	17,753	15,180
Purchased services and materials	66,402	61,172
Travel, lodging and meals	52,357	58,816
Occupancy costs	137,846	119,697
Equipment rental and maintenance	25,167	27,897
Supplies, printing, delivery, etc.	22,115	13,168
Telephone	11,032	9,186
Professional fees	37,099	33,199
Depreciation	34,486	42,714
Bank charges, credit card fees and foreign exchange	61,453	33,795
	2,783,444	2,518,047
Revenues over expenses before the following	46,438	29,655
Recovery of prior years' PSB rebate (note 10)	180,456	-
Excess of revenues over expenses for the year	226,894	29,655
Net assets - general fund - at beginning of year	790,999	761,344
Net assets - general fund - at end of year	\$ 1,017,893	\$ 790,999

ONTARIO LIBRARY ASSOCIATION

STATEMENT OF RESTRICTED FUND REVENUES AND EXPENSES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2016

	Scott Fund	Baker Fund	Special Fund	Larry Moore Fund	Fleming Fund	Haycock Fund	K.H. SC Grant	CLA Funds held in Trust	Sarah Badgley Literacy Fund	Total	
										2016	2015
Revenues											
Contributions	\$ -	\$ -	\$ 830	\$ 48	\$ -	\$ 29,253	\$ 6,343	\$ 54,000	\$ 3,000	\$ 93,474	\$ 3,800
Investment income	874	816	46	53	808	640	139	153	50	3,579	2,567
	874	816	876	101	808	29,893	6,482	54,153	3,050	97,053	6,367
Expenses											
Disbursements	2,000	5,000	3,750	-	-	-	-	300	-	11,050	5,000
Excess (deficiency) of revenues over expenses for the year	(1,126)	(4,184)	(2,874)	101	808	29,893	6,482	53,853	3,050	86,003	1,367
Net assets - at beginning of year	40,891	43,098	5,089	32,996	7,274	-	-	-	-	129,348	127,981
Net assets - at end of year	\$ 39,765	\$ 38,914	\$ 2,215	\$ 33,097	\$ 8,082	\$ 29,893	\$ 6,482	\$ 53,853	\$ 3,050	\$ 215,351	\$ 129,348

See note 1 for a description of the restricted funds.

ONTARIO LIBRARY ASSOCIATION

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2016

	2016	2015
Cash flows from operating activities		
Excess of revenues over expenses for the year	\$ 226,894	\$ 29,655
Add back items not affecting cash		
Depreciation	34,486	42,714
Loan forgiveness (<i>note 3</i>)	-	34,500
	261,380	106,869
Change in non-cash working capital balances		
(Increase) decrease in accounts receivable	(274,687)	479,571
Decrease in prepaid expenses	7,623	13,752
Decrease in inventory	14,210	4,769
(Decrease) increase in accounts payable and accrued liabilities	(504,037)	140,565
Decrease in deferred revenue	(57,641)	(60,812)
	(814,532)	577,845
Cash flows from investing and financing activities		
(Increase) decrease in short term investments	(60,941)	26,075
Decrease in long term investments	65,563	99,635
Decrease in loan receivable	4,260	-
Increase in restricted funds	86,003	1,367
	94,885	127,077
Change in cash during the year	(458,267)	811,791
Cash - at beginning of year	1,665,033	853,242
Cash - at end of year	\$ 1,206,766	\$ 1,665,033

ONTARIO LIBRARY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

The Ontario Library Association's (the "Association" or "OLA") vision is lead and inspire growth and innovation in the library and information services sector. OLA's mandate is to empower their members in the library and information services to build informed, participatory and inclusive communities through research, education, advocacy and partnerships.

The Association is a not-for-profit organization incorporated on April 29, 1969 as a corporation without share capital under the laws of the Province of Ontario. It is also a registered charitable organization under the Income Tax Act (the "Act") and, as such, is generally exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, the Association must meet certain requirements within the Act. In the opinion of management, those requirements have been met.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared using Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

Basis of Accounting

The General Fund accounts for the day-to-day service delivery activities of the Association.

The Board of Directors of the Association has internally restricted net assets to be used for specific purposes. These funds are not available for operating purposes without approval of the Board of Directors. The details of internally restricted funds are as follows:

The Margaret Scott Memorial Fund is an internally restricted fund for scholarships awarded to librarians for their attendance at continuing education, networking events and research.

The OLA Dr. Janette Baker Scholarship Fund is an internally restricted fund for scholarships awarded to individuals with previous work experience to attend recognized library and information science programs.

The Special Fund (currently dormant) is an internally restricted fund to support libraries that have suffered misfortune or disaster.

The Larry Moore Fund is an internally restricted fund that was established to honour the former Executive Director of the Association on his twentieth anniversary in the position. The purpose of the Larry Moore Fund is to operate the Larry Moore Challenge, a tri-annual leadership competition to encourage and foster leadership in innovation in librarianship and libraries in Canada.

The Majorie Fleming Fund is an internally restricted fund that was established to honour the mentors who have made OLA members the professionals that they are and to fund mentoring projects in the library community.

ONTARIO LIBRARY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting (continued)

The Association has externally restricted net assets transferred from other organizations to be used for specific purposes, as set out in the transfer agreements between the organizations. These funds are not available for operating purposes. The details of these restricted funds are as follows:

The Haycock Fund was transferred to the Association from the Canadian Library Association (the "CLA") on July 20, 2016. The purpose of the fund was to award candidates who have demonstrated exceptional success in enhancing the public recognition and appreciation of librarianship.

The Ken Haycock Super Conference Grant Fund was transferred to the Association from the CLA on July 18, 2016. The purpose of the fund was to honour the founding members of the Canadian Association of School Librarians and provide a travel grant to support newly qualified teacher-librarians to attend the Super Conference.

The CLA Funds Held in Trust were transferred to the Association from the CLA on July 29, 2016 for the following awards and related special purpose funds:

- (a) The Children's Book Award Fund - to promote children's books that received the Book of the Year for Children and the Amelia Frances Howard-Gibbon Illustrators Award;
- (b) The Research and Education Fund - to support theoretical and applied research in the field of library and information services; encourage and support research undertaken by practitioners in the field of library and information services;
- (c) The Intellectual Freedom Fund - to provide financial assistance in cases involving intellectual freedom; and
- (d) The Scholarship Fund - to award the CLA/ACB Dafoe Scholarship, when merited, to a student entering a school offering an accredited mater's degree in library and information studies.

The Sarah Badgley Literacy Fund was established by the Rural Learning Association (the "RLA") in 2002 to support children's literacy initiatives of rural public libraries and urban public libraries that serve rural clientele. During the year, the Association accepted stewardship of the fund on behalf of RLA.

Financial Assets and Liabilities

The Association initially measures its financial assets and liabilities at fair value. The Association subsequently measures all its financial assets and financial liabilities at amortized cost, except for equity investments 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 - General Fund.

Financial assets and liabilities measured at amortized cost include cash, short term investments and long term investments in GIC's, accounts receivable, loan receivable and accounts payable and accrued liabilities.

ONTARIO LIBRARY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory

Publications and items held for resale are valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis. Net realizable value is determined by reference to selling price less costs to sell.

Capital Assets

Capital assets are recorded at cost. Depreciation is provided on a declining balance basis over their estimated useful lives at the following annual rates:

Furniture and equipment	- 20% declining balance
Computer equipment and software	- 20% declining balance

Leasehold improvements are amortized on a straight line basis over the term of the lease.

The above rates are reviewed annually to ensure they are appropriate. Any changes are adjusted for on a prospective basis. If there is an indication that the assets may be impaired, an impairment test is performed that compares carrying amount to net recoverable amount. There were no impairment indicators in 2016.

Revenue Recognition

Membership

Membership fees cover the twelve month period following the date of receipt and acceptance by the Association.

Activities - Conference and Continuing Education

Revenues and expenses from activities are recorded in the period in which the activity takes place except for certain expenses which are recorded as incurred. Revenues received in the current year, applicable to the subsequent year are recorded as deferred revenue on the statement of financial position and will be accounted as income in the year to which they pertain.

Publications

The Library Marketplace publications and merchandise revenue is recognized when the items are shipped.

Contributions and Grants

The Association follows the deferral method of accounting for contributions which include government grants and other contributions. Operating grants are recorded as revenue in the year in which the related expenses are incurred. Where a portion of grant relates to a future period, it is deferred and recognized in that subsequent period.

Investment Income

Investment income is recognized as revenue when earned. Realized gains and losses are recognized when the transactions occur. Unrealized gains and losses which reflect the changes in fair value during the period are recognized at each reporting date and included in current period income.

ONTARIO LIBRARY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other Income

All other sources of revenues are recognized when the event takes place, services are performed, or goods have been delivered or as earned.

Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing at the date of the statement of financial position. Revenues and expenses are translated from foreign currencies at the exchange rates prevailing on the transaction date. Any resulting gains or losses are included in income for the year.

Contributed Services

Volunteers contribute significant amounts of time to assist the Association in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed goods and services are not recognized 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 revenues and expenses during the year.

Key areas where management has made difficult, complex or subjective judgments, often as a result of matters that are uncertain, include, among others, valuation of accounts receivable, useful lives for depreciation of capital assets, deferred revenue and other assets and liabilities valuation. Actual results could differ from these and other estimates, the impact of which would be recorded in future periods.

2. INVESTMENTS

Details of investments are as follows:

	2016			2015		
	Face Value	Amortized Cost	Effective Yield (%)	Face Value	Amortized Cost	Effective Yield (%)
Short term						
Guaranteed investment certificates with maturity of less than 1 year	\$ 81,620	\$ 82,596	1.67	\$ 75,000	\$ 75,771	1.56
Mutual Funds						
RBC Investment Savings	54,116	54,116	-	-	-	-
	135,736	136,712		75,000	75,771	
Long term						
Guaranteed investment certificates and government bonds with maturity over 1 year	218,042	230,564	2.84	314,257	296,127	2.82
	\$ 353,778	\$ 367,276		\$ 389,257	\$ 371,898	

ONTARIO LIBRARY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

2. INVESTMENTS (continued)

Investment Risk Management

Risk management relates to the understanding and active management of risks associated with all areas of the Association's activities and operations. Investments are primarily exposed to interest rate and price risks. The Association has formal policies and procedures for investment transactions. Investments are made on the advice of an investment advisor.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of fixed income investments. The value of fixed income investments will generally rise if interest rates fall and decrease if interest rates rise. The Association is exposed to interest rate risk on its fixed income investments.

Price Risk

The Association is exposed to price risk, which is the potential loss that the Association 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. The Association is exposed to price risk on its investment in mutual funds.

3. LOAN RECEIVABLE

In 2014, the Association's Board of Directors approved a loan in the amount of \$50,000 to OurDigitalWorld Organization. On September 18, 2015, the Association's Board of Directors approved a forgiveness of \$34,500 of the loan balance which is included in programs and projects expense. The remaining balance of the loan is interest bearing at 8% per annum. The remaining balance of the loan as at December 31, 2016 is \$11,240 (\$15,500 in 2015).

4. CAPITAL ASSETS

Details of capital assets are as follows:

	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Net Book Value</i>	
			<i>2016</i>	<i>2015</i>
Furniture and equipment	\$ 173,887	\$ 151,928	\$ 21,959	\$ 27,449
Computer equipment and software	658,113	548,429	109,684	137,104
Leasehold improvements	7,879	6,303	1,576	3,152
	\$ 839,879	\$ 706,660	\$ 133,219	\$ 167,705

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities include government remittances totalling \$15,709 at December 31, 2016 (\$35,223 - 2015).

ONTARIO LIBRARY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

6. DEFERRED REVENUES

Details of deferred revenues are as follows:

	<i>2016</i>	<i>2015</i>
Super Conference	\$ 599,140	\$ 587,979
Operating grant	14,575	10,075
Festival of Trees grant	14,000	74,280
OSLA and TALCO grant	3,563	14,250
Other	2,642	4,977
	\$ 633,920	\$ 691,561

7. PROGRAMS AND PROJECTS

Programs and projects include the Forest of Reading Program, Festival of Trees and other special projects.

8. GOVERNMENT GRANTS

The OLA received an operating grant in the amount of \$40,300 from Ministry of Tourism, Culture and Sport to help the OLA continue delivering valuable programs and services to Ontario's public libraries and support Ontario Public Library week.

9. SPECIAL PROJECT - BROADCASTING PARTICIPATION FUND

Broadcasting Participation Fund was created by the CRTC for public interest organizations to compensate consultants that represent them at consultations, such as the CRTC 2015-421 hearing that John Savage, OLA's consultant, spoke at.

10. RECOVERY OF PRIOR YEARS' PSB REBATE

During the year, the Association applied to the Canada Revenue Agency ("CRA") to change its current process of reporting sales tax from the traditional method to the special quick method for designated charities. CRA granted this request and the Association submitted revised Public Services Bodies Rebate forms for the period from September 2012 to December 2015. As a result, the Association received a total refund of \$180,456 for this period.

ONTARIO LIBRARY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

11. FINANCIAL INSTRUMENTS AND RISK EXPOSURE

The Association is exposed to various risks through its financial instruments. The following analysis provides a measure of the Association's risk exposure at the statement of financial position date.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Association's main credit risk relates to accounts receivable and loan receivable. The Association mitigates credit risk by performing credit checks and imposing credit limits. Management has included adequate provision for doubtful accounts receivable in these financial statements.

Liquidity Risk

Liquidity risk is the risk that the Association will encounter difficulty in meeting obligations associated with financial liabilities. The Association is exposed to this risk mainly in respect of its accounts payable and accrued liabilities and lease commitments. The Association expects to meet these obligations as they come due by generating sufficient cash flows from operations.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Association is not exposed to significant currency risk. Interest rate and price risks are disclosed in note 2.

12. LEASE COMMITMENTS

The Association has commitments under operating leases for premises and equipment. The premise lease expires on July 31, 2023, with an option to renew for a further five year term. The minimum annual payments under the leases are as follows:

		<i>Premises</i>	<i>Equipment</i>
Fiscal year	2017	\$ 67,032	\$ 6,925
	2018	69,972	6,925
	2019	74,088	6,925
	2020	74,088	6,925
	2021	74,088	1,731
	2022 and thereafter	117,306	-
		<u>\$ 476,574</u>	<u>\$ 29,431</u>

In addition, the Association is responsible for its share of annual operating costs and realty taxes for its office premises, which in 2016 were approximately \$70,800 (\$53,000 - 2015).

ONTARIO LIBRARY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

13. GUARANTEES AND INDEMNITIES

The Association has indemnified its past, present and future directors, officers and volunteers against expenses (including legal expenses), judgments and any amount actually or reasonably incurred by them in connection with any action, suit or proceeding, subject to certain restrictions, in which they are such as a result of their involvement with Association, if they acted honestly and in good faith with the best interest of the Association. The Association has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits and actions, but there is no guarantee that the coverage will be sufficient should any action arise.

In the normal course of business, the Association has entered into agreements that include indemnities in favour of third parties, either express or implied, such as in service contracts, lease agreements and sales and purchase contracts. In these agreements, the Association agrees to indemnify the counterparties in certain circumstances against losses or liabilities arising from the acts or omissions of the Association. The terms of these indemnities are not explicitly defined and the maximum amount of any potential liability cannot be reasonably estimated.

14. CHANGE IN FISCAL YEAR-END

During the year, the Board of Directors approved changing the Association's fiscal year end from December 31 to August 31. The Association received consent from the Canada Revenue Agency on March 7, 2016 for the fiscal year change to be in effect on September 1, 2017.