

ONTARIO LIBRARY ASSOCIATION
FINANCIAL STATEMENTS
FOR THE EIGHT-MONTH PERIOD ENDED AUGUST 31, 2017

Independent Auditor's Report	Page 1
Statement of Financial Position	2
Statement of Operations and Changes in Net Assets - General Fund	3
Statement of Restricted Fund Revenues and Expenses and Changes in Net Assets	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 to 15

HILBORN_{LLP}

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 August 31, 2017 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 eight-month period 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 August 31, 2017 and the results of its operations and its cash flows for the eight-month period then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Toronto, Ontario
January 15, 2018

Chartered Professional Accountants
Licensed Public Accountants

ONTARIO LIBRARY ASSOCIATION

STATEMENT OF FINANCIAL POSITION

AS AT AUGUST 31, 2017

	August 31, 2017	December 31, 2016 <i>(note 2)</i>
ASSETS		
Current assets		
Cash	\$ 904,733	\$ 1,206,766
Short term investments <i>(note 3)</i>	155,097	136,712
Accounts receivable <i>(note 4)</i>	113,246	344,369
Inventory	54,009	73,014
Prepaid expenses - conference - other	1,178 61,774	7,482 21,139
	<u>1,290,037</u>	<u>1,789,482</u>
Long-term assets		
Long term investments <i>(note 3)</i>	233,038	230,564
Loan receivable <i>(note 5)</i>	12,139	11,240
Capital assets <i>(note 6)</i>	62,930	133,219
Assets under capital lease <i>(note 7)</i>	11,360	-
	<u>319,467</u>	<u>375,023</u>
	<u>1,609,504</u>	<u>2,164,505</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities <i>(note 8)</i>	169,513	297,341
Capital lease obligation - current portion <i>(note 9)</i>	2,232	-
Deferred revenue <i>(note 10)</i>	52,250	633,920
	<u>223,995</u>	<u>931,261</u>
Long-term liabilities		
Capital lease obligation - long term portion <i>(note 9)</i>	10,876	-
	<u>234,871</u>	<u>931,261</u>
NET ASSETS		
General fund	1,161,765	1,017,893
Internally restricted funds	119,376	122,073
Externally restricted funds	93,492	93,278
	<u>1,374,633</u>	<u>1,233,244</u>
	<u>\$ 1,609,504</u>	<u>\$ 2,164,505</u>

The accompanying notes are an integral part of these financial statements.

Approved on behalf of the Board of Directors:

_____, President _____, Treasurer

ONTARIO LIBRARY ASSOCIATION

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS - GENERAL FUND

FOR THE EIGHT-MONTH PERIOD ENDED AUGUST 31, 2017

	Eight-Month Period Ended August 31, 2017	Twelve-Month Period Ended December 31, 2016 <i>(note 2)</i>
Revenues		
Membership	\$ 143,504	\$ 298,552
Conference	1,300,846	1,184,115
Continuing education	109,054	191,096
The Library Marketplace - publications and merchandise	230,785	332,931
Contract administration (Youth Initiative)	8,856	94,719
Programs and projects <i>(note 11)</i>	221,669	441,088
Government grants <i>(note 12)</i>	26,867	40,300
Contributions	131	8,148
Investment income	6,218	10,552
Special project <i>(note 13)</i>	-	68,623
Other income <i>(note 14)</i>	98,748	163,233
	2,146,678	2,833,357
Expenses		
Salaries and benefits	632,595	899,718
Conference	552,049	633,818
Continuing education	48,507	71,008
Publications	176,120	276,658
Programs and projects <i>(note 11)</i>	207,949	351,448
Special project <i>(note 13)</i>	-	62,100
Provision for doubtful accounts	1,760	10,809
Honoraria and awards	19,972	22,925
Catering	10,897	17,753
Purchased services and materials	48,465	66,402
Travel, lodging and meals	37,103	52,357
Occupancy costs	102,522	137,846
Equipment rental and maintenance	28,682	25,167
Supplies, printing, delivery, etc.	20,275	22,115
Telephone	9,457	11,032
Professional fees	25,703	37,099
Depreciation	12,399	34,486
Bank charges and credit card fees	6,715	24,753
Foreign exchange	4,694	36,700
	1,945,864	2,794,194
Revenues over expenses before the following	200,814	39,163
Recovery of prior years' PSB rebate <i>(note 15)</i>	-	180,456
Loss on disposal of capital assets	(59,639)	-
Excess of revenues over expenses for the period	141,175	219,619
Net assets - general fund - at beginning of period	1,017,893	790,999
Transfer from internally restricted funds	2,697	7,275
Net assets - general fund - at end of period	\$ 1,161,765	\$ 1,017,893

The accompanying notes are an integral part of these financial statements.

ONTARIO LIBRARY ASSOCIATION

STATEMENT OF RESTRICTED FUND REVENUES AND EXPENSES AND CHANGES IN NET ASSETS FOR THE EIGHT-MONTH PERIOD ENDED AUGUST 31, 2017

	Internally Restricted					Total	Externally Restricted				Total	
	Margaret Scott Research Fund	Janette Baker Fund	Special Fund	Larry Moore Fund	Marjorie Fleming Fund		Haycock Fund	K.H. SC Grant	CLA Funds held in Trust	Sarah Badgley Literacy Fund		
Eight-Month Period Ended August 31, 2017												
Revenues												
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,625	\$ 1,625
Investment income	-	-	-	-	-	-	509	110	916	52	1,587	3,212
Expenses												
Disbursements	-	-	-	-	-	-	1,000	-	-	1,998	-	2,998
Excess of revenues over expenses for the period												
	-	-	-	-	-	-	(491)	110	916	(321)	-	214
Net assets - at beginning of period												
	39,765	38,914	2,215	33,097	8,082	122,073	29,893	6,482	53,853	3,050	-	93,278
Transfer from general fund												
	677	(4,338)	264	563	137	(2,697)	-	-	-	-	-	-
Net assets - at end of period												
	\$ 40,442	\$ 34,576	\$ 2,479	\$ 33,660	\$ 8,219	\$ 119,376	\$ 29,402	\$ 6,592	\$ 54,769	\$ 2,729	\$ -	\$ 93,492
Twelve-Month Period Ended December 31, 2016 (note 2)												
Revenues												
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,253	\$ 6,343	\$ 54,000	\$ 3,000	\$ -	\$ 92,596
Investment income	-	-	-	-	-	-	640	139	153	50	-	982
Expenses												
Disbursements	-	-	-	-	-	-	-	-	300	-	-	300
Excess of revenues over expenses for the period												
	-	-	-	-	-	-	29,893	6,482	53,853	3,050	-	93,278
Net assets - at beginning of period												
	40,891	43,098	5,089	32,996	7,274	129,348	-	-	-	-	-	-
Transfer from general fund												
	(1,126)	(4,184)	(2,874)	101	808	(7,275)	-	-	-	-	-	-
Net assets - at end of period												
	\$ 39,765	\$ 38,914	\$ 2,215	\$ 33,097	\$ 8,082	\$ 122,073	\$ 29,893	\$ 6,482	\$ 53,853	\$ 3,050	\$ -	\$ 93,278

The accompanying notes are an integral part of these financial statements.

See note 1 for a description of the restricted funds.

ONTARIO LIBRARY ASSOCIATION

STATEMENT OF CASH FLOWS

FOR THE EIGHT-MONTH PERIOD ENDED AUGUST 31, 2017

	Eight-Month Period Ended August 31, 2017	Twelve-Month Period Ended December 31, 2016 <i>(note 2)</i>
Cash flows from operating activities		
Excess of revenues over expenses for the period	\$ 141,175	\$ 219,619
Add back items not affecting cash		
Depreciation	12,399	34,486
Loss on disposal of capital assets	59,639	-
	213,213	254,105
Change in non-cash working capital balances		
Increase (decrease) in accounts receivable	231,122	(274,687)
Decrease in prepaid expenses	(34,331)	7,623
Decrease in inventory	19,005	14,210
Decrease in accounts payable and accrued liabilities	(127,828)	(504,037)
Decrease in deferred revenue	(581,670)	(57,641)
	(280,489)	(560,427)
Cash flows from investing and financing activities		
Increase in short term investments	(18,385)	(60,941)
(Increase) decrease in long term investments	(2,474)	65,563
(Increase) decrease in loan receivable	(899)	4,260
Increase in restricted funds	214	93,278
	(21,544)	102,160
Change in cash during the period	(302,033)	(458,267)
Cash - at beginning of period	1,206,766	1,665,033
Cash - at end of period	\$ 904,733	\$ 1,206,766

The accompanying notes are an integral part of these financial statements.

ONTARIO LIBRARY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHT-MONTH PERIOD ENDED AUGUST 31, 2017

The Ontario Library Association's (the "Association" or "OLA") vision is to lead and inspire growth and innovation in the library and information services sector. OLA's mandate is to empower its members in the library and information services industry 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. These requirements of the Act have been met at August 31, 2017.

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 Research Fund is an internally restricted fund that improves and enriches school library programs.

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, an 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 AUGUST 31, 2017

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 general 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 (K.H. SC 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 master'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. 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 short term investments and long term investments, accounts receivable, loan receivable and accounts payable and accrued liabilities and capital lease obligations.

ONTARIO LIBRARY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2017

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 2017.

Assets Under Capital Lease

The Association leases equipment on terms which transfer substantially all of the benefits and risks of ownership to the Association. This lease is accounted for as a capital lease as though an asset has been purchased and a long-term liability incurred.

Assets under capital lease are recorded at cost. Depreciation is provided on a declining balance basis over the estimated useful lives at the following annual rates:

Equipment under capital lease	- 20% declining balance
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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 asset may be impaired, an impairment test is performed that compares carrying amount to net recoverable amount. There were no impairment indicators in 2017.

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. Revenues from attendance or enrolment to these activities 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 as the activities take place.

Publications

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

ONTARIO LIBRARY ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition (continued)

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 period 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.

Restricted contributions related to the externally restricted funds are recognized as revenues in the respective restricted funds in the period in which the related expenses are incurred. Where a portion of the restricted contribution relates to a future period, it is deferred and recognized in the respective restricted fund in a subsequent period as the external restrictions are met.

Investment Income

Investment income from the general fund 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.

Investment income from externally restricted funds is recognized as revenue in the respective restricted funds.

Other Income

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

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.

ONTARIO LIBRARY ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

2. CHANGE IN FISCAL YEAR-END AND COMPARATIVE FIGURES

During the 2016 fiscal 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.

As a result of this change, the comparative figures presented are for the twelve month period ended December 31, 2016.

Certain of the comparative figures in the statement of operations and changes in net assets - general fund and the statement of restricted fund revenues and expenses and changes in net assets have been reclassified to conform with the financial statement presentation adopted for the current year.

3. INVESTMENTS

Details of investments are as follows:

	<i>August 31, 2017</i>			<i>December 31, 2016</i>		
	<i>Face Value</i>	<i>Amortized Cost</i>	<i>Effective Yield (%)</i>	<i>Face Value</i>	<i>Amortized Cost</i>	<i>Effective Yield (%)</i>
Short term						
Guaranteed investment certificates with maturity of less than 1 year	\$ 100,000	\$ 100,707	1.40	\$ 81,620	\$ 82,596	1.67
Mutual Funds						
RBC Investment Savings	54,390	54,390	-	54,116	54,116	-
	154,390	155,097		135,736	136,712	
Long term						
Guaranteed investment certificates and government bonds with maturity over 1 year	218,042	233,038	2.84	218,042	230,564	2.84
	\$ 372,432	\$ 388,135		\$ 353,778	\$ 367,276	

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.

Fluctuations in the interest rates do not have a significant impact on the Association's results of operations.

ONTARIO LIBRARY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2017

3. INVESTMENTS (continued)

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.

4. ACCOUNTS RECEIVABLE

As at August 31, 2017, the carrying amount of impaired receivables amounted to \$15,014 (\$4,259 at December 31, 2016). These accounts receivable are presented net of an allowance for doubtful accounts of the same amount.

5. 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 was 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 August 31, 2017 is \$12,139 (\$11,240 in 2016).

6. CAPITAL ASSETS

Details of capital assets are as follows:

	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Net Book Value</i>
August 31, 2017			
Furniture and equipment	\$ 173,887	\$ 154,856	\$ 19,031
Computer equipment and software	506,751	463,378	43,373
Leasehold improvements	7,879	7,353	526
	688,517	625,587	62,930
December 31, 2016			
Furniture and equipment	173,887	151,928	21,959
Computer equipment and software	658,113	548,429	109,684
Leasehold improvements	7,879	6,303	1,576
	\$ 839,879	\$ 706,660	\$ 133,219

ONTARIO LIBRARY ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

7. ASSETS UNDER CAPITAL LEASE

Details of assets under capital lease are as follows:

	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Net Book Value</i>
August 31, 2017			
Equipment under capital lease (telephone)	\$ 13,108	\$ 1,748	\$ 11,360

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities include government remittances totalling \$NIL at August 31, 2017 (\$15,709 - 2016).

9. CAPITAL LEASE OBLIGATION

Details of the capital lease obligation are as follows:

	<i>August 31, 2017</i>
National Leasing, interest at 4.88%, payable in blended monthly instalments of \$215, maturing in February 2023 with an option to purchase for \$10 in February 2023	\$ 13,108
Future minimum lease payments under the capital lease is as follows:	
	<i>August 31, 2017</i>
2018	\$ 2,580
2019	2,580
2020	2,580
2021	2,580
2022	2,580
Thereafter	1,290
	14,190
Less: interest expense included in minimum lease payments	1,082
	13,108
Current portion of capital lease obligations	2,232
Long term portion	\$ 10,876

ONTARIO LIBRARY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2017

10. DEFERRED REVENUES

Details of deferred revenues are as follows:

	<i>August 31,</i> <i>2017</i>	<i>December 31,</i> <i>2016</i>
Libstat revenue	\$ 22,873	\$ -
OSLA and TALCO grant	18,000	3,563
Super Conference	8,912	599,140
Other	2,465	2,642
Operating grant from the Ministry of Tourism, Culture and Sport	-	14,575
Festival of Trees grant	-	14,000
	<u>\$ 52,250</u>	<u>\$ 633,920</u>

11. PROGRAMS AND PROJECTS

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

12. GOVERNMENT GRANTS

The OLA receives an annual operating grant in the amount of \$40,300, covering the period from April 1 following the end of the previous Funding Year and ending on the following March 31, from the Ministry of Tourism Culture and Sport to help continue delivering valuable programs and services to Ontario's public libraries and support Ontario Public library week. With the change in fiscal year-end, \$26,867 (\$40,300 - 2016) is reported for the eight month period in 2017.

13. SPECIAL PROJECT - BROADCASTING PARTICIPATION FUND

The OLA received Broadcasting Participation Fund during 2016. The 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.

14. OTHER INCOME

Details of other income are as follows:

	<i>August 31,</i> <i>2017</i>	<i>December 31,</i> <i>2016</i>
PSB rebate	\$ 50,509	\$ 64,150
Rental income	9,200	35,400
Sponsorship	6,000	7,805
Career centre	8,942	20,227
Other	24,097	35,651
	<u>\$ 98,748</u>	<u>\$ 163,233</u>

ONTARIO LIBRARY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2017

15. RECOVERY OF PRIOR YEARS' PSB REBATE

During the 2016 fiscal 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 in 2016 for this period.

16. 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 as disclosed in note 4.

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 3.

ONTARIO LIBRARY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2017

17. 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	2018	\$ 67,620	\$ 6,925
	2019	74,088	6,925
	2020	74,088	6,925
	2021	74,088	1,731
	2022	74,088	-
	2023	67,914	-
		<u>\$ 431,886</u>	<u>\$ 22,506</u>

In addition, the Association is responsible for its share of annual operating costs and realty taxes for its office premises, which for the eight-month period ended August 31, 2017 were approximately \$57,900 (\$70,800 - for the twelve-month period ended December 31, 2016).

18. 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.