

**ONTARIO LIBRARY ASSOCIATION**

FINANCIAL STATEMENTS

AUGUST 31, 2019

**HILBORN** **LLP**

## Independent Auditor's Report

To the Members and Board of Directors of Ontario Library Association

### Opinion

We have audited the financial statements of Ontario Library Association (the "Association"), which comprise the statement of financial position as at August 31, 2019, 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 notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at August 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the ability of the Association to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the Association.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 internal control of the Association.

## Independent Auditor's Report (continued)

### Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Association to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



Toronto, Ontario  
January 17, 2020

Chartered Professional Accountants  
Licensed Public Accountants

# ONTARIO LIBRARY ASSOCIATION

## Statement of Financial Position

August 31	2019 \$	(restated note 2) 2018 \$
<b>ASSETS</b>		
Current assets		
Cash	610,214	921,677
Short term investments (note 4)	442,277	256,059
Accounts receivable (note 5)	178,500	140,326
Inventory	70,696	75,374
Prepaid expenses - conference	19,244	5,556
- other	76,467	59,256
	<b>1,397,398</b>	<b>1,458,248</b>
Long-term assets		
Long term investments (note 4)	140,167	237,137
Loan receivable (note 6)	9,905	13,038
Capital assets (note 7)	21,977	24,927
Intangible assets (note 8)	125,899	98,585
Assets under capital lease (note 9)	7,271	9,088
	<b>305,219</b>	<b>382,775</b>
	<b>1,702,617</b>	<b>1,841,023</b>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities	167,402	223,990
Capital lease obligation (note 10)	2,364	2,297
Deferred revenue (note 11)	66,781	147,439
	<b>236,547</b>	<b>373,726</b>
Long-term liabilities		
Capital lease obligation (note 10)	6,215	8,579
<b>NET ASSETS</b>		
General fund	1,258,965	1,248,533
Internally restricted funds	40,361	45,072
Externally restricted funds	160,529	165,113
	<b>1,459,855</b>	<b>1,458,718</b>
	<b>1,702,617</b>	<b>1,841,023</b>

The accompanying notes are an integral part of these financial statements

Approved on behalf of the Board of Directors:

President

*R. Reid*

Treasurer

*Jan Guise*

# ONTARIO LIBRARY ASSOCIATION

## Statement of Operations and Changes in Net Assets - General Fund

Year ended August 31	2019 \$	(restated note 2) 2018 \$
<b>Revenues</b>		
Membership	315,113	335,423
Conference	1,423,083	1,379,141
Continuing education	139,830	154,105
The Library Marketplace - publications and merchandise	289,101	337,339
Contract administration (Digital Skills for Youth)	11,101	-
Programs and projects (note 12)	561,439	506,266
Government grants (note 13)	38,621	40,300
Contributions	1,338	30,997
Investment income	8,344	7,444
Other income (note 14)	165,310	156,656
	<b>2,953,280</b>	<b>2,947,671</b>
<b>Expenses</b>		
Salaries and benefits	1,020,659	976,506
Conference	700,336	681,529
Continuing education	71,317	88,295
The Library Marketplace - publications and merchandise	199,937	218,574
Programs and projects (note 12)	398,250	393,680
Provision for doubtful accounts (recovered)	(232)	744
Honoraria and awards	23,268	8,228
Catering	20,653	15,296
Purchased services and materials	119,160	107,656
Travel, lodging and meals	57,177	56,460
Occupancy costs	164,597	152,537
Equipment rental and maintenance	25,643	36,563
Supplies, printing, delivery, etc.	19,563	16,446
Telephone	13,277	15,131
Professional fees	32,936	34,019
Amortization of intangible assets	24,943	6,249
Depreciation of capital assets	7,968	9,029
Bank charges and credit card fees	23,747	13,665
Foreign exchange	24,360	29,582
	<b>2,947,559</b>	<b>2,860,189</b>
Excess of revenues over expenses for year	5,721	87,482
Net assets - general fund - at beginning of year	1,248,533	1,161,765
Transfer from internally restricted funds	4,711	(714)
Net assets - general fund - at the end of year	<b>1,258,965</b>	<b>1,248,533</b>

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

Year ended August 31, 2019

	Internally Restricted				Externally Restricted									
	Special Fund	Larry Moore Fund	OLA Mentoring Fund	Total	Research on Libraries Fund	Janette Baker Fund	Haycock Fund	K.H. SC Grant	Sarah Badgley Literacy Fund	Intellectual Freedom Fund	Research and Continuing Education Fund	Children's Book Award	Scholarship Fund	Total
<b>Revenues</b>														
Contributions	-	-	-	-	-	-	-	-	2,266	10	-	-	-	2,276
Investment income	-	-	-	-	1,092	732	751	171	77	316	126	95	316	3,676
	-	-	-	-	1,092	732	751	171	2,343	326	126	95	316	5,952
<b>Expenses</b>														
Disbursements	-	-	-	-	2,000	5,000	1,058	500	1,978	-	-	-	-	10,536
Excess of (expenses over revenues) revenues over expenses for year	-	-	-	-	(908)	(4,268)	(307)	(329)	365	326	126	95	316	(4,584)
Net assets - at beginning of year (restated note 2)	2,519	34,202	8,351	45,072	41,093	30,133	28,800	6,698	2,738	20,608	8,245	6,184	20,614	165,113
Transfer from general fund	387	836	3,188	4,411	-	-	-	-	-	-	-	-	-	-
Transfer to general fund	-	(8,750)	(372)	(9,122)	-	-	-	-	-	-	-	-	-	-
Net assets - at end of year	2,906	26,288	11,167	40,361	40,185	25,865	28,493	6,369	3,103	20,934	8,371	6,279	20,930	160,529

Year ended August 31, 2018

<b>Revenues</b>														
Contributions	-	-	-	-	-	-	-	-	1,965	-	-	-	-	1,965
Investment income (restated note 2)	-	-	-	-	651	557	473	106	44	323	131	99	329	2,713
	-	-	-	-	651	557	473	106	2,009	323	131	99	329	4,678
<b>Expenses</b>														
Disbursements (restated note 2)	-	-	-	-	-	5,000	1,075	-	2,000	-	-	-	-	8,075
Excess of (expenses over revenues) revenues over expenses for year	-	-	-	-	651	(4,443)	(602)	106	9	323	131	99	329	(3,397)
Net assets - at beginning of year (restated note 2)	2,479	33,660	8,219	44,358	40,442	34,576	29,402	6,592	2,729	20,285	8,114	6,085	20,285	168,510
Transfer from general fund (restated note 2)	40	542	132	714	-	-	-	-	-	-	-	-	-	-
Net assets - at end of year	2,519	34,202	8,351	45,072	41,093	30,133	28,800	6,698	2,738	20,608	8,245	6,184	20,614	165,113

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

Year ended August 31	2019 \$	(restated note 2) 2018 \$
Cash flows from operating activities		
Excess of revenues over expenses for year - general fund	5,721	87,482
Excess of revenues over expenses for year - restricted funds	(4,584)	(3,397)
Adjustments to determine net cash provided by operating activities		
Depreciation of capital assets	7,968	9,029
Amortization of intangible assets	24,943	6,249
	<b>34,048</b>	99,363
Change in non-cash working capital items		
Increase in accounts receivable	(38,174)	(27,080)
Increase in prepaid expenses	(30,899)	(1,860)
Decrease (increase) in inventory	4,678	(21,365)
(Decrease) increase in accounts payable and accrued liabilities	(56,590)	54,477
(Decrease) increase in deferred revenue	(80,658)	95,189
	<b>(167,595)</b>	198,724
Cash flows from investing activities		
Purchase of investments	(289,248)	(205,061)
Proceeds on disposal of investments	200,000	100,000
Loan receivable payment (advance)	3,133	(899)
Purchase of capital assets	(3,200)	-
Purchase of intangible assets	(52,256)	(73,588)
	<b>(141,571)</b>	(179,548)
Cash flows from financing activities		
Repayment of capital lease obligation	(2,297)	(2,232)
Net change in cash during the year	<b>(311,463)</b>	16,944
Cash, beginning of year	<b>921,677</b>	904,733
Cash, end of year	<b>610,214</b>	921,677

The accompanying notes are an integral part of these financial statements

# ONTARIO LIBRARY ASSOCIATION

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## Notes to Financial Statements

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August 31, 2019

### **Nature and description of the organization**

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, 2019.

### **1. Significant accounting policies**

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and are in accordance with Canadian generally accepted accounting principles. These financial statements have been prepared within the framework of the significant accounting policies summarized below:

#### **(a) 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 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 OLA Mentoring 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 Financial Statements (continued)

August 31, 2019

### 1. Significant accounting policies (continued)

#### (a) Basis of accounting (continued)

The Association has externally restricted net assets to be used for specific purposes. These funds are not available for general operating purposes. The details of these restricted funds are as follows:

The Research on Libraries Fund (formerly the Margaret Scott Research Fund) is an internally restricted fund for research about and in support of the library sector.

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 following externally restricted net assets were transferred from other organizations to be used for specific purposes as set out in the transfer agreements between the organizations.

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 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.

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:

(i) The Intellectual Freedom Fund - to provide financial assistance in cases involving intellectual freedom; and

(ii) The Research and Continuing 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;

(iii) The Children's Book Award Fund - to honour the spirit of promoting and recognizing Canadian children's authors and illustrators by disbursing these funds as follows:

Allow any Canadian children's author or illustrator who have been nominated in the past three years for a children's book award program to apply to this fund to support a library or community organization visit in a small or rural community anywhere in Canada.

# ONTARIO LIBRARY ASSOCIATION

## Notes to Financial Statements (continued)

August 31, 2019

### 1. Significant accounting policies (continued)

#### (a) Basis of accounting (continued)

(iv) The Scholarship Fund - to award a scholarship to all students entering a Masters program but also include students entering a library technician diploma program by submitting a resume, a letter of intent that includes reason for pursuing these studies, and proof of enrolment in the program.

During the year, the Board of Directors approved the dispersion and closing of these funds over the next two years.

#### (b) 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.

##### *Contributions and Grants*

The Association follows the deferral method of accounting for contributions which include government grants and other unrestricted 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 current year.

##### *Investment Income*

Investment income is comprised of interest and mutual fund distributions. Interest income is recorded as revenue when earned. Mutual fund distributions are recorded as revenue when declared.

##### *Other Income*

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

# ONTARIO LIBRARY ASSOCIATION

## Notes to Financial Statements (continued)

August 31, 2019

### 1. Significant accounting policies (continued)

#### (c) Financial instruments

##### (i) Measurement of financial assets and liabilities

The Association 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.

The Association subsequently measures all its financial assets and financial liabilities at amortized cost.

Amortized cost is the amount at which a financial asset or financial liability is measured on initial recognition minus principal repayments, plus or minus the cumulative amortization of any difference between the initial amount and the maturity amount, and minus any reduction for impairment.

Financial assets measured at amortized cost include cash, short term investments, accounts receivable, long term investments and loan receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and capital lease obligation.

##### (ii) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in net income. The write down reflects the difference between the carrying amount and the higher of:

- the present value of the cash flows expected to be generated by the asset or group of assets;
- the amount that could be realized by selling the assets or group of assets;

When the events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in net income up to the amount of the previously recognized impairment. The amount of the reversal is recognized in income in the period that the reversal occurs.

#### (d) 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.

# ONTARIO LIBRARY ASSOCIATION

## Notes to Financial Statements (continued)

August 31, 2019

### 1. Significant accounting policies (continued)

#### (e) Capital assets

The costs of capital assets are capitalized upon meeting the criteria for recognition as capital assets, otherwise, costs are expensed as incurred. The cost of capital assets comprises its purchase price and any directly attributable cost of preparing the asset for its intended use.

Capital assets are measured at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided for, upon the commencement of the utilization of the assets, using methods and rates designed to amortize the cost of the capital assets over their estimated useful lives. The annual amortization rates on a declining balance basis are as follows:

Furniture and equipment	20%
Computer equipment	20%

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

Capital assets are tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. If any potential impairment is identified, the amount of the impairment is quantified by comparing the carrying value of the capital assets to its fair value. Any impairment of capital assets is recognized in income in the year in which the impairment occurs. An impairment loss is not reversed if the fair value of the capital assets subsequently increases. There were no impairment indicators in 2019.

#### (f) Intangible assets

The costs of intangible assets are capitalized upon meeting the criteria for recognition as intangible assets, otherwise, costs are expensed as incurred. The cost of intangible assets comprises its purchase price and any directly attributable cost of preparing the asset for its intended use.

Intangible assets are measured at cost less accumulated amortization and accumulated impairment losses.

Amortization is provided for, upon the commencement of the utilization of the assets, using methods and rates designed to amortize the cost of the intangible assets over their estimated useful lives. The annual amortization rate on a declining balance basis is as follows:

Computer software	20%
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Intangible assets are tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. If any potential impairment is identified, the amount of the impairment is quantified by comparing the carrying value of the intangible assets to its fair value. Any impairment of intangible assets is recognized in income in the year in which the impairment occurs. An impairment loss is not reversed if the fair value of the intangible assets subsequently increases. There were no impairment indicators in 2019.

# ONTARIO LIBRARY ASSOCIATION

## Notes to Financial Statements (continued)

August 31, 2019

### 1. Significant accounting policies (continued)

#### (g) 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.

The costs of assets under capital lease are capitalized upon meeting the criteria for recognition as assets under capital lease, otherwise, costs are expensed as incurred. The cost of assets under capital lease comprises its purchase price and any directly attributable cost of preparing the asset for its intended use.

Assets under capital lease are measured at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided for, upon the commencement of the utilization of the assets, using methods and rates designed to amortize the cost of the assets under capital lease over their estimated useful lives. The annual depreciation rate on a declining balance basis is as follows:

Asset under capital lease	20%
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Assets under capital lease are tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. If any potential impairment is identified, the amount of the impairment is quantified by comparing the carrying value of the assets under capital lease to its fair value. Any impairment of assets under capital lease is recognized in income in the year in which the impairment occurs. An impairment loss is not reversed if the fair value of the assets under capital lease subsequently increases. There were no impairment indicators in 2019.

#### (h) 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.

#### (i) 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.

# ONTARIO LIBRARY ASSOCIATION

## Notes to Financial Statements (continued)

August 31, 2019

### 1. Significant accounting policies (continued)

#### (j) 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. Actual results could differ from these estimates, the impact of which would be recorded in future affected periods.

### 2. Restatement of prior year financial statements

During the year, upon management's review of the restricted funds held by the Association, management identified that the Research on Libraries Fund and the Janette Baker Fund, which were previously reported as internally restricted funds, were actually externally restricted funds.

Details of the restatement of the comparative financial statements for the matter described above are as follows:

	As previously reported \$	Adjustment \$	As restated \$
<b>Statement of Financial Position - as at August 31, 2018</b>			
Internally restricted funds	116,298	(71,226)	45,072
Externally restricted funds	93,887	71,226	165,113
<b>Statement of Operations and Changes in Net Assets - General Fund - year ended August 31, 2018</b>			
Current liabilities			
Investment income	8,652	(1,208)	7,444
Expenses			
Honoraria and awards	13,228	(5,000)	8,228
<b>Statement of Restricted Fund Revenues and Expenses and Changes in Net Assets - year ended August 31, 2018</b>			
Net assets - at beginning of year - September 1, 2017			
Total internally restricted net assets	119,376	(75,018)	44,358
Total externally restricted net assets	93,492	75,018	168,510
Internally restricted funds - total transfer from (to) general fund	(3,078)	3,792	714
Externally restricted funds - revenues			
Total investment income	1,505	1,208	2,713
Externally restricted funds - expenses			
Total disbursements	3,075	5,000	8,075
Net assets - at end of year - August 31, 2018			
Total internally restricted net assets	116,298	(71,226)	45,072
Total externally restricted net assets	93,887	71,226	165,113

# ONTARIO LIBRARY ASSOCIATION

## Notes to Financial Statements (continued)

August 31, 2019

### 3. Financial instrument risk management

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.

The financial instruments of the Association and the nature of the risks to which those instruments may be subject, are as follows:

Financial instrument	Risks				
	Credit	Liquidity	Market risk		
Currency			Interest rate	Other price	
Cash	X			X	
Short term investments	X			X	
Long term investments	X			X	
Accounts receivable	X				
Accounts payable and accrued liabilities		X			

#### (a) Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The Association's main credit risk relates to cash, short term and long term investments and accounts receivable. The Association reduces its exposure to the credit risk of cash by maintaining balances with a Canadian chartered bank and for short term and long term investments by investing in high investment grade investments. The Association mitigates credit risk of accounts receivable by regularly monitoring accounts receivable balances. Management has included adequate provision for doubtful accounts receivable as disclosed in note 4.

#### (b) Liquidity risk

Liquidity risk is the risk that the Association cannot repay its obligations when they become due to its creditors. The Association is exposed to this risk mainly in respect of its accounts payable and accrued liabilities. The Association expects to meet these obligations as they come due by generating sufficient cash flows from operations.

# ONTARIO LIBRARY ASSOCIATION

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## Notes to Financial Statements (continued)

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August 31, 2019

### 3. Financial instrument risk management (continued)

#### (c) 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 Risk*

Interest rate risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. 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.

##### *Other Price Risk*

Other price risk is the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar financial instruments traded in the market. The Association is exposed to other price risk on its investments in bonds.

#### (d) Changes in risk

There have been no significant changes in the risk profile of the financial instruments of the Association from that of the prior year.

# ONTARIO LIBRARY ASSOCIATION

## Notes to Financial Statements (continued)

August 31, 2019

### 4. Investments

Details of investments are as follows:

	<b>2019</b>		
	<b>Face value (\$)</b>	<b>Amortized cost (\$)</b>	<b>Effective yield (%)</b>
Short term			
Guaranteed investment certificates with maturity of less than 1 year	385,000	386,470	2.22
Mutual funds			
RBC Investment Savings	55,807	55,807	-
	440,807	442,277	
Long term			
Government bonds with maturity over 1 year	118,042	140,167	2.92
	558,849	582,444	
			<b>2018</b>
	<b>Face value (\$)</b>	<b>Amortized cost (\$)</b>	<b>Effective yield (%)</b>
Short term			
Guaranteed investment certificates with maturity of less than 1 year	200,000	201,105	2.45
Mutual funds			
RBC investment savings	54,954	54,954	-
	254,954	256,059	
Long term			
Guaranteed investment certificates and government bonds with maturity over 1 year	218,042	237,137	2.70
	472,996	493,196	

### *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 risks. The Association has formal policies and procedures for investment transactions and the majority of investments are made on the advice of the investment advisor.

# ONTARIO LIBRARY ASSOCIATION

## Notes to Financial Statements (continued)

August 31, 2019

### 5. Accounts receivable

As at August 31, 2019, the carrying amount of impaired receivables amounted to \$12,446 (\$12,909 - 2018). These accounts receivable are presented net of an allowance for doubtful accounts of the same amount.

### 6. 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, 2019 is \$9,905 (\$13,038 - 2018).

### 7. Capital assets

Details of capital assets are as follows:

	<b>2019</b>		
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Furniture and equipment	173,887	162,232	11,655
Computer equipment	272,435	262,113	10,322
Leasehold improvements	7,879	7,879	-
	<u>454,201</u>	<u>432,224</u>	<u>21,977</u>
	<b>2018</b>		
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Furniture and equipment	173,887	158,662	15,225
Computer equipment	269,234	259,532	9,702
Leasehold improvements	7,879	7,879	-
	<u>451,000</u>	<u>426,073</u>	<u>24,927</u>

# ONTARIO LIBRARY ASSOCIATION

## Notes to Financial Statements (continued)

August 31, 2019

### 8. Intangible assets

Details of intangible assets are as follows:

	<b>2019</b>		
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Computer software	363,362	237,463	125,899

  

	<b>2018</b>		
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Computer software	311,105	212,520	98,585

### 9. Assets under capital lease

Details of assets under capital lease are as follows:

	<b>2019</b>		
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Equipment under capital lease (telephone)	13,108	5,837	7,271

  

	<b>2018</b>		
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Equipment under capital lease (telephone)	13,108	4,020	9,088

# ONTARIO LIBRARY ASSOCIATION

## Notes to Financial Statements (continued)

August 31, 2019

### 10. Capital lease obligation

Details of the capital lease obligation are as follows:

	2019 \$	2018 \$
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	8,579	10,876
Less current portion	2,364	2,297
Long term portion	6,215	8,579

Future minimum lease payments under the capital lease are as follows:

	\$
2020	2,580
2021	2,580
2022	2,580
2023	1,290
2024	-
Total future minimum lease payments	9,030
Less amount representing interest	451
Present value of minimum net lease payments	8,579
Less current portion	2,364
	6,215

### 11. Deferred revenue

Details of deferred revenue are as follows:

	2019 \$	2018 \$
Libstat revenue	30,025	45,294
Super Conference	36,756	69,245
Grant from Minister of Francophone Affairs	-	29,200
Other	-	3,700
	66,781	147,439

### 12. Programs and projects

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

# ONTARIO LIBRARY ASSOCIATION

## Notes to Financial Statements (continued)

August 31, 2019

### 13. 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.

### 14. Other income

Details of other income are as follows:

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
PSB rebate	95,711	89,399
Rental income	13,800	13,800
Sponsorship	6,000	6,000
Career centre	12,894	21,037
Other	36,905	26,420
	<u>165,310</u>	<u>156,656</u>

### 15. 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 equipment lease expires on March 31, 2021. The minimum annual payments under the leases are as follows:

		<b>Premises</b>	<b>Equipment</b>
		<b>\$</b>	<b>\$</b>
Fiscal year	2020	74,088	6,925
	2021	74,088	1,731
	2022	74,088	-
	2023	67,914	-
		<u>290,178</u>	<u>8,656</u>

In addition, the Association is responsible for its share of annual operating costs and realty taxes for its office premises, which for the year ended August 31, 2019 was approximately \$90,500 (\$84,900 - 2018).

# HILBORN

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