



2021 ANNUAL REPORT

Legal Information and Resource Network

Management Discussion & Analysis

DECEMBER 31, 2021

Results of Operations

Results for the year report an excess of expenses over revenues of \$339,000 (2020 – \$26,000 excess of revenues over expenses). Uncertainty with the COVID-19 pandemic's impact on the Law Society of Ontario (Law Society) and its licensees prompted the Law Society to review all aspects of its operations with the aim to lower annual fees paid by lawyers. As a result, the Law Society's 2021 budget reduced grant funding to LiRN Inc. (LiRN).

In turn, LiRN reduced grants paid to law associations for library operations. To mitigate the impact on these grants, LiRN's 2021 approved budget planned for excess expenses over revenues of \$456,000 funded from the General Fund balance to support the operations of LiRN and law libraries across Ontario. The 2022 budget anticipated a return to normal operations with Law Society funding of \$8.5 million, exceeding pre-pandemic levels by \$500,000. In addition, one-time transition funding up to \$900,000 was approved for enhanced digital services and the required information technology infrastructure to implement those services.

Administration and professional fees expenses were higher in 2021 due the inclusion of a full year of staffing costs, engagement of an accounting firm for financial administration services, Board recruitment and other transitional expenses.

Statement of Revenues and Expenses – Revenues

The Law Society grant totalled \$7.2 million (2020 - \$8.0 million). The decline in the grant from 2020 was as a result of the Law Society anticipating the pandemic would have a negative financial impact on lawyers and as a result, budgeted for overall reduced costs including the grant to LiRN.

Statement of Revenues and Expenses – Expenses

Administration expenses normalized in 2021 as the resources required to administer LiRN, including staffing and financial administration services, were in place for the full year. Administration expenses were lower in 2020 due to staffing vacancies for a

portion of the year and some services were provided by the Law Society at no charge in support of the transition to LiRN.

Other Head Office Administration expenses are lower in 2021 as costs associated with the transition from LibraryCo. to LiRN were greater in the first year of the change.

Electronic products and services expenses of \$374,000 increased slightly over 2020.

County and district law library grants of \$6.4 million (2020 - \$7.1 million) are detailed by county in the notes to the financial statements and include the annual grants approved as part of the 2021 budget and any in year special needs grants. County and district law library annual grants decreased in 2021 in line with funding reductions to LiRN by the Law Society.

Statement of Financial Position and Statement of Changes in Fund Balances

The General Fund accounts for the delivery, management and administration of library services. The General Fund has decreased by the excess of expenses over revenues of \$339,000 to \$195,000. As referenced, this utilization of General Fund balance was planned for in the 2021 budget.

The Reserve Fund has an unchanged balance of \$500,000.



Independent auditor's report

To the Board of Directors of LiRN Inc.

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of LiRN Inc. (LiRN) as at December 31, 2021 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.

What we have audited

LiRN's financial statements comprise:

- the statement of financial position as at December 31, 2021;
- the statement of revenues and expenses for the year then ended;
- the statement of changes in fund balances for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of LiRN in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, included in the annual report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 LiRN's ability 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 LiRN or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing LiRN's financial reporting process.

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 these 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 LiRN's internal control.
- 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 LiRN's ability 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 LiRN 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
April 5, 2022

STATEMENT OF FINANCIAL POSITION

Stated in dollars

As at December 31, 2021

	2021	2020
Assets		
Current Assets		
Cash	727,822	1,034,262
Accounts receivable	22,851	23,403
Prepaid expenses	37,440	33,692
Total Assets	788,113	1,091,357
Liabilities, Share Capital & Fund Balances		
Current Liabilities		
Accounts payable & accrued liabilities (note 4 and 6)	93,115	57,468
Total Liabilities	93,115	57,468
Share Capital & Fund Balances		
Share capital (notes 1 and 5)	200	200
General fund (note 2)	194,798	533,689
Reserve fund (note 2)	500,000	500,000
Total Share Capital & Fund Balances	694,998	1,033,889
Total Liabilities, Share Capital & Fund Balances	788,113	1,091,357

The accompanying notes are an integral part of these financial statements

On behalf of the Board of Directors

Chair – Board of Directors

Vice-Chair – Board of Directors

STATEMENT OF REVENUES AND EXPENSES

Stated in dollars

For the year ended December 31, 2021

	2021	2020
Revenues		
Law Society of Ontario grant (note 6)	7,217,194	8,019,094
Interest income	3,990	7,628
Total Revenues	7,221,184	8,026,722
Expenses		
Head Office Administration		
Administration	305,080	79,068
Professional fees	72,097	25,043
Other (note 7)	24,790	100,948
Total Head Office / Administration Expenses	401,967	205,059
Law Libraries - Centralized Purchases		
Electronic products and services	374,026	363,137
Group benefits and insurance	330,827	336,607
Other (notes 6 and 8)	59,981	20,564
Total Law Libraries - Centralized Purchases	764,834	720,308
County and district law libraries grants (note 9)	6,393,274	7,075,663
Total County and District Law Libraries Expenses	6,393,274	7,075,663
Total Expenses	7,560,075	8,001,030
Excess of (Expenses over Revenues)		
Revenues over Expenses	(338,891)	25,692

The accompanying notes are an integral part of these financial statements

STATEMENT OF CHANGES IN FUND BALANCES

Stated in dollars

For the year ended December 31, 2021

	2021			2020
	General Fund	Reserve Fund	Total	
Balance, beginning of year	533,689	500,000	1,033,689	1,007,997
Excess of (expenses over revenues) revenues over expenses	(338,891)	-	(338,891)	25,692
Balance, end of year	194,798	500,000	694,798	1,003,689

The accompanying notes are an integral part of these financial statements



Legal Information and Resource Network

STATEMENT OF CASH FLOWS

Stated in dollars

For the year ended December 31, 2021

	2021	2020
Net inflow (outflow) of cash related to the following activities		
Excess of (expenses over revenues) revenues over expenses for the year	(338,891)	25,692
Net change in non-cash operating working capital items:		
Accounts receivable	552	1,952
Prepaid expenses	(3,748)	(2,088)
Accounts payable & accrued liabilities	35,647	(1,019)
Cash inflow from operating activities	(306,440)	24,537
Net (outflow) inflow of cash during the year	(306,440)	24,537
Cash, beginning of year	1,034,262	1,009,725
Cash, end of year	727,822	1,034,262

The accompanying notes are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

1. General

At the beginning of 2020, the name of the corporation was changed from LibraryCo Inc. to LiRN Inc. (LiRN). LiRN was established to develop policies, procedures, guidelines and standards for the delivery of county law library services and legal information across Ontario and to administer funding from the Law Society of Ontario (Law Society).

LiRN has two classes of shares: Common shares and Special shares. The Law Society holds all of the 100 Common shares outstanding. Of the 100 special shares outstanding, 25 are held by the Toronto Lawyers Association (TLA) and 75 are held by the Federation of Ontario Law Associations (FOLA).

LiRN is not subject to federal or provincial incomes taxes.

The Law Society provides certain administrative functions to LiRN for no fee.

2. Significant Accounting Policies

Basis of Presentation

The financial statements have been prepared in accordance with the accounting standards for not-for-profit organizations (ASNPO) set out in Part III of the Chartered Professional Accountants of Canada Handbook – Accounting.

General and Reserve Funds

LiRN follows the restricted fund method.

The General Fund accounts for the delivery, management and administration of library services. The Reserve Fund is maintained to assist LiRN's cash flows and act as a contingency fund.

Cash

Cash consists of amounts on deposit with a major financial institution.

Revenue Recognition

Grants are recorded as revenue in the General Fund in the fiscal year in which they are received or receivable.

Interest income is recognized when receivable if the amount can be reasonably estimated.

Grants Paid

Grants paid are recognized in the fiscal year in which they are paid or payable.

Use of Estimates

The preparation of financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the year. Actual results could differ from such estimates.

3. Financial Instruments

LiRN's financial assets and financial liabilities are classified and measured as follows:

Asset / Liability	Measurement
Cash	Fair value
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

4. Accounts Payable and Accrued Liabilities

There are no amounts of payable for government remittances.

5. Share Capital

Authorized:

- Unlimited number of Common shares
- Unlimited number of Special shares

Issued:

	2021	2020
100 Common shares	\$100	\$100
100 Special shares	100	100
Total	\$200	\$200

6. Related Party Transactions

The Law Society provided LiRN with a grant of \$7,217,000 (2020 – \$8,019,000) during the year. The Law Society provides certain administrative services to LiRN (note 1) as well as other services and publications. The total amount billed by the Law Society for 2021 was \$51,878 (2020 - \$17,400). Included in accounts payable and accrued liabilities are amounts due to the Law Society of \$7,997 (2020 - \$453).

Lawyers' Professional Indemnity Company (LAWPRO) provides professional liability insurance to lawyers in Ontario and is also a wholly owned subsidiary of the Law Society. There were no transactions with LAWPRO during 2021 or 2020.

These transactions are entered in the ordinary course of business and are measured at fair value.

7. Other Expenses – Head Office/Administration

Included in these expenses are directors' and officers' insurance, Board of Directors' meetings, telephone services and other miscellaneous items.

8. Other Expenses – County and District Law Libraries – Centralized Purchases

Included in these expenses are costs associated with continuing education bursaries, conference bursaries, document delivery, publications, committee meetings and miscellaneous items.

9. County and District Law Libraries Grants

These grants represent the quarterly distribution of funds to the 48 County and District Law Libraries and any capital and special needs grants. The grants are distributed in accordance with policies and procedures established by LiRN's Board of Directors. The following page contains individual law library grants that were distributed by LiRN during 2021 and 2020.

Law Association	2021	2020
Algoma	\$139,346	\$148,240
Brant	103,516	110,123
Bruce	58,963	61,420
Carleton	583,647	678,659
Cochrane	51,222	53,356
Dufferin	49,126	51,173
Durham	154,685	169,136
Elgin	86,292	89,887
Essex	265,511	310,734
Frontenac	137,022	146,768
Grey	69,819	72,728
Haldimand	32,178	33,835
Halton	140,961	154,218
Hamilton	424,184	493,237
Hastings	89,431	93,157
Huron	80,016	83,350
Kenora	92,012	95,846
Kent	74,296	77,392
Lambton	80,177	84,518
Lanark	42,273	43,136
Leeds & Grenville	75,722	78,877
Lennox & Addington	28,628	29,212
Lincoln	180,333	196,014
Manitoulin	2,732	2,788

Law Association	2021	2020
Middlesex	342,345	399,075
Muskoka	68,044	71,879
Nipissing	90,906	94,694
Norfolk	74,319	78,416
Northumberland	87,634	91,285
Oxford	75,012	78,138
Parry Sound	47,324	48,290
Peel	280,846	326,565
Perth	57,772	61,179
Peterborough	136,928	145,668
Prescott & Russell	14,970	16,275
Rainy River	29,032	30,624
Renfrew	128,221	136,405
Simcoe	141,888	154,226
Stormont Dundas & Glengarry	81,792	85,200
Sudbury	185,201	205,779
Temiskaming	46,514	47,463
Thunder Bay	172,124	187,091
Toronto	555,571	646,013
Victoria-Haliburton	92,386	96,235
Waterloo	241,153	274,037
Welland	96,905	105,090
Wellington	79,861	83,189
York	224,434	255,043
TOTAL	\$6,393,274	\$7,075,663