

LiRN

Legal Information and Resource Network

2020

Annual Report 2020

LIRN INC.

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2020

Articles of Amendment were filed with the Minister of Government Services at the beginning of 2020 to rename LibraryCo Inc. as LIRN Inc. with a new governance structure to oversee the delivery of library services and legal information to Ontario licensees. This is the first year of operation under this new structure with a new independent, skills-based board of directors.

LIRN's first year of operation focused on establishing the Board, Board Committees and their Terms of Reference, recruiting and hiring a Managing Director, and collecting data to support the development of a strategic plan. This was accomplished amidst the Covid-19 pandemic, which impacted the Board's activities and timing.

Results of Operations

Results for the year identify an excess of revenues over expenses of \$25,692 (2019 - \$299,499). The 2020 budget approved the utilization of \$89,000 of the General Fund balance to support the operations of LIRN. Transition to the new structure was completed during the year resulting in expenditures being less than planned. This resulted in the small excess of revenues over expenses for 2020. While core expenses such as grants to county libraries increased from 2019, a number of smaller expense categories were under budget and the draw on the General Fund balance did not occur.

Statement of Revenues and Expenses – Revenues

The Law Society of Ontario (the Society) grant totalled \$8 million (2019 - \$8.1 million). The slight decline in the Society grant from 2019 is a reflection of the growth in the General Fund balance experienced by LIRN. The 2020 funding of operations by the Society grant was intended to be supplemented by the utilization of the General Fund balance as previously mentioned.

Statement of Revenues and Expenses – Expenses

Administration expenses were incurred as LIRN Inc. transitioned from LibraryCo Inc., and a Managing Director was hired. In 2019 these services were provided by the Law Society at no charge.

Electronic products and services expenses of \$363,000 increased slightly over 2019.

County and district law library grants of \$7.1 million (2019 - \$6.9 million) are detailed by county in the notes to the financial statements and include both the annual grants approved as part of the budget process and also special needs grants. All counties received increases in their annual grants in 2020.

Balance Sheet and Statement of Changes in Fund Balances

The General Fund accounts for the delivery, management and administration of library services. The General Fund has increased by the excess of revenues over expenses of \$25,692 to \$533,689. LIRN's budget for 2021 envisages using \$456,000 of the fund balance to finance operations.

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. (the Organization) as at December 31, 2020 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

The Organization's financial statements comprise:

- the statement of financial position as at December 31, 2020;
- 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 the Organization 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.

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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.

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 the Organization'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 the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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 the Organization'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 the Organization'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 the Organization 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
March 25, 2021

STATEMENT OF FINANCIAL POSITION

Stated in dollars

As at December 31, 2020

	2020	2019
Assets		
Current Assets		
Cash	1,034,262	1,009,725
Accounts Receivable	23,403	25,355
Prepaid Expenses	33,692	31,604
Total Assets	1,091,357	1,066,684
Liabilities, Share Capital & Fund Balances		
Current Liabilities		
Accounts Payable & Accrued Liabilities (note 4 and 6)	57,468	58,487
Total Liabilities	57,468	58,487
Share Capital & Fund Balances		
Share Capital (notes 1 and 5)	200	200
General Fund (note 2)	533,689	507,997
Reserve Fund (note 2)	500,000	500,000
Total Share Capital & Fund Balances	1,033,889	1,008,197
Total Liabilities, Share Capital & Fund Balances	1,091,357	1,066,684

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



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STATEMENT OF REVENUES AND EXPENSES

Stated in dollars

For the year ended December 31, 2020

	2020	2019
Revenues		
Law Society of Ontario grant (note 6)	8,019,094	8,057,936
Interest income	7,628	18,219
Total Revenues	8,026,722	8,076,155
Expenses		
Head Office Administration		
Administration	79,068	-
Professional fees	25,043	24,201
Other (note 7)	100,948	13,891
Total Head Office / Administration Expenses	205,059	38,092
Law Libraries - Centralized Purchases		
Electronic products and services	363,137	352,668
Group benefits and insurance	336,607	338,052
Other (note 6 and 8)	20,564	103,593
Total Law Libraries - Centralized Purchases	720,308	794,313
County and District Law Libraries Grants (note 9)	7,075,663	6,944,251
Total County and District Law Libraries Expenses	7,795,971	7,738,564
Total Expenses	8,001,030	7,776,656
Excess of Revenues over Expenses for the Year	25,692	299,499

The accompanying notes are an integral part of these financial statements



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STATEMENT OF CHANGES IN FUND BALANCES

Stated in dollars

For the year ended December 31, 2020

	2020			2019
	General Fund	Reserve Fund	Total	
Balances - beginning of year	507,997	500,000	1,007,997	708,498
Excess of Revenues over Expenses for the year	25,692	-	25,692	299,499
Balances - end of year	533,689	500,000	1,033,689	1,007,997

The accompanying notes are an integral part of these financial statements



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STATEMENT OF CASH FLOWS

Stated in dollars

For the year ended December 31, 2020

	2020	2019
Net inflow (outflow) of cash related to the following activities		
Excess of revenues over expenses for the year	25,692	299,499
Net change in non-cash operating working capital items:		
Accounts receivable	1,952	1,348
Prepaid expenses	(2,088)	(1,190)
Accounts Payable & Accrued Liabilities	(1,019)	33,597
Cash sourced in operating activities	24,537	333,254
Net inflow of cash during the year	24,537	333,254
Cash - beginning of year	1,009,725	676,471
Cash - end of year	1,034,262	1,009,725

The accompanying notes are an integral part of these financial statements

LIRN INC.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2020

1. General

At the beginning of 2020, the name of the corporation was changed from LibraryCo Inc. to LIRN Inc. (the Organization). The Organization 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 (the Society).

The Organization has two classes of shares: Common shares and Special shares. The 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).

The organization is not subject to federal or provincial incomes taxes.

The Society provides certain administrative functions of the Organization 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

The organization 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 the Organization's cash flows and act as a contingency fund.

Cash

Cash consists of amounts on deposit with the Organization's 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

The Organization'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:

	2020	2019
100 Common shares	\$100	\$100
100 Special shares	100	100
Total	\$200	\$200

6. Related Party Transactions

The Society provided the Organization with a grant of \$8,000,000 (2019 - \$8,100,000) during the year.

The Society provides certain administrative services to the Organization (note 1) as well as other services and publications. The total amount billed by the Society for 2020 was \$17,400 (2019 - \$32,378). Included in accounts payable and accrued liabilities are amounts due to the Society of \$453 (2019 - \$5,768).

Lawyers' Professional Indemnity Company (LAWPRO) provides professional liability insurance to lawyers in Ontario and is also a wholly owned subsidiary of the Society. There were no transactions with LAWPRO during 2020 or 2019.

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, transition expenses 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, the Conference for Ontario Law Associations' Libraries, 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 the Organization's Board of Directors. The following page contains individual law library grants that were distributed by the Organization during 2020 and 2019.

Law Association	2020	2019
Algoma	\$148,240	\$146,334
Brant	110,123	107,964
Bruce	61,420	64,057
Carleton	678,659	665,352
Cochrane	53,356	52,310
Dufferin	51,173	50,170
Durham	169,136	164,839
Elgin	89,887	88,125
Essex	310,734	302,681
Frontenac	146,768	142,910
Grey	72,728	72,302
Haldimand	33,835	32,191
Halton	154,218	150,213
Hamilton	493,237	488,352
Hastings	93,157	91,331
Huron	83,350	81,715
Kenora	95,846	93,967
Kent	77,392	78,874
Lambton	84,518	82,880
Lanark	43,136	42,290
Leeds & Grenville	78,877	77,330
Lennox & Addington	29,212	28,639
Lincoln	196,014	192,170
Manitoulin	2,788	2,733

Law Association	2020	2019
Middlesex	399,075	394,802
Muskoka	71,879	69,489
Nipissing	94,694	92,837
Norfolk	78,416	76,898
Northumberland	91,285	89,495
Oxford	78,138	76,606
Parry Sound	48,290	47,343
Peel	326,565	320,162
Perth	61,179	58,999
Peterborough	145,668	142,812
Prescott & Russell	16,275	14,976
Rainy River	30,624	29,043
Renfrew	136,405	133,730
Simcoe	154,226	151,202
Stormont Dundas & Glengarry	85,200	83,529
Sudbury	205,779	201,744
Temiskaming	47,463	47,532
Thunder Bay	187,091	183,422
Toronto	646,013	633,346
Victoria-Haliburton	96,235	94,348
Waterloo	274,037	269,534
Welland	105,090	101,068
Wellington	83,189	81,558
York	255,043	250,047

TOTAL	\$7,075,663	\$6,944,251
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