



Law Society  
of Ontario

Barreau  
de l'Ontario

**Tab 2**

## **Audit & Finance Committee**

### **Report to Convocation**

May 28, 2020

#### **Committee Members:**

Teresa Donnelly (Chair)  
Lubomir Poliacik (Vice Chair)  
Ryan Alford  
Gary Graham  
Philip Horgan  
Vern Krishna  
Shelina Lalji  
Nancy Lockhart  
Michelle Lomazzo  
Cecil Lyon  
Isfahan Merali  
Clare Sellers  
Tanya Walker

#### **Authored By:**

Finance Department  
Brenda Albuquerque-Boutilier, Executive Director & CFO  
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## COMMITTEE PROCESS

1. The Audit & Finance Committee (“the Committee”) met on May 13, 2020 by teleconference.
2. Committee members in attendance were Teresa Donnelly (Chair), Lubomir Poliacik (Vice-Chair), Ryan Alford, Gary Graham, Philip Horgan, Shelina Lalji Nancy Lockhart, Michelle Lomazzo, Cecil Lyon, Clare Sellers, Tanya Walker.
3. The Treasurer, Malcolm Mercer, attended.
4. Other benchers in attendance were Jared Brown, Andrew Spurgeon, Alex Wilkes.
5. Law Society staff in attendance: Diana Miles, Brenda Albuquerque-Boutilier, Christianne Abou-Saab, Andrew Cawse.
6. Also in attendance: Brian White and Neil Tai-Pow (AON), Robert Laughton (Foyston, Gordon & Payne), Dan Pinnington and Krista Franklin (LAWPRO), Michael Hawtin(PWC)

**FOR DECISION**  
**LAW SOCIETY OF ONTARIO**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**DECEMBER 31, 2019**

**Motion:**

That Convocation approve the audited annual financial statements for the Law Society of Ontario for the year ended December 31, 2019, including the net inter-fund transfers listed in Note 14, which are as follows:

- \$2,265,000 from the Capital Allocation Fund to the Invested in Capital and Intangible Assets Fund representing assets capitalized during the year in compliance with the Society's accounting policies;
- \$1,200,000 from the Errors & Omissions Fund to the lawyer General Fund as provided in the 2019 budget representing accumulated investment income, surplus to the needs of the E&O Fund;
- \$367,000 from the General Fund to the Special Projects Fund with funding transferred to fund continuation of the family legal services provider initiative, the next bench election, the facilities condition assessment and the upgrade of the human resources payroll information system;
- \$131,000 from the General Fund to the Capital Allocation Fund capitalizing audio-visual equipment; and
- \$100,000 from the lawyer General Fund to the Repayable Allowance Fund, as provided in the 2019 budget to fund the Repayable Allowance Program in the Licensing Process.

The financial statements are accompanied by an unmodified opinion from the auditor. Michael Hawtin, Partner Assurance from PricewaterhouseCoopers LLP (PwC) will be in attendance.

The financial statements present the financial position and operations of the Law Society and include the General Fund (or operating fund) and a number of special purpose or restricted funds. The restricted funds are described in the financial statements and are:

- The Compensation Fund, restricted by the Law Society Act;
- The Errors & Omissions Insurance Fund (E&O Fund), the Capital Allocation Fund, the Invested in Capital & Intangible Assets Fund, the County Libraries Fund, the Repayable Allowance Fund, the Special Projects Fund and the Parental Leave Assistance Fund, all restricted by policies of Convocation.

**Inter-fund Transfers**

The net inter-fund transfers are listed in Note 14 to the Annual Financial Statements and are routine in nature. Generally, inter-fund transfers relate to the capitalization of capital and intangible assets at year-end or the transfer of budgeted funds to appropriate

Restricted Funds based on the criteria of the Fund. As these Funds are restricted by Convocation, the transfers are requested to be specifically approved by Convocation as part of the approval of the financial statements.

As the Special Projects Fund sees the transfer of budgeted funds in and out of that Fund, the following information is intended to provide greater clarity.

The net inter-fund transfer of \$367,000 from the General Fund to the Special Projects Fund includes \$721,000 of transfers from the General Fund to the Special Projects Fund offset by \$354,000 of transfers from the Special Projects Fund to the General Fund. The Special Projects Fund ensures that budgeted funds that have been approved by Convocation and are intended for a specific initiative in a given budget year, remain available for the successful completion of the project in the following year if the project is delayed.

In 2020, the transfers from General Fund to the Special Projects Fund relate to:

- \$555,000 to fund ongoing work pertaining to the Family Legal Services Provider initiative. This amount was budgeted in 2019 in the lawyer and paralegal General Funds, with activity on this initiative continuing into 2020;
- \$120,000 to fund a Facilities Condition Assessment and 10-year Facility Plan that will inform the capital budget for 2021 and onwards. The assessment was budgeted and planned for late 2019. With some large facilities projects ongoing in late 2019 hindering the ability to complete the assessment, it was delayed to early 2020;
- \$36,000 to fund the continued upgrade of the Law Society's human resource payroll information system which commenced in 2019 and will continue into 2020.
- \$10,000 to fund the next bencher election. To evenly allocate the cost of the bencher election over four years rather than budget for all election expenses in one year, funds are transferred to the Special Projects Fund each year. This approach allows for the smoothing of the impact on annual fees.

Transfers from the Special Projects Fund to the General Fund relate to the following expenditures in 2019:

- \$150,000 to fund the work completed on the Challenges Report – Inclusion Index. This initiative had been budgeted for 2018, but was delayed as further consideration was required by the Equity and Indigenous Affairs Committee prior to commencing the project. Spending occurred in 2019;
- \$118,000 to fund the expenses incurred related to the 2019 Bencher election;
- \$38,000 pertaining to the balance of the \$100,000 approved by Convocation for 2017 to fund the hiring of a fundraising professional to bring the Lawyers Feed the Hungry to financial sustainability. With a vacancy in the fundraising

professional position in 2017, use of some of the funds was delayed until 2018 and onwards, once the new employee was hired by the Law Society Foundation.

- \$38,000 to fund and pay for the first phase of the Law Society's human resource payroll information system; and
- \$10,000 to fund grounds maintenance activities that took place in 2019. The funding was originally received as a grant from Canada Life as a result of the development of the opera house and the negative impact it had on sun exposure to Law Society grounds.

### **Management Discussion and Analysis**

The primary Management Discussion and Analysis can be found at the start of the Annual Financial Statements. In addition, supplementary unaudited Schedules of Revenues and Expenses for the General Fund, Compensation Fund and Errors & Omissions Fund comparing actual results to budget are included.

**AUDIT AND FINANCE COMMITTEE REPORT**  
**2019 Financial Statements**

**Available upon request**

**AUDIT AND FINANCE COMMITTEE REPORT**

**LAWYERS' PROFESSIONAL INDEMNITY COMPANY  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**Available upon request**



**AUDIT AND FINANCE COMMITTEE REPORT**

**LIBRARYCO INC.  
AUDITED ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**Available upon request**

**AUDIT AND FINANCE COMMITTEE REPORT**

**LAW SOCIETY OF ONTARIO FINANCIAL STATEMENTS FOR  
THE THREE MONTHS ENDED MARCH 31, 2020**

**Available upon request**

**AUDIT AND FINANCE COMMITTEE REPORT**

**PERFORMANCE OF INVESTMENT MANAGER REPORT**

**Available upon request**

**AUDIT AND FINANCE COMMITTEE REPORT**

**INVESTMENT COMPLIANCE REPORTS**

**Available upon request**