



**Law Society**  
of Ontario

**Barreau**  
de l'Ontario

# **Audit & Finance Committee**

## **Report to Convocation**

September 24, 2020

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## Table of Contents

### For Information:

Law Society Financial Statements for the Quarter ended June 30, 2020 .....	8.1
LIRN Inc. Financial Statements for the Quarter ended June 30, 2020 .....	8.2
Investment Compliance Reports for the Quarter ended June 30, 2020.....	8.3

## FOR INFORMATION

### Law Society of Ontario Financial Statements for the Six Months ended June 30, 2020

**The Audit & Finance Committee recommends Convocation receive the financial statements of the Law Society for the first six months of 2020 for information.**

This is part of the quarterly financial reporting schedule to Convocation. These interim statements convey the performance of the Law Society before the end of the year. Unlike annual statements, interim statements are not audited.

These financial statements present the financial position and operations of the Society and include the General Funds (or operating funds) and a number of special purpose or restricted funds.

- The Compensation Funds are restricted by the Law Society Act
- The Errors and Omissions Insurance Fund (E&O Fund), the Capital Allocation Fund, the Invested in Capital and Intangible Assets Fund, the County Libraries Fund and the “Other Restricted Funds” (Repayable Allowance Fund, Special Projects Fund and Parental Leave Assistance Fund) are restricted by Convocation.

Information on General Funds and restricted funds is provided in [Appendix A](#).

The Financial Statements for the six months ended June 30, 2020 comprise the following statements:

- Balance Sheet
- Statement of Revenues and Expenses and Change in Fund Balances, detailing results of operations for lawyers and paralegals
- Schedule of Restricted Funds
- Supplemental schedules include Schedules of Revenues and Expenses for the Combined General Funds, Lawyer and Paralegal General Funds, the Compensation Funds and the Errors and Omissions Insurance Fund

Supplementary information on financial reporting is provided in [Appendix B](#).

## Financial Statement Highlights

The Law Society continues to be in a solid financial position as at June 30, 2020, despite the impacts of the COVID-19 pandemic (COVID-19) on some of its revenue sources. Management has also taken deliberate measures to contain costs as well as there being circumstantial savings related to COVID-19. The more notable changes took effect mid-quarter, with a greater impact expected in the second half of the year. Key highlights include:

- a) The consolidated excess of revenues over expenses was \$3 million for the six months ended June 30, 2020. While this is less than the \$8.3 million for the same period in 2019, the 2020 results are favorable compared to the budgeted excess of expenses over revenues of \$5.0 million for the six months ended June 30, 2020.
- b) Expenses of \$104.3 million in the current year are lower than the \$111.4 million for the same period in 2019 and all major expense categories were under budget.
- c) While expenses have declined, COVID-19 has negatively impacted revenues due to restrictions introduced by the Province related to social gatherings, physical distancing requirements and relief measures introduced by the Law Society to assist licensees and candidates. This is most noted in Professional Development and Competence and Other revenues with
  - notable changes in Continuing Professional Development (CPD) activities,
  - delayed examinations and reduced Call to the Bar fees,
  - the closure of catering operations, and
  - the deferral of administrative fees such as late fees.

At \$1.2 million, CPD revenue is less than half of budget for the period and last year's comparative revenue. As part of measures to assist licensees through the pandemic, the deadline for payment of annual fees and filing of the annual report was deferred from March to August affecting the timing of application of late fees. This has resulted in late payment fees being \$800,000 less than budget and \$915,000 less than prior year actuals.

## Statement of Revenues and Expenses and Change in Fund Balances

### Lawyer General Fund

The Lawyer General Fund reported an excess of expenses over revenues of \$528,000 for the six months ended June 30, 2020 (2019: excess of revenues over expenses of \$4.4 million). The 2020 annual budget planned for expenditures to exceed revenues in the General Funds. The Lawyer General Fund planned for the use of \$5.1 million in fund balances and the allocation of \$1.2 million from the accumulated surplus investment income in the Errors & Omissions Fund (E&O Fund) to fund operations. With the planned use of fund balances as a source of funding for 2020 expenditures, the decrease in the Lawyer General Fund balance from \$26.1 million to \$25.5 million is less than expected throughout the first half of the year. The fund balance is within the benchmarks of the Law Society's Fund Balance Management Policy.

### Paralegal General Fund

The Paralegal General Fund experienced \$263,000 in excess of expenses over revenues for the six month ended June 30, 2020 (2019: excess of revenues over expenses of \$96,000). The Paralegal General Fund budget for 2020 incorporated the use of \$2.4 million of the Paralegal General Fund balance to fund operations. The Paralegal General Fund balance of \$1.6 million as of June 30, 2020 is better than budgeted.

### Restricted Funds

The Law Society's restricted funds reported an excess of revenues over expenses of \$3.8 million in the first half of the year which is comparable to the same period last year. The key components are:

- a. Excess of revenues over expenses of \$4.5 million (2019 – excess of revenue over expenses of \$4.5 million) in the Compensation Fund (further explained below);
- b. Excess of expenses over revenues of \$675,000 (2019 – excess of expenses over revenues of \$385,000) in the E&O Fund due primarily to unrealized losses on long-term investments; and
- c. Amortization of \$1.1 million in the Invested in Capital & Intangible Assets Fund.

## **Compensation Fund**

The lawyer pool of the Compensation Fund had a fund balance of \$26.3 million as at June 30, 2020; an increase of \$10 million compared to the \$16.1 million balance as at June 30, 2019. After a period of unusually high claims experience in the years prior to 2017, through the 2018 budget, the Society implemented a three year plan to replenish the lawyer pool of the Compensation Fund by including an annual \$5 million provision above the amount for routine claims to restore the Fund's financial stability. In addition to this deliberate provision intended to restore the fund balance with a budgeted excess of revenues over expenses of \$5 million in 2020, the budget included a provision for claims (unpaid grants) of \$4.8 million for the year. The prorated budget for the provision for claims for the first half of the year was \$2.4 million compared to an actual decrease in the provision of \$600,000. The decrease in the provision was driven by the closure of claims that resulted in payments less than claimed or no payment at all. This was offset by unrealized losses on investments totaling \$1.3 million in the first half of 2020.

The lawyer pool of the Compensation Fund ended the quarter with a fund balance of \$26.3 million which is above the minimum benchmark under the Fund Balance Management Policy approved by Convocation in June of \$19.6 million.

The paralegal pool of the Compensation Fund balance is \$917,000 as at June 30, 2020 compared to \$826,000 at the end of the second quarter in 2019. With a grant claim limit of \$10,000 and based on historical claims experience, the fund balance is well funded to deal with an adverse claim event.

## **E&O Fund**

The fund balance of the E&O decreased to \$53.8 million (2019 - \$54.2 million) after the transfer of \$1.2 million in cumulative excess investment income to the lawyer General Fund in the prior year. As in 2019, the use of \$1.2 million is budgeted to fund operations in 2020, with approximately \$800,000 available for transfer at the end of July. The timing of the transfer is dependent on available funds and if funding is required. This will be assessed later in the year based on the Law Society's financial results and the performance of the financial markets.

A change worth noting: in 2019, the Law Society recognized that a restriction on \$15 million of the fund balance intended as a backstop for claims dating back to 1995 was no longer required as no claims risks remained. As a result, Management requested that LAWPRO discontinue its request of Convocation to maintain the restriction. For 2020, the \$15 million remains in the E&O Fund, but no longer has the restriction placed on it within the Fund.

## **Annual Fees**

Annual fees recognized in the first two quarters of \$47.1 million have decreased by \$2 million from 2019 but are in line with the 2020 budget. The 2020 budget incorporated an annual fee reduction for lawyers and paralegals of \$135 and \$109, respectively, and was partially offset by an increase of 1,400 in the number of full-fee equivalent paying lawyers and an increase of 100 in the number of full-fee equivalent paying paralegals. Annual fee revenue is recognized on a monthly basis.

## **Insurance Premium and Levies**

Insurance premiums and levies are marginally less at \$49.2 million compared to \$49.4 million in 2019. The number of insured lawyers has increased and LAWPRO's base premium and transaction levy rates are unchanged from 2019. Transaction levies earned have decreased from \$12.3 million to \$11.2 million with volumes attributable to COVID-19.

## **Professional Development and Competence Revenue**

Professional development and competence revenues comprise income from the licensing process and CPD. Total year to date revenues of \$9.2 million are below last year's actuals of \$12.4 million and the current year-to-date budget of \$12 million.

Lawyer licensing process revenues of \$6.6 million are marginally below budget and less than the \$7.3 million recorded last year at the end of the second quarter. The total Licensing Process fee including the fees for the initial application and the Barrister and Solicitor Licensing Examinations of \$4,460 remain unchanged from last year. The lower revenue is attributable to the prior year having slightly more applicants than typical in the first part of the year and the staggering of payment deadlines in the current year to coincide with the timing of activities (e.g. examinations) in response to COVID-19. With no notable change in the number of candidates waiting to be licensed and with the adjustment to payment time lines, it is anticipated that licensing process revenue for the year will not be affected materially. The timing of revenue from these fees will be delayed to later in the year. The Call to the Bar component of the licensing fee was reduced in 2020 from \$250 to \$165. As a result of group gathering restrictions, the Law Society held administrative Calls to the Bar beginning in May 2020 and will continue to do so for the rest of the year. This will result in lower revenues to the end of year of approximately \$180,000 from budget.

Paralegal licensing process revenues of \$1.2 million is in line with budget and 2019 actual results.

CPD revenue totals \$1.2 million at the end of June 2020 which is \$2.7 million below the budget of \$3.9 million and lower than last year's actual revenue of \$3.8 million. Due to the restrictions on large group gatherings, CPD had to cancel its larger in-person programs. In addition, recent policy decisions of Convocation to provide free programming for licensees and remove the 6 hour interactive requirement has further contributed to the reduced revenues in the current year. The CPD team is developing plans to mitigate losses from these restrictions and policy decisions for the remainder of the year, including increasing the number of webcasts and rescheduling summits to the fall with a modified delivery model. However, even with these efforts, it is projected that revenues for 2020 will be significantly lower than both budget and prior year actuals.

### **Change in Fair Value of Investments**

The change in fair value of investments shows total unrealized losses of \$3 million compared to gains of \$2.2 million in the same period in 2019, mirroring market conditions due to increased economic uncertainty as a result of COVID-19. While the unrealized losses are significant, it should be noted that this represents an improvement over the end of the first quarter of the year where unrealized losses were \$5.6 million. The change in fair value is not included in budget projections. Investment income of \$1.2 million is comparable to last year and close to budget.

### **Other Revenues**

Other revenues totaling \$3.3 million in the General Funds is less than budget (\$4.9 million) and lower than 2019 actuals of \$5.6 million. The notable components of other income are late fees, ordered costs, Ontario Report revenue, pre-authorized payment plan fees and catering sales. There are two key drivers of this performance. The late fee for non-payment of annual fees and late filings of annual reports are budgeted at \$800,000 and \$355,000 respectively. To assist licensees at the outset of COVID-19, for licensees in default of paying their annual fees and/or filing their annual report, the deadline was extended to August. Some of this shortfall is expected to be recouped when late fees are charged in the second half of the year. In addition, catering and event operations have been closed since March 17, 2020 resulting in revenue being less than budget by \$720,000. This has been offset by employee layoffs and contract terminations as well as reductions in other costs, but is contributing to a decline in revenue against prior year and budget.

## **Professional Regulation, Tribunals and Compliance Expenses**

Professional Regulation, Tribunals and Compliance expenses totaling \$15.6 million are higher in comparison to 2019 (\$14.7 million) due to the filling of previously vacant staff positions, but are less than budget by \$1.7 million due to residual vacancies, particularly in Case Management and Litigation Services. Some vacant positions within these areas were filled in the first half of the year. Expenditures for outside counsel fees are \$518,000 over budget for the first half of the year, offsetting some of the underspending resulting from the vacancies.

## **Professional Development and Competence Expenses**

Total Professional Development and Competence expenses totaling \$13.8 million are notably less than the 2019 amount of \$16 million and are less than budget by \$2.6 million. The underspending is based on a few factors. With reduced CPD revenues due to the cancellation of all in-person events and moving all programming on line, there were savings in venue rentals, audio visual expenses, catering, and material production costs. Similarly, with the cancellation of all in-person licensing exams for the remainder of the year and the move to online examinations, licensing process invigilation and candidate support expenses are significantly less than budget. Savings in venue rental costs for licensing exams has offset the cost of administering online examinations. There is a budget variance of approximately \$350,000 related to publications and other material purchases in the Great Library as it was closed throughout the second quarter of the year, but it is likely to be made up in the remainder of the year.

## **Corporate Services Expenses**

Total Corporate Services expenses of \$13.3 million are slightly lower than the 2019 amount of \$13.7 million and less than budget by \$1.5 million. The key drivers for the difference between budget and actual are reduced spending on recruitment, building maintenance, and consulting fees.

## **Convocation, Policy and Outreach Expenses**

Convocation, Policy and Outreach expenses are \$3 million compared to \$4.8 million for the first half of 2019 and are less than budget by \$2.7 million. The underlying variances from budget relate to benchers remuneration and expenses, the unused contingency, and underspending related to policy, media relations and communications. The latter is attributable to some staffing vacancies, and the impact of COVID-19 on the timing of expenditures related to stakeholder engagement and other program expenses.

## **Balance Sheet**

### **Cash and Short Term Investments**

The total of cash and short-term investments at June 30 is \$73.9 million (2019 - \$87.4 million). Of this amount, \$19.7 million (2019 - \$13.8 million) pertains to the Compensation Fund and \$808,000 (2019 – \$1.4 million) pertains to the E&O Fund and is held in separate accounts. It should be noted that even with the COVID related decisions to defer the annual fee pre-authorized payment withdrawals and the late payment fee, the Law Society has sufficient working capital on hand to discharge its short and medium term obligations.

### **Accounts Receivable**

At the end of June, the accounts receivable balance was \$57.8 million compared to \$45.9 million at the same time last year. The increase is due to measures taken to assist licensees, insureds and candidates to deal with COVID-19. For instance the licensee instalments due under the Pre-Authorized Payment Plan scheduled for April, May, June and July were deferred until August.

### **Portfolio Investments**

Portfolio investments are shown at fair value of \$64.1 million (2019 - \$62.8 million) and reflect unrealized losses of \$3 million in the first half of 2020 related to current economic uncertainty (improved from \$5.6 million in the first quarter). Of the total portfolio investments at the end of June, \$16.8 million pertains to the General Fund, \$28.1 million to the Compensation Fund and \$19.2 million to the E&O Fund. Under the Investment Policy, the benchmark Canadian equity component is 30% and the fixed income component is 70%.

### **Investment Loan**

The investment loan of \$1.4 million (2019 - \$1.2 million) represents the Law Society's contribution to a subordinated syndicated loan with all the other Canadian law societies as part of the funding of CanLII's acquisition of Lexum in 2018. The interest rate is 4.74%. The term of the loan is 5 years. Pursuant to the loan agreement, the Law Society is committed to pay \$280,000 annually for three years, with next year being the last of the remaining annual balance of sale payments.

## **Deferred Revenue**

Deferred revenue is made up of annual fees, licensing process revenues and insurance premiums which are recognized over the full year. The balance at the end of the first half of 2020 is \$95 million (2019 - \$95.5 million). The decrease in the lawyer and paralegal annual fees for 2020, partially offset by the increase in the number of licensees and insureds, has resulted in a lower deferred revenue balance.

## **Provision for Unpaid Grants/Claims**

The provision for unpaid grants represents the estimate for unpaid grants and inquiries against the Compensation Fund, supplemented by the costs for processing these grants. The current balance of \$15.5 million has decreased from \$19.4 million in 2019 as the Fund continues to process claims related to some large defalcations. The paralegal Compensation Fund provision for unpaid grants comprises \$160,000 of the total Compensation Fund provision for unpaid grants.

**AUDIT AND FINANCE COMMITTEE REPORT**

**Law Society of Ontario Financial  
Statements for the Six Months  
ended June 30, 2020**

**Available upon request**

## Appendix A

### General Fund & Restricted Fund

#### General Fund

The General Fund accounts for the Society's program delivery and administrative activities related to the regulation and licensing of lawyers and paralegals. This fund reports unrestricted resources.

The Society's policy is to maintain the General Fund fund balance at no less than two and no more than three months of General Fund budgeted expenses.

If the General Fund fund balance exceeds three months of budgeted General Fund expenses, Convocation shall utilize the excess for one or more of the following:

- Mitigate the General Fund fee for the next fiscal year;
- Transfer the excess to another Society fund if the fund balance is below its stated policy benchmark.

If the General Fund fund balance is less than two months of budgeted General Fund expenses, Convocation shall budget for an annual surplus to restore the fund balance to its minimum policy objective. The minimum policy benchmark should be restored within three fiscal periods.

If the General Fund fund balance is more than two months of budgeted General Fund expenses and less than three months of budgeted General Fund expenses, Convocation may appropriate funds from the General Fund fund balance for one or more of the following:

- Mitigate the General Fund fee for the next fiscal year;
- Transfer the excess to another Society fund if the fund balance is below its stated policy benchmark.

#### Restricted Funds

##### Compensation Fund

The Society maintains the Compensation Fund pursuant to section 51 of the Law Society Act to relieve or mitigate loss sustained by any person in consequence of dishonesty on the part of a licensee, in connection with the licensee's professional

business or in connection with any trust of which the licensee was a trustee. The Compensation Fund is restricted in use by the Law Society Act.

Pursuant to the Law Society Act, the Compensation Fund is supported by licensee annual fees, investment income and recoveries. The Compensation Fund accounts for program delivery, administration and payment of grants and has separate fund balances for lawyer licensees and paralegal licensees.

The Law Society's policy is to maintain the Lawyer Compensation Fund balance at an amount sufficient to provide for a minimum of one 97.5th percentile aggregate claim scenarios (one-in-forty-year event) and a maximum of four 99th percentile aggregate claim scenarios (one-in-one hundred-year event). The estimated amount of aggregate claims is to be actuarially reviewed at least every three years.

If the Lawyer Compensation Fund balance exceeds four one-in-one hundred-year events, Convocation shall utilize some or all of the excess for the following:

- Mitigation of the Lawyer Compensation Fund fee for the next fiscal year; or
- Annual mitigation of the Lawyer Compensation Fund fee shall continue such that within the next three fiscal years, the maximum benchmark shall be achieved.

If the Lawyer Compensation Fund balance is less than the minimum of one one-in-forty-year event, Convocation shall budget for an annual surplus to restore the fund balance to its minimum policy objective. The minimum policy benchmark should be restored within three fiscal periods.

If the Lawyer Compensation Fund balance is more than the minimum of one one-in-forty-year event and less than four one-in-one-hundred-year events Convocation may:

- Mitigate the Lawyer Compensation Fund levy for the next fiscal year;
- Budget for a surplus sufficient to increase the fund balance to its maximum policy objective of four one-in-one-hundred-year events;
- Leave the fund balance at its current balance for the upcoming fiscal year.

### **Errors and Omissions Insurance Fund**

The Errors and Omissions Insurance Fund ("E&O Fund") accounts for insurance-related transactions between LAWPRO, the Society and insured lawyers. The E&O Fund collects premiums and levies from lawyers, reported as revenues, and remits these amounts to LAWPRO, reported as expenses.

Pursuant to section 61 of the Law Society Act, the Society arranges mandatory professional liability insurance for practising lawyers with LAWPRO, and through the E&O Fund, levies the insured lawyers. Each year, the premium for the insurance program is established through a process whereby LAWPRO provides an offer for review and acceptance by Convocation. The offer provides details on the components of the insurance program, including anticipated base premiums, claims history levies, transaction-based levies and amounts to be drawn from the E&O Fund fund balance.

### **Capital Allocation Fund**

The Capital Allocation Fund is maintained to provide a source of funds for the acquisition and maintenance of the Society's capital and intangible assets which comprise buildings and major equipment including computers and software. Amounts of assets capitalized, according to the Society's capital asset policy, are transferred to the Invested in Capital and Intangible Assets Fund. Expenditures not capitalized are expended in the Capital Allocation Fund.

### **Invested in Capital and Intangible Assets Fund**

The Invested in Capital and Intangible Assets Fund records transactions related to the Society's capital assets and intangible assets, specifically acquisitions, amortization and disposals.

### **County Libraries Fund**

The County Libraries Fund records transactions related to the Society's support of county law libraries. As approved by Convocation, the fund accumulates funds for county library purposes, which are remitted to LIRN.

### **Other Restricted Funds**

The Repayable Allowance Fund provides loans for tuition and living expenses to candidates in the lawyer licensing process.

The Special Projects Fund is maintained to ensure that financing is available for ongoing special projects approved by Convocation.

The Parental Leave Assistance Fund accounts for the delivery of the Parental Leave Assistance Program ("PLAP") and is funded by lawyers' fees. PLAP provides financial assistance to lawyers in firms of five lawyers or fewer who have a net annual practice

income of less than \$50,000 and who do not have access to any other parental leave financial benefits. Under PLAP, the Society provides a fixed sum of \$750 a week to eligible applicants for up to 12 weeks to cover expenses associated with maintaining their practice during a maternity, parental or adoption leave.

## **Appendix B**

### **Supplementary Information on Financial Reporting**

#### **Basis of Presentation**

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

#### **Portfolio Investments**

Portfolio investments are recorded at fair value. The fair value of portfolio investments is determined by reference to transactional net asset values for the fixed income and Canadian equity pooled funds. Transaction costs are expensed as incurred.

The Society manages financial risk associated with portfolio investments in accordance with its investment policy. The primary objective of the investment policy is to preserve and enhance the real capital base. The secondary objective is to generate investment returns to assist the Society in funding its programs. Convocation monitors compliance with the investment policy and regularly reviews the policy.

#### **Revenue Recognition**

Annual member fees, insurance premiums and levies are set annually by Convocation and are recognized in the year to which they relate if the amount can be reasonably estimated and collection is reasonably assured. Accordingly, fees for the next fiscal year received prior to December 31 have been deferred and are recognized as revenue in the next year.

Insurance premiums related to the unexpired term of coverage at the balance sheet date are reported as deferred revenue.

Professional development and competence revenues are recognized in the year to which they relate if the amount can be reasonably estimated and collection is reasonably assured. Fees for the next fiscal year received prior to December 31 have been deferred and are recognized as revenue in the next year.

Other revenues and realized investment income/losses are recognized when

receivable if the amount can be reasonably estimated. Unrealized investment gains/losses are recognized with changes in the fair value of financial instruments.

Fees, insurance premiums and other revenues receivable are recorded as accounts receivable on the balance sheet, net of any required provision for doubtful amounts

## FOR INFORMATION

### **LIRN Inc. Financial Statements for the Six Months Ended June 30, 2020**

**The Audit & Finance Committee recommends that Convocation receive the second quarter financial statements for LIRN Inc. for information.**

LIRN Inc. (LIRN) is the central manager of the Ontario county courthouse library system in accordance with the objectives, policies and principles established and approved by the Law Society, in consultation with the Federation of Ontario Law Associations (FOLA) and the Toronto Lawyers' Association (TLA). LIRN is a wholly-owned subsidiary of the Law Society. LIRN has two classes of shares: 100 common shares and 100 special shares. The Law Society holds all of the common shares outstanding. Of the special shares outstanding, 25 are held by the TLA and 75 are held by FOLA.

There is a quarterly financial reporting schedule to the shareholder in compliance with the Unanimous Shareholders Agreement. These interim financial statements convey the performance of LIRN before the end of the year. Unlike annual financial statements, interim financial statements are not audited. The financial statements have been approved by LIRN's Board.

LIRN is fully funded by the Law Society through the lawyer's annual fee. The county library component is currently \$182 per lawyer. Grants to the 48 county libraries comprise 87% of LIRN expenditures with the balance being centralized expenses such as access to online research products.

## **KEY POINT SUMMARY**

### **Overall Results**

1. Results for the first half of the year identify an excess of revenues over expenses of \$50,884. This is better than planned, as the 2020 budget envisages \$88,719 being drawn from the fund balance of the General Fund for the year, with \$28,654 allocated to the first half of the year based on timing of anticipated expenses.
2. The positive variance of \$79,538 from budget for the six months is due to small favourable variances in many expense categories, with a more notable underspending related to the centralized purchase of publications. It is too early in the year to attribute some of these variances to timing differences or actual savings, but it is reasonable to expect to see some materialized savings in publications as COVID-19 has impacted the Law Society's production of materials that are shared with the county libraries. The grants to county law libraries are on budget.

### **Revenues**

3. The Law Society grant includes amounts for central administration and quarterly transfers to the 48 county law libraries. The actual grant from the Law Society was \$4 million in the first half, \$19,000 less than 2019 and matched budgeted amounts for the period. Because of a reduction in transition expenses, the grant from the Law Society was budgeted to decrease slightly from 2019.

### **Expenses**

4. Total expenses were \$3.96 million, \$75,000 less than budget for the six months.
5. Under the transition costs line, there were unbudgeted total expenditures of \$37,667 relating to recruiting fees for the Managing Director search. When the 2020 budget was compiled, transition expenses of this nature were envisaged to be funded from the fund balance as \$300,000 was budgeted in 2019 for this purpose and not utilized.
6. Other head-office expenses include the production of the Annual Report, head office courier/postage costs, Directors and Officers (D&O) insurance, bank charges, website maintenance costs, the cost of providing most libraries with a toll free telephone number and governance meeting expenses.

7. Electronic product expenses of \$181,568 are in line with the agreement with LexisNexis and budget.
8. Group benefits and insurance of \$169,086 consist of the Group Benefits for enrolled county law library staff, and library D&O and property insurance.
9. Other centralized expenses of \$9,753 includes continuing education bursaries for county law library staff, library courier costs for inter-library loans of materials, publications provided by the Law Society to each of the 48 county law libraries, and the Federation of Ontario Law Associations' (FOLA) meeting expenses for their Library Committee. Underspending in publications contributed the largest variance from budget.
10. County and district law libraries grants of \$3.5 million are in line with budget and increased from 2019 as expected with the 2020 budget providing for a 2% increase.
11. Capital and special needs grants comprise the computer refreshment grants approved by the Board. There is no regular pattern to the expenditures over the year.

### **Balance Sheet**

12. Cash of \$993,000 has increased from the same period in 2019 due to the excess of revenues over expenses in the intervening period. The funds are held in the LIRN bank account where interest rates competitive with other short-term investments have been negotiated by the Law Society.
13. Accounts payable and accrued liabilities of \$42,617 are less than 2019 with the difference attributable to the timing of paying the 2019 insurance invoices and LexisNexis electronic products invoices in July 2019.
14. The fund balance of the General Fund has increased from \$381,856 in June 2019 to \$558,882 at the end of June 2020 based on the excess of revenues over expenses in the intervening period.
15. The Reserve Fund has an unchanged balance of \$500,000.

**Balance Sheet**  
**Stated in Dollars**  
**as at June 30, 2020**  
**Unaudited**

	2020	2019
<b>Assets</b>		
<b>Current Assets</b>		
1 Cash and short-term investments	993,049	948,698
2 Accounts receivable	24,420	24,879
3 Prepaid expense	84,230	79,012
<b>4 Total Assets</b>	<b>1,101,699</b>	<b>1,052,589</b>
<b>Liabilities, Share Capital and Fund Balances</b>		
<b>Liabilities</b>		
5 Accounts payable and accrued liabilities	42,617	170,533
<b>6 Total Liabilities</b>	<b>42,617</b>	<b>170,533</b>
<b>7 Share Capital and Fund Balances</b>		
8 Share capital	200	200
9 General fund	558,882	381,856
10 Reserve fund	500,000	500,000
<b>11 Total Share Capital and Fund Balances</b>	<b>1,059,082</b>	<b>882,056</b>
<b>12 Total Liabilities, Share Capital and Fund Balances</b>	<b>1,101,699</b>	<b>1,052,589</b>

*This Balance Sheet includes the financial resources of the LiRN Inc. entity only.*

## Statement of Operating Revenues and Expenses

Stated in Dollars

For the six months ending June 30, 2020

Unaudited

	2020 Actual	YTD Budget	Variance	Annual Budget	2019 Actual
<b>REVENUES</b>					
1 Law Society of Ontario grant	4,009,546	4,009,546	-	8,019,094	4,028,968
2 Interest income	4,997	-	4,997	-	7,092
3 <b>Total revenues</b>	<b>4,014,543</b>	<b>4,009,546</b>	<b>4,997</b>	<b>8,019,094</b>	<b>4,036,060</b>
<b>EXPENSES</b>					
<b>Head office / administration</b>					
4 Administration	2,260	20,000	17,740	40,000	-
5 Professional fees	7,261	6,750	(511)	13,500	9,127
6 Transition costs	37,667	-	(37,667)	-	-
7 Other	10,732	26,260	15,528	48,900	6,160
8 <b>Total head office / administration expenses</b>	<b>57,920</b>	<b>53,010</b>	<b>(4,910)</b>	<b>102,400</b>	<b>15,287</b>
<b>Law libraries - centralized purchases</b>					
9 Electronic products and services	181,568	181,620	52	363,250	176,334
10 Group benefits and insurance	169,086	187,000	17,914	374,000	170,799
11 Other	9,753	75,698	65,945	184,900	31,112
12 <b>Total law libraries - centralized purchases</b>	<b>360,407</b>	<b>444,318</b>	<b>83,911</b>	<b>922,150</b>	<b>378,245</b>
13 County and district law libraries - grants	3,530,332	3,530,332	-	7,060,663	3,462,109
14 Capital and special needs grants	15,000	10,540	(4,460)	22,600	7,062
15 <b>Total county and district law libraries expenses</b>	<b>3,545,332</b>	<b>3,540,872</b>	<b>(4,460)</b>	<b>7,083,263</b>	<b>3,469,171</b>
16 <b>Total expenses</b>	<b>3,963,659</b>	<b>4,038,200</b>	<b>74,541</b>	<b>8,107,813</b>	<b>3,862,703</b>
17 <b>Excess of revenues over expenses (expenses over revenues)</b>	<b>50,884</b>	<b>(28,654)</b>	<b>79,538</b>	<b>(88,719)</b>	<b>173,357</b>

This statement includes the revenues and expenses of the LiRN Inc. entity only.

**Statement of Changes in Fund Balances**  
**Stated in Dollars**  
*For the six months ending June 30, 2020*  
**Unaudited**

	<b>2020</b>			<b>2019</b>
	General Fund	Reserve Fund	Total	Total
1 Balance, beginning of year	507,998	500,000	<b>1,007,998</b>	<b>708,499</b>
Excess of revenues over expenses				
2 (expenses over revenues)	50,884	-	<b>50,884</b>	<b>173,357</b>
<b>3 Balance, end of period</b>	<b>558,882</b>	<b>500,000</b>	<b>1,058,882</b>	<b>881,856</b>

## **FOR INFORMATION**

### **Investment Compliance Reports for the Quarter ended June 30, 2020**

**The Committee recommends the Investment Compliance Reports for the quarter ended June 30, 2020 be received by Convocation for information.**

Under the Law Society Investment Policy, Law Society management shall report quarterly on compliance with the Policy.

The Law Society, and its investment manager, has complied with the Investment Policy for the quarter ending June 30, 2020.

**AUDIT AND FINANCE COMMITTEE REPORT**

**Law Society of Ontario  
Compiled Investment Compliance Reports**

**Available upon request**